

**LOVE**

**“It’s not a word you expect  
to see on the cover of an**

**Annual Report**

04

## Contents

An introduction to Oskar	05
A letter to the stakeholders from Al Tolstoy, Oskar's CEO	07
Financial Highlights	08
A letter from Karla D. Stephens, Oskar's COO	11
Oskar's Executive Team	14
Forward Outlook	18
Brand and Communications	20
Awards in 2004	26
Marketing	28
Technology	34
Milestones	38
Sales and Customer Care	41
What our customers say	44
Strategy and Planning	46
Learning and Growth	48
We love learning	52
Legal and Regulatory	54
Finance	56
Financial Section	58
Oskar Stores	88
Credits	91

**But it’s there because we  
believe passionately that  
behind all the facts and  
figures, strategies and  
projections that the biggest  
asset we have is our love  
for what we do.”**

**Karla D. Stephens, Chief Oskaraci Officer**



# PASSION

the **thread** that runs through **Oskar...**



OSKAR & WEST



## Love story No.47

### 100 km to work

#### Petr Hampejs, Sales Coach

Petr looks after his grandparents who brought him up as a child. They live in Northern Bohemia near the German border, so this involves a commute of 100 km to Prague each day to get into work... now that's real love – and passion for your job.



## Passion: Our greatest strength

**It's the southern Europeans who have a reputation for passion. The Italians, the Spanish, the French. Maybe it's something in the olive oil that makes them so hot-blooded, fiery and impulsive. But we'd like to redress the balance. Here in the Czech Republic, we believe we're a match for anyone. And at Oskar in particular, passion is right at the heart of what we do.**

Oskar was the third mobile operator to launch in the Czech Republic. We've always been seen as something of an upstart and have enjoyed living up to that reputation. From day one, we've been determined to do things our own way, to take the other road. And our three driving passions have led us to where we want to be.

#### Inspiring experience

It's out there. And it's wonderful. Oskar gives Oskaraci the opportunity to expand their horizons and go places they've never been before. To shed their fears and inhibitions and embrace the new.

#### Challenging conventions

There's no right way to do things. At Oskar we like people to ask 'why?', to rock the boat, to follow a hunch. Daring to be different is the first step to creating something exceptional. And where's the fun in conformity?



#### Being one

We're all in this together. Power to the power of many. No matter how different we are, if we put our heads together, we can reach much further. There's no better way of looking after ourselves than looking after each other.



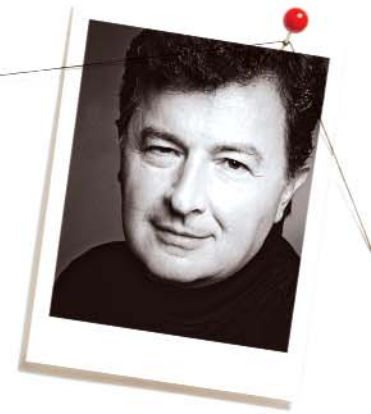
WORLD OF FLAVOURS

“

**Pride, focus, energy,  
skill, dedication...**

**a strong business builds  
on all these qualities. But  
there's one thing that  
separates the merely good  
from the truly great. And  
that's love. It's a powerful,  
positive force – and one  
that we have in abundance  
at Oskar.”**

**AI Tolstoy**



### **Heart to heart**

**A letter to the stakeholders from AI Tolstoy,  
Chairman & CEO Oskar/CONNEX, President & COO TIW**

**This quote sums it up perfectly. Without love, there's nothing. But I'm not just talking about hearts and flowers. I'm talking about loving what you do for a living, following a dream, being proud of your achievements. Love comes in all shapes and forms, and in many ways, defines what we do here at Oskar.**

We're in the business of bringing people together. Of keeping them close, even when they're apart. Of making their lives better. When you think about it, that's not a bad line of business to be in.

And we're good at it. But don't just take my word for it, the facts below speak for themselves.

Oskar Mobil a.s. was voted best mobile operator in the Czech Republic by MobilMania.cz for a second year running, which represents a massive vote of confidence from the public at large. It seems we've won a place in the Czech people's hearts. Our marketing campaigns have become well-loved national events, getting people talking, creating a buzz, tuning into the zeitgeist with genuine creativity and virtuosity. We need to keep that enthusiasm for Oskar bubbling away.

As a whole, the Czech mobile phone market continued to grow steadily in 2004. SIM-card penetration hit 105%, mainly because of dual usage – that is, the high numbers of people with two or more SIM cards or two phones. Even so, the market still has growth potential – only 70-75% of people over the age of 15 use a mobile phone. In addition, we're confident that we remain an attractive proposition for customers coming from the competition.

With 1.8 million subscribers using Oskar by the end of 2004, our market share improved again. We now account for an estimated 17% share of the national cellular market based on SIMs, reflecting an aggressive 18% growth in customers over year end in 2003.

Our focus on higher-revenue subscribers has paid off. Oskar gained 219,000 postpaid subscribers in 2004, 77% of its total net additions for the year. This helped us achieve the highest Average Revenue Per User (ARPU) in the Czech market for the second consecutive year. Nearly half our subscriber base comprises of customers on postpaid tariffs. These customers tend to be more loyal to their network, make more calls and use more value-added services like SMS, MMS and information services.

And this kind of mobile phone usage is good news for our overall revenue stream. Our service revenues grew by 23.8%, reaching CZK 13.4 billion, which represents a 20.1% market share of national cellular service revenue.

We'll be busy in 2005. We're due to roll out high-speed data services this year and there's a lot of preparation needed ahead of the introduction of 3G. These are massive commitments, but they're crucial for us to continue winning over more of those important high-value customers. As usual, we'll need all our energy and all our focus.

Be prepared. You're in for a whole lot of love.

AI Tolstoy, March 2005.

TIW is a leading provider of wireless voice, data and short messaging services in Central and Eastern Europe with nearly 6.7 million subscribers.

2004

# Measuring

# our success

**Customer base exceeds 1.83 million**

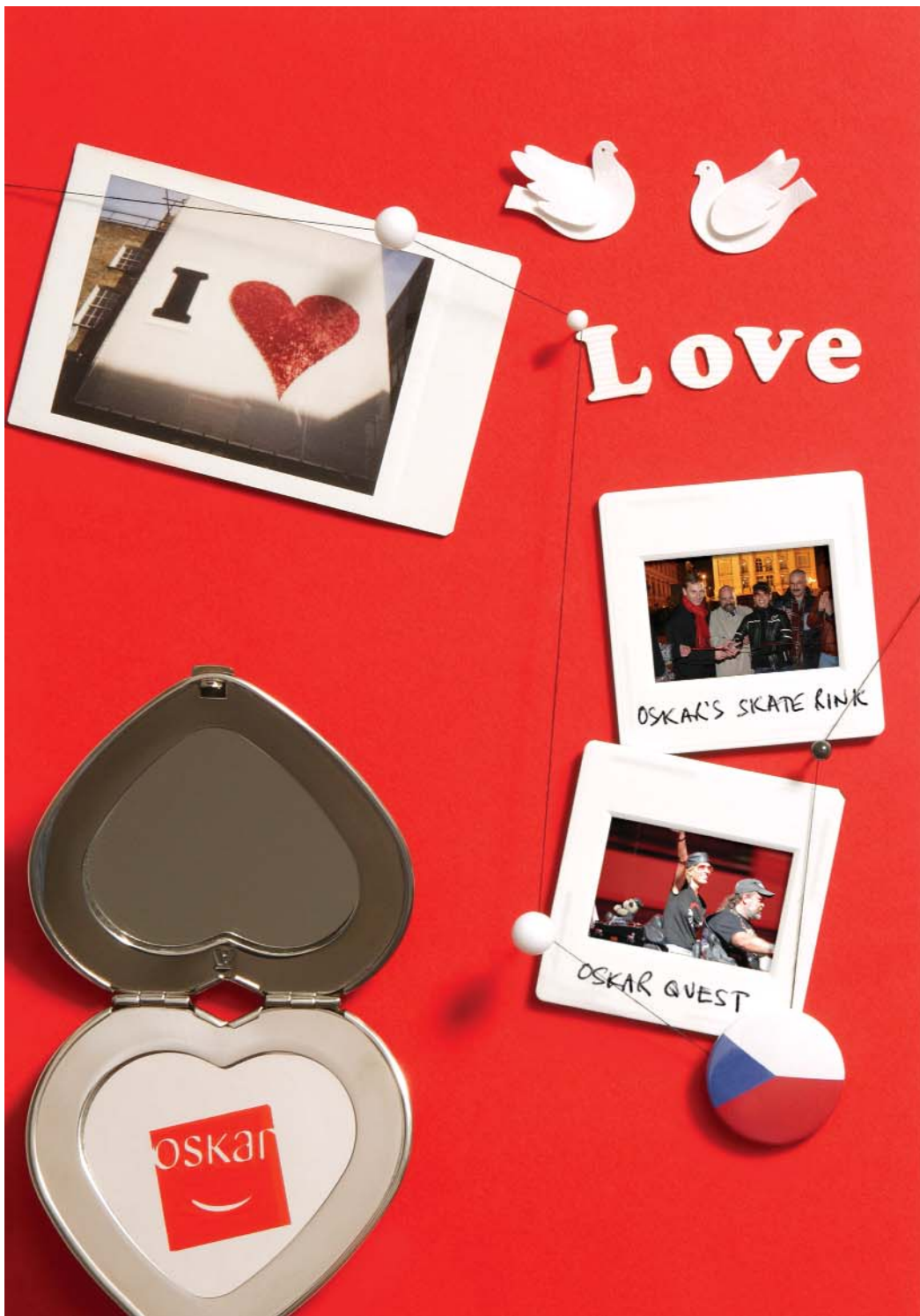
**17% market share**

**Share of postpaid customers reaches 48%**

**Service revenues hit CZK 13.4 billion**

**Highest ARPU**

**in the country**



A letter from Karla D. Stephens, Oskar's COO



## Addicted to love

**A letter from Karla D. Stephens, Chief Oskaraci Officer**

**I use the word 'love' a lot. Almost unconsciously. That is not a bad thing – after all, it's positive, affirming and constructive. And there's a lot to love about Oskar. I love the people here. I love their attitude and energy. I love the fact they won't take no for an answer. I love their originality and natural flair.**

I guess this shows how immensely proud I am of what we've achieved here; I'm passionate about the work we do and the way we go about it; I'm committed to shaking up this industry – even more than we have already.

2004 has been an extraordinary year for the company. The word 'whirlwind' doesn't begin to do it justice. That we've achieved so much in such a short time is a testament to the skill and dedication of my close-knit team of VPs – not to mention the remarkable commitment and energy levels of all the Oskar team.

The biggest coup of 2004 was undoubtedly securing a €575 million refinancing deal for the firm. We've waved goodbye to our old debt, obtained significantly more financial flexibility and replenished the tanks for the exciting journey ahead. This move will allow us to continue to grow the company and consolidate all the great work we've done in the five years since our launch. It also shows how strong we are as a company and how confident the capital market is in what we have to offer.

In February 2005, we managed to secure the Czech Republic's third UMTS licence. This gives us the platform to start offering our customers a whole new family of third-generation data services as the possibilities of mobile telephony continue to grow. You can be sure Oskar's approach to 3G services will be typically refreshing and distinctive. The place is already buzzing with remarkable ideas.

**2004 has been an extraordinary year for the company. The word 'whirlwind' doesn't begin to do it justice.**

The roll out of our amazing new concept stores was another high point of 2004. They make an incredibly bold statement, setting us apart not only from the immediate competition, but the entire retail landscape of this country. They underline emphatically that Oskar is far more than just a telco brand, it's actually a dynamic lifestyle brand.

continued >



**Love story No.91**

**Oskar from head to toe**



**Alice Goliášová, Promotions Specialist**  
Alice not only lives the Oskar brand, she actually wears it from time to time. She has a weakness for trainers – particularly in red – and is extremely proud of her recently acquired pair of bright scarlet Nikes. It's a small touch, but shows an almost subconscious love of the company colours. It's amazing how many flashes of red clothing you see about the place, from T-shirts and socks to scarves and gloves. But if anyone out there wears red underwear, they're keeping it to themselves.



(continued)  
And what I'm really thrilled about was that while all of this was going on, we never once took our eye off the ball. It would have been so easy to get distracted. But, as you have seen from Al's letter, we managed to keep the customers coming in and the revenues healthy all the while. That says a lot for our diligence, awareness and organisation.

**And what I'm really thrilled about was that while all of this was going on, we never once took our eye off the ball.**

What you don't see from the figures or the roll-call of achievements above is the wonderful internal culture we've grown here. To be honest, it's what I'm most proud of. The people at Oskar are what really make it something special – they're dedicated, inspired, capable of taking challenge and change in their stride. The mindset here is not so much 'can do', but 'can do and better'. This is, I'm sure, what will take the company to even greater heights.

Finally, some hellos and goodbyes. Jeff Williams, VP Sales and Customer Care, left us in 2004, and we'd all like to thank him for his valued contribution to the Oskar success story. Looking forward, I'd like to welcome three highly talented new additions to the Oskar's Executive Team. Ann Hofvander becomes Vice President Sales and Customer Care, Andreas Laukenmann Vice President Strategy and Planning, André Jérôme Vice President Legal and Regulatory. I'm sure they'll all play their parts in inspiring Oskar to further success.

We've packed an incredible amount into the past 12 months. But all our hard work will stand us in good stead for the next 12 months and beyond.

I guess there's only one way to sign off...

With love,

Karla



# Oskar ECO Lonely Hearts

**Introducing the executive team...  
Nine strikingly different personalities.  
Nine diverging areas of expertise.  
And one thing in common – they all  
love leading from the front at Oskar.**



Oskar Employee 1009  
**1st**

**Karla D. Stephens**

**Vivacious super-venus  
with bags of style in  
search of stratospheric  
success...**

**Chief Oskaraci Officer**

Karla's been right in the front line growing not just one, but three start-up mobile operations in very different parts of the world. In the 1990s, she held various directorial positions including Director of Sales and Marketing at China Unicom. And from 1996 to 1999, she was Vice President Sales, Marketing and New Ventures for MobiFon's Connex in Romania.

Passionate, inventive and likes a good challenge, Karla lists her work as one of her hobbies. She also enjoys spending time with her husband and son, relaxing at their lakeside cottage in Canada and trying to keep up with her Great Dane and Daschund.

**Loves: Red Hot Chili Peppers; kickboxing; chocolate; stylish eyewear**



**Muriel Anton**

**Focused and determined  
professional with head  
for figures and a thirst  
for adventure**

**Vice President & Chief Finance Officer**

Muriel came to Oskar in January 2000. Before that, she'd held a variety of financial planning and analysis management and directorial positions in other leading telecommunications companies including BCT.TELUS Communications Inc, and AGT Limited in Canada.

Outside of work, Muriel enjoys the outdoor life on the ski slopes, golf course and taking off on mountain bikes. She also likes to pack her bags and travel to foreign parts, can't get enough of her music and always relishes a challenge.

Loves: jazz; fresh air; steep slopes; holes in one

**Francinne Hansen**

**Warm, spunky,  
people-person  
looking for  
growth and  
potential,  
maybe more**



**Vice President Learning & Growth**

Francinne has been with Oskar from day one. Since then, she has held various key roles across the organisation. In 2000, she launched Oskar's Customer Care and Direct Delivery functions. Then she went over to the CRM crew as Director of Customer Relationship Management. In November 2002, she moved across to Human Resources as Director of Organisational Development and Training. She certainly gets around.

In her rather scarce free time, Francinne enjoys a competitive round of golf.

Loves: dogs with personality; black-and-white photography; salt and vinegar chips

**C.S.O.H.**  
Good sense of humour



**Fred Hrenchuk**

**Intelligent, thrill-seeking,  
Oskar junkie devoted to  
extending his network**

**Vice President Technology**

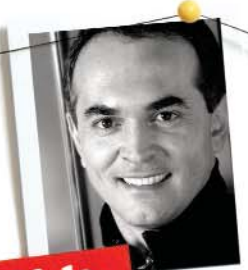
Fred joined Oskar during its bid phase back in October 1999. He arrived here with 12 years experience in wireless telecommunications which included completing a very successful start-up at Connex, a GSM operator in Romania. Before that, he'd worked at Rogers AT&T in Canada for eight years.

Loves: beating Mario to the finish line; his new Honda motorcycle; Brunello wine

Fred likes to keep on the move. When he's not piloting small aircraft, he's revving up his motorbike or running half marathons.







**Mario Mele**

**Focused and intense, addicted to results but still likes a good laugh...**

**Vice President Marketing**

Mario joined Oskar in late 1999. Before moving to the Czech Republic, Mario had held various managerial positions at TELUS Mobility and TELUS Corporation in Western Canada where he gained several years of financial, strategic and marketing planning experience.

**Outside the office:** Mario enjoys jogging, good movies, Mom's pasta and espresso and of course... ice hockey

Loves: beating Fred to the finish line; a certain smile; determination; Edmonton Oilers ice hockey team



**Igor Přerovský**

**Perfectionist male with zany sense of humour on a mission to spread the word**

**Vice President Brand & Communications**

Igor joined us back in July 2000 as head of Corporate Communication and Spokesperson, in April 2003, he was appointed Director Advertising & Corporate Communication.

Before coming here, he'd held similar positions in Aliatel, a.s. and Czech television. From 1993 to 1998 he worked with the Czech Olympic and Czech Paralympic Committee as a Marketing and PR Manager. He previously lived and worked in Japan.

Igor currently sits as a juror on the Czech Superbrands Council.

In his free time, he packs in as much travelling, tennis, skiing, squash, golf, theatre and music as he can.

Loves: wearing jeans; eating sushi; a good joke; a soft bed; serving an ace; going downhill with the wind in his face



**Ann Hofvander**

**Sunny, svelte, determined Swede, who just wants to keep everyone smiling**

**Away from work:** Ann is a dedicated outdoorsy type and always has a special place in her heart for her horse Bella.  
**Loves:** a challenge, a good gallop; warm sunny days; jazz music; the view from a mountain top

**Vice President Sales & Customer Care**

Ann joined Oskar in October 2002. She arrived with a wealth of experience in the telecommunications and financial sectors in North America. She started here to establish the Business CRM team and recently has been Director of Inside Sales & Customer Service. She then became Vice President Sales & Customer Care in November 2004.



**André Jérôme**

**Good-humoured, full-bearded legal eagle with an eye for detail**

**Tall, blond charmer, with one eye on the future but his feet firmly on the ground**

**Outside the office:** Andreas is a keen snowboarder and mountain biker. He's really into his music, and rumour has it that he's a killer karaoke singer.

Loves: travel; crossing boundaries; not having to wear a tie

**Vice President Legal & Regulatory**

André joined Oskar in 2002 as General Counsel, responsible for legal and regulatory affairs. He began his career in commercial law, before moving into the fast-moving world of telecoms.

Before arriving at Oskar, André held senior positions at several prominent Canadian telecommunications companies including Stentor, BC Tel and Telus Corp. In January 2005 he was appointed Vice President Legal & Regulatory. He's also responsible for Oskar's procurement.

When not at his desk, André tries to master the game of golf, but finds more success enjoying fine wines and travel.

Loves: golf 'long drives'; super Tuscan wines; winning - he's a lawyer after all



**Andreas Laukenmann**

**Vice President Strategy & Planning**

Andreas was a co-founder of DiamondCluster's Munich office, consulting on major telecommunication projects throughout Europe. That's how he first met Oskar. He felt right at home with the company's non-traditional way of doing business and in September 2004 he joined the company full time in the new role of Vice President Strategy & Planning.

# 2005: Looking forward

**We love success at Oskar and as we go forward into 2005 and beyond, we'll be looking for plenty more of it. How? By sticking to what we've done well up until now and doing it even better.**

So we'll continue to seek out high-value customers and present them with an irresistible offer.

We'll also look to attract more small businesses to Oskar - we're a good fit, and we can help them get to where they want to be.

Building on our unique brand platform, we'll continue to create campaigns and customer experiences that are full of colour and character, making Oskar a company that's instantly recognised and always raises a smile.

Our network and infrastructure will be further improved and enhanced, so that we can continue to give people the service they expect and more. We'll make sure it's always faster and as reliable as ever while moving into the new era of 3G mobile services.

If we all love what we do, success is inevitable.

We'll maintain our dedication to excellence in everything we do, from closing a sale to drafting a legal document, dealing with a customer complaint, to producing a commercial.

And, of course, we'll continue to develop our people, because collectively they are Oskar. We need the best people to be the best.

February 2004

Launch of

# NEW SPEAK YOUR MIND CAMPAIGN



## The language of love

Igor Přerovský: Vice President Brand & Communications

**Some people think branding and marketing is a subtle form of seduction. But at Oskar we don't see it that way. For us it's more about showing people who we really are. About openness, attitude and a touch of irreverence. Demonstrating why we're different, and how we can help people speak their minds, at home and at work... and then the chances are they'll fall in love with us anyway.**

Last year, we put a slight twist on our passion for honesty and openness. We asked our customers to embrace it too. To speak out. To say it loud and to say it proud.

Our frontline advertising campaign for 2004 was all about giving customers a voice. Preceded by an intriguing movie-style teaser poster, 'Speak your Mind' stormed on to Czech TV in February 2004, with a dramatic 60-second commercial. This saw three inter-cut characters leaving their various houses and running for all they were worth to a thumping rock soundtrack. When they finally stopped and caught their breath, they simply shouted as loudly and desperately as they could. The force of their outpouring is phenomenal, like a hurricane blowing everything before it into another country. The feeling of tension and suspense is resolved in the fantastic catharsis at the end. The implication is that Oskar enables you to express yourself, banishing the frustration of holding in your thoughts, ideas and feelings.

It also signalled an unapologetic repositioning of Oskar, from the fun, mass-market image it had when

it arrived on the scene in 2000, to the more upscale, inspiring brand it has become today. We've made positive and deliberate strides in realigning our core target market towards 'go-getters' in their 20s and 30s. Though they've done most of their growing up since 1989, when democracy arrived in the Czech Republic, there's still a certain reticence about standing up and using the power of their voice. 'Speak your Mind' taps into this cultural phenomenon and encourages a more confident, up-front attitude.

The 'Speak your Mind' theme was imaginatively extended into a 360° integrated media campaign, gradually rolled out across a full range of traditional and less-orthodox media channels. Outdoor billboard posters featuring hip-hop tag graffiti urged people to 'debate' and 'provoke'. Another had the word 'flirt' written flamboyantly in red lipstick across a bathroom mirror. Beer mats, posters and flyers were strategically placed in carefully selected bars and pubs. They posed controversial questions about politics, sport and sexuality – the kind of thing it's probably best not to discuss on a first date. We used Internet web pages as well as a wide variety of merchandising and printed materials to drip-feed our

message in a whole host of different ways. Oskar was clearly and deliberately aligning itself to the notions of pride and the vocal celebration of achievement.

**The implication is that Oskar enables you to express yourself freely, banishing the frustration of holding in your thoughts, ideas and feelings.**

'Speak your Mind' was such an inclusive and powerful concept that we felt we could push it further. It proved a great peg on which to hang creative competitions, like the 'Make a Scene' contest, which invited aspiring film makers to submit concepts to be made into a film by a top Czech cinematographer. And it's naturally found its way into the new Oskar shops.





**The magazine that's turning up the heat**

The campaign was also the inspiration behind an entirely new way of reaching our audience. If we were urging our customers to express themselves, we should lead by example. We always try to speak to our customers in a way they'll remember. To communicate with them in an original, even slightly edgy way. To expect the unexpected. Now it made sense to take things further. Which is why we decided to get rid of all our in-store literature in one fell swoop and replace it with something customers would want to keep and read over a period of time. Something that would entertain, amuse, provoke and inform. So we came up with the idea of a stylish, stimulating monthly magazine, which they could pick up for free in our shops.

ČiliChili gives us the licence to have some fun editorially. It's overall tone is youthful, tongue-in-cheek and slightly risqué. We mix striking photography and eccentric illustration with bold design and high production values. To date, we've produced themed issues on miniskirts, horoscopes, Prague, television and teenagers. The content drives the reader back to Oskar, but it's done in a gentle, roundabout way – strictly no hard sell. There's very little else like it in the Czech magazine market, so it's developed something of a cult following. Awareness and interest is sky high. The 80,000 copies we produce each month (and the 120,000 copies of our special Christmas issue) certainly fly out of the shops.

**“There's a real buzz around ČiliChili. People think 'Yes, that's really Oskar,' and it gives them great added value.”**

**Grace Molenaar,  
Director 1-to-1 Communications**

Grace knew that her team worked so hard on the development and launch of ČiliChili magazine, that she specially commissioned a local Czech designer to create a necklace. This was given to all staff as a thank-you. It says a lot about the team's sense of achievement that they continue to wear their work around their necks with pride.

“We are the only mobile phone brand in the Czech Republic that could get away with it,” says Přeřovský. “There's a real buzz around ČiliChili. People think ‘Yes, that's really Oskar,’ and it gives them great added value.”

More importantly perhaps, research has shown us that around 72% of customers' purchasing decisions are taken after reading the magazine. ČiliChili divides quite clearly into two sections – the adventurous, irreverent editorial at the front, and the more considered, business-like section at the back. Here, customers can glean essential information on Oskar tariffs, phones, features, jargon and terms and conditions all in one place.



May 2004

Launch of

# Obsessed with Coverage campaign

## Love Story No.115

### A fine line in seduction

#### Eva Tělecká, CTS Supervisor

At the Control Centre in Říčany, Eva and her colleagues are busily making test calls to confirm and then fix any problems that are reported with the network. When one guy called to complain that he was having trouble connecting to his girlfriend in Denmark, Eva decided to test the connection herself. Over in Denmark the customer's girlfriend got several missed calls from a Czech number. She told her boyfriend who dialled the number back, immediately suspicious of foul play. He could only burst out laughing when he discovered that his girlfriend didn't have a lover on the side – he just had a conscientious mobile operator!



### The contagious campaign that showed we've got it covered

Another 2004 mixed-media campaign aimed at shifting perception was the 'Obsessed with Coverage' campaign. A tactical ploy, this addressed the issue of network coverage perceptions head-on. As the third, newest and most affordable of the mobile networks in the Czech Republic, historically Oskar had suffered from an undeservedly poor reputation as regards its signal. And here was the response. "We're not saying we're the best," says Igor Přerovský. "But we're saying we're passionate about continually improving our network."

The TV launch ad saw a man manically covering every item in his house in bubble-wrap. When he runs out of things to wrap, he starts eyeing up his small dog. That was just the start. Soon curious bubble-wrapped artefacts were appearing all over Prague and other major cities. Bus shelters, bicycles, cars – nothing was safe. We produced cold-weather vests for dogs, and condoms for clubs and bars bearing the 'Obsessed with Coverage' slogan. Bag boys and girls helped shoppers pack their goods in supermarkets, in Oskar-branded bags sporting the same message.

We also set an unexpected record. The 100,000 or so drivers who cross the imposing Nuselský bridge every day were in for something of a surprise. They could hardly have missed the 3,012 square meters of red bubble wrap covering both sides of the bridge for a week in June 2004. It took 12 hours and a team of 35 people to set the temporary structure up on one of Prague's most recognisable landmarks and Oskar made it into the Czech edition of the Guinness Book of Records for producing the largest piece of advertising ever seen in the country.

### Oskar made it into the Czech edition of the Guinness Book of Records for producing the largest piece of advertising ever seen in the country.

Both campaigns won top honours at international advertising awards in 2004. 'Obsessed with Coverage', was awarded one of the rare Gold prizes at the massive 11th Golden Drum Awards held in Portoroz,

Slovenia, while 'Speak your Mind' clinched a Silver. 'Speak your Mind' also received a prestigious Golden Stone Philips award, which is organised by the Association of Czech Advertising Agencies and Marketing Communications.

"Receiving an award is fantastic for employees," says Igor Přerovský. "It motivates them, makes them feel appreciated by their peers, and acknowledges that they've produced something out of the ordinary."

Now who wouldn't love that?



We love

# awards

2004



## Mobile Phone Operator of the Year 2004

For the second year running, Oskar was named best mobile phone operator in the Czech Republic.

A survey polled visitors to the MobilMania.cz web site and readers of Mobility magazine. It looked at the service, selection and quality of the three mobile phone operators in the Czech Republic. The overall result: Oskar pulled even further ahead of the competition in 2004.

## Golden Stone Philips 2004

Oskar also performed well at the prestigious 2004 Golden Stone Philips awards, which is organised by the Association of Czech Advertising Agencies and Marketing Communications. We received one of the major prizes for our 'Speak your Mind' brand image campaign, which was first launched in February 2004.



## 11th New Europe International Advertising Awards

Golden Drum

At the massive 11th New Europe International Advertising Awards held in Portoroz, Slovenia (more familiarly the Golden Drum Awards), our network coverage campaign, 'Obsessed with Coverage', was awarded one of the rare Gold prizes by a top international jury. Our 'Speak your Mind' brand campaign also clinched a Silver.



## Czech Top 100 Companies

Due to its continued successful growth, Oskar tops the list of the Czech Republic's most significant companies.

In the '100 Most Significant Companies in the Czech Republic' survey organised by the Czech Top 100 Association, Oskar also triumphed in a new category as 'Most Dynamic Company'. The award was based on comparison of key economic performance indicators over the past few years.

## Rhodos - Award iDnes

In the nation-wide Rhodos contest, the general public hailed Oskar as the company with the best image in the Czech Republic for the second year in succession. The honour is based on a public vote on the iDNES.cz website.



## The colour of love

**Mario Mele: Vice President Marketing**

**At Oskar, we love making a splash. We're bold, brave and, on occasion, even a little brash. If you've visited Prague recently, the chances are you've noticed our new shops. Can't miss them really. They're very bright and very red. Why did we choose red? Well, it's the colour most closely associated with passion of course. And it runs all the way through Oskar.**

The new retail stores turn the traditional approaches to selling and serving on their heads. They were the culmination of months of in-depth research into the way customers behave and interact with sales staff in retail environments. They not only break all the established retail conventions in the telecommunications field, but for impact and originality, more than hold their own against other retail sectors. One thing's for sure, the Czech Republic has never seen anything like them before.

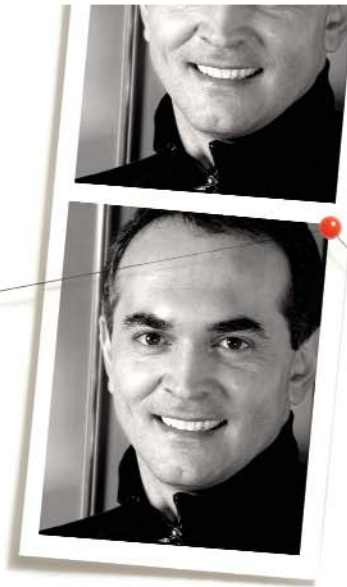
**What you won't find though is any semblance of a counter. There are no hierarchies here. The relationship between sales staff and customers has deliberately been broken down.**

What you won't find though is any semblance of a counter. There are no hierarchies here. The traditional barriers between sales staff and customers have

deliberately been broken down, to create a more friendly, open stage for interaction. Finding the right phone, tariff or service immediately becomes a collaborative process, a kind of instant partnership geared to the customer's needs. In fact we even have live phones in the stores so that customers can use and test them on the spot and really get a feel for how they handle.

Elsewhere, there's an integrated self-service module on hand, so that customers can have direct access to on-line and telephone customer services when they drop into their nearest store. The frustration of waiting to be served by a sales assistant is addressed too, with a neat queue-busting solution – everyone's given a unique ticket as they walk in and they're free to browse until they are called. The overall feel is bright, open and inviting, with full glass frontage and Perspex finishes, crisp modern lighting and complementary textures and textiles. Oh, and did we mention... plenty of red trimmings.

The radical new Oskar stores were born out of a deep-seated belief that every point of contact with our customers is a brand opportunity waiting to



October 2004

Launch of

## New retail environment



happen. We only sell phones through our own privately owned retail outlets, which means there's total control of the customer experience at this critical point of encounter. A significant number of customers sign up for Oskar services through our shops, so it's really important to make a good first impression. Stephen Blanchette, who headed up the brand experience team in 2004 likens the situation to a first date "...the way someone talks, the way they look, the way they dress, the way they act, their tone and manner, their level of energy, are all key factors that determine whether the relationship goes any further".

Nothing was left to chance. Months before roll-out of six pilot stores in October 2004, a full-scale prototype was built in the basement of Oskar's Prague headquarters. Helpful prospective customers, as well as informed staff from Oskar, were roped in as guinea pigs to sound out reaction to the environment and iron out any procedural niggles. This prototype continues to prove a useful "real life" arena for the training of sales staff and the testing of merchandising and promotional concepts.

**A significant number of customers sign up for Oskar services through our shops, so it's really important to make a good first impression.**

**Love Story No.312****The smell of love****Stephen Poulin, Environmental & Retail Design Consultant**

When Stephen came to Oskar he wanted to design a retail store that would not only be inspirational for the customer but would be a pleasure for the staff to work in. He put his heart and soul into the project leaving no detail to chance. He was so intent on providing the right Oskar experience he even considered the quality of the air and subtly scents it in all the new stores. It takes passion to give that much attention to detail. And the theme of this successful project? 'Love Oskar.'

**November 2004****Acquisition of****Phone****House****Adding to the family**

The most engaging retail concept in the world is no good to anyone if it isn't in the right place. Location is crucial. But how was Oskar quickly to secure prime spots and continue to grow across the Czech Republic as it began the roll-out of its jaw-dropping new stores?

The answer came like a bolt from the blue (or should that be red?) to Oskar's Director Acquisition and Channel Marketing Marek Sláčík as he was enjoying a quiet drink with a friend. He figured that Phone House, an independent mobile phone retailer with stores in premium locations across the country would be a the perfect candidate for acquisition. Doing a tactical deal like this would mean Oskar could take the whole portfolio of stores on at once rather than having to secure individual deals for one-off shops which would be far more complicated and time-consuming.

Negotiations to buy the Phone House business in its entirety – including offices, stock and other fixed assets – began almost immediately and a reasonably straightforward buy-out was pushed through rapidly, completing in November 2004, just in time for the

Christmas rush for mobile phones. Some staff from Phone House also joined Oskar's ranks.

**He figured that Phone House, an independent mobile phone retailer with stores in premium locations across the country would be a the perfect candidate for acquisition.**

Situated in major urban areas and emerging shopping malls, the acquired sites have provided perfect opportunities in key traffic points and should prove invaluable in extending the reach of the exciting new Oskar brand experience.





### Giving our customers the best value

When Oskar launched five years ago, our prices reflected our marketing strategy at the time: everything for everyone. They were significantly lower than our competitors. Even then, the way we structured our tariffs was based on value and simplicity – there was no contract, no activation fee and unused minutes were rolled over to the following month.

In 2002, we introduced our 'New Generation Tariffs' pricing plans for business and consumer customers, which took the notion of innovation, value and simplicity to a new level. The business pricing, for example, was a brand new concept for the Czech Republic – there were no bundled minutes, but a sliding scale which meant the more customers used their phones, the less their calls would end up costing them.

This move was reinforced in 2004 with our 'New Consumer Postpaid' plans. The main feature here was 'flat rates' – that is, same-price calls to all networks – and was accompanied by a simplified, three-step sales and communication approach called '1-2-3'. The new launch also included a new family

plan concept. This allowed customers to link up to four postpaid tariffs into a 'family' for great prices between family members.

"Wherever we can, we try to be innovative," says Mario Mele "That is, to introduce concepts that are new to the industry – or at least new to the Czech Republic. Examples include our unlimited voice and SMS weekends and our new consumer postpaid plans, which launched in August of 2004 with flat rates to all networks."

**"Wherever we can, we try to be innovative... Examples include our unlimited voice and SMS weekends, and our new consumer postpaid plans"**

Our overall approach to pricing is to keep things transparent and easy to understand. For example, we don't have peak and off-peak rates, or on-network and off-network rates (for our main postpaid tariff

	Free minutes	Monthly fee	Extra minutes	SMS
<b>POWER UP</b> <input type="checkbox"/>	0 minutes	50 CZK <small>59,50 CZK</small>	5,00 CZK/min <small>5,95 CZK/min</small>	1 CZK <small>1,10 CZK</small>
<b>FULL 50</b> <input type="checkbox"/>	50 minutes	250 CZK <small>297,50 CZK</small>	4,50 CZK/min <small>5,35 CZK/min</small>	
<b>FULL 150</b> <input type="checkbox"/>	150 minutes	600 CZK <small>714,00 CZK</small>	4,00 CZK/min <small>4,75 CZK/min</small>	
<b>FULL 300</b> <input type="checkbox"/>	300 minutes	1000 CZK <small>1190,00 CZK</small>	3,50 CZK/min <small>4,17 CZK/min</small>	

### Love Story No.168 I Came Back

#### Jakub Štýbr, Oskar Customer

There's something about the name Oskar. It's part of what made me sign up with them as soon as they launched. But then, my girlfriend and I bought a house in Šluknovský výběžek. The signal wasn't so good there and I needed an Internet connection, so I switched to the competition. But soon the signal was improved, so I switched back. Another big incentive was that we breed dogs and we called the largest one Oskar because we like the name so much.



plans). Rates for sending text messages are the same too. All pricing works on a standard flat rate, depending on the tariff you've opted for. As the market gets more crowded, we will stand out by evolving our current pricing strategy to take in other products and services solutions as well.

Credibility in mobile pricing is a very difficult asset to develop and maintain. We have it. This means that when we introduce something new, customers can believe there's a real benefit for them.

By introducing these innovative tariffs and keeping our focus on postpaid customers, we've been able to keep up our Average Revenue Per User (ARPU). This despite the fact that the market's ARPU is in overall decline. Furthermore, even though Oskar offers one of the keenest prices in the Czech Republic, we've also had the highest ARPU for the previous two years... which takes some doing.

## Love Story No.38

### Wheel love

#### Fred Hrenchuk, VP Technology

Fred recently bought himself a 1200cc motorcycle. But his pride and joy sat unused and unloved in his garage for five months because of the freezing Czech weather. Finally, one spring Saturday, the sun came out – the perfect day for exploring the countryside, stopping at a little village, maybe having a bite to eat. So an ecstatic Fred set off on his jaunt. When he took off his helmet, however, he was surprised to find he'd been on auto-pilot and accidentally driven himself to work. All roads lead to Oskar, you could say.



# 99.64%

of calls put through first time



## Stronger and stronger

### Fred Hrenchuk: Vice President Technology

**In a new relationship anything can happen. That's what makes it so exciting. But you need to work at them if they're to last and grow stronger. Keeping a mobile network strong takes time and energy too – Oskar is constantly taking steps to improve coverage and performance in the Czech Republic.**

It's this dedication to strengthening the delivery of our services that has brought us a whole lot of firsts. For example, in 2000, we achieved a record by covering 98% of the national population inside nine months. It was an incredibly ambitious mass roll-out, which we had to get up and running as quickly and efficiently as possible. Fortunately, all the critical ground work had already been laid in cooperation with two giants of the telecoms world, Ericsson and Siemens.

A year later, we'd provided network coverage for all the stations in the Prague metro and were the first mobile operator in Central and Eastern Europe to offer our customers complete personalisation of WAP services. We also introduced a revolutionary new service which allowed customers to pay for goods and services using their phones.

Now that we're five years old and our network is established, our priorities have changed. These days, it's more about plugging the small gaps in our coverage and making sure it works better in local problem areas. Radio signals can be obstructed by tall buildings, pylons and hills, they can also be

affected by dips in the landscape, tunnels and wooded areas.

We want every customer to have the best possible experience of Oskar's services, so we take these blips seriously. In fact, we're putting up transmitter sites at a rate of one every 48 hours to get our network coverage up to the standards we've set ourselves. Since 2001, we've almost doubled the number of base transceiver stations we use. Today our signal covers more than 99% of Czech highways and first-class roads. Our monitoring team travels up to 18,000 kms a year to make sure we keep our network in excellent condition.

In areas of natural beauty, like Šumava in the spectacular Bohemian forest, we're careful about the way we position new transmitter masts (e.g. disguising masts as chimneys like the photo opposite). We work with ecological groups to find the least intrusive locations and, where possible, even share sites with our rival networks.



**Making sure no one slips through the net**

Because the market is so saturated in the Czech Republic, most of our new customers will have come over to us from other competitive networks. So they have a direct point of comparison. We need to be able to offer them an experience that's at least as good as the one they had before, otherwise they won't stay with us for long.

We're aware that we need to be smarter about finding out where our coverage is lacking and how we can put it right. Our focus, as ever, will be on the customer, we'll bend over backwards to give them the service they deserve. Our main strategy is to home in on places where there's a higher concentration of customers or potential customers. But we don't forget the smaller places either: more than half the base stations we've built since 2002 are in outlying regions with less than 20,000 inhabitants. Our plans appear to be paying off. According to the International Voice Quality Index, our network has top-quality sound in Bohemia and Moravia.

At the same time, we also need to be aware how much we're spending to achieve these improvements.

In 2004, we really tightened up on our capital management. By focusing in on this area, we were able to be much more accurate in predicting the exact relationship between expenditure and coverage.

Our marketing department has also been addressing the important issue of how we can shift public perception about the quality of our network. Because we are the youngest and smallest operator in the country and launched on a platform of lower prices, there's a misconception out there about the extent and reliability of our coverage.

Our 'Obsessed with Coverage' campaign (see p.24-25) has managed to put across our message in a way that's memorable, witty and shows the great efforts we're making in this crucial area. Culturally, Oskar has blossomed to become one of the most recognised brands in the Czech Republic, but ultimately we have to remember that our success has been based on providing quality mobile phone services to our customers. At present, we're putting 99.64% of calls through first time. That can't be bad.



**We're ready when you are**

We've recently won a licence to provide third-generation mobile data services in the Czech Republic. This involves developing a different technology altogether to deliver everything from video calls and music downloads, to mobile banking and multi-player wireless gaming. We're currently testing products and services on site and looking into our long-term strategy as an influential yet distinctive player in the 3G market.

One thing we're already sure about is that we need to find the right mix of services and price points. This is a fairly advanced market and the younger generation in particular are quick to take up new technologies. If the price is right, we're confident 3G will really take off here. Our offer and content will also have to fit with our brand and we're already exploring some appealing, typically quirky possibilities.

"At Oskar, we don't believe in technology for technology's sake," says Fred Hrenchuk "We'd always rather be the best to market than the first to market. Technology should be about making people's lives easier or more enjoyable."

**"At Oskar, we don't believe in technology for technology's sake. We'd always rather be the best to market than the first to market. Technology should be about making people's lives easier or more enjoyable."**

# Celebrating Oskar's

5th

# Birthday

As Oskar celebrates its fifth birthday in 2005, we take a glimpse back at some of the magic moments that made us what we are today...

January 2000 = Technical launch

1. Our network started to work.



2. March 2000 - Oskar's first SIM cards on the market



3. October 2000 - Self Care launch



4. First quarter 2002 - OIBDA positive

An unbelievable achievement in less than two years!

OIBDA = Operating Income Before Depreciation and Amortization

5. April 2002 - Oskar reaches one million customers

1,000,000

7. February 2005 - Oskar receives UMTS licence



6. December 2003 & 2004 Mobile Operator of the Year



February 2004

# Bringing experience to life

Sales and Customer Care



## Sharing the love

**Ann Hofvander: Vice President Sales & Customer Care**

**Relationships never stay the same. The way you treat your loved one can be affected by an event, a discovery, an outside influence. Sometimes you simply discover something about yourself that alters your perspective forever.**

After a lot of soul searching, we decided it was time to make a few changes to the biggest relationship we have – the one with our customers. We've introduced a whole new way of dealing with them and, as a result, our relationships are blossoming.

"For a start we don't believe there should be three people in a relationship," says Ann Hofvander, "And this is where our direct model really comes to our advantage, since we don't use middle men. We ensure each sales and care team member is homegrown; they are trained by us, managed by us and follow Oskar's way."

For example our brand new line of striking retail stores break down the barriers between sales reps and customers by doing away with traditional counters completely. Customers are free to wander wherever they choose and make themselves at home, knowing that they'll never lose their place in the queue.

But it didn't stop there, we realised that we had to make more changes to ourselves to keep our loved ones happy. And this has meant – quite literally –

tearing up the script. We were very product focused before and, as is normal in the world of sales and care representatives had instructions on what to say, how to deal with customers and had certain steps they had to follow and certain things they were advised to say. Now how can you be expected to build a proper relationship under those circumstances.

**"For a start we don't believe there should be three people in a relationship. And this is where our direct model really comes to our advantage, since we don't use middle men."**

Also, now our customer-facing teams are encouraged to listen to the customer first and ask questions later. This allows them to get more comfortable with a freeform approach, that treats each case on its own merits and recognises that there isn't one answer to every question.

November 2004

# Listening to our people

New cafeteria and relaxation areas in our customer care centre



Love story No.175

Two's company

### Karel Hynek, Sales Team Leader

Oskar employees love the fact that their ideas are taken seriously. Karel came up with a coaching technique for his team, which has since been rolled out across the telesales force. It's called 'peer coaching', and involves groups of three – two sales people and a facilitator. While one of the sales people conducts a 'live' sales call, the other observes. Afterwards, they offer constructive criticism and pin-point areas for improvement. Then they swap over. By taking a step back to analyse a colleague's performance, you're subconsciously reinforcing your own good habits and breaking the bad.



Focus on the customer



Not surprisingly, our representatives were initially apprehensive about working without the crutch of a script. It immediately removes their sense of context and demands that they think on their feet more. We'll admit that changing the mindset of the group was a challenge, but it also gave them more power to deal with situations on the spot. If a customer previously had a complaint, they'd have to write to another department. But now that our team have the power to assess situations themselves and even issue credit where necessary, claims have been reduced by an amazing 50%.

And there's no doubt that this new approach to our relationship places the focus firmly on the customer. We let them tell their story first. If they are calling with a problem, this route is particularly liberating, as it respects the customer and their individual issues. Once they've got things off their chests, the sales rep can start probing further. It's a subtle change, but a big part of any relationship is learning to listen.

And we listen to our staff too. In 2003 we held our first employee survey, 'Voice of Oskar'. Listening to

what people think you are doing right is easy – but listening to what they think you are doing wrong and then acting on it is harder. But act we did. As a result of what our colleagues told us they received new desks, new computers, redesigned incentive programs, a new patio and a brand new cafeteria in our customer care centre. Dealing with people and problem solving can be a rewarding task, but make no mistake about it – it can be exhausting too. So less than a year after the survey we devoted an entire floor of our call centre to the rest, relaxation and entertainment of our customer care team.

So we know that empowering and nurturing our customer facing teams work, but what about empowering our customers?

Well we've completely revolutionised our handset and services sales channels and our Selfcare information and problem fixing service. It's all about choice and convenience. We know our customers don't always have time to call us or stop into our stores and certainly don't want to wait for people to get back to them. So we offer them several ways to help themselves. We have internet, SMS and Integrated Voice Response (IVR) Self Care. All these media are easy to use, friendly and engaging.

How did we know what they wanted? We sat down and talked to them.

We found out what the most popular reasons for calling were and made sure that we set up the menus of Self Care so that customers can get to the sections they want to use first. We even give them an option to put their favourites at the top of their personal menu so that they can access whatever they need at the touch of a button.

So far it's been extremely successful. They keep coming back for more. Some even just visit our IVR for a bit of a giggle. We have a section that throws out random jokes. After all, we are the company with a smile. We've also included features like rapid response for our business customers. This means that they never have to wait a second longer than they have to when looking for information or confirmation. We are constantly anticipating their needs.

We continue to evolve and improve Self Care channels – people find it satisfying to be able to sort out situations themselves. Of course they still have the option of calling one of our representatives if they want to – and we can guarantee they will get the same great experience no matter which touch-point they use.

A good relationship is based on strong two-way communication. That's why it's so important that we get through to our customers and they get through to us.

# We love listening to our customers



**Laco**  
Prague

**"I love Oskar. It helps that they're so nice to deal with."**

"I love Oskar. It helps that they're so nice to deal with. I had to call them last week and it seemed to me like they actually listened to me instead of just trying to get me off the phone quickly. What a difference. I actually ended up having a great chat with one of the girls in the call centre and came off the phone smiling."



**Petr**  
Konice

**"I started noticing that I had a bit more spare cash"**

"I have to admit that I only joined Oskar because I liked the adverts. But after the first or second month I started noticing that I had a bit more spare cash – it's because my bills were so much lower. I didn't really join Oskar for the money, I just thought they were cool, but it's certainly one of the reasons I'm staying."



**Helena**  
Prague

**"The reps are always bending over backwards to help you."**

"When something new comes on the market you don't always believe the hype. I certainly didn't. I was with another mobile operator, and I didn't see any reason to change even though my friends were all switching to Oskar."

Then it advertised a really good business offer. It was like being in a room with a naughty kid, I couldn't just ignore it. It kept pulling and pulling at me.

So I spoke to one of the reps, and that really convinced me. I've been pretty happy ever since. My phone bills are certainly lower and the reps are always bending over backwards to help you."

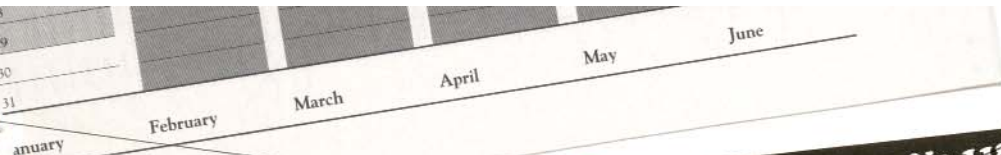


**Bea**  
Benešov

"I'm Hungarian but I found the love of my life when I was on holiday in the Czech Republic. But I was pretty scared, you know. I mean, how can you maintain a relationship over a distance of 800 km? Then he gave me an Oskar SIM card on the last day. It was proof to me that this was something special. Suddenly keeping in contact with him wasn't such an expensive option. Well it seems that all those calls and SMS were worthwhile. Now we're married and we just had our first baby a few weeks ago. And guess which operator she is going to choose when she starts making her first calls?"

**"It was proof to me that this was something special. Suddenly keeping in contact with him wasn't such an expensive option."**





**Love Story No.118**  
**Love Post-its**



**Andreas Laukenmann, VP Strategy and Planning**  
E-mail's great, but you can have too much of a good thing. Andreas wanted to remind all the managers in the company of the deadline to submit initiatives templates 2005 in a way they'd remember rather than being yet another in a long list of emails. So he stuck Post-it Notes™ on the garage elevators and on all their cars. This left them with a choice – pick up the note or get some odd looks driving through Prague.



## Togetherness

**Andreas Laukenmann: Vice President Strategy & Planning**

**The Strategy and Planning team is a kind of match-maker – its primary aim is to bring all the key departments at Oskar together and make sure they get along as best they can. This group of 40 or so specialists looks at the bigger picture, helping to achieve consistency of experience for the customer and seeing that they're respected, inspired and captivated by everything that Oskar does.**

"In some companies strategy and planning is an ivory-tower exercise. You make plans and everyone just ignores them," says Laukenmann. "At Oskar it's different. We love to plan and define the future."

Set up in 2004, the new department has quickly made its mark. It's divided into four main groups, linked by a common purpose – to look ahead, build a coherent vision for Oskar and then do everything possible to facilitate that vision. It's a fine balance, setting agendas for up to three years ahead, while being flexible and fleet enough of foot to react to changes inside and outside the company.

For Andreas, success begins with a solid strategy. Oskar Strategy Group comprises of a small group of dedicated people. "This is where the real 'blue sky' thinking takes place," says Andreas Laukenmann, "Its main role is to look at industry trends up to three years in advance and figure out how they might affect the company. This could be anticipating what the competition will get up to, or whether our current priorities will still be relevant further down the line."

Once we have some ideas about where the market is going, we build our plan and execute it. The Corporate Planning and Project Management team oversees all Oskar projects, from their inception through to their implementation. They facilitate the definition of the annual plan, makes sure it is aligned with Oskar's objectives and get it implemented using the right set of projects. They liaise across departments, make sure deadlines and budgets are met and try to keep projects flowing as smoothly as possible.

Along the way we find areas that can be improved to maximise overall efficiency. The Business Process Improvement team (phew!) is obsessed about making Oskar's processes more efficient and customer friendly. This unit has a long track record of delivering great results to all parts of the organisation and uses proven methods to get things done.

The Brand Experience team consider ways Oskar can differentiate itself from the rest of the telco players in everything we do. The objective is to provide a process for unique Oskarised experience to all our stakeholders. Whether it's the way a letter's

written, the look and feel of a store, how customers are spoken to on a hotline, even the way a branded van is driven through the streets of Prague – all these add up to an impression of Oskar. The Brand Experience team works hard to make sure Oskar's motif of 'Respect, Inspire and Captivate' is brought to life across our hundreds of touch-points.

As well as the setting up and integration of an entirely new department in 2004, Laukenmann is most proud of the relaunch of Oskar's annual planning process, in which Strategy and Planning played a pivotal role. In their efforts to captivate the different parties involved and bring the whole exercise to life, they stuck Post-it note reminders on VP's and Directors' cars and elevators. They sent energy bars on the morning of important meetings, with a warning that strength was needed for the task ahead. They also streamlined the whole meetings process to make the best possible use of everyone's time.

Because ultimately that's what this department's all about. Making sure everyone at Oskar is working together as effectively as they can. Now and in the future.

**"This is where the real 'blue sky' thinking takes place. Its main role is to look at industry trends up to three years in advance and figure out how they might affect the company."**



February 2004

## Strategy Navigator



### Tough love because we care

**Francinne Hansen : Vice President Learning & Growth**

**At Oskar, we believe in getting, growing and keeping the right people. We make no excuses for our internal culture – it's the reason for our success. And we're open about how challenging the environment is here. We let people know they'll be pushed way out of their comfort zone to discover and learn new things about themselves personally and professionally.**

Oskar is a fast-paced, demanding and dynamic company, which needs people with the qualities to match. So, exactly who are we looking for? Well, a personal ad for Mr. or Ms. Right might run something like this:

'Successful, spirited, hip, cool mobile communication enthusiast with appreciation for diversity and attention to detail seeks passionate, team-oriented, open-minded achiever. Must be willing to learn and grow, love professional and personal growth, and want to be a positive agent of change for the Czech Republic.'

What does Oskar have to offer? Well first how about a true and equal partnership? How about a desire to meet our goals together? So how can we reach our goals together?

We teach our people how to approach their work in the best possible way, fostering good habits and a culture of operational excellence. We promote our objectives and beliefs on the inside first, so we can all go about our jobs with passion, conviction and focus.

This is the rationale behind Strategy Navigator. It is a fun, engaging way for employees to find out about our corporate plan for the year ahead, how they as individuals contribute to the overall success of Oskar and for Vice Presidents, Directors and Managers to share their vision. Through a series of workshops, short films and e-learning modules, we ensure that everyone is up to speed on the direction in which we are heading and the reasoning behind it.

Of course it is not just about strategy. "The way you feel about yourself is reflected in the way you work. So we developed My Oskar Diary, an easy-to-use online tool. It helps improve and manage performance while supporting professional and personal growth," says Francinne Hansen.

Through an open system of connected menus, employees can look at the goals and achievements of everyone in their line of management – from their immediate supervisor right up to the Chief Oskaraci Officer. It's a two-way tool, which encourages self-awareness and self-reflection – and as the name suggests, there are sections, such as My Diary

**Francinne Hansen,  
VP Learning and Growth**

Fran, who spent many months planning the structure and launch of My Oskar Diary, was deeply moved when she first saw the black-and-white image of a young girl drawing a circle in the sand for the home page. It so perfectly captured the spirit of what she was trying to achieve with the diary, that it actually brought a tear to her eye.

Love Story No.261

Moved to tears



February 2004

## Oskar Diary



Notes, where employees can record their thoughts as often as they like.

It acts like a second memory to capture moments of pride and ponder their strengths and identify opportunities for improvement. They can also identify with how their learning plans will help them to improve.

Assessments are made and goals set every six months. Employees are asked to evaluate their performance. Then their manager, based on their insights, evaluates the employee's performance. Sometimes it involves some pretty deep soul searching. Sometimes it's just a little reminder of a rewarding experience, those little joys and triumphs that make a job worthwhile.

The diary reinforces how a single employee can make all the difference. Their actions and attitudes can change the life of a customer too, which in turn changes customers' expectations and eventually, if you follow the logic through, changes the Czech Republic.

**"The way you feel about yourself is reflected in the way you work. So we developed My Oskar Diary, an easy-to-use online tool. It helps improve and manage performance while supporting professional and personal growth."**

**OMT Conference**



**Sales and Customer Care Conference**



**Are you fit to fight?**

**Will you be able to help the Oskar team win the battle for telecommunications customers. Take this quiz and find out...**

- Q 1.** It's 6pm and you have a project deadline but another team was late in delivering some feedback. You only have half an hour to get across town for your new date. Do you:
- a) Curse the day the team was born and make voodoo dolls of all its members to stick pins in at a later date.
  - b) Sigh, cancel your date and get ready for a long night.
  - c) It's the other teams fault their feedback was late, you have a life and if the feedback isn't included that's their problem.
  - d) Explain to your date that you'll be late and mention the issue to the project prime before starting anything.
- Q 2.** What is work to you?
- a) A place to learn and become a better person.
  - b) A four letter word closely related to hell.
  - c) Somewhere you turn up to on time and try and make the best of.
  - d) Everything. You'd be there till 11pm every night if you could.
- Q 3.** A project of yours has not had the expected results after 6 months of hard work and is deemed a failure. What do you do?
- a) Sit at COO's office door waiting and wringing your hands and hang onto the trouser legs of passing VP's.
  - b) Shrug your shoulders and get on with your next task – sometimes things work and sometimes they don't. No point in moping about it.
  - c) Blame the team that did the creative, budget pressures, the brief, the fact you weren't wearing your lucky underwear and the state of the government.
  - d) Call all the people involved back and have a detailed review to discuss what went wrong.

ANSWERS: 1B, 2D, 3D



That's why we're so big on training programs like Experience 101. It's not always easy to captivate a customer. This learning program helps you appreciate the power of a positive experience with them by focusing on what makes you feel special through a series of experience-based activities. Our sales training is about how to better anticipate the customers' needs and to offer them the best solution based on sound technical knowledge and using the right degree of sensitivity.

However, it's not just customer facing employees that benefit. We think big at Oskar. Quest Day was the largest learning event ever held in the Czech Republic. Some 1,725 employees took part in an all-day program across Prague to learn the What, How and Why of Oskar's Brand, the foundation of who we are. There were a series of fun exercises such as a raft race for customers that involved purchasing the equipment to get to the other side of the Vltava and then convincing the customer on the 'other side' to join their boat. It taught employees the value of operational excellence – looking for the best value not the cheapest cost, working together as one and how ignoring one detail can lead to later problems.

Another large-scale initiative was the Sales and Customer Care Conference where 1,000 customer-facing employees in groups of 250, over four days, practiced their dating skills. It's not as strange as it sounds. You know that feeling when you've had a really great date? You feel energised, you feel like the other person was open and honest, you feel like you're the most interesting person in the world. Well that's how we want our customers to feel every time they deal with us. Once our employees had 'dated' each other, the feedback was written in their little black book for their own future reference when interacting with customers.

**Quest Day was the largest learning event ever held in the Czech Republic. Some 1725 employees took part.**

Our leaders are constantly learning. They must find what's inside them so they can bring Oskar's culture to life for the rest of the staff. Ever spent a few moments wondering exactly what makes you tick?

Because if you don't know – how is anybody else supposed to? So 'True Colours' was a two-day self-reflection retreat that pushes managers to identify their top three values and then bring them to work. It helps people understand what drives them, so they can share that with their team for better mutual understanding. After all, what is the point in living our values outside of work and then hiding them when you get into the office?

The OMT Conference was another huge hit; a day-long experiential management program introducing Oskar's '12 secrets of success'. We demonstrated the importance of trusting each other with some high-wire antics, we beat out our passions on drums, demonstrated our adaptability by making Lego™ vehicles and took our 250 managers through a series of other experiential exercises that taught them the importance of values and operational excellence, because you're more likely to learn when you find the solution yourself. Now that's a heady mix.

But it goes to show that if you have passion and are given the right tools, there's no limit to what we can accomplish.

# We love learning

**Andrea Motlová**

Business Sales Representative



**"I've learned a lot in that time. Not only thanks to all the training courses I've attended and my coach, but also to my customers."**

"It's almost three years to the day that I first dealt with an Oskar customer. I've learned a lot in that time. Not only thanks to all the training courses I've attended and my coach, but also to my customers. The work at OskarBusinessKontakt is often very demanding but it's interesting too. Every day I'm in contact with prospective and existing business customers – it's not always easy to click with them.

You need to be able to walk in the customer's shoes, to recognise their needs and to offer them the best solution. My reward is not only the signed contract, but also the feeling that we have a new customer, who feels captivated, inspired and respected. I recently received an e-mail from one of my customers with photographs of his daughter Nikolka, who is several days old. Things like this really motivate me... I appreciate that customers feel confidence in me and like to share their joy with me."

**So much so that we devote hundreds of hours to it each year. Here five employees share their experiences.**

**Marianna Adámková**



Customer Service Representative

**"The training we did on Strategy Navigator last year was a real insight into the company."**

"It's easy to just do your job and not know the broader picture. But Strategy Navigator shows everyone the direction Oskar is taking. And the role everyone plays in that. The day itself was really magnificent, the training was held in Hradec Králové, at the Černigov Hotel. The environment was relaxed, and there were lots of games and activities in which we all participated. Of course, you get something out of every training session. They give you the knowledge and skills you need for your work. Only a knowledgeable operator can be a good operator.

Oskar has changed my life. Made me someone who pursues her goals, expresses herself and stands up for herself. I've learnt how to use clear and concise communication, I can use in everyday life, like dealing with the landlord or bank."

**Michal Kusák**

Learning & Growth Consultant



**"Experience 101 was a great opportunity to look at my job from different angles."**

"The Learning and Growth Consultancy team took part in the Experience 101 training. Why? After all, we never ever come into contact with Oskar customers. But we do have customers. It's just that they're Oskar employees, 'internal customers'.

Building relationships with managers from different parts of the company is one of the key parts of our job. We need to be able to empathise and understand them to help them get the best out of their teams. Experience 101 was a great opportunity to look at my job from different angles. It also helped me appreciate that by understanding the requirements of my customer group I was better able to meet their needs."

**Lucie Ryjáčková**

Real Estate Development Manager



**"Quest Day was amazing. I've never been involved in such a mass participation project"**

"Quest Day was amazing. I've never been involved in such a mass participation project (1,725 Oskar employees). The mix of people in the teams was great and gave me the chance to get to know a lot of new colleagues. That's often the best thing about Oskar events. The activities taught me quite a lot about leadership. I now appreciate how challenging it can be to deal with an angry customer and how important it is to train our retail staff to a high level. Making a movie was also a fantastic experience. The buying and building a boat activity showed us how important it is to have one good leader and how everybody must know his or her role and the importance each person plays."

**Pavel Kos**

Chief Architect



**"The OMT Conference introduced me to Oskar's 12 secrets of success. But not in a way you might expect. In a way I'll remember forever."**

"There were about 250 Oskar managers there and we did everything from painting, to quiz games, to building models to preparing snacks. Each task illustrated one of the 12 secrets. I probably liked crossing over the beams and tyres best. How did this event help me become a better leader? It showed me that it's always important to know exactly where you're going and why. You won't get there if you and your team don't believe in what you're doing, are unaware of the bigger picture, can't trust or rely on each other."



## The beating heart of Oskar

### André Jérôme: Vice President Legal & Regulatory

**Oskar's legal department goes about its business with a quiet passion and intensity. They're always there in the background, making sure deals run smoothly, tying up the loose ends, seeing that contracts are robust and water-tight.**

This is perhaps the less glamorous, more nitty-gritty side of Oskar, but in such a demanding and highly regulated industry, it's essential that all the legal niceties are dealt with as rigorously and efficiently as possible. "We're a support service to the rest of the business, an enabler" explains Vice President Legal and Regulatory André Jérôme. "As such there's one main rule – we never say 'no'. However, we can say 'yes, but...'"

For Jérôme's team, 2004 was hectic, to say the least. In addition to the regular workload, they dealt with all the finer points of Oskar's refinancing package, the company's official name change from Český Mobil a.s. to Oskar Mobil a.s., as well as the buyout and corporate integration of the third-party mobile phone retailer The Phone House. All of these initiatives may seem straightforward enough from the outside, but each came with its own particular complications.

What's more, the legal department has had to rattle its sabre recently. Like a small kid who has finally lost patience with the playground toughs, Oskar felt it was about time to stand up to the competition. Oskar filed a CZK 1.6 billion lawsuit against

competitors, which, at the time, was one of the largest telecoms-related lawsuits in the Czech Republic.

In terms of sheer scale, the refinancing package was undoubtedly the most testing project of the year. It involved supervising all legal aspects of the deal, resolving many complex contractual issues, ensuring due diligence and weeks of negotiation with the banks' attorneys. The result was a comprehensive refinancing 'bible', which makes an extremely satisfying clunk as you slap it down on a desk.

Throughout 2004, the Legal and Regulatory team were heavily involved in the preparations for the Act on Electronic Communications, which should come into effect as of May 1, 2005. The Act will bring Czech mobile telecoms into line with current EU regulations and represents the most complex piece of legislation Oskar has been involved in to date. We had hands-on involvement in shaping the legislation, making sure that it supported our business and fitted with our future plans.

The legal team was also vital in the acquisition of Phone House. This independent mobile phone

**Love Story No.72**

**Love by the Dozen**

**The Daring Dozen**

Nobody knows better than Oskar that starting a business from nothing is a labour of love. So we created the Daring Dozen competition and filmed 12 Czech small business owners who weren't afraid to risk everything and were passionate enough to stand by what they believed in. From a Czech sparkling wine maker to a fashion designer to the armorer who created costumes for a Harry Potter movie, the daring business owners featured all proved that when you do your work with love - the sky is the limit.



retailer had stores located in major urban areas and emerging shopping malls – exactly the places Oskar needed to gain a precious foothold. In an astute, strategic move, a buy-out of the business gave Oskar openings at key traffic points throughout the Czech Republic. The timing coincided perfectly with the busy Christmas season and the roll-out of Oskar's newly designed retail stores.

**“At Oskar we believe that nothing's impossible. And the Legal and Regulatory department has really contributed to that culture.”**

In theory, doing a tactical deal like this would mean Oskar could take on the whole portfolio of 13 Phone House stores at once rather than having to secure individual deals for one-off shops. In practice though, it meant dealing and negotiating separate terms for each location. Jérôme's team was not only responsible for the legal side of things, but the practical integration of the company into Oskar. "Usually lawyers are in and out," says Jérôme.

"You sign the contract, hand over the keys and disappear. But Phone House wasn't like that. That was just the beginning!"

Because the Phone House business was bought as a complete package – including offices, stock and other fixed assets – matters were more complex. And this also included the integration of some of the Phone House staff into Oskar's ranks.

The pace at Oskar is relentless and the Legal and Regulatory department is the engine right at the heart of it. "At Oskar we believe that nothing's impossible," says Jérôme. "And the Legal and Regulatory department has really contributed to that culture."



## Who says money can't buy you love?

**Muriel Anton: Vice President & Chief Finance Officer**

**Every single success story you've read so far has been made possible by robust financial planning. Without the care and attention we devote to building financial strength, we simply wouldn't be in a position to invest in such ambitious, innovative initiatives. In a nutshell, our love of facts and figures and attention to detail, has funded success right through the organisation – and kept a smile on the face of Oskar.**

Love is a two-way proposition. Just as we use our financial capabilities to nurture success at Oskar, those successes in turn help to grow the business, by focusing on our customers.

Last year our subscriber base reached an impressive 1,831,116 – an increase of 18% from 1,546,751 of the previous year. As a part of that, our focus on postpaid subscribers has been a true success story – they now represent 48% of our customer base.

2004 saw a 23.8% increase in our service revenue, totaling CZK 13.4 billion compared with CZK 10.8 billion in 2003. This was largely due to our development of new compelling price and value added service offerings in order to attract, and hold on to, the highest value customers.

As well as our strong focus on the customer, at Oskar we're always reviewing operating efficiencies, and keeping a keen eye on our Hellers. This has meant that the profit from operating activities increased almost six-fold to CZK 1.3 billion in 2004 from CZK 233 million in 2003. This was mainly as a result of the growth in revenue, more than

offsetting incremental costs to expand the sales network and to support business initiatives. This improvement is a reflection of our solid subscriber growth and focus on higher-quality revenue through postpaid customers. In addition, our fixed costs are now spread over a much larger subscriber base, reflecting more efficient economies of scale.



## Filling up our tanks for the challenges ahead

"We can't stand still at Oskar, we continually look forward and seize every opportunity that comes our way, building on the significant progress we've made in our first five years," says Muriel Anton. "We knew future developments would need further investment into the business..."

So, the first step was to complete a pretty impressive debt placement of €575 million. This meant we could totally refinance Oskar's senior existing credit facility. And not only that, it left us with €100 million in extra funding for future developments. This level of financing communicated a very strong message: the capital market is impressed by Oskar; it is confident that we have the right strategy, people and capability for a successful future.

This confidence comes from a successful, thriving business built on the vision and commitment of every team at Oskar. It's this shared love of success that secured our ticket to financial strength and strategic flexibility. And it's already helped us pursue longer-term goals – like securing the allocation of a UMTS licence from the Czech government, which in turn will allow us to follow

our obsession with improving network coverage and develop competitive offerings. The math is simple: strong financial performance and a fresh injection of financing gives us the scope to continue to improve the customer experience via the network, create better futures for staff via training, and make a better environment for everyone. The net result: a lot more happiness. So who says money can't buy you love?

**The math is simple: strong financial performance and a fresh injection of financing gives us the scope to continue to improve the customer experience**

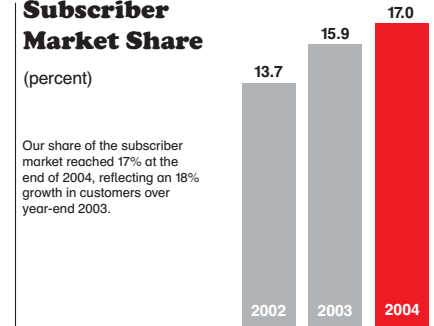
# Key Performance Indicators

Oskar continues to grow its customer base

Services revenue grew 23.8% when compared to 2003

## Subscriber Market Share

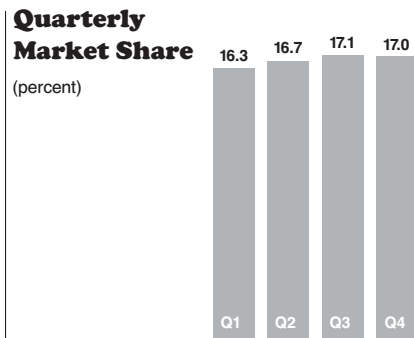
(percent)



Our share of the subscriber market reached 17% at the end of 2004, reflecting an 18% growth in customers over year-end 2003.

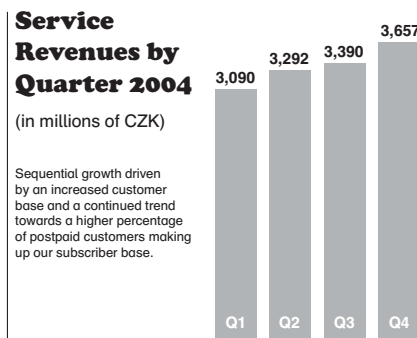
## Quarterly Market Share

(percent)



## Service Revenues by Quarter 2004

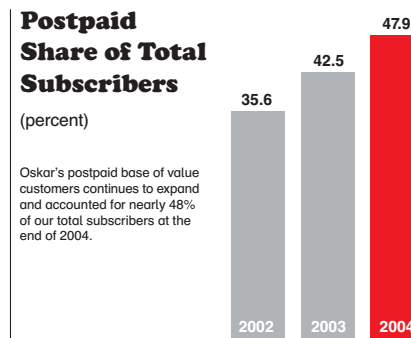
(in millions of CZK)



Sequential growth driven by an increased customer base and a continued trend towards a higher percentage of postpaid customers making up our subscriber base.

## Postpaid Share of Total Subscribers

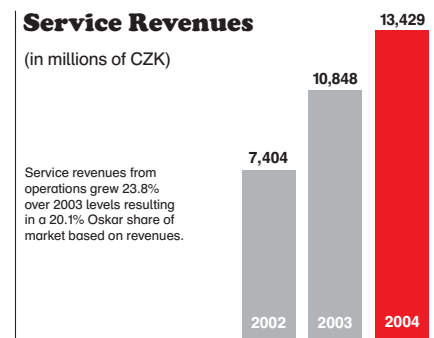
(percent)



Oskar's postpaid base of value customers continues to expand and accounted for nearly 48% of our total subscribers at the end of 2004.

## Service Revenues

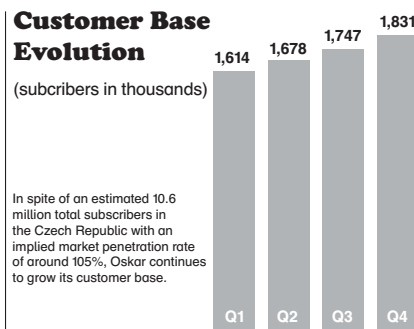
(in millions of CZK)



Service revenues from operations grew 23.8% over 2003 levels resulting in a 20.1% Oskar share of market based on revenues.

## Customer Base Evolution

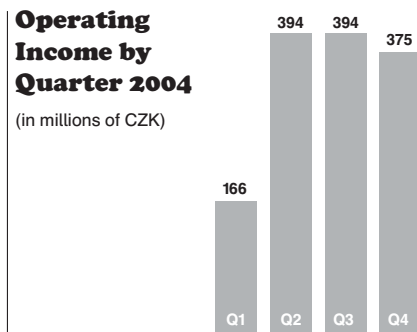
(subscribers in thousands)



In spite of an estimated 10.6 million total subscribers in the Czech Republic with an implied market penetration rate of around 105%, Oskar continues to grow its customer base.

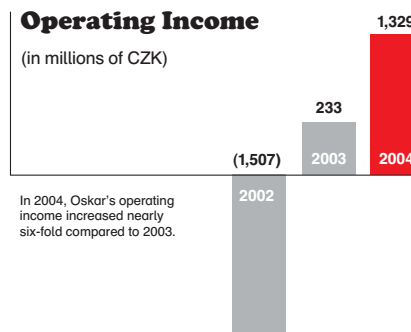
## Operating Income by Quarter 2004

(in millions of CZK)



## Operating Income

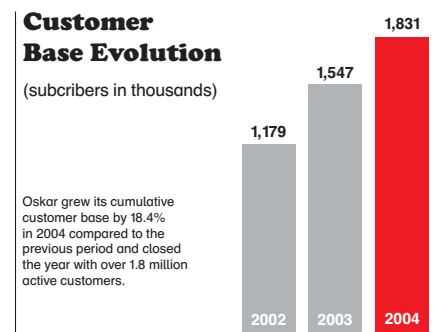
(in millions of CZK)



In 2004, Oskar's operating income increased nearly six-fold compared to 2003.

## Customer Base Evolution

(subscribers in thousands)



Oskar grew its cumulative customer base by 18.4% in 2004 compared to the previous period and closed the year with over 1.8 million active customers.



Oskar has been  
the ARPU leader in  
the Czech Republic for  
eight consecutive  
quarters

Oskar grew  
its cumulative  
customer base  
by 17%  
in 2004

## Auditors' Report

### To the shareholders of Oskar Mobil a.s.:

We have audited the financial statements of Oskar Mobil a.s. for the year ended 31 December 2004 in accordance with the Act No. 254/2000 Coll. on Auditors and the auditing guidelines issued by the Chamber of Auditors of the Czech Republic. Our audit included an examination of evidence supporting the financial statements and of the accounting policies and estimates used by management in their preparation. Our audit procedures were carried out on a test basis and with regard to the principle of materiality.

The management of Oskar Mobil a.s. is responsible for maintaining accounting records and for preparing financial statements which give a true and fair view of the assets, liabilities, equity, financial results and financial situation of Oskar Mobil a.s. Our responsibility is to express an opinion on the financial statements taken as a whole, based on our audit performed in accordance with this Act and the auditing guidelines.

In our opinion, the financial statements present, in all material respects, a true and fair view of the assets, liabilities, equity and financial position of Oskar Mobil a.s. as at 31 December 2004 and the financial results for the year then ended in accordance with Act No. 563/1991 Coll. on Accounting and relevant legislation.

We have also audited the financial statements of Oskar Mobil a.s. as at 31 December 2003 and 31 December 2002 and issued an unqualified report thereon dated 28 February 2004 and 28 February 2003, respectively.

The accompanying annual report for 2004 contains information about important matters related to the Company's financial statements, the evolution of its business and other matters. We have checked that the accounting information in the annual report is consistent with that contained in the audited financial statements as of 31 December 2004. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company.

We have reviewed the information contained in the report on related parties, which was prepared in accordance with Section 66a of the Commercial Code. The Board of Directors is responsible for the complete and accurate presentation of the report on related parties. Our responsibility is to review the accuracy of the information included in the report. During our audit, nothing came to our attention that would cause us to believe that the information disclosed in the report was inaccurate.

*Ernst & Young*

**Ernst & Young CR, s.r.o.**  
Licence No. 401

*Milan Slavik*

**Milan Slavik,**  
Auditor, Licence No. 708  
23 February 2005, Prague, Czech Republic

**Balance Sheet – Long form**

As of 31 December 2004, 2003 and 2002 (in CZK thousands)

	Current Year		2003	2002	
	Gross	Provisions	Net	Net	
<b>TOTAL ASSETS</b>	<b>31,024,107</b>	<b>(10,138,784)</b>	<b>20,885,323</b>	<b>21,663,462</b>	<b>20,809,138</b>
<b>A. STOCK SUBSCRIPTION RECEIVABLE</b>					
<b>B. FIXED ASSETS</b>	<b>26,479,947</b>	<b>(9,740,334)</b>	<b>16,739,613</b>	<b>17,403,192</b>	<b>18,132,387</b>
B. I. Intangible assets	3,888,422	(1,964,132)	1,924,290	2,233,355	1,664,013
B. I. 1 Foundation and organization expenses	806	(779)	27	175	336
2 Research and development					
3 Software	2,660,840	(1,684,786)	976,054	1,248,663	634,720
4 Patents, royalties and similar rights	1,133,480	(278,567)	854,913	912,654	970,231
5 Goodwill					
6 Other intangible assets					
7 Intangible assets in progress	93,296		93,296	71,552	58,503
8 Advances granted for intangible assets				311	223
B. II. Tangible assets	22,576,582	(7,776,202)	14,800,380	15,169,837	16,468,374
B. II. 1 Land					
2 Constructions	2,104,001	(459,176)	1,644,825	1,846,547	3,594,326
3 Separate movable items and groups of movable items	20,097,093	(7,317,026)	12,780,067	12,830,261	12,072,765
4 Perennial crops					
5 Livestock					
6 Other tangible assets					
7 Tangible assets in progress	360,342		360,342	488,190	767,672
8 Advances granted for tangible assets	15,146		15,146	4,839	33,611
9 Gain or loss on revaluation of acquired property					
B. III. Financial investments	14,943		14,943		
B. III. 1 Subsidiaries	14,943		14,943		
2 Associates					
3 Other long-term securities and interests					
4 Loans to subsidiaries and associates					
5 Other long-term investments					
6 Long-term investments in progress					
7 Advances granted for long-term investments					

**Balance Sheet – Long form**

As of 31 December 2004, 2003 and 2002 (in CZK thousands)

	Current Year		2003	2002	
	Gross	Provisions	Net	Net	
<b>C. CURRENT ASSETS</b>	<b>3,952,294</b>	<b>(398,450)</b>	<b>3,553,844</b>	<b>3,902,866</b>	<b>2,291,657</b>
C. I. Inventory	365,403	(57,047)	308,356	398,783	295,422
C. I. 1 Materials	219,786	(48,513)	171,273	159,937	131,524
2 Work in progress and semi-finished production					
3 Finished products					
4 Livestock					
5 Goods	145,617	(8,534)	137,083	238,846	163,898
6 Advances granted for inventory					
C. II. Long-term receivables	12,141		12,141	9,326	25,981
C. II. 1 Trade receivables	12,141		12,141	9,326	25,981
2 Receivables from subsidiaries					
3 Receivables from associates					
4 Receivables from partners, co-operative members and participants in association					
5 Long-term advances granted					
6 Unbilled revenue					
7 Other receivables					
8 Deferred tax asset					
C. III. Short-term receivables	2,358,020	(341,403)	2,016,617	1,986,042	1,795,014
C. III. 1 Trade receivables	1,924,745	(341,403)	1,583,342	1,339,949	1,251,450
2 Receivables from subsidiaries					
3 Receivables from associates	23,392		23,392		
4 Receivables from partners, co-operative members and participants in association	17,321		17,321	23,665	49,493
5 Social security and health insurance					
6 Due from government - tax receivables	11,059		11,059	115,237	80,112
7 Short-term advances granted					
8 Unbilled revenue	379,669		379,669	384,590	350,873
9 Other receivables	1,834		1,834	122,601	63,086
C. IV. Short-term financial assets	1,216,730		1,216,730	1,508,715	175,240
C. IV. 1 Cash	8,416		8,416	7,761	3,267
2 Bank accounts	1,208,314		1,208,314	1,500,954	171,973
3 Short-term securities and interests					
4 Short-term financial assets in progress					
<b>D. OTHER ASSETS - TEMPORARY ACCOUNTS OF ASSETS</b>	<b>591,866</b>		<b>591,866</b>	<b>357,404</b>	<b>385,094</b>
D. I. Accrued assets and deferred liabilities	591,866		591,866	357,404	385,094
D. I. 1 Prepaid expenses	591,866		591,866	357,404	385,094
2 Prepaid expenses (specific-purpose expenses)					
3 Unbilled revenue					



**Balance Sheet – Long form**

As of 31 December 2004, 2003 and 2002 (in CZK thousands)

	Current Year	2003	2002
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>20,885,323</b>	<b>21,663,462</b>	<b>20,809,138</b>
<b>A. EQUITY</b>	<b>2,111,951</b>	<b>2,182,031</b>	<b>1,446,479</b>
A. I. Basic capital	13,646,679	13,646,679	12,956,959
A. I. 1 Registered capital	13,646,679	12,956,959	10,716,514
2 Own shares and own ownership interests (-)			
3 Changes in basic capital		689,720	2,240,445
A. II. Capital funds	(436,907)	(829,777)	(1,250,651)
A. II. 1 Share premium (agio)			
2 Other capital funds			
3 Gain or loss on revaluation of assets and liabilities	(436,907)	(829,777)	(1,250,651)
4 Gain or loss on revaluation of company transformations			
A. III. Reserve funds, (indivisible fund) and other funds created from profit			
A. III. 1 Legal reserve fund/Indivisible fund			
2 Statutory and other funds			
A. IV. Profit (loss) for the previous years	(10,634,871)	(10,259,829)	(7,965,705)
IV. 1 Retained earnings for the previous years			
2 Accumulated loss of previous years	(10,634,871)	(10,259,829)	(7,965,705)
A. V. Profit (loss) for the year (+ / -)	(462,950)	(375,042)	(2,294,124)
<b>B. LIABILITIES</b>	<b>17,871,776</b>	<b>18,631,943</b>	<b>18,136,257</b>
B. I. Reserves	60,489	27,520	46,229
B. I. 1 Reserves created under special legislation			
2 Reserve for pensions and similar obligations			
3 Reserve for corporate income tax			
4 Other reserves	60,489	27,520	46,229
B. II. Long-term liabilities	10,693,434		818,679
B. II. 1 Trade payables			
2 Liabilities to subsidiaries			
3 Liabilities to associates			
4 Liabilities to partners, co-operative members and participants in association			
5 Advances received			
6 Bonds payable	9,901,125		
7 Notes payable			
8 Unbilled deliveries			
9 Other liabilities	792,309		818,679
10 Deferred tax liability			

**Balance Sheet – Long form**

As of 31 December 2004, 2003 and 2002 (in CZK thousands)

	Current Year	2003	2002
B. III. Current liabilities	2,422,733	3,548,768	3,924,926
B. III. 1 Trade payables	748,594	939,173	472,131
2 Liabilities to subsidiaries			
3 Liabilities to associates			
4 Liabilities to partners, co-operative members and participants in association			
5 Liabilities to employees	46,070	42,417	37,574
6 Liabilities arising from social security and health insurance	31,455	28,026	26,932
7 Due to government – taxes and subsidies	12,887	12,821	12,234
8 Advances received			
9 Bonds payable			
10 Unbilled deliveries	1,575,819	1,562,940	2,065,723
11 Other liabilities	7,908	963,391	1,310,332
B. IV. Bank loans and borrowings	4,695,120	15,055,655	13,346,423
B. IV. 1 Long-term bank loans	4,695,120	14,569,063	13,346,423
2 Short-term bank loans		486,592	
3 Borrowings			
<b>C. OTHER LIABILITIES - TEMPORARY ACCOUNTS OF LIABILITIES</b>	<b>901,596</b>	<b>849,488</b>	<b>1,226,402</b>
C. I. Accrued liabilities and deferred assets	901,596	849,488	1,226,402
C. I. 1 Accruals	636,228	619,435	435,061
2 Deferred income	265,368	230,053	791,341

## Income Statement – Long Form

For the years ended 31 December 2004, 2003 and 2002 (in CZK thousands)

	Current Year	2003	2002
I. 1 Revenue from sale of goods	678,131	627,170	652,129
A. 2 Cost of goods sold	1,155,345	966,314	836,134
<b>+ Gross margin</b>	<b>(477,214)</b>	<b>(339,144)</b>	<b>(184,005)</b>
II. Production	13,600,389	10,991,375	7,521,108
II. 1 Revenue from sale of finished products and services	13,429,469	10,848,022	7,404,161
2 Change in inventory produced internally			
3 Own work capitalized	170,920	143,353	116,947
B. Production related consumption	7,671,436	6,592,071	5,673,402
B. 1 Consumption of material and energy	247,386	187,997	189,941
B. 2 Services	7,424,050	6,404,074	5,483,461
<b>+ Value added</b>	<b>5,451,739</b>	<b>4,060,160</b>	<b>1,663,701</b>
C. Personnel expenses	1,178,360	1,092,754	906,924
C. 1 Wages and salaries	832,572	776,657	674,063
C. 2 Bonuses to members of company or cooperation bodies	23	30	45
C. 3 Social security and health insurance	298,572	275,161	198,685
C. 4 Other social costs	47,193	40,906	34,131
D. 1 Taxes and charges	397	188	444
E. 1 Amortisation and depreciation of intangible and tangible fixed assets	2,748,507	2,608,298	3,707,345
III. Revenue from sale of intangible and tangible fixed assets and materials	2,301	1,118	4,800
III. 1 Revenues from sale of intangible and tangible fixed assets	2,006	598	4,590
2 Revenue from sale of materials	295	520	210
F. Net book value of intangible and tangible fixed assets and materials sold	8,416	160	
F. 1 Net book value of intangible and tangible fixed assets sold	8,416	160	
F. 2 Materials sold			
G. 1 Change in reserves and provisions relating to operations and in prepaid expenses (specific-purpose expenses)	286,508	105,918	(1,558,570)
IV. 1 Other operating revenues	135,497	74,101	22,555
H. 2 Other operating expenses	38,234	95,020	142,493
V. 1 Transfer of operating revenues			
I. 2 Transfer of operating expenses			
<b>* Profit or loss on operating activities</b>	<b>1,329,115</b>	<b>233,041</b>	<b>(1,507,580)</b>

## Income Statement – Long Form

For the years ended 31 December 2004, 2003 and 2002 (in CZK thousands)

	Current Year	2003	2002
VI. 1 Revenue from sale of securities and interests			
J. 2 Securities and interests sold			
VII. Income from financial investments			
VII. 1 Income from subsidiaries and associates			
2 Income from other long-term securities and interests			
3 Income from other financial investments			
VIII.1 Income from short-term financial assets			
K. 2 Expenses related to financial assets			
IX. 1 Gain on revaluation of securities and derivatives			
L. 2 Loss on revaluation of securities and derivatives	7,908		
M. 1 Change in reserves and provisions relating to financial activities		(46,229)	(88,464)
X. 1 Interest income	30,942	8,922	5,321
N. 2 Interest expense	957,124	948,638	947,265
XI. 1 Other finance income	419,769	397,703	298,919
O. 2 Other finance cost	1,231,407	189,163	258,315
XII.1 Transfer of finance income			
P. 2 Transfer of finance cost			
<b>* Profit or loss on financial activities</b>	<b>(1,745,728)</b>	<b>(684,947)</b>	<b>(812,876)</b>
Q. Tax on profit or loss on ordinary activities			
Q. 1 - due			
Q. 2 - deferred			
<b>** Profit or loss on ordinary activities after taxation</b>	<b>(416,613)</b>	<b>(451,906)</b>	<b>(2,320,456)</b>
XIII.1 Extraordinary gains		93,140	26,332
R. 2 Extraordinary losses	46,337	16,276	
S. 1 Tax on extraordinary profit or loss			
S. 1 - due			
S. 2 - deferred			
<b>* Extraordinary profit or loss</b>	<b>(46,337)</b>	<b>76,864</b>	<b>26,332</b>
T. 1 Transfer of share of profit or loss to partners (+/-)			
<b>*** Profit or loss for the year (+/-)</b>	<b>(462,950)</b>	<b>(375,042)</b>	<b>(2,294,124)</b>
<b>**** Profit or loss before taxation</b>	<b>(462,950)</b>	<b>(375,042)</b>	<b>(2,294,124)</b>

## Financial Statements for the Year Ended 31 December 2004

### 1. DESCRIPTION OF THE COMPANY

Oskar Mobil a.s. ("the Company") is a joint stock company incorporated on 13 August 1999 in the Czech Republic under the name of Český Mobil a.s. The Extraordinary General Meeting of Shareholders held on 16 September 2004 approved the change of the Company's name to Oskar Mobil a.s. The change was made to the Commercial Register on 27 September 2004. The Company's registered office is located at Vinohradská 167, Prague 10, postcode 100 00, Czech Republic, its business registration number (IČ) is 25788001.

The Company is involved in the provision of telecommunication services, consultancy relating to telecommunication equipment and services, information systems and electronics and the purchase of goods for resale and sale.

As at 31 December 2003, the majority owner of the Company was Oskar Holdings N.V. (previous business name TIW Czech N.V.), with its registered office at Strawinskylaan 707, 1077 XX Amsterdam, the Netherlands, whose ownership interest was 96.24%.

Pursuant to an agreement for the sale and transfer of shares, the Czech Consolidation Agency transferred 469,140 ordinary shares with a nominal value of CZK 1,000 per share to Oskar Holdings N.V. in February 2004. As a result of this, the ownership interest of Oskar Holdings N.V. increased to 99.87%.

On 13 October 2004, Oskar Holdings N.V. transferred 6,685,245 ordinary shares with a nominal value of CZK 1,000, 10 preferred shares with a nominal value of CZK 1,000 and 694,466,938 with a nominal value of CZK 10, totally representing 99.87% of the Company's basic capital, to Oskar Finance B.V.

As at 31 December 2004, Oskar Finance B.V., with its registered office at Strawinskylaan 707, 1077 XX, Amsterdam, the Netherlands, was the new majority owner of the Company, holding 99.87% of the shares. Oskar Finance B.V. is a subsidiary fully owned by Oskar Holdings N.V. The Company is included in the consolidated group of Telesystem International Wireless Inc. ("TIW").

The Extraordinary General Meeting held on 24 October 2003 decided to increase the basic capital by CZK 689,720 thousand through the subscription of shares. The basic capital increase was entered in the Commercial Register on 3 March 2004.

The Company has not concluded a control agreement on profit distribution with the parent company.

#### Statutory and Supervisory Bodies

Members of the Board of Directors and of the Supervisory Board as at 31 December 2004 were as follows:

Board of Directors:	Chair: Alexander Tolstoy	Supervisory Board:	Chair: James Jackson
	Vice-chair: Karla Dorothy Stephens		Vice-chair: Ladislav Chrudina
	Member: Mario Mele		Member: Cornelius van Ravenhorst
	Member: Muriel Anton		Member: Patricia Haws
	Member: Frederick W. Hrenchuk		Member: Igor Pferovský
			Member: Roman Staněk

### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with Act No. 563/1991 Coll. on Accounting, and Decree No. 500/2000 Coll., as applicable for 2004, 2003 and 2002.

The financial statements have been prepared on the historical cost basis (except for the accounting for derivatives that are presented in fair value). Additionally, they have been prepared on a going concern basis as the management believes that the Company has access to adequate funds to support its future operations.

#### a) Impact of the Act on Accounting Amendments

The impact of amendments to the Act on Accounting, the related guidelines and the accounting procedures for entrepreneurs effective as of 1 January 2003 and 1 January 2002 was reflected in the net profit or loss for 2003 and 2002, respectively, or in the equity as at 31 December 2003 and 2002, respectively. For this reason, certain information in the 2003 financial statements is not fully comparable with the information in the 2002 financial statements.

#### b) Information Comparability

In connection with the amendments to the Act on Accounting and to the accounting procedures, the form of reporting of some items in the balance sheet, income statement and cash flow statement changed in 2003. For this reason, certain balances of previous accounting periods have been reclassified to conform to the current year presentation.

#### Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

## Financial Statements for the Year Ended 31 December 2004

### 3. ACCOUNTING POLICIES AND GENERAL ACCOUNTING PRINCIPLES

The accounting policies applied by the Company in preparing the 2004, 2003 and 2002 financial statements are as follows:

#### a) Intangible Fixed Assets

Intangible fixed assets with a cost exceeding CZK 60 thousand (including certain assets whose cost is lower than this limit) are valued at their acquisition cost and related expenses. The acquisition cost includes a capitalized portion of operating expenses incurred before the assets are put into use. In 2002, the Company capitalized as part of the acquisition cost of these assets the loan interest incurred in connection with the acquisition. Starting in 2003, the Company does not capitalize the interest.

Intangible fixed assets are amortized over their estimated useful lives.

Licenses are amortized over the license periods.

#### b) Tangible Fixed Assets

Purchased tangible fixed assets with a cost exceeding CZK 40 thousand (including certain assets whose cost is lower than this limit) are recorded at their acquisition cost that consists of purchase price, freight, customs duties and other related costs. The acquisition cost includes a capitalized portion of operating expenses incurred before the tangible fixed assets are put into use. In 2002, the Company capitalized as part of the acquisition cost of these assets the loan interest incurred in connection with the acquisition. Starting in 2003, the Company does not capitalize the interest.

The costs of technical improvements are capitalized. Repairs and maintenance expenses are expensed as incurred.

#### Depreciation

Tangible and intangible fixed assets are depreciated/amortized using the straight-line method based on the acquisition cost and the estimated useful life of the related asset.

Accounting useful lives of major asset classes are determined as follows:

	Years
Telecommunication technologies, structures and software	10
Leasehold improvements	3-8
GSM licences	20
Software and logo licenses	5
Computers	3
Office and shop equipment	5
Vehicles	3

In 2003 the Company decided to change book depreciation rates for telecommunication network structures from 20 to 10 years. With respect to assets in use, the annual depreciation expense was re-calculated based on net book values as at 1 January 2003, taking into account the remaining useful lives. Newly acquired assets were already put in use with the changed depreciation rates.

#### c) Financial Assets

Short-term financial assets consist of liquid valuables and cash in hand and at bank.

#### d) Inventory

Purchased inventory is stated at actual cost being determined using the weighted average method. Costs of purchased inventory include acquisition related costs (freight, customs, commission, etc.). Obsolete, defective or slow moving inventory is written-down to its estimated net realizable value by a provision account. Additions to the provision account are charged to income.

#### e) Receivables

Both long- and short-term receivables are carried at their realizable value after provision for doubtful accounts. Provisions are recorded in sub-ledger accounts by receivable type and additions to the provision account are charged to income. The provisions are created, in particular, based on the receivable ageing analysis taking into consideration the existing payment risk.

Legal provisions are created in compliance with the Act on Reserves.

## Financial Statements for the Year Ended 31 December 2004

### 3. ACCOUNTING POLICIES AND GENERAL ACCOUNTING PRINCIPLES (Continued)

#### f) Derivatives

Derivatives are initially measured at cost. Derivatives are reflected in other short- and long-term receivables or current and long-term payables, as appropriate, in the accompanying balance sheet.

Derivatives are classified as derivatives held for trading or hedging derivatives. The latter are designated as either fair value hedges or cash flow hedges. In order to qualify for hedge accounting, the change in the fair value of a derivative or of its estimated cash flow must offset, in whole or in part, the change in the fair value or cash flow arising from the hedged item. In addition, there must be formal documentation of the hedging relationship at inception and the Company must prove that the hedging relationship is highly effective. In all other cases, derivatives are recognized as held-for-trading.

Derivatives are revalued to fair value as at the balance sheet date. Changes in the fair value of derivatives held for trading are reported in earnings. Changes in the fair value of derivatives designated as fair value hedges are also recognized in earnings, together with the change in the fair value of the hedged item attributable to the risk being hedged. Changes in the fair value of derivatives designated as cash flow hedges are taken to equity and reflected in the balance sheet through gain or loss on revaluation of assets and liabilities. Any ineffective portion of the hedge is reported in earnings.

#### g) Equity

The basic capital of the Company is stated at the amount recorded in the Commercial Register maintained in the Municipal Court. Any increase or decrease in the basic capital made pursuant to the decision of the General Meeting, which was not entered in the Commercial Register as at the balance sheet date, is recorded through changes in basic capital.

In the first year in which profit is generated, a joint-stock company should allocate 20% of profit after tax (however, not more than 10% of basic capital) to the legal reserve fund. In subsequent years, the legal reserve fund is allocated 5% of profit after tax until it reaches 20% of basic capital. These funds can only be used to offset losses. The Company has not established the legal reserve fund yet.

#### h) Reserves and Liabilities

The Company creates reserves for losses and risks if the related purpose, amount and timing can be reliably estimated and the accrual and matching principles are observed.

Long-term liabilities and current liabilities are carried at their nominal values. Amounts resulting from revaluation of financial derivatives at fair value are shown in other payables.

Short-term and long-term loans are recorded at their nominal values. Any portion of long-term debt which is due within one year of the balance sheet date is regarded as short-term debt.

#### i) Foreign Currency Transactions

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at a fixed monthly Czech National Bank rate set at the last business day of the preceding month. Invoices denominated in both Czech crowns and foreign currency are translated into Czech crowns using the exchange rate stated on the invoice.

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to the exchange rates as at 31 December as published by the Czech National Bank.

Realized exchange rate gains and losses were charged or credited, as appropriate, to income for the year. From 2003 unrealized exchange rate gains and losses are also recognized or charged, as appropriate, into income. In 2002 these unrealized gains and losses were not recognized or charged, as appropriate, into income until collection or payment of the related item occurred, and were included in other liabilities or other assets, as appropriate, in the accompanying balance sheet. Unrealized exchange rate losses were reported as assets in the accompanying balance sheet and were offset by a reserve with a corresponding charge to income.

#### j) Recognition of Expenses and Revenues

Revenues and expenses are recognized on an accrual basis, that is, they are recognized in the periods in which the actual flow of the related goods or services occurs, regardless of when the related monetary flow arises.

Revenues generated from services include, in particular, charges for domestic telephone calls, charges for calls made in and to foreign countries (roaming), other related services and payments for connection between individual operators. Revenues generated from the sale of goods consist of sales of mobile phones and their accessories.

Fixed monthly payments and sales of mobile phones are recognized as revenue when they arise, i.e. when the goods or services are provided.

Revenues generated from prepaid telephone cards are recognized as revenue when the services are used or a card expires.

The Company recognizes as an expense any additions to reserves for or provisions against risks, losses or physical damage that are known as at the financial statements date.

## Financial Statements for the Year Ended 31 December 2004

### 3. ACCOUNTING POLICIES AND GENERAL ACCOUNTING PRINCIPLES (Continued)

#### k) Income Tax Payable and Deferred

The corporate income tax expense is calculated based on the statutory tax rate and book income before taxes, increased or decreased by the appropriate permanent and temporary differences (e.g. non-deductible reserves and provisions, entertainment expenses, differences between book and tax depreciation, etc.).

The deferred tax position reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax purposes, taking into consideration the period of realization.

#### l) Financial Assets

Long-term financial assets consist of share in the subsidiary Phone House s.r.o. valued at acquisition cost.

### 4. FIXED ASSETS

#### a) Intangible Fixed Assets (in CZK thousands)

##### COST

	At beginning of year	Additions	Disposals	Transfers	At end of year
Foundation and organization expenses	806	-	-	-	806
Software	2,447,897	-	(663)	213,606	2,660,840
Licences	1,133,587	-	-	(107)	1,133,480
Intangibles in progress	71,552	234,932	-	(213,188)	93,296
Advances for intangibles	311	-	-	(311)	-
<b>2004 Total</b>	<b>3,654,153</b>	<b>234,932</b>	<b>(663)</b>	<b>-</b>	<b>3,888,422</b>
<b>2003 Total</b>	<b>2,532,054</b>	<b>610,054</b>	<b>-</b>	<b>512,045</b>	<b>3,654,153</b>
<b>2002 Total</b>	<b>2,463,274</b>	<b>113,712</b>	<b>(44,932)</b>	<b>-</b>	<b>2,532,054</b>

##### ACCUMULATED AMORTISATION

	At beginning of year	Amortisation of year	Disposals	Transfers	At end of year	Provisions	Net book value
Foundation and organisation expenses	(631)	(148)	-	-	(779)	-	27
Software	(1,199,234)	(474,296)	334	-	(1,673,196)	(11,590)	976,054
Licences	(220,933)	(57,634)	-	-	(278,567)	-	854,913
Intangibles in progress	-	-	-	-	-	-	93,296
Advances for intangibles	-	-	-	-	-	-	-
<b>2004 Total</b>	<b>(1,420,798)</b>	<b>(532,078)</b>	<b>334</b>	<b>-</b>	<b>(1,952,542)</b>	<b>(11,590)</b>	<b>1,924,290</b>
<b>2003 Total</b>	<b>(868,041)</b>	<b>(445,137)</b>	<b>-</b>	<b>(107,620)</b>	<b>(1,420,798)</b>	<b>-</b>	<b>2,233,355</b>
<b>2002 Total</b>	<b>(406,426)</b>	<b>(476,585)</b>	<b>14,970</b>	<b>-</b>	<b>(868,041)</b>	<b>-</b>	<b>1,664,013</b>

The Company has adjusted the carrying value of certain intangible assets for diminution in value through a provision charged against income.

For assets pledged as security for issued bonds and received loans, see Note 10 and 12.

## Financial Statements for the Year Ended 31 December 2004

### 4. FIXED ASSETS (Continued)

#### b) Tangible Fixed Assets (in CZK thousands)

COST	At beginning of year	Additions	Disposals	Transfers	At end of year
Telecommunication network structures	1,818,440	-	-	(20,613)	1,797,827
Leasehold improvements, non-cellular	321,204	-	(5,819)	(9,212)	306,174
Telecommunication network technology	16,971,623	-	(66,096)	2,052,365	18,957,892
Computers	1,002,191	-	(205,889)	103,251	899,553
Office and shop equipment	212,373	-	-	15,991	228,364
Vehicles	11,008	-	-	276	11,284
Tangibles in progress	488,190	2,014,210	-	(2,142,058)	360,342
Advances for tangibles	4,839	10,307	-	-	15,146
2004 Total	20,829,868	2,024,517	(277,803)	-	22,576,582
2003 Total	20,119,891	1,282,176	(60,154)	(512,045)	20,829,868
2002 Total	16,988,409	3,450,979	(319,497)	-	20,119,891

#### ACCUMULATED DEPRECIATION

	At beginning of year	Depreciation of year	Disposals	Transfers	At end of year	Provisions	Net book value
Telecommunication network structures	(195,583)	(117,251)	-	-	(312,834)	-	1,484,993
Leasehold improvements, non-cellular	(97,514)	(51,630)	2,802	-	(146,342)	-	159,832
Telecommunication network technology	(4,402,152)	(1,919,415)	25,078	-	(6,296,489)	(127,017)	12,534,386
Computers	(851,114)	(99,638)	191,914	-	(758,838)	(17)	140,698
Office and shop equipment	(104,704)	(20,081)	-	-	(124,785)	-	103,579
Vehicles	(8,945)	(916)	-	-	(9,861)	-	1,404
Tangibles in progress	-	-	-	-	-	-	360,342
Advances for tangibles	-	-	-	-	-	-	15,146
2004 Total	(5,660,031)	(2,208,931)	219,794	-	(7,649,168)	(127,034)	14,800,380
2003 Total	(3,651,517)	(2,163,161)	47,027	107,620	(5,660,031)	-	15,169,837
2002 Total	(446,181)	(3,230,760)	25,424	-	(3,651,517)	-	16,468,374

In 2004, 2003 and 2002, operating expenses of CZK 297,456 thousand, CZK 268,408 thousand and CZK 268,661 thousand, respectively, were capitalized as part of the cost of fixed assets. In 2002, interest from investment loans totalling CZK 28,167 thousand was also capitalized. Starting in 2003, the Company does not capitalize the interest.

The Company has adjusted the carrying value of certain tangible assets for diminution in value through a provision charged against income.

For assets pledged as security for issued bonds and received loans, see Note 10 and 12.

## Financial Statements for the Year Ended 31 December 2004

### 4. FIXED ASSETS (Continued)

#### c) Long-Term Financial Investments (in CZK thousands)

On 15 October 2004, the Company acquired the 100% ownership interest in The Phone House s.r.o., which is involved in the sale of mobile phones and their accessories. The acquisition cost including the related expenses totalled CZK 14,943 thousand.

Subsidiaries and associates as at 31 December 2004 were as follows (in CZK thousands):

Name:	The Phone House s.r.o.
Registered office:	Prague 7, Dělnická 213/12, postcode 170 04
Percentage of ownership	100%
Total assets	11,015
Equity	(24,051)
Basic capital and capital funds	100
Funds created from profit	5
Retained earnings	-
Loss for the current year	(24,156)
Acquisition cost of interest	14,943
Nominal value of interest	100
Intrinsic value of interest	-
Dividends received during the year	-

Financial information about this company was obtained from its standalone unaudited financial statements.

### 5. INVENTORY

Inventory includes particularly mobile phones and their accessories that are held for resale, and spare parts held for maintenance of the telecommunication technology operations.

Provision reflecting a temporary diminution in value of goods and spare parts was determined by management based on the analysis of obsolete inventory and tear and wear of spare parts.

Movements in inventory provisions were as follows (in CZK thousands):

Provisions against:	Balance as at 31 Dec 2002	Additions	Deductions	Balance as at 31 Dec 2003	Additions	Deductions	Balance as at 31 Dec 2004
- Spare parts	13,585	16,210	-	29,795	18,718	-	48,513
- Goods inventory	13,436	27,728	(13,105)	28,059	8,430	(27,955)	8,534
Total	27,021	43,938	(13,105)	57,854	27,148	(27,955)	57,047

For assets pledged as security for issued bonds and received loans, see Note 10 and 12.

## Financial Statements for the Year Ended 31 December 2004

### 6. RECEIVABLES

#### Long-term Receivables

Long-term trade receivables consist, in particular, of rent advances. These receivables bear no interest.

#### Short-term receivables

Short-term trade receivables consist, in particular, of receivables from customers, providers of telecommunication services and from other business partners.

Receivables from related parties (see Note 19).

Receivables from partners and association members include, in particular, receivables resulting from the Company's participation in associations (not being legal entities) established with other mobile operators or other entities for the purposes of increasing GSM signal coverage.

Unbilled revenues include in particular contingencies related to operation fees for connection between individual operators and for services provided to customers with respect to cellular network use, which were recognized into income for the year in which they were earned.

Receivables overdue for more than 180 days totalled CZK 250,279 thousand, CZK 158,543 thousand and CZK 127,708 thousand as at 31 December 2004, 2003 and 2002, respectively. These were, in particular, receivables from customers.

A provision reflecting a temporary diminution in receivable value was created against outstanding receivables that are considered doubtful.

Movements in receivable provisions were as follows (in CZK thousands):

Provisions against:	Balance as at 31 Dec 2002	Additions	Deductions	Balance as at 31 Dec 2003	Additions	Deductions	Balance as at 31 Dec 2004
Receivables from services	170,546	89,871	(41,188)	219,229	120,418	(1,653)	337,995
Other receivables							
– legal	-	670	-	670	545	(134)	1,081
– other	7,570	1,803	(3,590)	5,783	798	(4,253)	2,327
<b>Total</b>	<b>178,116</b>	<b>92,344</b>	<b>(44,778)</b>	<b>225,682</b>	<b>121,762</b>	<b>(6,040)</b>	<b>341,403</b>

Legal provisions are created in compliance with the Act on Reserves and are tax deductible.

For assets pledged as security for issued bonds and received loans, see Note 10 and 12.

### 7. OTHER ASSETS

Prepaid expenses as at 31 December 2004, 2003 and 2002 include, in particular, finance costs of CZK 550,118 thousand, CZK 214,730 thousand and CZK 282,165 thousand, respectively, related to the issue of Notes and the acquisition of a long-term loan, which are accrued over the bond and loan period.

### 8. EQUITY

The basic capital of the Company is comprised of 6,702,000 ordinary shares with a nominal value of CZK 1,000, 694 466 938 ordinary shares with a nominal value of CZK 10 and 10 priority shares at a nominal value of CZK 1,000. As at the date of the compilation of the financial statements, the shares are fully subscribed and paid and entered in the Commercial Register. The shares are not publicly tradable.

## Financial Statements for the Year Ended 31 December 2004

### 8. EQUITY (Continued)

The movements in the capital accounts during 2004, 2003 and 2002 were as follows (in CZK thousands):

	Number of share	Basic capital Registered	Basic capital Approved	Differences arising from revaluation of assets and liabilities	Accumulated loss	Profit/loss to be approved	Total
Balance as at 31/ 12/ 2002	408,152,409	10,716,514	2,240,445	(1,250,651)	(7,965,705)	(2,294,124)	1,446,479
Issue of shares and entry of the basic capital increase in the Commercial Register	224,044,539	2,240,445	(2,240,445)	-	-	-	-
Basic capital increase	-	-	689,720	-	-	-	689,720
Revaluation of hedging derivatives	-	-	-	420,874	-	-	420,874
Transfer of prior year profit or loss	-	-	-	-	(2,294,124)	2,294,124	-
Profit or loss for the period	-	-	-	-	-	(375,042)	(375,042)
Balance as at 31/ 12/ 2003	632,196,948	12,956,959	689,720	(829,777)	(10,259,829)	(375,042)	2,182,031
Issue of shares and entry of the basic capital increase in the Commercial Register	68,972,000	689,720	-	-	-	-	-
Revaluation of hedging derivatives	-	-	-	392,870	-	-	392,870
Transfer of prior year profit or loss	-	-	-	-	(375,042)	375,042	-
Profit or loss for the period	-	-	-	-	-	(462,950)	(462,950)
Balance as at 31/ 12/ 2004	701,168,948	13,646,679	-	(436,907)	(10,634,871)	(462,950)	2,111,951

The Annual General Meetings held on 28 June 2004, 26 June 2003 and 24 June 2002 approved the transfer of the loss for 2003, 2002 and 2001, respectively, to accumulated losses.

### 9. RESERVES

The movements in the reserve accounts were as follows (in CZK thousands):

Reserves	Balance as at 31/ 12/ 2002	Additions	Deductions	Balance as at 31/ 12/ 2003	Additions	Deductions	Balance as at 31/ 12/ 2004
- For foreign exchange rate losses	46,229	-	(46,229)	-	-	-	-
- Other reserves	-	27,520	-	27,520	45,090	(12,121)	60,489
<b>Total</b>	<b>46,229</b>	<b>27,520</b>	<b>(46,229)</b>	<b>27,520</b>	<b>45,090</b>	<b>(12,121)</b>	<b>60,489</b>

Due to the change in the accounting treatment of foreign exchange rate differences resulting from the translation of monetary assets and liabilities denominated in foreign currencies, the Company has ceased creating a reserve for unrealized foreign exchange losses (see Note 3).

Other reserves have been created particularly to cover the risks associated with litigation. In addition they include a reserve for warranty repairs created due to an amendment to the Customer Protection Act that requires retailers to provide a two-year warranty, with the effect from 2003.

The Company launched a loyalty programme in 2004. In this connection, the Company has established a reserve for potential future expenses to be incurred in using the loyalty programme benefits. As at 31 December 2004 the reserve totalled CZK 21,943 thousand and was presented within other reserves.

## Financial Statements for the Year Ended 31 December 2004

### 10. LONG-TERM LIABILITIES

In 2002 long-term liabilities included liabilities to Ericsson and Siemens, suppliers of fixed assets (telecommunication network). Pursuant to contractual terms and conditions, these liabilities became due after the final acceptance record was approved. The liabilities amounted to CZK 818,679 thousand as at 31 December 2002. As at 31 December 2004 and 2003 these liabilities, totalling CZK 171,636 thousand and CZK 504,308, thousand were reclassified to current trade payables.

Other long-term liabilities include negative fair values of derivatives (see Note 14). In 2003 and 2002, negative fair values of derivatives were presented within current payables.

On 13 October 2004, the Company issued EUR-denominated bonds with a total nominal value of EUR 325 million (CZK 9,901 million, translated using the rate as at 31 December 2004) and with a coupon interest at 7.5% p.a. The bonds will mature on 15 October 2011. Interest is paid in 6-month instalments; the first one will be due on 15 April 2005. The Company will have a call option from November 2008 entitling it to reacquire the bonds for a price tantamount to 103.75% of their nominal value. The price will decrease in time.

The bonds were issued in electronic form and are traded at the Luxembourg Stock Exchange. The issue rate as at the date of issue was 100%.

The bonds are secured by a pledge of shares of Oskar Finance B.V. and of the Company, by a pledge of bank accounts of Oskar Finance B.V. and Oskar Holdings N.V. as well as by substantially all the Company's assets, including its bank accounts.

Foreign currency risk and interest rate risk arising from the bonds issued in foreign currency is hedged by derivatives (see Note 14).

### 11. CURRENT LIABILITIES

The Company records current trade payables resulting particularly from operating expenses and interconnection charges and payables to suppliers of fixed assets. The usual maturity of liabilities is 30 days. Current trade payables also include customer deposits. As at 31 December 2004, 2003 and 2002, the Company had no current liabilities overdue for 180 days or more.

Unbilled deliveries include particularly deliveries associated with the construction of cellular network, deliveries of information systems, consultancy services from abroad, charges for connections with operators of telecommunication network and accrued interest for drawing-down a long-term loan. They are charged to income for the year in which they were incurred.

As at 31 December 2004, the Company had liabilities of CZK 31,455 thousand owing to social security and health insurance premiums.

Other current liabilities include negative fair values of derivatives (see Note 14).

Payables to related parties (see Note 19).

### 12. BANK LOANS AND BORROWINGS

#### Long-term Syndicated Loan

In addition to the issue of bonds (see Note 10), the Company was granted a long-term syndicated loan by a group of banks in three tranches (tranche A1, tranche A2 and tranche B). The total credit limit of the syndicated facility is CZK 7,825 million (see the table below). Tranches A1 and A2 are due by October 2009 and will be redeemed in quarterly instalments starting in March 2007; tranche B matures in full in October 2010.

The syndicated loan is secured by a pledge of shares of Oskar Finance B.V. and of the Company, by a pledge of bank accounts of Oskar Finance B.V. and Oskar Holdings N.V. as well as by substantially all the Company's assets, including its bank accounts.

The loan bears a floating rate based on the 3-month PRIBOR or EURIBOR rate. Interest rate risk pertaining to the syndicated loan is partially hedged by derivatives (see Note 14).

## Financial Statements for the Year Ended 31 December 2004

### 12. BANK LOANS AND BORROWINGS (Continued)

	2004		2003		2002	
	Total limit (in thousands)	Amount in EUR thousands	Amount in CZK thousands	Total limit (in thousands)	Amount in EUR thousands	Amount in CZK thousands
<b>Syndicated loan granted in 2004:</b>						
Tranche A1 - in CZK	5,033,600		3,020,160			
Tranche A2 - in EUR	40,000	24,000	731,160			
Tranche B - in CZK	1,573,000		943,800			
<b>Total</b>			<b>4,695,120</b>			
Less current portion			-			
<b>Net</b>			<b>4,695,120</b>			
<b>Syndicated loan granted in 2000:</b>						
Tranche A1 - in EUR		269,104	269,104	8,720,331	236,812	7,483,258
Tranche A2 - in CZK		3,756,395	3,756,395			3,305,628
Tranche B1 - in EUR		26,574	26,574	861,133	26,574	839,741
Tranche B2 - in CZK		1,717,796	1,717,796			1,717,796
<b>Total</b>			<b>295,678</b>	<b>15,055,655</b>	<b>263,386</b>	<b>13,346,423</b>
Less current portion				486,592		-
<b>Net</b>				<b>14,569,063</b>		<b>13,346,423</b>

As at 31 December 2004, the Company used CZK 4,695 million from the syndicated loan. The funds from the syndicated loan and from the bond issue (see Note 10) plus available cash were used to redeem the previous syndicated loan and to settle the liabilities arising from hedging derivatives (see Note 14).

As a result of the early repayment of the previous syndicated loan and of the settlement of liabilities arising from hedging derivatives, the Company posted a loss of CZK 648 million, which was charged to other financial expenses. At the same time, the Company recorded an exchange rate gain of CZK 84 million.

The interest expense for 2004, 2003 and 2002 relating to the long-term syndicated loan and issued bonds (see Note 10) was CZK 955,754, CZK 946,629 thousand and CZK 973,292 thousand, respectively, of which CZK 28,167 thousand was capitalized to fixed assets in 2002 (see Note 4).

The Company has to comply with certain loan covenants pertaining to the syndicated credit facility agreement, which mainly restrict additional debts, the distribution of dividends and disposals of assets. As at 31 December 2004, the Company was in compliance with this condition.

The aggregate maturities of bank loans in CZK thousands:

	Bank loans
2005	-
2006	-
2007	625,220
2008	1,250,440
2008 and thereafter	2,819,460

#### Short-term Bank Loans

As at 31 December 2004, the Company had credit lines allowing it to draw short-term credits up to EUR 9 million (CZK 274 million). These include an unguaranteed credit line with ABN Amro Bank N.V. of EUR 4 million and a guaranteed credit line with BAWAG Bank of EUR 5 million, which is subject to certain amendments to the loan contract.

The purpose of both credit lines is to finance a short-term lack of funds. As at 31 December 2004, 2003 and 2002, they were not used.

## Financial Statements for the Year Ended 31 December 2004

### 13. OTHER LIABILITIES

Accruals include, in particular, unbilled supplies of goods and services, which are charged to income for the year in which they were incurred.

Deferred income includes sales of prepaid coupons that have not been used by customers. It is recognized to income as the relevant revenues are earned.

### 14. DERIVATIVES

The Company negotiates and enters into derivative instruments to hedge risks arising from interest rate and foreign exchange rate movements.

The Company has concluded several derivative contracts. As at 31 December 2004, the derivatives were revalued at fair value, with the positive and negative fair values of derivatives being included in other receivables and other payables, respectively.

The following table summarizes face values and positive or negative values of outstanding hedging derivatives as at 31 December 2004 (in CZK thousands):

Derivatives	Contractual/ Nominal value (in EUR thousands)	Contractual/ Nominal value (in CZK thousands)	Fair value Positive (in CZK thousands)	Fair value Negative (in CZK thousands)
<b>Derivatives hedging exclusively interest rate risk - expected future cash flow hedges</b>				
Interest swap CZK	-	314,600	-	4,949
Interest swap CZK	-	629,200	-	10,268
Interest swap CZK	-	629,200	-	10,136
Interest swap CZK	-	786,500	-	12,705
<b>Derivatives hedging interest rate risk pertaining to interest and loan payments - expected future cash flow hedges</b>				
Cross currency swap EUR	162,500	5,139,063	-	371,484
Cross currency swap EUR	162,500	5,139,063	-	382,767
Total derivatives held for hedging	325,000	12,637,626	-	792,309

Derivatives presented in the above table serve, in compliance with the financial risk management strategy of the Company, as effective hedging instruments for hedging of the expected future cash flows arising from issued bonds (see Note 10) and received bank loans (see Note 12). All of these derivatives comply with terms and conditions as stipulated in the Czech Accounting Standards for hedge accounting in terms of documentation and hedge effectiveness. The Company decided to apply hedge accounting in terms of the Czech Accounting Standards with respect to these derivatives. Due to the long-term nature of the underlying instruments, fair values of the hedging derivatives are reported within other long-term liabilities.

In addition, the Company uses derivatives to manage short-term foreign currency risk. As at 31 December 2004, the Company held outstanding currency options denominated in EUR with a nominal value of EUR 28,000 thousand (CZK 866,000 thousand) and with a negative fair value of CZK 7,908 thousand, which is reflected within current payables.

## Financial Statements for the Year Ended 31 December 2004

### 14. DERIVATIVES (Continued)

The following table summarizes face values and positive or negative values of outstanding derivatives as at 31 December 2003 (in CZK thousands):

Derivatives	Contractual/ Nominal value (in EUR thousands)	Contractual/ Nominal value (in CZK thousands)	Fair value Positive (in CZK thousands)	Fair value Negative (in CZK thousands)
<b>Derivatives hedging exclusively interest rate risk - expected future cash flow hedges</b>				
Interest option	-	1,018,500	39	-
Interest option	-	2,406,599	135	-
Interest swap CZK	-	760,400	-	4,483
<b>Derivatives hedging interest rate risk pertaining to interest and loan payments - expected future cash flow hedges</b>				
Cross currency swap CZK	-	2,969,928	-	259,766
Cross currency swap EUR	116,276	4,016,158	-	664,184
Cross currency swap EUR	21,528	730,876	7,404	-
Cross currency swap EUR	50,233	1,705,410	-	21,819
Cross currency swap EUR	40,000	1,272,000	14,490	-
Cross currency swap EUR	10,000	315,650	14,472	-
Cross currency swap EUR	20,000	659,400	-	13,139
<b>Derivatives hedging exclusively currency risk pertaining to loan payments - expected future cash flow hedges</b>				
Currency forward EUR	60,000	1,886,688	56,336	-
Currency option EUR	10,000	330,000	3,997	-
Total derivatives held for hedging	-	-	96,873	963,391

The following table summarizes face values and positive or negative values of outstanding derivatives as at 31 December 2002 (in CZK thousands):

Derivatives	Contractual/ Nominal value (in EUR thousands)	Contractual/ Nominal value (in CZK thousands)	Fair value Positive (in CZK thousands)	Fair value Negative (in CZK thousands)
<b>Derivatives hedging exclusively interest rate risk - expected future cash flow hedges</b>				
Interest option	-	1,018,500	22	-
Interest option	-	2,406,599	90	-
<b>Derivatives hedging interest rate risk pertaining to interest and loan payments - expected future cash flow hedges</b>				
Cross currency swap CZK	-	2,969,928	-	364,342
Cross currency swap EUR	116,276	4,016,173	-	916,461
Cross currency swap EUR	21,528	730,876	12,680	-
Cross currency swap EUR	50,233	1,705,410	-	24,292
Cross currency swap CZK	-	701,194	-	4,774
<b>Derivatives hedging exclusively currency risk pertaining to loan payments - expected future cash flow hedges</b>				
Currency forward EUR	60,000	1,846,920	46,426	-
Total derivatives held for hedging	-	-	59,218	1,309,869



## Financial Statements for the Year Ended 31 December 2004

### 15. INCOME TAX

The estimate of income tax calculation for 2004 and the calculation filed for 2003 and 2002 are as follows (in CZK thousands):

	2004	2003	2002
Loss before taxes	(462,950)	(375,042)	(2,294,124)
Non-taxable revenues	(106,043)	(2,914,331)	(2,014,345)
Non-deductible expenses			
Differences between book and tax depreciation	1,261,037	4,848,816	3,586,609
Creation of provisions	253,126	77,729	89,036
Creation of reserves	32,969	(18,709)	46,229
Other (e.g. entertainment expenses, shortages and losses)	408,456	264,673	474,116
Taxable income	1,386,595	1,883,136	(112,479)
10% relief on tangibles and claimed tax loss of previous years	(1,386,595)	(1,883,136)	-
Current income tax rate	28%	31%	31%
Current tax expense	-	-	-

The Company can carry forward tax losses generated from 2000 to 2002 for up to seven years. The remaining tax loss carryforward from the years 2000 through 2002, the benefit of which has not been recognized in the accompanying financial statements, amounted to CZK 2,249,694 thousand as at 31 December 2004. It will be recorded when realized.

The Company quantified deferred taxes as follows (in CZK thousands):

	2004		2003		2002	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between net book value of fixed assets for accounting and tax purposes	1,982,071	-	1,630,161	-	1,383,121	-
Other temporary differences:						
- Provision against receivables	-	-	-	-	-	-
- Provision against inventory	14,832	-	7,856	-	-	-
- Other reserves	12,533	-	2,865	-	-	-
- Unrealized exchange rate differences	-	-	-	66,647	-	-
- Tax loss carryforward	539,927	-	854,415	-	1,650,704	-
Total	2,549,363	-	2,495,297	66,647	3,033,825	-
Net	2,549,363	-	2,428,650	-	3,033,825	-

In addition to the above, the Company is further eligible, under certain conditions, to obtain additional tax relieves, mainly an unused 10% relief on tangibles. These reliefs have not been included in the deferred tax balances presented above due to uncertainties as to their timing and amount.

The Company has not recorded a deferred tax asset of CZK 2,549,363 thousand as at 31 December 2004 on the grounds that the future recovery of this asset is uncertain.

The components of the gross deferred tax balance and current income tax calculation, as presented above, are subject to finalisation of the 2004 tax return in connection with the Company's tax planning. In this respect, the utilization of various components of temporary differences may change. However, in aggregate, there will be no material impact on total temporary differences and the current income tax calculation.

## Financial Statements for the Year Ended 31 December 2004

### 16. LEASES

The Company leases fixed assets, which are not recorded on balance sheet. No pre-emptive right arises to the Company for these assets and the lease term is usually shorter than the useful lives of assets.

Assets which are being used by the Company under operating leases as at 31 December 2004, 2003 and 2002 consist of the following (in CZK thousands):

Description	Expense in 2004	Expense in 2003	Expense in 2002
Land and real estate for network	257,108	226,149	149,885
Office and business premises	104,927	98,539	96,684
Passenger and utility vehicles	57,684	52,585	59,050
Lodging facilities	17,884	21,049	23,685
Total	437,603	398,322	329,304

### 17. REVENUES

The breakdown of revenues on ordinary activities is as follows (in CZK thousands):

	2004		2003		2002	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
Telecommunication services	12,997,238	432,231	10,536,647	311,375	7,154,554	249,607
Sales of phones and accessories	678,131	-	627,170	-	652,129	-
Total revenues	13,675,369	432,231	11,163,817	311,375	7,806,683	249,607

### 18. PERSONNEL AND RELATED EXPENSES

Average number of employees and related personnel expenses were as follows (in CZK thousands):

	2004		2003		2002	
	Total personnel	Of which managers	Total personnel	Of which managers	Total personnel	Of which managers
Average number of employees	1,513	113	1,347	93	1,301	87
Wages and salaries	832,572	122,585	776,657	108,385	674,063	101,840
Social insurance	298,572	43,377	275,161	37,935	198,685	35,644
Social cost	47,193	2,716	40,906	2,384	34,131	2,315
Total personnel expenses	1,178,337	168,678	1,092,724	148,704	906,879	139,799

The members and former members of statutory and supervisory bodies received total bonuses and other remuneration of CZK 23 thousand, CZK 30 thousand and CZK 45 thousand in 2004, 2003 and 2002, respectively.

## Financial Statements for the Year Ended 31 December 2004

### 19. RELATED PARTY INFORMATION

The members of statutory bodies were granted no loans, guarantees, advances or other benefits in 2004, 2003 and 2002.

Pursuant to Technical Service Agreements, the Company uses professional services provided by related parties. These services include financial management, information systems, engineering, marketing and human resources services in connection with the construction and development of telecommunication network and telecommunication services. The costs for professional services included in the Company's operating revenues for 2004, 2003 and 2002 were CZK 331,015 thousand, CZK 256,292 thousand and CZK 293,912 thousand, respectively.

Pursuant to the Technical Service Agreement, the Company makes payments on behalf of a related party, ClearWave Services Ltd. As a result of this, the Company recorded a short-term receivable of CZK 8,106 thousand as at 31 December 2004. In addition, the Company recorded a receivable of CZK 5,009 thousand from the same company, which results from a received credit note.

Short-term trade receivables from, and current payables to, related parties as at 31 December were as follows (in CZK thousands):

Related party	2004		2003		2002	
	Receivable	Payable	Receivable	Payable	Receivable	Payable
Baretip Ltd.	-	-	-	217	-	27,533
ClearWave Services Ltd.	13,115	44,218	19,438	33,426	24,301	42,219
Fitlace Ltd.	-	-	-	239	-	307
TIWS	-	7,252	-	-	-	-
TIW Inc.	-	106	6,385	-	-	6,393
<b>Total</b>	<b>13,115</b>	<b>51,576</b>	<b>25,823</b>	<b>33,882</b>	<b>24,304</b>	<b>76,452</b>

In 2004, the Company granted a loan to a related party, The Phone House s.r.o. The loan expires in 2005 and as at 31 December 2004, its outstanding balance including accrued interest totalled CZK 23,392 thousand. Interest income from the loan was CZK 124 thousand in 2004.

In 2004 and 2003 the Company used services provided by the related parties of its significant shareholders, Oskar Holdings N.V. a TIW. In this respect, CZK 123 million and CZK 129 million were charged to income by the Company in 2004 and 2003, respectively, of which interest paid on the long-term loan was CZK 96 million and CZK 104 million, respectively, and bank charges were CZK 27 million and CZK 25 million, respectively. In connection with the early repayment of the previous syndicated loan and the settlement of liabilities arising from hedging derivatives (see Notes 12 and 14), the Company paid CZK 527 million to these parties in 2004. Additional CZK 152 million and CZK 221 million were paid to these parties in 2004 and 2003, respectively, in connection with regular hedging transactions. These parties have also participated in the new syndicated loan entered into in 2004 (see Note 12) by committing EUR 15 million and CZK 535 million of the total credit limit. In addition, these parties have participated in the subscription of bonds issued by the Company in 2004 (see Note 10). With respect to these transactions, these parties received fees totalling CZK 329 million in 2004, which were included in deferred financing costs (see Note 7).

## Financial Statements for the Year Ended 31 December 2004

### 20. RESEARCH AND DEVELOPMENT COSTS

Total research and development costs of CZK 9,161 thousand, CZK 9,203 thousand and CZK 8,333 thousand in 2004, 2003 and 2002, respectively, were incurred in the operation and construction of the Research and Development Centre that deals with the development of new applications and services in the area of wireless telecommunications and in the support of research and development activities at the Czech Technical University (ČVUT).

### 21. SIGNIFICANT ITEMS OF INCOME STATEMENT

Extraordinary losses and gains in 2004, 2003 and 2002 included particularly prior year accounting adjustments related for example to the recognition of unbilled revenues and deliveries.

### 22. SUBSEQUENT EVENTS

On 23 February 2005 the Czech Telecommunication Office granted the Company a licence to establish and operate the third-generation wireless networks UMTS. The license has been awarded for a period of 20 years and the Company is required to comply with agreed licence terms and conditions. The Company will pay CZK 2 billion for the licence, in annual instalments to be made from December 2005 to December 2009.

### 23. CASH FLOW STATEMENT

Cash flow statement was prepared under the indirect method. The Company did not consider any cash equivalents.

## Cash Flow Statement

For the year ended December 31, 2004 (in CZK thousands)

	Current Year	2003	2002
<b>Cash flows from operating activities</b>			
<b>Z. Profit or loss on ordinary activities before taxation (+/-)</b>	(416,613)	(451,906)	(2,320,456)
A. 1. Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	4,779,062	3,362,427	2,997,665
A. 1. 1. Depreciation and amortisation of fixed assets, write-off of receivables and adjustment to acquired property	2,755,429	2,619,794	3,707,345
A. 1. 2. Change in provisions	253,539	78,398	46,817
A. 1. 3. Change in reserves	32,969	(18,709)	(1,693,851)
A. 1. 4. Foreign exchange differences	(16,439)	(256,334)	
A. 1. 5. (Gain)/Loss on disposal of fixed assets	6,410	(438)	(4,590)
A. 1. 6. Interest expense and interest income	926,182	939,716	941,944
A. 1. 7. Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	820,972		
<b>A* Net cash from operating activities before taxation, changes in working capital and extraordinary items</b>	<b>4,362,449</b>	<b>2,910,521</b>	<b>677,209</b>
A. 2. Change in non-cash components of working capital	70,081	(627,566)	(414,047)
A. 2. 1. Change in inventory	91,234	(134,193)	(143,961)
A. 2. 2. Change in trade receivables	(384,468)	(130,906)	(213,298)
A. 2. 3. Change in other receivables and in prepaid expenses and unbilled revenue	285,445	(108,597)	475,436
A. 2. 4. Change in trade payables	150,012	273,862	(61,427)
A. 2. 5. Change in other payables, short-term loans and in accruals and deferred income	(72,143)	(527,732)	(470,797)
<b>A** Net cash from operating activities before taxation, interest paid and extraordinary items</b>	<b>4,432,529</b>	<b>2,282,955</b>	<b>263,162</b>
A. 3. 1. Interest paid	(846,255)	(958,767)	(886,291)
A. 4. 1. Tax paid		(644)	
A. 5. 1. Gains and losses on extraordinary items			
<b>A*** Net cash provided by (used in) operating activities</b>	<b>3,586,274</b>	<b>1,323,544</b>	<b>(623,129)</b>
<b>Cash flows from investing activities</b>			
B. 1. 1. Purchase of fixed assets	(2,577,550)	(2,167,806)	(4,485,465)
B. 2. 1. Proceeds from sale of fixed assets	2,006	598	4,590
B. 3. 1. Loans granted	(23,268)		
B. 4. 1. Interest received	30,818		
B. 5. 1. Dividends received			
<b>B*** Net cash provided by (used in) investing activities</b>	<b>(2,567,994)</b>	<b>(2,167,208)</b>	<b>(4,480,875)</b>

## Cash Flow Statement

For the year ended December 31, 2004 (in CZK thousands)

	Current Year	2003	2002
<b>Cash flows from financing activities</b>			
C. 1. 1. Change in long-term liabilities and long-term, resp. short-term, loans	(1,310,266)	1,487,429	2,565,964
C. 2. 1. Effect of changes in basic capital on cash		689,710	2,240,445
C. 2. 2. Dividends or profit sharing paid			
C. 2. 3. Effect of other changes in basic capital on cash			
<b>C*** Net cash provided by (used in) financing activities</b>	<b>(1,310,266)</b>	<b>2,177,139</b>	<b>4,806,409</b>
<b>F. Net increase (decrease) in cash</b>	<b>(291,985)</b>	<b>1,333,475</b>	<b>(297,595)</b>
<b>P. Cash and cash equivalents at beginning of year</b>	<b>1,508,715</b>	<b>175,240</b>	<b>472,835</b>
<b>R. Cash and cash equivalents at end of year</b>	<b>1,216,730</b>	<b>1,508,715</b>	<b>175,240</b>

## Report on Relations between Related Entities

This Report has been compiled by Oskar Mobil a.s. (formerly Český Mobil a.s.), with the registered office at Prague 10, Vinohradská 167, 100 00, identification number 25788001, incorporated in the Commercial Register maintained with the Municipal Court in Prague, Section B, File 6064 (the "Company") under section 66a (9) of Act No. 513/1991 Coll., Commercial Code as amended (the "Commercial Code").

### I. The companies which the Company has entered into business relations with ("Related Entities") are as follows:

- (1) Oskar Finance B.V., with the registered office at Strawinskylaan 707, 1077 XX, Amsterdam, the Netherlands
- (2) Oskar Holdings N. V. (formerly TIW Czech N.V.), with the registered office at Strawinskylaan 707, 1077XX Amsterdam, the Netherlands;
- (3) ClearWave Services (Mauritius) Ltd. with the registered office at 608 St. James Court, St. Denis Street, Port Louis, Mauritius;
- (4) Telesystem International Wireless Inc., with the registered office at 1250 René Lévesque West, 38th floor, Montreal, Quebec H3B 4W8, Canada.
- (5) Telesystem International Wireless Services Inc., with the registered office at 1250 René-Lévesque Blvd. West, Montreal, Quebec H3B 4W8, Canada;
- (6) The Phone House s.r.o., with the registered office at Dělnická 213, 170 04 Prague 7, IČ 257 24 533, registered in the Commercial Code maintained with the Municipal Court in Prague, Section C, File 64522

### II. Contracts concluded between the Company and the Related Entities:

- (1) Shareholder Loan Agreement concluded between TIW Czech N.V. and Oskar Mobil a.s. on 6 June 2003 (a loan in the amount of CZK 689,720,000 provided in favour of Oskar Mobil a.s.);
- (2) Amendment to Shareholder Loan Agreement between TIW Czech N.V. and Oskar Mobil a.s. of 6 June, 2003 concluded on 1 July 2003;
- (3) Set-off Agreement concluded between TIW Czech N.V. and Oskar Mobil a.s. on 21 January 2004;
- (4) General Agreement on Acquisition of Ownership Interests entered into between The Phone House s.r.o., Mr. Richard Vlček, Mr. Miloslav Škop and Oskar Mobil a.s. on 15 October 2004;
- (5) Credit Agreement entered into between The Phone House s.r.o. and Oskar Mobil a.s. on 29 October 2004;
- (6) Loan Agreement entered into between The Phone House s.r.o. and Oskar Mobil a.s. on 15 October 2004;
- (7) Service Agreement entered into between The Phone House s.r.o. and Oskar Mobil a.s. on 15 October 2004;
- (8) Agreement on Assignment of Rights and Transfer of Duties entered into between The Phone House s.r.o., Oskar Mobil a.s. and G.E.N., a.s. on 17 December 2004;
- (9) Agreement on Assignment of Rights and Transfer of Duties entered into between The Phone House s.r.o., Oskar Mobil a.s. and Bytové družstvo Švehlova 472a on 25 December 2004;
- (10) Agreement on Assignment of Rights and Transfer of Duties from the Lease Agreement entered into between The Phone House s.r.o., Oskar Mobil a.s. and Euro Mall Hradec Králové Real Estate, s.r.o. on 21 December 2004;
- (11) Agreement on Assignment of Rights and Transfer of Duties from the Lease Contract entered into between The Phone House s.r.o., Oskar Mobil a.s. and Euro Mall Ostrava Real Estate, s.r.o. on 21 December 2004;
- (12) Amendment No. 1 to the Lease Agreement entered into between The Phone House s.r.o., Oskar Mobil a.s. and DELCIS ČR, a.s. on 21 December 2004 (which regulates the assignment of rights and transfer of duties from the Lease Agreement);
- (13) Amendment No. 2 to the Lease Agreement entered into between The Phone House s.r.o., Oskar Mobil a.s. and MYSLBEK, akciová společnost on 21 December 2004 (which regulates the assignment of rights and transfer of duties from the Lease Agreement);
- (14) Agreement on Assignment of Rights and Transfer of Duties from the Agreement on Lease of Premises in the shopping centre Tesco Plzeň, the Czech Republic, entered into between The Phone House s.r.o., Oskar Mobil a.s. and Tesco Stores ČR a.s. on 31 December 2004;
- (15) 7.50% First Priority Senior Secured Notes due 2011, Purchase Agreement entered into between Oskar Holdings N.V., Oskar Finance B.V., Oskar Mobil a.s. and the financing banks in October 2004;
- (16) 7.50% First Priority Senior Secured Notes due 2011, Indenture entered into between Oskar Holdings N.V., Oskar Finance B.V., Oskar Mobil a.s. and the financing banks on 13 October 2004;
- (17) Credit Facility Agreement entered into between Oskar Holdings N.V., Oskar Finance B.V., Oskar Mobil a.s. and the financing banks on 6 October 2004;
- (18) Intercreditor Agreement entered into between Oskar Holdings N.V., Oskar Finance B.V., Oskar Mobil a.s. and the financing banks on 12 October 2004;
- (19) Agreement on Pledge of Shares entered into between Oskar Finance B.V., Oskar Mobil a.s. and J. P. Morgan Europe Limited on 13 October 2004.

## Report on Relations between Related Entities

### III. Legal acts and measures taken by the Company at the initiative or in the interest of the Related Entities:

- (1) The Extraordinary General Meeting of Oskar Mobil a.s. held on 24 October 2003 decided to increase the registered capital of the Company by CZK 689,720,000. The subscription above the proposed amount of the registered capital increase was permitted up to the amount of CZK 716,592,730. The final amount of the increase was to be determined by the Board of Directors of Oskar Mobil a.s. On 14 January 2004, TIW Czech N.V. subscribed for 68,972,000 common registered shares in the nominal value of CZK 10 per share and undertook to pay the issue price of these shares by means of a monetary contribution; the value of the contribution was CZK 689,720,000. The Board of Directors of the Company resolved in its Resolution of 27 January 2004 that the registered capital of the Company would be increased by CZK 689,720,000, i.e. from CZK 12,956,959,380 to CZK 13,646,679,380. On 21 January 2004, the Set-off Agreement was concluded between TIW Czech N.V. and the Company. The purpose of the Set-off Agreement was to set off the claims of TIW Czech N.V. arising from that time outstanding loans granted to the Company against a claim of the Company arising from the subscription of new shares.
- (2) On 3 March 2004, the increase of the registered capital was entered in the Commercial Register. On 4 March 2004, the Company issued in favour of TIW Czech N.V. 68,972,000 new common registered shares in the nominal value of CZK 10 per share, which shares were issued in the certificated form.
- (3) In February 2004, under the Agreement on Sale and Transfer of Shares, 469,140 common shares of the Company in the nominal value of CZK 1,000 each was transferred from the Czech Consolidation Agency in favour of TIW Czech N.V.
- (4) On 13 October 2004, Oskar Holdings N. V. (formerly TIW Czech N. V.) transferred in favour of Oskar Finance B. V. 6,685,245 common shares of the Company in the nominal value of CZK 1,000 each, 10 priority shares of the Company with the nominal value of CZK 1,000 each and 694,466,938 common shares of the Company with the nominal value of CZK 10 each, in total 99.87% registered capital of the Company.
- (5) On 15 October 2004, General Agreement on Acquisition of Ownership Interests was entered into between the Company and The Phone House s.r.o. and Mr. Richard Vlček and Mr. Miloslav Škop (hereinafter referred to as the "Partners") under which it was agreed, inter alia, that the TPH Partners would transfer their ownership interests in the Company under two separate Transfer Agreements. On 15 October 2004, the Agreement on Transfer of Ownership Interest was entered into between the Company and Mr. Richard Vlček under which Mr. Richard Vlček transferred his ownership interest equalled to 50% share in the registered capital of TPH in favour of the Company. On 15 October 2004, the Agreement on Transfer of Ownership Interest was entered into between the Company and Mr. Miloslav Škop under which Mr. Miloslav Škop transferred his ownership interest equalled to 50% share in the registered capital of TPH in favour of the Company.

### IV. Fulfilment provided by the Company and relating consideration

#### Short-term receivables

Under the Technical Service Agreement between the Company and ClearWave Services (Mauritius) Ltd. the Company effected payments on behalf of the below mentioned related entity and has the receivable of CZK 8,106 thousand at 31 December 2004. The other part of the receivable in the amount of CZK 5,009 thousand from the same entity results from the credit note received.

In 2004, the Company also granted a loan to its subsidiary company, The Phone House s.r.o., which loan is payable during the year 2005; and the unpaid balance including the interest achieved to CZK 23,392 thousand at 31 December 2004.

Related Entity	Maturity/Due Date	CZK thousands
ClearWave Services (Mauritius) Ltd.	Jan 2005	13,115

#### V. Short-term payables

The following is a summary of short-term payables at 31 December 2004 resulting from transactions with related entities under the Technical Service Agreements concluded between the Company and the below specified entities in previous years:

Related Entity	Maturity/Due Date	CZK thousands
ClearWave Services (Mauritius) Ltd.	Jan, Feb 2005	44,218
Telesystem International Wireless Inc.	Jan 2005	106
TIWS	Jan 2005	7,252

The Company's management is convinced that all transactions with related entities were performed on an arms-length basis.

#### VI. Conclusion

In the opinion of the Company, none of the above-mentioned legal and other acts caused detriment to the Company.

**PRAHA**

Václavské nám. 47, 110 00 Praha 1  
 Národní 28, 110 00 Praha 1  
 Mýslbek, Na Příkopě 19-21, 110 00 Praha 1  
 Hlavní nádraží, Wilsonova 300/80, 120 61 Praha 2  
 Jugoslávská 11, 120 00 Praha 2  
 Palác Flóra, Vinohradská 149, 3. patro, 130 00 Praha 3  
 Carrefour Nový Smíchov, Radlická 1 a, b, 150 00 Praha 5  
 Tesco Zličín, Skandinávská 25/144, 155 00 Praha 5  
 Metropole Zličín, Řevnická 1, 155 00 Praha 5  
 Nový Smíchov, Ptžeňská 8, 150 00 Praha 5  
 Centrum Černý Most, Chlumecká 765/6, 109 00 Praha 9  
 Tesco Letňany, Veselská 663, 199 00 Praha 9  
 Carrefour EDEN, U Slavie 1527, 101 00 Praha 10  
 Vinohradská 167, 100 00 Praha 10  
 Hypernova Čestlice 111, 251 01 Praha Průhonice  
 Galerie Butovice, Radlická 117, 158 00 Praha 5

**BRNO**

Carrefour Královo Pole, Cimburkova 4, 612 00  
 Olympia, U Dálnice 777, Modřice 664 42  
 Tesco, Skandinávská 2, 619 00  
 Masarykova 2, 602 00  
 Vaňkova, Ve Vaňkovce 1, 602 00

**ČESKÉ BUDĚJOVICE**

nám. Přemysla Otakara II. 90, 370 01  
 IGY centrum, Pražská 1247/24, 370 04

**FRÝDEK-MÍSTEK**

nám. Svobody 16, 738 01

**HAVÍŘOV**

Fibichova 228/23, 736 01

**HRADEC KRÁLOVÉ**

S. K. Neumanna 281, 500 02  
 Hypernova Kukleny, Kutnohorská 226, 500 04  
 Futurum, Brněnská 1825/23a, 500 03

**JIHLAVA**

Benešova 28, 586 01

**KARLOVY VARY**

T. G. Masaryka 697/5, 360 01

**KLADNO**

T. G. Masaryka 550, 272 01

**LIBEREC**

Pražská 147/30, 460 01  
 NISA Center - České mládeže 456, 463 12

**MLADÁ BOLESLAV**

Olympia, Jičínská 1350/III., 293 01

**OLOMOUC**

Ostružnická 15, 771 00  
 Globus, Pražská ul., v. k. u. Řepčín, 779 00

**OPAVA**

Globus, Těšínská 83, 746 61

**OSTRAVA**

Shopping Park Ostrava, Rudná 114, 700 30  
 Zeyerova 347/4, 702 00  
 Futurum, Novinářská 6a, 702 00

**PARDUBICE**

Globus, Poděbradská 293, 530 09  
 nám. Republiky 56, 530 02

**PLZEŇ**

nám. Republiky 3, 301 00  
 Olympia, Písecká 972/1, 326 00  
 Tesco, Rokycanská 1385/130, 301 00

**PROSTĚJOV**

Tesco, Konečná 25, 796 01

**TÁBOR**

Erbenova 572, 390 02

**TEPLICE**

U Krupské brány 24, 415 01

**UHERSKÉ HRADIŠTĚ**

Masarykovo nám. 37-38, 686 01

**ÚSTÍ NAD LABEM**

Mírové nám. 207, 401 00

**ZLÍN**

Centro Zlín, ul. 3. května 1170, Malenovice 760 01

**The more you get to know someone, the more you'll find to love about them.**

**Love never stands still, it constantly grows and develops, gets deeper and more enchanting.**

If you'd like to get to know Oskar better, to find out what really makes us tick and where we're headed in the future, you know where to find us.

We'd love to hear from you...

Oskar Mobil a.s.  
Vinohradská 167  
100 00 Praha 10  
Czech Republic

Phone: +420 776 971 111


[www.oskar.cz](http://www.oskar.cz)

**Love Story No.328**

**Annual love**

**Věra Šulcová, Senior Specialist, 1-to-1 Communications**

Věra was asked to help with the logistics of putting this annual report together. She liaised closely with the design team and writer; made sure they met the right people at the right time; pulled together information; translated where necessary; and generally made herself indispensable. It was a real eye-opener for Věra, as she got to meet people she'd never come across in the course of her day-to-day role and sit in on interviews where she learned about unfamiliar parts of the company. She found the whole experience fascinating, a real insight into what makes Oskar tick. Thanks Věra!



**Oskar Annual Report Team:**  
Igor Přerovský, Vice President Brand & Communications  
Grace Molenaar, Director 1-to-1 Communications  
Věra Šulcová, Senior Specialist 1-to-1 Communications  
Martin Jaroš, Copywriter Manager  
Maie Crumpton, In-house Copywriter

**Design: theFarm** ([www.the-farm.co.uk](http://www.the-farm.co.uk))  
Ian Wallis, Senior Designer  
Esther Gibbons, Project Manager  
Jim Davies, Copywriter

**Print Production: Boomerang**

Thank you to all the Oskar staff who contributed their valuable time and energy to this Annual Report. Your dedication is much appreciated.



