



Questions asked by the shareholders at the annual Shareholders' Assembly of Makedonski Telekom held on 24 April 2017 and answers provided by the Company

I. Under II. WORKING PART

Question: Why don't the materials for the annual Shareholders' Assembly or the materials for the previous Shareholders' Assembly meetings include an opinion from the Board of Directors with reference to the materials for the Shareholders' Assembly?

Answer:

In accordance with the corporate governance aspects, it is understood that the Board of Directors, for all the items in terms of which a decision should be made as a statutory and legal obligation arising from the Law on Trade Companies and the Statute of the Company, previously the Board of Directors had approved the respective Proposals and it may also be seen from the preamble of the Proposed Resolutions for this Shareholders' Assembly in which there is a reference thereto, as an established practice also for all such Resolutions that were previously approved at the annual Shareholders' Assembly meetings of the Company.

Question: Has the Board of Directors had any remark or any opinion in terms of the submitted Proposed Resolutions and materials for the meeting of the Shareholders' Assembly?

Answer:

The members of the Board of Directors do not have a legal obligation to give any opinions in terms of the submitted Proposed Resolutions and materials for the meeting of the annual Shareholders' Assembly and the legal obligation pertains to having approved a Proposal on the adoption of the respective Resolutions and that has been made, and, as previously explained, in the preamble of the Proposed Resolutions there is a reference thereto. Such approach has enabled a full compliance with the Law on Trade Companies and the Statute of the Company.

II. Upon item 1 of the Agenda: *Proposed Resolution on the adoption of the Annual Accounts of the Company for the Year 2016 as per local GAAP*

Question: A request was made to characterize the item which is part of the expenditures – services with the treatment of material costs and a detailed explanation in writing in terms of item 211

Answer:

A clarification was given about the general financial operation. In the course of 2016, a revenue was generated in the amount of ten point five billion denars and thereby an EBITDA (operating profit before tax), in the amount of three point seventy-eight billion denars was generated, whereby EBITDA margin was generated in the amount of 36%, which also includes all severance payment costs that the Company pays to the employees when they leave the company.

It was pointed out that such operating EBITDA margin is one of the highest margins in the Deutsche Telekom Group. If comparison is made with the nineties, the revenue of the Company and the operation are entirely different, but if we see the trend of the previous years, the revenue in 2016 has dropped by only one percent compared to the previous year. In 2016, the Management succeeded to stabilize such

dropping trend of 2015 and the previous years. In 2016, there was a decrease and stabilization of the costs (without the one-time severance payment costs). The EBITDA is 3.78 billion denars and it is about 7% lower than the previous year. These are data in accordance with the Macedonian Accounting Standards. Such EBITDA drop is primarily a result of the severance payment costs that were paid to the employees due to their leaving from the company. In the course of 2016, 360 (three hundred and sixty) employees left the company.

The number which is mentioned in the amount of nine billion denars for costs are total costs and includes the depreciation cost for 2016 in the amount of two point three billion denars, which costs, compared to 2015 have decreased by 3.2%. The remaining costs in the amount of six point eight billion denars are by 2.8% higher than last year, which is mostly due to the one-time severance payment costs. However, the operation of the company in 2016 is considered successful.

In terms of items 211 and 212, they are described in detail in the material, in Note 15, Services with the treatment of material costs and other costs and expenditures.

III. Upon item 4 of the Agenda: *Proposed Resolution on the adoption of the Annual Report on Operations of the Company for the Year 2016*

Question: Has the property in Lisice really been sold and is the TC Centre going to be sold?

Answer:

On the whole, the Management has a general strategy to sell the real estate that is not used by the company and as a result certain sales have been initiated. The property of the Company in Lisice is one of such properties that the company has sold, in accordance with the legal and the internal regulations. The company is undergoing a process of digital transformation, which means that more facilities and more work force will not be needed in the future and therefore the top management is obliged to act in the most efficient manner possible, which also includes the sale of real estate that are empty and are not used. In terms of the possible sales of the TC Centre of the Company, internal discussions have been initiated within the company in order to approve an internal strategy, since the current Data Centre in Skopje no longer meets the future needs, plans and prospects of the Company. Currently, we are evaluating whether it would be adequate for the company to build a new Data Centre outside the city of Skopje, which would be much more efficient. Furthermore, considerations are made and internal discussions are held in order to consolidate a larger number of employees in the headquarters of the Company. The activities are still at an early stage and they are only a part of certain internal considerations and evaluations.

Question: Why haven't these sales been discussed at the Shareholders' Assembly meetings and was the facility in Lisice sold based on a tender procedure or with direct negotiations?

Answer:

In Note 10 (ten) and Note 20 (twenty) of the Financial Statements, there is an information about the fixed assets that were subject of sale including the effects of the sales for the period 2013-2016.

The sales are implemented through the Procurement, Logistics and Real Estate Department in the company and they all are channeled and approved in accordance with the local legal regulations, the statute of the company and the internal procedures depending on the amount of the transaction.

IV. Upon item 6 of the Agenda: *Proposed Resolution on the payment of the dividend of the Company for the Year 2016 and the determination of the dividend calendar*

Question: What is the reason for the payment of the dividend for 2016 by the deadline, i.e. 30.09.2017?

Answer:

The payment of the dividend depends on the accumulated monetary assets, which depend on the implementation of the business plans of the Company including the plans for investment in fixed assets. It is necessary, at a given moment, to have enough monetary assets and to pay dividend to all shareholders at the same time and under the same conditions. Once conditions have been created for simultaneous payment of the dividend, the deadline of 30.09.2017 will not be waited for, and, as it was the case last year, a notification thereof will be sent through the website of the Macedonian Stock Exchange.

Question: What are the expectations for the payment of the next dividends?

Answer:

The question for the payment of the dividends is an important issue for both all shareholders, and for the management. Like every year, this year too, it is proposed to pay 100% dividend (from the amount of the net profit in accordance with the financial statements as per the local regulations). This has already grown into a tradition, although not many companies have such a positive situation where the management may propose the payment of 100% dividend. For the future, the intention of the management is to propose payment of 100% dividend for the following year or years. But of course, the payment of the dividends is related to the availability of monetary assets. As it is known, currently, significant investments are made in Macedonia, such as for example the investments in the 4G technology by means of which the Company has achieved greater geographical coverage; investment in fibre-optic in order to achieve the planned investments by 2020 for the entire Europe, including also Macedonia. So, the payment of the dividend will depend on the availability of monetary assets, and therefore the management has proposed for the payment of the dividend in this year to be made by September at the latest. It can not be told with certainty what the situation will be next year, but the situation may be similar as now in order to have the flexibility and continue with the investment plan of the Company. If it is determined that there is a possibility to pay the dividend earlier, the management will propose that immediately, but for this year it will certainly not be earlier than September due to the large investments in the infrastructure of the Company. For the next years, he explained that the new 5G technology is coming - which will once again be a significant investment, and it will perhaps mean a similar situation as now - to propose the payment of the dividend to be in September at the latest.