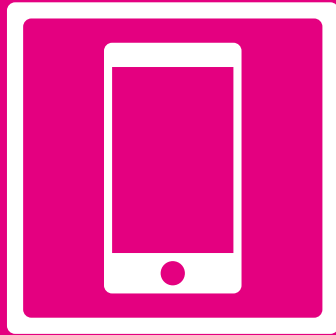




What we make today,
shapes our tomorrow!

Life is for sharing.





Strategic Commitment

Sustain - Transform - Innovate

Mission: **Market leader in “Connected life and work”**

Aspiration: **Highly esteemed service company**

Shareholders' structure

Shareholders of Makedonski Telekom AD – Skopje

Name of owner	Number of shares	As %
Stonebridge AD Skopje (in liquidation)	48,877,780	51.00
Government of RoM	33,364,875*	34.81
Makedonski Telekom AD (Treasury Shares)	9,583,878**	10.00
IFC	1,796,980	1.88
Other minority shareholders	2,215,268	2.31
Total	95,838,781	100.00

Shareholders structure of T-Mobile Macedonia AD Skopje

100% owned by Makedonski Telekom AD – Skopje

* Including the preference cumulative share (golden share) with par value of MKD 9,733 owned by the Government of the Republic of Macedonia. The golden share has one voting right and special rights in accordance with the Company Statute. It has restriction on tradable and non-tradable transfer.

** In accordance with the Law on Trading Companies (reference article 338) all rights attached to treasury shares are suspended.

Contents

- 4 Shareholders' structure
- 6 Leaders in the Macedonian world of telecommunications
- 7 ISO Certificates and Environmental Policy
- 7 Regulatory environment
- 8 Moving towards a gigabyte society
- 10 2010 Achievements & 2011 Priorities
- 12 Management Team
- 14 Board of Directors of Makedonski Telekom AD - Skopje & T-Mobile Macedonia AD
- 20 Year of One Company approach
- 23 The employees create a successful brand
- 29 Responsible citizen
- 34 Our CSR activities in the media
- 36 Market driven changes
- 40 Our product activities in the media
- 42 Being unique - Innovative solutions
- 46 Finance reports
- 84 Calendar of events
- 85 Shop network overview
- 86 List of abbreviations
- 87 Forward looking statement

Makedonski Telekom AD – Skopje and T-Mobile Macedonia AD Skopje

The Biggest and Most Successful Leaders in the Macedonian World of Telecommunications

Mobile internet, MaxTV, Fiber to the Home, 3Screen offer, responsible citizen of the society...

The global telecommunications brands T-Home and T-Mobile, with a localized product portfolio, have been operating on the Macedonian market since 2006. In the past four years of presence on the market, T-Home and T-Mobile have created a real boom with the telecommunications products and solutions. The T brand has revolutionized the television, the mobile telephones and the products, and all that for one purpose – a real facilitation of the everyday lives of the users and loyal customers.

Makedonski Telekom is the leading national provider of a wide range of telecommunication and entertainment services for business and residential customers. The company's product portfolio contains voice and data services, IP/Internet products and services, such as broadband access, VoIP, triple-play services, as well as fixed-line network and access services.

The company is part of the Magyar Telekom Group which is a fully-consolidated subsidiary of the Deutsche Telekom Group.

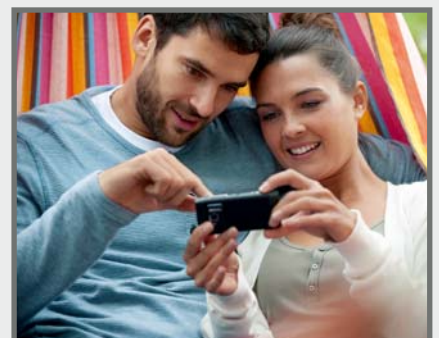
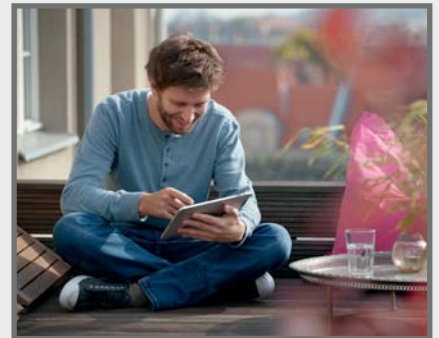
In 2008, the company was rebranded and the T-Home brand was introduced in Macedonia. By bringing both the T-Mobile and the T-Home brand on the market, Macedonia joined the world T family.

T-Mobile Macedonia is a subsidiary fully-owned by Makedonski Telekom. T-Mobile is the first mobile operator in Macedonia recognized as an innovation leader. Its network covers 99.9% of the population and over 98.5% of the territory of the Republic of Macedonia.

T-Mobile is constantly seeking new, innovative and converged Internet and mobile services for satisfying the customers' needs and demands. The T-Mobile customers can communicate all over the world, using its roaming service offered in over 90 countries. The T brand in Macedonia is also known for its corporate social responsibility and its constant investment into the development of different areas of society.

Through the T-Mobile for Macedonia Foundation, numerous humanitarian activities have been conducted as well.

The world of telecommunications is becoming more and more exciting - every day!



Owners of ISO certificates

ISO certification provides the Companies with a competitive advantage on the Macedonian telecommunications market, while also increasing the effectiveness and efficiency of the operation of every individual in the Companies.

Scope of ISO 14001:2004:

Engineering, sales and retail of telecommunication services, IT and electronic services, equipment and systems

Scope of ISO 9001:2008:

Engineering, sales, provision and retail of telecommunication services, IT and electronic services, equipment and systems

Scope of ISO 27001:2005:

Use of all information, information systems and information assets, including facilities, data, software, hard copy documents and employees, with reference to engineering, sales, provision and retail of telecommunication services, IT and electronic services, equipment and systems

Scope of ISO 20000-1:2005:

IT services management for the purpose of providing services for the sale and delivery of IT equipment, telecommunications, IT, system integration of business customers, covering activities for design, development, distribution and maintenance

Compliance with the existing regulations and regulatory developments

The Macedonian electronic communications market is regulated with the sector-specific regulation Law on Electronic Communications ("LEC") and the relevant bylaws.

Under the LEC, Makedonski Telekom AD - Skopje and T-Mobile Macedonia AD have been designated as SMPs in all relevant markets, including the market for access to the networks for data transmission and leased lines.

Following the development of the secondary legislation in 2010, Makedonski Telekom prepared/updated several additional regulated wholesale products, Wholesale Line Rental, Wholesale Leased Line and Local Bit-Stream Access.

In 2010, the Agency published an Analysis of most of the relevant markets imposing additional remedies on the two Companies. Furthermore, the Agency enacted new regulated fees based on a new costing model (LRIC bottom-up).

The latest changes of the LEC were amended and published in the Official Gazette of the RoM No.83 on 23.06.2010. The following obligations were introduced in line with the amended EU Regulatory Framework: opening ducts, poles and other network access. The following remedies were imposed: accounting separation for all legal entities; an obligation for data retention for operators to keep traffic data for a period of 24 months.

The changes in the by-laws for bit-stream access made on 7 June 2010 resulted in decreased fees for bit-stream access and introduction of technical specifications for new services (IPTV, VoIP and VoD), thus enabling the wholesale partners to be more competitive on the broadband market.

Based on the second-round analysis of Market 16, T-Mobile Macedonia received a Decision on changing the RIO, whereby the MTR was defined with a glide path decrease in a four-years' timeframe (until 2013). At the same time, the Agency regulated the MTRs for ONE and VIP with a respective 4-year glide path, while also introducing asymmetry between all three mobile operators which will lead to an equal MTR of 2.9 MKD in September 2013. On 7 July 2010, the Agency concluded the market analysis of Market 15 (Service for access and call initiation in the public mobile communication networks) and brought a decision by which T-Mobile Macedonia was designated with SMP status on Market 15, wherein several obligations were imposed thereon.

Moving towards a gigabit society

Overall, 2010 was a year of hard work, but also a year of many successes for Makedonski Telekom and T-Mobile Macedonia. We accomplished the goals set for 2010 and thus assured our leading market position, but in a very particular social and economic environment in the country.

The past year brought really great challenges for us. Macedonia showed a slow recovery from the financial crisis in 2009 with delayed effects. The limited GDP growth and the limited foreign investments combined with the high unemployment rate and the low purchasing power of the citizens turbulently influenced the local telecommunications market.

A daring year indeed! Nevertheless, being a market and technological leader means going ahead and keeping the business competitive, regardless of the conditions.

Our team was challenged to answer how to operate effectively in a competitive domestic market while developing growth initiatives at the same time. The answer was - by sustaining the premium pricing and service quality as a main differentiation factor of Makedonski Telekom and T-Mobile Macedonia.

We have succeeded to create a real boom on the telecommunications market in Macedonia, thus placing the country at the level of the West European developed countries. In retrospective, we brought into Macedonia everything that appeared as a trend in the world of telecommunications, and both the shareholders and the citizens knew how to appreciate it. The Macedonian citizens know which technological inventions and solutions are good for making their everyday lives easier. A good market position is built only by means of reasonable investments, a good strategy and an outstanding team. Makedonski Telekom and T-Mobile Macedonia possess all of this and they properly took the opportunities arising therefrom.

We have created the T brand in Macedonia, which is a synonym of quality, success and innovation.

The competition was rather fierce. The second operator had strengthened its market position by integrating its fixed, mobile, Internet and TV services. We faced intense price driven competition in mobile services. On the other hand, the cable operators became more aggressive with integrated voice/Internet/TV bundles. The competition and the liberalized market urged us in such a direction.

However, it is always good when you have someone to compete with; at a certain point, everyone is trying to be the first, the best and to attract the customers. But, not everyone knows how to play the game of business. Makedonski Telekom and T-Mobile know how to win; we are talking about strong companies not only in this region, but also in wider terms - corporations of which the country and the citizens should be proud, with a high-quality and ambitious staff that strides forward and with a modern managerial team. We are aware that what we are doing today traces the path of the future operation of the company, aimed at obtaining a larger number of customers, generating profit and keeping the shareholders satisfied.

Today, as a result of the efforts that we exerted, we have developed the 3G network, the fibre optic that we promised in the distant 2008 and that is currently deployed in several cities, the IPTV and the original MaxTV, the innovative 3Screen project, more than 300 HotSpot locations throughout

Nikolai J.B. Beckers, Chief Executive Officer
of Makedonski Telekom AD - Skopje



Macedonia, etc. We are not centralizing, but rather dispersing our high-quality solutions throughout the entire territory, in order to enable all citizens to obtain the possibility of using high-quality telecommunications solutions. With a market share of almost 10% of the total market of pay-per-view TV services and a number of customers that exceeds 34,000, we are moving in the right direction. Thanks to the activities of all the concerned stakeholders and our continuous efforts, the internet penetration in the country is at 50% which is the best score in the region. The mission has been accomplished, thanks to the trust, the understanding and the cooperation with the managerial team and with the employees. Each of them individually is meritorious for the success of the company.

We are moving towards a gigabyte society which we are building and which requires large investments. We have started the creation of a basis and investments in fibre optic. Investments are among the crucial elements which distinguish and accentuate Makedonski Telekom as compared to the other market players. On the one hand, investments ensure a competitive advantage for the company, while, on the other hand, they also provide benefits for the customers that know how to recognize real value. The possession of the best and highest quality telecommunications network in Macedonia entails investing in maintenance and upgrades. The promises to the customers bring about more pressure, obligations and duties. Therefore, in the next few years, the majority of the investments will

be directed towards the transformation of the networks, in order to strengthen their capacity. According to the plans, investments are envisaged of more than EUR 170 million in intelligent networks and IT solutions, of which EUR 150 in the fixed and more than EUR 20 million in the mobile telephony.

In the future, the customers will need an increase of data traffic. The speed and the reliability of data transfer are of utmost importance. In that regard, nothing is safer and more powerful than Fibre. Its possibilities are almost unlimited, which may be ascertained by the users of the Optic packages of Makedonski Telekom. This would mean continuation of the investments in Fibre. In any case, it includes investments in modern services which in the long run will ensure the sustainable growth of the company, contribute to the strengthening of the leading position in the market and provide the financial effects expected by the shareholders.

At a global level, there is a growth of the Internet traffic. By 2015, it is expected for the number of Internet users to increase three to four times. Consequently, the use of data traffic will also increase, especially the video materials. The customers will primarily be interested in the entertainment videos and contents, as well as in new software applications. The results of the latest researches show that, by 2015, one customer will use a data volume of around 14 gigabits a month. This trend will follow in Macedonia as well, where the Macedonian citizens will have the opportunity to use and enjoy the benefits brought by the modern technological solutions. The period 2008 - 2010 was very productive for both our companies from a strategic point of view. We have managed to achieve the defined aim - providing high quality integrated communication services and entertainment contents with top quality.

Now, it is time to move forward. Therefore, we have adopted the new strategy 2010 - 2015 - our new landmark. „Sustain-Transform-Develop“ is the essence and the new main message which determines the right way to a new Telekom.

The management firmly believes that this is the right time to apply the right plan for sustaining the customer base by a superior customer experience, for transforming the networks and processes for the gigabit society, as well as for the corporate culture and for developing access to attractive content by expanding the product portfolio and the business scope. Nevertheless, one thing should be more than clear and we should always have in mind a few yet very important points which make the difference between us, our brands, and the competition very obvious:

1. Superior customer experience - we will deliver the best customer experience, spanning all relevant customer touch points;
2. Superior products - all our products deliver a superior benefit for the customers;
3. Superior branding - within the brand guidelines of DT we will build a positive, proactive and likeable brand image;
4. Superior communication - building superior relations with the customers and
5. Innovation leadership - we will be leading the market, not following it.

Nikolai J.B. Beckers, Chief Executive Officer
of Makedonski Telekom AD - Skopje



Zarko Lukovski, Chief Executive Officer
of T-Mobile Macedonia AD - Skopje

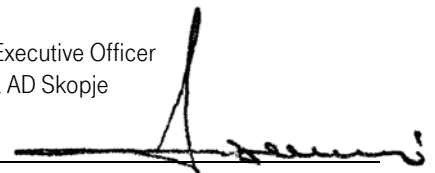


Certainly, the direction is up and towards an integrated digital company with a customer centricity culture. Also, while being on this path, it is good to know that all this is integral to the success of our business and we are counting on your support and dedication, dear shareholders.

As we predicted at that time, we have succeeded in creating long term values for us, the employees, for our stakeholders but, above all, for our customers.

This is a great chance to thank you for the trust you have placed in us and our teams and, without any doubt, we are expecting and hoping to continue so in the future, by supporting our strategy and its implementation.

Zarko Lukovski, Chief Executive Officer
of T-Mobile Macedonia AD Skopje



Achievements that marked 2010:

- In 2010, we doubled the number of IPTV users to more than 30.000. Furthermore, we have built a strong premium service perception among the Macedonian public with many unique service features. This competitive advantage led us to a successful sales result, finishing the year with a record of 4,000 new IPTV customers only in December.
- The initial results of the Family Max, our first fully-fledged 4Play package, exceeded the plan.
- The launching of the first three-screen campaign within the Group provided a unique experience for the customers – the World Championship 2010 was exclusively covered on all 3 media – Internet, Mobile TV and IPTV in high definition.
- On the mobile services market, as a response to the aggressive price movements by the competition, new tariff portfolios for the residential family and business segment were created. That attracted 84,000 customers in less than 6 months, resulting in 20% of the total post-paid base in the T-Mobile community using the new tariffs.
- The results in mobile data revenue – where we showed an increase of 60% in 2010 compared to 2009 - were excellent.
- We were also successful in stabilizing the churn in the fixed segment by special churn-prevention measures, loyalty packages and favourable 2Play and 3Play bundles, as well as the new joint Loyalty Program for mobile and fixed telephony customers.

Main priorities for 2011:

We are about to start several beyond-core services to ensure long-term sustainability, some of them being M Payment, M Advertising, Insurance Services and Cloud Computing.

We intend to extend the market share in IPTV and fixed broadband services and use both as tools to conquer the homes of the end-users, leveraging the potential for cross-sale and up-sale with mobile services. However, a great focus for us in 2011 will be to strongly push mobile broadband for new future-oriented innovative services.

Management Committee of Makedonski Telekom AD – Skopje and T-Mobile Macedonia AD Skopje



Nikolai Beckers, Chief Executive Officer of Makedonski Telekom

The Shareholders' Assembly of Makedonski Telekom AD - Skopje appointed Mr. Nikolai Beckers as a member of the Board of Directors of Makedonski Telekom on 31 July 2007. The Board of Directors appointed Mr. Beckers as an Executive Member with the title Chief Executive Officer of Makedonski Telekom AD – Skopje on 10 September 2007. He joined Deutsche Telekom in 1995, thereafter holding high managerial positions responsible for international joint ventures of the Group, such as Sa-telindo, Indonesia; Globe/Isacom, the Philippines, and France. He is a member of the Board of Imperial Tobacco Macedonia, President of the German-Macedonian Business Association, Vice-President of the European Business Association and Vice President of ICI International Council of Investors.

Zarko Lukovski, Chief Executive Officer of T-Mobile Macedonia

Mr. Lukovski possesses an extensive experience in the sphere of computer science and telecommunications integration. His know-how also derives from his work both on the Swedish and the Macedonian market. He had an active role in the electronic signature project undertaken by the Ministry of Finance. Mr. Lukovski is a graduate electrical engineer with a great experience in the telecommunications industry. For a long period, he has worked and cooperated with various world brands, wherein he acquired an extensive international expertise. Mr. Zarko Lukovski held the position of Chief Operating Officer at T-Mobile Macedonia from September 2007 until 1 April 2010. He was appointed as a member of the Board of the Directors of Makedonski Telekom AD - Skopje in

November 2006, while in December of the same year he was appointed as President of the Board of Directors.

Dr. Klaus Mueller, Chief Operating Officer at T-Mobile Macedonia and Chief Director of Key Issues at Makedonski Telekom

Mr. Mueller has a long and successful career in various domains in the telecommunications industry. He commenced his career in 1992 in the Deutsche Post, whereupon he continued his professional progress mainly at high positions within the Deutsche Telekom Group, including the engagements at Magyar Telekom, as well as the present engagement at Makedonski Telekom. He holds a Ph.D. degree in political economy and an Executive Master's Degree in Business Administration (program) where he graduated top of the class. He is a proven professional in the sphere of corporate strategy, government and corporate affairs, as well as in the wholesale telecommunication business. Mr. Mueller is a member of the Board of Directors of the American Chamber of Commerce in Macedonia.

Slavko Projkoski, Chief Financial Officer of Makedonski Telekom and T-Mobile Macedonia

Mr. Projkoski started his career in Makedonski Telekom in 1995, where he was appointed to several managerial positions mainly in the finance area, Executive Director of the Controlling Area and later on as Chief Financial Director. Due to the performance demonstrated in the course of his career in Makedonski Telekom, he was appointed to the position of Chief Financial Officer on 1 October 2007. He holds a BSc degree in electrical engineering and has an extensive experience in the telecommunica-

tions industry. As of 25 February 2010, he has held the position of Chief Financial Officer of Makedonski Telekom and T-Mobile Macedonia.

Mathias Hanel, Chief Marketing Officer of Makedonski Telekom and T-Mobile Macedonia

Mr. Hanel has spent his entire career in the telecoms industry in various marketing and sales related positions in several countries in Europe and Asia. He joined Makedonski Telekom as Chief Marketing and Sales Director on 15 August, wherein as of 1 October 2008 he assumed the position of the Chief Marketing Officer. On 25 February 2010 he was appointed to the position of Chief Marketing Officer of Makedonski Telekom and T-Mobile Macedonia. Mr. Hanel holds a degree in Business Administration obtained in England and Germany. Since 1997 he has been part of the Deutsche Telekom Group and held several managerial positions in T-Mobile Germany and T-Mobile International in Bonn and London.

Thorsten Albers, Chief Technical Officer of Makedonski Telekom

Thorsten Albers joined Makedonski Telekom on 1 October 2008 as the Chief Technical Officer. He holds a degree in electrical engineering, specialized in communication and information technology, as well as various Cisco and Nortel/Bay certificates in the relevant areas. Mr. Albers gained his professional experience and expertise while holding various positions in the technical area in Germany and Hungary. Since 2003, he has been a part of Magyar Telekom, responsible for the coordination of projects under the competence of the Chief Technical Officer at the level of Deutsche Telekom.



Branka Pavoshevic, Chief Human Resources Officer of Makedonski Telekom and T-Mobile Macedonia

Branka Pavoshevic is the Chief Human Resources Officer of Makedonski Telekom and T-Mobile Macedonia.

As of 1 June 2009, Ms. Branka Pavoshevic assumed the position of the Chief Human Resources Officer in Makedonski Telekom and on 25 February 2010 she was appointed to the position Chief Human Resources Officer of Makedonski Telekom and T-Mobile Macedonia.

Ms. Pavoshevic is an organization engineer and holds a Master's Degree in economy. She has acquired her rich professional experience at several managerial positions in the sphere of human resources in Croatia. Her professional efforts were dedicated to human resources strategy development and management, overall human resources organization, as well as elaboration of policies and solutions regarding the business strategy of the companies she has worked for. Ms. Pavoshevic came to the position of Chief Human Resources Officer in Makedonski Telekom from the Jupiter Adria Group from Croatia.

Gabor Altmann, Chief Sales Officer of Makedonski Telekom and T-Mobile Macedonia

Mr. Altmann holds a Ph.D. degree in computer science and has an MBA degree in the field of International Management from the eminent Case Western Reserve University in Cleveland, USA. His professional growth started at the Research Institute for Telecommunications in Budapest, and continued at Schrack Telekom in Austria, C.E.R.M.P. (Centre Europeen de la Resourse de Mode Protégé) in France, Ericsson in Budapest, Makedonski Telekom, Magyar Telekom as a Deputy Director for

Business, Strategy and Marketing in T-Systems. His long experience in the area of marketing and sales yields a basis for facing the challenge of increasing the market share, but most of all, increasing the customer satisfaction of the retained customers. Gabor Altmann came to the position of Chief Marketing and Sales Director of T-Mobile in August 2008 and on 25 February 2010 he was appointed to the position of Chief Sales Officer of Makedonski Telekom and T-Mobile Macedonia.

Miroslav Jovanovik, Chief IT Officer of T-Mobile Macedonia and Chief Technical Director of Makedonski Telekom

Mr. Jovanovic is an expert in the sphere of information technologies with an engineer's degree in computer science and IT. In the course of his engagement at various managerial positions both in Macedonia and in Serbia, he was dedicated to the IT management and implementation of large ICT systems in the public sector, while in the position of Chief Informatics Director at the Ministry of Finance he was meritorious for the successful implementation of several projects, including also the e-budget project. Prior to his appointment as the Chief Technical Director of Makedonski Telekom in 2009, Mr. Jovanovic worked as a Key Long-Term Issues Expert - Financial Management Information Systems in Serbia, an EU project. He was appointed to the position of Chief IT Officer of T-Mobile Macedonia on 15 March 2010.

Ognen Firfov, Chief Sales Director of Makedonski Telekom

He is the Chief Sales Director of Makedonski Telekom, a position to which he was appointed on 1 October 2008, when he became a member of the Management Team.

Mr. Firfov holds a BSc degree in electrical engineering, MSc in computer sciences from the Ss. Cyril and Methodius University and an MBA in marketing from the Sheffield University. Prior to assuming the position of Chief Sales Director, he held the position of Sales Executive Director in Makedonski Telekom. He has extensive professional experience within Makedonski Telekom, acquired at many different managerial positions. During many years of work in the telecommunications area, he has demonstrated exceptional results in many important and large projects.

Eftim Betinski, Chief Technical Officer of T-Mobile Macedonia

He began his career as an operations and maintenance engineer in 1991, and made headway to the position of Chief Technical Officer in 2001. His rich carrier in the telecommunications industry is highlighted with the main introduction of the first digital switch in the country (EWSD), as well as the GSM. In the course of his work within the Company he has established and developed several departments and innovative and unique technologies. Some of them are the MSC blade servers, the data speed of 21 Mb/s in the radio network, the prepaid system for handling 1 million subscribers with innovative features and functions, in-house departments for development and optimization of radio network, etc. Mr. Betinski is a telecommunications engineer and he obtained his degree at the Moscow Telecommunications University in 1990.

Board of Directors of Makedonski Telekom AD – Skopje

The Board of Directors of Makedonski Telekom AD – Skopje manages the Company in line with the authorizations defined by the Law and the Statute, as well as the authorizations explicitly granted by the Shareholders' Assembly. In compliance with the Law on Trade Companies, the rights and obligations of the Board of Directors are regulated with the Statute of the Company.

The members of the Board of Directors are appointed by the Shareholders' Assembly of Makedonski Telekom AD - Skopje.



Oliver Kosturanov, President and Non-Executive BoD member

He was appointed as a member of the Board of Directors of Makedonski Telekom AD - Skopje on 30 April 2010 with a mandate as of 1 May 2010 and as President of the Board of Directors on 1 May 2010. Mr. Kosturanov is the Director General of the global investment company SEAF for Macedonia. He is the Director General of the SEAF Fund Macedonia, the Director General of the Small Investment Fund (SIF) and Country Manager of the SEAF Fund for the Southern Balkans. Mr. Kosturanov has an extensive experience in the sphere of banking operations, investment banking (company mergers and acquisitions), management consulting and private investment fund management in Macedonia and wider in the region. He obtained an MBA degree at the Sheffield University in the United Kingdom.



Nikolai Beckers - Executive Member and CEO

He was appointed as a member of the Board of Directors of Makedonski Telekom on 31 July 2007, with a mandate as of 10 September 2007 and as an Executive Member in the function of Chief Executive Officer of Makedonski Telekom AD – Skopje on 10 September 2007. Mr. Beckers joined Deutsche Telekom in 1995 in managerial positions responsible for international joint ventures of the Group, such as Satelindo, Indonesia; Globe/Isacom, the Philippines, and France, all the while holding high managerial positions. He is a member of the Board of Imperial Tobacco Macedonia, President of the German-Macedonian Business Association, Vice-President of the European Business Association and Vice President of ICI International Council of Investors.



Nazim Busi, Vice President and Non-Executive BoD member

He was appointed as a member of the Board of Directors of Makedonski Telekom AD - Skopje on 30 April 2010, with a mandate as of 1 May 2010 and as a Vice President of the Board of Directors as of 1 May 2010. Mr. Busi has long years experience in business management. He has been involved in different strategic positions within the Military Airport of YNA and Airport Petrovec, the Republic Judicial Council for Traffic Security within the Ministry of Interior; he has been Deputy Director of the Directorate for Protection and Rescue of the Government of the Republic of Macedonia, as well as Vice-President of the Management Board of the Gynecological Hospital Cair – Skopje. Currently he is an External Advisor of the Mayor of Cair.



Christopher Mattheisen - Non-Executive BoD Member

He was appointed as a member of the Board of Directors of Makedonski Telekom AD - Skopje on 4 November 2009. Mr. Mattheisen was appointed as Chief Executive Officer of Magyar Telekom on 5 December 2006 and as Chairman of the Board of Directors on 21 December 2006. Mr. Mattheisen has been a member of Magyar Telekom's Management Committee since September 2002. From January 2005 to June 2006 he worked as a Chief Officer heading the Wireline Services line of business (T-Com). He is a member of the Board of Directors of the American Chamber of Commerce in Hungary and the Board of Trustees of the CEU Business School. Mr. Mattheisen obtained degrees in economics and finance from the Indiana University, Bloomington and Columbia University, New York.



Gabor Pal, Non-Executive BoD member

He was appointed as a member of the Board of Directors of Makedonski Telekom AD – Skopje on 25 June 2010, with a mandate as of 1 July 2010. Mr. Pál participated in several Magyar Telekom acquisition projects in the SEE region. He was a member of the Board of Directors of Mobimak and later in the Board of Directors of T-Mobile Macedonia; currently, he is a member of the BoD at Crnogorski Telekom and member of the Board of Directors of M Factory Zrt, Budapest. Mr. Pál obtained his degree at the Finance and Logistics Management Faculty of the Budapest University of Economics in 1993, followed by a second degree from the Programmer Mathematician Faculty of Eötvös Lóránd University in 1994.



János Szabó - Non-Executive BoD Member

He was appointed as a member of the Board of Directors of Makedonski Telekom AD - Skopje on 31 July 2007. Mr. Szabo has been the Director of Finance of the Wireline Services LOB of Magyar Telekom since April 2003 and from January 2008 he is the Director of Planning and Controlling of Magyar Telekom. He is also a member of the Board of Crnogorski Telekom AD (Montenegro). Mr. Szabó obtained a degree at the Budapest University of Economics in 1986, majoring in international relations.



Dr. Klaus Nitschke - Non-Executive BoD Member

He was appointed as a member of the Board of Directors of Makedonski Telekom AD - Skopje on 4 November 2009. Mr. Nitschke is working at the DTAG General Headquarters and leading as a Senior Vice President the South Eastern European Strategy and Area Management MT Group, Deutsche Telekom. Mr. Nitschke joined Deutsche Telekom (DTAG) in 2002, where he has held various management positions: Area Manager for the DTAG central European subsidiaries (Hungary, Croatia and Slovakia); as SEVP he lead the Strategy department of DTAG's fixed line business in Germany. In 2005, started as a Managing Director, building up a Product & Development unit. He obtained a degree at the Cologne University, a Bachelor of Arts degree from the Boston University and a Ph.D. degree as „Dr. rer. nat.“ from the Max-Planck-Institute in Cologne.

Günter Mossal - Non-Executive BoD Member



He was appointed as a member of the Board of Directors of T-Mobile Macedonia on 5 May 2006. He is also a member of the Board of Directors Makedonski Telekom and a member of the Audit Committee of Makedonski Telekom. Mr. Mossal started his career in 1988 at Deutsche Telekom in Cologne and became Head of Marketing and Sales Strategy in 1989. In 1991, he started to work for the Federal Ministry of Posts and Telecommunications where he was responsible for frequency management and he contributed significantly to the frequency regulation in the German Telecommunications Law. In 1995 and 1996, he was consulting the European Commission on the regulation of Wireless Local Loop Applications. He joined Deutsche Telekom again in 1996 as a project manager for Great Britain. He set up a joint venture with British, French and American partners and in 1999 he became Head of Affiliate Management for Western Europe. He was also a member of the Board of Directors of the British Cable Company Eurobell and supported the top management of Deutsche Telekom in key strategic projects. In 2000, he became Head of Investment Consulting for Western Europe and was leading numerous M&A projects. In 2003, he became Vice President for Joint Venture Management. He obtained a degree in electrical engineering at the Rheinisch-Westfälisch-Technische Hochschule (RWTH) Aachen in 1987.

Boris Stavrov - Non-Executive Member



He was appointed as a member of the Board of Directors of Makedonski Telekom AD - Skopje on 4 December 2008. Mr. Stavrov is a physics engineer and holds an Executive MBA Degree and various certificates in the field of telecommunications and project management. During his professional career, he held the position of CEO and a member of the Board of MTRTV - the Macedonian National Radio and Television, he was a member of the Board of Directors of T-Mobile Macedonia, Director of the Regulatory Department, Business Coordinator and Executive Assistant of the CEO at Makedonski Telekom. He has an extensive experience, as well as a rich knowledge both in technical and administrative fields - in broadcasting, media, IT, HR, the sphere of regulatory and legal issues.

Romeo Dereban - Independent BoD Member



He was appointed as a member of the Board of Directors of Makedonski Telekom AD - Skopje on 17 May 2007. Mr. Dereban was the Mayor of the Municipality of Struga. After this position, he took on the responsibility as an Advisor in the Administration for Property-Legal Affairs - Regional Unit Ohrid. Mr. Dereban is a permanent associate of the ZFRSL in the Units of the Local Self-Government and a former member of the Standing Committee of the Association of the Units of Local Self-Governments of Macedonia.

Metodi Stoimenovski - Independent BoD Member



He was appointed as a member of the Board of Directors of Makedonski Telekom AD - Skopje on 17 May 2007. Mr. Stoimenovski holds a degree in computer science, information technology and automatics from the Electro-Technical Faculty, University Ss. Cyril and Methodius. Since January 2006, he has been working as Director of the Information Technology Department at the public enterprise "Water Supply and Sewerage" - Skopje. He has gained his previous rich experience at Duna Computers, at ESM AD, EIN-SOF and at the Ministry of Local Self-Government.

Antti-Jussi Lumijarvi - Independent BoD member



He was appointed as a member of the Board of Directors of Makedonski Telekom AD - Skopje on 4 November 2009. He joined Magyar Telekom in 2004 as a senior accounting manager and BPR team leader responsible for reorganising the financial area processes in line with the implementation of Magyar Telekom Group's accounting shared service centre. In 2006, he was promoted to the position of EurAccount's Deputy Director in charge of operations support, a position which he has been holding until the present day. Antti-Jussi Lumijarvi possesses a Master's Degree in Business Administration from Turku School of Economics and Business Administration, Finland.

Goran Ivanovski Non-Executive BoD Member

He was appointed as a member of the Board of Directors of Makedonski Telekom AD - Skopje with a mandate as of 29 November 2006.

Mr. Ivanovski graduated from the Faculty of Technology at the University of Ss. Cyril and Methodius in Skopje. He has been the Director of the national television Sitel since 1995 and the General Director of the RIK Sileks Kratovo as of 2002.

Miklos Vaszily Independent BoD member

He was appointed as a BoD member of Makedonski Telekom AD - Skopje on 25 June 2010, with a mandate as of 1 August 2010. Since 1 February 2010, he has held the CEO position of Origo Plc, which is fully owned by Magyar Telekom Group. Mr. Vaszily has been active in the online content services area for nine years now, first as the CEO of Net Media Plc publishing Portfolio.hu from 2001, and then as CEO of Index.hu Plc from 2005 to November 2009, also acting as a member of the Board of Directors of the owner CEMP Group responsible for operative issues. Mr. Vaszily completed his studies at the University of Economics of Budapest in 1996, whereupon he also obtained a legal degree at ELTE's Legal Department in 1997.

Members of the BoD of Makedonski Telekom AD - Skopje during 2010, who have resigned / have been released:

- Mr. Zarko Lukovski, President and non-executive BoD member, with a mandate until 01.05.2010 inclusive;
- Mr. Agron Budzaku, Vice President and non-executive BoD member, with a mandate until 01.05.2010 inclusive;
- Mr. Denes Szluha, non-executive BoD member, with a mandate until 30.06.2010 inclusive;
- Mr. Robert Molnar, independent BoD member, with a mandate until 31.07.2010 inclusive.

Board of Directors of T-Mobile Macedonia AD Skopje



Nikolai Beckers - President and Non-Executive BoD member

He was appointed as a member of the Board of Directors of Makedonski Telekom on 31 July 2007, with a mandate as of 10 September 2007 and as an Executive Member in the function of Chief Executive Officer of Makedonski Telekom AD – Skopje on 10 September 2007.

Mr. Beckers joined Deutsche Telekom in 1995 in managerial positions responsible for international joint ventures of the Group, such as Satelindo, Indonesia; Globe/Isacom, the Philippines, and France, all the while holding high managerial positions.

He is a member of the Board of Imperial Tobacco Macedonia, President of the German-Macedonian Business Association, Vice-President of the European Business Association and Vice President of ICI International Council of Investors.



Zarko Lukovski, Executive BoD member

He was appointed as a member of the Board of Directors of T-Mobile Macedonia with a mandate as of 12 December 2006 and as Executive Member of the Board of Directors in the function of Chief Operating Officer as of 11 September 2007. Mr. Lukovski was appointed as Chief Executive Officer of T-Mobile Macedonia AD – Skopje as of 1 April 2010. Previously, he was a member and a President of the Board of Directors of Makedonski Telekom AD – Skopje. Mr. Lukovski has an extensive experience in the field of computer science and telecommunications integration. His experience includes working on both the Swedish and the Macedonian market. He took an active role in the project for electronic signature of the Ministry of Finance. For many years, Mr. Lukovski has worked and cooperated with various world brands such as Fujitsu, Siemens, Microsoft, Philips, Compaq, Xerox, Hewlett Packard, Motorola, Ericsson, thus acquiring extensive international experience.



Klaus Mueller, Executive BoD member

He is the Chief Director of Key Issues of Makedonski Telekom, appointed to this position on 1 March 2008, and was appointed as Chief Operating Officer of T-Mobile Macedonia with a mandate as of 1 April 2010. Mr. Mueller has had a long and successful career in various domains in the telecommunications industry. He commenced his career in 1992 in the Deutsche Post, whereupon he continued his professional progress mainly at high positions within the Deutsche Telekom Group, including the engagements at Magyar Telekom, as well as the present engagement in Macedonia. He holds a Ph.D. degree in political economy. He graduated as a valedictorian for an Executive Master's Degree in Business Administration (program). He is a proven professional in the sphere of corporate strategy, government and corporate affairs, as well as in the wholesale telecommunications business.



Christopher Mattheisen - Non-Executive BoD Member

He was appointed as a member of the Board of Directors of Makedonski Telekom AD - Skopje on 4 November 2009.

Mr. Mattheisen was appointed as Chief Executive Officer of Magyar Telekom on 5 December 2006 and as Chairman of the Board of Directors on 21 December 2006.

Mr. Mattheisen has been a member of Magyar Telekom's Management Committee since September 2002. From January 2005 to June 2006 he worked as a Chief Officer heading the Wireline Services line of business (T-Com). He is a member of the Board of Directors of the American Chamber of Commerce in Hungary and the Board of Trustees of the CEU Business School. Mr. Mattheisen obtained degrees in economics and finance from the Indiana University, Bloomington and Columbia University, New York.



Dr. Klaus Nitschke - Non-Executive BoD Member

He was appointed as a member of the Board of Directors of Makedonski Telekom AD - Skopje on 4 November 2009.

Mr. Nitschke is working at the DTAG General Headquarters and leading as a Senior Vice President the South Eastern European Strategy and Area Management MT Group, Deutsche Telekom. Mr. Nitschke joined Deutsche Telekom (DTAG) in 2002, where he has held various management positions: Area Manager for the DTAG central European subsidiaries (Hungary, Croatia and Slovakia); as SEVP he lead the Strategy department of DTAG's fixed line business in Germany. In 2005, started as a Managing Director, building up a Product & Development unit. He obtained a degree at the Cologne University, a Bachelor of Arts degree from the Boston University and a Ph.D. degree as „Dr. rer nat.“ from the Max-Planck-Institute in Cologne.



Gabor Pal, Non-Executive BoD member

He was appointed as a member of the Board of Directors of Makedonski Telekom AD – Skopje on 25 June 2010, with a mandate as of 1 July 2010. Mr. Pál participated in several Magyar Telekom acquisition projects in the SEE region. He was a member of the Board of Directors of Mobimak and later in the Board of Directors of T-Mobile Macedonia; currently, he is a member of the BoD at Crnogorski Telekom and member of the Board of Directors of M Factory Zrt, Budapest. Mr. Pál obtained his degree at the Finance and Logistics Management Faculty of the Budapest University of Economics in 1993, followed by a second degree from the Programmer Mathematician Faculty of Eötvös Lóránd University in 1994.



János Szabó - Non-Executive BoD Member

He was appointed as a member of the Board of Directors of Makedonski Telekom AD - Skopje on 31 July 2007.

Mr. Szabo has been the Director of Finance of the Wireline Services LOB of Magyar Telekom since April 2003 and from January 2008 he is the Director of Planning and Controlling of Magyar Telekom.

He is also a member of the Board of Crnogorski Telekom AD (Montenegro). Mr. Szabó obtained a degree at the Budapest University of Economics in 1986, majoring in international relations.



Nebojsa Stajkovik, Non-Executive BoD Member

He was appointed as a member of the Board of Directors of T-Mobile Macedonia on 14 December 2009. Mr. Stajkovik has an extensive knowledge in the IT field and system engineering, working in different positions as an IT consultant of TERTIA Skopje, Office Instructor and General Manager to the Councillor of the Minister for Informatics and Telecommunication. He holds a degree in electronics and telecommunications obtained at the Ss. Cyril and Methodius University in Skopje and an MBA from the First European University in Skopje. He is a member of AIA – International Organization of Water Polo judges and President of the Water Polo Federation of Macedonia.



Irena Miseva, Non-Executive BoD Member

She was appointed as a member of the Board of the Directors of T-Mobile Macedonia with a mandate as of 12 December 2006. Ms. Miseva has been working in the telecommunications industry for more than 10 years. Since 2000 until the present day, she has been a member/advisor of several bodies: Committee for Communal Activities, Committee for the Protection of the Environment, Committee for Education, Committee for Social and Child Protection, Committee for Interethnic Relations and Committee for Urbanism of the City of Skopje. Currently, she is President of the Council of the City of Skopje. She is also a member of the Secretariat of the "e-Macedonia" Foundation. Ms. Miseva possesses a Certificate for political management from IRI, Foundation Conrad Adenauer, as well as a Master's Degree in Communication obtained at the New York University in Skopje.



Aleksandar Stojkov, Non-Executive BoD Member

He was appointed as a member of the Board of the Directors of T-Mobile Macedonia on 13 December 2007. Mr. Stojkov is a docent at the Faculty of Law Justinianus Primus in Skopje. He obtained his Ph.D. degree in international economy at the Staffordshire University in Great Britain. Mr. Stojkov has a working experience of three years in the governmental sector at managerial positions at the Ministry of Finance (Budget and Funds Department and, later on, Macroeconomic Policy Department). He was a consultant in several governmental projects, World Bank and USAID projects, etc. Mr. Stojkov has also completed a six-month post-Ph.D. research stay at an inter-university centre in Montreal (Canada).



Gzim Ostreni, Non-Executive BoD Member

He was appointed as a member of the Board of Director of T-Mobile Macedonia AD – Skopje on 16 September 2008. Mr. Ostreni has been on different positions during his rich and long working experience. He has worked as a teacher; he has been a President of the Municipality Committee and Inspector for Customs and Foreign Services in Debar. He continued as a Member of the Parliament and after that he became Vice-President of the Parliament of the Republic of Macedonia. Today he lives and works in Debar.



Günter Mossal - Independent BoD member

He was appointed as a member of the Board of Directors of T-Mobile Macedonia on 5 May 2006. He is also a member of the Board of Directors Makedonski Telekom and a member of the Audit Committee of Makedonski Telekom. Mr. Mossal started his career in 1988 at Deutsche Telekom in Cologne and became Head of Marketing and Sales Strategy in 1989. In 1991, he started to work for the Federal Ministry of Posts and Telecommunications where he was responsible for frequency management and he contributed significantly to the frequency regulation in the German Telecommunications Law. In 1995 and 1996, he was consulting the European Commission on the regulation of Wireless Local Loop Applications. He joined Deutsche Telekom again in 1996 as a project manager for Great Britain. He set up a joint venture with British, French and American partners and in 1999 he became Head of Affiliate Management for Western Europe. He was also a member of the Board of Directors of the British Cable Company Eurobell and supported the top management of Deutsche Telekom in key strategic projects. In 2000, he became Head of Investment Consulting for Western Europe and was leading numerous M&A projects. In 2003, he became Vice President for Joint Venture Management. He obtained a degree in electrical engineering at the Rheinisch-Westfälisch-Technische Hochschule (RWTH) Aachen in 1987.



Vladimir Zdravev - Independent BoD member

He was appointed as a member of the Board of Director of T-Mobile Macedonia AD – Skopje on 13 December 2010. Mr. Zdravev has been holding different positions in the area of finance and has been involved in the national modernization process through strategic projects. He has actively participated in the National Payment Card Project - a project for electronic form and digital signature. He continued as a Head of the Section for Fiscal Automatization in the PRO and Advisor of the General Director of the state Public Revenue Office. Mr. Zdravev was Director of the Accreditation Institute of Macedonia and Director of MEPSO from 2007 until August 2010. He has a degree in welding and welded structures, obtained at the Faculty of Mechanical Engineering within the University Ss. Cyril and Methodius, Skopje.



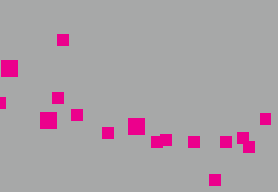
Antti-Jussi Lumijarvi - Independent BoD member

He was appointed as a member of the Board of Directors of Makedonski Telekom AD - Skopje on 4 November 2009. He joined Magyar Telekom in 2004 as a senior accounting manager and BPR team leader responsible for reorganising the financial area processes in line with the implementation of Magyar Telekom Group's accounting shared service centre. In 2006, he was promoted to the position of EurAccount's Deputy Director in charge of operations support, a position which he has been holding until the present day. Antti-Jussi Lumijarvi possesses a Master's Degree in Business Administration from Turku School of Economics and Business Administration, Finland.

Members of the BoD of T-Mobile Macedonia AD Skopje during 2010, who have resigned / have been released:

Michael Lawrence, executive BoD member, with a mandate until 31.03.2010 inclusive;
 Slavko Projkoski, non-executive BoD member, with a mandate until 09.04.2010 inclusive;
 Denes Szluha, non-executive BoD member, with a mandate until 30.06.2010 inclusive;
 Saso Dimitrijoski, independent BoD member, with a mandate until 12.12.2010 inclusive.





We continue to be innovative!

As the market leader, we drive innovation and maintain premium quality and thus preserve our position ahead of the competition.

Now is the time for a step forward towards a gigabit society – this is outlined in the Group Strategy that relies on three main pillars:
Sustain – Transform – Innovate!

Dr. Klaus Mueller,
the Chief Director of Key Issues
in Makedonski Telekom
and Chief Operating Officer of T-Mobile Macedonia

2010 – Year of a ‘One Company’ approach

Our vision, aspiration, brand, organization and corporate culture are changing and keeping up with the pace of the growing customer needs, while concurrently responding to the new challenges.

Makedonski Telekom and T-Mobile Macedonia restructure the business

Makedonski Telekom and T-Mobile Macedonia are intending to restructure their business in the coming years – with next generation networks and services for a gigabit society. The top management of both companies is planning to expand the portfolio and the quality, instead of entering into price wars which would jeopardize the investment opportunities.

Following the rebranding of Makedonski Telekom, the year 2008 was dedicated to the transposition of the fixed-line business. We have repositioned and rebalanced our traditional wire line products and we have made a very successful IPTV introduction and increased our Internet customer base. In 2009, we started with the 3G mobile and FTTH deployment and successfully continued in 2010.

In order to live our vision and accomplish our aspiration to be a highly esteemed service company, the management of Makedonski Telekom and T-Mobile developed the new company strategy which incorporates the three main messages “Sustain – Transform – Innovate” and which is aligned with the strategy of Deutsche Telekom.

The customers and their demands, as well as the market movements, are the main drivers of the changes in the company strategy. In a market environment which is continuously developing and is highly competitive, the residential and the business customers demand an “all in one place” service, which provides them, any time and any place, with constant access to information via various devices and platforms. Makedonski Telekom and T-Mobile Macedonia are keeping up with the global trends in the business.

Sustain-Transform-Innovate is the main course of progress of both Companies in the period 2010-2015. The Companies will sustain the customer base by offering the customers a superior experience. There will be transformation of networks and processes to build a gigabit society and develop activities across the entire value-chain, certainly, also including the development of access to even more attractive content. Investments are planned in the amount of approximately EUR 150 million over the next 3 to 4 years, especially in intelligent networks, as well as IT solutions and Internet services.

Defining a roadmap for the gigabit society

The infrastructure, the network and the processes will be transformed. High-quality infrastructure is essential and that is a fact. Accordingly, the Companies aim to transform their networks and processes for the gigabit society in terms of providing FTTH technology for 8,000 new households at least in Skopje in the course of next year, although the FTTH network has just started to spread also in other cities in Macedonia. Further development of 3G and of the device strategy is foreseen in the plans. Extending the convergence trends i.e. bringing together our two core business segments - fixed-line and mobile communications - is also on the agenda. Not to forget, improved IT operations are crucial for efficiency and success of this strategy component.

Creating culture of openness and integrated communication approach in all segments, which will deliver a common service experience for all customers

Customers' expectations

Experts expect global data traffic to explode in the coming years on a global level. By 2015, a sample mobile customer will use a data volume of around 14 gigabits a month. In 2005, it was only a few megabits. This demand for data in the coming „Gigabit Society“ will be driven by a variety of applications - some of which will be old favourites, and others that will be completely new. For consumers, this mainly includes high bandwidth web video, but also data use through social media. Both Makedonski Telekom and T-Mobile are leading the market by providing superior service, products, and technology to the customers in Macedonia, as if Macedonia were a part of the EU in the field of telecommunications.

Only the Makedonski Telekom Group can lead, serve and grow in a manner which is suitable for building a modern society, because of the easy access to a global leader in connected life and work with its prime German engineering, plans for long investment cycles needed for cutting edge development, organization, processes and people skills established in order to comply with all regulatory and environmental obligations, avoidance of inferior moves, and fulfilment of the expectations from good corporate citizens.

Provision of services with the highest quality and value

The Companies have defined the steps towards a new Telekom as one integrated Company with a growing trend. Sustain-Transform-Innovate are strategic messages that set out the way to our goal. It is a logical continuation of the strategic activities implemented thus far. The future should bring changes of the Company structure through improvement of the existing and promotion of new and innovative businesses which will secure a long-term strategic stability.

Thence, the fields on which the 2010-2015 strategy is focused are as follows: Sustain -Transform-Innovate!

What makes us unique and different?

1. Superior customer experience
2. Superior products
3. Superior branding
4. Superior communication
5. Innovation leadership

Sustain applies to the traditional services and the loyal customers.

In this segment, the Companies have the biggest customer database and a high market share. Being customer-oriented companies imposes an obligation to create and to offer services with the highest quality and value for the traditional and loyal customers that ensure our growth potential.

It is inevitable to strengthen the leadership position in this field, while sending a clear message to this group of customers that they are the driving force of all our moves and changes.

- Maintenance of the customer base with a top customer experience

On a market which is continually developing and on which there is a growing competition, our intention is to remain the leaders by offering premium quality and services that distinguish us from the competition. By improving the traditional services and promoting new ones, it is our duty to provide the highest quality and the most valuable services for our existing customers.

The aim of the transformation

To make the procedures shorter and to restructure the Companies into an organization which is adaptable to the new market changes by creating a culture in which everyone from the two Companies is part of the big T family.

Transformation is the synonym of leadership in the telecommunications industry. It should be accepted by all the employees, not only by the top management, and it should become a precondition for changing the culture in order to sustain the position of an innovation leader on the market.

- Transformation of the networks and processes for the gigabyte society

“Connected life and work”, as a new company concept, imposes new integrated IT platforms and applications, as well as new, integrated gigabit networks, both optic and wireless.

- Transformation of the processes and the corporate culture

Transformation is the synonym of leadership in our industry, which also means changing the culture in the daily work of all employees by transforming and optimizing the processes and transforming the infrastructure.

Innovation as a philosophy of life and a working style

It should bring new services and businesses to the end users. This is the key issue of the entire DT Group. There are clear expectations according to which, by the year 2015, 7% to 10% of the key revenues should come from new services and businesses. The same strategic aim also applies to Macedonia.

- Innovative activities throughout the entire value chain

Innovation as a manner of differentiation on the markets enables growth for the company by changing the revenue structure and providing for an entry into new businesses. Innovation as a new style of operation whose core is comprised of new technological inventions is currently the only right way that leads to success and permanent benefits.

- Innovative approach to attractive contents and applications

Product development and offer of digitalized and personalized services available to the customers regardless as to whether they are at home, at work or on the go.

We are united by a common vision and we are following the Strategy that will make us an innovative and highly regarded customer service company.

In order to support the implementation of the Strategy and the company goals, we must ensure a liberal corporate culture in which the individual is aspired to achieve the best. To this end, we are devoted to our Guiding Principles and working environment distinguished with a team spirit, unity in providing service quality and motivation for excellent performance.

Branka Pavoshevic,
Chief Human Resources Officer
Makedonski Telekom and T-Mobile Macedonia

The employees are creating our successful brand!

As outlined in our Strategy, we are heading on the road to a new Telekom that will differentiate us on the market as an operator that provides innovative, best-in-class communications and an excellent service. The business challenges that derive from our new Strategy are the key drivers for the company and the individual performance. They set out the guidelines for human resources management. The HR Area promotes a new service culture that will support the transformation of the company in accordance with the dynamic market changes.

One great team supporting the change process

The demanding and fast-moving market changes require adopting a business model that will be able to answer the customers' needs of a one-stop service. This urges us to consolidate the fixed-line and mobile communications businesses aiming at having a more centrally steered function. Being a business partner to the organization, HR keeps up with the pace of the needs of the transformation process to a customer-oriented service company.

It is our belief that in order to meet the demands of the customers, we must streamline and support the workforce that will improve the company's competitiveness. To that end, we started to adapt and change in order to meet the needs of our internal customers i.e. the employees. Starting from 2010, we started to consolidate the HR processes in both companies aiming at a more effective performance from one source and supporting one great team ready to meet the customer demands in providing integrated solutions. We started to standardize the processes where possible and where there was an opportunity for synergy and competitive advantage.

It is our mission to support the business operation by providing:

- Corporate culture that will drive successful operation
- Innovative driving workforce
- Performance management
- Healthy and safe working environment

Common values that unite us

Starting from 2010, Makedonski Telekom and T-Mobile Macedonia have taken on the new corporate culture outlined in the set of Five Guiding Principles, the successor of the T-Spirit. They define our behaviour as part of DT Group and unite us in pursuing our ambition of being the most highly regarded service company in Macedonia. The GPs are here to provide us guidelines on how we work together and they are the ground on which we started to build a strong company led by a professional and reliable workforce that is well prepared to achieve the business goals.



• Customer delight drives our action

This principle focuses on the most important thing for the business: not only satisfying the customers, but also delighting them. The customers' thoughts, feelings, needs and experience must drive our company. Through putting oneself in their position, it is possible to anticipate and fulfil their individual needs.

• Respect and integrity guide our behaviour

The second principle is about truly respecting the customers, the partners, the suppliers and the shareholders. The success of Makedonski Telekom and T-Mobile Macedonia can be achieved provided that there is an open and honest culture as its ground.

• Team together - team apart

The third principle focuses on our culture of working together. Teams should openly discuss issues and exchange opinions. However, once a decision has been made, it is upheld by the entire team. At separate workplaces the decision is implemented and executed as one team.

• Best place to perform and grow

The fourth principle recognizes the importance of the employees for the company and the company culture. To become the most highly regarded service company in the telecommunications industry and beyond, we need to do our very best to face the challenge of the competition in the years to come. To do this, the company relies on the commitment and the success of everyone. It is our commitment, both of the management and the employees, to make Makedonski Telekom and T-Mobile Macedonia the best place to perform and grow.

• I am T, count on me

The final principle involves personal commitment to the company from every employee. It means that when a customer has a problem each employee is personally committed to solving it. Colleagues can count on one another, just as shareholders and customers can count on the company. This principle focuses on the reliability that is so crucial to delivering – and over-delivering where possible – what is promised. The last principle actually sublimates the meaning.

Forming the foundation of our corporate culture, the Guiding Principles provide a basis for how we want to work together across Makedonski Telekom and T-Mobile Macedonia and our connection with the DT Group. The new corporate values apply equally to every employee across the globe and constitute an integral component of a customer centric company.

Responsible human resources management

The fast changes of our industry demand fast responses i.e. properly educated and trained employees who are ready to perform their tasks in a positive working environment. We respond to this with constant improvements, educational trainings of the employees and adjustment of the human resources measures. We aim to be recognized as an employer of choice and therefore seek to maintain high standards and good employee relations in our operation. Our employment policies are developed to reflect the local legal, cultural and employment requirements. Our highly developed HR management system is focused on meeting all aspects related to the development and advancement of the employees in Makedonski Telekom and T-Mobile Macedonia.

As a good employer in the Macedonian society, we tend to attract and employ the best human resources in our industry and we care for their professional growth in a supportive environment which meets their goals. Attracting a young and talented workforce and later on giving assistance to their professional development is our top priority. In 2010, we started a new Program with which our company entered into a partnership with the high educational system in the country. In such way, we make our contribution to educating a staff that will be well prepared to meet the challenges of the communications industry countrywide.

Furthermore, we tend to keep our focus on the career development of each individual by opening up many career perspectives. To that end, the HR team is dedicated to enhancing each employee's current job performance, enabling individuals to take an advantage of the future job opportunities, as well as fulfilling the company's goals for a dynamic and effective workforce. The highly developed educational and training system run by the HR professionals provides a profound expertise and a potential to meet any business opportunity even outside our doors. As the best place to perform and grow, we make sure that individuals use the know-how and expertise gained from our educational trainings. Since last year, as a part of one international HR team, we have provided many great opportunities for our employees for international career development –with our cooperation, we have managed to keep the DT Group doors widely open for enthusiasts and experts from Macedonia who were ready to take the next step forward.

Highly evaluated good performance

The performance management process we support reinforces the individual accountability for reaching the personal targets and for meeting the company goals. Our competence performance system rewards the employees based on their performance, potential and contribution to the success of the business. We aim to provide competitive and fair rates of pay and benefits in the company. The incentive plans we offer to management and employees levels are according to the individual and company performance. In 2010, we started a process of consolidating the incentive system for Makedonski Telekom and T-Mobile Macedonia, first at management level. This project is expected to be finished at employee level for both companies by the end of 2011. The leitmotif of the HR performance is that skilled, competent and committed employees are vital for the success of Makedonski Telekom and T-Mobile Macedonia. This is what we really respect!

Employee recognition is an HR tool that reinforces and rewards the most important outcomes employees create for our business. To this end, the targeting system we developed is equally powerful both for the company and the individual performance. This provides a possibility for setting up a good appraisal system that aims to motivate the employees. Recognizing people effectively and accordingly leads to motivated staff that is more likely to work harder to the benefit of the overall performance.

Employees' involvement is vital to our work

We believe that employee involvement in an organization creates an environment in which people have an impact on the decisions and actions that affect the business, but also their jobs. By involving employees into different programs and projects running in the company, we enable them to contribute to the continuous improvement and the ongoing success of their work organization.

We constantly monitor the inside opinion of the employees with various surveys that we conduct during the year. The regular Pulse Checks we have twice a year provide a snapshot of the overall climate in the company. This helps us to be aware of the trends and feelings among the employees, shows us the employees' understanding of the company processes, especially in times of transformation, it depicts the inside preparedness to accept the company challenges, etc.

The high rate of participation we received in the Employee Survey 2010 compared to 2008 is another indicator that the employees want to have their say about all company related issues. This is an extremely important indicator for us in HR, because we are the link via which the employees' opinion can make a difference in changing the processes.

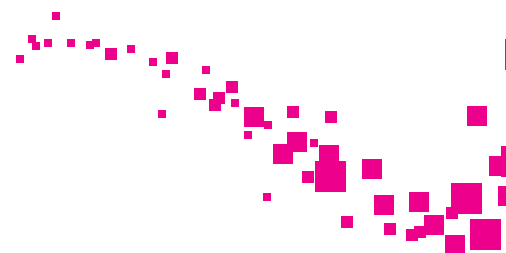
Health, safety and wellbeing for our employees

The health, safety and wellbeing inside our organization are of utmost importance to us. We ensure a healthy environment for our employees by implementing the Company policy in the field of employees' health and safety in compliance with the latest European regulations and practices. In this manner, we provide and maintain a safe working environment and healthy working conditions for our employees.

Taking the nature of the working process into consideration, we make sure that the working environment is adjusted through taking different safety and health protection measures. We continuously run trainings in order to ensure and enlarge employees' knowledge and awareness with regard to these issues. Employees are being constantly informed on all issues pertaining to the health and safety regulations and aspects through the internal information channels.

For the first time in 2010, the conducted Group-wide Employee Survey provided various questions to check, among other things, the health related aspects, based on which a detailed and scientifically based health report and analysis were produced, identifying the priorities for actions in order to ensure a good working environment and improve the team's state of health.

This points to the conclusion that the company pays a great deal of attention to assuring optimum working conditions in terms of health and safety provisions, with the aim to ensure a healthy and safe environment for our employees.

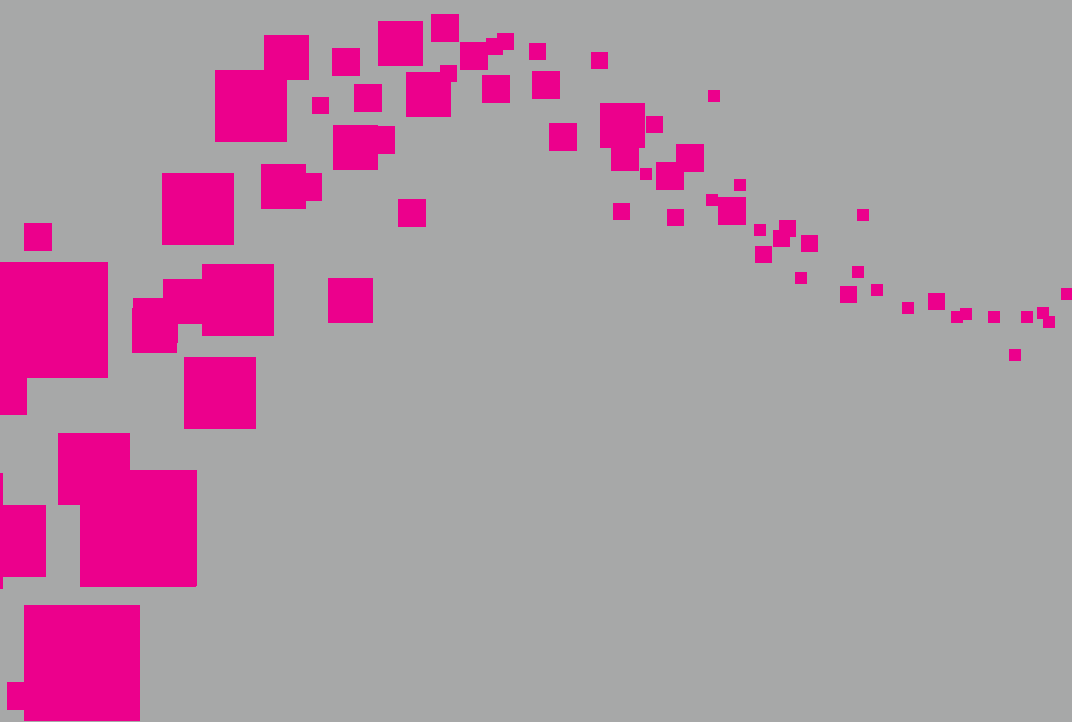






Makedonski Telekom and T-Mobile are among the biggest supporters, not only within the Macedonian business environment, but also within different areas essential for the overall development of the Macedonian society. We try to ease and enrich people's everyday living and to invest in various areas that are of crucial importance for the development of the Macedonian society

Dimitar Kovacevski,
Executive Director of Group Communication Area
Makedonski Telekom and T-Mobile Macedonia



We have designed a responsible communication strategy, with an established sustainability context. We have identified the expectations and the needs of the different society stakeholders and assessed their impact. We have created partnerships within different areas and we are always here for those in need. Macedonski Telekom and T-Mobile are long-year supporters of Macedonian organizations and people, in the area of culture, education, sport, traditional values, modern society and trends...

Advancing the education processes in the country

The commitment to increase the quality of education through an efficient use of the Internet as a modern technological communication tool was confirmed by extending the biggest project in the country for 2010 – the “PC for Every Student Project. In addition to the computer equipment and Internet connection at the schools, the T brand also provided Internet for the student dormitories across the country, in Skopje, Stip, Bitola, and Gostivar, as well as in Ohrid and in Prilep. By doing this, the Companies additionally emphasize the expansion of the access to modern technology.

Sports events get people together, awaken the team spirit and create a healthy environment

Investing in sports is one of the key commitments. Sport strengthens the spirit and overcomes all barriers. Therefore, in order to contribute to top sporting achievements, the T brand supported several key events, like the participation of the Macedonian Senior Water Polo Representation in the European Water Polo Championship in Croatia. Furthermore, the T brand is the traditional supporter of the Ohrid Swimming Marathon, the largest international sporting event in the country which has been held for 56 years and attracts the entire swimming elite of the world. Another sporting event that the Companies supported in 2010 is the traditional International slalom kayaking IKAS 2010, held in the recreational center Matka, Skopje. This is Macedonia's oldest sporting event in which winners of Olympic, World and European awards participate.

Cultural events create memorable moments for sharing!

Music, entertainment and festivals

As a socially responsible brand, the T has been a part of events whereby it enriches the cultural contents in the country. The Companies are supporting internationally renowned festivals: the International Arts Festival AKTO in Bitola, the Balkan Music Square in Ohrid, the Ohrid Summer Festival...

The summer starts with the traditional support of the biggest Macedonian cultural event - the Ohrid Summer Festival. This worldwide known cultural manifestation is held every year in Ohrid and the T brand is always present by supporting the performances of some of the greatest names in the world of music in front of the Macedonian audience. The Ohrid Summer Festival remains the ambassador of the Macedonian culture and music.

In 2010, the Antique Theatre in Ohrid was the venue of the Balkan Music Square, where some of the most renowned Balkan artists took part.

The Macedonian capital, Skopje, was once again coloured by the sounds of jazz. The Skopje Jazz Festival, which is established as one of the jazz festivals with the highest rating in the region, was held for the 29th time in 2010 and it was supported by T. At last year's 29th edition of the renowned Skopje Jazz Festival, many prominent and renowned jazz musicians from all over the world took part, including the USA, Cuba, Brazil, New Zealand, Great Britain, Italy, Holland, Norway, Belgium.



For the fifth year in a row (2010), the AKTO Festival gathered international artists from the field of visual arts, music culture and numerous audiences from the entire region. The interest of the audience and the media in the Festival has been growing year over year and it has received the image of being the sole festival of this type in Macedonia that gathers and promotes the new wave of modern artists from Macedonia, Bulgaria, Albania, Serbia, Greece, Croatia, Slovenia, Montenegro, Bosnia and Herzegovina. The „Open Air Circus“ or Baskerfest is held every year, in June. The T brand is a loyal friend of this summer's spectacle, with unusual and unique performances by street artists from all over the world. The T brand has been a partner of the Skopje Summer Festival for several years now. The reputation of this event is also confirmed and verified outside the Macedonian borders with the membership in the International Festivals and Events Association - IFEA)

The 2010 events that took place are the greatest proof of the repute that the T brand has in Macedonia – the biggest and most loyal partner of the Macedonian culture, music and children's events.

With the support of the Companies, the greatest pop music stars in Macedonia, Kaliopi and Vlatko Ilievski, provided a unique opportunity for their fans to enjoy the sounds of their music live during the concerts and by editing their albums.

Being long-year partners of Zlatno Slavejce, Grozdoberce and Super Zvezda – children's music festivals – the Companies have created a basis for enriching the children's life and for featuring many famous Macedonian singers. The most important thing is to enable many talented children from the whole country to show their musical talent.

Environmental protection

The preservation of the environment and the provisioning of safe operating conditions are among the features of socially responsible companies with a highly developed environmental awareness. In addition to the safe work for the companies which are part of the community in which they operate, the Companies take special care of increasing the public environmental awareness. With the usage of the processes and engagements, the T brand in Macedonia actively contributes to the protection of the environment and the promotion and improvement of the living conditions of the future generations.

- On the Global Telecommunications Day, the T brand sent a strong echoing message to the citizens and customers by planting spring seeds and trees in the City Park and got actively involved in the great action on the territory of the whole country, - Day of the Tree - Plant your Future.
- Earth Hour - In March, the Companies in Macedonia joined the worldwide initiative called the Earth Hour together with approximately 90 other countries. Makedonski Telekom and T-Mobile switched off the lights to draw the attention to the fact that everybody can do something about environmental protection. The purpose of the Earth Hour is to point out the climate change and its threats. The Companies are doing everything in their power to raise the awareness of the business segment and of the customers regarding the possibilities for involvement - everything we do has an effect on the future and the lives of our children.

Environmental Policy

The Environmental Policy of Makedonski Telekom AD – Skopje and T-Mobile Macedonia incorporates accepting the responsibility and undertaking to abide by the Law on Environment and other regulations related to the environment, and an aspiration for constant improvement of the Companies' impact on the environment.

The Companies consider that it is of utmost importance to perform their operation with an awareness of their impact on the environment and, therefore, they will exert efforts to apply this practise in their entire operations, by making sure that they perform their activities as a "Good Corporate Citizen".

The Environmental Policy clearly indicates the minimum requirements:

- We have a social responsibility to protect the environment and our thinking and acting are aimed at a life-sustaining society in the interest of the future generations.
- We place an utmost importance on environmental protection. The management is directly responsible for defining and implementing the Environmental Policy of both Companies.
- We use a modern environment management system in order to ensure an efficient application of our Environmental Policy.
- Our Procurement Policy is aimed at observing the goals of environmental protection. These goals also have an affect on our conduct in terms of the contracting parties.
- We strive to find solutions for products and services that preserve the energy and the natural resources.
- We actively involve our employees in the environmental protection measures.
- We inform the public and the shareholders and promote a constructive dialogue.

Helping those in need

In order to enable an easier access to the dramatic arts, five radio plays and one New Year's fairy tale were recorded with the Companies' support. These radio plays were performed for the children from the State School for the Rehabilitation of Children and Youth with Visual Impairments „Dimitar Vlahov“ and for the members of the Association of Blind Persons. In this way, the Companies are promoting the brand values, enriching the life and making a contribution to establishing a solid foundation for a cultural and social integration of all members of the community.

Donation from the employees of Makedonski Telekom and T-Mobile to the Red Cross

The employees of Makedonski Telekom and T-Mobile Macedonia collected over 200 boxes of books, toys and clothes as a part of the activities aimed at marking the International Customer Service Week 2010, and donated them to the Macedonian Red Cross. The humanitarian action of the employees of Makedonski Telekom and T-Mobile Macedonia is part of the numerous activities guided by the corporate culture principles in the Companies at Deutsche Telekom Group level.

In cooperation with the Red Cross and the State Institute of Transfusion Medicine, the employees of the two Companies also organized a blood donation day. It is a traditional activity with which the employees show their humanity and volunteerism by contributing to the health and life of the citizens in their society.

The T-Mobile for Macedonia Foundation

The focus of the T-Mobile for Macedonia Foundation was to improve the public health and create better conditions for medical treatment of all citizens. On the other hand, the Foundation's goal is to provide support to the most vulnerable groups of society, above all children.

The vision of the Foundation is to create a better-looking and happier environment, expressing real living values and awareness of mutual assistance, an environment where we can all achieve our own potential for the benefit of all.

The mission is to find different ways to generate ideas and investments whereby we can help people in need, and organizations and institutions for the implementation of projects of social interest.

To this aim, in 2010 the T-Mobile for Macedonia Foundation made a donation for the improvement of the medical treatment and accommodation conditions of children and infants at the Clinic for Infectious Diseases. Part of the funds were intended for the Clinic for Anaesthesiology, Reanimation and Intensive Treatment - KARIL. The Foundation also donated a mechanical ventilation machine to the Clinic for Anaesthesiology, Reanimation and Intensive Treatment (KARIL). The machine is used to enable artificial ventilation and is a replacement and compensation for spontaneous breathing.

The donation has a direct impact on saving human lives. Equipped with the latest software, this machine also enables the reduction of side-effects occurring in the course of the treatment. KARIL is the sole institution in Macedonia offering such care where all critical cases are brought not only from Macedonia, but also from the region.

Moreover, the T-Mobile for Macedonia Foundation also provided a donation to the Clinic for Infectious and Febrile Diseases which enabled the renovation of the Section for Intestinal Infections. All premises in the Section which are used to accommodate infants were fully renovated, air-conditioned and equipped with furniture. The Clinic for Infectious Diseases annually treats approximately 4,000 patients, of whom 80% are infants and toddlers. The Section for Intestinal Infections hospitalizes

500-600 infants a year whose vulnerable age requires specific accommodation, care and medical assistance conditions.

The T-Mobile for Macedonia Foundation donated furniture to several non-governmental institutions and organizations. The donation of furniture was conducted in the course of one month of active volunteering which was also enriched with the participation of employees in Makedonski Telekom and T-Mobile.

Moreover, by means of the donation of furniture, the T-Mobile for Macedonia Foundation got involved in providing support to the campaign of the Children's Village, You Can Also Help, for which the telephone number 070 143 456 was opened for donations. Thus, the Foundation also became a partner of the Children's Village in the process of stable funding and improving the living quality of children.

In addition to the Children's Village, the Foundation also donated furniture to the Clinic for Infectious and Febrile Diseases, the NGOs Kalisto and Integrity, the Orphanage 11 Oktomvri and other institutions.

Such socially important activities contribute to building and strengthening the culture of corporate social responsibility.

Donation numbers

The special donation numbers of T-Mobile are the most active channel for collecting funds intended for helping people in need of an urgent surgical intervention or treatment, projects of public social interest and non-governmental organizations. These numbers are opened and promoted by the Foundation at the request of individuals or organizations, whereas the funds are donated by the citizens. Through the special donation numbers, the T-Mobile users connect with one another in the circle of humaneness by providing direct help to achieve the humane goal for which the number is intended.

Since the establishment of the Foundation in 2002, more than 640,000 EUR for more than 200 people have been collected through these numbers. Additional 210,000 EUR were also donated through 50 projects for overall social benefit implemented by the Foundation.

Our 2010 CSR activities in the media

Global action “Earth Hour”

27.03.2010

27.03.2010, Makedonski Telekom AD – Skopje and T-Mobile Macedonia, as companies with a highly developed awareness of environmental protection, will join the global action “Earth Hour” which is held for the fourth time.

In the period as of 20:30hrs until 21:30hrs in the course of the action, all the lights and air conditioning systems will be switched off in all points of sale and administrative buildings of Makedonski Telekom AD – Skopje and T-Mobile Macedonia.

The T-Mobile for Macedonia Foundation Renovated a Ward at the Clinic for Infective Diseases

23.04.2010

The Foundation T-Mobile for Macedonia granted a donation to the Clinic for Infective Diseases and Febrile Conditions, which is aimed at the renovation of the Intestinal Infections Ward.

The donation enabled the complete renovation of all eight rooms for the accommodation of infants with their mothers at the Intestinal Infections Ward, as well as the installation of air-conditioning systems and the supply of furniture. Thereby, the conditions for the treatment and stay of children will be improved.

The donation was also enriched with the friends of the Foundation – the children from the Orphanage 11 Oktomvri and the children from the Centre for the Support of Intellectually Impaired Persons Poraka from Kumanovo, who donated drawings so as to embellish the rooms.

World Cyber Games

The sixth local championship in World Cyber Games this weekend

8/19/2010

On Saturday 21.08.2010, the sixth national championship in cyber games World Cyber Games 2010 (WCG) will start at 11:00hrs in front of the Experience Café and the point of sale of T-Home and T-Mobile on the Macedonia Square in Skopje.

Over 200 contestants from the whole country will participate in the national championship supported by the T brand in Macedonia, divided in 50 teams. The best team in Counter Strike will represent Macedonia at the world finals of WCG 2010 which will be held in Los Angeles, USA, and it is expected to be the most visited and the best organised e-sport event.

The Macedonian T Group as the sole sponsor of the domestic water-polo national team

20.08.2010

The Macedonian public was officially informed of the cooperation between the T Group and the Macedonian senior water-polo national team, comprising an exclusive sponsorship provided by the company, which is taking place right before the start of the European water-polo championship in Croatia, where our national team is going to participate, as well.



The Foundation T-Mobile for Macedonia donates furniture to the 11 Oktomvri Orphanage

18.11.2010

The Foundation T-Mobile for Macedonia donated furniture to the 11 Oktomvri Orphanage, by means of which the Month of Active Volunteering of the employees of T-Mobile and Makedonski Telekom was rounded up. During the Month of Active Volunteering, which lasted from 18 October until 19 November, several donation activities were implemented which enabled the donation of 300 hundred furniture pieces.

In addition to the donation to the 11 Oktomvri Orphanage, the Foundation also donated chairs, tables and cabinets to the SOS Detsko Selo, the non-governmental organizations Kalisto, Integrity, Alfa and Omega, the Women's Association, and it enabled the complete renovation of the premises and the further equipping with furniture of the Intestinal Diseases Ward in the Infectious Diseases Clinic in Skopje.

M2 Production and T-Mobile start the new cycle of "Searching for a Star"

12.11.2010

The M2 music production in cooperation with T-Mobile organizes a new cycle of "Searching for a Star". This original music project provides the young anonymous musical talents in Macedonia with a unique possibility to present their quality and build a successful future career. In the past years, the "Searching for a Star" Project made dreams come true for many young people who became successful and eminent names on the Macedonian music stage, such as: Elena Risteska, Lambe Alabakovski, Aleksandra Pileva, Tuna, 4Play, Bojana Atanasovska and many others.

A rich programme for an unforgettable New Year's experience

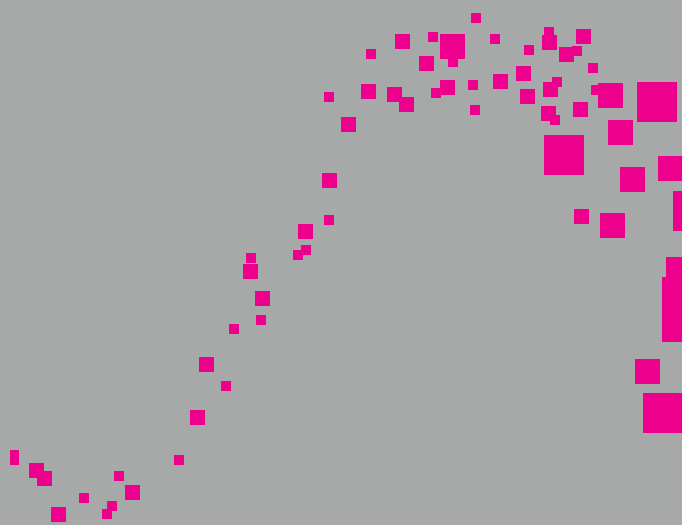
01.12.2010

The City of Skopje, along with Makedonski Telekom, T-Mobile Macedonia and the Macedonian-German Economic Association, announce numerous activities for the forthcoming celebration of the New Year's holidays.

The City of Skopje will make sure that our city is cheerful and decorated in the holiday spirit, wherein Makedonski Telekom, T-Mobile and the Macedonian-German Economic Association announce days filled with a rich cultural and entertaining programme with lots of fun and memorable moments for all generations.

The T is the core component of the success of our company. At the heart of our brand promise are shared experiences . It is our commitment to provide our customer with products of genuine relevance to network their daily lives. This will make the T the first choice and create satisfied and loyal customers.

Mathias Hanel,
Chief Marketing Officer of Makedonski Telekom
and T-Mobile Macedonia



The sales approach should simply convert the potential buyers into real customers. How will we achieve this? With strategic steps, dedication, constant changes and innovation aimed at satisfying all the customers' need

Gabor Altmann,
Chief Sales Officer of Makedonski Telekom
and T-Mobile Macedonia



Focus on the introduction and promotion of new services, keeping the loyal customers and a unique way of establishing a relationship with the new ones

One of the main focuses in 2010 was on the Double and Triple Play packages, on the sales of voice and BB services, on the converged products, and on intensifying the customer care and relationship. On top of that, on an increased communication with customers, making them to understand not only the brand values, but the product portfolio as well, thus providing them with opportunities to choose the best solutions.

The two Companies strategic marketing steps and communication, above all the professionalism within all sales activities, managed to stabilize the churn prevention and to increase the database of loyal customers.

T-Home and T-Mobile stay the leaders in innovation in Macedonia!

The introduction of the first 3 Screen campaign within the DT Group provided a unique experience for the customers – an exclusive coverage on all kinds of media of the FIFA World cup 2010 – mobile telephone, Internet and IPTV in high definition.

For the first time in Macedonia and in the Deutsche Telekom Group ever, in the spirit of the T brand and values, before the beginning of the FIFA World Cup, T-Home and T-Mobile introduced the latest innovative solution in the telecommunications area – the 3 Screen offer. All football fans in Macedonia had an exclusive opportunity to watch the FIFA World Cup matches live, in high definition on MaxTV, on their mobile phones or via Internet at web.maxtv.mk, www.idividi.com.mk, www.t-home.mk any time, any place, with a crystal clear picture that offers utter pleasure and excitement.

- More than 6,000 T-Mobile customers were watching the football matches on their mobile phones
- Impressive open air events - only in the last two days of the tournament, more than 3,000 people watched the matches and cheered together out in the open.

The key motivation to undertake such a step was the determination to communicate that there is something new and different, attractive and useful, something that was not known on the Macedonian telecommunications market before, but affordable for the customers; something that will bring a supreme football experience on any screen wherever they are. Only amusing, exclusive content can attract new customers to use the services.

The T brand brought the latest telecommunications innovation launched in Macedonia.

Today, T is leading the international trends by offering a unique and unforgettable experience for watching the same content via HD TV, Internet and Mobile.

Offering the same content on different media is the key driver for the T brand in Macedonia. The main goal is to provide the same MaxTV offer on different devices in addition to TV, such as mobile TV, web TV.

Furthermore, the Companies are working on extending the present multi screen offer with additional, more amusing and unique content for their customers.

As an answer to the aggressive price movements of the competition on the mobile communications market, T-Mobile created new packages and portfolios for the residential, family and business segment, which attracted a huge number of customers in only 6 months.

One of the main focuses was on the mobile data segment, where the Company achieved a great increase compared to the year before.

Having in mind the customers' needs and expectations arising from the modern life style, the T brand introduced bundled products, like Family + and Total Connectivity. With the launching of joint products of the two brands, T-Home and T-Mobile, the customers receive all the services that they need in a single product as a package and on a single bill. Such steps lead to increasing the satisfaction, the retention / churn prevention and the strengthening of the relations with the customers, while concurrently following all their daily and long-term needs.

Due to the increased customer need of video and data services, the T brand introduced several novelties which contributed to achieving the targeted customer satisfaction.

One of the important sales focuses of T-Mobile was put on the mobile data devices, with the introduction of a versatile portfolio for tablets and other smart phones.

The year 2010 was marked by the launching of iPhone 4 which took place in September. Not long after the appearance of iPhone4 on the market, as part of the DT Group, the iPhone 4 was introduced in Macedonia, within the second Europe wave and together with 4 other countries. T-Mobile created a real success story out of it!

One stop shop for our customers

Makedonski Telekom and T-Mobile have developed a [network of different sales channels](#), for serving the customers from different segments. The main sales channel is the network of 46 joint shops of the Companies. As of 1 October, all the shops have been offering the complete product portfolio of the two Companies. The new sales concept of DT was introduced in four shops in 2010. One of the shops was designed as a café bar and restaurant, an urban place where people can enjoy and become acquainted with the latest technological solutions.

Superior customer experience

Being reliable and trend setters on the market, meeting all the customer's needs, the Companies introduced a different sales and product concept which encompasses the following seven product segments: Special/Actual Offer Corner; Internet (& Data) Corner; Accessories and Gadgets Corner; Sharing Moments Corner (voice, regular tariffs and handsets); Entertainment Corner; Business Corner and Loyalty Offers Corner. This step made the approach to all the visitors and users of the T-Home and T-Mobile shops. The International Customer Contact Analysis (ICCA) was also introduced in all shops throughout Macedonia, which helped to define clear directions for increasing the customer satisfaction even more. In regard to the improvement of the sales, with a start of the Value Based Steering, Sales Channel Management was established for the purposes of trying to define the real value of different sales channels and achieving an optimal allocation of the market investment budget. It covers the channel management and the operational development, the campaign execution management and the support activities, in order to ensure the implementation of certain campaigns, to utilize the communication costs and to increase the campaign efficiency in the best possible manner.

Having in mind the importance of the customer care, T-Mobile introduced Telesales as part of the Mobile Contact Centre.

[In 2010, a strong focus was put on the FTTH products](#) as well. With an intense IT efforts, marketing communication and sales activities, the Company has achieved the targeted results.

- 85% efficiency in achieving the prerequisite for starting the project
- FTTH contracts - 90% participation in total sales in the first two quarters of 2010
- FTTB optic coverage of more than 130 business customers

The Fibre project is seen as the future of telecommunications

The Company started in Skopje, but it also continues in other regions throughout Macedonia. The increased need for video and data services requires bigger capacities of the transport network. An additional focus will be put on the quality of the services, as well as on increasing the security and the network access.

The following are additional novelties which were introduced by the T brand during 2010, as part of the annual program for strengthening of the relationship with the business customers:

- Establishment of separate numbers for each and every one of our business customers!
- A new business tariff portfolio with: charging after the first second of conversation, included Internet traffic in the monthly fee and no connection fee
- Organization and preparation of joint T-Home and T-Mobile workshops for the SoHo/SME customers
- An extended portfolio of business solutions such as: Fleet Management, System Integration for SOHO/SME customers, etc.

The extension of the Partner Sales Network was an important step in the previous year, encompassing the extension of the indirect sales network with new large retailers that should provide top quality support and adequate market covering. The Companies invested a lot of time, human resources and professionalism in the continuous regional support, supervision and on-spot training for the employees in the Partners' shops.

2010 was an year of innovation because of :

The emergence of e-commerce has created new financial needs that in many cases cannot be effectively fulfilled by the traditional payment systems. Recognizing this, the T brand was the first to introduce an electronic payment system: the Online E-payment model with credit and debit cards via [www.t-mobile.mk](#) and [www.t-home.mk](#) for E-Bill Payment (an online process for paying telephone invoices for both the T-Mobile and the T-Home customers) and E-Recharge (an online process for recharging a pre-paid account for the T-Mobile customers).

This step proves not only the T contribution to environmental protection, but it also saves the time of the customers and it makes their lives easier, which is the basis of the T values.

Online sales channels – effective way of reaching great results!

The strengthening of the online sales unit in 2010 proved to be an effective way of increasing the sales and contributed for the overachievement of the final results. Elevating the online sales unit in to an Online Business Office, as a separate sales & service channel, was a significant step forward in developing a 24/7 active customer sales/service/information channel. In addition to the responsible unit, the test of the online sales with the employees' involvement, setting up a special incentive bonus project, was of crucial importance for achieving significant results in the sales of the 3Max, 2Max and 3 Max FTTH packages. Only in December, the online system contributed with 43 % in the total requests, and 50 % in the total implementation of submitted requests.

The investments, the intensive communication for raising the awareness and informing the customers, as well as the intensive trainings and incentive programs for the sales people, are inevitable for achieving successful results – it brought thousands of newly acquired customers and an upgrade of the revenue. The motivation of the employees is a key driver towards company successes!

As every brand and company that recognizes the importance of the relationship with the customers, the T brand exerts special efforts for such purposes as well. To that end, [the two loyalty programs of the T-Home and the T-Mobile brands were joined into one programme, the biggest one in Macedonia, which is entirely focused on the customers' needs and takes care of awarding their loyalty.](#)

Your Club – a joint programme for the loyal customers of the two brands - T-Home and T-Mobile

The two Companies started this programme due to the fact that the customer is always in the focus. Hence, the loyalty programmes of T-Home and T-Mobile which have thus far functioned as separate programmes, Friends' Club and Club 360, were a great possibility to show the special care for the customers. The brands provided an additional value to the long-term customers, in return for their trust and loyalty.

As Companies for electronic communications, we put the entire modern technology in the service of the customers in order to make their lives easier, provide them with supreme communications and help them save time. This programme is just another segment of the entire business concept of Makedonski Telekom and T-Mobile Macedonia.

In view of the fact that the two companies have already offered joint, i.e. converged services on the market, this was a very logical step. The concept of the joint loyalty programme, the Friends' Club of T-Home and the Club 360 of T-Mobile, have been functioning as one brand since November 2010.

It incorporates the unification of the two portfolios of the Friends' Club and Club 360 and the establishment of a single system for collecting points. In this manner, the Companies offer greater benefits to their customers. The essence of the joint loyalty club is for the users to collect more points in one place and to convert them in a desired product, thus saving time and enabling a wider choice.

However, the loyalty programme has another crucial dimension apart from the material part of the story. The items which are a part of the reward offer are a manifestation of the care for fulfilling the customers' wishes, but above all, they are a token of the gratitude for their loyalty and the mutual trust that has been created through the years.

Customer Service Week

[an international week that is celebrated worldwide by all service and customer oriented companies](#)

Within the activities marking the International Customer Service Week, Makedonski Telekom and T-Mobile Macedonia also prepared a series of interesting surprises for their customers. Thus, the companies demonstrated their care to meet the needs and demands of the customers, i.e. their efforts for a flawless operation of the services and products bearing the T brand.

The International Customer Service Week is marked by thousands of companies around the world in the first week of October. The theme of the International Customer Service Week 2010 was the Tradition of Service.

Our 2010 product portfolio in the media

Internet at the speed of light, at no additional charge for a period of three months!

11.02.2010

T-Home has prepared an incredible offer which enables the customers to enjoy the privileges of the worldwide revolutionary technology – Fibre to the home (FTTH). The interested customers will be able to try out Internet at the speed of light, without any additional charge for a period of three months!

Those customers that will decide to try out this state-of-the-art technology, available in Macedonia for the first time, will receive unlimited Internet traffic with a symmetric speed of up to even 40 Mbps. Fibre optic will be available both for the new and the existing customers of the MaxADSL, Call & Surf or 3 Max packages of T-Home.

Three-month free-of-charge enjoyment with MaxTV

14.04.2010

In order to enable a greater number of citizens to enjoy the benefits of the best digital television in Macedonia, T-Home has prepared a new offer for the customers - a 3-month free-of-charge usage of the MaxTV service including all 3Max, 2Max and 3Max Optic packages. Each customer that will conclude a contract for any of these packages until 30 June 2010 will be able to enjoy over 80 channels with a crystal clear picture free of charge.

T-Mobile organises the biggest lake picnic in Ohrid

30.04.2010

On Saturday, 1 May 2010, T-Mobile is organising the biggest lake May picnic in Ohrid, starting at 12:00hrs.

Leko from Ohrid, who was interviewed by T-Mobile, came up with the idea for the picnic. When asked – “What would you do if you could talk for 1 MKD per minute with over 1.3 million T-Mobile customers”, he said that he would invite all friends to a picnic in Ohrid. His wish grew into a big and unique idea – lake picnic.

Leko's idea easily came true with the T-Mobile service which enabled him to invite a lot of friends for only 1 MKD per minute and helped him organise the biggest and most unique lake picnic in Macedonia.

The greatest hula-hoop spinning ever

5/18/2010

Did you know that the biggest hula-hoop spinning at the Skopje City Park was held on 10 April, organized by T-Home?

The party which started, as it was planned, in the morning and continued for several hours totally out of the schedule, ended late in the afternoon. The numerous visitors of all ages had a great time and played sports.

The visitors took part in the hula-hoop contests organized in several disciplines: longest hula-hoop spinning, spinning hula-hoop around the neck, spinning several hula-hoops simultaneously and the biggest group hula-hoop spinning. The best hula-hoop masters were presented with numerous prizes and hula-hoop surprises. The party at the City Park was additionally enriched with the performances of our pop-singers, such as Elena Risteska and Lambe Alabakovski. The event, from which a beautiful commercial video was created, was part of the new promotional campaign of T-Home “Now you can make free calls” and it is based on the fundamental promise of our brand – we create experiences worth sharing.

Most Innovative Site

www.t-mobile.com.mk announced as the Most Innovative Site of the Year 2010

7/2/2010

T-Mobile Macedonia is a winner of the award for the Most Innovative Site of the Year, granted at the event held under the auspices of the President of the Republic of Macedonia and organized by the System for Online Marketing “Keep an Eye”.

The web-site of T-Mobile was presented as the most innovative one from the aspect of the technical elements used during the creation of the site, but also due to the focus of the site on satisfying the customers' needs and providing proper information.

The selection of the Site of the Year, organized for the first time in Macedonia this year, is aimed at pointing out the significance of the development of Internet sites in Macedonia.

Mobile handset replaces the wallet

02.06.2010

For the first time on the Macedonian market, T-Mobile is introducing a new and innovative service for its customers - mobile payment (M-Payment).

T-Mobile is the first operator enabling its customers to pay their bills at restaurants, café bars, etc. through their mobile phone. The service is fast, safe, easy and simple to use, as well as appropriate for all handset models.

A unique football experience with T-Mobile and T-Home

09.06.2010

Follow the World Cup matches live on HD TV, Mobile and Internet for the first time in Macedonia

For the first time in Macedonia and in the Deutsche Telekom Group ever, before the beginning of the FIFA World Cup, in the spirit of the T brand and values, T-Home and T-Mobile are going to introduce the latest innovative solution in the telecommunications area – the 3 Screen offer. The football fans are going to have an exclusive opportunity to watch the FIFA World Cup matches live, in high definition on MaxTV, on their mobile phones or via internet any time, any place.

Katy Perry and Deutsche Telekom partner to ask the biggest fans to participate in her official 'Firework' video

09.08.2010

- 'Katy's Project: Pop Video' campaign will recruit her biggest fans to be a part of her official video for the upcoming new single 'Firework'.

- The campaign activities involve eight European DeutscheTelekom markets.

- The campaign reinforces the Deutsche Telekom brand claim 'Life is for Sharing' by providing memorable moments for fans to share.

New points of sale of the T brand in Skopje

26.08.2010

T-Home and T-Mobile are expanding their sales network. Today, two new points of sale were opened in Skopje, at the shopping mall Beverly Hills (the former location of the café bar Spa) and in the Kisela Voda area, right after Rampa. And soon, with the opening of the new shopping mall Vero, on 1 September, two new points of sale will start operating.

T-Mobile and T-Home services with one subscription

01.09.2010

Today, the T-Mobile and T-Home brands launched a brand new offer, providing their communication solutions from one place, on the same bill and with only one subscription.

Family Max is the new package created in accordance with the requirements of the different age groups which meets the needs of the entire family. All users of the Family Max package will now be able to talk, surf and watch TV for a price of MKD 1,999, VAT included.

T-Mobile brought iPhone 4 to the Macedonian market

9/24/2010

The new iPhone 4 packed, in a beautiful all-new design of glass and stainless steel which makes it the thinnest smart phone in the world

Today, T-Mobile brought iPhone 4 on the Macedonian market - the newest Apple iPhone 4 features FaceTime, which make the dream of video calling a reality, a stunning new Retina display with the highest definition ever built into a phone, resulting in super crisp text, images and video.

New channels for payment of the services

06.12.2010

In line with the modern lifestyle and owing to the most contemporary technological achievements, Makedonski Telekom AD – Skopje and T-Mobile Macedonia, in cooperation with Stopanska Banka, introduce new and easier channels for payment of the services, available 24/7. The customers of Makedonski Telekom and T-Mobile will be able to pay the monthly bills for Internet, telephone and TV via the Internet and via the ATM network of Stopanska Banka.

Preparing a ground for new products and services, for innovations and for a greater customer satisfaction..... Our involvement is necessary for all company processes and operations. It is not up to us to deliver regular solutions, but rather, we need to exceed the expectations and observe all the timeframes, budget limits and be the first with the best results.

Thorsten Albers,
Chief Technical Officer of Makedonski Telekom

The customers demands and expectations have created different definition of network quality and efficiency. Being the biggest and servicing more than 120 millions of subscribers means not only to follow the trends, but to keep the pace-setter position of the T brand. We are aware that we have entered into new stage of the telecommunication and we have prepared ourselves for the data service growth with highly spread and improved network.

Eftim Betinski,
Chief Technical Officer of T-Mobile Macedonia

The Companies kept the goal in 2010:

To maintain the network at a high technological level in order to provide a wide range of products and services that will satisfy the customers' demands.

Having this in the centre of all the operations...

Makedonski Telekom endeavours to modernize its network and reach a high technological level, to improve the day-to-day maintenance and surpass the obstacles in the process of service provision and fault clearance.

Modernization of the network is performed in various segments. In the area of access network, there are two main focuses:

- Modernization of the network infrastructure with the implementation of optical cables up to the end-users known as Fiber-to-the-Home (FTTH).
- Increasing the broadband penetration by utilizing the existing copper network with an extension of the ADSL ports and coverage, as well as utilizing the already implemented FTTH network.

The deployment of FTTH is inevitable for providing high-quality BB services. In 2010, a capacity for approximately 20,000 homes was built in several major cities in Macedonia such as Skopje, Kumanovo, Stip, Strumica, Ohrid, Gostivar, etc.

The number of ADSL ports increased to approximately 200,000 ports and a coverage of almost 100% of all RSU sites was reached.

The increased traffic demands from broadband services continue to drive the growth of the transport networks capacity. During 2010, several new IP/MPLS PoP locations were established, the extension of almost half of the routers with 1xGE and 10GE interfaces was performed and new BRAS routers were introduced. The capacity of the Internet gateways was also increased in order to meet the demands for Internet connectivity.

The demands from the growth of broadband services through IP/MPLS network, ISPs and T-Mobile MK resulted in an extension of the DWDM network during 2010. The extension consists of the implementation of ROADM (Reconfigurable Optical Add Drop Multiplexer) nodes on several locations, the extension of almost all international cross-border links and the extension with 10G interfaces on number of locations.

The business customers continue to remain an important focal point of the Companies.

The already started project for migration of TDM-based ILLs and VPNs towards IP-based solutions by using the implementation of (Ethernet in the First Mile) EFM modems, as well as by using an optic infrastructure via Ethernet aggregation switches and optic demarcation devices, continues. Having this into consideration, during 2010, new locations with EFM over copper equipment were established and the existing ones were extended in order to support the ongoing migration of VPN customers from TDM to Ethernet-based access.

Innovation and implementation of novelties aimed at efficiency

In terms of the Service Platforms, the main focus in 2010 was put on increasing the quality of the customer experience in terms of IPTV service and the implementation of an IP Multimedia Subsystem (IMS) platform.

- The IPTV platform was upgraded in order to support the increased number of channels and STBs and to add additional functions, such as DVR anywhere, faster channel changes, grouping of series recording, a list of the previous 5 channels, etc.
- The IMS Platform will be used as a base for PSTN Network migration towards the entire IP network and implementation of new services and applications. The implementation and testing of the IMS platform started in 2010.

The implementation of new services is always a big challenge from a technical point of view. Following the innovation, as a Company strategic pillar, during 2010, the following new services as previously mentioned were introduced: 3 Screen TV, Family +, etc. It took a great team of experts and professionals to prepare the ground for the launching of such kind of modernized technological solutions and continuous communication and cooperation with all the other areas from the two Companies.

Improved operational efficiency

Beside network and infrastructure development, the Chief Technical Area (TA) continuously intensifies the efforts to support efficient processes for service provision and fault clearance in order to contribute to a higher customer satisfaction.

Information Technology

Following the corporate integration strategy, the IT areas of Makedonski Telekom and T-Mobile Macedonia have been focused on the consolidation of the IT systems and infrastructure, while reducing the complexity of the IT architecture and improving the IT security standards.

Integration of the IT infrastructure and architecture is a prerequisite for the implementation of common processes on a Group level and increasing the process efficiency.

The main achievements in 2010 were:

- Implementation of a common exchange and domain
 - The domain @telekom.mk was established as a common domain for the Group, all T-Mobile users/servers were migrated to the @telekom.mk domain and all mails of the two Companies were migrated to the Common Exchange 2010;
- Integration and implementation of a common corporate IT network - Interconnection between the Makedonski Telekom AD – Skopje and T-Mobile Macedonia AD Skopje, a corporate network infrastructure and building a new common corporate network infrastructure. A common network provides a stable, highly available, reliable and secure network infrastructure and improves the functioning of all business-critical applications and processes;
- Development of Target IT Architecture for the CRM, Billing and ERP domains and alignment with the Deutsche Telekom standards;
- In order to provide reliable premises for the installation of HW equipment for the new IT and OSS systems, the Data Centre was extended with additional 160 m², thus ensuring that the needs for Data Centre space will be satisfied in the next 4 years.

IT played a significant role in the implementation of the new fixed/mobile converged products and services:

- "Family +" – first fully fledged corporate 4Play package including fixed line, mobile line, broadband DSL and MaxTV;
- 3 Screen TV streaming for FIFA 2010 – Football in HD on MaxTV, mobile streaming and Internet streaming;
- Joint Loyalty Program;
- E-commerce and payment by instalments.

The IT security standards were improved by implementing several security relevant systems that decrease the operational risks and improve the customer and personal data protection. The first phase of the implementation of an Identity and Central Access Rights Management System was finished with the integration of all MKT IT systems containing customer data, wherein it is planned to continue with the other MKT systems and extend the TMMK IT systems as well.

The CRM and Billing domain was in the centre during the 2010.

The Companies' Billing System Upgrade Project was finished, which brought new rating and billing enablers into our product portfolio, such as cost control, split billing, enhanced roaming rating, etc. Makedonski Telekom and T-Mobile started a three-year project, NG CRM Project, aimed at the implementation of a new consolidated CRM system as part of the Deutsche Telekom Group. This system should enable a 360-degree customer insight and further sharpen the customer focus of the two Companies.

Preparing ground for the mobile customers' satisfaction

- Extension of the 3G capacity and coverage. The speed was increased up to 7.2Mbps. The population coverage was increased to 60%.
- Implementation of packet core geo-redundancy. The GPRS equipment was duplicated on two geographically different locations. This dramatically increased the reliability of the data services because in case of an outage or failure of one system, the second one will take control of all data traffic.
- Implementation of a Video Streaming Platform. This project enabled T-Mobile's subscribers to watch TV on their handsets anywhere, any time.
- Extension of the voice capacity to 1800MHz. By increasing the capacity of the radio network to 1800MHz, T-Mobile avoided the capacity limits of radio networks set at 900 MHz.
- In order to increase the security in the network, T-Mobile implemented an SMS firewall.
- T-Mobile upgraded the Charging System. By means of this upgrade, the possibilities of the system increased, thereby making it possible to offer more innovative services, especially to our prepaid subscribers.
- With the upgrade of the Charging System, in order to improve the reliability of the service, T-Mobile implemented geo-redundancy.
- The Charging System equipment was duplicated on two geographically different locations. This significantly increased the reliability of the service because in case of an outage or failure of one system, the second one will take control of all subscribers and services handled by the charging system (at the moment, mainly the prepaid subscribers).

The Company puts a great emphasis on providing the most innovative services and on ensuring the highest quality of the network. This is achieved by implementing the most advanced equipment, but also by applying the highest standards in the operation. The constant optimization of the network, following the main KPIs (Key Performance Indicators) and making comparisons with other T-Mobile operators in Europe, enable opportunities for an objective judgment and a clear picture as to how to continue.

Geographic redundancy is implemented in the most important equipment for the improvement of the reliability, as well as power backup and generators in the base stations. The Companies' constant efforts and investments lead to a brand reliability and a better quality, thus achieving the strategic goal: the highest level of customer satisfaction.

There is a constant race with the competition.
Being the owner of a countrywide network, offering the greatest solutions on the market, having the best professionals on board and owning international experience and knowledge, brings the highest financial results and fulfils the shareholders' expectations. On top of everything, it makes the employees and management enthusiastic and motivated for further successes! We will keep up with this spirit.

Slavko Projkoski,
Chief Financial Officer of Makedonski Telekom
and T-Mobile Macedonia

Makedonski Telekom AD - Skopje

Consolidated Financial Statements

Consolidated Financial Statements
For the year ended
31 December 2010

Contents

Independent Auditor's Report

Consolidated financial statements

Consolidated statements of financial position	50
Consolidated statement of comprehensive income	51
Consolidated statement of cash flows	52
Consolidated statement of changes in equity	53
Notes to the consolidated financial statements	54



Independent Auditor's Report

To the Board of Directors and Shareholders of Makedonski Telekom AD Skopje

Report on consolidated financial statements

We have audited the accompanying consolidated financial statements of Makedonski Telekom AD Skopje (the "Company") and its subsidiaries T-Mobile Macedonia AD Skopje and E-Makedonija foundation – Skopje (together "the Group") which comprise the consolidated statement of financial position as of 31 December 2010 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the accompanying consolidated financial statements present fairly in all material respects the financial position of the Group as of 31 December 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Revizija DOO
PRICEWATERHOUSECOOPERS REVIZIJA DOO Skopje

17 February 2011
Skopje




Consolidated financial statements


Consolidated statement of financial position

As at 31 December

In thousands of denars	Note	2010	2009
Assets			
Current assets			
Cash and cash equivalents	5	1,414,072	1,991,421
Deposits with banks	6	8,205,444	8,665,521
Trade and other receivables	7	3,119,685	2,929,614
Other taxes receivable	8	94,732	2,195
Income tax receivable		8,882	138,817
Inventories	10	504,994	529,339
Assets held for sale	11	38,139	39,113
Total current assets		13,385,948	14,296,020
Non-current assets			
Property, plant and equipment	12	14,912,186	14,407,282
Advances for property, plant and equipment		23,172	48,467
Intangible assets	13	2,590,138	2,865,745
Trade and other receivables	7	315,279	107,917
Available-for-sale financial assets		305	896
Financial assets at fair value through profit and loss		65,125	61,376
Deferred income tax assets	9	-	60,775
Total non-current assets		17,906,205	17,552,458
Total assets		31,292,153	31,848,478
Liabilities			
Current liabilities			
Trade and other payables	14	3,721,905	3,484,719
Other taxes payable	8	28,761	75,081
Provision for other liabilities and charges	15	388,202	927,001
Total current liabilities		4,138,868	4,486,801
Non-current liabilities			
Trade and other payables	14	97,802	96,596
Provision for other liabilities and charges	15	527,340	317,115
Total non-current liabilities		625,142	413,711
Total liabilities		4,764,010	4,900,512
Equity			
Share capital		9,583,888	9,583,888
Share premium		540,659	540,659
Treasury shares		(3,738,358)	(3,738,358)
Other reserves		2,475,068	2,475,068
Retained earnings		17,666,886	18,086,709
Total equity	16	26,528,143	26,947,966
Total equity and liabilities		31,292,153	31,848,478

The consolidated financial statements set out on pages 1 to 47 were authorised for issue on 17 February 2011 by the Management of Makedonski Telekom AD - Skopje, and are subject to review and approval by the Board of Directors on 23 February 2011 and by the shareholders on date that will be subsequently agreed.


Nikolai Beckers
Chief Executive Officer


Slavko Projkoski
Chief Finance Officer

Consolidated statement of comprehensive income

Year ended 31 December

In thousands of denars	Note	2010	2009
Revenues	17	17,209,122	18,012,694
Depreciation and amortisation		(3,161,352)	(2,847,707)
Personnel expenses	18	(1,696,490)	(1,576,491)
Payments to other network operators		(1,595,239)	(1,441,064)
Other operating expenses	19	(4,896,321)	(5,639,474)
Operating expenses		(11,349,402)	(11,504,736)
Other operating income	20	13,809	18,402
Operating profit		5,873,529	6,526,360
Finance expenses	21	(181,478)	(47,050)
Finance income	22	436,347	436,940
Finance income - net		254,869	389,890
Profit before income tax		6,128,398	6,916,250
Income tax expense	23	(78,192)	(7,067)
Profit for the year		6,050,206	6,909,183
Total comprehensive income for the year		6,050,206	6,909,183
Earnings per share (EPS) information:			
Basic earnings per share (in denars)		70.14	80.10

Consolidated statement of cash flows

Year ended 31 December

In thousands of denars	Note	2010	2009
Operating activities			
Profit before tax		6,128,398	6,916,250
Adjustments for:			
Depreciation and amortisation		3,161,352	2,847,707
(Recovery)/write down of inventories to net realisable value	19	(25,727)	39,018
Fair value (gains)/losses on financial assets	21/22	(3,158)	3,133
Impairment losses on trade and other receivables	19	147,407	199,091
Provisions		(42,931)	180,901
Net gain on disposal of equipment		(13,809)	(18,402)
Dividend income	22	(2,789)	(3,118)
Interest expense	21	250	126
Interest income	22	(382,028)	(429,083)
Effect of foreign exchange rate changes on cash and cash equivalents		589	21,732
Cash generated from operations before changes in working capital		8,967,554	9,757,355
Decrease/(increase) in inventories		50,072	(288,196)
Increase in receivables		(637,162)	(134,292)
Decrease in payables		(510,118)	(602,689)
Cash generated from operations		7,870,346	8,732,178
Interest paid		(250)	(126)
Income taxes received/(paid)		112,518	(389,282)
Cash flows used in operating activities		7,982,614	8,342,770
Investing activities			
Acquisition of property, plant and equipment		(2,493,217)	(2,339,280)
Acquisition of intangible assets		(475,505)	(691,131)
Loans collected/(granted)		1,713	(7,816)
Deposits collected from banks		17,210,256	16,968,252
Deposits placed with banks		(16,843,686)	(15,672,243)
Dividends received		2,789	3,118
Proceeds from sale of equipment		34,698	47,773
Interest received		473,607	398,910
Cash flows used in investing activities		(2,089,345)	(1,292,417)
Financing activities			
Dividends paid		(6,470,029)	(6,160,720)
Cash flows used in financing activities		(6,470,029)	(6,160,720)
Net (decrease)/increase in cash and cash equivalents		(576,760)	889,633
Cash and cash equivalents at 1 January		1,991,421	1,123,520
Effect of foreign exchange rate changes on cash and cash equivalents		(589)	(21,732)
Cash and cash equivalents at 31 December	5	1,414,072	1,991,421

Consolidated statement of changes in equity

In thousands of denars	Note	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total
Balance at 1 January 2009		9,583,888	540,659	(3,738,358)	2,475,068	17,338,246	26,199,503
Total comprehensive income for the year		-	-	-	-	6,909,183	6,909,183
Dividend payment		-	-	-	-	(6,160,720)	(6,160,720)
Balance at 31 December 2009	16	9,583,888	540,659	(3,738,358)	2,475,068	18,086,709	26,947,966
Balance at 1 January 2010		9,583,888	540,659	(3,738,358)	2,475,068	18,086,709	26,947,966
Total comprehensive income for the year		-	-	-	-	6,050,206	6,050,206
Dividend payment		-	-	-	-	(6,470,029)	(6,470,029)
Balance at 31 December 2010	16	9,583,888	540,659	(3,738,358)	2,475,068	17,666,886	26,528,143

1. GENERAL INFORMATION

1.1. About the Company

These consolidated financial statements relate to the group of Makedonski Telekom AD - Skopje, which includes Makedonski Telekom AD - Skopje, T-Mobile Macedonia AD Skopje and e-Makedonija foundation – Skopje (hereinafter referred as: “the Group”).

Makedonski Telekom AD – Skopje, (hereinafter referred as: “the Company”) is a joint stock company incorporated and domiciled in the Republic of Macedonia.

In 2008 the Company adopted the T-Home brand and on 1 May 2008 changed its legal name from AD Makedonski Telekomunikacii Skopje into Makedonski Telekom AD - Skopje and its products are now marketed under the brand T-Home.

The Group’s immediate parent company is AD Stonebridge Communications – Skopje, under voluntary liquidation, solely owned by Magyar Telekom Plc. registered in Hungary. The ultimate parent company is Deutsche Telekom AG registered in Federal Republic of Germany. The Company is the leading fixed line service provider while T-Mobile Macedonia AD (hereinafter referred as: “the subsidiary”) is the leading mobile service provider in Macedonia. e-Makedonija is a foundation, established to support application and development of information technology in Macedonia.

The Macedonian telecommunications sector is regulated by the Electronic Communications Law (“ECL”) enacted in March 2005. Under the ECL, the Company has been designated as a Significant Market Power operator (SMP) in the market for fixed line voice telephone networks and services, including the market for access to the networks for data transmission and leased lines. With the changes of the ECL published on 4 August 2008, the Concession Contracts of the Company and T-Mobile Macedonia ceased to be valid as of 5 August 2008. On 5 September 2008 the Agency for Electronic Communications (“The Agency”), ex officio, has issued a notification to both the Company and T-Mobile Macedonia for those public electronic communication networks and/or services which have been allocated thereto under the Concession Contracts. Radio-frequency licenses were issued to the operators

for the bands granted with the Concession Contracts in a form prescribed by the ECL. With the latest amendments on ECL, as of 1 July 2010 data retention obligation was introduced for the Company to keep unprocessed traffic data for 24 months. It is expected the Broadcasting Council to intensify actions against CaTV operators due to retransmission of TV Channels without regulated Intellectual property (IP) rights. The license for radiofrequencies used by T-Mobile Macedonia with a bandwidth of 25 MHz in the GSM 900 band, was also issued in a form regulated in the ECL with a validity period until 5 September 2018, which can be renewed up to additional 20 years in accordance with the ECL. The Company is using Long run incremental costs methodology (LRIC) for wholesale regulated services. On 4 October 2010 the Agency has implemented LRIC Bottom – up costing model and published final results on 20 December 2010, which will be applicable from March 2011. Based on the ECL, the Agency may prescribe retail regulation of fixed telephony services. The Agency finished the procedure for analyses of relevant markets and based on the analysis conclusions, the Agency is planning to impose retail price regulation on the Company. In addition bigger pressure on retail pricing is expected due to the Guideline for price squeeze testing introduced by the Agency in 2010.

Additionally, the Agency organized public debate upon regulatory challenges in relation with the next generation access networks.

Based on several enacted bylaws published in second half of 2008 the Company has introduced several new regulated wholesale products, as Wholesale Line Rental, Wholesale Leased Line and Local Bit stream access. New Rulebook on access and use of specific network assets was published by the Agency in December 2010. According to the new Rulebook the Company has obligation to offer access to ducts and dark fibre.

On 27 May, 2010 new number portability (NP) service was introduced: WLR with NP, giving option for all WLR users to migrate their numbers into the Company’s Wholesale Partner network. T-Mobile Macedonia submitted Reference Interconnection Offer (RIO) to the Agency on 29 February 2008.

Second round analysis of Market 16 was concluded in May 2010 where all three mobile opera-

tors were designated as SMP on Market 16. Based on the second round analysis on Market 16 and LRIC cost model, in July 2010 T-Mobile Macedonia received a Decision where the Mobile Termination Rate (“MTR”) has been defined with a glide path decrease in a four years time frame (until 2013). In September 2010 the price for the national MTR was decreased to 3,2 MKD and will continue decreasing for 0,1 MKD each year down to 2,9 MKD/min in September 2013. At the same time the Agency regulated the MTR’s for ONE and VIP with a respective 4 year glide path but introducing asymmetry between all three mobile operators which will lead to equal MTR of 2,9 MKD in September 2013. On 7 July 2010, the Agency concluded market analysis on Market 15 (Service for access and call initiation in the public mobile communication networks) and on 28 July 2010 brought a decision by which T-Mobile Macedonia was designated with SMP status on Market 15 upon which T-Mobile Macedonia prepared and published Referent Access Offer (“RAO”).

On a second tender for additional three 3G licenses published on 15 September 2008, T-Mobile Macedonia won one license which was granted to it on 17 December 2008 and paid MKD 613,837 thousand, equivalent to EUR 10 million as one-off fee. T-Mobile Macedonia started commercial operations of the 3G services on 11 June 2009. The validity of the license is 10 years i.e. 17 December 2018, with a possibility for extension for 20 years in accordance to the ECL.

On 10 January 2009 a public tender for awarding two licences for 2G radiofrequencies in the 1800 MHz band was published. T-Mobile Macedonia was awarded one license on 9 June 2009. T-Mobile Macedonia paid EUR 2 million (MKD 122,812 thousand) as one-off fee for the 2G license in the 1800 MHz band. The validity period is 10 years, with a possibility for extension for 20 years in accordance to the ECL.

Starting with August 2006, the Company has more than 100 shareholders, as a result of the sale of Governmental shares through auction organized by the Government during June 2006. According to the Law on securities it qualifies as company with special reporting obligations, which mainly, encompasses provision of quarterly, semi-annual and annual financial information to the Securities Exchange Commission of the Republic of Macedonia.

The Company's registered address is "Orce Nikolov" Street bb, 1000, Skopje, Republic of Macedonia. The average number of employees during 2010 was 1,726 (2009: 1,741).

1.2. Investigation into certain consultancy contracts

On 13 February 2006, Magyar Telekom Plc., the controlling owner of the Company, (via Stonebridge Communications AD - Skopje (under liquidation), majority shareholder of the Company), announced that it was investigating certain contracts entered into by another subsidiary of Magyar Telekom Plc. to determine whether the contracts were entered into in violation of Magyar Telekom Plc. policy or applicable law or regulation. Magyar Telekom's Audit Committee retained White & Case, as its independent legal counsel to conduct the internal investigation. Subsequent to this on 19 February 2007, the Board of Directors of the Company, based on the recommendation of the Audit Committee of the Company and the Audit Committee of Magyar Telekom Plc., adopted a resolution to conduct an independent internal investigation regarding certain contracts in Macedonia.

For further information about the internal investigation, please refer to the financial statements of the Company for the year ended 31 December 2009.

According the information provided to the Company by Magyar Telekom Plc., on 2 December 2009, the Audit Committee of Magyar Telekom Plc., provided the Magyar Telekom's Board of Directors with a "Report of Investigation to the Audit Committee of Magyar Telekom Plc." dated 30 November 2009 (the "Final Report"). The Audit Committee indicated that it considers that, with the preparation of the Final Report based on currently available facts, White & Case has completed its independent internal investigation. According the information provided to the Company by Magyar Telekom Plc., the Final Report includes the following findings and conclusions related to Magyar Telekom's Macedonian affiliates, based upon the evidence available to the Audit Committee of Magyar Telekom Plc. and its counsel:

- As previously disclosed, there is evidence that certain former employees intentionally destroyed documents relating to activities undertaken in Macedonia by Magyar Telekom Plc. and its affiliates.
- Between 2000 and 2006 a small group of

former senior executives at Magyar Telekom and Magyar Telekom's Macedonian affiliates, authorized the expenditure of approximately EUR 24 million through over twenty suspect consultancy, lobbying, and other contracts (including certain contracts between Magyar Telekom and its subsidiaries on one hand, and affiliates of a Cyprus-based consulting company on the other hand). The Final Report concludes that "the available evidence does not establish that the contracts under which these expenditures were made were legitimate."

- "The evidence shows that, contrary to their terms, a number of these contracts were undertaken to obtain specific regulatory and other benefits from the government of Macedonia. The Companies generally received the benefits sought and then made expenditures under one or more of the suspect contracts. There is evidence that the remaining contracts were also illegitimate and created a pool of funds available for purposes other than those stated on the face of the agreements." However, the Magyar Telekom Audit Committee's counsel did not have access to evidence that would allow it to identify the ultimate beneficiaries of these expenditures.
- In entering into these contracts and approving expenditures under them, the former senior executives knowingly caused, structured, or approved transactions that shared most or all of the following characteristics:
 - intentional circumvention of internal controls;
 - false and misleading corporate documents and records;
 - lack of due diligence concerning, and failure to monitor performance of, contractors and agents in circumstances carrying a high risk of corruption; lack of evidence of performance; and
 - expenditures that were not for the purposes stated in the contracts under which they were made, but rather were intended to obtain benefits for the Magyar Telekom subsidiaries that could only be conferred by government action.
- The Final Report states that "the Investigation did not uncover evidence showing receipt of payments by any Macedonian government officials or political party officials."

As previously disclosed, Magyar Telekom has taken remedial steps to address issues previously identified by the independent investigation, including steps designed to revise and en-

hance the Magyar Telekom Group's internal controls. According the information provided to the Company by Magyar Telekom, the Audit Committee of Magyar Telekom has not made recommendations relating to Magyar Telekom's compliance program or internal controls in connection with the issuance of the Final Report and Magyar Telekom is considering, in consultation with its Audit Committee, whether and to what extent the Final Report warrants additional remedial actions, including any personnel actions and/or changes in internal control policies and procedures at Magyar Telekom or its subsidiaries that have been or will be implemented to address the findings of the Final Report. In relation to the issuance of the Final Report and the information provided to the Company by Magyar Telekom, in January 2010 the Chairman of the Company's Board of Directors requested third party legal and tax expertise for assessment of the potential accounting and tax implications arising from the transactions conducted by the Company and its subsidiary subject to the Final Report.

The external experts prepared reports (the "Reports") on their assessment and submitted the Reports to the Chairman of the Company's BoD and the Management of the Company and its subsidiary accordingly. As a result, based on the analysis of the Tax and Legal experts and information available to the Management related to the transactions subject of the Final Report, amount of MKD 248,379 thousand has been identified as potential tax impact (together with related penalty interest) as of 31 December 2009 arising from the transactions conducted by the Company and its subsidiary subject to the Final Report (see note 15). In 2010 the amount related to the identified potential tax impact (together with related penalty interest) amounted to MKD 261,834 thousand out of which MKD 227,972 thousand related to the Company were paid in 2010 upon an executive decision issued by the Public Revenue Office. In addition, the value of one contract MKD 105,147 thousand capitalised within treasury shares is now corrected and accounted for as though these payments had been expensed in 2006 rather than capitalized as part of treasury shares as originally reported. The other contracts that were identified by the Final Report and the reports of the tax and legal experts related to transactions undertaken by the Company and its subsidiary were expensed in the related periods (2001-2007). In May 2008, the Ministry of Interior ("MOI") of the Republic of Macedonia ("RoM") submitted to

the Company an official written request for information and documentation regarding certain payments for consultancy services and advance dividend, as well as certain procurements and contracts. In June 2008 the Company submitted copies from the requested documents. In the same period, T-Mobile Macedonia has also received similar requests for provision of certain documentation to the Ministry of Interior of RM and they were submitted accordingly.

In October 2008 the Investigation Judge from the Primary Court Skopje 1 – Skopje (the criminal court), has issued an official written order to the Company to handover certain original documentation. Later in October 2008, the Company officially and personally handed over the requested documentation. Additional MOI requests in written were submitted and the Company provided the requested documentation.

We understand, based on public information available as of 10 December 2008, that the MOI Organized Crime Department submitted the files to the Basic Public Prosecution Office of Organized Crime and Corruption, with a proposal to bring criminal charges against Attila Szendrei (former CEO of Makedonski Telekom AD - Skopje), Rolf Plath (former CFO of Makedonski Telekom AD - Skopje), Mihail Kefaloyannis (former member of the Board of Directors in Stonebridge and former member of the Board of Directors in Telemacedonia) and Zoltan Kisjuhász (former CEO of Stonebridge and former non-executive member of the Board of Directors of Makedonski Telekom AD - Skopje) on the account of a reasonable doubt for committed criminal act. These individuals are proposed to be charged with having “abuse of office and authorizations” in their position in Makedonski Telekom AD - Skopje by concluding consultancy contracts for which there was no intention or need for any services in return.

The Primary Court Skopje 1 in Skopje, Investigative Department for Organized Crime delivered a summon to the Company in connection with the criminal charges against the above stated persons and asked for a statement whether the Company has suffered any damages on the basis of the said consultancy contracts. After several postponements of the court hearing related to the investigation procedure handled in the Primary Court Skopje 1 Skopje, on the hearing held on 13 April 2009, the representatives of Makedonski Telekom AD Skopje

declared the position of the Company that taking into consideration the ongoing independent internal investigation conducted by White & Case, approved by the Company's BoD, it was premature to preannounce any damage which may be caused by means of the implementation of the mentioned contracts or with reference to them. Upon completion of the independent internal investigation, the Company will inform the court on its final position in respect of the possible damage and the criminal prosecution of the accused persons. On 9 April 2010 the Company received notification from the Bureau of judicial expertise that based on the order of the Primary Court Skopje 1 Skopje the Bureau will perform expertise on the case. The expertise was performed on 11 May 2010 and the experts from Ministry of Justice of the Republic of Macedonia – Court Expertise Office – Skopje, asked for some additional documents from Company's side in order to prepare the expertise. The Company received Notification from the Court Expertise Office – Skopje that the expertise will continue on 18 October 2010. The experts asked additional information related to certain agreements concluded in 2005 and 2006, and related invoices. The Company has collected and submitted requested information/documentation to the Court Expertise Office on 1 November 2010. After preparation the expertise will be submitted from the responsible Judge to the Public Prosecutor. The Public Prosecutor should decide whether he/she will initiate prosecution act against accused persons or not depending on the expertise and other relevant proofs collected in the phase of investigation.

MOI of the RoM - Organized Crime Department, approached to the Company during August 2009, with request some additional documentation to be submitted to the MOI. The Company collected and submitted requested documentation on 27 August 2009.

The Chairman of the Company's BoD and the Company's Management have received information that the contents of the Final Report has also been made available to the Macedonian Public Prosecution Office. The Company's Management cannot foresee whether the Macedonian Public Prosecution Office will initiate any legal procedure or the type and scope of legal actions on the basis of the information contained in the Final Report.

We have become aware of no information as a result of a request from any regulators or other external parties, other than as described above,

from which we have concluded that the financial statements may be misstated, including from the effects of a possible illegal act.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

The consolidated financial statements of Makedonski Telekom AD – Skopje have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements are presented in Macedonian denars rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4. Actual results may differ from those estimated.

2.1.1. Standards, amendments and interpretations effective and adopted by the Group in 2010

- **IAS 7 (amended) Statements of cash flows.** Amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. Effective for periods beginning on or after 1 January 2010. The Group applied the amended standard from 1 January 2010, which did not cause changes in the presentation of the Group's statements of cash flows.
- **IFRS 3, IAS 27 (amended).** In January 2008 the IASB published the amended Standards IFRS 3 - **Business Combinations** and IAS 27 - **Consolidated and Separate Financial Statements**. The major changes compared to the current version of the standards are summarized below:

- With respect to accounting for non-controlling interest an option is added to IFRS 3 to permit an entity to recognize 100% of the goodwill of the acquired entity, not just the acquiring entity's portion of the goodwill ('full goodwill' option) or to measure non-controlling interest at its fair value. This option may be elected on a transaction-by-transaction basis.
- In a step acquisition, the fair values of the acquired entity's assets and liabilities, including goodwill, are measured on the date when control is obtained. Accordingly, goodwill will be measured as the difference at the acquisition date between the fair value of any investment the business held before the acquisition, the consideration transferred and the net asset acquired.
- A partial disposal of an investment in a subsidiary while control is retained is accounted for as an equity transaction with owners, and gain or loss is not recognized.
- A partial disposal of an investment in a subsidiary that results in loss of control triggers re-measurement of the residual interest to fair value. Any difference between fair value and carrying amount is a gain or loss on the disposal, recognized in profit or loss.
- Acquisition related costs will be accounted for separately from the business combination, and therefore, recognized as expenses rather than included in goodwill. An acquirer will have to recognize at the acquisition date a liability for any contingent purchase consideration. If the amount of contingent consideration accounted for as a liability changes as a result of a post-acquisition event (such as meeting an earnings target), it will be recognized in accordance with other applicable IFRSs, as appropriate rather than as an adjustment of goodwill.
- The revised standards require an entity to attribute their share of losses to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- Effects resulting from an effective settlement of pre-existing relationships (relationships between acquirer and acquiree before the business combination) must not be included in the determination of the consideration.
- In contrast to current IFRS 3, the amended version of this standard provides rules for rights that have been granted to the acquiree

(e.g. to use its intellectual property) before the business combination and are re-acquired with the business combination.

- The revised IFRS 3 brings into scope business combinations involving only mutual entities and business combinations achieved by contracts alone.

The amended version of IFRS 3 has to be applied for Business Combinations with effective dates in annual periods beginning on or after 1 July 2009. The Group applied the amended standard from 1 January 2010. The amended standards did not have an impact on the Group's financial statements since the Group has no acquisitions or investment transactions.

- **IFRS 2 (amended) Share-based Payment.** The amendments related to Group Cash-settled Share-based Payment Transactions were published in June 2009. Previously effective IFRSs required attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements. The Group has no share based compensations; therefore, we do not expect the amended standard to have an effect on the Group when applied. Amendments to IFRS 2 shall be applied retrospectively for annual periods beginning on or after 1 January 2010. The amendments also incorporate the guidance contained in IFRIC 8 (Scope of IFRS 2) and in IFRIC 11 (IFRS 2 - Group and Treasury Share Transactions). As a result, the Board withdrew IFRIC 8 and IFRIC 11.

- **IFRS 5 (amended) Non-current assets held for sale and discontinued operations.** Amendment to clarify that IFRS 5, specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The effective date for this amendment is the period beginning on or after 1 January 2010.

2.1.2. Standards, amendments and interpretations effective in 2010 but not relevant for the Group

- **IAS 17 (amended) Leases.** Deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating, using the general principles of IAS 17. Effective for periods beginning on or after 1 January 2010. The amendment is not relevant for the Group's financial statements.
- **IAS 36 (amended) Impairment of assets.** Amendment to clarify that the largest cash generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics permitted by paragraph 12 of IFRS 8). Effective for periods beginning on or after 1 January 2010. The amendment is not relevant for the Group's financial statements, since the Group does not have any goodwill.
- **IAS 38 (amended) Intangible assets.** Amendments to paragraphs 36 and 37 of IAS 38, to clarify the requirements under IFRS 3 (revised) regarding accounting for intangible assets acquired in a business combination. In addition, paragraphs 40 and 41 are amended to clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets. The effective date for this amendment is the period beginning on or after 1 January 2010. The amendment is not relevant for the Group's financial statements, since the Group does not have any intangible assets acquired in a business combination.
- **IAS 39 (amended) Financial Instruments: Recognition and Measurement.** The major amendments of the standard are summarized below:
 - The IASB published an amendment in August 2008 to IAS 39 with respect to hedge accounting. The amendment „Eligible Hedged Items“ allows to designate only changes in the cash flows or fair value of a hedged item above or below a specified price or other variable (IAS 39.AG99BA). The

amendment of IAS 39 shall be applied retrospectively for annual periods beginning on or after 1 July 2009. The amendment will not affect the Group's accounts as the Group does not apply hedge accounting.

- In addition, the IASB published an amendment in the treatment of loan pre-payment penalties as closely related derivatives. Namely, the amendment clarifies that, prepayment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from investment risk, should be considered closely related to the host debt contract. The effective date for this amendment is the period beginning on or after 1 January 2010.

- Amendments to the scope exemption in paragraph 2(g) of IAS 39 to clarify that: (a) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date; (b) the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and (c) the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions. The effective date for this amendment is the period beginning on or after 1 January 2010.

- Amendments regarding cash flow hedge accounting. Amendment to clarify when to recognise gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. The effective date for this amendment is the period beginning on or after 1 January 2010.

• **IFRS for Small and Medium-sized Entities.** In July 2009 the IASB issued its IFRS for Small and Medium-sized Entities, which is not relevant for the Group.

• **IFRS 1 (amended) Additional Exemptions for First-time Adopters.** The IASB issued the amendments to IFRS 1 in July 2009. As the Group has been reporting according to IFRS for many years, neither the original standard, nor any revision to that is relevant for the Group.

• **IFRIC 17 Distributions of Non-cash Assets to Owners.** This interpretation issued in November 2008 refers to the issue when to recognize liabilities accounted for non-cash dividends payable (e.g. property, plant, and equipment) and how to measure them. In addition, the interpretation refers to the issue how to account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The interpretation shall be applied for annual periods beginning on or after 1 July 2009. As the Group does not distribute non-cash dividends, IFRIC 17 will have no impact on the Group's financial statements.

• **IFRIC 18 Transfers of Assets from Customers.** The Interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment (or cash to be used explicitly for the acquisition of property, plant and equipment) that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The Interpretation is effective for annual periods beginning on or after 1 July 2009 and applies prospectively. However, limited retrospective application is permitted. IFRIC 18 is not expected to have any impact on the Group's financial statements.

2.1.3. Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group

• **IAS 24 (revised) Related Party Disclosures.** In November 2009, the IASB issued a revised version of IAS 24. Until now, if a government controlled, or significantly influenced, the entity was required to disclose information about all transactions with other entities controlled, or significantly influenced by the same government. The revised standard still requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and of less value to users. It achieves this balance by requiring disclosure about these transactions only if they are individually or collectively significant. Furthermore the IASB has simplified the definition of related party and removed inconsistencies. The revised standard shall be applied retrospectively for annual periods beginning on or after 1 January 2011. Earlier application is permitted.

• **IFRS 9 Financial Instruments.** The standard forms the first part of a three-phase project to replace IAS 39 (Financial Instruments: Recognition and Measurement) with a new standard, to be known as IFRS 9 Financial Instruments. IFRS 9 prescribes the classification and measurement of financial assets and liabilities. The remaining phases of this project, dealing with the impairment of financial instruments and hedge accounting, as well as a further project regarding derecognition, are in progress.

Financial assets - At initial recognition, IFRS 9 requires financial assets to be measured at fair value. After initial recognition, financial assets continue to be measured in accordance with their classification under IFRS 9. Where a financial asset is classified and measured at amortized cost, it is required to be tested for impairment in accordance with the impairment requirements in IAS 39. IFRS 9 defines the below rules for classification.

• **IFRS 9 requires that financial assets are classified as subsequently measured at either amortized cost or fair value.** There are two conditions needed to be satisfied to classify financial assets at amortized cost: (1) The objective of an entity's business model for managing financial assets has to be to hold assets in order to collect contractual cash flows; and (2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Where either of these conditions is not satisfied, financial assets are classified at fair value.

• **Fair Value Option:** IFRS 9 permits an entity to designate an instrument, that would otherwise have been classified in the amortized cost category, to be at fair value through profit or loss if that designation eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch').

• **Equity instruments:** The default category for equity instruments is at fair value through profit or loss. However, the standard states that an entity can make an irrevocable election at initial recognition to present all fair value changes for equity investments not held for trading in other comprehensive income. These fair value gains or losses are not reported as part of a reporting entity's profit or loss, even when a gain or loss is realized. Only dividends received from these investments are reported in profit or loss.

- **Embedded derivatives:** The requirements in IAS 39 for embedded derivatives have been changed by no longer requiring that embedded derivatives be separated from financial asset host contracts.
- **Reclassification:** IFRS 9 requires reclassification between fair value and amortized cost when, and only when there is a change in the entity's business model. The 'tainting rules' in IAS 39 have been eliminated.

Financial liabilities - IFRS 9 "Financial Instruments" sets the requirements on the accounting for financial liabilities and replaces the respective rules in IAS 39 "Financial Instruments: Recognition and Measurement". The new pronouncement:

- Carries forward the IAS 39 rules for the recognition and derecognition unchanged.
- Carries forward most of the requirements in IAS 39 for classification and measurement.
- Eliminates the exception from fair value measurement for derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument.
- Changes the requirements related to the fair value option for financial liabilities to address own credit risk.

An entity shall apply IFRS 9 for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. A reporting entity must apply IFRS 9 retrospectively. For entities that adopt IFRS 9 for periods before January 1, 2012 the IFRS provides transition relief from restating comparative information. The Group is currently analyzing the possible changes in the financial statements of the Group that will be a result of the adoption of the new standard.

- **IFRS 7 (amended)** - The IASB published an amendment to IFRS 7 Amendments to IFRS 7 Financial Instruments: Disclosures in October 2010. The amendment requires quantitative and qualitative disclosures regarding transfers of financial assets that do not result in entire derecognition, or that result in continuing involvement. This is intended to allow users of financial statements improve their understanding of such transactions (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of such transactions are undertaken around the end of a reporting

period. The application of the amendment is required for annual periods beginning on or after July 1, 2011. An earlier application is permitted. We do not expect that the adoption of the amended standard would result in significant changes in the financial statements disclosures of the Group.

2.1.4. Standards, amendments and interpretations that are not yet effective and not relevant for the Group's operations

- **IAS 32 (amended) Financial Instruments:** Presentation on classification of rights issue. The amendment clarifies the classification of rights issues as equity or liabilities for rights issues that are denominated in a currency other than the functional currency of the issuer. These rights issues are recorded as derivative liabilities before the amendment. The amendment requires that such right issues offered pro rate to all of an entity's existing shareholders are classified as equity. The classification is independent of the currency in which the exercise price is denominated. The application of the amendment is required for annual periods beginning on or after 1 February 2010. An earlier application is permitted. The amendment will have no impact on the Group's financial statements.
- **IFRS 1 The IASB amended IFRS 1 in January 2010 and in December 2010.** As the Group has been reporting according to IFRS for many years, neither the original standard, nor any revision to that is relevant for the Group.
- **IFRIC 14 (amended) IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.** In November 2009, the IASB issued an amendment to IFRIC 14, which corrects an unintended consequence of IFRIC 14. Without the amendments, in some circumstances entities are not permitted to recognize some voluntary prepayments for minimum funding contributions as an asset. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

The amendments are effective for annual periods beginning 1 January 2011. The amendments must be applied retrospectively to the earliest comparative period presented. The amended interpretation is not applicable to the Group as the Group has no funded defined post-retirement benefit schemes.

- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.** This interpretation issued in November 2009 clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010 with earlier application permitted.

The interpretation shall be applied retrospectively. The interpretation is not applicable to the Group as the Group does not extinguish any of its financial liabilities with equity instruments.

- **IAS 12 (amended).** In December 2010, the IASB issued published the pronouncement „Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12“. The new pronouncement „Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12“ sets presumptions for the recovery (e.g. use or sale) of certain assets. This is relevant in cases where the type of recovery has different tax consequences. The pronouncement sets the rebuttable presumption that the carrying amount of investment property that is measured using the fair value model in IAS 40 will be recovered through sale. Moreover, the carrying amount of a non-depreciable asset measured using the revaluation model in IAS 16 is always deemed to be recovered through sale. The amendment supersedes SIC 21 and shall be applied for annual periods beginning on or after 1 January 2012. Earlier application is permitted. As the Group does not have investment properties or non-depreciable asset measured using the revaluation model in IAS 16, the amended standard will not have any impact on the Group's financial statements.

2.2. Consolidation

2.2.1. Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise, generally accompanying a shareholding of more than half of the voting rights, so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The subsidiaries of the Company and the ownership interest are presented below:

	Country of incorporation	Ownership interest As at 31 December 2010	Ownership interest As at 31 December 2009
T-Mobile Macedonia AD	Macedonia	100	100
e-Makedonija	Macedonia	100	100

2.3. Foreign currency translation

2.3.1. Functional and presentation currency

The consolidated financial statements are presented in thousands of Macedonian denars, which is the Company's functional and presentation currency.

2.3.2. Transactions and balances

Transactions in foreign currencies are translated to denars at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the financial statement date are translated to denars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Profit for the year (Finance income/expenses). Non-monetary financial assets and liabilities denominated in foreign currency are translated to denars at the foreign exchange rate ruling at the date of transaction.

The foreign currencies deals of the Group are predominantly EURO (EUR) and United States Dollars (USD), based. The exchange rates used for translation at 31 December 2010 and 31 December 2009 were as follows:

	2010 MKD	2009 MKD
1 USD	46.31	42.67
1 EUR	61.51	61.17
1 CHF	49.30	41.12

2.4. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets of the Group include, cash and cash equivalents, deposits with banks, equity instruments of another entity (available-for-sale and at fair value through profit or loss) and contractual rights to receive cash (trade and other receivables) or another financial asset from another entity.

Financial liabilities of the Group include liabilities that originate from contractual obligations to deliver cash or another financial asset to another entity (non-derivatives). In particular, financial liabilities include trade and other payables.

2.4.1. Financial assets

The Group classifies its financial assets in the following categories:

- (a) financial assets at fair value through profit or loss
- (b) loans and receivables
- (c) available-for-sale financial assets (AFS)

The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of financial assets at their initial recognition.

Regular way purchases and sales of financial assets are recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the Profit for the year.

The Group assesses at each financial statement date whether there is objective evidence that a financial asset is impaired. There is objective evidence of impairment if as a result of loss events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Impairment losses of financial assets are recognized in the Profit for the year against allowance accounts to reduce the carrying amount until the derecognition of the financial asset, when the net carrying amount (including any allowance for impairment) is derecognized from the Consolidated statement of financial position. Any gains or losses on derecognition are calculated and recognized as the difference between the proceeds from disposal and the (net) carrying amount derecognized.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(a) Financial assets at fair value through profit or loss

This category comprises those financial assets designated at fair value through profit or loss at inception. A financial asset is classified in this category if the Group manages such asset and makes purchase and sale decisions based on its fair value in accordance with the Group investment strategy for keeping investments within portfolio until there are favourable market conditions for their sale.

'Financial assets at fair value through profit or loss' are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognized in the Profit for the year (Finance income/expenses) in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognized in the Profit for the year when the Group's right to receive payments is established and inflow of economic benefits is probable.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those with maturities over 12 months after financial statement date. These are classified as non-current assets.

The following items are assigned to the “loans and receivables” measurement category:

- cash and cash equivalents
- deposits with bank
- trade receivables
- other receivables
- employee loans
- receivables and loans to third parties

Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, call deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

Should an impairment on cash and cash equivalents occur, it would be recognized in the Profit for the year (Finance expenses).

Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate com-

puted at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the Profit for the year (Other operating expenses – Impairment losses on trade and other receivables).

The Group's policy for collective assessment of impairment is based on the aging of the receivables due to the large number of relatively similar type of customers.

Individual valuation is carried out for the largest customers and international customers and also for customers under litigation and bankruptcy proceedings. Itemized valuation is also performed in special circumstances.

When a trade receivable is established to be uncollectible, it is written off against Other operating expenses in the Profit for the Year (Impairment losses on trade and other receivables) with a parallel release of the cumulated impairment on the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the recognized loss in the Profit for the year.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in the Profit for the year as a reduction to Other operating expenses (Impairment losses on trade and other receivables).

Amounts due to, and receivable from, other network operators are shown net where a right of set-off exists and the amounts are settled on a net basis (such as receivables and payables related to international traffic).

Employee loans

Employee loans are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Difference between the nominal value of the loan granted and the initial fair value of the employee

loan is recognized as prepaid employee benefits. Interest income on the loan granted calculated by using the effective interest method is recognized as finance income, while the prepaid employee benefits are amortized to Personnel expenses evenly over the term of the loan.

Impairment losses on Employee loans, if any, are recognized in the Profit for the year (Personnel expenses).

(c) Available-for-sale financial assets (AFS)

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the financial statement date. Purchases and sales of investments are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset.

Subsequent to initial recognition all available-for-sale financial assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses. The intention of the Company is to dispose these assets when there are favourable market conditions for their sale.

Changes in the fair value of financial assets classified as available for sale are recognised in equity. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Profit for the year as gains and losses from investment securities.

The Group assesses at each financial statement date whether there is objective evidence that a financial asset is impaired. There is objective evidence of impairment if as a result of loss events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If any such evidence exists for AFS financial assets, the cumulative unrealized gain (if any) is reclassified from Other comprehensive income to Profit for the year, and any remaining difference is also recognized in the Profit for the year (Finance income). Impairment losses recognized on equity instruments are not reversed through the Profit for the year.

When AFS financial assets are sold or redeemed, therefore derecognized, the fair value adjustments accumulated in equity are reclassified from Other comprehensive income to Profit for the year (Finance income).

2.4.2. Financial liabilities

Trade and other payables

Trade and other payables (including accruals) are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The carrying values of trade and other payables approximate their fair values due to their short maturity.

2.5. Inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

The cost of inventories is based on weighted average cost formula and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Phone sets are often sold for less than cost in connection with promotions to obtain new subscribers with minimum commitment periods. Such loss on the sale of equipment is only recorded when the sale occurs as they are sold as part of a profitable service agreement with the customer and if the normal resale value is higher than the cost of the phone set. If the normal resale value is lower than costs, the difference is recognized as impairment immediately.

Impairment losses on Inventories are recognized in Other operating expenses (Write down of inventories to net realisable value).

2.6. Non current assets held for sale

An asset is classified as held for sale if it is no longer needed for the future operations of the Group, and has been identified for sale, which is highly probable and expected to take place within 12 months. These assets are accounted for at the lower of carrying value or fair value less cost to sell. Depreciation is discontinued from the date of designation to the held for sale status. When an asset is designated for sale, and the fair value is determined to be lower than the carrying amount, the difference is recognized in the Profit for the year (Depreciation and amortization) as an impairment loss.

2.7. Property, plant and equipment (PPE)

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2.9).

The cost of an item of PPE comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the costs if the obligation incurred can be recognized as a provision according to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

The cost of self-constructed assets includes the cost of materials and direct labour.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Profit for the year during the financial period in which they are incurred.

When assets are scrapped, the cost and accumulated depreciation are removed from the accounts and the loss is recognized in the Profit for the year as depreciation expense.

When assets are sold, the cost and accumulated depreciation are removed from the accounts and any related gain or loss, determined by comparing proceeds with carrying amount, is recognized in the Profit for the year (Other operating income).

Depreciation is charged to the Profit for the year on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Assets are not depreciated until they are available for use. Land is not depreciated. The assets useful lives and residual values are reviewed, and adjusted if appropriate, at least once a year. For further details on the groups of assets impacted by the most recent useful life revisions see note 12.

The estimated useful lives are as follows:

	2010 Years	2009 Years
Buildings	20-40	20-40
Aerial and cable lines	20-25	20-25
Telephone exchanges	10	10
Base stations	10	10
Computers	4	4
Furniture and fittings	4-10	4-10
Vehicles	4-10	4-10
Other	2-15	2-15

2.8. Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see note 2.9).

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

The useful lives of concession and licenses are determined based on the underlying agreements and are amortized on a straight line basis over the period from availability of the frequency for commercial use until the end of the initial concession or license term. No renewal periods are considered in the determination of useful life (see note 13).

The estimated useful lives are as follows:

	2010 Years	2009 Years
Software and software licences	2-5	2-5
Concession	18	18
3G licence and 2G 1800 MHz licence	10	10

Amortisation is charged to the Profit for the year on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The assets useful lives are reviewed, and adjusted if appropriate, at least once a year.

In determining whether an asset that incorporates both intangible and tangible elements should be treated under IAS 16 - Property, Plant and Equipment or as an intangible asset under IAS 38 - Intangible Assets, management uses judgment to assess which element is more significant and recognizes the assets accordingly.

2.9. Impairment of PPE and intangible assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units - CGUs).

Impairment losses are recognized in the Profit for the year (Depreciation and amortization). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10. Provisions and contingent liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured and recorded as the best estimate of the expenditure required to settle the present obligation at the financial statement date. The provision charge is recognized in the Profit for the year within the expense corresponding to the nature of the provision.

No provision is recognized for contingent liabilities. A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

2.11. Share capital

Ordinary shares are classified as equity.

2.12. Treasury shares

When the Group purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued. When such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Group's equity holders.

2.13. Other reserves

Under local statutory legislation, the Group members are required to set aside 15 percent of its net statutory profit for the year in a statutory reserve until the level of the reserve reaches 1/5 of the share capital. These reserves are used to cover losses and are not distributed to shareholders except in the case of bankruptcy of the Group members.

2.14. Revenues

Revenues for all services and equipment sales (see note 17) are shown net of VAT, discounts and after elimination of sales within the Group. Revenue is recognized when the amount of the revenue can be reliably measured, and when it is probable that future economic benefits will flow to the Group and specific criteria of IAS18 on the sale of goods and rendering of services are met for the provision of each of the Group's services and sale of goods.

Customers of the Group are granted loyalty awards (credit points) based on their usage of the Group's services including timely payment of their invoices. Loyalty awards can be accumulated and redeemed to obtain future benefits (e.g. handsets, telecommunication equipment, etc.) from the operators of the Group. When customers earn their credit points, the fair value of the credit points earned are deducted from the revenue invoiced to the customer, and recognized as Other liabilities (deferred revenue). On redemption (or expiry) of the points, the deferred revenue is released to revenue as the customer collected (or waived) the undelivered element of the deemed bundle.

Revenues from operating leases are recognized on a straight line basis over the period the services are provided.

2.14.1. Fixed line and mobile telecommunications revenues

Revenue is primarily derived from services provided to customer subscribers and other third parties using telecommunications network, and equipment sales.

Customer subscriber arrangements typically include an equipment sale, subscription fee and charge for the actual voice, internet, data or multimedia services used. The Group considers the various elements of these arrangements to be separate earnings processes for IFRS purposes and recognizes the revenue for each of the deliverables using the residual method. These units are identified and separated, since they have value on a standalone basis and are sold not only in a bundle, but separately as well.

Therefore the Group recognizes revenues for all of these elements using the residual method that is the amount of consideration allocated to the delivered elements of the arrangements equals the total consideration less the fair value of the undelivered elements.

The Group provides customers with narrow and broadband access to its fixed, mobile and TV distribution networks. Service revenues are recognized when the services are provided in accordance with contractual terms and conditions. Airtime revenue is recognized based upon minutes of use and contracted fees less credits and adjustments for discounts, while subscription and flat rate revenues are recognized in the period they relate to.

Revenue and expenses associated with the sale of telecommunications equipment and accessories are recognized when the products are delivered, provided there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement.

Revenues from premium rate services (voice and non-voice) are recognized on a gross basis when the delivery of the service over the network is the responsibility of the Group, the Group establishes the prices of these services and bears substantial risks of these services, otherwise presented on a net basis.

Customers may also purchase prepaid mobile, public phone and internet credits ("prepaid cards") which allow those customers to use the telecommunication network for a selected amount of time. Customers must pay for such services at the date when the card is purchased. Revenues from the sale of prepaid cards are recognized when used by the customers or when the cards expired with unused traffic.

Third parties using the telecommunications network include roaming customers of other service providers and other telecommunications providers which terminate or transit calls on the network. These wholesale (incoming) traffic revenues are recognized in the period of related usage. A proportion of the revenue received is often paid to other operators (interconnect) for the use of their networks, where applicable. The revenues and costs of these terminate or transit calls are stated gross in these consolidated financial statements as the Group is the principal supplier of these services using its own network freely defining the pricing of the service, and recognized in the period of related usage.

2.14.2. System integration and IT revenues

Contracts for network services consist of the installation and operation of communication networks for customers. Revenues for voice and data services are recognized under such contracts when used by the customer.

Revenue from system integration contracts requiring the delivery of customized products and/or services is generally covered by fixed-price contracts and revenue is recognized based on percentage of completion taking into account the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Revenue from hardware and sales is recognized when the risk of ownership is substantially transferred to the customer, provided there are no unfulfilled obligations that affect the customer's final acceptance of the arrangement. Any costs of these obligations are recognized when the corresponding revenue is recognized.

Revenues from construction contracts are accounted for using the percentage-of-completion method. The stage of completion is determined on the basis of the costs incurred to date as a proportion of the estimated total costs. Receivables from construction contracts are classified in the Consolidated statement of financial position as Trade and other receivables.

2.15. Employee benefits

2.15.1. Short term employee benefits and pensions

The Group, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax which are calculated according to the statutory rates in force during the year, based on gross salaries and wages. Food allowances, travel expenses and holiday allowances are also calculated according to the local legislation. The Group makes these contributions to the Governmental and private funds. The cost of these payments is charged to the Profit for the year in the same period as the related salary cost. No provision is created for holiday allowances for non-used holidays as according to the local legislation the employer is obliged to provide condition for usage, and the employee to use the annual holiday within one year. This is also exercised as Group policy and according to the historical data employees use their annual holiday within the

one year legal limit. The Group does not operate any other pension scheme or post retirement benefits plan and consequently, has no obligation in respect of pensions. The Group has legal obligation to pay to employees two average monthly salaries in Republic of Macedonia at their retirement date, for which appropriate liability is recognized in the financial statements measured at the present value of two average monthly salaries together with adjustments incorporated in the actuarial calculation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality bonds that are denominated in the currency in which the benefits will be paid. In addition, the Group is not obligated to provide further benefits to current and former employees.

2.15.2. Bonus plans

The Group recognises a liability and an expense for bonuses taking into consideration the financial and operational results. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.15.3. Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the nominal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

2.16. Marketing expenses

Marketing costs are expensed as incurred. Marketing expenses are disclosed in note 19.

2.17. Income taxes

2.17.1. Income tax

Companies do not have to pay income tax on their profit before tax (earned since 1 January 2009) until that profit is distributed in a form of dividend or other forms of profit distributions. If dividend is paid, 10% income tax is payable at the moment of the dividend payment, regardless

of whether in monetary or non-monetary form, to the foreign non resident legal entities and, foreign and domestic individuals. The dividends paid out to the resident legal entities are tax exempted. Apart of distribution of dividends, the tax is still payable on the non-deductable expenses incurred in that fiscal year, decreased by the amount of tax credits and other tax relief's (see note 2.18).

2.17.2. Deferred income tax

Due to the changes in the Macedonian tax legislation effective from 1 January 2009, the tax rate for undistributed profits was effectively reduced to zero, as tax is only payable when profits are distributed. According IAS 12.52A, deferred tax assets and liabilities should be measured using the undistributed rate. This resulted in reversal of part of the deferred tax asset and all deferred tax liability balances as of 31 December 2009, and reversal of all deferred tax assets as of 31 December 2010. In line with the requirements of SIC 25, the Group accounted the impact of this change in the profit and loss in 2009 and 2010, respectively (see note 9).

2.18. Tax on non-deductable expenses

At the end of fiscal year the companies are liable to pay tax on non deductible expenses, regardless of their financial results. The basis is expenses which are not within the scope of the company business i.e. non deductible expenses (representation expenses, provisions, gifts etc) less tax credits and other tax relieves. The tax on non-deductable expenses is recognized in the Profit for the year (Other operating expenses) against Other taxes (see note 8).

2.19. Leases

2.19.1. Operating lease – Group as lessor

Assets leased to customers under operating leases are included in Property, plant and equipment in the Consolidated statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar fixed assets. Rental income is recognized on a straight-line basis over the lease term.

2.19.2. Operating lease – Group as lessee

Costs in respect of operating leases are charged to the Profit for the year on a straight-line basis over the lease term.

2.20. Earnings per share

Basic earnings per share is calculated by dividing profit attributable to the equity holders of the Company for the period by the weighted average number of common stocks outstanding.

2.21. Dividends

Dividends are recognised as a liability and debited against equity in the Group's financial statements in the period in which they are approved by the Company's shareholders.

2.22. Segments

The operating segments of the Group are based on the business lines, fixed line and mobile, which is consistent with the internal reporting provided to the chief operating decision maker, the Chief Executive Officer (CEO), who is advised by the Management Committee (MC) of the Company. The CEO is responsible for allocating resources to, and assessing the performance of, the operating segments. The accounting policies and measurement principles of the operating segments are the same as those applied for the Group described in the Significant accounting policies (see note 2). In the financial statements, the Group's segments are reported in a manner consistent with the internal reporting. The two operating segments, fixed line and mobile, are represented by the two separate legal entities, Makedonski Telekom AD – Skopje and T-Mobile AD Skopje, respectively.

The operating segments' revenues include revenues from external customers as well as the internal revenues generated from other segments. The operating segments, being two separate legal entities, charge revenues for the services delivered to the other operating segments identically as for external customers. The operating segments' results are monitored by the CEO and the MC to EBITDA (Earnings before interest, tax, depreciation and amortization), which is defined by the Group as Operating profit without Depreciation and amortization expense.

Another important KPI monitored at segment level is capital expenditure (Capex), which is determined as the additions to PPE and Intangible assets.

2.23. Comparative information

In order to maintain consistency with the current year presentation, certain items may have been

reclassified for comparative purposes. Material changes in disclosures, if any, are described in detail in the relevant notes.

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The Group does not apply hedge accounting for its financial instruments, all gains and losses are recognized in the Profit for the year except financial assets classified as available for sale that are recognized in Other comprehensive income. The Group is exposed in particular to credit risks related to its financial assets and risks from movements in exchange rates, interest rates, and market prices that affect its assets and liabilities. Financial risk management aims to limit these market risks through ongoing operational and finance activities.

The detailed descriptions of risks, the management thereof as well as sensitivity analyses are provided below. Sensitivity analyses include potential changes in profit before tax. The potential impacts disclosed (less tax) are also applicable to the Group's Equity.

3.1.1. Market risk

Market risk is defined as the 'risk that the fair value or value or future cash flows of a financial instrument will fluctuate because of changes in market prices' and includes interest rate risk, currency risk and other price risk.

As the vast majority of the revenues and expenses of the Group arise in MKD, the functional currency of the Company is MKD, and as a result, the Group objective is to minimize the level of its financial risk in MKD terms.

For the presentation of market risks, IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the financial statement date. The balances at the end of the reporting period are usually representative for the year as a whole, therefore the impacts are calculated using the year end balances as though the balances had been constant throughout the reporting period. As the global economic situation has not changed significantly compared to the end of the previous reporting period, the methods and assumptions used in the sensitivity calculations did not change significantly.

a) Foreign currency risk

The functional currency of the Company is the Macedonian denar.

The foreign exchange risk exposure of the Group is related to holding foreign currency cash balances, and operating activities through revenues from and payments to international telecommunications carriers as well as capital expenditure contracted with vendors in foreign currency.

The currencies giving rise to this risk are primarily EUR. The Group uses cash deposits in foreign currency, predominantly in EUR, and cash deposits in denars linked to foreign currency, to economically hedge its foreign currency risk as well as local currency risk in accordance with the available banks offers. The Group manages the foreign exchange risk exposure through maintaining higher amount of deposits in EUR as a proven stable currency and by striving to lower the number of contracts with foreign operators in USD as relatively unstable currency in the period and by executing payments in USD from cash reserves in that currency.

The foreign currency risk sensitivity information required by IFRS 7 is limited to the risks that arise on financial instruments denominated in currencies other than the functional currency in which they are measured.

The Group accumulated more cash in EUR and USD than its trade payables in EUR and USD. At 31 December 2010, if MKD would have been 1% (2009: 1%) weaker or stronger against EUR, profit would have been MKD 58,321 thousand (2009: 48,174 MKD thousand) in net balance higher or lower, respectively. At 31 December 2010, if MKD would have been 1% (2009: 1%) weaker or stronger against USD, profit would have been MKD 934 thousand (2009: MKD 417 thousand) in net balance higher or lower, respectively.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Change in the interest rates and interest margins may influence financing costs and returns on financial investments.

The interest rate risk and return on investment is of secondary importance compared to the safety

and liquidity objectives described above. The Group is minimizing interest rate risk through defining of fixed interest rates in the period of the validity of certain financial investments. The investments are limited to relatively low risk financial investment forms in anticipation of earning a fair return relative to the risk being assumed.

The Group has no interest bearing liabilities, while it incurs interest rate risk on cash deposits with banks and loans to employees. No policy to hedge the interest rate risk is in place. Changes in market interest rates affect the interest income on deposits with banks.

The Group had MKD 9,611,091 thousand deposits (including call deposits) as of 31 December 2010, 1% rise in market interest rate would have caused (ceteris paribus) the interest received to increase with approx. MKD 96,111 thousand annually, while similar decrease would have caused the same decrease in interest received. Amount of deposit is MKD 10,645,105 thousand (including call deposits) as of 31 December 2009, therefore 1% rise in market interest rate would have caused (ceteris paribus) the interest received to increase with approx. MKD 106,451 thousand annually, while similar decrease would have caused the same decrease in interest received.

c) Other price risk

The Group's investments are in equity of other entities that are publically traded on the Macedonian Stock Exchange, both on its Official and Regular market. The management continuously monitors the portfolio equity investments based on fundamental and technical analysis of the shares. All buy and sell decisions are subject to approval by the relevant Company's bodies. In line with the Group strategy, the investments within portfolio are kept until there are favourable market conditions for their sale.

As part of the presentation of market risks, IFRS 7 also requires disclosures on how hypothetical changes in risk variables affect the price of financial instruments. As of 31 December 2009 and 31 December 2010, the Group holds investments, which could be affected by risk variables such as stock exchange prices.

The Group had MKD 65,125 thousand investments in equity of other entities that are publically traded on the Macedonian Stock Exchange as of 31 December 2010, 20% rise in market price

would have caused (ceteris paribus) MKD 13,025 thousand gain, while similar decrease would have caused the same loss in the Profit for the year. The amount of the investments in equity of other entities that are publically traded on the Macedonian Stock Exchange is MKD 61,376 thousand as of 31 December 2009, therefore 20% rise in market price would have caused (ceteris paribus) MKD 12,275 thousand gain, while similar decrease would have caused the same loss in the Profit for the year.

3.1.2. Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group is exposed to credit risk from its operating activities and certain financing activities.

Counterparty limits are determined based on the provided Letter of guarantees in accordance with the market conditions of those banks willing to issue a bank guarantee. The total amount of bank guarantees that will be provided should cover the amount of the projected free cash of the Group.

With regard to financing activities, transactions are primarily to be concluded with counterparties (banks) that have at least a credit rating of BBB+ (or equivalent) or where the counterparty has provided a guarantee where the guarantor has to be at least BBB+ (or equivalent).

In cases where Group's available funds are exceeding the total amount of the provided bank guarantees mentioned above, the financial investment of the available free cash is to be performed in accordance to the evaluation of the bank risk based on CAEL methodology ratings as an off - site rating system.

The depositing decisions are made based on the following priorities:

- To deposit in banks (Deutsche Telekom core banks, if possible) with provided bank guarantee from the banks with the best rating and the best quality wording of the bank guarantee.
- To deposit in banks with provided bank guarantee from the banks with lower rating and poorer quality wording of the bank guarantee.
- If the total amount of deposits can not be placed in banks covered with bank guarantees

with at least BBB+ rating (or equivalent credit rating), then depositing will be performed in local banks without bank guarantee. In this case, the determination of counterparty limits per banks shall be performed in accordance with CAEL methodology (evaluation of bank risk components – capital, assets, earning and liquidity).

CAEL methodology evaluates banks' financial ratios as an integral part of the four CAEL components - Capital, Assets, Earnings and Liquidity. The final score of the banks (on a scale from 1 to 5) is related to the banks' operations and performance for the analysed period. The Group policy is to invest in banks, which final score varies within following 3 ranges:

A - Banks with evaluation from 1.84 to 2.45 – investments not exceeding 80% from the bank shareholder's capital.

B - Banks with evaluation from 2.46 to 3.07 – investments not exceeding 70% from the bank shareholder's capital.

C - Banks with evaluation from 3.08 to 3.69 – investments not exceeding 60% from the bank shareholder's capital.

The process of managing the credit risk from operating activities includes preventive measures such as creditability checking and prevention barring, corrective measures during legal relationship for example reminding and disconnection activities, collaboration with collection agencies and collection after legal relationship as litigation process, court proceedings, involvement of the executive unit and factoring. The overdue payments are followed through a debt escalation procedure based on customer's type, credit class and amount of debt.

The credit risk is controlled through credibility checking – which determines that the customer is not indebted and the customers credit worthiness and through preventive barring – which determinates the credit limit based on the customer's previous traffic revenues.

The Group has no significant concentration of credit risk with any single counter party or group of counter parties having similar characteristics.

The Group's procedures ensure on a permanent basis that sales are made to customers with an appropriate credit history and not exceed an acceptable credit exposure limit.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Consolidated statement of financial position. Consequently, the Group considers that its maximum exposure is reflected by the amount of debtors net of provisions for impairment recognized and the amount of cash deposits in banks at the financial statement date.

The following table represents Group exposure to credit risk in 2010 and 2009:

In thousands of denars	2010	2009
Deposits with banks	8,205,444	8,665,521
Cash and cash equivalents	1,405,647	1,979,584
Trade debtors – domestic	2,758,465	2,592,841
Trade debtors – foreign	93,681	70,793
Loans to employees	123,037	121,924
Receivables from related parties	198,785	58,821
Other receivables	13,837	18,617
	<u>12,798,896</u>	<u>13,508,101</u>

Cash and cash equivalents in the table above exclude cash on hand as no credit risk exists for this category.

Largest amount of one deposit in 2010 is MKD 1,383,862 thousand, denominated in EUR 22,500 thousand, (2009: MKD 1,260,000 thousand). In addition, the Group has deposits with 5 domestic banks (2009: 5 domestic banks).

In order to maintain consistency with the current year presentation the performance guaranties presented in 2009 as Deposits with bank in the amount of MKD 6,723 thousand and Cash and cash equivalents in the amount of MKD 653 thousand were excluded from the Deposits with bank and Cash and cash equivalents category in these financial statements and reclassified to Other receivables in the amount of MKD 7,376 thousand. The reclassification had no impact on equity or net profit.

3.1.3. Liquidity risk

Liquidity risk is the risk that an entity may encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is defined as the risk that the Group could not be able to settle or meet its obligations on time.

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that can be reasonably anticipated. This is accomplished by structuring the portfolio so that financial instruments mature concurrently with cash needs to meet anticipated demands.

The Group's policy is to maintain sufficient cash and cash equivalents to meet its commitments in the foreseeable future. Any excess cash is mostly deposited in commercial banks.

The Group's liquidity management process includes projecting cash flows by major currencies and considering the level of necessary liquid assets, considering business plan, historical collection and outflow data. Monthly, semi-annually and annually cash projections are prepared and updated on a daily basis by the Cash Management Department.

3.2. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The total amount of equity managed by the Company, as at 31 December 2010, is MKD 17,470,439 thousand, as per local GAAP (2009: MKD 17,970,698 thousand). Out of this amount MKD 9,583,888 thousand (2009: MKD 9,583,888 thousand) represent share capital and MKD 1,916,777 thousand (2009: MKD 1,916,777 thousand) represent statutory reserves, which are not distributable (see note 2.13). The Company has also acquired treasury shares (see notes 2.12 and 16.1). The transaction is in compliance with the local legal requirements that by acquiring treasury shares the total equity of the Company shall not be less than the amount of the share capital and reserves which are not distributable to shareholders by law or by Company's statute. In addition, according the local legal requirements dividends can be paid out to the shareholders in amount that shall not exceed the net profit for the year as presented in the financial statements of

the Company, increased for the undistributed net profit from previous years or increased for the other distributable reserves, i.e. reserves that exceed the statutory reserves and other reserves defined by the Company's statute. The Company is in compliance with all statutory capital requirements.

3.3. Fair value estimation

Cash and cash equivalents, trade receivables and other current financial assets mainly have short term maturity. For this reason, their carrying amounts at the reporting date approximate their fair values.

The fair value of non current portion of trade receivables comprising of employee loans are determined by using discounted cash-flow valuation technique.

Financial assets available for sale include investment in equity instruments that are measured at fair value.

The fair value of publicly traded financial assets at fair value through profit and loss is based on quoted market prices at the financial statement date.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most critical estimates and assumptions are outlined below.

4.1. Useful lives of assets

The determination of the useful lives of assets is based on historical experience with similar assets as well as any anticipated technological development and changes in broad economic or industry factors. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions. We believe that the accounting estimate related to the determination of the useful lives of assets is a critical accounting estimate since it involves assumptions about technological development in an innovative industry and heavily dependent on the investment plans of the Group. Further,

due to the significant weight of depreciable assets in our total assets, the impact of any changes in these assumptions could be material to our financial position, and results of operations. As an example, if the Group was to shorten the average useful life of its assets by 10%, this would result in additional annual depreciation and amortization expense of approximately MKD 340,281 thousand (2009: MKD 309,321 thousand). See note 12 for the changes made to useful lives in the reported years.

The Group constantly introduces a number of new services or platforms including, but not limited to, the Universal Mobile Telecommunications System (UMTS) based broadband services in the mobile communications and the fiber-to-the-home rollout. In case of the introduction of such new services, the Group conducts a revision of useful lives of the already existing platforms, but in the vast majority of the cases these new services are designed to co-exist with the old platforms, resulting in no change-over to the new technology. Consequently, the useful lives of the older platforms usually do not require shortening.

4.2. Estimated impairment of property, plant and equipment, and intangibles

We assess the impairment of identifiable property, plant, equipment and intangibles whenever there is a reason to believe that the carrying value may materially exceed the recoverable amount and where impairment of value is anticipated. The calculations of recoverable amounts are primarily determined by value in use calculations, which use a broad range of estimates and factors affecting those. Among others, we typically consider future revenues and expenses, technological obsolescence, discontinuance of services and other changes in circumstances that may indicate impairment. If impairment is identified using the value in use calculations, we also determine the fair value less cost to sell (if determinable), to calculate the exact amount of impairment to be charged. As this exercise is highly judgmental, the amount of a potential impairment may be significantly different from that of the result of these calculations. Management has performed an impairment test based on a 10 years cash flow projection and used a perpetual growth rate of 2% (2009: 1%) to determine the terminal value after 10 years. Value in use was determined using discounted cash flow analysis. The discount rate used was 9.38% (2009: 8.55%).

4.3. Estimated impairment of trade and other receivables

We calculate impairment for doubtful accounts based on estimated losses resulting from the inability of our customers to make the required payments. For the largest customers and international customers, impairment is calculated on an individual basis, while for other customers it is estimated on a portfolio basis, for which we base our estimate on the ageing of our account receivables balance and our historical write-off experience, customer credit-worthiness and recent changes in our customer payment terms (see note 2.4.1 (b)). These factors are reviewed periodically, and changes are made to the calculations when necessary. If the financial condition of our customers were to deteriorate, actual write-offs of currently existing receivables may be higher than expected and may exceed the level of the impairment losses recognized so far (see note 3.1.2).

4.4. Provisions

Provisions in general are highly judgmental, especially in case of legal disputes. The Group assesses the probability of an adverse event as a result of a past event and if the probability of an outflow of economic benefits is evaluated to be more than 50%, the Group fully provides for the total amount of the estimated liability. As the assessment of the probability is highly judgmental, in some cases the evaluation may not prove to be in line with the eventual outcome of the case.

4.5. Subscriber acquisition costs

Subscriber acquisition costs primarily include the loss on the equipment sales (revenues and costs disclosed separately) and fees paid to subcontractors that act as agents to acquire new customers. The Group's agents also spend a portion of their agent fees for marketing the Group's products, while a certain part of the Group's marketing costs could also be considered as part of the subscriber acquisition costs. The up-front fees collected from customers for activation or connection are marginal compared to the acquisition costs. These revenues and costs are recognized when the customer is connected to the Group's fixed or mobile networks. No such costs or revenues are capitalized or deferred. These acquisition costs (losses) are recognized immediately as they are not accurately separable from other marketing costs. The total amount of agent fees in 2010 is MKD 338,550 thousand (2009: MKD 373,557 thousand).

5. CASH AND CASH EQUIVALENTS

In thousands of denars	2010	2009
Call deposits	1,405,647	1,979,584
Cash on hand	8,425	11,837
	<u>1,414,072</u>	<u>1,991,421</u>

The interest rate on call deposits is in range from 0.50% p.a. to 2.00% p.a. (2009: from 2.21% p.a. to 4.10% p.a.). These deposits have maturities of less than 3 months.

In order to maintain consistency with the current year presentation the performance guaranties presented as Call deposits in 2009 in the amount of MKD 653 thousand were excluded from the Call deposits category in these financial statements and reclassified to Other receivables (see note 7). The reclassification had no impact on equity or net profit.

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

In thousands of denars	2010	2009
MKD	1,360,206	1,816,681
EUR	42,579	168,803
USD	11,283	5,925
Other	4	12
	<u>1,414,072</u>	<u>1,991,421</u>

Following is the breakdown of call deposits by categories and by credit rating of the Guarantor (see note 3.1.2):

In thousands of denars	2010	2009
Credit rating of the Guarantor : A+	816,177	-
Credit rating of the Guarantor : A	475,581	602,777
Credit rating of the Guarantor : A-	80,983	252,875
Credit rating of the Guarantor : BB+	32,906	-
Credit rating of the Guarantor : BBB+	-	1,123,932
	<u>1,405,647</u>	<u>1,979,584</u>

6. DEPOSITS WITH BANKS

Deposits with banks represent cash deposits in reputable domestic banks, with interest rates in range from 1.00% p.a. to 4.35% p.a. (2009: from 2.00% p.a. to 4.85% p.a.) and with maturity between 3 and 12 months.

The carrying amounts of the deposits with banks are denominated in the following currencies:

In thousands of denars	2010	2009
MKD	2,019,238	3,219,120
EUR	6,186,206	5,446,401
	<u>8,205,444</u>	<u>8,665,521</u>

In order to maintain consistency with the current year presentation the performance guaranties presented as Deposits with banks in 2009 in the amount of MKD 6,723 thousand were excluded from the Deposits with bank category in these financial statements and reclassified to Other receivables (see note 7). The reclassification had no impact on equity or net profit.

Following is the breakdown of deposits with banks by categories and by credit rating of the Guarantor (see note 3.1.2):

In thousands of denars	2010	2009
Credit rating of the Guarantor : A+	2,235,141	1,235,598
Credit rating of the Guarantor : A	1,843,416	590,050
Credit rating of the Guarantor : A-	4,125,897	3,720,308
Credit rating of the Guarantor : BB+	990	-
Credit rating of the Guarantor : BBB+	-	3,119,565
	<u>8,205,444</u>	<u>8,665,521</u>

7. TRADE AND OTHER RECEIVABLES

In thousands of denars	2010	2009
Trade debtors – domestic	4,611,686	4,657,312
Less: allowance for impairment	(1,853,221)	(2,064,471)
Trade debtors – domestic – net	<u>2,758,465</u>	<u>2,592,841</u>
Trade debtors – foreign	93,681	70,793
Receivables from related parties	198,785	58,821
Loans to third parties	3,088	3,033
Less: allowance for impairment	(3,088)	(3,033)
Loans to third parties – net	-	-
Loans to employees	123,036	121,924
Other receivables	13,837	18,617
Financial assets	3,187,804	2,862,996
Advances given to suppliers	110,247	178,753
Less: allowance for impairment	(74,156)	(74,156)
Advances given to suppliers – net	36,091	104,597
Prepayments and accrued income	211,069	69,938
	<u>3,434,964</u>	<u>3,037,531</u>
Less non-current portion: Other receivables	(8,714)	(6,841)
Less non-current portion: Loans to employees	(99,363)	(101,076)
Less non-current portion:		
Trade debtors - domestic	(207,202)	-
Current portion	<u>3,119,685</u>	<u>2,929,614</u>

Receivables from related parties represent receivables from Magyar Telekom Group and Deutsche Telekom Group (see note 29).

Loans to employees are collateralised by mortgages over real estate or with promissory note.

Loans to third parties represent loan with refence interest rate of 6 months EURIBOR with margin of 0.3%. Loans granted to employees carry effective interest rates of 6.25% p.a., 7% p.a. and 9.45% p.a. (2009: 4.55% and 7% p.a.).

Other receivables contain restricted cash in amount of MKD 10,391 thousand (2009: MKD 14,217 thousand) representing performance guarantees issued for sales projects.

In order to maintain consistency with the current year presentation the performance guarantees presented in 2009 as Deposits with bank (see note 6) in the amount of MKD 6,723 thousand and Call deposits (see note 5) in the amount of MKD 653 thousand were excluded from the Deposits with bank and Call deposits category in these financial statements and reclassified to Other receivables in the amount of MKD 7,376 thousand. In addition, MKD 2,195 thousand presented in 2009 as Other receivables were excluded from the Other receivables category in these financial statements and reclassified as VAT receivable (see note 8). The reclassification had no impact on equity or net profit.

All non-current receivables are due within 15 years of the financial statement date.

As of 31 December 2010, domestic trade debtors of MKD 2,470,668 thousand (2009: MKD 2,643,922 thousand) are impaired. The ageing of these receivables is as follows:

In thousands of denars	2010	2009
Less than 30 days	339,428	353,533
Between 31 and 180 days	366,614	337,366
Between 181 and 360 days	124,699	185,326
More than 360 days	1,639,927	1,767,697
	<u>2,470,668</u>	<u>2,643,922</u>

The total amount of the provision for domestic trade debtors is MKD 1,853,221 thousand (2009: MKD 2,064,471 thousand). Out of this amount MKD 1,697,080 thousand (2009: MKD 1,919,553 thousand) relate to provision made according to the ageing structure of the above receivables, while, the amount of MKD 97,552 thousand (2009: MKD 83,835 thousand) is from customers under liquidation and bankruptcy which are fully impaired. In addition, the Group has a specific provision calculated in respect of a certain group of customers in amounting to MKD 58,589 thousand (2009: MKD 61,083 thousand).

The amount of impairment compared to the gross value of the domestic trade receivables is mainly a result of receivables which are overdue more than 360 days. The total amount of fully impaired receivables is MKD 1,563,368 thousand (2009 MKD 1,656,505 thousand). These receivables are mainly from two way disconnected customers, dismantled customers, litigated customers and customers that are no longer using the Group services.

The fair values of trade and other receivables are as follows:

In thousands of denars	2010	2009
Trade debtors – domestic	2,758,465	2,592,841
Trade debtors – foreign	93,681	70,793
Receivables from related parties	198,785	58,821
Loans to employees	123,036	121,924
Other receivables	13,837	18,617
Financial assets	3,187,804	2,862,996
Advances given to suppliers	36,091	104,597
Prepayments and accrued income	211,069	69,938
	<u>3,434,964</u>	<u>3,037,531</u>

Movement in allowance for impairment of domestic trade debtors

In thousands of denars	2010	2009
Impairment losses at 1 January	2,064,471	2,016,635
Charged to expense	147,407	199,091
Write off	(358,657)	(151,255)
Impairment losses at 31 December	<u>1,853,221</u>	<u>2,064,471</u>

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

As of 31 December 2010, foreign trade receivables in amount of MKD 49,011 thousand (2009: MKD 53,579 thousand) were past due but not impaired. These relate to a number of international customers assessed on individual basis in accordance with past Group experience and current expectations. The analysis of these past due foreign trade receivables is as follows:

In thousands of denars	2010	2009
Less than 30 days	17,758	19,159
Between 31 and 60 days	3,318	11,200
Between 61 and 90 days	1,839	11,899
Between 91 and 180 days	11,001	460
Between 181 and 360 days	7,448	3,349
More than 360 days	7,647	7,512
	<u>49,011</u>	<u>53,579</u>

There are no other past due but not impaired receivables except above mentioned.

The Group has renegotiated domestic trade receivables in carrying amount of MKD 46,056 thousand (2009: MKD 34,656 thousand). The carrying amount of loans and receivables, which would otherwise be past due, whose terms have been renegotiated is not impaired if the collectability of the renegotiated cash flows are considered ensured.

The carrying amounts of the group's non-current trade and other receivables are denominated in the following currencies:

In thousands of denars	2010	2009
MKD	315,279	102,263
EUR	-	5,654
	<u>315,279</u>	<u>107,917</u>

The carrying amounts of the group's current trade and other receivables are denominated in the following currencies:

In thousands of denars	2010	2009
MKD	2,822,730	2,782,974
EUR	286,501	138,122
USD	5,745	3,206
Other	4,709	5,312
	<u>3,119,685</u>	<u>2,929,614</u>

The credit quality of trade receivables that are neither past due nor impaired is assessed based on historical information about counterparty default rates.

Following is the credit quality categories of neither past due nor impaired domestic trade receivables:

In thousands of denars	2010	2009
Group 1	1,500,640	1,542,870
Group 2	178,600	324,133
Group 3	254,575	146,387
	<u>1,933,815</u>	<u>2,013,390</u>

Following is the credit quality categories of neither past due nor impaired foreign trade receivables:

In thousands of denars	2010	2009
Group 1	42,041	14,966
Group 2	2,629	2,248
	<u>44,670</u>	<u>17,214</u>

Group 1 – fixed line related customers that on average are paying their bills before due date and mobile related customers with no disconnections in the last 12 month.

Group 2 – fixed line related customers that on average are paying their bills on due date and mobile related customers with up to 3 disconnections in the last 12 month.

Group 3 – fixed line related customers that on average are paying their bills after due date and mobile related customers with more than 3 disconnections in the last 12 month.

8. OTHER TAXES

Commencing from 1 January 2009 and during 2010 the Government of the Republic of Macedonia has introduced several modifications and changes in the Profit Tax Law. According these changes the base for computation of income tax are non-deductible expenses incurred during the fiscal year, while the income tax is payable at the moment of profit distribution in a form of dividend to a foreign legal entities, foreign and domestic individuals.

Dividend distribution among domestic companies is tax exempted. Therefore as of 31 December 2010 the tax computed on non-deductible expenses are presented as part of Other operating expenses in the Profit for the year and Other taxes in the Financial position statement (see note 23).

8.1. Other taxes receivable

In thousands of denars	2010	2009
VAT receivable	62,611	2,195
Tax receivables for non-deductible expenses	32,121	-
	<u>94,732</u>	<u>2,195</u>

8.2. Other taxes payable

In thousands of denars	2010	2009
VAT payable	25,433	72,576
Other taxes payable	3,328	2,505
	<u>28,761</u>	<u>75,081</u>

9. DEFERRED INCOME TAX

Recognised deferred income tax (assets)/liabilities

Deferred income tax (assets)/liabilities are attributable to the following items:

In thousands of denars	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
Property, plant and equipment	-	(1,951)	-	-	-	(1,951)
Trade and other receivables	-	(1,426)	-	-	-	(1,426)
Deferred revenue	-	(16,448)	-	-	-	(16,448)
Financial assets at fair value through profit and loss	-	(1,555)	-	-	-	(1,555)
Trade and other payables	-	(5,818)	-	-	-	(5,818)
Provisions	-	(33,577)	-	-	-	(33,577)
Tax (assets)/liabilities	-	(60,775)	-	-	-	(60,775)
Net tax assets/(liabilities)	-	(60,775)	-	-	-	(60,775)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

In thousands of denars	2009
Deferred income tax assets:	
Deferred income tax asset to be recovered after more than 12 months	22,069
Deferred income tax asset to be recovered within 12 months	38,706
	60,775
Deferred tax liabilities:	
Deferred income tax liability to be recovered after more than 12 months	-
Deferred income tax liability to be recovered within 12 months	-
	-
Deferred income tax assets/(liabilities) net	60,775

Due to the changes in the Macedonian tax legislation, part of the deferred tax asset and all the liability balances were reversed as of 31 December 2009 and all deferred tax assets were reversed as of 31 December 2010 (see note 2.17.2).

Movement in temporary differences during the year

In thousands of denars	Balance 1 January 2010	Recognised in income	Balance 31 December 2010	In thousands of denars	Balance 1 January 2009	Recognised in income	Balance 31 December 2009
Property, plant and equipment	(1,951)	1,951	-	Property, plant and equipment	488,638	(490,589)	(1,951)
Trade and other receivables	(1,426)	1,426	-	Intangible assets	(6,861)	6,861	-
Deferred revenue	(16,448)	16,448	-	Inventory	(34)	34	-
Financial assets at fair value through profit and loss	(1,555)	1,555	-	Trade and other receivables	(219,084)	217,658	(1,426)
Trade and other payables	(5,818)	5,818	-	Deferred revenue	(87,183)	70,735	(16,448)
Provision	(33,577)	33,577	-	Financial assets at fair value through profit and loss	1,591	(3,146)	(1,555)
	(60,775)	60,775	-	Trade and other payables	(13,200)	7,382	(5,818)
				Provision	(116,032)	82,455	(33,577)
					47,835	(108,610)	(60,775)

Due to the changes in the Macedonian tax legislation, the temporary differences in 2009 relate to non-deductible expenses giving rise to future tax credits, mainly for provisions charged to the Profit for the year (see note 2.17 and note 23).

10. INVENTORIES

In thousands of denars	2010	2009
Materials	193,627	129,636
Inventory for resale	322,214	444,615
Write down of inventories to net realisable value	(10,847)	(44,912)
	<u>504,994</u>	<u>529,339</u>

Movement in allowance for inventories to net realizable value:

In thousands of denars	2010	2009
Allowance at 1 January	44,912	30,993
Charged to expense	(25,727)	39,018
Write off	(8,338)	(25,099)
Allowance at 31 December	<u>10,847</u>	<u>44,912</u>

Allowance for inventory relates to trade goods. Write down of inventories to net realizable value is based on the analysis of lower cost and net realizable value at the financial statement dates.

11. ASSETS HELD FOR SALE

Assets held for sale represent property, plant and equipment which are unusable within the Company and are identified for sale. Management intentions are to sell these assets within one year, subject to extension in certain circumstances. There is a plan to sell these assets and management has started to actively market them at a reasonable price. The assets held for sale presented in the Consolidated statement of financial position are part of the fixed line segment. The mobile segment has no assets in this category.

12. PROPERTY, PLANT AND EQUIPMENT

In thousands of denars	Land	Buildings	Telecommunication equipment	Other	Assets under construction	Total
Cost						
At 1 January 2009	6,353	4,046,839	25,040,226	4,406,514	524,602	34,024,534
Additions	-	33,207	904,887	445,992	1,241,791	2,625,877
Transfer from assets under construction (see note 13)	-	298	467,387	135,579	(779,323)	(176,059)
Disposals	-	(2,300)	(287,548)	(346,287)	(1,599)	(637,734)
Transfer from assets held for sale	-	(68,047)	-	(32,723)	-	(100,770)
At 31 December 2009	6,353	4,009,997	26,124,952	4,609,075	985,471	35,735,848
Depreciation						
At 1 January 2009	-	1,404,833	15,304,982	3,260,334	-	19,970,149
Charge for the year	-	118,805	1,487,191	359,605	-	1,965,601
Disposals	-	(610)	(229,760)	(314,172)	-	(544,542)
Transfer from assets held for sale	-	(30,137)	-	(32,505)	-	(62,642)
At 31 December 2009	-	1,492,891	16,562,413	3,273,262	-	21,328,566
Carrying amount						
At 1 January 2009	6,353	2,642,006	9,735,244	1,146,180	524,602	14,054,385
At 31 December 2009	6,353	2,517,106	9,562,539	1,335,813	985,471	14,407,282

In thousands of denars	Land	Buildings	Telecommunication equipment	Other	Assets under construction	Total
Cost						
At 1 January 2010	6,353	4,009,997	26,124,952	4,609,075	985,471	35,735,848
Additions	-	37,584	1,235,963	438,323	1,124,931	2,836,801
Transfer from assets under construction (see note 13)	-	2,427	700,146	127,747	(965,659)	(135,339)
Disposals	-	(15,716)	(313,016)	(406,636)	(28,654)	(764,022)
Transfer to assets held for sale	-	(26,841)	-	-	-	(26,841)
Transfer between categories (see note 13)	-	189,466	690,658	(688,894)	-	191,230
At 31 December 2010	6,353	4,196,917	28,438,703	4,079,615	1,116,089	37,837,677
Depreciation						
At 1 January 2010	-	1,492,891	16,562,413	3,273,262	-	21,328,566
Charge for the year	-	129,466	1,670,828	414,852	-	2,215,146
Disposals	-	(8,658)	(262,682)	(380,065)	-	(651,405)
Transfer to assets held for sale	-	(24,367)	-	-	-	(24,367)
Transfers between categories (see note 13)	-	54,272	517,971	(514,692)	-	57,551
At 31 December 2010	-	1,643,604	18,488,530	2,793,357	-	22,925,491
Carrying amount						
At 1 January 2010	6,353	2,517,106	9,562,539	1,335,813	985,471	14,407,282
At 31 December 2010	6,353	2,553,313	9,950,173	1,286,258	1,116,089	14,912,186

The transfer between asset categories had no impact on depreciation expense.

The review of the useful lives of property, plant and equipment during 2010 affected the lives of a several types of assets. The assets affected by the change of useful life were mainly modems/routers, electronic securities systems for monitoring and burglary protection, fiscal printers, air-conditioner and fix line phone sets. The change on the useful life on the affected assets was made due to technological changes and business plans of the Group member companies.

The review results in the following change in the original trend of depreciation in the current and future years.

In thousands of denars	2010	2011	2012	2013	After 2013
Increase / (decrease) in depreciation	33,268	25,484	20,607	18,521	(97,880)
	<u>33,268</u>	<u>25,484</u>	<u>20,607</u>	<u>18,521</u>	<u>(97,880)</u>

13. INTANGIBLE ASSETS

In thousands of denars					In thousands of denars				
	Software and software licences	Concession 2G and 3G licence	Other	Total		Software and software licences	Concession 2G and 3G licence	Other	Total
Cost					Cost				
At 1 January 2009	7,048,984	768,594	174,803	7,992,381	At 1 January 2010	6,187,734	891,406	204,157	7,283,297
Additions	536,449	122,812	19,024	678,285	Additions	556,300	-	17,464	573,764
Transfer from assets under construction (see note 12)	165,729	-	10,330	176,059	Transfer from assets under construction (see note 12)	135,339	-	-	135,339
Disposals	(1,563,428)	-	-	(1,563,428)	Disposals	(19,882)	-	-	(19,882)
At 31 December 2009	<u>6,187,734</u>	<u>891,406</u>	<u>204,157</u>	<u>7,283,297</u>	Transfer between categories (see note 12)	(1,764)	-	(189,466)	(191,230)
At 31 December 2009	<u>6,187,734</u>	<u>891,406</u>	<u>204,157</u>	<u>7,283,297</u>	At 31 December 2010	<u>6,857,727</u>	<u>891,406</u>	<u>32,155</u>	<u>7,781,288</u>
Amortisation					Amortisation				
At 1 January 2009	5,020,987	68,781	72,928	5,162,696	At 1 January 2010	4,223,467	115,827	78,258	4,417,552
Charge for the year	765,908	47,046	5,330	818,284	Charge for the year	755,524	85,492	6,364	847,380
Disposals	(1,563,428)	-	-	(1,563,428)	Disposals	(16,232)	-	-	(16,232)
At 31 December 2009	<u>4,223,467</u>	<u>115,827</u>	<u>78,258</u>	<u>4,417,552</u>	Transfers between categories (see note 12)	(3,272)	-	(54,278)	(57,550)
At 31 December 2009	<u>4,223,467</u>	<u>115,827</u>	<u>78,258</u>	<u>4,417,552</u>	At 31 December 2010	<u>4,959,487</u>	<u>201,319</u>	<u>30,344</u>	<u>5,191,150</u>
Carrying amount					Carrying amount				
At 1 January 2009	2,027,997	699,813	101,875	2,829,685	At 1 January 2010	1,964,267	775,579	125,899	2,865,745
At 31 December 2009	<u>1,964,267</u>	<u>775,579</u>	<u>125,899</u>	<u>2,865,745</u>	At 31 December 2010	<u>1,898,240</u>	<u>690,087</u>	<u>1,811</u>	<u>2,590,138</u>

The transfer between asset categories had no impact on depreciation expense.

The review of the useful lives of intangible assets during 2010 confirmed the useful lives of these assets.

14. TRADE AND OTHER PAYABLES

In thousands of denars	2010	2009
Trade payables		
-Domestic	899,102	662,766
-Foreign	822,654	661,959
Liabilities to related parties	175,618	137,293
Other liabilities	139,650	60,771
Financial liabilities	2,037,024	1,522,789
Accrued expenses	1,046,838	974,856
Deferred revenue	647,976	1,002,535
Advances received	53,104	46,370
Other	34,765	34,765
	<u>3,819,707</u>	<u>3,581,315</u>
Less non-current portion:		
Deferred revenue	(97,802)	(96,596)
Current portion	<u>3,721,905</u>	<u>3,484,719</u>

Non-current deferred revenues have maturity up to 10 years from the date of the Consolidated statement of financial position.

Liabilities to related parties represent liabilities to Magyar Telekom Group and Deutsche Telekom Group (see note 29).

In order to maintain consistency with the current year presentation MKD 75,081 thousand were excluded from the Trade and other payables category in these financial statements and reclassified to Other taxes (see note 8). The reclassification had no impact on equity or net profit.

The ageing analysis of domestic and foreign trade payables are as follows:

In thousands of denars	2010	2009
Less than 90 days	1,625,501	1,264,121
Between 90 and 180 days	56,110	14,359
More than 181 days	40,145	46,245
	<u>1,721,756</u>	<u>1,324,725</u>

The table above does not represent a contractual maturity but rather an aging analysis where the major part of the payables are within 90 days which is the Company's regular term for payment to suppliers.

The carrying amounts of the current portion of trade and other payables are denominated in the following currencies:

In thousands of denars	2010	2009
MKD	2,910,473	2,479,110
EUR	683,174	941,561
USD	110,465	50,799
Other	17,793	13,249
	<u>3,721,905</u>	<u>3,484,719</u>

15. PROVISION FOR OTHER LIABILITIES AND CHARGES

In thousands of denars	Legal cases	Other	Total
1 January 2010	975,209	268,907	1,244,116
Additional provision	279,281	26,230	305,511
Unused amount reversed	(342,418)	(6,024)	(348,442)
Used during period	(57,671)	(227,972)	(285,643)
31 December 2010	<u>854,401</u>	<u>61,141</u>	<u>915,542</u>

In thousands of denars	Legal cases	Severance	Other	Total
1 January 2009	994,298	153,720	246,053	1,394,071
Additional provision	236,642	2,673	26,178	265,493
Unused amount reversed	(26,795)	(54,729)	(3,068)	(84,592)
Used during period	(228,936)	(101,664)	(256)	(330,856)
31 December 2009	<u>975,209</u>	<u>-</u>	<u>268,907</u>	<u>1,244,116</u>

Analysis of total provisions:

In thousands of denars	2010	2009
Non current (legal cases and other)	527,340	317,115
Current	<u>388,202</u>	<u>927,001</u>
	<u>915,542</u>	<u>1,244,116</u>

Provisions for legal cases mainly relate to certain legal and regulatory claims brought against the Group. There are numerous legal cases for which provisions were recognized, none of which are individually material, therefore not disclosed. For certain legal cases information required under IAS 37 is not disclosed, if we have concluded that the disclosure can be expected to seriously prejudice the outcome of the proceedings.

Based on legal advice, the management does not expect that the outcome of these legal claims will give rise to any significant loss beyond the amounts provided at 31 December 2010.

Other includes provision made for the legal obligation of the Group to pay to employees two average monthly salaries in Republic of Macedonia at their retirement date (see note 2.15.1) and provision made for MTIP (see note 30). The provision is recognized against Personnel expenses in the Profit for the year. In addition, as a result of the findings of the Investigation, the identified impact was recognized under Provision for other liabilities and charges, MKD 33,862 thousand as of 31 December 2010 (2009: MKD 248,379 thousand) (see note 1.2).

16. CAPITAL AND RESERVES

Share capital consists of the following:

In thousands of denars	2010	2009
Ordinary shares	9,583,878	9,583,878
Golden share	10	10
	<u>9,583,888</u>	<u>9,583,888</u>

Share capital consists of one golden share with a nominal value of MKD 9,733 and 95,838,780 ordinary shares with a nominal value of MKD 100 each.

The golden share with a nominal value of MKD 9,733 is held by the Government of the Republic of Macedonia. In accordance with Article 16 of the Statute, the golden shareholder has additional rights not vested in the holders of ordinary shares. Namely, no decision or resolution of the Shareholders' Assembly related to: generating, distributing or issuing of share capital; integration, merging, separation, consolidation, transformation, reconstruction, termination or liquidation of the Company; alteration of the Company's principal business activities or the scope thereof; sale or abandonment either of the principal business activities or of significant assets of the Company; amendment of the Statute of the Company in such a way so as to modify or cancel the rights arising from the golden share; or change of the brand name of the Company; is valid if the holder of the golden share, votes against the respective resolution or decision. The rights vested in the holder of the golden share are given in details in the Company's Statute.

As of 31 December 2010, the ordinary shares of the Company were held as follows:

In thousands of denars	2010	%
Stonebridge AD Skopje, in liquidation	4,887,778	51.00
Government of the Republic of Macedonia	3,336,497	34.81
The Company (treasury shares)	958,388	10.00
International Finance Corporation (IFC)	179,698	1.88
Other minority shareholders	221,527	2.31
	<u>9,583,888</u>	<u>100.00</u>

16.1. Treasury shares

The Company acquired 9,583,878 of its own shares, representing 10% of its shares, through the Macedonian Stock Exchange during June, 2006. The total amount paid to acquire the shares, net of income tax, was MKD 3,843,505 thousand. The shares are held as treasury shares.

As a result of the findings of the Investigation, for one consultancy contract, the payments of which was erroneously capitalized as part of treasury shares in 2006 has been retrospectively derecognized from treasury shares (see note 1.2).

The amount of treasury shares of MKD 3,738,358 thousand (after restatement), has been deducted from shareholders' equity. The Company has the right to reissue these shares at a later date. All shares issued by the Company were fully paid.

17. REVENUES

In thousands of denars	2010	2009
Fixed line revenues		
Voice retail	3,389,509	4,355,216
Voice wholesale	1,755,359	1,120,376
Internet	1,279,933	1,175,946
Data	600,401	581,646
Equipment	358,617	370,658
TV	296,981	220,578
Other fixed line revenues	110,256	229,701
Total Fixed line revenue	<u>7,791,056</u>	<u>8,054,121</u>
Mobile revenues		
Voice retail	6,308,534	6,610,457
Voice wholesale	1,140,398	1,139,547
Data	1,060,645	1,168,985
Equipment	333,233	468,003
Voice visitor	161,111	218,732
Internet	172,921	108,060
Content	107,699	156,313
Other mobile revenues	133,525	88,476
Total Mobile revenue	<u>9,418,066</u>	<u>9,958,573</u>
Total revenue	<u>17,209,122</u>	<u>18,012,694</u>

18. PERSONNEL EXPENSES

In thousands of denars	2010	2009
Salaries	1,056,628	972,933
Contributions on salaries	335,535	329,775
Bonus payments	253,211	214,737
Other staff costs	168,313	160,588
Capitalised personnel costs	(117,197)	(101,542)
	<u>1,696,490</u>	<u>1,576,491</u>

Other staff costs mainly include holiday's allowance, termination benefits for 52 employees leaving the Group in 2010 (2009: 16 employees) and other benefits.

Bonus payments also include the cost for the Magyar Telekom's Mid Term Incentive Plan ("MTIP") (see note 30).

19. OTHER OPERATING EXPENSES

In thousands of denars	2010	2009
Purchase cost of goods sold	1,597,978	1,921,616
Services	1,077,111	1,116,201
Marketing and donations	492,468	651,034
Materials and maintenance	442,402	472,281
Premium rate services	316,116	327,787
Energy	244,825	213,289
Fees, levies and local taxes	180,866	472,308
Impairment losses on trade and other receivables	147,407	199,091
Rental fees	115,213	125,342
Consultancy	96,736	97,117
Tax on non-deductible expenses	92,586	-
Insurance	21,528	21,558
Other	71,085	21,850
	<u>4,896,321</u>	<u>5,639,474</u>

Services mainly include agent commissions, expenses for maintenance of IT equipment, postal expenses and other service fees (such as cleaning, security and other).

In order to maintain consistency with the current year presentation expenses presented in 2009 as Other in the amount of MKD 10,838 thousand were excluded from the Other operating expenses category in these financial statements and reclassified to Finance expenses (see note 21). The reclassification had no impact on equity or net profit.

Commencing from 1 January 2009 and during 2010 the Government of the Republic of Macedonia has introduced several modifications and changes in the Profit Tax Law. According these changes the base for computation of income tax are non-deductible expenses incurred during the fiscal year, while the income tax is payable at the moment of profit distribution in a form of dividend to a foreign legal entities, foreign and domestic individuals.

Dividend distribution among domestic companies is tax exempted. Therefore as of 31 December 2010 the tax computed on non-deductible expenses are presented as part of Other operating expenses in the Profit for the year and as part of Other taxes in the Financial position statement (see note 23).

20. OTHER OPERATING INCOME

Other operating income represents gain on sale of PPE

21. FINANCE EXPENSES

In thousands of denars	2010	2009
Interest expense	131,765	10,964
Bank charges and other commissions	49,067	32,953
Fair value and available for sale - loss	646	3,133
	<u>181,478</u>	<u>47,050</u>

In order to maintain consistency with the current year presentation expenses presented in 2009 in Other operating expenses in the amount of MKD 10,838 thousand were excluded from the Other operating expenses category in these financial statements and reclassified to Interest expense (see note 19). The reclassification had no impact on equity or net profit.

22. FINANCE INCOME

In thousands of denars	2010	2009
Interest income	382,028	429,083
Net foreign exchange gain	47,781	4,739
Dividend income	2,789	3,118
Fair value gain	3,749	-
	<u>436,347</u>	<u>436,940</u>

Dividend income is from financial asset at fair value through profit and loss. Interest income is generated from financial assets classified as loans and receivables.

23. INCOME TAX EXPENSE

Recognized in the Profit for the year:

In thousands of denars	2010	2009
Current tax expense		
Current year	17,416	115,677
Deferred tax expense		
Origination and reversal of temporary differences	60,776	(108,610)
Total income tax in profit for the year	<u>78,192</u>	<u>7,067</u>

Commencing from 1 January 2009 and during 2010 The Government of the Republic of Macedonia has introduced several modifications and changes in the Profit Tax Law. According these changes the base for computation of income tax are non-deductible expenses incurred during the fiscal year while the income tax is payable at the moment of profit distribution in a form of dividend to a foreign legal entities, foreign and domestic individuals. Dividend distribution among domestic companies is tax exempted. In addition, the income tax shall apply at the moment of the distribution of the profits in a form of dividends. Subsequently, as long as the undistributed profits are retained within the company the income tax would not be applied (see note 2.17).

Up to now the tax authorities had carried out a full-scope tax audits at the Company for 2005 and the years preceding. Additionally, audit of personal income tax was carried out by the tax authorities for the period 1 January 2005 to 31 March 2006. During 2010 there was tax audit conducted by the Public revenue office for income tax for 2008 and 2009, withholding tax for 2007 and 2008 and VAT for 2009.

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. In a case of tax evasion or tax fraud the statute of limitations may be extended up to 10 years. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect other than those provided for in these financial statements.

24. DIVIDENDS

The Shareholders' Assembly of the Company, at its meeting, held on 2 July 2010 adopted a Resolution for the dividend payment for the year 2009. The Resolution on dividend payment for 2009 is in the amount of MKD 6,470,029 thousand from the net profit for the year 2009. The dividend was paid out on July 2010. Up to date of issuing of these financial statements, no dividends have been declared for 2010.

25. REPORTABLE SEGMENTS AND INFORMATION

25.1. Reportable segments

The Group's reportable segments are: fixed line and mobile segment. The fixed line segment provides local, national and international long distance telephone services, VoIP services, leased line services, Internet services and TV distribution services under the T-Home brand. The mobile segment provides mobile telecommunication services under the T-Mobile brand.

25.2. Information regularly provided to the chief operating decision maker

The following tables present the segment information by reportable segment regularly provided to the CEO and the MC, reconciled to the corresponding Group numbers.

Revenues	2010	2009
In thousands of denars		
Total Fixed Line revenues	8,483,703	8,719,050
Less: Fixed Line revenues from other segment	(694,405)	(664,929)
Fixed Line revenues from external customers	7,789,298	8,054,121
Total Mobile revenues	10,490,872	10,932,990
Less: Mobile revenues from other segment	(1,071,048)	(974,417)
Mobile revenues from external customers	9,419,824	9,958,573
Total revenues of the Group	17,209,122	18,012,694

None of the Group's external customers represent a significant source of revenue.

Segment results (EBITDA)

Segment results (EBITDA)	2010	2009
In thousands of denars		
Fixed Line	3,953,869	4,205,513
Mobile	5,081,012	5,168,554
Total EBITDA of the Group	9,034,881	9,374,067
Depreciation and amortization of the Group	3,161,352	2,847,707
Total operating profit of the Group	5,873,529	6,526,360
Finance income - net	254,869	389,890
Profit before income tax of the Group	6,128,398	6,916,250

Capital expenditure (CAPEX) on PPE and Intangible assets

In thousands of denars	2010	2009
Fixed Line	2,187,437	1,839,607
Mobile	1,223,128	1,464,555
Total capital expenditure on PPE and Intangible assets of the Group	3,410,565	3,304,162

The amounts disclosed as "Capital expenditure on PPE and Intangible assets" correspond to the "Investment" line disclosed in notes 12 and 13.

26. LEASES AND OTHER COMMITMENTS

26.1. Operating lease commitments – where the Group is the lessee:

Operating lease commitments – where the Group is the lessee, are mainly from lease of buildings, business premises and other telecommunications facilities.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

In thousands of denars	2010	2009
Not later than 1 year	105,382	101,712
Later than 1 year and not later than 5 years	266,612	279,822
Later than 5 years	104,623	117,166
	476,617	498,700

26.2. Operating lease commitments – where the Group is the lessor:

Operating lease commitments – where the Group is the lessor are mainly from lease of land sites for base stations.

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

In thousands of denars	2010	2009
Not later than 1 year	21,790	18,385
Later than 1 year and not later than 5 years	85,322	71,935
Later than 5 years	63,942	65,402
	171,054	155,722

26.3. Capital commitments

The amount authorized for capital expenditure as at 31 December 2010 was MKD 437,188 thousand (2009: MKD 445,004 thousand).

27. ADDITIONAL DISCLOSURES ON FINANCIAL ASSETS

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly (Level 2); and
- (c) inputs for the asset that are not based on observable market data (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The significance of an input is assessed against the fair value measurement in its entirety.

There was no transfer between Level 1 and Level 2 financial assets.

27.1. Financial assets – Carrying amounts and fair values

The table below shows the categorization of financial assets as at 31 December 2009.

Assets In thousands of denars	Financial assets				Carrying amount	Fair value
	Loans and receivables	Held-to-maturity	Available-for-sale (Level 2)	At fair value through profit and loss (Level 1)		
Cash and cash equivalents	1,991,421	-	-	-	1,991,421	1,991,421
Deposits with banks	8,665,521	-	-	-	8,665,521	8,665,521
Trade and other receivables	2,929,614	-	-	-	2,929,614	2,929,614
Available-for-sale financial assets	-	-	896	-	896	896
Financial assets at fair value through profit and loss	-	-	-	61,376	61,376	61,376

The table below shows the categorization of financial assets as at 31 December 2010.

Assets In thousands of denars	Financial assets				Carrying amount	Fair value
	Loans and receivables	Held-to-maturity	Available-for-sale (Level 2)	At fair value through profit and loss (Level 1)		
Cash and cash equivalents	1,414,072	-	-	-	1,414,072	1,414,072
Deposits with banks	8,205,444	-	-	-	8,205,444	8,205,444
Trade and other receivables	3,119,685	-	-	-	3,119,685	3,119,685
Available-for-sale financial assets	-	-	305	-	305	305
Financial assets at fair value through profit and loss	-	-	-	65,125	65,125	65,125

Loans and receivables are measured at amortized cost, while available-for-sale and held-for-trading assets are measured at fair value.

Cash and cash equivalents, trade receivables and other current financial assets mainly have short times to maturity. For this reason, their carrying amounts at the end of the reporting period approximate their fair values. Financial assets available for sale include insignificant investment in equity instruments, measured at fair value.

Financial assets at fair value through profit or loss include investments in equity instruments in the amount of MKD 65,125 thousand (2009: MKD 61,376 thousand) calculated with reference to the Macedonian Stock Exchange quoted bid prices. Changes in fair values of other financial assets at fair value through profit or loss are recorded in finance income/expenses in the Profit for the year (see note 21 and 22). The cost of these equity investments is MKD 31,786 thousand (2009: MKD 31,786 thousand).

27.2. Other disclosures about financial instruments

The Group is also exposed to risks that arise from the possible drawdown of guarantees in a nominal amount of MKD 10,391 thousand as at 31 December 2010 (2009: MKD 14,217 thousand). These guarantees were issued by Macedonian banks on behalf of Makedonski Telekom, or its subsidiary, as collaterals to secure the fulfilment of the Group's certain contractual obligations. The Group has been delivering on its contractual obligations and expects to continue doing so in the future, therefore no drawdown of the guarantees has happened so far, and is not expected to happen in the future.

There were no financial assets or liabilities, which were reclassified into another financial instrument category.

No financial assets were transferred in such a way that part or all of the financial assets did not qualify for de-recognition.

28. CONTINGENCIES

The Company has contingent liabilities in respect of legal and regulatory claims arising in the ordinary course of business. It is not anticipated by the management of the Company that any material liabilities will arise from the contingent liabilities other than those provided for (see note 15).

T-Mobile Macedonia has contingent liabilities in respect to routine legal proceedings arising in the ordinary course of business. The major contingent liability in amount of MKD 978,661 thousand relate to legal case with Newsphone S DOO Skopje for possible damage compensation with regards to lost future profits as a result of termination of contract by the T-Mobile Macedonia. Based on legal advice, the Management expects that it is not probable that an outflow of resources embodying economic benefits will be required to settle these obligations.

29. RELATED PARTY TRANSACTIONS

All transactions with related parties arise in the normal course of business and their value is not materially different from the terms and conditions that would prevail in arms-length transactions.

Transactions with related parties include provision and supply of telecommunication services and equipment, loans granted and supply of management consultancy services. The amounts receivable and payable are disclosed in the appropriate notes (see note 7 and 14).

The revenues and expenses with the Company's related parties are as follows:

In thousands of denars	2010		2009	
	Revenues	Expenses	Revenues	Expenses
Magyar Telekom Group				
Magyar Telekom Plc	24,687	77,256	30,876	119,382
T-Mobile Hungary	-	-	4,757	4,470
IQSYS Magyar Telekom	-	11,282	-	11,868
Telemakedonija AD	248	-	251	-
Crnogorski Telekom	869	4,433	-	-
T-Mobile Crna Gora	-	-	890	6,794
Novatel	2,697	151	10,209	5,853
Origo Zrt	-	469	-	-
Deutsche Telekom Group				
Deutsche Telekom AG	1,335,641	264,831	812,539	195,518
T-Mobile Deutschland	-	-	37,318	47,499
T-Mobile International	-	-	(21,675)	5,865
Hrvatski Telekom	16,953	24,893	250	2,224
T-Mobile Croatia	-	-	18,538	16,471
Slovak Telekom	208	285	-	18
T-Mobile Slovakia	-	-	1,177	921
Polska Telefonia Cyfrowa	317	544	1,698	1,201
T-Mobile Czech Republic	450	1,269	2,129	2,689
T-Mobile Austria	5,469	6,080	16,745	13,515
T-Mobile UK	-	-	2,187	2,349
Everything Everywhere Limited	2,176	1,388	-	-
T-Mobile USA	565	1,484	8,396	5,429
T-Systems	6,268	3,069	32,593	8,062
T-Mobile Netherlands BV	1,078	1,576	5,550	3,744
T-Mobile International UK Limited	-	948	-	1,004
Detecon	-	25,875	-	5,506
Cosmofon OTE	-	-	81,306	115,142
OTE Globe	18,847	16,047	16,662	6,508
Romtelekom	198	150	327	-
Cosmo Bulgaria Mobile	731	4,942	1,908	1,667
Albanian Mobile Communications	690	4,953	2,975	4,218
Cosmote Romanian Mobile Telecommunications	23	476	58	616
COSMOTE-Mobile Telecom. S.A.	2,641	13,355	6,395	6,356

The receivables and payables with the Company's related parties are as follows:

In thousands of denars	2010		2009	
	Receivables	Payables	Receivables	Payables
Magyar Telekom Group				
Magyar Telekom Plc	2,210	56,283	2,967	62,944
T-Mobile Hungary	-	-	-	10,905
IQSYS Magyar Telekom	-	5,635	-	5,016
Telemakedonija AD	21	-	24	-
Crnogorski Telekom	8,052	-	-	-
T-Mobile Crna Gora	-	-	2,533	-
Novatel	367	1,553	311	672
Deutsche Telekom Group				
Deutsche Telekom AG	97,363	85,023	39,934	9,842
T-Mobile Deutschland	-	-	-	3,323
T-Mobile International	-	-	-	24,179
Hrvatski Telekom	-	2,805	-	-
T-Mobile Croatia	-	-	9,124	-
Slovak Telekom	81	-	-	-
T-Mobile Slovakia	-	-	-	39
Polska Telefonía Cyfrowa	-	339	-	50
T-Mobile Czech Republic	559	-	-	285
T-Mobile Austria	548	-	-	3,283
T-Mobile UK	-	-	-	737
Everything Everywhere Limited	-	1,001	-	-
T-Mobile USA	-	286	-	3,055
T-Systems	2,372	3,859	2,359	10,146
T-Mobile Netherlands BV	-	2,313	-	201
T-mobile International UK Limited	-	216	-	140
Detecon	-	8,421	-	1,224
OTE Globe	925	-	-	1,056
Romtelekom	66	7,884	329	-
Cosmo Bulgaria Mobile	24,073	-	59	-
Albanian Mobile Communications	8,778	-	385	-
Cosmote Romanian Mobile Telecommunications	753	-	-	196
COSMOTE-Mobile Telecom. S.A.	52,617	-	796	-

30. KEY MANAGEMENT COMPENSATION

The compensation of key management from the Company, including taxation charges and contributions, is presented below:

In thousands of denars	2010	2009
Short-term employee benefits (including taxation)	115,636	99,672
State contributions on short-term employee benefits	6,185	5,599
Share-based payments	1,591	2,689
	<u>123,412</u>	<u>107,960</u>

The remuneration of the members of the Company's Board of Directors amounted to MKD 4,650 thousand (2009: MKD 6,120 thousand) included in Short-term employee benefits.

The share-based payments represent compensation of key management from the Company as part of a Mid Term Incentive Plan (MTIP) launched by Magyar Telekom Plc., whereby the targets to be achieved are based on the performance of the Magyar Telekom Plc. shares. Participants include top and senior managers of the Magyar Telekom Group.

The MTIP is operated by Magyar Telekom Plc. while the compensation of key management from the Company related to the MTIP is incurred by the Company (for MTIP programs launched 2008 and 2009) and is included in Personnel expenses (Bonus Payments) recognized against Other provisions (see notes 18 and 15).

31. EVENTS AFTER THE FINANCIAL STATEMENT DATE

There are no events after the financial statement date that would have impact on the 2010 profit for the year, Consolidated statement of financial position or cash flows.

Calendar of events 2011

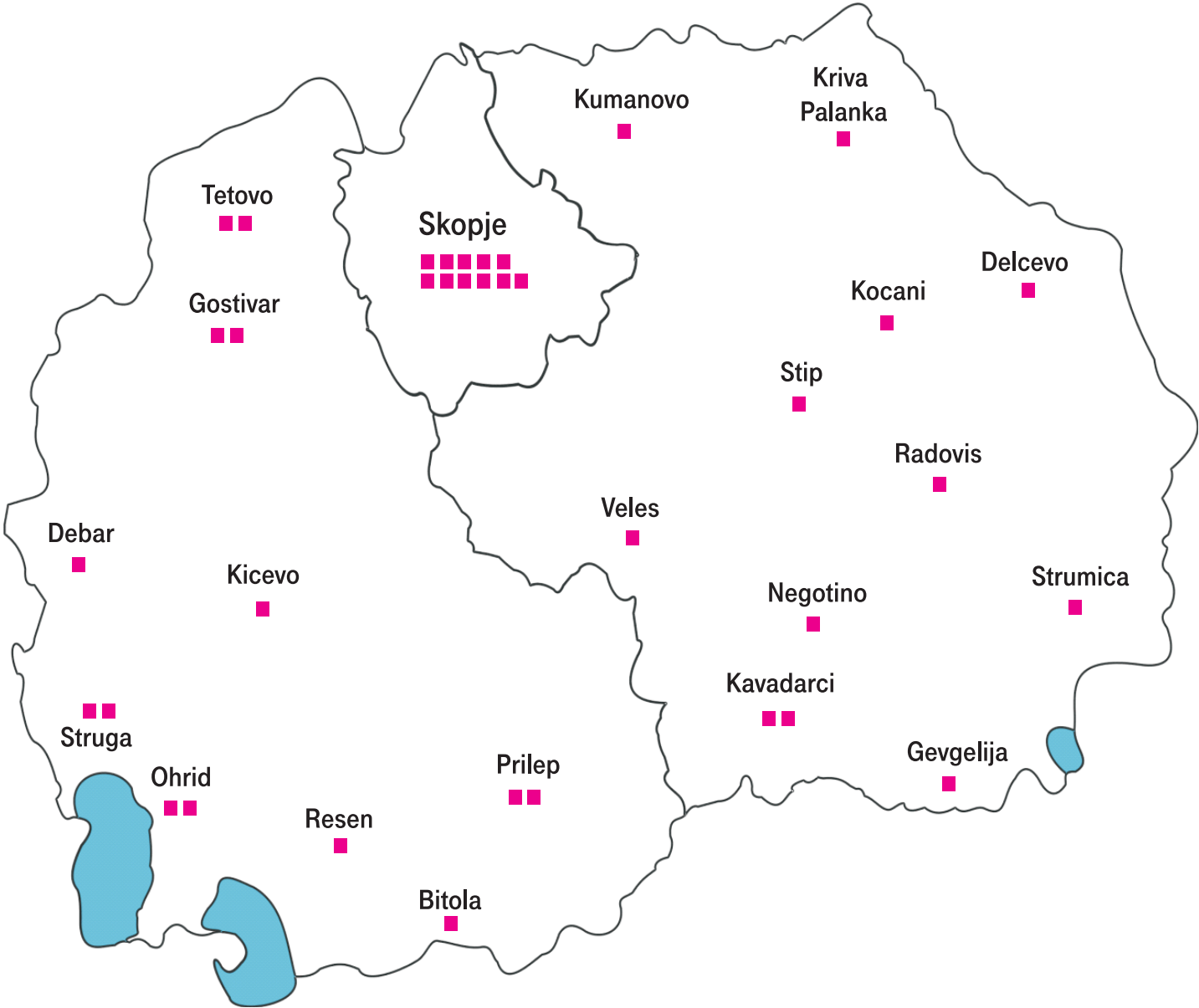
Meetings of the Shareholders' Assembly of Makedonski Telekom in 2011

Date	Event/Type of Report
14.04.2011	Annual meeting of the Shareholders' Assembly of Makedonski Telekom

2011 Finance Events

Date	Event/Type of Report
28.02.2011	2010 Makedonski Telekom's annual account in accordance to the local GAAP to the Central register and Public revenue office of RM
31.03.2011	2010 Consolidated Makedonski Telekom's annual account and report on operation in accordance to the local GAAP to the Central register of RM
29.04.2011	Consolidated and Makedonski Telekom standalone unaudited income statements and the analysis on the consolidated and non-consolidated operating profit prepared in accordance to the IFRS as well as the explanation on the operation of the Group of Makedonski Telekom for the first quarter of 2011 to the Securities and Exchange Commission of RM
16.05.2011	2010 Annual report of Makedonski Telekom, including audited consolidated and standalone financial statements in accordance to the IFRS to the Securities and Exchange Commission of RM
21.05.2011	Publishing the summary of the audited consolidated and standalone financial statements for 2010 of Makedonski Telekom in accordance to the IFRS, along with the auditor's opinion in a daily newspaper in RM
30.06.2011	2010 Annual audited financial statements of Makedonski Telekom (standalone and consolidated) in accordance to the local GAAP and IFRS to the Central register of RM
14.08.2011	2011 Semi annual report of Makedonski Telekom, including unaudited consolidated and standalone financial statements of Makedonski Telekom in accordance to the IFRS as well as the explanation on the operation of Makedonski Telekom for the first half of 2011 to the Securities and Exchange Commission of RM
31.10.2011	Consolidated and Makedonski Telekom standalone unaudited income statements and the analysis on the consolidated and non-consolidated operating profit prepared in accordance to the IFRS as well as the explanation on the operation of the Group of Makedonski Telekom for the first quarter of 2011 to the Securities and Exchange Commission of RM

T shops throughout Macedonia - One place for our Customers



List of abbreviations

ADSL	- Asymmetric digital subscriber line
AEC	- Agency for Electronic Communication
BB	- Broadband
CaTV	- Cable television
CRM	- Customer relationship management
DLL	- Digital leased line
DVBT	- Digital video broadcast via terrestrial
EBITDA	- Earnings before Interest, Taxes, Depreciation and Amortization
EBITDA	(excl. SI) - EBITDA excluding Special Impacts
F2M	- Fixed to mobile
FDI	- Foreign direct investment
FTTH	- Fibre to the home
HDTV	- High definition television
IC	- Interconnection
ICT	- Information and communications technology
IP	- Internet Protocol
IP VPN	- Internet protocol Virtual private network
IPTV	- Internet protocol television
NGN	- Next generation network
PSTN	- Public switched telephone network
RIO	- Reference interconnection Offer
RUO	- Reference unbundling offer
ULL	- Unbundled Local Loop
VoD -	Video on demand
WLR	- Wholesale Line Rental
WS	- Wholesale
SMP	- Significant Market Power
LEC	- Law on Electronic Communication

Forward looking statement

This document contains forward looking statements, which are not historical facts, including statements about our beliefs and expectations. Such kind of statements are based on our current plans, estimations and projections, taking into consideration the financial conditions, the result of the companies and the Group operation and, therefore, you should not place undue reliance on them. They speak only as of the date they are made on and we undertake no obligation to update publicly any of them in the light of any new information or future events.

Contacts

Prepared by:

Group Communication Area of Makedonski Telekom AD - Skopje and T-Mobile Macedonia AD Skopje

Design:

Karma DS

Photos made by:

Imagebase of DT and photographer Ljupco Smokovski
Makedonski Telekom AD – Skopje and T-Mobile Macedonia AD
database materials

Group Communication Area
tel: + 389 2 3242564
Orce Nikolov bb
1000 Skopje

online version of this report is available at:

www.telekom.mk

Life is for sharing.

