

Makedonski Telekom AD Skopje
Orce Nikolov bb 1000 Skopje



T

To: Securities and Exchange Commission of the RoM
26 Dimitrija Cupovski, 1000 Skopje

Date: August 2012

Subject: Semi - annual report for the year 2012

Dear Sirs / Madams,

Pursuant to Articles 156, 160 and 164 of the Law on Securities, related to the semi - annual reporting obligation of Makedonski Telekom AD – Skopje for 2012, enclosed is the complete material for the semi - annual reporting for 2012, which includes:

1. Semi - annual reporting of basic data of Makedonski Telekom AD Skopje for the period ended 30 June 2012;
2. Unaudited consolidated and non-consolidated financial statements for the period ended 30 June 2012 prepared in accordance with the International Financial Reporting Standards (IFRS);
3. Explanations on the operation of Makedonski Telekom AD – Skopje for the period from 01.01.2012 until 30.06.2012 (the same refer to the consolidated and non-consolidated unaudited financial statements);
4. Statements for info accuracy.

In accordance with the respective by-laws, the complete material for the semi - annual reporting for 2012 shall be posted in an electronic format on the website of the Securities and Exchange Commission through the respective module.

Yours faithfully,


Oliver Kosturanov
President of the Board of Directors


Daniel Szasz
Chief Executive Officer

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Makedonski Telekom AD Skopje
Orce Nikolov bb, 1000 Skopje

To: Securities and Exchange Commission of the RoM
Date: August 2012
Subject: Semi - annual Reporting of Basic Data of Makedonski Telekom AD - Skopje
for the year 2012

1. General data

Name of the company	MAKEDONSKI TELEKOM, JOINT STOCK COMPANY FOR ELECTRONIC COMMUNICATIONS - SKOPJE
Address of the registered office	Orce Nikolov bb, Skopje
Telephone and fax	3100 200; 3100 300
E-mail address	kontakt@telekom.mk
URL address	http://www.telekom.mk

2. Legal status

Registration number	5168660
Activity code	61.10
Activities description (main activity)	wire line telecommunications
Decision number from the Central Registry	08-03/3843/1 dated 11.05.2006
Date of establishment (day, month and year)	29.01.2001
Status changes of the company (acquisition, merger, transformation and division)	<ul style="list-style-type: none">- 29.01.2001 (Privatization and change of the company's status from a state owned joint stock company for telecommunications Makedonski Telekomunikacii – Skopje into a Joint Stock Company for telecommunications Makedonski Telekomunikacii - Skopje),- 05.03.1998 (Transformation of the public enterprise for telecommunications Makedonski Telekomunikacii C.O. Skopje into a state owned joint stock company for telecommunications Makedonski Telekomunikacii - Skopje),- 12.08.1997 (Establishment – organization of a public enterprise for telecommunications Makedonski Telekomunikacii C.O. Skopje).
Number of branch offices	44
Number of employees at the end of the period	1,262
Management system <input type="radio"/> One tier <input type="radio"/> Two tier	One tier
Name and last name of the procurist	Daniel Szasz

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3. Data on the capital and changes of the capital of the company

Total value of the share capital	9,583,887,733.00 MKD
Number of issued shares	
- Ordinary shares	95,838,780
- Preference shares (Golden share)	1
Nominal value of the shares	100.00 MKD per ordinary share and 9,733.00 MKD per preference share
Has a share issue been performed in the respective period of the shares of the joint stock company	No
-Type of share issue	/
-Number of issued shares	0
-Total value of issued shares	/
Data on the purchase of treasury shares by the joint stock company	
- date and manner of purchase	At the Government auction / regular trading held from 5 th till 9 th of June 2006, the Company purchased 10.00% of the Government shareholding in Makedonski Telekom AD - Skopje.
- legal basis for purchase	The treasury shares were purchased in accordance with Resolution No. 021-98576/1 of the Company's Shareholders' Assembly.
- quantity	9,583,878
- price per share	Out of 9,583,878 purchased treasury shares, 9,488,040 shares were purchased for a price of MKD 389 and 95,838 shares were purchased for a price of MKD 390.
Has a split of shares of the joint stock company been performed in the period and data relating thereto	/
Number of shareholders at the end of the reporting period	3,919
Number and percentage of treasury ordinary and preference shares in the share capital at the end of the reporting period (percentage rounded up to two decimals)	9,583,878 ordinary treasury shares (10.00% of the total number of issued shares of Makedonski Telekom - AD Skopje).
International identification number of the shares issued by the Company - ISIN number	Ordinary shares MKMTSK101019; Preference shares MKMTSK121017
Account (s) / transaction account (s) of the joint stock company and the title of the institution keeping it	200000090141316, Stopanska banka AD - Skopje 200000025661051, Stopanska banka AD - Skopje



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4. Financial data and financial condition of the joint stock company

Price of the ordinary shares if they have been traded on the stock exchange or another organized market	
- highest	MKD 545.00
- lowest	MKD 450.00
Price of the preference shares if they have been traded on the stock exchange or another organized market	
- highest	/
- lowest	/
Market capitalization	MKD 45,523 million
More detail explanation of the operation of the Company with which the data published in the previous annual report are updated	The explanation of the operation is given in attach.



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relating to the activities of Magyar Telekom and/or its affiliates in Montenegro and Macedonia that totalled more than EUR 31 million. In particular, the internal investigation examined whether Magyar Telekom and/or its Montenegrin and Macedonian affiliates had made payments prohibited by U.S. laws or regulations, including the U.S. Foreign Corrupt Practices Act (the "FCPA"). The Company has previously disclosed the results of the internal investigation.

Magyar Telekom's Audit Committee informed the U.S. Department of Justice (the "DOJ") and the U.S. Securities and Exchange Commission (the "SEC") of the internal investigation. The DOJ and the SEC commenced investigations into the activities that were the subject of the internal investigation. For further information about the internal investigation, please refer to the financial statements of the Company for the year ended 31 December 2010.

In 2011, Magyar Telekom entered into final settlements with the DOJ and the SEC to resolve the DOJ's and the SEC's investigations relating to Magyar Telekom. The settlements concluded the DOJ's and the SEC's investigations.

Magyar Telekom has entered into a two-year deferred prosecution agreement (the "DPA") with the DOJ, under which Magyar Telekom was charged with a violation of the anti-bribery provisions of the FCPA and two violations of the books and records provisions of the FCPA. In accordance with the DPA, on 29 December 2011, the DOJ filed a criminal information (the "Information") setting out these charges in the U.S. District Court for the Eastern District of Virginia. Magyar Telekom has agreed to admit to the DOJ's allegations and to acknowledge responsibility for the acts as charged in the Information. Magyar Telekom has agreed to pay a criminal penalty of USD 59.6 million to cooperate with the DOJ in future investigations, to refrain from any violations of U.S. federal criminal law, to continue to operate a compliance program and to report to the DOJ annually regarding the compliance program during the term of the DPA. The DOJ will seek to dismiss the charges upon conclusion of the two-year term, unless Magyar Telekom violates the terms of the DPA.

On 29 December 2011, the SEC filed in the U.S. District Court for the Southern District of New York a Complaint (the "Complaint") and a proposed Final Judgment against Magyar Telekom (the "Final Judgment"). Without admitting or denying the allegations in the Complaint, Magyar Telekom consented to the filing of the Complaint and entry of the Final Judgment to resolve the SEC's investigation. The Complaint alleged civil violations of the FCPA's anti-bribery, books and records and internal control provisions. The Final Judgment, which was approved by the U.S. District Court for the Southern District of New York on 3 January 2012, permanently enjoined Magyar Telekom from violating these provisions and required Magyar Telekom to pay USD 25.2 million for disgorgement of profits and USD 6.0 million of prejudgment interest thereon.

The final settlements recognize the DOJ's and the SEC's consideration of Magyar Telekom's self-reporting, thorough internal investigation, remediation and cooperation with the DOJ's and the SEC's investigations. Magyar Telekom has undertaken several remedial measures to address the issues identified during the course of these investigations. These measures include steps designed to revise and enhance Magyar Telekom's internal controls, as well as the establishment of the Corporate Compliance Program. The Corporate Compliance Program promotes awareness of Magyar Telekom's compliance policies and procedures through training, the operation of a whistleblower hotline, and monitoring of, and communications with, employees and subsidiaries of Magyar Telekom. Magyar Telekom remains fully committed to responsible corporate behaviour.

On 6 January 2012 Magyar Telekom paid a criminal penalty of USD 59.6 million pursuant to the settlement with the DOJ and on 23 January 2012 Magyar Telekom paid USD 25.2 million for disgorgement of profits and USD 6.0 million of prejudgment interest pursuant to the settlement with the SEC, totalling USD 90.8 million paid with respect to the settlements with the DOJ and the SEC.

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The above-referenced settlement by Magyar Telekom and associated liability was not recorded in the separate financial statements of the Company. These amounts were reflected in the consolidated financial statements of Magyar Telekom and are not reflected in the separate financial statements of the Company.

According to 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").

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 216,577 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. In 2010 the amount related to the identified potential tax impact (together with related penalty interest) amounted to MKD 227,972 thousand which 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 was corrected in 2009 consolidated financial statements and was 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 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 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.

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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. An 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 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.

On 14 March 2011, the Company received from the Primary Court Skopje 1 a copy of the "Finding and Opinion", dated November 2010, issued by the Bureau of Judicial Expertise to the Primary Court Skopje 1 as a result of the expertise procedure. The "Finding and Opinion" addresses and contains conclusions regarding five contracts entered into with Chaptex and Cosmotelco in 2005 and 2006 and formerly reviewed by the Audit Committee of Magyar Telekom. The "Finding and Opinion" concludes that, based on these contracts, expenditures in the amount of EUR 3.975 million were made by the Company and Stonebridge to Chaptex "without evidence for performed services"; accordingly, shareholders of the Company and Stonebridge in the proportion of their shareholding, suffered damages in the aforementioned aggregate amount as result of decreased proceeds for payment of dividend in 2005 and 2006.

Based on publically available information, we understand that the Public Prosecutor has filed an indictment in 2011 against Mr. Szendrei, Mr. Kisjuhász and Mr. Plath, but not against Mr. Kefaloyannis. The court hearing has taken place at the end of 2011, but it was postponed since the court could not provide presence of any of the defendants. The Company, as damaged party in this case, has not received official court invitation for the hearing.

Pursuant to the questions posed by the investigative judge, it could be concluded that the public prosecutor has addressed the Company as party damaged by the actions of the defendants. However, based on the content of the order for expertise issued by the investigative judge, and on the basis of the expert opinion, it can be concluded that now damaged parties are shareholders of the Company (Stonebridge AD Skopje, Republic of Macedonia and minority shareholders) and therefore the state budget, as the Republic of Macedonia is a shareholder in the Company. Therefore, the public prosecutor should clear out who is considered as damage party in this particular case, which is of significant importance for the position of the Company in this proceeding and its further actions. At the moment there aren't any indications that the Company could be found liable and made to pay any penalties or fines for the criminal procedure which is initiated against the individuals.

We have not become aware of any 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.

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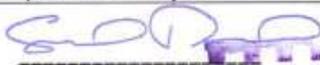
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INCOME STATEMENT ACCORDING TO IFRS (BY COST NATURE)

Company	Makedonski Telekom AD - Skopje	ID number	5168660
Reporting period	01.01.2012 - 30.06.2012		

(in MKD thousands)

No.	Item	Previous year		Current year		Indices	
		Cumulative from the beginning of the year	Current quarter	Cumulative from the beginning of the year	Current quarter	Compared to the previous year	Compared to the previous quarter
1	OPERATING INCOME	4,173,829	2,095,489	3,787,441	1,909,694	91	91
2	Sales revenues	4,072,804	2,022,612	3,682,983	1,823,210	90	90
2a	Domestic sales revenue	3,339,218	1,645,336	2,945,500	1,429,930	88	87
2b	Foreign sales revenue	733,586	377,276	737,483	393,280	101	104
3	Changes in the stock of finished products and work in progress	0	0	0	0	0	0
4	Other operating income	101,025	72,877	104,458	86,484	103	119
5	OPERATING EXPENSES	-3,204,877	-1,574,903	-3,230,064	-1,628,507	101	103
6	Cost value of trade goods	-196,252	-85,493	-165,565	-77,999	84	91
7	Materials, small inventory and services	-1,599,902	-809,713	-1,511,733	-759,569	94	94
7a	Raw materials and small inventory	-23,737	-13,426	-16,971	-6,861	71	51
7b	Services	-1,576,165	-796,287	-1,494,762	-752,708	95	95
8	Changes in the stock of finished products and work in progress	0	0	0	0	0	0
9	Employee-related costs	-541,419	-270,470	-540,204	-270,056	100	100
10	Depreciation, amortization and provisions	-899,074	-450,322	-962,865	-484,776	107	108
10a	Depreciation	-896,923	-448,324	-959,824	-482,812	107	108
10b	Impairment of fixed assets	-2,151	-1,998	-3,041	-1,964	141	98
10c	Provisions for costs and risks	0	0	0	0	0	0
11	Other operating expenses	31,770	41,095	-49,697	-36,107	(156)	(88)
12	OPERATING PROFIT/LOSS	968,952	520,586	557,377	281,187	58	54
13	Financial income	3,746,235	3,281	3,358,781	3,282	90	100
14	Income from investments, loans, interest and FX rate movements	87,407	34,241	82,818	34,856	95	102
15	Other financing income	0	0	0	0	0	0
16	Financial expenses	0	0	0	0	0	0
17	Expenses for interest, FX rate movements and similar expenses	-2,709	-588	-7,702	-3,286	284	559
18	Other financing expenses	0	0	0	0	0	0
19	Profit/loss from regular operations before tax	4,799,885	557,520	3,991,274	316,039	83	57
20	Income tax	0	0	0	0	0	0
21	Net profit/loss after tax	4,799,885	557,520	3,991,274	316,039	83	57
22	Minority interest	0	0	0	0	0	0
23	Net profit/loss for the fiscal year	4,799,885	557,520	3,991,274	316,039	83	57


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 Chief Executive Officer 

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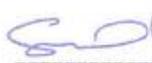
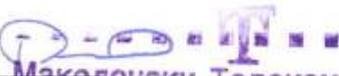
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ANALYSIS OF OPERATING PROFIT ACCORDING TO IFRS (BY COST NATURE)

Company	Makedonski Telekom AD - Skopje		
Reporting period	01.01.2012 - 30.06.2012	ID number	5168660

(in MKD thousands)

No	Item	Previous year		Current year		Indices	
		Cumulative from the beginning of the year	Current quarter	Cumulative from the beginning of the year	Current quarter	Compared to the previous year	Compared to the previous quarter
1	Sales revenues	4,072,804	2,022,612	3,682,983	1,823,210	90	90
2	Other operating income	101,025	72,877	104,458	86,484	103	119
3	Cost value of goods and services sold	-196,252	-85,493	-165,565	-77,999	84	91
4	Changes in the stock of finished products and work in progress	0	0	0	0	0	0
5	Raw materials, materials and small inventory	-23,737	-13,426	-16,971	-6,861	71	51
6	Impairment charges	13,393	3,938	-13,256	-14,853	(99)	(377)
7	Employee-related costs	-541,419	-270,470	-540,204	-270,056	100	100
8	Sales costs	-1,021,623	-497,623	-1,086,441	-533,215	106	107
9	Costs for services provided by other parties	-1,451,465	-746,988	-1,368,145	-702,305	94	94
10	Other operating expenses	16,226	35,159	-39,482	-23,218	(243)	(66)
11	OPERATING PROFIT/LOSS	968,952	520,586	557,377	281,187	58	54



Македонски Телеком
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BALANCE SHEET ACCORDING TO IFRS

Company	Makedonski Telekom AD - Skopje		
Reporting period	30.06.2012	ID number	5168660

(in MKD thousands)

Item	Previous year	Current year	Indices
ASSETS			
NON-CURRENT ASSETS	15,075,010	14,737,503	98
Intangible assets	693,371	628,654	91
Property, plant and equipment	11,223,700	10,959,998	98
Investments in subsidiaries	0	0	0
Investments in associate companies	2,792,171	2,792,171	100
Investments in securities	54,083	53,604	99
Other tangible assets	0	0	0
Other long-term receivables	311,685	303,076	97
Deferred tax assets	0	0	0
CURRENT ASSETS	8,386,205	6,565,542	78
Inventories	170,415	238,073	140
Trade receivables	1,286,861	1,261,338	98
Other receivables	115,807	181,059	156
Short-term investments	6,781,238	4,808,870	71
Cash and cash equivalents	25,884	76,202	294
TOTAL ASSETS	23,461,215	21,303,045	91
OFF-BALANCE SHEET RECORDS - ASSETS	0	0	0
EQUITY AND LIABILITIES			
EQUITY	21,101,883	18,929,600	90
Shareholders' equity	6,386,189	6,386,189	100
Reserves	1,916,777	1,916,777	100
Accumulated profit (loss)	12,798,917	10,626,634	83
Minority interest	0	0	0
LIABILITIES	2,359,332	2,373,445	101
CURRENT LIABILITIES	1,998,597	2,141,423	107
Trade payables and other liabilities	1,952,899	2,094,867	107
Short-term borrowings	0	0	0
Short-term provision	44,317	46,556	105
Payables to the state	1,381	0	0
LONG-TERM LIABILITIES	360,735	232,022	64
Long-term borrowings	0	0	0
Trade payables and other long-term liabilities	0	0	0
Other long-term provision	360,735	232,022	64
TOTAL EQUITY AND LIABILITY	23,461,215	21,303,045	91
OFF-BALANCE SHEET RECORDS - LIABILITIES	0	0	0

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CASH FLOW STATEMENT ACCORDING TO IFRS

Company	Makedonski Telekom AD - Skopje		
Reporting period	30.06.2012	ID number	5168660

(in MKD thousands)

Item	Previous year	Current year	Indices
A) Cash flows from operating activities	3,302,992	1,571,286	48
Net profit / loss after tax	5,569,467	3,991,274	72
Adjustment for			
Depreciation	1,777,780	959,824	54
Amortization and impairment charges	22,301	11,429	51
Increase / decrease of inventories	44,809	-67,658	(151)
Increase / decrease of customers	97,409	25,523	26
Increase / decrease of advance payments receivables	1,534	-7,335	(478)
Increase / decrease of other short-term receivables	81,954	-43,353	(53)
Increase / decrease of prepaid expenses	-12,093	-15,774	130
Increase / decrease of trade payables	-206,726	166,460	(81)
Increase / decrease of payables for received advances	3,848	10,629	276
Increase / decrease of other short-term liabilities	-29,092	75,663	(260)
Increase / decrease of deferred income	-67,226	-68,107	101
Interest income / expense	-170,517	-82,475	48
Dividend paid / charged	-3,746,236	-3,358,781	90
Tax paid	1,378	-1,381	(100)
Capital profit / loss from sale of fixed assets	-19,375	-6,553	34
Capital profit / loss from sale of investments	-383	0	0
Other cash flows from operating activities	-45,840	-18,099	39
B) Cash flows from investing activities	2,654,182	4,642,589	175
Acquisition of property, plant and equipment, intangible assets, etc.	-1,562,422	-800,216	51
Disposal of property, plant and equipment, intangible assets, etc.	59,112	13,362	23
Cash flows from disposal of bearer or debt securities to other legal persons and participation in joint ventures	0	0	0
Cash payments for acquisition of bearer or debt securities to other legal persons and participation in joint ventures	0	0	0
Cash advances and loans provided to other parties (excluding financial institutions)	791	6,835	864
Cash flows from collection of advances and loans provided to other parties (excluding financial institutions)	0	0	0
Cash flows from interests	173,408	83,330	48
Cash flows from dividends	3,746,236	3,358,781	90
Other cash flows from investing activities	237,057	1,980,497	835

Ban

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Makedonski Telekom AD Skopje
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CASH FLOW STATEMENT ACCORDING TO IFRS (CONTINUED)

Company	Makedonski Telekom AD - Skopje		
Reporting period	30.06.2012	ID number	5168660

(in MKD thousands)

Item	Previous year	Current year	Indices
C) Cash flows from financing activities	-5,947,479	-6,163,557	104
Cash flows from increase of equity through issuing stock or other bearer securities	0	0	0
Cash payments for repayments of loans	0	0	0
Cash flows from issued debt securities and other short-term and long-term loans and borrowings	0	0	0
Acquisition of minority interests	0	0	0
Dividend paid	-5,947,479	-6,163,557	104
Treasury shares purchased/ sold	0	0	0
Cash payments for reduction of financial leasing payables	0	0	0
Increase / decrease of cash and cash equivalents	9,695	50,318	519
Cash and cash equivalents at the beginning of the year	16,189	25,884	160
D) Cash and cash equivalents at the end of the period	25,884	76,202	294

Daniel Szasz
Chief Executive Officer

Македонски Телеком
A.D. - Makedonski Telekom AD - Skopje



Makedonski Telekom AD Skopje
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STATEMENT OF CHANGES IN EQUITY ACCORDING TO IFRS

Company	Makedonski Telekom AD - Skopje		
Reporting period	30.06.2012	ID number	5168660

(in MKD thousands)

Changes	Shareholders' equity				Minority interest	Total equity
	Shareholders' equity	Share premium	Reserves	Accumulated profit (loss)		
Balances at 1 January of the previous year	5,845,530	540,659	1,916,777	13,176,929	0	21,479,895
Payment of shares	0	0	0	0	0	0
Treasury shares acquired	0	0	0	0	0	0
Treasury shares sold	0	0	0	0	0	0
Conversion of securities	0	0	0	0	0	0
Profit (loss) for the fiscal year	0	0	0	5,569,467	0	5,569,467
Distribution of the profits as transfer to the reserves	0	0	0	0	0	0
Distribution of the profits for dividends and other payouts to the shareholders	0	0	0	-5,947,479	0	-5,947,479
Distribution of the profits for rewards and benefits for the employees	0	0	0	0	0	0
Other company reserves	0	0	0	0	0	0
Evaluation of tangible assets	0	0	0	0	0	0
Adjustments of investments available-for-sale at fair value	0	0	0	0	0	0
Realized capital gain from the sale of securities	0	0	0	0	0	0
Recording losses of subsidiaries using the equity method	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0
Recognized income and expenses, net	0	0	0	0	0	0
Foreign exchange rate movements	0	0	0	0	0	0
Other increase / decrease of assets, net	0	0	0	0	0	0
Balances at 31 December of the previous year	5,845,530	540,659	1,916,777	12,798,917	0	21,101,883
Payment of shares	0	0	0	0	0	0
Treasury shares acquired	0	0	0	0	0	0
Treasury shares sold	0	0	0	0	0	0
Conversion of securities	0	0	0	0	0	0
Profit (loss) for the fiscal year	0	0	0	3,991,274	0	3,991,274
Distribution of the profits as transfer to the reserves	0	0	0	0	0	0
Distribution of the profits for dividends and other payouts to the shareholders	0	0	0	-6,163,557	0	-6,163,557
Distribution of the profits for rewards and benefits for the employees	0	0	0	0	0	0
Other company reserves	0	0	0	0	0	0
Evaluation of tangible assets	0	0	0	0	0	0
Adjustments of investments available-for-sale at fair value	0	0	0	0	0	0
Realized capital gain from the sale of securities	0	0	0	0	0	0

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Makedonski Telekom AD Skopje
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STATEMENT OF CHANGES IN EQUITY ACCORDING TO IFRS (CONTINUED)

Company	Makedonski Telekom AD - Skopje		
Reporting period	30.06.2012	ID number	5168660

(in MKD thousands)

Changes	Shareholders' equity				Minority interest	Total equity
	Shareholders' equity	Share premium	Reserves	Accumulated profit (loss)		
Recording losses of subsidiaries using the equity method	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0
Recognized income and expenses, net	0	0	0	0	0	0
Foreign exchange rate movements	0	0	0	0	0	0
Other increase / decrease of assets, net	0	0	0	0	0	0
Balances at 30 June of the current year	5,845,530	540,659	1,916,777	10,626,634	0	18,929,600



Daniel Szasz
Chief Executive Officer



Makedonski Telekom AD Skopje
Orce Nikolov bb, 1000 Skopje

To: Securities and Exchange Commission of the RoM
26 Dimitrija Cupovski, 1000 Skopje

Date: August 2012

Subject: Explanation on the operation of Makedonski Telekom AD - Skopje for the period from 01.01.2012 until 30.06.2012

The following analysis refers to the consolidated financial reports of the Makedonski Telekom AD – Skopje Group, which includes Makedonski Telekom AD - Skopje, T-Mobile Macedonia AD Skopje and the e-Makedonija – Skopje Foundation, prepared in accordance with International Financial Reporting Standards (IFRSs).

During the first half of 2012, the sales revenues at Group level decreased by 12.8% compared to the same period in 2011, which was mainly attributable to the drop in revenues of the mobile segment, but lower revenues from the fixed segment also contributed to the decline.

The voice revenues in the fix segment services decreased due to the decreased number of fixed line customers by 8.6% compared to the first half of the previous year, resulting in a customer base of 296 thousand at the end of June 2012 and a decrease of the outgoing traffic by 16.2% amounting to 356,616 thousand minutes in the first half of 2012. However, Makedonski Telekom has managed to maintain its leading market position with a market share of 74% (estimated internally) in the fixed line segment with internet broadband market share of 56% (estimated internally). The revenues from internet and digital television via Internet protocol ("IPTV") increased by 2.0% compared to the first half of the previous year. The focus on the double and triple play packages resulted in an increased number of DSL customers by 5.8%, resulting in DSL customer base of 164 thousand at the end of June 2012. Makedonski Telekom, with its IPTV service, entered as a challenger on the market already dominated by the CATV providers. However, due to the high quality service, the interactivity and the unique TV experience, Makedonski Telekom achieved an increase of the number of IPTV customers by 50.4% compared to end of June 2011, amounting to 51 thousand at the end of June 2012. To address the competitive pressure in the fixed market, a repositioned portfolio was introduced during the second quarter focusing primarily on double and triple play offers.

The mobile revenues decrease is mainly a result of the intensified competition, especially in the prepaid and the business segment. The decline in mobile revenues is mostly due to the decrease in the voice retail revenues, mainly as a result of the decrease in the subscriber base resulting to 1,223 thousand subscribers at the end of June 2012. In addition, the Average Revenue Per User (ARPU) decreased by 11.6%. Mobile internet services remains in our focus with continuous introduction of various promotions, innovative internet based services and newest smart phones on the market. Nevertheless, even with this strong price competition, T-Mobile Macedonia has maintained its leading market position with a market share of 49.9% (estimated internally).

On the cost side, the operating expenses remain stable in the first half of 2012 compared to the same period of the previous year.

The above-stated movements on the revenues and costs side resulted in a decrease of the net profit for the first half of 2012 by 35.9% compared to the same period of the previous year, resulting in a net profit of MKD 1,763,616 thousand.

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Makédonski Telekom AD Skopje
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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.

Based on publicly available information, as well as information obtained from Magyar Telekom and as previously disclosed, Magyar Telekom's Audit Committee conducted an internal investigation regarding certain contracts relating to the activities of Magyar Telekom and/or its affiliates in Montenegro and Macedonia that totalled more than EUR 31 million. In particular, the internal investigation examined whether Magyar Telekom and/or its Montenegrin and Macedonian affiliates had made payments prohibited by U.S. laws or regulations, including the U.S. Foreign Corrupt Practices Act (the "FCPA"). The Company has previously disclosed the results of the internal investigation.

Magyar Telekom's Audit Committee informed the U.S. Department of Justice (the "DOJ") and the U.S. Securities and Exchange Commission (the "SEC") of the internal investigation. The DOJ and the SEC commenced investigations into the activities that were the subject of the internal investigation. For further information about the internal investigation, please refer to the financial statements of the Company for the year ended 31 December 2010.

In 2011, Magyar Telekom entered into final settlements with the DOJ and the SEC to resolve the DOJ's and the SEC's investigations relating to Magyar Telekom. The settlements concluded the DOJ's and the SEC's investigations.

Magyar Telekom has entered into a two-year deferred prosecution agreement (the "DPA") with the DOJ, under which Magyar Telekom was charged with a violation of the anti-bribery provisions of the FCPA and two violations of the books and records provisions of the FCPA. In accordance with the DPA, on 29 December 2011, the DOJ filed a criminal information (the "Information") setting out these charges in the U.S. District Court for the Eastern District of Virginia. Magyar Telekom has agreed to admit to the DOJ's allegations and to acknowledge responsibility for the acts as charged in the Information. Magyar Telekom has agreed to pay a criminal penalty of USD 59.6 million to cooperate with the DOJ in future investigations, to refrain from any violations of U.S. federal criminal law, to continue to operate a compliance program and to report to the DOJ annually regarding the compliance program during the term of the DPA. The DOJ will seek to dismiss the charges upon conclusion of the two-year term, unless Magyar Telekom violates the terms of the DPA.

On 29 December 2011, the SEC filed in the U.S. District Court for the Southern District of New York a Complaint (the "Complaint") and a proposed Final Judgment against Magyar Telekom (the "Final Judgment"). Without admitting or denying the allegations in the Complaint, Magyar Telekom consented to the filing of the Complaint and entry of the Final Judgment to resolve the SEC's investigation. The Complaint alleged civil violations of the FCPA's anti-bribery, books and records and internal control provisions. The Final Judgment, which was approved by the U.S. District Court for the Southern District of New York on 3 January 2012, permanently enjoined Magyar Telekom from violating these provisions and required Magyar Telekom to pay USD 25.2 million for disgorgement of profits and USD 6.0 million of prejudgment interest thereon.

The final settlements recognize the DOJ's and the SEC's consideration of Magyar Telekom's self-reporting, thorough internal investigation, remediation and cooperation with the DOJ's and the SEC's investigations. Magyar

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Telekom has undertaken several remedial measures to address the issues identified during the course of these investigations. These measures include steps designed to revise and enhance Magyar Telekom's internal controls, as well as the establishment of the Corporate Compliance Program. The Corporate Compliance Program promotes awareness of Magyar Telekom's compliance policies and procedures through training, the operation of a whistleblower hotline, and monitoring of, and communications with, employees and subsidiaries of Magyar Telekom. Magyar Telekom remains fully committed to responsible corporate behaviour.

On 6 January 2012 Magyar Telekom paid a criminal penalty of USD 59.6 million pursuant to the settlement with the DOJ and on 23 January 2012 Magyar Telekom paid USD 25.2 million for disgorgement of profits and USD 6.0 million of prejudgment interest pursuant to the settlement with the SEC, totalling USD 90.8 million paid with respect to the settlements with the DOJ and the SEC.

The above-referenced settlement by Magyar Telekom and associated liability was not recorded in the consolidated financial statements of the Group. These amounts were reflected in the consolidated financial statements of Magyar Telekom and are not reflected in the consolidated financial statements of the Company.

According to 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").

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. 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 the subsidiary, as of 31 December 2011 the amount related to the identified potential tax impact (together with related penalty interest) amounted to MKD 36,019 thousand (see note 14). In addition, the value of one contract MKD 105.147 thousand capitalised within treasury shares was corrected in 2009 consolidated financial statements and was 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.

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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. An 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 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.

On 14 March 2011, the Company received from the Primary Court Skopje 1 a copy of the "Finding and Opinion", dated November 2010, issued by the Bureau of Judicial Expertise to the Primary Court Skopje 1 as a result of the expertise procedure. The "Finding and Opinion" addresses and contains conclusions regarding five contracts entered into with Chaptex and Cosmotelco in 2005 and 2006 and formerly reviewed by the Audit Committee of Magyar Telekom. The "Finding and Opinion" concludes that, based on these contracts, expenditures in the amount of EUR 3.975 million were made by the Company and Stonebridge to Chaptex "without evidence for performed services"; accordingly, shareholders of the Company and Stonebridge in the proportion of their shareholding, suffered damages in the aforementioned aggregate amount as result of decreased proceeds for payment of dividend in 2005 and 2006.

Based on publically available information, we understand that the Public Prosecutor has filed an indictment in 2011 against Mr. Szendrei, Mr. Kisjuhász and Mr. Plath, but not against Mr. Kefaloyannis. The court hearing has taken place at the end of 2011, but it was postponed since the court could not provide presence of any of the defendants. The Company, as damaged party in this case, has not received official court invitation for the hearing.

Pursuant to the questions posed by the investigative judge, it could be concluded that the public prosecutor has addressed the Company as party damaged by the actions of the defendants. However, based on the content of the order for expertise issued by the investigative judge, and on the basis of the expert opinion, it can be concluded that now damaged parties are shareholders of the Company (Stonebridge AD Skopje, Republic of Macedonia and minority shareholders) and therefore the state budget, as the Republic of Macedonia is a shareholder in the Company. Therefore, the public prosecutor should clear out who is considered as damage party in this particular case, which is of significant importance for the position of the Company in this proceeding and its further actions. At the moment there aren't any indications that the Company could be found liable and made to pay any penalties or fines for the criminal procedure which is initiated against the individuals.

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We have not become aware of any 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.



Daniel Szasz
Chief Executive Officer



Makedonski Telekom AD Skopje
Orce Nikolov bb, 1000 Skopje

CONSOLIDATED INCOME STATEMENT ACCORDING TO IFRS (BY COST NATURE)

Company	Makedonski Telekom AD - Skopje		
Reporting period	01.01.2012 - 30.06.2012	ID number	5168660

(in MKD thousands)

No.	Item	Previous year		Current year		Indices	
		Cumulative from the beginning of the year	Current quarter	Cumulative from the beginning of the year	Current quarter	Compared to the previous year	Compared to the previous quarter
1	OPERATING INCOME	7,895,350	4,011,442	6,904,884	3,499,470	87	87
2	Sales revenues	7,744,397	3,911,412	6,755,126	3,389,667	87	87
2a	Domestic sales revenue	6,892,786	3,473,970	5,837,598	2,892,289	85	83
2b	Foreign sales revenue	851,611	437,442	917,528	497,378	108	114
3	Changes in the stock of finished products and work in progress	0	0	0	0	0	0
4	Other operating income	150,953	100,030	149,758	109,803	99	110
5	OPERATING EXPENSES	-5,249,655	-2,684,756	-5,250,806	-2,545,741	100	95
6	Cost value of trade goods	-718,299	-388,797	-612,558	-283,558	85	73
7	Materials, small inventory and services	-2,224,383	-1,121,032	-2,081,864	-1,018,210	94	91
7a	Raw materials and small inventory	-38,317	-22,381	-24,952	-8,868	65	40
7b	Services	-2,186,066	-1,098,651	-2,056,912	-1,009,342	94	92
8	Changes in the stock of finished products and work in progress	0	0	0	0	0	0
9	Employee-related costs	-788,006	-385,246	-770,672	-379,824	98	99
10	Depreciation, amortization and provisions	-1,479,867	-787,621	-1,671,083	-791,410	113	100
10a	Depreciation	-1,571,736	-784,843	-1,674,035	-795,408	107	101
10b	Impairment of fixed assets	-3,530	-2,213	-3,065	-1,963	87	89
10c	Provisions for costs and risks	95,399	-565	6,017	5,961	6	(1,055)
11	Other operating expenses	-39,100	-2,060	-114,629	-72,739	293	3,531
12	OPERATING PROFIT/LOSS	2,645,695	1,326,686	1,654,078	953,729	63	72
13	Financial income	3,281	3,281	3,281	3,281	100	100
14	Income from investments, loans, interest and FX rate movements	113,530	43,857	6,056	49,238	102	112
15	Other financing income	0	0	0	0	0	0
16	Financial expenses	0	0	1,076	538	0	0
17	Expenses for interest, FX rate movements and similar expenses	-11,503	-5,090	-10,311	-4,242	90	83
18	Other financing expenses	0	0	0	0	0	0
19	Profit/loss from regular operations before tax	2,751,003	1,368,734	1,764,180	1,002,544	64	73
20	Income tax	0	0	-564	2,677	0	0
21	Net profit/loss after tax	2,751,003	1,368,734	1,763,616	1,005,221	64	73
22	Minority interest	0	0	0	0	0	0
23	Net profit/loss for the fiscal year	2,751,003	1,368,734	1,763,616	1,005,221	64	73

Daniel Szasz
Chief Executive Officer

Македонски Телеком

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ANALYSIS OF CONSOLIDATED OPERATING PROFIT ACCORDING TO IFRS (BY COST NATURE)

Company	Makedonski Telekom AD - Skopje	ID number	5168660
Reporting period	01.01.2012 - 30.06.2012		

(in MKD thousands)

No	Item	Previous year		Current year		Indices	
		Cumulative from the beginning of the year	Current quarter	Cumulative from the beginning of the year	Current quarter	Compared to the previous year	Compared to the previous quarter
1	Sales revenues	7,744,397	3,911,412	6,755,126	3,389,667	87	87
2	Other operating income	150,953	100,030	149,758	109,803	99	110
3	Cost value of goods and services sold	-718,299	-388,797	-612,558	-283,558	85	73
4	Changes in the stock of finished products and work in progress	0	0	0	0	0	0
5	Raw materials, materials and small inventory	-38,317	-22,381	-24,952	-8,868	65	40
6	Impairment charges	-27,529	-14,853	-41,669	-32,706	151	220
7	Employee-related costs	-788,006	-385,246	-770,672	-379,824	98	99
8	Sales costs	-1,662,546	-864,859	-1,859,066	-869,904	112	101
9	Costs for services provided by other parties	-1,999,857	-1,019,200	-1,865,864	-928,885	93	91
10	Other operating expenses	-15,101	10,580	-76,025	-41,996	503	(397)
11	OPERATING PROFIT/LOSS	2,645,695	1,326,686	1,654,078	953,729	63	72



Daniel Szasz
Chief Executive Officer

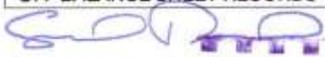
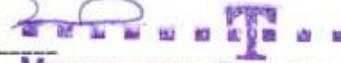


Makedonski Telekom AD Skopje
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CONSOLIDATED BALANCE SHEET ACCORDING TO IFRS

Company	Makedonski Telekom AD - Skopje		
Reporting period	30.06.2012	ID number	5168660

(in MKD thousands)			
Item	Previous year	Current year	Indices
ASSETS			
NON-CURRENT ASSETS	16,479,999	15,684,427	95
Intangible assets	2,546,977	2,416,540	95
Property, plant and equipment	13,548,693	12,892,118	95
Investments in subsidiaries	0	0	0
Investments in associate companies	0	0	0
Investments in securities	54,083	53,604	99
Other tangible assets	0	0	0
Other long-term receivables	330,246	322,165	98
Deferred tax assets	0	0	0
CURRENT ASSETS	12,740,631	8,749,190	69
Inventories	579,450	587,823	101
Trade receivables	2,422,412	2,391,118	99
Other receivables	386,196	394,466	102
Short-term investments	9,237,719	5,180,674	56
Cash and cash equivalents	114,854	195,109	170
TOTAL ASSETS	29,220,630	24,433,617	84
OFF-BALANCE SHEET RECORDS - ASSETS	0	0	0
EQUITY AND LIABILITIES			
EQUITY	25,497,868	21,097,927	83
Shareholders' equity	6,386,189	6,386,189	100
Reserves	2,475,068	2,475,068	100
Accumulated profit (loss)	16,636,611	12,236,670	74
Minority interest	0	0	0
LIABILITIES	3,722,762	3,335,690	90
CURRENT LIABILITIES	3,267,904	3,016,596	92
Trade payables and other liabilities	3,082,231	2,856,511	93
Short-term borrowings	0	0	0
Short-term provision	132,349	118,521	90
Payables to the state	53,324	41,564	78
LONG-TERM LIABILITIES	454,858	319,094	70
Long-term borrowings	0	0	0
Trade payables and other long-term liabilities	0	0	0
Other long-term provision	454,858	319,094	70
TOTAL EQUITY AND LIABILITY	29,220,630	24,433,617	84
OFF-BALANCE SHEET RECORDS - LIABILITIES	0	0	0



Daniel Szasz
Chief Executive Officer

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Makedonski Telekom AD Skopje
 Orce Nikolov bb, 1000 Skopje

CONSOLIDATED CASH FLOW STATEMENT ACCORDING TO IFRS

Company	Makedonski Telekom AD - Skopje		
Reporting period	30.06.2012	ID number	5168660

(in MKD thousands)

Item	Previous year	Current year	Indices
A) Cash flows from operating activities	7,699,273	3,250,981	42
Net profit / loss after tax	4,917,204	1,763,616	36
Adjustment for			
Depreciation	3,555,235	1,674,035	47
Amortization and impairment charges	55,569	11,561	21
Increase / decrease of inventories	-74,456	-8,373	11
Increase / decrease of customers	218,395	31,294	14
Increase / decrease of advance payments receivables	3,753	1,863	50
Increase / decrease of other short-term receivables	42,431	-39,182	(92)
Increase / decrease of prepaid expenses	-38,883	19,309	(50)
Increase / decrease of trade payables	-588,284	-154,518	26
Increase / decrease of payables for received advances	1,496	10,690	715
Increase / decrease of other short-term liabilities	-51,856	110,796	(214)
Increase / decrease of deferred income	11,614	-9,921	(85)
Interest income / expense	-229,509	-105,879	46
Dividend paid / charged	-3,282	-3,281	100
Tax paid	2,561	-11,760	(48)
Capital profit / loss from sale of fixed assets	-22,544	-7,002	31
Capital profit / loss from sale of investments	-382	0	0
Other cash flows from operating activities	-121,789	-32,267	26
B) Cash flows from investing activities	-1,714,680	2,992,831	(175)
Acquisition of property, plant and equipment, intangible assets, etc.	-2,494,376	-1,205,280	48
Disposal of property, plant and equipment, intangible assets, etc.	68,207	14,085	21
Cash flows from disposal of bearer or debt securities to other legal persons and participation in joint ventures	0	0	0
Cash payments for acquisition of bearer or debt securities to other legal persons and participation in joint ventures	0	0	0
Cash advances and loans provided to other parties (excluding financial institutions)	0	0	0
Cash flows from collection of advances and loans provided to other parties (excluding financial institutions)	-17,158	6,307	(37)
Cash flows from interests	236,166	115,264	49
Cash flows from dividends	3,282	3,281	100
Other cash flows from investing activities	489,199	4,059,174	830

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Makedonski Telekom AD Skopje
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CONSOLIDATED CASH FLOW STATEMENT ACCORDING TO IFRS (CONTINUED)

Company	Makedonski Telekom AD - Skopje		
Reporting period	30.06.2012	ID number	5168660

(in MKD thousands)

Item	Previous year	Current year	Indices
C) Cash flows from financing activities	-5,947,479	-6,163,557	104
Cash flows from increase of equity through issuing stock or other bearer securities	0	0	0
Cash payments for repayments of loans	0	0	0
Cash flows from issued debt securities and other short-term and long-term loans and borrowings	0	0	0
Acquisition of minority interests	0	0	0
Dividend paid	-5,947,479	-6,163,557	104
Treasury shares purchased/ sold	0	0	0
Cash payments for reduction of financial leasing payables	0	0	0
Increase / decrease of cash and cash equivalents	37,114	80,255	216
Cash and cash equivalents at the beginning of the year	77,740	114,854	148
D) Cash and cash equivalents at the end of the period	114,854	195,109	170



Македонски Телеком

Daniel Szasz
Chief Executive Officer

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Makedonski Telekom AD - Skopje
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ACCORDING TO IFRS

Company	Makedonski Telekom AD - Skopje		
Reporting period	30.06.2012	ID number	5168660

(in MKD thousands)

Changes	Shareholders' equity				Minority interest	Total equity
	Shareholders' equity	Share premium	Reserves	Accumulated profit (loss)		
Balances at 1 January of the previous year	5,845,530	540,659	2,475,068	17,666,886	0	26,528,143
Payment of shares	0	0	0	0	0	0
Treasury shares acquired	0	0	0	0	0	0
Treasury shares sold	0	0	0	0	0	0
Conversion of securities	0	0	0	0	0	0
Profit (loss) for the fiscal year	0	0	0	4,917,204	0	4,917,204
Distribution of the profits as transfer to the reserves	0	0	0	0	0	0
Distribution of the profits for dividends and other payouts to the shareholders	0	0	0	-5,947,479	0	-5,947,479
Distribution of the profits for rewards and benefits for the employees	0	0	0	0	0	0
Other company reserves	0	0	0	0	0	0
Evaluation of tangible assets	0	0	0	0	0	0
Adjustments of investments available-for-sale at fair value	0	0	0	0	0	0
Realized capital gain from the sale of securities	0	0	0	0	0	0
Recording losses of subsidiaries using the equity method	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0
Recognized income and expenses, net	0	0	0	0	0	0
Foreign exchange rate movements	0	0	0	0	0	0
Other increase / decrease of assets, net	0	0	0	0	0	0
Balances at 31 December of the previous year	5,845,530	540,659	2,475,068	16,636,611	0	25,497,868
Payment of shares	0	0	0	0	0	0
Treasury shares acquired	0	0	0	0	0	0
Treasury shares sold	0	0	0	0	0	0
Conversion of securities	0	0	0	0	0	0
Profit (loss) for the fiscal year	0	0	0	1,763,616	0	1,763,616
Distribution of the profits as transfer to the reserves	0	0	0	0	0	0
Distribution of the profits for dividends and other payouts to the shareholders	0	0	0	-6,163,557	0	-6,163,557
Distribution of the profits for rewards and benefits for the employees	0	0	0	0	0	0
Other company reserves	0	0	0	0	0	0
Evaluation of tangible assets	0	0	0	0	0	0
Adjustments of investments available-for-sale at fair value	0	0	0	0	0	0
Realized capital gain from the sale of securities	0	0	0	0	0	0

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Makedonski Telekom AD Skopje
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ACCORDING TO IFRS (CONTINUED)

Company	Makedonski Telekom AD - Skopje		
Reporting period	30.06.2012	ID number	5168660

(in MKD thousands)

Changes	Shareholders' equity				Minority interest	Total equity
	Shareholders' equity	Share premium	Reserves	Accumulated profit (loss)		
Recording losses of subsidiaries using the equity method	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0
Recognized income and expenses, net	0	0	0	0	0	0
Foreign exchange rate movements	0	0	0	0	0	0
Other increase / decrease of assets, net	0	0	0	0	0	0
Balances at 30 June of the current year	5,845,530	540,659	2,475,068	12,236,670	0	21,097,927

Daniel Szasz
Chief Executive Officer

Македонски Телеком
АД за сепаративна телекомуникација - Скопје

To: Securities and Exchange Commission of the RoM
26 Dimitrija Cupovski, 1000 Skopje

Date: August 2012

STATEMENT

In accordance with the Law on Securities of the RoM as well as the respective by-laws I, Daniel Szasz, Chief Executive Officer of Makedonski Telekom AD – Skopje hereby affirm that the complete delivered material for the semi - annual reporting for 2012 prepared on nonconsolidated basis is accurate and reliable.

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.

Based on publicly available information, as well as information obtained from Magyar Telekom and as previously disclosed, Magyar Telekom's Audit Committee conducted an internal investigation regarding certain contracts relating to the activities of Magyar Telekom and/or its affiliates in Montenegro and Macedonia that totalled more than EUR 31 million. In particular, the internal investigation examined whether Magyar Telekom and/or its Montenegrin and Macedonian affiliates had made payments prohibited by U.S. laws or regulations, including the U.S. Foreign Corrupt Practices Act (the "FCPA"). The Company has previously disclosed the results of the internal investigation.

Magyar Telekom's Audit Committee informed the U.S. Department of Justice (the "DOJ") and the U.S. Securities and Exchange Commission (the "SEC") of the internal investigation. The DOJ and the SEC commenced investigations into the activities that were the subject of the internal investigation. For further information about the internal investigation, please refer to the financial statements of the Company for the year ended 31 December 2010.

In 2011, Magyar Telekom entered into final settlements with the DOJ and the SEC to resolve the DOJ's and the SEC's investigations relating to Magyar Telekom. The settlements concluded the DOJ's and the SEC's investigations.

Magyar Telekom has entered into a two-year deferred prosecution agreement (the "DPA") with the DOJ, under which Magyar Telekom was charged with a violation of the anti-bribery provisions of the FCPA and two violations of the books and records provisions of the FCPA. In accordance with the DPA, on 29 December 2011, the DOJ filed a criminal information (the "Information") setting out these charges in the U.S. District Court for the Eastern District of Virginia. Magyar Telekom has agreed to admit to the DOJ's allegations and to acknowledge responsibility for the acts as charged in the Information. Magyar Telekom has agreed to pay a criminal penalty of USD 59.6 million to cooperate with the DOJ in future investigations, to refrain from any violations of U.S. federal criminal law, to continue to operate a compliance program and to report to the DOJ annually regarding the compliance program

Makedonski Telekom AD Skopje
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during the term of the DPA. The DOJ will seek to dismiss the charges upon conclusion of the two-year term, unless Magyar Telekom violates the terms of the DPA.

On 29 December 2011, the SEC filed in the U.S. District Court for the Southern District of New York a Complaint (the "Complaint") and a proposed Final Judgment against Magyar Telekom (the "Final Judgment"). Without admitting or denying the allegations in the Complaint, Magyar Telekom consented to the filing of the Complaint and entry of the Final Judgment to resolve the SEC's investigation. The Complaint alleged civil violations of the FCPA's anti-bribery, books and records and internal control provisions. The Final Judgment, which was approved by the U.S. District Court for the Southern District of New York on 3 January 2012, permanently enjoined Magyar Telekom from violating these provisions and required Magyar Telekom to pay USD 25.2 million for disgorgement of profits and USD 6.0 million of prejudgment interest thereon.

The final settlements recognize the DOJ's and the SEC's consideration of Magyar Telekom's self-reporting, thorough internal investigation, remediation and cooperation with the DOJ's and the SEC's investigations. Magyar Telekom has undertaken several remedial measures to address the issues identified during the course of these investigations. These measures include steps designed to revise and enhance Magyar Telekom's internal controls, as well as the establishment of the Corporate Compliance Program. The Corporate Compliance Program promotes awareness of Magyar Telekom's compliance policies and procedures through training, the operation of a whistleblower hotline, and monitoring of, and communications with, employees and subsidiaries of Magyar Telekom. Magyar Telekom remains fully committed to responsible corporate behaviour.

On 6 January 2012 Magyar Telekom paid a criminal penalty of USD 59.6 million pursuant to the settlement with the DOJ and on 23 January 2012 Magyar Telekom paid USD 25.2 million for disgorgement of profits and USD 6.0 million of prejudgment interest pursuant to the settlement with the SEC, totalling USD 90.8 million paid with respect to the settlements with the DOJ and the SEC.

The above-referenced settlement by Magyar Telekom and associated liability was not recorded in the separate financial statements of the Company. These amounts were reflected in the consolidated financial statements of Magyar Telekom and are not reflected in the separate financial statements of the Company.

According to 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").

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 216,577 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. In 2010 the amount related to the identified potential tax impact (together with related penalty interest) amounted to MKD 227,972 thousand which 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 was corrected in 2009 consolidated financial statements and was 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 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.

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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. An 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 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.

On 14 March 2011, the Company received from the Primary Court Skopje 1 a copy of the "Finding and Opinion", dated November 2010, issued by the Bureau of Judicial Expertise to the Primary Court Skopje 1 as a result of the expertise procedure. The "Finding and Opinion" addresses and contains conclusions regarding five contracts entered into with Chaptex and Cosmotelco in 2005 and 2006 and formerly reviewed by the Audit Committee of Magyar Telekom. The "Finding and Opinion" concludes that, based on these contracts, expenditures in the amount of EUR 3.975 million were made by the Company and Stonebridge to Chaptex "without evidence for performed services"; accordingly, shareholders of the Company and Stonebridge in the proportion of their shareholding, suffered damages in the aforementioned aggregate amount as result of decreased proceeds for payment of dividend in 2005 and 2006.

Based on publically available information, we understand that the Public Prosecutor has filed an indictment in 2011 against Mr. Szendrei, Mr. Kisjuhász and Mr. Plath, but not against Mr. Kefaloyannis. The court hearing has taken place at the end of 2011, but it was postponed since the court could not provide presence of any of the defendants. The Company, as damaged party in this case, has not received official court invitation for the hearing.

Pursuant to the questions posed by the investigative judge, it could be concluded that the public prosecutor has addressed the Company as party damaged by the actions of the defendants. However, based on the content of the order for expertise issued by the investigative judge, and on the basis of the expert opinion, it can be concluded that now damaged parties are shareholders of the Company (Stonebridge AD Skopje, Republic of Macedonia and minority shareholders) and therefore the state budget, as the Republic of Macedonia is a shareholder in the Company. Therefore, the public prosecutor should clear out who is considered as damage party in this particular case, which is of significant importance for the position of the Company in this proceeding and its further actions. At the moment there aren't any indications that the Company could be found liable and made to pay any penalties or fines for the criminal procedure which is initiated against the individuals.



Makedonski Telekom AD Skopje
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We have not become aware of any 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.


Daniel Szasz
Chief Executive Officer


Македонски Телеком
AD "Makedonski Telekom" Skopje, R. Macedonia

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Makedonski Telekom AD Skopje
Orce Nikolov bb 1000 Skopje

To: Securities and Exchange Commission of the RoM
26 Dimitrija Cupovski, 1000 Skopje

Date: August 2012

STATEMENT

In accordance with the Law on Securities of the RoM as well as the respective by-laws I, Daniel Szasz, Chief Executive Officer of Makedonski Telekom AD – Skopje hereby affirm that the complete delivered material for the semi - annual reporting for 2012 prepared on consolidated basis is accurate and reliable.

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Magyar Telekom's Audit Committee informed the U.S. Department of Justice (the "DOJ") and the U.S. Securities and Exchange Commission (the "SEC") of the internal investigation. The DOJ and the SEC commenced investigations into the activities that were the subject of the internal investigation. For further information about the internal investigation, please refer to the financial statements of the Company for the year ended 31 December 2010.

In 2011, Magyar Telekom entered into final settlements with the DOJ and the SEC to resolve the DOJ's and the SEC's investigations relating to Magyar Telekom. The settlements concluded the DOJ's and the SEC's investigations.

Magyar Telekom has entered into a two-year deferred prosecution agreement (the "DPA") with the DOJ, under which Magyar Telekom was charged with a violation of the anti-bribery provisions of the FCPA and two violations of the books and records provisions of the FCPA. In accordance with the DPA, on 29 December 2011, the DOJ filed a criminal information (the "Information") setting out these charges in the U.S. District Court for the Eastern District of Virginia. Magyar Telekom has agreed to admit to the DOJ's allegations and to acknowledge responsibility for the acts as charged in the Information. Magyar Telekom has agreed to pay a criminal penalty of USD 59.6 million to cooperate with the DOJ in future investigations, to refrain from any violations of U.S. federal criminal law, to continue to operate a compliance program and to report to the DOJ annually regarding the compliance program during the term of the DPA. The DOJ will seek to dismiss the charges upon conclusion of the two-year term, unless Magyar Telekom violates the terms of the DPA.

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On 29 December 2011, the SEC filed in the U.S. District Court for the Southern District of New York a Complaint (the "Complaint") and a proposed Final Judgment against Magyar Telekom (the "Final Judgment"). Without admitting or denying the allegations in the Complaint, Magyar Telekom consented to the filing of the Complaint and entry of the Final Judgment to resolve the SEC's investigation. The Complaint alleged civil violations of the FCPA's anti-bribery, books and records and internal control provisions. The Final Judgment, which was approved by the U.S. District Court for the Southern District of New York on 3 January 2012, permanently enjoined Magyar Telekom from violating these provisions and required Magyar Telekom to pay USD 25.2 million for disgorgement of profits and USD 6.0 million of prejudgment interest thereon.

The final settlements recognize the DOJ's and the SEC's consideration of Magyar Telekom's self-reporting, thorough internal investigation, remediation and cooperation with the DOJ's and the SEC's investigations. Magyar Telekom has undertaken several remedial measures to address the issues identified during the course of these investigations. These measures include steps designed to revise and enhance Magyar Telekom's internal controls, as well as the establishment of the Corporate Compliance Program. The Corporate Compliance Program promotes awareness of Magyar Telekom's compliance policies and procedures through training, the operation of a whistleblower hotline, and monitoring of, and communications with, employees and subsidiaries of Magyar Telekom. Magyar Telekom remains fully committed to responsible corporate behaviour.

On 6 January 2012 Magyar Telekom paid a criminal penalty of USD 59.6 million pursuant to the settlement with the DOJ and on 23 January 2012 Magyar Telekom paid USD 25.2 million for disgorgement of profits and USD 6.0 million of prejudgment interest pursuant to the settlement with the SEC, totalling USD 90.8 million paid with respect to the settlements with the DOJ and the SEC.

The above-referenced settlement by Magyar Telekom and associated liability was not recorded in the consolidated financial statements of the Group. These amounts were reflected in the consolidated financial statements of Magyar Telekom and are not reflected in the consolidated financial statements of the Company.

According to 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").

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. 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 the subsidiary, as of 31 December 2011 the amount related to the identified potential tax impact (together with related penalty interest) amounted to MKD 36,019 thousand (see note 14). In addition, the value of one contract MKD 105,147 thousand capitalised within treasury shares was corrected in 2009 consolidated financial statements and was 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

Makedonski Telekom AD Skopje
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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. An 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 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.

On 14 March 2011, the Company received from the Primary Court Skopje 1 a copy of the "Finding and Opinion", dated November 2010, issued by the Bureau of Judicial Expertise to the Primary Court Skopje 1 as a result of the expertise procedure. The "Finding and Opinion" addresses and contains conclusions regarding five contracts entered into with Chaptex and Cosmotelco in 2005 and 2006 and formerly reviewed by the Audit Committee of Magyar Telekom. The "Finding and Opinion" concludes that, based on these contracts, expenditures in the amount of EUR 3.975 million were made by the Company and Stonebridge to Chaptex "without evidence for performed services"; accordingly, shareholders of the Company and Stonebridge in the proportion of their shareholding, suffered damages in the aforementioned aggregate amount as result of decreased proceeds for payment of dividend in 2005 and 2006.

Based on publically available information, we understand that the Public Prosecutor has filed an indictment in 2011 against Mr. Szendrei, Mr. Kisjuhász and Mr. Plath, but not against Mr. Kefaloyannis. The court hearing has taken place at the end of 2011, but it was postponed since the court could not provide presence of any of the defendants. The Company, as damaged party in this case, has not received official court invitation for the hearing.

Pursuant to the questions posed by the investigative judge, it could be concluded that the public prosecutor has addressed the Company as party damaged by the actions of the defendants. However, based on the content of the order for expertise issued by the investigative judge, and on the basis of the expert opinion, it can be concluded that now damaged parties are shareholders of the Company (Stonebridge AD Skopje, Republic of Macedonia and minority shareholders) and therefore the state budget, as the Republic of Macedonia is a shareholder in the Company. Therefore, the public prosecutor should clear out who is considered as damage party in this particular case, which is of significant importance for the position of the Company in this proceeding and its further actions.

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At the moment there aren't any indications that the Company could be found liable and made to pay any penalties or fines for the criminal procedure which is initiated against the individuals.

We have not become aware of any 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.




Daniel Szasz
Chief Executive Officer