



Makedonski Telekom AD Skopje
„Kej 13-ti Noemvri” br.6, 1000 Skopje, Republika Makedonija

**To: Macedonian Stock Exchange
Orce Nikolov 75, 1000 Skopje**

Date: November 2013

**Subject: Explanation on the operation of Makedonski Telekom AD - Skopje for the
period from 01.01.2013 until 30.09.2013**

The following analysis refers to the unaudited non consolidated (stand-alone) Income statement and analysis on the operating profit of Makedonski Telekom AD – Skopje for the period 01.01.2013 - 30.09.2013, prepared in accordance with International Financial Reporting Standards (IFRSs).

During the first nine months of 2013, the operating income mark decrease of 26.6% compared to the same period of the previous year. The voice revenues in the fixed segment services decreased due to the decreased number of fixed line customers by 8.2% compared to the same period of the previous year, resulting in a customer base of 270 thousand at the end of September 2013 and a decrease of the outgoing traffic by 15.9% amounting to 434,027 thousand minutes in the first nine months of 2013. However, Makedonski Telekom has managed to maintain its leading market position with a market share of 69.9% (internal estimation) in the fixed line segment and with internet broadband market share of 52.6% (internal estimation). The revenues from internet and digital television via Internet protocol (“IPTV”) increased by 7.3% compared to the same period of the previous year. The focus on the double and triple play packages resulted in an increased number of DSL customers by 9.4%, resulting in DSL customer base of 182 thousand at the end of September 2013. 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 44.3% compared to end of September 2012, amounting to 84 thousand customers at the end of September 2013.

Other operating income and expenses are decreased as a result of the sale of three administrative buildings and purchasing of new administrative building in 2012 as part of the contract for sale and purchase of real estate with an exchange.

Apart from this transaction, all other operating expenses are increased compared to the same period of the previous year due to increase of the employee related expenses for the program for voluntary leave of the company and increased cost of goods and services sold partly compensated by the decreased amortization.

On the cost side, during the first nine months of 2013, the operating expenses decreased by 4.3% 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 nine months of the 2013 by 53.3% compared to the same period of the previous year, resulting in a net profit of MKD 2,267,246 thousand.



Makedonski Telekom AD Skopje
„Kej 13-ti Noemvri” br.6, 1000 Skopje, Republika Makedonija

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. On December 29, 2011, Magyar Telekom announced that it had 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 disclosed the key terms of the settlements with the DOJ and the SEC on December 29, 2011

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 of MKD 105,147 thousand capitalised within treasury shares was corrected in 2009 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).

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Makedonski Telekom AD Skopje
„Kej 13-ti Noemvri” br.6, 1000 Skopje, Republika Makedonija

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.

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.



Makedonski Telekom AD Skopje
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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 and accordingly the Company did not record any provision.

On 23 February 2012 the Company received a request for documentation from the Financial Police Office of the Ministry of Finance of RoM related to certain consultancy contract and underlying documentation, which were also provided to White & Case during the internal investigation. The Company responded to the request accordingly.

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.

Thilo Kusch
Chief Executive Officer

Slavko Projkoski
Chief Financial Officer

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

Company Makedonski Telekom AD - Skopje
Reporting period 01.01.2013 – 30.09.2013

ID number

5168660

(in MKD thousands)

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

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	5,488,907	1,805,923	4,995,930	1,669,744	91	92
2	Other operating income	1,375,960	1,271,502	40,377	14,864	3	1
3	Cost value of goods and services sold	-245,790	-80,225	-272,192	-72,312	111	90
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	-24,615	-7,643	-24,046	-5,380	98	70
6	Impairment charges	-19,608	-6,352	-26,305	-2,189	134	34
7	Employee-related costs	-811,432	-271,228	-1,007,630	-443,135	124	163
8	Sales costs	-1,631,604	-545,164	-1,771,324	-596,469	109	109
9	Costs for services provided by other parties	-2,134,007	-765,862	-2,084,591	-745,990	98	97
10	Other operating expenses	-609,682	-570,200	-54,617	-26,621	9	5
11	OPERATING PROFIT/LOSS	1,388,129	830,751	-204,398	-207,488	-15	-25

Thilo Kusch
Chief Executive Officer

Slavko Projkoski
Chief Financial Officer

UNAUDITED NONCONSOLIDATED INCOME STATEMENT ACCORDING TO IFRS (BY COST NATURE)

 Company Makedonski Telekom AD - Skopje
 Reporting period 01.01.2013 – 30.09.2013

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	6,864,867	3,077,425	5,036,307	1,684,608	73	55
2	Sales revenues	5,488,907	1,805,923	4,995,930	1,669,744	91	92
2a	Domestic sales revenue	4,374,348	1,428,847	3,971,009	1,296,704	91	91
2b	Foreign sales revenue	1,114,559	377,076	1,024,921	373,040	92	99
3	Changes in the stock of finished products and work in progress	0	0	0	0	0	0
4	Other operating income	1,375,960	1,271,502	40,377	14,864	3	1
5	OPERATING EXPENSES	-5,476,738	-2,246,674	-5,240,705	-1,892,096	96	84
6	Cost value of trade goods	-245,790	-80,225	-272,192	-72,312	111	90
7	Materials, small inventory and services	-2,341,889	-830,156	-2,292,055	-806,187	98	97
7a	Raw materials and small inventory	-24,615	-7,643	-24,046	-5,380	98	70
7b	Services	-2,317,274	-822,513	-2,268,009	-800,807	98	97
8	Changes in the stock of finished products and work in progress	0	0	0	0	0	0
9	Employee-related costs	-811,432	-271,228	-1,007,630	-443,135	124	163
10	Depreciation, amortization and provisions	-1,451,390	-488,526	-1,587,905	-541,652	109	111
10a	Depreciation	-1,448,337	-488,514	-1,587,905	-541,652	110	111
10b	Impairment of fixed assets	-3,053	-12	0	0	0	0
10c	Provisions for costs and risks	0	0	0	0	0	0
11	Other operating expenses	-626,237	-576,539	-80,923	-28,810	13	5
12	OPERATING PROFIT/LOSS	1,388,129	830,751	-204,398	-207,488	-15	-25
13	Financial income	3,358,784	3	2,464,210	0	73	0
14	Income from investments, loans, interest and FX rate movements	116,336	33,517	51,197	8,622	44	26
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	-12,497	-4,795	-43,763	-14,206	350	296
18	Other financing expenses	0	0	0	0	0	0
19	Profit/loss from regular operations before tax	4,850,752	859,476	2,267,246	-213,072	47	-25
20	Income tax	0	0	0	0	0	0
21	Net profit/loss after tax	4,850,752	859,476	2,267,246	-213,072	47	-25
22	Minority interest	0	0	0	0	0	0
23	Net profit/loss for the fiscal year	4,850,752	859,476	2,267,246	-213,072	47	-25

Thilo Kusch
 Chief Executive Officer

Slavko Projkoski
 Chief Financial Officer



Makedonski Telekom AD Skopje
„Kej 13-ti Noemvri” br.6, 1000 Skopje, Republika Makedonija

**To: Macedonian Stock Exchange
Orce Nikolov 75, 1000 Skopje**

Date: November 2013

**Subject: Explanation on the operation of Makedonski Telekom AD - Skopje Group for
the period from 01.01.2013 until 30.09.2013**

The following analysis refers to the unaudited consolidated Income statement and analysis on the operating profit of Makedonski Telekom AD – Skopje Group, which includes Makedonski Telekom AD - Skopje, T-Mobile Macedonia AD Skopje and the e-Makedonija – Skopje Foundation for the period 01.01.2013 - 30.09.2013, prepared in accordance with International Financial Reporting Standards (IFRSs).

The operating income at Group level in the first nine months of 2013 amounted to MKD 9,556,493 thousand, which represents decrease of 20.3% compared to the same period in 2012.

The voice revenues in the fixed segment services decreased due to the decreased number of fixed line customers by 8.2% compared to the same period of the previous year, resulting in a customer base of 270 thousand at the end of September 2013 and a decrease of the outgoing traffic by 15.9% amounting to 434,027 thousand minutes in the first nine months of 2013. However, Makedonski Telekom has managed to maintain its leading market position with a market share of 69.9% (internal estimation) in the fixed line segment and with internet broadband market share of 52.6% (internal estimation). The revenues from internet and digital television via Internet protocol (“IPTV”) increased by 7.3% compared to the same period of the previous year. The focus on the double and triple play packages resulted in an increased number of DSL customers by 9.4%, resulting in DSL customer base of 182 thousand at the end of September 2013. 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 44.3% compared to end of September 2012, amounting to 84 thousand customers at the end of September 2013.

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 1,212 thousand subscribers at the end of September 2013. In addition, the Average Revenue Per User (ARPU) decreased by 8.6%. Nevertheless, even with this strong price competition, T-Mobile Macedonia has maintained its leading market position with a market share of 49.0% (internal estimation).

Other operating income and expenses are decreased as a result of the sale of four administrative buildings and purchasing of new administrative building in 2012 as part of the contract for sale and purchase of real estate with an exchange.

Apart from this transaction, all other operating expenses are increased compared to the same period of the previous year due to increase in the employee related expenses for the program for voluntary leave of the companies and increased cost of goods and services sold partly compensated by the decreased amortization.

On the cost side, during the first nine months of 2013, the operating expenses decreased for 5.6% compared to the same period of the previous year.



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The above-stated movements on the revenues and costs side resulted in a decrease of the net profit for the first nine months of the 2013 by 57.0% compared to the same period of the previous year, resulting in a net profit of MKD 1,566,937 thousand.

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. On December 29, 2011, Magyar Telekom announced that it had 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 disclosed the key terms of the settlements with the DOJ and the SEC on December 29, 2011

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



Makedonski Telekom AD Skopje
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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 2012 the amount of MKD 36,724 thousand related to the identified potential tax impact, together with related penalty interest, in the subsidiary was paid upon an executive decision issued by the Public Revenue Office (see note 14). In addition, the value of one contract of 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.

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



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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 and accordingly the Group did not record any provision.

On 23 February 2012 the Company received a request for documentation from the Financial Police Office of the Ministry of Finance of RoM related to certain consultancy contract and underlying documentation, which were also provided to White & Case during the internal investigation. The Company responded to the request accordingly.

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.

Thilo Kusch
Chief Executive Officer

Slavko Projkoski
Chief Financial Officer

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

Company Makedonski Telekom AD - Skopje
Reporting period 01.01.2013 – 30.09.2013

ID number 5168660
(in MKD thousands)

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

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	10,325,779	3,570,653	9,445,627	3,257,810	91	91
2	Other operating income	1,661,458	1,511,701	110,866	28,649	7	2
3	Cost value of goods and services sold	-916,952	-304,394	-1,113,653	-303,200	121	100
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	-32,900	-7,948	-30,688	-7,406	93	93
6	Impairment charges	-67,182	-25,514	-71,667	-22,965	107	90
7	Employee-related costs	-1,167,375	-396,703	-1,415,847	-593,991	121	150
8	Sales costs	-2,706,635	-847,568	-2,494,032	-827,616	92	98
9	Costs for services provided by other parties	-2,848,901	-983,038	-2,800,616	-984,358	98	100
10	Other operating expenses	-749,439	-673,414	-90,947	-44,119	12	7
11	OPERATING PROFIT/LOSS	3,497,853	1,843,775	1,539,043	502,804	44	27

Thilo Kusch
Chief Executive Officer

Slavko Projkoski
Chief Financial Officer

UNAUDITED CONSOLIDATED INCOME STATEMENT ACCORDING TO IFRS (BY COST NATURE)

 Company Makedonski Telekom AD - Skopje
 Reporting period 01.01.2013 – 30.09.2013

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	11,987,237	5,082,354	9,556,493	3,286,459	80	65
2	Sales revenues	10,325,779	3,570,653	9,445,627	3,257,810	91	91
2a	Domestic sales revenue	8,947,100	3,109,501	8,204,071	2,775,478	92	89
2b	Foreign sales revenue	1,378,679	461,152	1,241,556	482,332	90	105
3	Changes in the stock of finished products and work in progress	0	0	0	0	0	0
4	Other operating income	1,661,458	1,511,701	110,866	28,649	7	2
5	OPERATING EXPENSES	-8,489,384	-3,238,579	-8,017,450	-2,783,655	94	86
6	Cost value of trade goods	-916,952	-304,394	-1,113,653	-303,200	121	100
7	Materials, small inventory and services	-3,157,565	-1,075,701	-3,080,400	-1,055,235	98	98
7a	Raw materials and small inventory	-32,900	-7,948	-30,688	-7,406	93	93
7b	Services	-3,124,665	-1,067,753	-3,049,712	-1,047,829	98	98
8	Changes in the stock of finished products and work in progress	0	0	0	0	0	0
9	Employee-related costs	-1,167,375	-396,703	-1,415,847	-593,991	121	150
10	Depreciation, amortization and provisions	-2,433,948	-762,865	-2,244,936	-764,145	92	100
10a	Depreciation	-2,436,927	-762,892	-2,244,936	-764,145	92	100
10b	Impairment of fixed assets	-3,077	-12	0	0	0	0
10c	Provisions for costs and risks	6,056	39	0	0	0	0
11	Other operating expenses	-813,544	-698,916	-162,614	-67,084	20	10
12	OPERATING PROFIT/LOSS	3,497,853	1,843,775	1,539,043	502,804	44	27
13	Financial income	3,284	3	1,640	0	50	0
14	Income from investments, loans, interest and FX rate movements	159,583	43,526	74,741	13,444	47	31
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	-15,329	-5,529	-48,487	-15,695	316	284
18	Other financing expenses	0	0	0	0	0	0
19	Profit/loss from regular operations before tax	3,645,391	1,881,775	1,566,937	500,553	43	27
20	Income tax	0	0	0	0	0	0
21	Net profit/loss after tax	3,645,391	1,881,775	1,566,937	500,553	43	27
22	Minority interest	0	0	0	0	0	0
23	Net profit/loss for the fiscal year	3,645,391	1,881,775	1,566,937	500,553	43	27

Thilo Kusch
 Chief Executive Officer

Slavko Projkoski
 Chief Financial Officer