T-Mobile Macedonia AD Skopje Financial Statements

For the year ended
31 December 2009
With the Report of the Auditor Thereon

Contents

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Independent Auditor's Report

To the Board of Directors and Shareholders of T-Mobile Macedonia AD Skopje

Report on financial statements

We have audited the accompanying financial statements of T-Mobile Macedonia AD Skopje, which comprise balance sheet as of 31 December 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Laws and Regulations of Republic of Macedonia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly in all material respects the financial position of T-Mobile Macedonia AD Skopje as of 31 December 2009 and its financial performance and its cash flows for the year then ended accordance with Laws and Regulations of the Republic Macedonia.

General Manager
Ljube Gjorgjievski

Certified auditor
Vladimir Zogovik

Skopje
18 February 2010

PRICEWATERHOUSECOOPERS REVIZIJA DOO Skopje

Balance Sheet

As at 31 December

In thousands of denars	Note	2009	2008
Assets			
Current assets			
Cash and cash equivalents	5	1,390,715	581,744
Deposits with banks	6	1,533,209	3,234,395
Trade and other receivables	7	1,456,976	1,544,842
Current income tax receivable		20,074	-
Inventories	8	395,604	241,267
Total current assets		**4,796,578**	**5,602,248**
Non-current assets			
Property, plant and equipment	9	1,931,356	1,749,103
Intangible assets	10	2,355,946	2,301,011
Advances for property, plant and equipment		10,901	-
Other investments		305	305
Total non-current assets		**4,298,508**	**4,050,419**
Total assets		**9,095,086**	**9,652,667**
Liabilities			
Current liabilities			
Trade and other payables	11	1,243,059	1,632,051
Current income tax liability		-	58,266
Provision for other liabilities and charges	12	381,209	431
Total current liabilities		**1,624,268**	**1,690,748**
Non-current liabilities			
Trade and other payables	11	96,596	-
Provision for other liabilities and charges	12	5,347	256,861
Total non-current liabilities		**101,943**	**256,861**
Total liabilities		**1,726,211**	**1,947,609**
Equity			
Share capital		2,791,453	2,791,453
Statutory reserves		558,291	558,291
Retained earnings		4,019,131	4,355,314
Total equity	13	**7,368,875**	**7,705,058**
Total equity and liabilities		**9,095,086**	**9,652,667**

The financial statements set out on pages 1 to 37 were authorised for issue on 18 February 2010 by the Management of T-Mobile Macedonia AD Skopje, and are subject to review and approval by the Board of directors on 25 February 2010 and by the shareholders on date that will be subsequently agreed.

Michael Lawrence
Chief Executive Officer

Zarko Lukovski
Chief Operating Officer

Irina Petlickova
Accounting Director

Income Statement

In thousands of denars	Note	Year ended 31 December 2009	2008
Revenues	14	10,256,313	10,655,942
Other operating income	15	295,422	208,275
Depreciation and amortisation		(1,249,139)	(1,203,738)
Gross salaries		(399,298)	(348,822)
Other operating expenses	16	(4,960,512)	(4,553,135)
Profit from operations		**3,942,786**	**4,758,522**
Finance expenses	17	(152)	(59)
Finance income	18	159,823	155,888
Net finance income		**159,671**	**155,829**
Profit before income tax		**4,102,457**	**4,914,351**
Income tax expense	19	(83,326)	(559,037)
Net profit for the year		**4,019,131**	**4,355,314**
Earnings per share (EPS) information:			
Basic and diluted earnings per share (MKD)		438.33	474.99

Cash flows statement

In thousands of denars	Note	2009	2008
		Year ended 31 December	
Operating activities			
Profit before tax		4,102,457	4,914,351
Adjustments for:			
Depreciation and amortisation		1,249,139	1,203,738
Write down/(back) of inventories to net realisable value	16	22,406	(6,854)
Impairment losses on trade and other receivables	16	231,579	154,651
Write off of inventories	16	4,148	10,226
Provisions for liabilities and charges	16	96,547	70,929
Interest expense	17	152	59
Interest income	18	(127,144)	(138,600)
Net gain on disposal of property, plant and equipment		(6,054)	(192)
Other non cash adjustments		17,441	22,839
Effect of foreign exchange rate changes on cash and cash equivalents		1,687	11,009
Cash generated from operations before changes in working capital		**5,592,358**	**6,242,156**
Increase in inventories		(180,975)	(34,536)
Increase in receivables		(161,251)	(342,968)
(Decrease)/increase in payables		(212,926)	647,637
(Decrease)/increase of provision		(95,685)	22,974
Cash generated from operations		**4,941,521**	**6,535,263**
Interest paid		(152)	(59)
Income taxes paid		(161,667)	(700,565)
Cash flows from operating activities		**4,779,702**	**5,834,639**
Investing activities			
Acquisition of property, plant and equipment		(714,646)	(704,226)
Acquisition of intangible assets		(743,715)	(1,204,890)
Loan repayment received		-	1,123,000
Deposits drown from banks		3,199,753	300,084
Deposits placed with banks		(1,507,384)	(3,199,753)
Proceeds from sale of property, plant and equipment		16,302	12,015
Interest received		135,960	233,736
Cash flows from investing activities		**386,270**	**(3,440,034)**
Financing activities			
Dividends paid		(4,355,314)	(3,946,745)
Cash flows from financing activities		**(4,355,314)**	**(3,946,745)**
Net increase/(decrease) in cash and cash equivalents		810,658	(1,552,140)
Effect of foreign exchange rate changes on cash and cash equivalents		(1,687)	(11,009)
Cash and cash equivalents at 1 January		581,744	2,144,893
Cash and cash equivalents at 31 December	5	**1,390,715**	**581,744**

Statement of changes in equity

In thousands of denars	Note	Share capital	Statutory reserve	Retained earnings	Total
Balance at 1 January 2008		2,791,453	558,291	3,946,745	7,296,489
Net profit for the year		-	-	4,355,314	4,355,314
Dividends paid		-	-	(3,946,745)	(3,946,745)
Balance at 31 December 2008	13	**2,791,453**	**558,291**	**4,355,314**	**7,705,058**
Balance at 1 January 2009		2,791,453	558,291	4,355,314	7,705,058
Net profit for the year		-	-	4,019,131	4,019,131
Dividends paid		-	-	(4,355,314)	(4,355,314)
Balance at 31 December 2009	13	**2,791,453**	**558,291**	**4,019,131**	**7,368,875**

1. General Information

1.1. About the Company

T-Mobile Macedonia AD Skopje (hereinafter "The Company") is a joint stock company incorporated and domiciled in Republic of Macedonia, for provision of telecommunication services.

The Company's immediate parent company is Makedonski Telekom AD Skopje (hereinafter "MKT") with 100% share, registered in Republic of Macedonia. The ultimate parent company is Deutsche Telekom AG registered in Federal Republic of Germany.

T-Mobile Macedonia AD is the leading mobile service provider in Macedonia.

The Macedonian telecommunications sector is regulated by the Electronic Communications Law ("ECL") enacted in March 2005. With the changes of the ECL published on 4 August 2008, the existing Concession Contracts of the Company and immediate parent company ceased to be valid as of 5 August 2008. On 5 September 2008 the Agency for Electronic Communications ("The Agency" or "AEC"), ex officio, has issued a notification to the Company for those public electronic communication networks and/or services which have been allocated thereto under the Concession Contracts. The licence for the radiofrequencies previously granted with the Concession Contract was also issued by the Agency.

The Agency on 29 June 2007 has published the first draft analysis conducted on Market 16 (Call termination services in public mobile communication networks) and based on it on 26 November 2007 has brought a decision by which T-Mobile Macedonia and Cosmofon (competitor of T-Mobile Macedonia, which was rebranded to ONE in November 2009) were designated with Significant Market Power ("SMP") position in the market and several obligations were imposed (interconnection and access, non-discrimination in interconnection and access, accounting separation and price control and cost accounting). T-Mobile Macedonia published a Referent Interconnection Offer ("RIO") with regulated termination rate effective from 1 August 2008. T-Mobile Macedonia was obliged to submit financial reports for 2008 based on accounting separation by 31 May 2009 and submitted them on 1 June 2009. Second round analysis of Market 16 was concluded by AEC and draft analyzes published for public debate on 21 January 2010, by which VIP Operator (subsidiary of Mobilkom Austria) is to be designated as a SMP operator. The Agency is also conducting market analysis on relevant markets defined in the Decision on relevant market determination of 17 August 2005. The Agency has engaged expert consultancy services for calculation of WACC for SMP designated operators (fixed and mobile). In September 2009, the Agency requested data for calculation of WACC to SMP operators (T-Mobile Macedonia, Cosmofon (rebranded to "ONE" in November 2009) and Makedonski Telekom). It has also engaged expert consultancy services for Long run incremental costs methodology ("LRIC") bottom-up model development as means for price control of SMP operators. The Agency published draft Price squeeze guideline on public debate for which T-Mobile Macedonia submitted comments and remarks to this Guideline.

On 30 June 2009 the Agency brought a Decision for setting the maximum amount of the one-time fee for number portability service. Prior to the decision the price was established individually by the operators. T-Mobile Macedonia initiated a procedure before the Administrative Court to dispute the decision of the Agency. The administrative procedure has not started yet.

The Agency in November 2007 has published a public tender for granting one license for 3G radiofrequencies utilization. Cosmofon at that time (now "ONE") won the tender and started the 3G commercial operations from 12 August 2008. On 2 September 2008 a decision for granting three 3G licences for EUR 10 million one off fee each was published. On 15 September 2008 a new tender for additional three 3G licenses was published. The Company won one license which was granted to it on 17 December 2008 and paid MKD 613,837 thousand, equivalent to EUR 10 million as one-off fee. T-Mobile Macedonia started commercial operations of the 3G services on 11 June 2009. The validity of the license is 10 years i.e. 17 December 2018, with a possibility for extension for 20 years in accordance to the ECL.

Since the beginning of 2009 three attempts have been made to award additional two licences for 3G radiofrequencies. On 27 January 2009 a public tender for granting two licences for 3G radiofrequencies was published with a minimum one-off fee set at EUR 5 million each. No bids were received and no license was awarded. On 16 July 2009 the tender was repeated under the same conditions and experienced the same outcome in August 2009. On 21 December 2009 the tender was published again under the same conditions which outcome is expected in 2010.

On 10 January 2009 a public tender for awarding two licences for 2G radiofrequencies in the 1800 MHz band was published. T-Mobile Macedonia was awarded one license on 6 June 2009. T-Mobile Macedonia paid EUR 2 million or MKD 122,812 thousand as one-off fee for the 2G license in the 1800 MHz band. The validity period is 10 years, with a possibility for extension for 20 years in accordance to the ECL. Also, on 10 January, 2009 a tender for one license in the 1800-1805 MHz for broadband wireless access on the whole territory of Republic of Macedonia was published. The one-off fee was set at EUR 30 thousand. On 5 May 2009 the Agency brought a Decision pronouncing Mobik Telekomunikacii a best bidder on the tender.

In July 2009, the Agency put several secondary electronic communication legislation acts on public debate. Upon the completed public debates, the new acts were brought and the enactment of these regulations is expected to improve the regulatory framework.

The Company's registered address is "Orce Nikolov" Street bb, 1000, Skopje, Republic of Macedonia. The number of employees as at 31 December 2009 was 469 (2008: 444).

1.2. Investigation into certain consultancy contracts

1.2.1 Summary of the Investigation

On 13 February 2006, Magyar Telekom Plc., the controlling owner 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 Makedonski Telekom AD, Skopje and the Audit Committee of Magyar Telekom Plc., adopted a resolution to conduct an independent internal investigation regarding these contracts.

For further information about the internal investigation, please refer to the financial statements of the Company for the year ended 31 December 2008.

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

According the information provided to the Company by Magyar Telekom Plc., the Final Report includes the following findings and conclusions related to Magyar Telekom's Macedonian affiliates, based upon the evidence available to the Audit Committee of Magyar Telekom Plc. and its counsel:

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

- Between 2000 and 2006 a small group of former senior executives at Magyar Telekom and Magyar Telekom's Macedonian affiliates, authorized the expenditure of approximately EUR 24 million through over twenty suspect consultancy, lobbying, and other contracts (including certain contracts between Magyar Telekom and its subsidiaries on one hand, and affiliates of a Cyprus-based consulting company on the other hand). The Final Re port concludes that "the available evidence does not establish that the contracts under which these expenditures were made were legitimate."

- "The evidence shows that, contrary to their terms, a number of these contracts were undertaken to obtain specific regulatory and other benefits from the government of Macedonia. The Companies generally received the benefits sought and then made expenditures under one or more of the suspect contracts. There is evidence that the remaining contracts were also illegitimate and created a pool of funds available for purposes other than those stated on the face of the agree ments." However, the Magyar Telekom Audit Committee's counsel did not have access to evidence that would allow it to identify the ultimate beneficiaries of these expenditures.

- In entering into these contracts and approving expenditures under them, the former senior executives knowingly caused, structured, or approved transactions that shared most or all of the following characteristics:
  - intentional circumvention of internal controls;
  - false and misleading corporate documents and records;
  - lack of due diligence concerning, and failure to monitor performance of, contractors and agents in circumstances carrying a high risk of corruption; lack of evidence of performance; and
  - expenditures that were not for the purposes stated in the contracts under which they were made, but rather were intended to obtain benefits for the Magyar Telekom subsidiaries that could only be conferred by government action.

- The Final Report states that "the Investigati on did not uncover evidence showing receipt of payments by any Macedonian government officials or political party officials."

As previously disclosed, Magyar Telekom has taken remedial steps to address issues previously identified by the independent investigation, including steps designed to revise and enhance the Magyar Telekom Group's internal controls. According the information provided to the Company by Magyar Telekom, the Audit Committee of Magyar Telekom has not made recommendations relating to Magyar Telekom's compliance program or internal controls in connection with the issuance of the Final Report and Magyar Telekom is considering, in consultation with its Audit Committee, whether and to what extent the Final Report warrants additional remedial actions, including any personnel actions and/or changes in internal control policies and procedures at Magyar Telekom or its subsidiaries that have been or will be implemented to address the findings of the Final Report.

In relation to the issuance of the Final Report and the information provided to the Company by Magyar Telekom, in January 2010 the Chairman of the Board of Directors of MKT requested third party legal and tax expertise for assessment of the potential accounting and tax implications arising from the transactions conducted by MKT and Company subject to the Final Report.

The external experts prepared reports (the "Reports") on their assessment and submitted the Reports to the Chairman of the BoD of MKT and the Management of the Company. 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 31,802 thousand has been identified as potential tax impact (together with related penalty interest) arising from the transactions conducted by the Company subject to the Final Report (see note 1.2.2). The 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), which require no restatements (see note 1.2.2).

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

We have become aware of no information as a result of a request from any regulators or other external parties, from which we have concluded that the financial statements may be misstated, including from the effects of a possible illegal act.

1.2.2. Accounting implications of the findings of the Investigation

The total amount of MKD 31,802 thousand identified as impact arising from the transactions conducted by the Company subject to the Final Report, are recognized in Income statement (Other operating expenses) against Provisions for other liabilities and charges.

2. Significant accounting policies

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

2.1. Basis of preparation

These financial statements are prepared, in all material respects, in accordance with the Law on Trade Companies (Official Gazette No. 28/2004) and Rule Books for Accounting (Official Gazette No. 40/1997, 73/1999, 94/2004, 11/2005 and 116/2005).

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

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

2.2. Foreign currency translations

2.2.1. Functional and presentation currency

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

2.2.2. Transactions and balances

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

The foreign currencies deals of the Company are predominantly Euro (EUR), United States Dollars (USD) and Swiss Francs (CHF) based. The exchange rates used for translation at 31 December 2009 and 31 December 2008 were as follows:

	2009 MKD	2008 MKD
1 EUR	61.17	61.41
1 USD	42.67	43.56
1 CHF	41.12	41.04

2.3. Financial instruments

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

Financial assets include, in particular, cash and cash equivalents, deposits with banks, trade receivables and other non-derivative financial assets.

Financial liabilities generally substantiate claims for repayment in cash or another financial asset. In particular, financial liabilities include trade and other payables.

2.3.1. Financial assets

The Company classifies its financial assets in the following categories:

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

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

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

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

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

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

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

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

(b) Loans and receivables

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

The following items are assigned to the "loans and receivables" measurement category.
- cash and cash equivalents
- deposits with bank
- receivables and loans to third parties
- trade receivables
- employee loans
- other receivables (e.g. interest receivables)

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

Cash and cash equivalents

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

Trade and other receivables

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the Income statement (Other operating expenses – Impairment losses on trade and other receivables).

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

Individual valuation is carried out for customers under liquidation; bankruptcy proceedings and for the total receivables of customers with overdue receivables. Itemized valuation should also be performed in special circumstances.

When a trade receivable is established to be uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the recognized loss in the income statement.

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

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

Employee loans

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

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

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

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

Subsequent to initial recognition all available-for-sale financial assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses. The intention of the Company is to dispose these assets when there are favourable market conditions for their sale. Changes in the fair value of financial assets classified as available for sale are recognised in equity. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

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

Loss events can be the followings:
- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties.

If any such evidence exists for AFS financial assets, the cumulative unrealised gain (if any) is reclassified from equity to income statement, and any remaining difference is recognized in the income statement (Finance income). Impairment losses recognised on equity instruments shall not be reversed through the income statement.

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

2.3.2. Financial liabilities

Trade and other payables

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

2.4. Inventories

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

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

Phone sets are often sold for less than cost in connection with promotions to obtain new subscribers with minimum commitment periods. Such loss on the sale of equipment is only recorded when the sale occurs as they are sold as part of a profitable service agreement with the customer.

2.5. Property, plant and equipment (PPE)

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

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

Items of property, plant and equipment are revaluated at the year-end using official revaluation coefficients based on the general manufactured goods price increase index. Such coefficients have been applied to historical cost or later valuation and to accumulated depreciation as to approximate replacement cost. The net effect of revaluation is recorded against revaluation reserves. The last revaluation of property, plant and equipment was made in year 2000.

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

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

Depreciation is charged to the income statement on a straight-line basis over the prescribed useful lives of items of property, plant and equipment. Assets are not depreciated until they are available for use. Land is not depreciated.

The depreciation is calculated using the following annual rates of depreciation, which are also tax allowable:

	2009	2008
	%	%
Exchanges / Switches	25	25
Base stations	25	25
Buildings	2.5	2.5
Computers	25	25
Electronic devices	25	25
Furniture and other office equipment	20	20
Truck vehicles	25	25

2.6. Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Items of intangible assets are revaluated at the year-end using official revaluation coefficients based on the general manufactured goods price increase index. Such coefficients have been applied to historical cost or later valuation and to accumulated depreciation as to approximate replacement cost. The net effect of revaluation is recorded against revaluation reserves. The last revaluation of intangible assets was made in year 2000.

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

The amortisation is calculated using the following annual rates of amortisation, which are also tax allowable:

	2009 %	2008 %
Software and licences	20	20
3G Licence and 2G 1800 MHz Licence	10	10

Amortisation is charged to the income statement on a straight-line basis over the prescribed useful lives of intangible assets. Intangible assets are amortised from the date they are available for use.

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

2.7. Impairment of property, plant and equipment and intangible assets

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

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

Impairment losses are recognized in the income statement. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8. Provisions and contingent liabilities

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

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

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

2.9. Share capital

Ordinary shares are classified as equity.

2.10. Statutory reserves

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

2.11. Dividends

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

2.12. Revenues

Revenue is primarily derived from services provided to customer subscribers and other third parties using telecommunications network, and equipment sales. Revenues for all services and equipment sales (Note 14) are shown net of VAT and discounts. Revenue is recognized when the amount of the revenue can be reliably measured, and when it is probable that future economic benefits will flow to the Company and specific criteria of IAS18 on the sale of goods and rendering of services are met for the provision of each of the Company's services and sale of goods described below.

Customer subscriber arrangements typically include an activation fee, equipment sale, subscription fee and monthly charge for the actual airtime used. The Company considers the various elements of these arrangements to be separate earnings processes and recognizes the revenue for each of the deliverables using the residual method.

Service revenues are recognized when the services are provided in accordance with contractual terms and conditions. Airtime revenue is recognized based upon minutes of use and contracted fees less credits and adjustments for discounts, while subscription and flat rate revenues are recognized in the period it relates to.

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

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

Value added services mostly include SMS, MMS, WAP and other similar services. The Company acts as a principal in such transactions and consequently, those revenues are included in this category on a gross basis. Revenues from premium rate services are also included in this category, recognized on a gross basis as the delivery of the service over the network is the responsibility of the Company; the Company establishes the prices of these services and bears substantial risks of these services. Value added services, where the Company does not act as a principal in the transaction, if any, are stated on a net basis.

Customers may also purchase prepaid cards which allow those customers to use the telecommunication network for a selected amount of time. Customers must pay for such services at the date when the card is purchased.

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

2.13. Employee benefits

2.13.1. Short term employee benefits and pensions

The Company, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax which are calculated according to the statutory rates in force during the year, based on gross salaries and wages. Food allowances, travel expenses and holiday allowances are also calculated according to the local legislation. The Company makes these contributions to the Governmental and private funds. The cost is charged to the income statement in the same period as the related salary cost. No provision is created for holiday allowances for non-used holidays as according the local legislation the employer is obliged to provide condition for usage, and the employee to use the annual holiday within one year. This is also exercised as Company policy and according the historical data employees use their annual holiday within the one year legal limit. The Company does not operate any other pension scheme or post retirement benefits plan and consequently, has no obligation in respect of pensions. The Company has legal obligation to pay to employees two average monthly salaries in Republic of Macedonia at their retirement date, for which appropriate liability is recognized in these financial statements measured at the present value of two average monthly salaries together with adjustments incorporated in the actuarial calculation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality bonds that are denominated in the currency in which the benefits will be paid. In addition, the Company is not obligated to provide further benefits to current and former employees.

2.13.2. Bonus plans

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

2.13.3. Termination benefits

Termination benefits are payable whenever an employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

2.14. Marketing expenses

Marketing costs are expensed as incurred. Marketing expenses are disclosed in Note 16.

2.15. Corporate Income tax

In 2008, corporate income tax is recognised in the income statement.

Corporate income tax was the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

From 2009 the Company do not have to pay corporate income tax on the profit before tax (earned since 1 January 2009) until that profit is distributed in a form of dividend or other forms of profit distributions. If dividend is paid, 10% corporate income tax is payable on the paid dividend. Tax is still payable on the non-deductible expenses in the year the expenses are incurred, regardless of distribution of dividends (decreased by the amount of tax credits).

2.16. Leases

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Operating lease – Company as lessee

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

2.17. Earnings per share

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

2.18. Comparative information

In order to maintain consistency with the current year presentation, where appropriate certain items have been reclassified for comparative purpose. Such reclassifications, however, have not resulted in significant changes of the content and format of the financial information as presented in these financial statements and are disclosed in the relevant notes, if any.

3. Financial risk management

3.1. Financial risk factors

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

The detailed descriptions of risks, the management thereof as well as sensitivity analyses are provided below. Sensitivity analyses include potential changes in profit before tax. The impacts disclosed below are post tax figures, calculated using a 10% tax rate. The potential impacts disclosed (less tax) are also applicable to the Company's equity.

3.1.1. Market risk

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

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

For the presentation of market risks, IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the balance sheet date. The balance at the balance sheet date is representative for the year as a whole.

a) Foreign currency risk

The Company's functional currency is the Macedonian denar.

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

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

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

The Company accumulated more cash in EUR and USD than its trade payables in EUR and USD. At 31 December 2009, if EUR would have been 1% (for the year ended 31 December 2008: 5 %) weaker or stronger against MKD profit for the year ended 31 December 2009 would have been MKD 14,546 thousand (2008: 57,007 MKD thousand) after tax in net balance higher or lower, respectively. At 31 December 2009, if USD would have been 1% (2008: 5 %) weaker or stronger against MKD profit would have been MKD 47 thousand (2008: 23,083 MKD thousand) after tax in net balance higher or lower, respectively.

b) Interest rate risk

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

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

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

The Company had MKD 3,816,065 thousand deposits (including call deposits) as of 31 December 2008, 1% rise in market interest rate would have caused (ceteris paribus) the interest received to increase with approx. MKD 34,345 thousand annually after tax, while similar decrease would have caused the same decrease in interest received. Amount of deposits is MKD 2,912,120 thousand (including call deposits) as of 31 December 2009, therefore 1% rise in market interest rate would have caused (ceteris paribus) the interest received to increase with approx. MKD 26,209 thousand annually after tax, while similar decrease would have caused the same decrease in interest received.

c) Other price risk

As of 31 December 2008 and 2009, the Company do not hold investments or other financial instruments, which could be affected by risk variables such as stock exchange prices.

3.1.2. Credit risk

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

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

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

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

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

The depositing decisions are made based on the following priorities:

- To deposit in banks (Deutsche Telekom core banks, if possible) with provided bank guarantee from the banks with the best rating and the best quality wording of the bank guarantee.
- To deposit in banks with provided bank guarantee from the banks with lower rating and poorer quality wording of the bank guarantee.
- If the total amount of deposits can not be placed in banks covered with bank guarantees with at least BBB+ rating (or equivalent credit rating), than depositing will be performed in local banks without bank guarantee. In this case, the determination of counterparty limits per banks shall be performed in accordance with CAEL methodology (evaluation of bank risk components – capital, assets, earning and liquidity).

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

- A - Banks with evaluation from 1.84 to 2.45 – investments not exceeding 80% from the bank shareholder's capital;
- B - Banks with evaluation from 2.46 to 3.07 – investments not exceeding 70% from the bank shareholder's capital;
- C - Banks with evaluation from 3.08 to 3.69 – investments not exceeding 60% from the bank shareholder's capital.

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

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

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

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

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

The following table represents Company exposure to credit risk in 2009 and 2008:

In thousands of denars	2009	2008
Deposits with banks	1,533,209	3,234,395
Cash and cash equivalents	1,378,911	581,670
Trade debtors – domestic	1,117,240	1,198,770
Trade debtors – foreign	61,340	92,132
Receivables from related parties	161,177	160,648
Other financial assets	2,361	19,906
	4,254,238	**5,287,521**

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

Largest amount of one deposit as at 31 December 2009 is MKD 401,113 thousand (2008: MKD 660,000 thousand) and the Company has deposits with 6 domestic banks (2008: 8 domestic banks).

3.1.3. Liquidity risk

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

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

The Company's liquidity management process includes projecting cash flows by major currencies and considering the level of necessary liquid assets, considering business plan, historical collection and outflow data. Monthly, semi-annually and annually cash projections are prepared and updated on a daily basis by the Accounts Payable Department. Any excess cash is mostly deposited in commercial banks.
All trade payables have maturity within one year.

3.2. Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The total amount of equity managed by the Company as at 31 December 2009 is MKD 7,368,875 thousand as per local GAAP (2008: MKD 7,705,058 thousand).

Out of this amount MKD 2,791,453 thousand (2008: MKD 2,791,453 thousand) represent share capital and MKD 558,291 thousand (2008: MKD 558,291 thousand) represent statutory reserves, which are not distributable. According to the local legal requirements dividends can be paid out to the shareholders in amount that shall not exceed the net profit for the year as presented in the financial statements of the Company, increased for the undistributed net profit from previous years or increased for the other distributable reserves, i.e. reserves that exceed the statutory reserves and other reserves defined by the Company's statute. The Company is in compliance with all statutory capital requirements.

3.3. Fair value estimation

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

4. Critical Accounting Estimates and Judgments

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

4.1. Estimated impairment of property, plant and equipment, and intangible assets

We assess the impairment of identifiable property, plant, equipment and intangibles whenever there is a reason to believe that the carrying value may materially exceed the recoverable amount and where impairment in value is anticipated. The recoverable amounts are determined by value in use calculations, which use a broad range of estimates and factors affecting those. Among others, we typically consider future revenues and expenses, technological obsolescence, discontinuance of services and other changes in circumstances that may indicate impairment. If impairment is identified using the value in use calculations, we also determine the fair value less cost to sell (if determinable), to calculate the exact amount of impairment to be charged (if any). As this exercise is highly judgmental, the amount of potential impairment may be significantly different from that of the result of these calculations. Management has performed an impairment test based on a 10 years cash flow projections and used a perpetual growth rate of 1% to determine the terminal value after 10 years. The discount rate used was 10.71%. No impairment was identified in 2009.

4.2. Estimated impairment of trade and other receivables

We calculate impairment for doubtful accounts based on estimated losses resulting from the inability of our customers to make required payments. For customers in bankruptcy and liquidation, impairment is calculated on an individual basis, while for other customers it is estimated on a portfolio basis, for which we base our estimate on the aging of our account receivables balance and our historical write-off experience, customer credit-worthiness and recent changes in our customer payment terms. These factors are reviewed periodically, and changes are made to calculations when necessary (see note 2.3.1). If the financial condition of our customers were to deteriorate, actual write-offs of currently existing receivables may be higher than expected and may exceed the level of the impairment losses recognized so far.

4.3. Provisions

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

4.4. Subscriber acquisition costs

Subscriber acquisition costs primarily include the loss on the equipment sales (revenues and costs disclosed separately) and fees paid to subcontractors that act as agents to acquire new customers. The Company's agents also spend a portion of their agent fees for marketing the Company's products, while a certain part of the Company's marketing costs could also be considered as part of the subscriber acquisition costs. No such costs or revenues are capitalized or deferred. These acquisition costs (losses) are recognized immediately as they are not accurately separable from other marketing costs.

5. Cash and cash equivalents

In thousands of denars	2009	2008
Call deposits	1,378,911	581,670
Cash on hand	11,804	74
	1,390,715	**581,744**

In order to maintain consistency with the current year presentation the cash presented as Cash equivalents in 2008 in the amount of MKD 1,822 thousand was reclassified and now are shown as Call deposits. The reclassification had no impact on equity or net profit.

The interest rate on call deposits ranged from 3.30% p.a. to 4.00% p.a. (2008: from 1.80% p.a. to 5.00%). These deposits have maturities of less than 3 months.

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

In thousands of denars	2009	2008
MKD	1,364,201	562,465
EUR	21,838	11,722
USD	4,676	7,556
Other	-	1
	1,390,715	**581,744**

Following is the breakdown of call deposits by categories (see note 3.1.2):

In thousands of denars	2009	2008
A	-	529,244
B	-	52,426
Credit rating of the Guarantor : A	251,317	-
Credit rating of the Guarantor : A-	602,695	-
Credit rating of the Guarantor : BBB+	524,899	-
	1,378,911	**581,670**

6. Deposits with banks

Deposits with banks represent cash deposits in the reputable domestic banks with interest rates in range from 3.00% p.a. to 4.50 % p.a. (2008: 2.83% p.a. to 6.15 % p.a.) with maturity between 3 and 12 months.

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

In thousands of denars	2009	2008
MKD	100,428	1,651,877
EUR	1,432,781	1,128,418
USD	-	454,100
	1,533,209	**3,234,395**

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

In thousands of denars	2009	2008
A	-	3,234,395
Credit rating of the Guarantor : A+	308,584	-
Credit rating of the Guarantor : A	55,463	-
Credit rating of the Guarantor : A-	622,314	-
Credit rating of the Guarantor : BBB+	546,848	-
	1,533,209	**3,234,395**

7. Trade and other receivables

In thousands of denars	2009	2008
Trade debtors - Domestic	1,945,657	1,816,986
Less: allowance for impairment	(828,417)	(618,216)
Trade debtors - domestic-net	1,117,240	1,198,770
Trade debtors - Foreign	61,340	92,132
Receivables from related parties	161,177	160,648
Other	2,361	19,906
Financial assets	1,342,118	1,471,456
Prepayments and accrued income	40,051	32,024
Advances paid	74,912	41,467
Less allowance for impairment	(105)	(105)
Advances paid – net	74,807	41,362
Other receivables	114,858	73,386
	1,456,976	**1,544,842**

Receivables from related parties represent receivables from Makedonski Telekom AD, Magyar Telekom Plc. Group and Deutsche Telekom AG Group (refer note 23).

As of 31 December 2009, domestic trade debtors of MKD 1,083,145 thousand (2008: MKD 871,111 thousand) are impaired. The ageing of these receivables is as follows:

In thousands of denars	2009	2008
Less than 30 days	196,904	177,381
Between 31 and 180 days	208,466	190,177
Between 181 and 360 days	129,037	72,724
More than 360 days	548,738	430,829
	1,083,145	**871,111**

Out of the total amount of the allowance for impairment MKD 538,771 thousand (2008: MKD 505,653 thousand) represent allowance calculated on a portfolio bases. The rest of MKD 269,205 thousand (2008: MKD 106,764 thousand) represents specific allowance for impairment calculated for receivables from customers under liquidation and charged penalties, which are fully impaired. In addition, the Company has a specific provision calculated in respect of a certain group of customers in amount to MKD 20,441 thousand (2008: 5,799 thousand).

The amount of impairment compared to the gross value of the domestic trade receivables is mainly a result of receivables which are overdue more than 360 days and charged penalties. The total amount of fully impaired receivables is MKD 672,200 thousand (2008 MKD 469,199 thousand).

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

In thousands of denars	2009	2008
Trade debtors - domestic-net	1,117,240	1,198,770
Trade debtors - Foreign	61,340	92,132
Receivables from related parties	161,177	160,648
Other	2,361	19,906
Financial assets	1,342,118	1,471,456
Prepayments and accrued income	40,051	32,024
Advances paid-net	74,807	41,362
	1,456,976	**1,544,842**

Movement in allowance for impairment of domestic trade debtors

In thousands of denars	2009	2008
Impairment losses at 1 January	(618,216)	(468,905)
Charged to expense	(231,579)	(154,651)
Write off	21,378	5,340
Impairment losses at 31 December	**(828,417)**	**(618,216)**

Movement in allowance for impairment for advances paid

In thousands of denars	2009	2008
Impairment losses at 1 January	(105)	-
Charged to expense	-	(105)
Impairment losses at 31 December	**(105)**	**(105)**

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

There are no individually significant impaired receivables.

As of 31 December 2009, foreign trade receivables in amount of MKD 28,933 thousand (2008: MKD 31,996 thousand) were past due but not impaired. These relate to a number of international customers assessed on individual basis in accordance with past Company experience and current expectations. The analysis of these past due foreign trade receivables is as follows:

In thousands of denars	2009	2008
Less than 30 days	13,015	21,870
Between 31 and 60 days	10,294	3,941
Between 61 and 90 days	3,261	1,799
Between 91 and 180 days	2,069	3,969
More than 181 days	294	417
	28,933	**31,996**

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

The Company has renegotiated domestic trade receivables in carrying amount of MKD 15,387 thousand (2008: 15,838 thousand). The carrying amount of loans and receivables, which would otherwise be past due, whose terms have been renegotiated is not impaired if the collectability of the renegotiated cash flows are considered ensured.

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

In thousands of denars	2009	2008
Group 1	781,195	816,395
Group 2	64,337	115,159
Group 3	16,980	14,321
	862,512	**945,875**

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

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

In thousands of denars	2009	2008
Group 1	32,407	58,735
Group 2	-	1,299
Group 3	-	102
	32,407	**60,136**

Group 1 – customers with no disconnections in the last 12 months;
Group 2 – customers with up to 3 times disconnections in the last 12 months;
Group 3 – customers with more than 3 times disconnections in the last 12 months.

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

In thousands of denars	2009	2008
MKD	1,419,300	1,462,983
EUR	30,840	52,140
USD	6,791	29,713
Other	45	6
	1,456,976	**1,544,842**

8. Inventories

In thousands of denars	2009	2008
Materials	23,983	25,806
Spare parts	25,713	30,218
Inventories for resale	376,905	194,124
Petty inventory	6,020	5,730
Write down of inventories to net realisable value	(37,017)	(14,611)
	395,604	**241,267**

Movement in allowance for inventories to net realizable value

In thousands of denars	2009	2008
Allowance at 1 January	(14,611)	(21,465)
(Charged) /write back to expense	(22,406)	6,854
Allowance at 31 December	**(37,017)**	**(14,611)**

Materials mainly comprise of smaller spare parts for telecommunication equipment, office materials etc. Allowance for inventory mainly relates to obsolete inventories for resale.

9. Property, plant and equipment

In thousands of denars	Land and buildings	Equipment	Other	Assets under construction	Total
Cost					
At 1 January 2008	149,196	6,745,001	1,202,834	195,418	8,292,449
Additions	10,361	134,903	247,434	380,514	773,212
Transfer from assets under construction (see note 10)	180	274,983	-	(286,064)	(10,901)
Disposals	-	(105,563)	(197,404)	(1,384)	(304,351)
At 31 December 2008	**159,737**	**7,049,324**	**1,252,864**	**288,484**	**8,750,409**
Depreciation					
At 1 January 2008	43,987	5,779,675	903,135	-	6,726,797
Charge for the year	3,789	449,172	114,080	-	567,041
Transfers	(11,416)	-	11,416	-	-
Disposals	-	(105,447)	(187,085)	-	(292,532)
At 31 December 2008	**36,360**	**6,123,400**	**841,546**	**-**	**7,001,306**
Carrying amount					
At 1 January 2008	105,209	965,326	299,699	195,418	1,565,652
At 31 December 2008	**123,377**	**925,924**	**411,318**	**288,484**	**1,749,103**

In thousands of denars	Land and buildings	Equipment	Other	Assets under construction	Total
Cost					
At 1 January 2009	159,737	7,049,324	1,252,864	288,484	8,750,409
Additions	2,064	108,941	195,916	487,972	794,893
Transfer from assets under construction (see note 10)	-	471,161	69,753	(540,914)	-
Disposals	-	(111,686)	(163,723)	(1,599)	(277,008)
At 31 December 2009	**161,801**	**7,517,740**	**1,354,810**	**233,943**	**9,268,294**
Depreciation					
At 1 January 2009	36,360	6,123,400	841,546	-	7,001,306
Charge for the year	4,021	455,161	143,287	-	602,469
Disposals	-	(111,510)	(155,327)	-	(266,837)
At 31 December 2009	**40,381**	**6,467,051**	**829,506**	**-**	**7,336,938**
Carrying amount					
At 1 January 2009	123,377	925,924	411,318	288,484	1,749,103
At 31 December 2009	**121,420**	**1,050,689**	**525,304**	**233,943**	**1,931,356**

Operating lease rentals amounting to MKD 122,488 thousand (2008: MKD 130,544 thousand) relating to the lease of property and equipment are included in the income statement.

10. Intangible assets

In thousands of denars	Software and licences	3G license	Other	Assets under construction	Total
Cost					
At 1 January 2008	4,509,483	-	142,204	-	4,651,687
Additions	686,380	613,837	12,529	11,879	1,324,625
Disposals	(108,122)	-	(3,952)	-	(112,074)
Transfer from assets under construction (see note 9)	10,901	-	-	-	10,901
At 31 December 2008	**5,098,642**	**613,837**	**150,781**	**11,879**	**5,875,139**
Amortisation					
At 1 January 2008	2,948,441	-	101,061	-	3,049,502
Charge for the year	620,903	-	15,794	-	636,697
Disposals	(108,122)	-	(3,949)	-	(112,071)
At 31 December 2008	**3,461,222**	**-**	**112,906**	**-**	**3,574,128**
Carrying amount					
At 1 January 2008	1,561,042	-	41,143	-	1,602,185
At 31 December 2008	**1,637,420**	**613,837**	**37,875**	**11,879**	**2,301,011**

In thousands of denars	Software and licences	3G license	Other	Assets under construction	Total
Cost					
At 1 January 2009	5,098,642	613,837	150,781	11,879	5,875,139
Additions	416,876	122,812	11,002	150,991	701,681
Disposals	(1,493,673)	-	(69,755)	-	(1,563,428)
Transfer from assets under construction (see note 9)	137,054	-	4,597	(141,651)	-
At 31 December 2009	**4,158,899**	**736,649**	**96,625**	**21,219**	**5,013,392**
Amortisation					
At 1 January 2009	3,461,222	-	112,906	-	3,574,128
Charge for the year	595,636	38,448	12,586	-	646,670
Disposals	(1,493,597)	-	(69,755)	-	(1,563,352)
At 31 December 2009	**2,563,261**	**38,448**	**55,737**	**-**	**2,657,446**
Carrying amount					
At 1 January 2009	1,637,420	613,837	37,875	11,879	2,301,011
At 31 December 2009	**1,595,638**	**698,201**	**40,888**	**21,219**	**2,355,946**

11. Trade and other payables

In thousands of denars	2009	2008
Trade payables		
- Domestic	156,791	261,771
- Foreign	497,190	614,504
Liabilities to related parties	170,696	132,275
Other financial liabilities	16,022	5,055
Financial liabilities	840,699	1,013,605
Other payables		
VAT and social security payable	87,848	71,549
Advances received	1,359	833
Deferred revenue	292,191	240,415
Accrued liabilities	117,558	305,649
Other liabilities	498,956	618,446
Total trade and other payables	**1,339,655**	**1,632,051**
Less non-current portion: Deferred revenue	(96,596)	-
Current portion of trade and other payables	**1,243,059**	**1,632,051**

Non-current deferred revenues have maturity up to 10 years from the balance sheet date.

In order to maintain consistency with the current year presentation, provisions recognized for customer loyalty programs in previous years were reclassified from provisions and now are presented as deferred revenue, included in Trade and other payables.

In addition, in order to maintain consistency with the current year presentation the deferred revenue presented as Accrued liabilities in 2008 in the amount of MKD 112,013 thousand was reclassified and now is shown as deferred revenue. The reclassification had no impact on equity or net profit.

Liabilities to related parties represent liabilities to Makedonski Telekom AD, Magyar Telekom Plc. Group and Deutsche Telekom AG Group (refer note 23).

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

In thousands of denars	2009	2008
Less than 90 days	637,604	866,866
Between 90 and 180 days	3,533	1,757
More than 181 days	12,844	7,652
	653,981	**876,275**

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

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

In thousands of denars	2009	2008
MKD	1,078,184	1,257,899
EUR	252,039	368,987
USD	9,213	4,976
Other	219	189
	1,339,655	**1,632,051**

12. Provisions for other liabilities and charges

In thousands of denars	Legal cases	Other	Total
January 1, 2008	183,009	-	183,009
Additional provision	70,929	4,379	75,308
Used during period	(1,025)	-	(1,025)
December 31, 2008	**252,913**	**4,379**	**257,292**

In thousands of denars	Legal cases	Other	Total
January 1, 2009	252,913	4,379	257,292
Additional provision	96,547	32,770	129,317
Used during period	(53)	-	(53)
December 31, 2009	**349,407**	**37,149**	**386,556**

In order to maintain consistency with the current year presentation, provisions recognized for customer loyalty programs in previous years were reclassified from provisions and now are presented as deferred revenue, included in Trade and other payables.

As a result of the findings of the Investigation, the identified impact in amount of MKD 31,802 thousand has been recognized in other current provisions (see note 1.2.2).

Analysis of total provisions:

In thousands of denars	2009	2008
Non current (legal cases and other)	5,347	256,861
Current	381,209	431
	386,556	**257,292**

The major part of the provisions for legal cases, refer to legal case for charging of voice mail services. Based on the external legal advices in 2007, the Company recognised a provision of MKD 182,118 thousands in 2007 financial statements. After the decision was received from Commission for protection of Competition on 25 February 2008, the Company recorded additional provision for this legal case in the amount of MKD 69,625 thousands.

In 2009, based on internal and external legal opinion, the Company recorded provision for possible initiation of tort/criminal procedure against the Company for base stations without appropriate documentation in the amount of MKD 96,042 thousand.

The rest of provisions for legal cases relates to other legal and regulatory claims brought against the Company, which are individually not significant, therefore not disclosed. Based on appropriate legal advice, the management does not expect that the outcome of these legal claims will give rise to any significant loss beyond the amounts provided at 31 December 2009.

13. Capital and reserves

Share capital consists of the following:

Share capital	2009	2008
Ordinary shares	9,169,244	9,169,244
	9,169,244	**9,169,244**

Share capital consists of 9,169,244 ordinary shares with a nominal value of 5.00 EUR held by Makedonski Telekom AD Skopje.

Dividend

During 2009, the Company has paid dividends to the owner in the amount of MKD 4,355,314 thousand for 2008. Up to date of issuing of these financial statements, no dividends have been declared for 2009.

14. Revenues

In thousands of denars	2009	2008
Domestic market sales	9,781,157	10,123,087
Foreign market sales	475,156	532,855
	10,256,313	**10,655,942**

15. Other operating income

In thousands of denars	2009	2008
Penalty charged	146,683	79,995
Income from installation and maintenance of mini links	37,307	34,697
Income from own product used	33,444	23,025
Income from FGSM	25,750	29,823
Rental income	25,283	13,430
Gain on disposal of property plant and equipment	16,301	12,015
Extinguishment of liabilities	182	498
Re-branding income	-	3,495
Other	10,472	11,297
	295,422	**208,275**

16. Other operating expenses

In thousands of denars	2009	2008
Cost of goods sold	1,345,126	967,054
Transportation/Interconnection	671,875	771,878
Advertising, marketing and sponsorship	549,125	609,777
Payments to foreign operators	377,510	457,993
Leased lines	351,121	350,879
Other personnel expenses	251,181	202,306
Impairment losses on trade and other receivables	231,579	154,651
Maintenance	205,279	192,205
Radiofrequency, numeration and surveillance	133,834	74,863
Rent	122,488	130,544
Provisions for liabilities and charges	96,547	70,929
Raw materials, materials and energy	96,425	109,712
Billing postage	75,671	47,468
Consultancy	43,326	14,104
Agent commissions	23,019	98,838
Write down/(back) inventories to net realisable value	22,406	(6,854)
Cost of petty inventory	13,349	5,915
Write down of PPE to net realisable value	10,248	11,609
Write off of inventories	4,148	10,226
Other	336,255	279,038
	4,960,512	**4,553,135**

17. Finance expenses

In thousands of denars	2009	2008
Interest expense	(152)	(59)
Finance expenses	**(152)**	**(59)**

18. Finance income

In thousands of denars	2009	2008
Interest income	127,144	138,600
Net foreign exchange transaction gain	32,679	17,288
Finance income	**159,823**	**155,888**

Interest income is generated from financial assets classified as loans and receivables.

19. Income tax expense

Reconciliation of effective tax rate

In thousands of denars		2009		2008
Profit before tax		4,102,457		4,914,351
Income tax	0.0%	-	10.0%	491,435
Non-deductible expenses	2.2%	91,530	1.5%	70,182
Tax incentives not recognised in the income statement	(0.2%)	(8,204)	(0.1%)	(2,580)
	2.0%	**83,326**	**11.4%**	**559,037**

Commencing from 1 January 2009 The Government of Republic of Macedonia has introduced several modifications and changes in the Profit Tax Law. According these changes the base for computation of profit tax are non-deductible expenses incurred during the fiscal year. In addition, the profit tax shall apply at the moment of the distribution of the profits in a form of dividends. Subsequently, as long as the undistributed profits are retained within the company the profit tax would not be applied (see note 2.15).

Up to the date of approval of these financial statements, the tax authorities carried out a full-scope tax audit at the Company for 2001 and 2002. No issues have been identified in the performed tax audits.

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

The Government enacted new income tax rates on 30 December 2006 for 2007 and 2008. The applicable tax rate for 2008 and the years after is 10%.

20. Disclosures of financial assets and liabilities

Categorisation of financial assets and liabilities

Financial assets

The table below shows the categorisation of financial assets as at 31 December 2008:

Assets (in thousands of denars)	Financial assets Loans and receivables	Carrying amount 2008	Fair value 2008
Cash and cash equivalents	581,744	581,744	581,744
Bank deposits with original maturity over 3 months	3,234,395	3,234,395	3,234,395
Trade and other receivables	1,471,456	1,471,456	1,471,456
Other non-current financial assets	305	305	305
Total	**5,287,900**	**5,287,900**	**5,287,900**

The table below shows the categorisation of financial assets as at 31 December 2009:

Assets (in thousands of denars)	Financial assets Loans and receivables	Carrying amount 2009	Fair value 2009
Cash and cash equivalents	1,390,715	1,390,715	1,390,715
Bank deposits with original maturity over 3 months	1,533,209	1,533,209	1,533,209
Trade and other receivables	1,342,118	1,342,118	1,342,118
Other non-current financial assets	305	305	305
Total	**4,266,347**	**4,266,347**	**4,266,347**

All financial instruments are recognised initially at fair value.

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

21. Commitments

Capital commitments

The amount authorized for capital expenditure as at 31 December 2009 was MKD 62,420 thousand (2008: MKD 76,686 thousand).

Operating lease commitments – where the Company is the lessee

Operating lease commitments were mainly in respect in the lease of buildings, business premises, and locations for base telecommunication stations and other telecommunications facilities.

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

In thousands of denars	2009	2008
Not later than 1 year	87,375	72,271
Later than 1 year and not later than 5 years	243,358	229,428
Later than 5 years	116,774	82,954
	447,507	**384,653**

22. Contingencies

The Company has contingent liabilities in respect to routine legal proceedings arising in the ordinary course of business. Out of the total contingent liabilities, MKD 978,661 thousand relate to legal case with Newsphone S DOO Skopje for possible damage compensation with regards to lost future profits as a result of termination of contract by the Company. Also, the other major contingent liability relates to invoices issued from Agency for Electronic Communication for surcharge on radiofrequency fee for 2004 and 2005 in the amount of MKD 150,790 thousand or MKD 177,932 thousand including VAT.

Based on legal advice, the Management of the Company expects that it is not probable that an outflow of resources embodying economic benefits will be required to settle these obligations.

23. Related party transactions

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

Transactions with related parties

Transactions with related parties include provision and supply of telecommunication services and equipment, loans granted and supply of consultancy services. The amounts receivable and payable are disclosed in the appropriate notes (see notes 7 and 11).

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

In thousands of denars	2009		2008	
	Receivables	Payables	Receivables	Payables
Parent Company				
Makedonski Telekom AD	191,074	159,848	176,772	128,234
Ultimate Parent Company				
Deutsche Telekom	(1,947)	3,733	-	-
Subsidiaries of Ultimate Parent Company				
Magyar Telekom	-	15,978	-	6,148
IQSYS Magyar Telekom	-	-	-	10,901
T-Mobile Crna Gora	(962)	(3,512)	(288)	(1,920)
T-Mobile Hungary	(1,283)	(461)	814	381
T-Mobile Croatia	2,879	(6,558)	(4,153)	(8,695)
T-Mobile Slovakia	(125)	(89)	168	58
PTC Poland	(129)	(85)	39	232
T-Mobile Czech Republic	(500)	(211)	141	574
T-Mobile Germany	-	1,324	4,965	6,890
T-Mobile Austria	(2,077)	1,457	3,511	2,246
T-Mobile UK	(758)	(1)	223	547
T-Mobile USA	(3,695)	(546)	1,491	479
T-Mobile International	(21,675)	(867)	(25,452)	(15,372)
T-Systems	-	1,233	1,607	709
T-Mobile Netherlands	(391)	(210)	810	863
AMC Albanian OTE	337	(852)	-	-
Cosmo Bulgaria OTE	(214)	(270)	-	-
Cosmote S.A OTE	655	(147)	-	-
Cosmote Romania OTE	(12)	180	-	-
International UK	-	140	-	-
Detecon	-	612	-	-
	161,177	**170,696**	**160,648**	**132,275**

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

In thousands of denars	2009		2008	
	Revenues	Expenses	Revenues	Expenses
Parent Company				
Makedonski Telekom AD	984,022	677,060	1,151,977	749,581
Subsidiaries of Ultimate Parent Company				
Magyar Telekom	-	7,747	-	6,148
Telemakedonija	-	-	-	3,137
T-Mobile Crna Gora	902	6,793	1,939	11,392
T-Mobile Hungary	4,740	4,477	5,485	4,587
T-Mobile Croatia	18,575	16,189	12,182	18,228
T-Mobile Slovakia	1,179	920	1,154	914
PTC Poland	1,697	1,193	1,312	1,542
T-Mobile Czech Republic	2,126	2,690	2,004	3,493
T-Mobile Germany	37,314	47,442	33,108	29,008
T-Mobile Austria	16,768	13,783	20,886	14,267
T-Mobile UK	2,187	2,369	2,978	4,137
TULIP	-	-	1,090	1,478
T-Mobile USA	8,406	5,445	12,174	7,853
T-Mobile International	(21,675)	5,865	(25,452)	(11,040)
T-Systems	-	2,678	-	2,321
T-Mobile Netherlands	5,561	3,734	4,495	2,707
AMC Albanian OTE	2,974	3,533	-	-
Cosmo Bulgaria OTE	1,909	1,672	-	-
Cosmote S.A OTE	6,382	6,336	-	-
Cosmote Romania OTE	59	613	-	-
International UK	-	1,004	-	-
Detecon	-	4,894	-	-
	1,073,126	**816,437**	**1,225,332**	**849,753**

Key management compensation

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

In thousands of denars	2009	2008
Short-term employee benefits (including taxation)	63,370	55,700
State contributions on short-term employee benefits	2,250	15,170
Termination benefits	12,604	-
Share-based payments	1,008	3,516
	79,232	**74,386**

The remuneration of the members of the Company's Board of Directors for the 2009 amounted to MKD 6,345 thousand (2008: MKD 6,238 thousand) included in short-term employee benefits. These are included in other operating expenses (refer note 16).

In order to maintain consistency with current year presentation, for 2008, we have added state contribution on short-term employee benefits in the total key management compensation.

The share-based payments represent compensation of key management from the Parent Company as part of a Mid Term Incentive Plan (MTIP) launched in 2004 by Magyar Telekom Plc., whereby the targets to be achieved are based on the performance of the Magyar Telekom Plc. share. Participants include top and senior managers of the Magyar Telekom Group.

The MTIP is operated by Magyar Telekom Plc. while the compensation of key management from the Parent Company related to the MTIP is incurred by the Parent Company and is included in personal expenses recognized against Other provisions.

24. Events after financial statement date

No material transactions have occurred after financial statement date which requires disclosure in these financial statements.