



To: Securities and Exchange Commission
Dimitrija Cupovski No. 26 1000 Skopje

Date: 14.08.2006

Subject: Summary on AD Makedonski Telekomunikacii operating for the period
01.01.2006 – 30.06.2006

MakTel is the largest fixed line service provider in Macedonia. The Macedonian telecommunications sector is regulated by the newly implemented Electronic Communications Law (ECL) enacted in March 2005. MakTel has a concession contract (under the old Telecommunications Act) to provide services until December 31, 2018. Further, MakTel had been granted the exclusive rights in (a) fixed voice telephony services, leased line services and (b) to construct, lease, own, develop, maintain and operate fixed public telecommunications networks until December 31, 2004. These exclusive rights included local, national and international long distance public fixed voice services independently of the technology used, including voice over Internet Protocol services.

MakTel's objectives for the forthcoming year are to remain the leading provider of telecommunication services in Macedonia and to continue to provide quality services with attractive prices to prepare for future competition.

The revenue from domestic fixed line telecommunication services is kept stable while the revenue stream of MakTel from international traffic increased compared to 2005 due to minimized traffic from illegal providers. Internet revenues also increased due to the growing ADSL subscriber base. The proportion of mobile revenue is increasing despite the competition, mainly owing to the increased subscriber base.

On the cost side, we can see savings in the employee related expenses driven by the decrease in the headcount number year on year. However, this could not counterbalance the increase of some cost elements in the other operating expenses, like unfavorable movement of FX rates.

The Macedonian Government held an auction to sell its shares in MakTel between 5th and 9th of June, 2006. During the auction, MakTel bought a total of 10% of the company's shares (9.9% plus 0.1%), while 0.3% was sold to other investors.

As announced earlier, Magyar Telekom, the parent company of Makedonski Telekomunikacii AD Skopje, is still inquiring into certain contracts to determine whether they have been entered into in violation of company policy or applicable law and regulation. This inquiry, which is conducted by an independent law firm and supervised by the Audit Committee of Magyar Telekom is still ongoing. No assurance can be given that as a result of the investigation the audited financial statements for 2005 and financial statements or financial information for any other period will not vary from those published prior to the completion of the investigation.



CONSOLIDATED BALANCE SHEET
Makedonski telekomunikacii AD Skopje

ID 5168660

(in thousands of denars)

	AOP	31.12.2005	30.06.2006
Assets			
A) Receivables for issued not paid shares	001		
B) Non- current assets assets (AOP 003+004+005+006)	002	19,600,691	18,526,399
Intangible assets	003	2,498,902	2,328,954
Tangible assets	004	16,509,234	15,499,573
Long term investments	005	150,217	165,373
Noncurrent receivables	006	442,338	532,499
C) Current assets (AOP 008+009+010+011+012+013+014)	007	12,908,467	12,640,344
Inventory	008	271,783	303,885
Trade receivables	009	2,640,334	2,738,839
Advances paid	010	30,088	111,011
Other current receivables	011	11,693	14,646
Short term financial investments	012	9,710,857	8,872,520
Prepaid and deferred expenses and accrued income	013	106,856	196,184
Cash and cash equivalents	014	136,856	403,259
TOTAL ASSETS (AOP 001+002+007)	015	32,509,158	31,166,743
EQUITY AND LIABILITIES			
A) Equity and reserves (AOP 017+018+019+020)	016	29,613,372	28,278,853
Share capital	017	9,583,888	9,583,888
Share premium	018	540,659	540,659
Revaluation reserves	019		
Reserves	020	2,475,068	2,475,068
Retained earnings	021	17,013,757	19,522,743
Treasury shares	022		-3,843,505
B) Long term provision	023	31,329	27,187
C) Minority interest	024		
D) Noncurrent liabilities	025	686,942	766,519
E) Current liabilities (AOP 025+026+027+028+029)	026	2,177,515	2,094,184
Trade payables	027	1,233,540	697,050
Other short term liabilities	028	334,312	481,208
Advances received	029	21,408	17,349
Short term loans	030		
Accrued expenses and deferred revenue	031	588,255	898,577
TOTAL EQUITY AND LIABILITIES (AOP 016+022+023+024+025)		32,509,158	31,166,743



CONSOLIDATED INCOME STATEMENT

Makedonski telekomunikacii AD Skopje
ID 5168660

(in thousands of denars)

	AOP	30.06.2005	30.06.2006
Sales revenues	032	7,868,563	8,184,355
Other operating revenues	033	389,531	169,852
Movement in inventories	034		
Capitalized own work and products	035	14,025	14,803
Materials, spare parts and office supplies	036	(43,176)	(37,740)
Employee expenses	037	(866,297)	(822,468)
Depreciation and revaluation (indexation) of depreciation	038	(1,871,043)	(1,895,235)
Other operating expenses	039	(2,399,951)	(2,700,064)
Cost of goods sold	040	(328,647)	(353,026)
Profit/loss from operations (AOP 032 до 040)	041	2,763,005	2,560,477
Financial revenues	042	222,583	276,836
Financial expenses	043	1,396	10,549
Profit/loss before tax (AOP 041+042-043)	044	2,984,192	2,826,764
Income tax expense	045	356,255	317,778
Profit/loss from operating activities after tax (AOP 044-045)	046	2,627,937	2,508,986
Minority interest	047		
Net profit/loss from operating activities (AOP 046-047)	048	2,627,937	2,508,986
Extraordinary income	049		
Extraordinary expenses	050		
Net profit/loss (AOP 048+049-050)	051	2,627,937	2,508,986



CONSOLIDATED CASH FLOW STATEMENT

Makedonski telekomunikacii AD Skopje

ID 5168660

(in thousands of denars)

	AOP	31.12.2005	30.06.2006
A) Cash flows from operating activities (sum from AOP 049 to 064)	052	10,036,926	4,017,080
Net profit/loss after tax	053	4,951,535	2,508,986
Depreciation	054	3,856,485	1,895,235
Revaluation (indexation) of depreciation	055		
Increase/decrease in inventories	056	194,456	(21,028)
Increase/decrease in trade receivables	057	178,803	(98,505)
Increase/decrease in advances paid	058	13,328	(80,922)
Increase/decrease in other current receivables	059	239,452	(2,953)
Increase/decrease in prepaid, deferred expenses and accrued income	060	(52,814)	(89,328)
Increase/decrease in trade payables	061	432,747	(536,490)
Increase/decrease in advances received	062	420	(4,059)
Increase/decrease in other current liabilities	063	160,147	146,896
Increase/decrease in accrued expenses and deferred revenue	064	62,367	299,248
B) Cash flows from investing activities (AOP 066 to 070)	065	(4,795,821)	17,393
Acquisition of tangible and intangible assets	066	(2,323,949)	(742,916)
Sales of tangible and intangible assets	067	20,469	27,290
Increase/decrease in long term investments	068	(52,743)	(15,157)
Increase/decrease in noncurrent receivables	069	(148,791)	(90,161)
Increase/decrease in short term financial investments	070	(2,290,807)	838,337
C) Cash flows from financing activities (AOP 072 to 076)	071	(5,542,436)	(3,768,071)
Increase in equity	072		
Increase/decrease in long term loans (non current liabilities & provisions)	073	292,556	75,434
Acquisitions of minority interest	074		
Dividends paid	075	(5,834,992)	
Purchase/sale of treasury shares	076		(3,843,505)
Increase/decrease in cash and cash equivalents	077	(301,331)	266,402
Cash and cash equivalents at the beginning of the year	078	438,187	136,856
Cash and cash equivalents at the end of the year	079	136,856	403,258



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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Makedonski telekomunikacii AD Skopje

ID 5168660

(in thousands of denars)

	AOP	31.12.2005	Increase	Decrease	Current period
Share capital	080	9,583,888			9,583,888
Share premium	081	540,659			540,659
Treasury shares	082			-3,843,505	-3,843,505
Reserves	083	2,475,068			2,475,068
Retained earnings	084	17,013,757	2,508,986		19,522,743
Dividends	085				
Revaluation reserves	086				
Total equity and reserves	087	29,613,372	2,508,986	-3,843,505	28,278,853
(AOP 080 to 087)					