WE CONTINUE TOGETHER IN A NEW TELEKOM WORLD

ANNUAL REPORT 2015

Makedonski Telekom AD - Skopje

LIFE IS FOR SHARING.

CONTENT

CORPORATE GOVERNANCE

MANAGEMENT AND GOVERNANCE OF MAKEDONSKI TELEKOM AD – SKOPJE

Pursuant to the legal regulations and the Statute of Makedonski Telekom AD – Skopje (Makedonski Telekom/Company), the bodies of Makedonski Telekom are the Shareholders' Assembly and the Board of Directors. The corporate governance of Makedonski Telekom aims at ensuring better transparency by providing the following information:

- Competences of the Shareholders' Assembly of Makedonski Telekom AD – Skopje
- Roles, responsibilities and members of the Board of Directors
- The independent auditor
- Other relevant information (acts of Makedonski Telekom and risk management)

MAKEDONSKI TELEKOM STRUCTURE

Makedonski Telekom AD – Skopje is a Joint Stock Company for Electronic Communications with a one-tier management system, as follows:

SHAREHOLDERS' ASSEMBLY – BOARD OF DIRECTORS – CHIEF EXECUTIVE OFFICER – CHIEF OPERATING OFFICER

In accordance with the Law on Trade Companies and the Statute of Makedonski Telekom AD - Skopje, the Shareholders' Assembly, the Board of Directors, the Chief Executive Officer and the Chief Operating Officer of the Company are authorized to adopt resolutions within their competence.

SHAREHOLDERS' ASSEMBLY

THE SHAREHOLDERS' ASSEMBLY SHALL ONLY PASS RESOLUTIONS UPON ISSUES EXPRESSLY SET OUT BY THE LAW ON TRADE COMPANIES AND THE STATUTE OF MAKEDONSKI TELEKOM, IN PARTICULAR THE FOLLOWING:

1. Modifications to the Statute of the Company
2. Approval of the Annual Accounts, Financial Statements and Annual Report on the Operations of the Company in the previous business year, deciding upon the distribution of the profit and defining the amount and method of dividend payments
3. Defining the means of covering losses incurred in the accounting period, additional approval of the method of utilization of the proceeds from the Reserve Fund
4. Appointment and release of the members of the Board of Directors and determining the remuneration which shall be paid to the non-executive members of the Board of Directors for their operation
5. Approval of the operation and management of the operation of the Company by the members of the Board of Directors
6. Change in the share type and class and change in the rights linked to certain types and classes of shares
7. Increase and decrease of the share capital of the Company
8. Issuing shares and other securities
9. Appointment of an authorized auditor for auditing the Annual Accounts and Financial Statements

10. Transformation of the Company into another form of a Company and status modifications of the Company
11. Approval of major transactions in accordance with the Statute
12. Alterations of the Company's property structure, if the accounting value of the relevant part of the property affected by the alteration exceeds ten percent (10%) of the Company's property net value as set forth in its latest Financial Statements
13. Termination of the Company
14. Other issues defined by law or the Statute of the Company
15. Adoption of Rules of Procedure for its operation

The Shareholders' Assembly of the Company may not decide upon issues in the field of managing and governing the Company, which fall within the competence of the Board of Directors.

MAKEDONSKI TELEKOM'S SHARES	PREFERENCE SHARES	ORDINARY SHARES
Issuer	Makedonski Telekom AD	Makedonski Telekom AD-Skopje
International Securities Identification Number (ISIN)	MKMTSK121017	MKMTSK101019
Industry	Telecommunications	Telecommunications
Country	Republic of Macedonia Skopje	Republic of Macedonia
Registered office of company	Skopje	Skopje
Total number of issued shares	1 golden share	95.838.780
Total number of voting rights	1 **	86.254.902 ***
*Currency	MKD (Macedonian Denar)	MKD (Macedonian Denar)
Nominal value per share	MKD 9,733	MKD 100
Security identification (ticker symbol)	¬	TEL
Voting rights	One voting right and special rights	One voting right per share

DIVIDEND CALENDAR

YEAR	GROSS DIVIDEND PER SHARE IN MKD	FIRST DATE OF PAYMENT	ANNOUNCEMENT DATE
N/A*	14,38	18.12.2015	20.11.2015
2014	26,23	18.05.2015	16.04.2015
2013	31,49	23.04.2014	27.03.2014
2012	65,46	17.04.2013	29.03.2013
2011	71,46	25.04.2012	04.04.2012
2010	68,95	29.04.2011	14.04.2011
2009	75,01	12.07.2010	02.07.2010
2008	71,42	22.05.2009	29.04.2009
2007	113,42	29.09.2008	03.09.2008
2005	86,10	01.08.2007	31.07.2007
2004	60,88	04.07.2005	30.05.2005
2003	26,10	19.03.2004	20.02.2004
2002	25,04	05.05.2003	18.04.2003

* The dividend paid in the month of December 2015 was paid from the accumulated earnings of the Company from prior periods pursuant to the Resolution of the Shareholders' Assembly of Makedonski Telekom adopted on 20.11.2015.

SHAREHOLDERS' STRUCTURE

SHAREHOLDERS OF MAKEDONSKI TELEKOM BY 31.12.2015 INCLUSIVE

NAME OF OWNER	NUMBER OF SHARES	AS %
Stonebridge AD Skopje (in liquidation)	48.877.780	51,00
Government of the RM	33.364.875*	34,81
Makedonski Telekom AD - Skopje (Treasury Shares)	9.583.878**	10,00
IFC	1.514.676	1,58
Other minority shareholders	2.497.572	2,61
Total	**95.838.781**	**100,00**

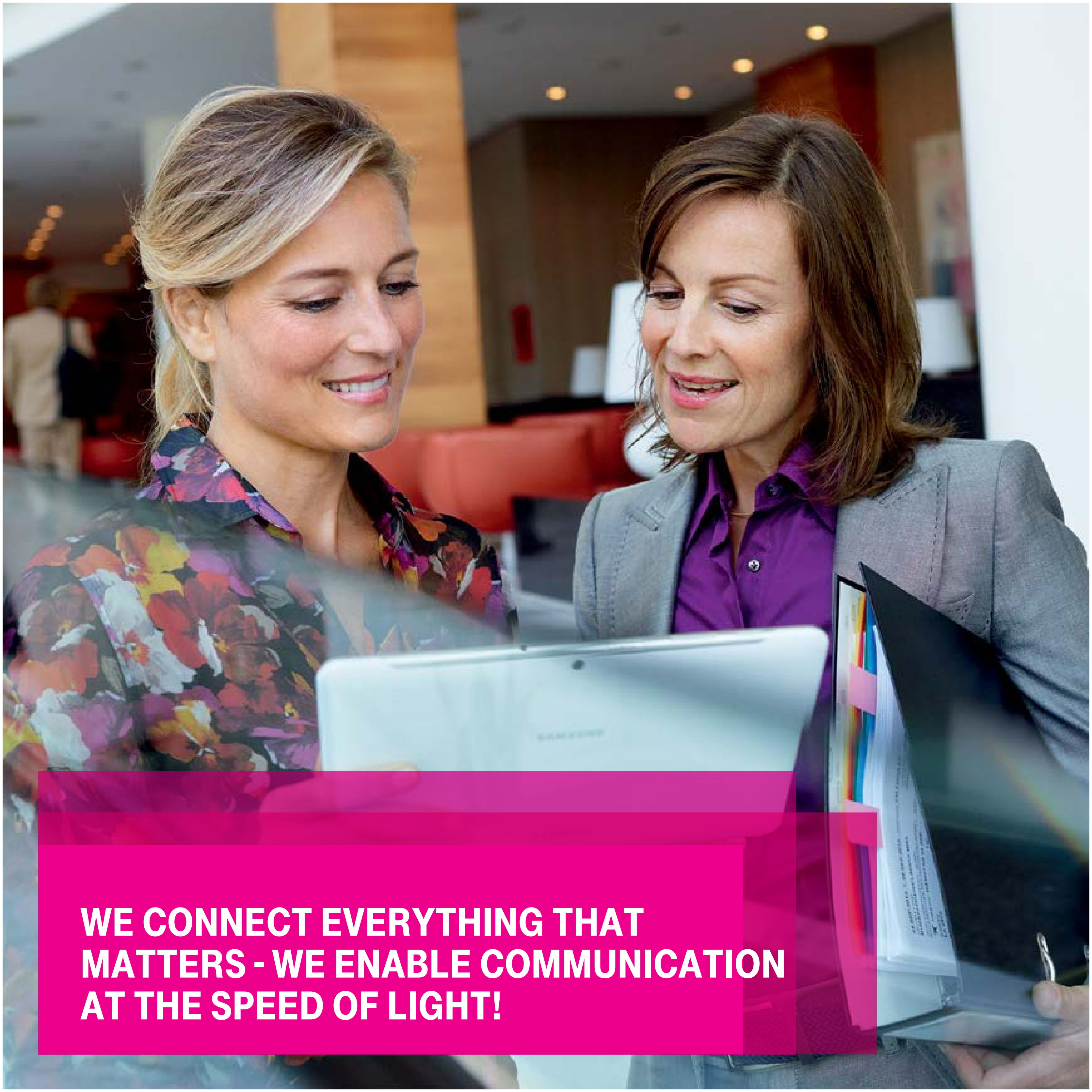
* Including the preference cumulative share (golden share) with nominal value of MKD 9,733 owned by the Government of the Republic of Macedonia. The golden share has one voting right and special rights in accordance with the Company Statute. It has restriction on tradable and non-tradable transfer.

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

CALENDAR OF EVENTS

MEETINGS OF THE SHAREHOLDERS' ASSEMBLY OF MAKEDONSKI TELEKOM IN 2015

DATE	EVENT
15.04.2015	Annual meeting of the Shareholders' Assembly of Makedonski Telekom
08.10.2015	Shareholders' Assembly meeting of Makedonski Telekom
20.11.2015	Shareholders' Assembly meeting of Makedonski Telekom


WE CONNECT EVERYTHING THAT MATTERS - WE ENABLE COMMUNICATION AT THE SPEED OF LIGHT!

DEAR SHAREHOLDERS,

We are living in an era of a rapid technological development in which innovations are changing our lifestyle. Imagination knows no limits and, like never before, technology serves for the personal comfort of people, while also serving for optimization of the business processes. Therefore, being aware that the speed of information and data exchange has become of crucial importance in dealing with the everyday challenges, in 2015 we put our focus on changing our operation and imposing new technological trends on the market so as to satisfy the communication needs of people. During last year, we fortified the position of Makedonski Telekom as a leading integrated telecommunication service provider in the country. To our great pleasure, we rounded up 2015 by having achieved the targets that we set and having transformed the technological leadership in superior customer experience. We slowed down the revenue drop, we improved the customer and technical services, and thereby we also improved the perception of us on the part of the customers. We implemented the legal merger and introduced a single Telekom brand. We launched new converged Magenta 1 services and took on the leading role in conveying the experiences within the DT Group.

For us, 2015 was a year of new beginnings. A dynamic year filled with challenges, as well as changes of crucial importance, not only for the company, the employees or the customers, but also changes that left a mark on the overall market environment.

Guided by the idea of becoming more effective and improving the results, after lengthy internal preparations, Makedonski Telekom and T-Mobile became one company. We may freely say that the merger of the two companies is one of the crucial projects that marked 2015. For us, becoming one company is a successfully completed story. Our goal was to fortify our market position under a single strong brand, as well as to create the best customer experience by relying on superior converged products and services. At the same time, we also took the opportunity to optimize our operation by improving the organization, which automatically resulted in an improvement of the financial results.
Yet, why did we decide to merge in 2015?
Internally, we have been preparing for this step for a long time. Thence, if we take a look at the years that passed, consolidation is not only a worldwide trend, but also a basis for us to view the merger as a manner of adjusting to the market environment. When the shareholders decided that we should become one company – Makedonski Telekom, the expectations from this process comprised

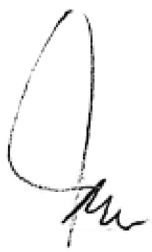
an improvement of the results and more efficiently dealing with the competition which also opted for consolidation, by introducing a competitive portfolio of integrated fixed and mobile products and services.

After the legal merger which took place towards the middle of 2015, it was logical that the two prominent product brands T-Home and T-Mobile would cease to exist as such. Hence, in September we introduced a single brand – Telekom, under which we continued to offer our entire portfolio of services intended for residential and business customers.

On the one hand, last year not only did we transform our portfolio, but we also reinforced our position as a leading integrated telecommunication service provider in the country. Once we became one company, we introduced a unique offer on the market – Magenta 1. It not only constitutes an integrated bundle of fixed and mobile services, but also a completely new concept of an offer adjusted to the dynamic lifestyle and the rapidly changing customer needs of the entire family. The achieved number of 10,000 customers by the end of 2015 is definite proof that Magenta 1 is the best of Telekom in a single package!

„WE REMAINED FIRST CHOICE COMPANY AND TREND SETTER IN MACEDONIA"

Andreas Maierhofer
Chief Executive Officer
of Makedonski Telekom



We accomplished an ambitious goal in a short time, which constitutes an extraordinary success for the company, owing to the engagement and dedication of each and every employee.

It is a fact that the market environment is changing rapidly, nevertheless, despite all changes and challenges, customer satisfaction was the driver of our activities all through 2015. As regards customer satisfaction, from a strategic point of view, 2015 was definitely a year of customer services. The focus on the customers was actually a pivotal point in the process of improving our business. That is the reason why we underwent restructuring, we changed the course of our operation and we raised the service level.

To our great pleasure, while improving the customer experience, we remained the no. 1 choice and the beacon of trends in telecommunications not only in Macedonia, but also at the level of Europe. In 2015, Makedonski Telekom definitely proved itself as the driver of changes in the telecommunications segment on the one hand, and as a great investor in the Macedonian economy and society, on the other hand.

It is our commitment to be strong supporters of innovations and new technologies and thus far we have confirmed this commitment with numerous activities and projects which are equally important both for the citizens and for society as a whole. It is beyond any doubt that we are operating in an industry which goes through changes literally with the speed of light, and that is why we must constantly keep up with the trends.

In order to ensure top quality broadband services, as well as technology leadership, we took significant steps by investing in new technologies, thus keeping up with the pace of the fast development of data traffic. We continued expanding the FTTH network, while at the same time we upgraded, enhanced and expanded the 3G and the 4G network, since we are firmly committed to have a breakthrough in digital society by providing the best infrastructure which is completely prepared for creating technological solutions of the future.

We always insist on being where new technology is created. Our vision is clear. Regardless of the complex operation conditions, we will remain pioneers in the application of new and improved services and solutions that bring new quality in a broader sense of the word. We will concurrently create new technologies and maintain partnership relations with innovative companies so as to advance the modern life of people and the business community.

They say that in a rapidly changing world the only fail strategy is not to take any risks. That is why we are not afraid of the future. We are ready for all challenges and we will firmly move forward because we have the potential, the resources and, above all, long years of experience and the support provided by the Deutsche Telekom Group.

Our motto for the year 2016 will be GO DIGITAL. Simply put, all that we will be doing will be directed towards promoting the benefits and advantages of digital world. The potential and the benefits that come with the digital era are huge. Therefore, Makedonski Telekom will strive towards digitalization for all, without any exceptions, without any barriers!

„WE CREATE NEW TECHNOLOGIES, MAINTAIN PARTNER RELATIONS WITH INNOVATIVE COMPANIES AND PROMOTE THE BUSINESS COMMUNITY ”

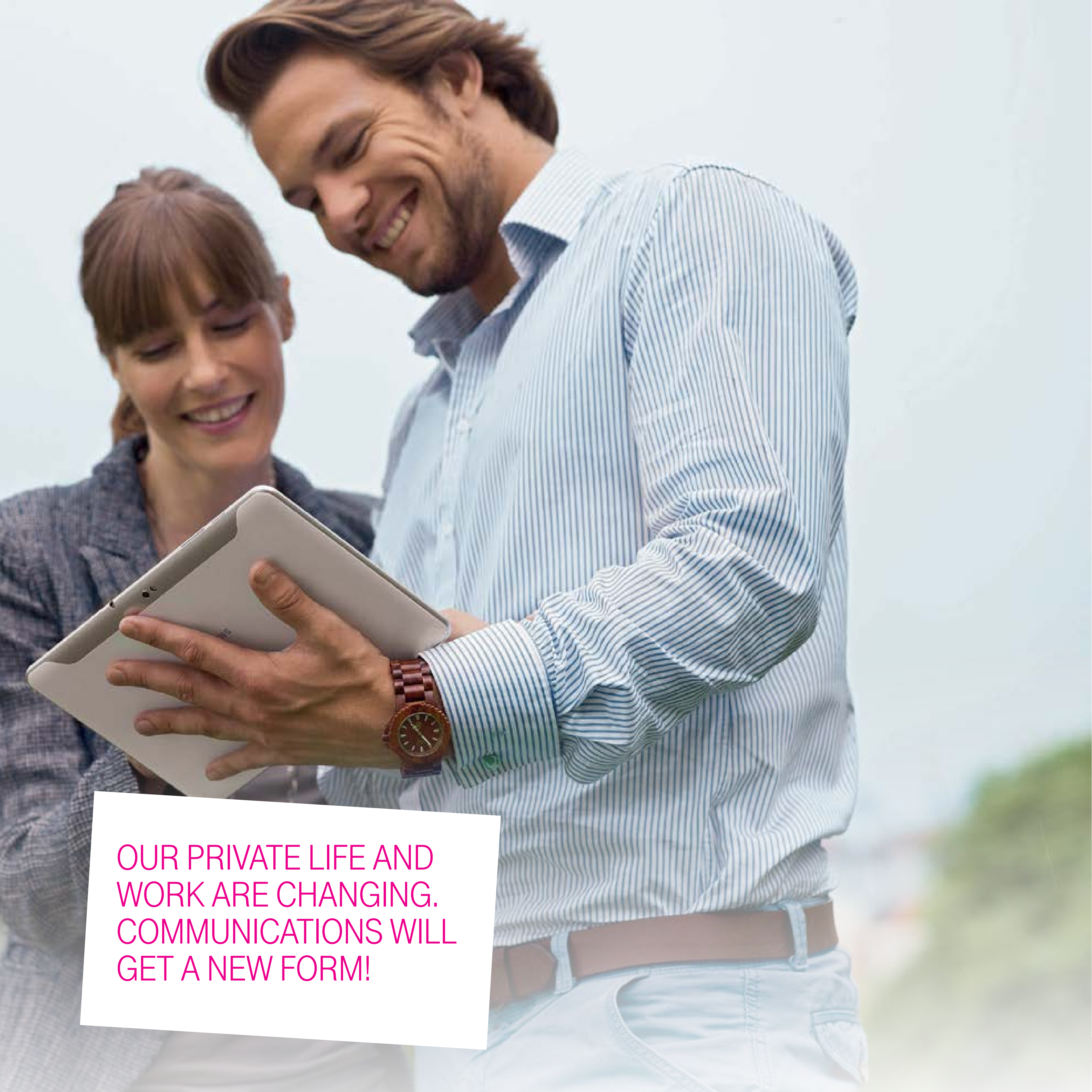
Zarko Lukovski
Chief Operating Officer
of Makedonski Telekom

DIGITAL WORLD ERA IS COMING!

COMMUNICATION IS A PART OF OUR EVERYDAY LIFE. WE EXCHANGE INFORMATION AND IDEAS. WE CONTINUOUSLY SHARE FEELINGS, EMOTIONS, EXPERIENCES, AS WELL AS ADVENTURES, WITH THE PEOPLE THAT ARE THE CLOSEST TO US, OUR FAMILIES, OUR FRIENDS AND BUSINESS PARTNERS. WE ARE WITNESSES OF THE EVERLASTING CHANGES IN THE WORLD AROUND US WHICH GIVE RISE TO GREATER AND GREATER NEEDS FOR MUTUAL COMMUNICATION.

WITHOUT ANY LIMITATIONS! MAJOR CHANGES ARE AHEAD OF US IN THE FUTURE. ALONGSIDE THE TECHNOLOGICAL DEVELOPMENT, COMMUNICATION WILL DEFINITELY BE DIFFERENT. IT WILL GAIN A NEW SHAPE THAT WILL CHANGE OUR PRIVATE AND PROFESSIONAL LIFE. THE ERA OF THE NEW DIGITAL WORLD IS COMING.

THAT IS WHY WE ARE BUILDING AN INFRASTRUCTURE WHICH WILL BE PREPARED FOR THE FUTURE. AN INFRASTRUCTURE WHICH WILL ENABLE OUR CUSTOMERS AND PARTNERS TO HAVE NOT ONLY INNOVATIVE SOLUTIONS, BUT ALSO A NETWORK THAT WILL BE THE EPITOME OF RELIABILITY AND CONFIDENCE, A GUARANTEE FOR SOLID AND LONG-LASTING PARTNERSHIPS



OUR PRIVATE LIFE AND
WORK ARE CHANGING.
COMMUNICATIONS WILL
GET A NEW FORM!

BOARD OF DIRECTORS

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

- The members of the Board of Directors are appointed by the Shareholders' Assembly of Makedonski Telekom AD - Skopje.
- The Board of Directors of Makedonski Telekom AD - Skopje appoints the President of the Board of Directors from its non-executive members.
- The structure, appointment, authorizations and operation of the Board of Directors are regulated with the Statute of Makedonski Telekom AD – Skopje and the Rules of Procedure of the Board of Directors.
- Bodies established by the Board of Directors are: Audit Committee and Remuneration Committee The members of the Audit Committee and Remuneration Committee are appointed and released by the Board of Directors of Makedonski Telekom.
- The operation of these bodies is defined in the rules of procedure that regulate their competences, composition and activities. The said rules of procedure are adopted by the Board of Directors.
- The rights and obligations for decision making by the Board of Directors, in accordance with the Law on Trade Companies, are regulated with the Statute of Makedonski Telekom.

Within the authorizations defined with the Law on Trade Companies and the Statute of Makedonski Telekom, the Board of Directors manages the Company and consists of fourteen (14) members, of whom twelve (12) are non-executive members and two (2) are executive members who bear the titles Chief Executive Officer and Chief Operating Officer. Four (4) of the non-executive members are independent members of the Board of Directors.

RULES OF PROCEDURE OF THE BOARD OF DIRECTORS

Pursuant to the provisions of the Statute of Makedonski Telekom AD – Skopje, the Board of Directors adopts its Rules of Procedure, which regulates the manner of operation of the Board of Directors, particularly:

1. The preparation of the meetings, the convening of the meetings, the course of operation during the meetings, the manner of decision-making (postponing, adjourning and concluding the meetings).

2. Minutes of the meetings, rights and duties of the members and other participants in the operation at the meeting, as well as

3. Other issues related to the operation of the Board of Directors, within the authorizations granted by the law and the Statute of Makedonski Telekom AD - Skopje.

Board of Directors of Makedonski Telekom AD – Skopje as of 31.12.2015

Pance Kralev – Non-Executive member and President
Nazim Bushi - Non-Executive member and Vice President
Nebojsa Stajkovic - Non-Executive member
Walter Goldenits - Non-Executive member
Attila Keszég - Non-Executive member
Michael Frank - Non-Executive member
Susanne Krogmann - Non-Executive member
Andrea Sághy - Non-Executive member
Andreas Maierhofer - Executive member and CEO
Zarko Lukovski - Executive member and COO
Frank Pölcz - Independent member
Péter Zsom - Independent member
Aleksandar Stojkov - Independent member
Vladimir Zdravev - Independent member

Members of the BoD of Makedonski Telekom AD – Skopje whose mandate has expired/who resigned/were released during 2015:

1. Thomas Panhans, Non-executive BoD member, with a mandate until 15.04.2015,
2. Manojil Jakovleski, Independent BoD member, with a mandate until 18.05.2015 inclusive,
3. Melinda Modok, Non-executive BoD member, with a mandate until 08.10.2015.

BOARD OF DIRECTORS OF MAKEDONSKI TELEKOM AD – SKOPJE

AS OF 31.12.2015

PANCE KRALEV
Non-Executive member and President

NAZIM BUSHI
Non-Executive member and Vice President

NEBOJSA STAJKOVIC
Non-Executive member

WALTER GOLDENITS
Non-Executive member

ATTILA KESZÉG
Non-Executive member

MICHAEL FRANK
Non-Executive member

SUSANNE KROGMANN
Non-Executive member

ANDREA SÁGHY
Non-Executive member

ANDREAS MAIERHOFER
Executive member and CEO

ZARKO LUKOVSKI
Executive member and COO

FRANK PÖLCZ
Independent member

PÉTER ZSOM
Independent member

ALEKSANDAR STOJKOV
Independent member

VLADIMIR ZDRAVEV
Independent member

MAKEDONSKI TELEKOM AD - SKOPJE

FROM LEFT TO RIGHT: ANDREAS ELSNER, LAZAR POPOVSKI, MIROSLAV JOVANOVIC, MOIRA HOMAN, ZARKO LUKOVSKI, ANDREAS MAIERHOFER, SLAVKO PROJKOSKI, BRANKO STANCEV, BOZIDAR POLDRUGAC

MANAGEMENT TEAM
OF MAKEDONSKI TELEKOM AD - SKOPJE

ANDREAS MAIERHOFER

Andreas Maierhofer is a senior telecom chief executive with experience in wireless and fix business and broad knowledge in many areas of telecommunication companies such as launching, operating and integrating telecoms in different countries. In February 2014 he became Chief Executive Officer of Makedonski Telekom and President of the Board of Directors of T-Mobile Macedonia. As of the start of his leadership, his focus was put on the merger of Makedonski Telekom and T-Mobile Macedonia. Since July 2015 and after the implementation of the transformation program, Makedonski Telekom operates on the market as converged leader under the unified T brand. Mr. Maierhofer comes to Macedonia from the position of Chief Executive Officer of Mobiltel, Bulgaria, a company which he led from 2009 to 2013. Under his leadership, Mobiltel acquired and integrated alternative fix line operators and positioned itself as a complete converged telecom operator on the Bulgarian market. A new identity with the introduction of the new brand was a logical step for the company. In that company, he held the position of Chief Marketing Officer from 2007 to 2009. In 2011/2012, he was a President of the Supervisory Board of M-Networks. From 2004 to 2007 he worked in Si.mobil Slovenia, in the position of Chief Operating Officer from 2004 to 2006 and in the position of Chief Executive Officer from 2006 to 2007. With the launch of a new company strategy, including the strategic partnership with Vodafone and growth in all customer segments, he ensured a turn around company that led to achieving positive EBITDA and EBIT. After he left Si.mobil he held a mandate in the Supervisory Board of Si.mobile for one year.
During his successful career of more than 20 years, he also worked as Customer Service Director, Head of Billing and Collection Department, supporting and supervising green field operations abroad, as well as a project owner and manager responsible for many projects in different areas and countries.
Besides his professional leadership, Mr. Maierhofer is engaged in different international business associations and obtained diverse honours and awards such as Manager of the Year in Bulgaria 2010, best Foreign Manager in Slovenia for 2005 and 2006 and Honorary sign of the President of the Republic of Bulgaria for outstanding contribution to the development of the Bulgarian economy.

ZARKO LUKOVSKI

Zarko Lukovski, Chief Operating Officer of Makedonski Telekom, effective from July 1, 2015.
Mr. Zarko Lukovski started his career in Makedonski Telekom in November 2006 when he became a President of the BoD of Makedonski Telekom. His engagement as the President of the highest decision-making body of Makedonski Telekom, as well as his exceptional knowledge of the telecommunications industry, brought him to the position of a Chief Operation Officer in 2007 and 3 years later, in April 2010, he became Chief Executive Officer of T-Mobile Macedonia.
Under his direction, numerous projects that changed the industry in Macedonia have been realized, some of which are the continuous market leadership in postpaid and prepaid, then the introduction of the 3G and later on the 4G network.
His achievements also include the introduction of the innovative Triple Screen service, the FMC portfolio, the Fleet Management service, mobile payment, as well as the Cloud Partnering Program and the innovative M2M solutions such as the Smart City Project for the public transportation enterprise Skopje for the introduction of electronic payment for bus tickets.
After the legal accession of T-Mobile Macedonia to Makedonski Telekom, Mr. Lukovski has had a share in the introduction of the Telekom brand on the market and the unique portfolio – Magenta 1.

SLAVKO PROJKOSKI

Slavko Projkoski is the Chief Financial Officer of Makedonski Telekom.
Mr. Projkoski started his career in Makedonski Telekom in 1995, where he was appointed to several managerial positions mainly in the finance area, Executive Director of the Controlling Area and later on Chief Financial Director. In 2007 he was appointed to the position of Chief Financial Officer of Makedonski Telekom. As of 25 February 2010, he holds the position of Chief Financial Officer of Makedonski Telekom and T-Mobile Macedonia, whereas from 8 April 2013 until June 2015 he also held the position of Chief Operating Officer of T-Mobile Macedonia.
Mr. Projkoski holds a BSc degree in electrical engineering and has an extensive experience in the telecommunications industry.

BRANKO STANCEV

Branko Stancev holds the position of Chief Operating Officer Business.
Mr. Stancev has over 15 years of extensive experience in various telecommunications areas, including almost all commercial segments, as well as wholesale, technology, regulatory, legal and compliance areas.
He has started his engineering career in 1997 and worked in several industries, whereupon in 2002 he entered the telecommunications segment as Head of the Telecommunications Department within the Agency for Electronic Communications.
He joined Makedonski Telekom at the end of 2002 where he held various management positions including: Executive Director for Marketing Services, Pricing, Wholesale and Regulatory, Marketing and Communications Director and Chief Corporate Affairs Officer.
Branko Stancev holds a Master's Degree in Telecommunications and Master in Business Administration, and Bachelor's Degree in Electronics and Telecommunications from the Electro-technical Faculty in Skopje.

ANDREAS ELSNER

Andreas Elsner is Chief Operating Officer Consumer of Makedonski Telekom as of 1 November 2015.
Andreas comes to the new position from the CRM and Customer Experience Department where he held the leading position as of November 2014 and where he was engaged in all activities related to the consumer roadmap and had a leading role in developing and executing the company's FMC strategy.
He has more than 14 years of experience in the telecommunications industry in Austria, Serbia and Bulgaria as a senior marketing manager in small and large telecommunications companies. He has built a portfolio with significant success in national and international marketing management, brand management, marketing communications, pricing and product development, product and brand positioning, public relations, business development and market positioning.
He holds a degree in Marketing, Advertising and Sales from the Vienna University of Economics and Business Administration. He also holds an Executive MBA from the Sales Manager Academy, Vienna.

MIROSLAV JOVANOVIC

Miroslav Jovanovic is the Chief IT Officer of Makedonski Telekom.
Mr. Jovanovic is an expert in the sphere of information technologies with an engineer's degree in computer and information technology. In the course of his professional career he was engaged at various positions both in the Republic of Macedonia and in Serbia, mainly in implementation and introduction of large ICT systems in the public sector. While holding the position of Informatics Director at the Ministry of Finance he was meritorious for the successful implementation of many projects, including the treasury, 'e-budget' and public debt project. Until his appointment as Chief IT Officer of Makedonski Telekom, Mr. Jovanovik held the position of Chief Technical Director of Makedonski Telekom as of 2009.
He was appointed to the position of Chief IT Officer of Makedonski Telekom on 15 October 2011.

BOZIDAR POLDRUGAC

Bozidar Poldrugac was appointed in the position of Chief Technical Officer of Makedonski Telekom on 1 May 2014.
Mr. Poldrugac comes from the position of Chief Technical and IT Officer in Hrvatski Telekom with an extensive experience of twenty years in various areas of telecommunications and information technologies. He started his career in telecommunications in Hrvatska Posta i Telekomunikacii in 1993. His executive positions included responsibilities for business and technical aspects of the networks, ICT and information technologies, customer relation activities, billing and accounting of revenues, collection and fraud management.
Internationally, Mr. Poldrugac was actively involved in the business and technological activities of Deutsche Telekom. His most recent international assignments include responsibility for DT/EU IP Transformation and Home Cluster leadership under Pan IP –a major DTAG's transformation program. His later international role assumes a cross-functional accountability for design and implementation of the future TV/Entertainment and Smart Home service/technology concept of DTAG.

LAZAR POPOVSKI

Lazar Popovski is the Chief Human Resources Officer of Makedonski Telekom.
Mr. Popovski is a prominent sportsman, a four-time Olympian in kayak-slalom, selected as the best sportsman of the year in Macedonia in 1999 and winner of the award “13 November” of the City of Skopje - an award which is given to individuals for exceptional achievements and promotion of the Republic of Macedonia.Mr. Popovski holds a masters degree in Business Administration from the University of Louisville, Kentucky, USA.
He began his career in the private sector, holding senior managerial positions in the sphere of sales, business planning and analysis, internal audit and controlling, and human resources, in several prominent companies.
He joined Makedonski Telekom in 2013 from the position of a Director of the Agency for Sport and Youth where he contributed to the achievement of the national interests through the development of sport as a generally recognized value which, in addition to the other benefits, presents and promotes the Republic of Macedonia at international level and strengthens the national consciousness, including the sphere of capital investments related to the sport infrastructure and youth policies.

MOIRA HOMAN

Moira Homan holds the position of Chief Human Resources Director of Makedonski Telekom as of 1st April 2013.
Ms. Homan has dedicated her entire career to human resources and she has an extensive work experience in various industries - from consultancy, banking and hotel industry to telecommunications. She is a psychologist and she gained her education in Croatia and Great Britain. She came to Makedonski Telekom from Hrvatski Telekom, where she held different managerial positions such as Operating Director of the HR Competence Centre and Director of the Labour Relations Management Department .
She was very active in many international projects in Deutsche Telekom where she leads or participates in many projects mainly in the domain of organizational transformation, translating business needs into human resources strategy and development of HR products.
In Makedonski Telekom, she fosters organizational repositioning and employee restructuring towards more customer centric and leaner organization, while aligning all the processes and resources to fit the Company focus. She develops tools and systems to reposition motivation and rewarding systems towards performance oriented culture.

MARKET ENVIRONMENT

This Annual Report on Operation refers to Makedonski Telekom AD - Skopje, (hereinafter referred to as: "MKT").

On 31 October 2013 an Accession Agreement has been concluded with T-Mobile Macedonia (hereinafter referred to as: "TMMK") as an Accessing company to MKT as an Acquiring Company. The Accession Agreement has been changed with the Annex thereof concluded on 20 April 2015. TMMK as fully owned subsidiary of the Company has been consolidated until 2014 inclusive.

In accordance with the Accession Agreement and the Annex thereof, and pursuant to the provisions from the Law on Trade Companies, 31 December 2014 is determined as a date from which all transactions of TMMK, from the accounting point of view shall be considered as they are effectuated on behalf of MKT. Implicitly, as of 1 January 2015 the bookkeeping for MKT and TMMK will be keep only by MKT.

In accordance with the Accession Agreement and the Annex thereof, which were adopted and confirmed by the Shareholders Assemblies of MKT and TMMK on the meetings held on 17 June 2015, the business activities of TMMK stopped as of 30 June 2015, when this company has been deleted from the Central Register. With the deletion, TMMK no longer exists as a legal entity without a liquidation procedure to be conducted.

With cessation of TMMK, the assets and liabilities of TMMK were transferred to MKT by the way of universal transfer of the entire assets and liabilities.

MKT is a joint stock company incorporated and domiciled in the Republic of Macedonia (RM) for the provision of telecommunications services. The MKT's immediate parent company is AD Stonebridge Communications – Skopje, solely owned by Magyar Telekom Plc., registered in Hungary. AD Stonebridge Communications – Skopje was under voluntary liquidation by the end of 2013 and from January 2014 its status has changed and it is no longer under liquidation procedure. The ultimate parent company is Deutsche Telekom AG (DT), registered in the Federal Republic of Germany.

MKT is an integrated telco operator primary offering fixed line and mobile services. MKT is leading mobile service provider, dedicated to the provision of up-to-date technologies and advanced service offerings, commensurate to the highest technological and service standards. MKT is also leading fixed line service provider of traditional telecommunications services and content services within the scope of the fixed line network, broadband services and integrated solutions, including TV over Internet Protocol (IPTV).

MKT's objectives for the forthcoming years comprise being a leading provider of technology in Macedonia and providing quality services with attractive prices in order to be prepared for the competition.

In January 2014, MKT successfully completed the All IP Transformation Project and the last customer on the public switched telephone network (PSTN) was migrated to IP Multimedia Subsystem (IMS) platform. The IMS platform enables the use of different advanced and innovative services in the fixed telephony.

In 2015, the mobile voice revenues contributed with 36.3% to the total revenues, while 19.2% of the total revenues of the MKT were generated from fixed line voice services. The fixed line internet and data services revenues contributed with 14.6%, while the mobile non-voice services revenues contributed with 10.9% to the total revenues. The revenues from IPTV contributed with 4.9% to the total revenues.

The fixed line voice revenues still mark a downward movement, mainly due to the decreased number of fixed-line customers and the decrease of the outgoing traffic. IPTV revenues have grown mainly due to the growing IPTV subscriber base. The mobile voice revenues decrease is driven by the lower voice retail revenues as the higher outgoing minutes could not offset the lower subscription fees as a result of new promotions and offers reflecting the strong competition, as well as lower voice incoming revenues as result of the lower International to mobile minutes.

At the end of 2015, MKT had 226,501 voice access fixed lines compared to 242,789 at the end of 2014. The number of total DSL access increased to 195,014 at the end of 2015, compared to 190,451 at the end of 2014. The number of IPTV customers at the end of 2015 reached 103,422 customers (including 3 Play, IPTV only and 2 MAX) marking 5% increase from the end of 2014. The number of Fibre to the Home (FTTH) customers reached 33,103 at the end of 2015.

MKT had mobile subscribers of 1,229,655 at the end of 2015, compared to 1,197,242 at the end of 2014. The mobile market penetration in Macedonia is 103.7%, which shows the trend of individuals owning multiple SIM cards. As a result of the market saturation, MKT especially focuses on retaining the customers in order to protect the market share.

The Macedonian mobile market was characterized by highly competitive campaigns and offers in 2015. Due to the increased competitiveness and in order to prevent the churn and encourage the usage, MKT launched various campaigns, price plans and additional services specially designed to meet the subscribers' needs, with a focus on value instead of price. These offers are targeting different customer segments. In 2015, MKT introduced several products that differentiate MKT on the mobile market and provide additional value for the customers. The establishment of a single Telekom brand announced the introduction of new product concept, which is fully in line with the global strategy of the Deutsche Telekom Group as a telecommunications leader in Europe. MAGENTA products, as a DT strategy, highlighted the 2015 as a year of holistic household approach offering integrated products and services to maximize household base, secure revenue and bring profitability.

MKT is continuously working on creating a market demand for mobile Internet and stimulating mobile data usage via device/data price plans.

The Macedonian mobile market, influenced by the global trends, is moving to a much broader and more interactive communications market, encompassing voice, mobile Internet and 3G/4G streaming services. Further roll-out of mobile broadband technology, improvement of customer management and billing processes and investment in value added services are planned in order to ensure market competitiveness.

BELOW ARE PRESENTED THE AVAILABLE REMUNERATION DATA FOR THE BOD MEMBERS OF MKT WITH ACTIVE MANDATES ON 31 DECEMBER2015*, RELATED TO APPLICABLE PERIOD OF 2015.

a) Data about the remunerations in other companies if the member is member of the management bodies of other companies (salary, salary remunerations, remunerations for membership, bonus, insurances and other rights)

Name and Surname (applicable period)	Company where is a member of the managing body	Salary	Salary remunerations	Remunerations for membership	Bonus	Insurances	Other rights
Michael Frank	Cronogorski Telekom AD	0	0	0	0	0	None
Walter Goldenits	Deutsche Telekom Pan-Net Hungary Kft.	This may not be disclosed due to applicable requirement	This may not be disclosed due to applicable requirement	This may not be disclosed due to applicable requirement	This may not be disclosed due to applicable requirement	This may not be disclosed due to applicable requirement	This may not be disclosed due to applicable requirement
Attila Keszeg	immmr GmbH, Germany (member of Advisory Board)	0	0	0	0	0	None
	PanNet, Germany (member of BoD)	0	0	0	0	0	None
Susanne Krogmann	Crnogorski Telekom a.d., Podgorica (member of BoD)	0	0	0	0	0	None
	T-Mobile Czech Republic a.s. (member of Supervisory Board)	0	0	0	0	0	None
Nebojsa Stajkovic (15 April– 30 June 2015)	T-Mobile Macedonia AD Skopje	0	0	MKD 157.067	0	0	None
Andreas Maierhofer (1 January – 30 June 2015)	T-Mobile Macedonia AD Skopje	0	0	MKD 744.000	0	0	None

b) Data about the employment if the member has established a labour relation with other employers (name of employer, activity, salary amount, salary remunerations, bonus, insurances and other rights).

Name and Surname (applicable period)	Name of employer	Activity of employer	Salary amount	Salary remunerations	Bonus	Insurances	Other rights
Frank Pölcz	T-Systems Hungary Ltd.	ICT solutions service provider	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements
Michael Frank	Magyar Telekom Nyrt.	Telecommunications	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements
Peter Zsom	Deutsche Telekom AG	Telecommunications	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements
Andrea Sághy	Magyar Telekom Nyrt.	Telecommunications	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements
Walter Goldenits	Magyar Telekom Nyrt.	Telecommunications	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements
Attila Keszeg	Deutsche Telekom AG	Telecommunications	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements
Susanne Krogmann	Deutsche Telekom AG, Bonn	Telecommunications	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements
Aleksandar Stojkov (1 January 2015 – 31 December 2015)	Faculty of Law "Iustinianus Primus" Skopje	High Education	MKD 738.762 (net)	МКД 845.840 (net)	None	None	None
Panche Kralev (15 April 2015 – 30 June 2015)	Government of Republic of Macedonia	-	MKD 152.500 (net)	None	None	None	None
Nazim Bushi(1 January 2015 – 31 December 2015)	APV Motivi Skopje	Agency for temporary employments	MKD 288.000	None	None	None	None
Nebojsa Stajkovic (15 April 2015 – 31 December 2015)	Ministry of Interior of Republic of Macedonia	-	MKD 371.183	МКД 28.401	None	None	None
Vladimir Zdravev (8 October 2015 – 31 December 2015)	Solun i Ivan DOOEL	Tourism and hospitality	MKD 329.698	МКД 8.770	None	None	None

*Those data are presented in scope, layout and content given by the respective member of BoD and MKT has not made any verification of the accuracy and completeness of the data.

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

In thousands of denars	2015
Short-term employee benefits (including taxation)	129.180
State contributions on short-term employee benefits	17.297
Long-term incentive programs	18.359
Total	164.836

The remuneration of the members of the Company's Board of Directors, which amounted to MKD 10,629 thousand, is included in Short-term employee benefits.

Further details on the MKT's financial performance, operating and accounting policies as well as other relevant disclosures are given in the MKT Financial statements for the year ended 31 December 2015.

REGULATION AND PRICING

The Macedonian law concerning the electronic communications (Law on Electronic Communications - "LEC") was enacted on 5 March 2005. Thus, by means of certain transitional provisions, the country's telecommunications regulations were harmonized with the European Union (EU) regulatory framework. Furthermore, a number of strict obligations for the existing operators were stipulated. In December 2013, a public debate was opened for a new draft LEC in order for the LEC to be aligned with the EU Framework Directives 2009. New law was enacted in March 2014 as primary legislation, as well as rulebooks as secondary legislation.

On 19 December 2014, amendments of LEC were enacted. One of the most important changes is implemented in Article 75-a, which regulates the prices of international roaming.

According this article, the Agency for Electronic Communications ("the Agency") has the right, with a Decision, to determine the maximal prices for services which are offered to roaming users from countries with which the Republic of Macedonia has concluded agreements for reduction of prices of roaming services in public mobile communications networks (Bosnia and Herzegovina, Montenegro and Serbia) on reciprocal base, which cannot be higher than the prices of the same services in the EU. In a period of 3 years, starting from 2015, the prices will be reduced to the maximum determined.

On 6 November 2015 in Official Gazette of RoM, No. 193, amendments of ECL were enacted. Changes affect misdemeanour provisions.

On 29 June 2011 MKT was designated as a Universal Service (US) provider for fixed telephony services, public payphones and equivalent access for disabled end-users for a five-year period starting from 1 January 2012. In 2013 a Universal Service Obligation (USO) fund was established, in which all telecommunications operators with annual turnover above EUR 100 thousand in Macedonia are participating.

On 25 December 2015, MKT received a Resolution of the Agency for determination of net cost for provision of universal service for 2014.

The services encompassed by the US for which MKT has received reimbursement from the USO fund are:

- Access to public telephone services at a defined fixed geographic location;
- Reasonable number of public pay phones;
- Ensuring conditions for equivalent access to and use of publicly available tele phone services for disabled end-users.

REGULATION OF FIXED LINE BUSINESS

MKT is Significant market power (SMP) operator on the market of fixed line voice telephony networks and services, including the market of access to the networks for data transmission and leased lines. MKT, as SMP operator, has the obligation to enable its subscribers to access publicly available telephone services of any interconnected operator with an officially signed interconnection contract.

The obligations according to the performed analysis in 2014 on the relevant markets include the current obligations as well as new obligations for regulation of fibre based products and virtual unbundling local access (VULA) on Market 8 - Broadband market (broadband services based on optics), Market 1 - Access to public telephone networks at a fixed location for residential and business customers on all networks - technology neutral, deregulation on Market 10 - Transmission segments of the LL and deregulation of Wholesale Line Rental (WLR).

According to the new bylaws, MKT has an obligation to publish reference offers for the wholesale products for interconnection, Unbundling Local Loop (ULL), local Bit-stream Access (BSA), Reference Access Offer for access to ducts and dark fibre (RAO) and wholesale terminating segments of leased lines. Initial Fibre to the "x" (FTTx) regulation was introduced in the second quarter of 2011 with the obligation for Reference Access Offer (RAO) for ducts and dark fibre imposed on MKT by the Agency. As of 1 April 2015 MKT introduced VULA service and optic bit-stream access services as part of its referent wholesale offer.

The Number Portability (NP) procedures are an obligation that arises from the LEC and the Number Portability Rulebook for all operators in Macedonia. The deadlines for porting are two days in a fixed network and one day in a mobile network. A beep signal is also introduced in the networks of MKT and TMMK, which informs the customers that their call is made towards a ported number. All call query method is obligation due to IP migration of all operators on domestic market.

On 15 July 2014 the Agency introduced obligation for all operators with cable network infrastructure (including MKT) to build its network underground and to place its existing aerial networks underground by the end of 2020 in cities with above 15,000 citizens. Additionally all fixed and mobile operators are obliged for Digital agenda targets to provide broadband services with minimum speed of 30 Mb/s for 100% of household's network coverage and 100 Mb/s for 50% of household's network coverage by the end of 2020.

On 11 November 2015 the Agency published final document for market analysis on relevant retail Market 3 – Minimal set of leased lines. MKT is released from SMP obligation on this market and this market is no longer included in list of relevant regulated markets by the Agency.

Rulebook for emergency number E 112 was enacted on 27 October 2015 (Official Gazette No. 184/2015). Even thou obligations for operators are defined in the rulebook, date for starting the service is not set. It will mainly depend on preparedness of the Centre for crisis management as responsible body for implementation of the service on government side.

REGULATED RETAIL PRICES

Under an obligations arising from Article 91 of the LEC (retail price regulation), followed with the changes in November 2014 of the Recommendation for retail regulation, the Agency specified the manner and procedure for regulation of the retail prices for fixed voice telephony networks and services of the operator with significant market power on the relevant retail markets. MKT is an operator with SMP status on the relevant retail Market 1 – Access to the public telephone network at a fixed location and Market 2 – Publically available telephone services at a fixed location.

The prices for retail products offered on these two markets are subject to regulation by the Agency. The regulation of the retail prices is ex-ante, meaning that the Agency has to approve each price introduction, price change on every product or promotion prior to its being launched in retail. The ex-ante regulation is based on price squeeze methodology.

REGULATED WHOLESALE PRICES

MKT has a cost-based price obligation for the Regulated wholesale services, using LRIC. The results from the Bottom - up LRIC costing model are implemented as of 1 April 2011.

As of 1 November 2011, MKT stopped offering PSTN and ISDN services for its customers as well as for its wholesale partners and all newly committed services are based on Internet Protocol (IP) technology. In line with the PSTN migration of the MKT network, the Agency approved the proposed modifications of the WLR Reference Offer and BSA Offer of MKT applicable as of 1 January 2012. MATERIO was changed on MKT's initiative from 1 May 2012, and lower fixed termination rates (for origination, termination and transit) for 25% were approved by the Agency. The IP MATERIO (Internet Protocol Reference Interconnection Offer of MKT) was submitted for approval to the Agency in October 2013 on MKT's initiative, in line with the conclusions of the market analyses for submission of MATERIO changes with description and conditions for IP interconnection. The Agency approved the IP MATERIO on 27 December 2013, the changes being effective from 1 January 2014.

The new measures in line with MKT's SMP obligation on wholesale markets for fixed call origination (Market 4), termination (Market 5) and transit (Market 6) from the final document include: implementation of IP interconnection by the end of 2016, at the latest, for fixed and mobile operators, transitional period for IP interconnection for alternative fixed and mobile operators up to three years, submission of updated MATERIO with IP IC description (service and fees) and conditions by 31 October 2013, at the latest. The other measures for Market 4, 5 and 6 are the same as before (interconnection and access, access to specific network facilities, carrier selection (CS) and carrier pre-selection (CPS) transparency, non discrimination, accounting separation, price control and cost accounting).

In 2014 analyses were performed in accordance with the annual working program of the Agency for 2014. The ones that affect MKT's operations are the analyses on Market 8 – Broadband market, Market 1 – Access to public telephone networks at a fixed location for residential and business customers, Market 9 Terminating segments and 10 – Transmission segments of Leased Lines (LL).

The final document for the Broadband market (Market 8) analysis was published on 1 August 2014. For the first time the Agency imposed a regulation for the access to broadband services over optical access network. All existing obligations for the copper network remain unchanged.

New regulated services are: Bit Stream Access over Next Generation Access, Virtual Unbundled Local Access, Service Level Agreement, Service Level Guaranty (BSA over NGA, VULA, SLA, SLG), Equivalence of inputs and additional parameters for efficient monitoring of provisioning wholesale access are imposed (KPIs, service level agreements and guarantees). No cost orientation obligation for optic products, only margin squeeze tests will be implemented.

On 30 December 2014 the Agency adopted a Decision for designation of MKT for SMP on Market 8 - Access to broadband services based on copper pair and broadband services fully or partly based on optic including the following services:

- Point of access on IP level
- Point of access on Ethernet level, Virtual unbundling local access
- Bitstream access which MKT provides for its own needs based partly or fully on optics

The third analysis of Market 9 and 10 – Transmission and termination segments of

Leased Lines (LL) and Market 7 – Physical access to network infrastructure was finished in November 2014. As a result of the analysis, on Market 9 and 10 the transmission segments of the LL were deregulated and on Market 7 regulations of fibre-based products of MKT were included. On 30 December 2014 the Agency adopted a Decision for designation of MKT for SMP on Market 9 – Terminating segments of leased lines in the geographical area of the Republic of Macedonia. The final document on the second market analysis on the relevant retail Market 1 – Access to public telephone networks at a fixed location for residential and business customers including all types of networks- technology neutral was published on 7 October 2014. The Agency regulated fibre-based products of MKT with margin squeeze tests which are already implemented for copper-based product regulation. The decision for designation of MKT for SMP on Market 1 was adopted on 30 December 2014.

REGULATION OF MOBILE BUSINESS

In July 2015, Competition Authority approved VIP and ONE merger of their business in Macedonia consisted of mobile, fixed, internet and transmission of audiovisual content services, in the new entity ONE.Vip. The merger was approved with following conditions:

- Obligation to enable access to applicants as Full MVNO on a wholesale basis
- Obligation to enable access to applicants as MVNO (resale) on a wholesale basis
- Obligation to offer the spectrum for sale
- Obligation to offer Redundant locations for sale
- Obligation to offer the current “Boom TV packages“ of ONE on the basis of a resale

After the merger between MKT and TMMK all radiofrequency licenses awarded and used by TMMK were transferred to MKT. MKT has radiofrequency usage rights for the following radiofrequencies for public mobile communications systems:

- 2 x 12.5 MHz in the 900 MHz band, validity period: 8 September 2008 – 8 September 2018 (10 years)
- 2 x 10 MHz in the 1800 MHz band, validity period: 9 June 2009 – 9 June 2019 (10 years)
- 2 x 15 MHz 2100 MHz band, validity period: 17 December 2008 – 17 December 2018 (10 years)
- 2 x 10 MHz in the 800 MHz band, validity period: 1 December 2013 – 30 November 2033 (20 years)
- 2 x 15 MHz in the 1800 MHz band, validity period: 1 December 2013 – 30 November 2033 (20 years)

Based on a company decision, in 2014 TMMK returned 5 MHz of the spectrum it owned in the 2100 MHz band. The 5 MHz spectrum assigned for Time Division Duplex (TDD) operation mode had not been used since the assignment in 2008 and was not planned to be used in the future either.

The competitor ONE.Vip has frequency usage rights for the following radiofrequencies for public mobile communications systems:

- 2 x 12.5 MHz in the 900 MHz band
- 2 x 10 MHz in the 2100 MHz band
- 2 x 10 MHz in the 800 MHz band
- 2 x 15 MHz in the 1800 MHz band
- 2 x 10 MHz in the 900 MHz band
- 2 x 10 MHz in the 1800 MHz band
- 2 x 10 MHz in the 800 MHz band
- 2 x 15 MHz in the 1800 MHz band

Thus, the spectrum for public mobile communications in the 800 MHz, 900 MHz and 1800 MHz bands is fully assigned to the 2 mobile operators. There is a remaining available spectrum in the 2100 MHz band, while the 2600 MHz band is not assigned for public mobile services at all.

The retail services provided by the mobile network operators in Macedonia are currently not subject to price regulation.

Since 2007, TMMK and ONE have been designated with SMP status on the wholesale market for voice call termination services in mobile communications networks, whereby several obligations were imposed on them, such as: interconnection and access, non-discrimination in interconnection and access, accounting separation and price control and cost accounting.

TMMK’s first RIO was approved by the Agency in July 2008. Based on the second round analysis of wholesale call termination services in public mobile communications networks on 30 July 2010, TMMK received a Decision for changing the RIO by which the Mobile Termination Rate (MTR) was defined with a glide path decrease in a timeframe of four years (until 2013). In September 2011, the price for the national MTR was decreased to 3.1 MKD/min. and was planned to continue decreasing by 0.1 MKD/min. each year, down to 2.9 MKD/min. by September 2013. At the same time, the Agency regulated the MTRs for ONE and VIP (VIP was designated with SMP on this market in the second round analysis) with a four year glide path. In May 2012, the Agency made a revision of the calculation of MTR of all three mobile operators and imposed new glide path. As from 1 June 2012 until 31 August 2013, TMMK’s MTRs were set at 3.0 MKD/min., while ONE’s and VIP’s MTRs were set at 4.0 MKD/min. MTR symmetry to 1.2 MKD/min. calculated using Bottom-up LRIC+ were applied from 1 November 2013 (based on a new Agency Decision adopted in August 2013), and a further decrease to 0.9 MKD/min. calculated using Bottom-up pure LRIC was applied on 1 September 2014.

After the first analysis of the wholesale SMS termination market in 2011, all 3 mobile operators were designated with SMP status. In 2013 the Agency conducted a second round analysis on this market and imposed new regulated prices – symmetrical for all 3 operators and 75% lower than the previous ones. The prices became effective on 1 January 2014.

An auction procedure concluded in August 2013 awarded the whole 790 – 862 MHz band together with the unassigned spectrum in the 1740 – 1880 MHz band for Long Term Evolution (LTE) technology in a public tender. Each of the 3 Macedonian mobile operators acquired an LTE radiofrequency license of 2x10 MHz (in the 790 – 862 MHz band) and 2x15 MHz (in the 1740 – 1880 MHz band). Each license was acquired for a one-off fee of EUR 10.3 million (MKD 634,011 thousand). TMMK will retain the license for 20 years, until 30 November 2033, with an extension option for up to 20 years in accordance with the LEC.

AUDIOVISUAL AND MEDIA REGULATION

In May 2013, the Macedonian Parliament adopted a Law on Film Production, amended in January 2014, imposing obligations for payment of annual fee by all cable operators (retransmission) and operators that provide Internet services. The fees are defined as follows:

- 1% from the revenue of cable operators which are operating with TV broad casting program services
- 1 % from the revenue of the entities that provide Internet services
- 2% from the revenue of the legal entities which are operating in the distribu tion, rental and sale of movies

The above-mentioned fees are applicable as of 2014, calculated on the level of the related revenues from the previous year.

The Law on Audio and Audiovisual Media Services entered into force on 3 January 2014. The Agency for Audio and Audiovisual Media Services, the legal successor of the Broadcasting Council, has the right and obligation to conduct program supervision of the program packages that are retransmitted by the operators of public electronic communications networks.

MKT, as a provider of audio or audiovisual media service on demand, has editorial responsibility regarding the selection or the content of the service. It is obliged to keep the audiovisual media service on demand unchanged at least 30 days after its being made available to the users.

Additional obligations imposed by the law and affecting MKT are:

- If a program is subtitled in a language different from the language used originally when the program was produced, it has to be subtitled in Macedonian or in the language of the community that is not a majority, but is spoken by at least 20% of the population in the Republic of Macedonia, except for teleshopping and advertising programs.
- Annual fee for the surveillance carried out by the Agency for Audio and Audiovisual Media, in the amount of 0.5% of the total revenues earned by the retransmission and 0.5% of the total revenues earned for on-demand activity, has to be paid to the Agency for Audio and Audiovisual Media.
- Local program services can be transmitted within their service area and public broadcasting services funded by the broadcasting fee have to be transmitted and free of charge.
- In its subscription agreements, MKT has to specify the list of program services which are currently retransmitting in its program package.
- The internal television channel output, i.e. the signal of that channel has to be recorded fully and without interruption and the recording has to be available at least 30 days after broadcasting.
- MKT is obliged to keep the catalogue and the content of the audiovisual media service on demand for at least 30 days after its being made available to the users.
- Obligation for promotion of European audiovisual works.
- MKT is obliged to deliver the output signal continuously to the location for collecting signals for monitoring purposes.

MACEDONIA AND THE EUROPEAN UNION

The Republic of Macedonia signed the Stabilization and Association Agreement with the EU and its Member States on 9 April 2001. The Macedonian Parliament ratified the Agreement on 12 April 2001, reaffirming the strategic interest and the political commitment to the integration with the EU. The Stabilization and Association Agreement was ratified and it has been in force since 1 April 2004.

On 17 December 2005, the EU decided to grant the Republic of Macedonia an EU candidate status.

Following the candidate status, the EU must set a date for the start of the negotiations regarding the full accession, encompassing all aspects of the EU membership, including trade, environment, competition and health. Macedonia, as a candidate country, should harmonize its legislation with the EU.

On 14 October 2009, the European Commission issued the 2009 Progress Report. Macedonia received a recommendation from the European Commission for the opening of the accession negotiations. The country made significant progress and substantially addressed the key reform priorities, known as eight plus one benchmarks.

Based on the Progress Report issued in November 2015, there is a good level of preparation in the field of information society and media. In the past year, some progress was made. In the coming year, the country should in particular:

- ensure proper implementation of the newly adopted legislation on electronic communications and audiovisual media services;
- strengthen the independence and capacity of the audiovisual media regulator and the public service broadcaster

The EU supports the good functioning of the internal market for electronic communications, electronic commerce and audio-visual services. The rules protect consumers and support universal availability of modern services.

COMPETITION

The competition in the telecommunications business is well-developed in almost all segments. Several main players shape the telecommunications market in Macedonia.

Significant changes on the market and movements for market consolidation marked the whole year 2015.

On 2 October 2015, Vip Operator, a subsidiary of Telekom Austria Group, was merged with Telekom Slovenije's subsidiary ONE, both operating in the Republic of Macedonia. Telekom Austria Group holds 55% and has sole control over the newly created entity ONE.Vip, whereas Telekom Slovenije Group holds 45%. Furthermore, the share purchase agreement also includes call and put options for the exit of Telekom Slovenije Group within three years of the closing of the merger.

Previously, in the first half of 2015, Telekom Austria Group acquired 100% of eight cable operators in Macedonia through its subsidiary Blizoo, which became part of Telekom Austria in July 2014.

The fourth mobile virtual network operator (MVNO) Albafone ceased the operations in June 2015.

Balkan lower roaming fees were agreed by the regulators of Macedonia, Serbia, Montenegro and Bosnia and Hercegovina. New, lower roaming fees were applied by all three mobile operators as of July 2015.

Telekom Slovenia was offering various services under the brand name ONE: mobile and fixed voice, mobile and fixed broadband internet and TV.

The entry fees of ONE post-paid mobile offers were set at a very aggressive low level until November 2015, when they launched new portfolio and removed the very price aggressive offers. In prepaid they continued with their lowest priced offer on the market under the Dzabest brand. In 2015 ONE's market share was stable, 25.71% (source: Report for electronic communications development Q2 2015, the Agency).

In the fixed segment, ONE.Vip offers low price triple play bundles (fix voice/internet/TV). However, customer base in all fixed line services shows decrease in 2015 (source: Report for electronic communications development Q2 2015, the Agency).

The mobile operator VIP entered the fixed market by acquiring the CaTV operator Blizoo in July 2014. Further, they acquired eight regional CaTV operators in 2015. No changes in the strategy or marketing were made in the period after the acquisition. Regional operators continued operation under their former brands until the end of the year 2015.

In the mobile segment VIP continued to increase the contract ratio, which reached 54.2% in Q3 2015 (source: VIP Q3 2015 report). The pricing policy remained stable during whole 2015, with increased internet traffic during campaign periods. They have maintained a stable market share to 27.38% in Q2 2015 (source: Report for electronic communications development Q2 2015 the Agency).

VIP launched FMC products in the beginning of 2015, consisting of VIP mobile services and Blizoo fixed line services.

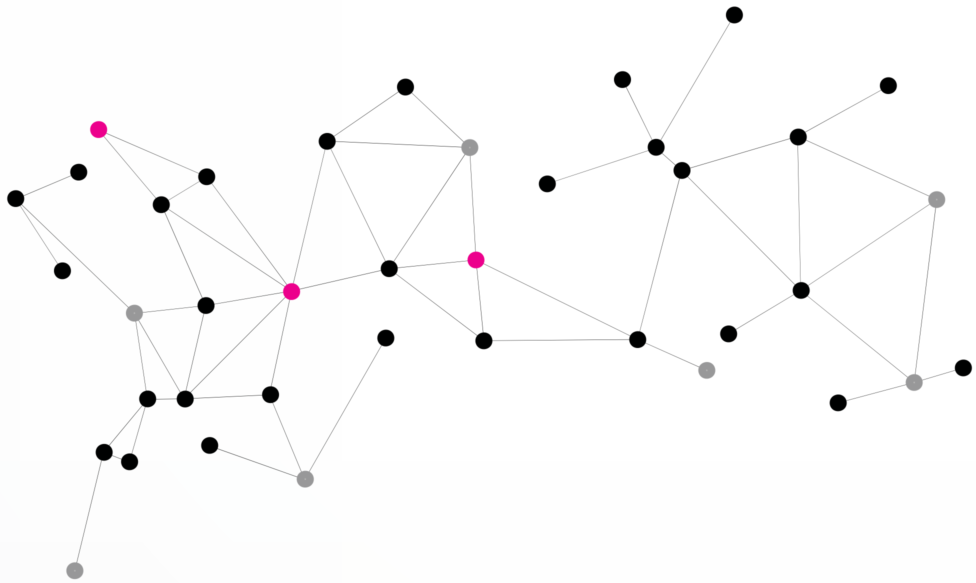
Two mobile operators include 4G/LTE products in their offers.

The cable operators also have a significant role in the telecommunications market and, as providers of cable television as their main service they are well-established on the Macedonian market. Most of them offer internet broadband services and fixed voice services. Telekabel and Blizoo (part of VIP as of August 2014, and enlarged with the 8 regional operators acquired in 2015) are the biggest cable providers among over 70 active cable operators. Blizoo offers Hybrid Fibre Coaxial (HFC) services – optic near your home with very high data rate for internet services and digital television.

The product portfolio of all operators is driven by bundle products. The cable operators are bundling their TV offer with internet and fixed voice services. The fixed voice service of the cable operators is usually perceived as a value added service as the cable operators are charging low access fee or presenting the fixed voice service as free of charge and including also free traffic in their own network bundled in the offer. As the overall market is price sensitive, the price perception plays a major role in the customers' choice and thus the cable operators' offers are seen as more competitive than MKT's in terms of prices.

The trend of NP continued to increase in 2015, for both mobile and fixed numbers. By the end of Q2 2015 there were 161,759 mobile and 158,346 fixed ported numbers in total (source: Report for electronic communications development Q2 2015, the Agency).

As at 31 December 2015 MKT has a retail fixed voice market share of 61.5%, retail fixed broadband internet market share of 43% and TV market share of 24% (source: internal best estimates). In the second quarter of 2015 the market share of MKT was 46.9% (source: Report for electronic communications development Q2 2015, the Agency). The Agency uses the market share calculation method based on the total number of active SIM cards which were used in the previous three months.



WE CONNECT THOUSANDS OF HOMES WITH THE FUTURE

OUR ACHIEVEMENTS IN 2015

225 THOUSAND FIXED VOICE CUSTOMERS

LEADER ON THE FIXED VOICE SERVICES MARKET

190 THOUSAND ADSL CUSTOMERS

33.103 FTTH CUSTOMERS

INCREASE OF 5,3 OR 103,4 THOUSAND MAXTV CUSTOMERS

121.000 HOMES PASSED OR 21% HOUSEHOLD COVERAGE WITH FTTH

24,3 OF THE TOTAL TV MARKET

45% LTE COVERAGE OF THE TERRITORY AND **70%** LTE COVERAGE OF THE POPULATION

10.000 MAGENTA CUSTOMERS

SMART TRANSPORT

TECHNOLOGICAL LEADERSHIP WITH THE FASTEST LTE NETWORK

1.230 THOUSAND MOBILE SUBSCRIBERS - INCREASE OF **2,7 %**

MAXIMUM RATE OF **220** MBIT/S

ONE COMPANY

In 2015 we took great initiatives and traced a new path on which we started treading ahead with firm steps. The year that has gone by was primarily focused on the accession of T-Mobile to Makedonski Telekom. This step was executed after many years of internal planning and preparations. The Shareholders' Assembly, at its meeting held on 17th June, accepted the Accession Agreement. Thence, Makedonski Telekom and T-Mobile Macedonia officially became one company on 1st July. The employees, including the entire property and obligations, were assumed by Makedonski Telekom. Mr. Andreas Maierhofer is the Chief Executive Officer of Makedonski Telekom, whereas Mr. Zarko Lukovski was appointed as the Chief Operating Officer of Makedonski Telekom.
Yet, why did we decide to merge exactly in 2015?
If we take a look at the years that passed, consolidation is not only a worldwide trend, but also a basis for us to view the merger as a manner of adjusting to the market environment. Therefore, we became one company – Makedonski Telekom, with the aim of improving the results and more efficiently dealing with the competition which also opted for consolidation, by introducing a competitive portfolio of integrated fixed and mobile products and services.

Internally, we conducted this process in order to be more effective and simpler in terms of the operational and decision-making processes, as well as to optimize the operational costs so as to be better positioned on the market. We did all this in order to be able to dedicate ourselves completely to the customers, on the one hand by offering innovative converged services by using the latest technologies, while on the other hand also by improving the customer experience.
The company, which is a technology leader in the region, will be fully focused on the customer satisfaction by offering competitive integrated fixed and mobile services which is expected to result in even better positioning on the market.
Now, as one company we will strive to use the potential of those technologies as much as possible, to create converged services that will be intended for the entire family and will cover all communication needs: Internet, mobile, fixed, television. The best network will provide enormous data flow in real time and as one company we will provide this opportunity to our customer from one place.

The accession process is expected to strengthen the position of Makedonski Telekom as the leading integrated telecom in the country. It will also provide European perspective for the country going forward because it will have positive impact on the overall economic movements and business environment through investments in new technologies and state of the art services. Makedonski Telekom will continue to be the driver of changes in the telecommunication segment and great investor and supporter of the Macedonian economy and society.

NEW TELEKOM BRAND

Following this step, in September we ceased T-Home and T-Mobile, the two prominent product brands, and we introduced a single brand on the market - Telekom. The establishment of a single brand was aimed at simplifying the internal processes with a view to increasing the customer satisfaction as a crucial focus for Makedonski Telekom.

The new Telekom brand was promoted by the Chief Executive Officer of Makedonski Telekom, Mr. Andreas Maierhofer, at a meeting with the Macedonian journalists in Berlin on 3rd September. At this meeting, Mr. Maierhofer announced that all communication services for the needs of the family, at home and when on the move, would be offered under the Telekom brand: mobile and fixed, integrated services, solutions for business customers, as well as Cloud solutions. The establishment of one Telekom brand and the introduction of a new product concept is completely in accordance with the global strategy of the Deutsche Telekom Group as a telecommunications leader in Europe.

„MACEDONIA JOINED DT MAGENTA 1 FAMILY "

MAGENTA 1 – THE BEST OF TELEKOM IN A SINGLE PACKAGE

After the promotion of the Telekom brand, in October with introduced the new product portfolio Magenta 1, which comprises a range of communication services pursuant to the specific needs of modern customers. As a novelty on the market, Magenta 1 is a simple and comfortable concept of an offer which is adjusted to the specific needs of the customers and offers an unforgettable customer experience. This package provides the customers with everything that they need in a simple, smart and personalized manner, via any device, at any place, whether at home or on the move. The basic features of the new integrated product portfolio are as follows: flexibility, attractiveness, custom-made for the customers and easily understood, and as such it constitutes an outstanding offer for the entire family. In this package, each family member can find his or her ideal combination of services, while being connected both when at home and when on the move.

AN UNFORGETTABLE MUSICAL SPECTACLE

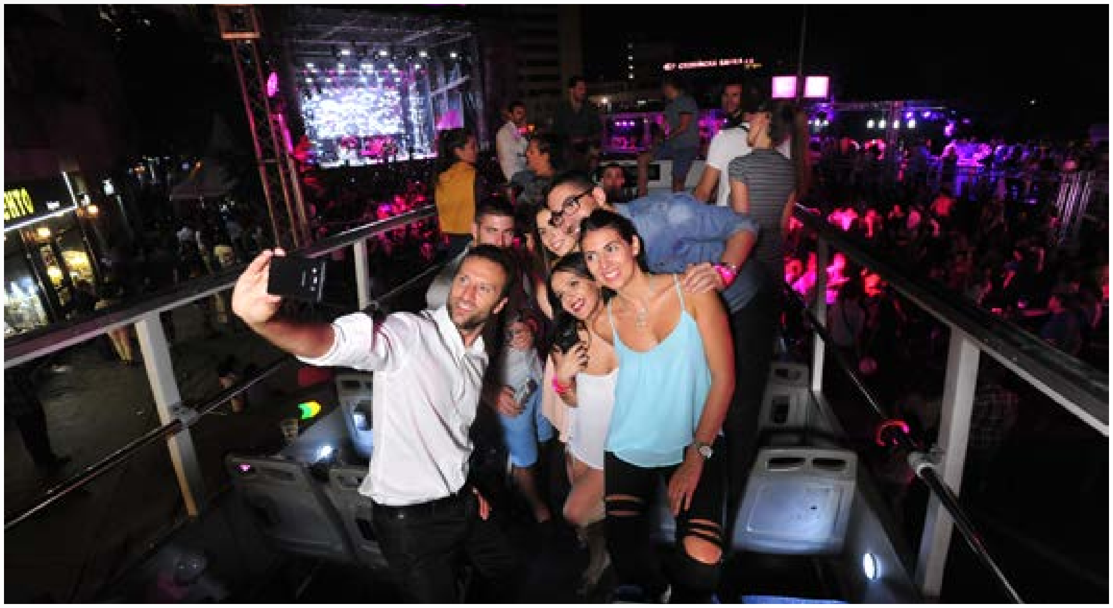
Celebration of the introduction of the Telekom brand

The introduction of the Telekom brand on the telecommunications market was an occasion for Makedonski Telekom to prepare an unforgettable musical spectacle. This event will remain to be remembered and talked about as a one-of-a-kind extraordinary party, intended literally for all citizens of the Republic of Macedonia.

On 19th September, the centre of Skopje was the meeting point of several renowned and extremely popular musicians. The Macedonian pop star, Karolina, the Croatian pop diva, Severina, and the worldwide known producer and DJ David Morales, ensured an all-night party attended by 60,000 citizens.

The full concert under the open sky was an event to remember, a wonderful party and an occasion to have fun for all the visitors. The concert was definitely more than successful, while the atmosphere was magnificent and memorable, such as can be promised and delivered only by a company of the rank of Makedonski Telekom.

In addition to the musical spectacle for adults, the company also organized daily activities for the youngest ones, with a programme that comprised many games and fun to the sounds of the greatest children's hits.



„PARTY ATTENDED BY MORE THAN 60,000 CITIZENS”

MARKETING

TOP SERVICES
FOR SUPERIOR
CUSTOMER EXPERIENCE!

WEEKEND, HOLIDAY, FAMILY CELEBRATION. SHARE PHOTOS WITH LOOP ANYTIME, ANYWHERE!

Telekom as single brand was introduced following the legal merger of the two companies MKT and TMMK into one entity. Under the Telekom brand, MKT offered its whole service portfolio. The establishment of a single Telekom brand announces the introduction of new product concept and approach, fixed and mobile convergence.

MKT was focused on the retention of the existing customers and the up-sales to bundled converged services, as well as on the acquiring of new customers on the fixed and mobile market, for both residential and business segment. As year of service, in 2015 several activities for continuous improvement of customer experience were conducted.

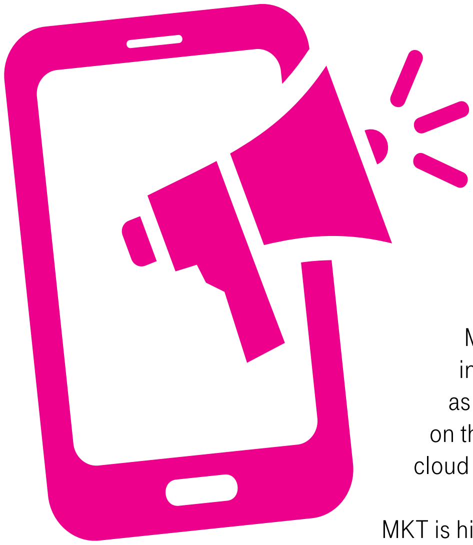
Major shift in approach towards integrated offers was done in second half of the year. Magenta 1 was introduced as bundled converged fixed-mobile product both in residential and business segment.

The key focus this year was to offer fixed and mobile convergent services that will fully capture the needs of the whole family and household. Thus, new Magenta 1 product portfolio was launched, consisting of 2 post-paid SIMs, fixed voice, Internet and MaxTV. The key characteristic of Magenta 1 is that it offers seamless connectivity among networks, providing unlimited communication, fastest internet and best TV on every device (Smartphone, PC, TV), anywhere and at any time. In order to meet Magenta 1 customer needs, the Family budget concept was introduced. It gives the opportunity for the household to receive a budget that can be used for purchasing handsets, tablets and TV sets for the family with flexibility in terms of time and usage. Magenta 1 provides the best customer experience from the moment of getting information about the product until its final realization.

Customer retention and satisfaction as a main strategic direction continued as well in 2015. Marketing activities based on customer needs and habits are performed in order to build strong customer relations and provide the best customer experience. Value based approach was introduced, focusing on ensuring customer service excellence for the most valuable customers.

Therefore, several post-paid tariff promotions were introduced and communicated on the market, providing more value by enrichment with additional data in the tariff and other benefits. Higher customer satisfaction was achieved by offering 4G mobile network access for the mid-end post-paid tariff. Loop – digital album and Mobile Max TV, which are both unique innovations on the Macedonian telecommunication market, were offered as benefit in the tariffs.

„POWERFUL AND INNOVATIVE TELEKOM BRAND"



For fix customers several novelties and promotions were introduced. Exclusive content like movie TV channels M1 and M1 Gold, VoD service Pickbox, also the most famous TV channels from Balkan region were introduced for Max TV customers. Sport content continued to be key differentiator from competition.MKT continues to care and award the customer's loyalty through the biggest Loyalty program Moj Klub.

In the prepaid segment, the focus was on sustaining the base of active customers via several promotions and offers. A new tariff Cool+ was launched, with price characteristics that provide possibility for longer talks by the prepaid customers. Additionally, the focus remained on offers that stimulate voucher reloads, such as top-up based winning games and bonus traffic upon top up promotions. Special attention was put to seasonal visitors during the summer period.

MKT has launched Magenta 1 Business in October 2015 as unique offer that enhance our position ahead the competitors. Magenta 1 Business product as a continuation of Business 360 product, is not just an integrated Business solution but represents a fully new offer concept, created and adjusted for the dynamic trends. It includes fix and mobile services with unlimited calls to all national networks, LTE in all mobile options, broadband connectivity, superior Cloud services and possibility to buy Max TV service as soft bundle option. The product gives the Customer a unique possibility to procure integrated services and to build up individual offer according to their needs.

New Mobile Business portfolio was launched in October 2015 offering higher data volumes and LTE access in all tariff options. For the first time, higher subscriptions tariffs were enriched with free bundled roaming minutes for some Balkan countries.

MKT repositioned the complete broadband portfolio for Business customers (Office Complete, MaxADSL Pro & MaxOptic Pro). The main enhancements were in terms of portfolio simplification and enriching the package content with more favourable pricing.

Managed security and cyber security are the utmost trends in our industry. MKT is active player on this market not only as custom solution provider, but also when robust coverage on the topic is need. Second year in a row MKT is providing cloud security solution for all state schools and dormitories.

MKT is highly committed to bootstrap digital society, by enabling digital players to lean on our platform worry free. The offering on Hosting solutions (Web hosting and Data centre hosting) has been improved in order to be affordable simplified and forthcoming for every segment.

With competitors rolling out high-speed networks, mainly based on DOCSIS 3.0, the continued rollout of FTTH is of strategic importance for MKT. In 2015, MKT continued with FTTH rollout and monetization of the FTTH network, through the up-sell, cross-sell and acquisition of new customers. MKT ended the year covering over 20% of the households in the country. Several campaigns were introduced to increase the FTTH customer base, by focusing on high-speed Internet, TV and convergent services meeting the needs of the whole family.

Several communication campaigns were launched in 2015 to accompany the movements in the portfolios and to increase the awareness of the benefits provided with the services/ products as well as building in the image of best Telekom operator.

In 2015 “the Best” story began with campaign for the best network supported by the results from marketing research for overall perception.

The introduction of Telekom brand happened in September 2015, after the ceasing off the two product brands, T-Mobile and T-Home. Since then, all communication was run from one brand towards the entire customer base. In order to strongly position the single brand, big image campaign was rolled out for introduction of the new and invigorated brand Telekom and to announce the new great things to come for the customers, with focus put on offering integrated services from one place. For the purposes better brand positioning and building strong relation with the newly introduced brand, customer engagement activities were conducted, among which a big public event hosted by MKT in the centre of the capital.

Integrated marketing communication strategy using available and adequate channels (TV, radio, print, out-of-home advertising) was used to achieve high-impact reach to all target groups. However, in 2015 the bigger focus and exploit was on digital communication as fast developing communication trend with targeted digital campaigns to generate higher reach. Having the focus on digital, social media was the pushed channel for interaction and engagement with the customers by delivering relevant and authentic content in line with the brand promise “Life is for sharing”. This approach aims at enhancing brand likeability and acceptance, and strengthening the relation with brand in the era of digital communication.

SALES

SATISFIED CUSTOMERS ARE OUR DRIVING FORCE
BECAUSE THE CUSTOMER ALWAYS COMES FIRST!


THE BEST OF TELEKOM IN
ONE PACKAGE
UNIBank

In the business sector, the communication focus was set on strengthening the image of MKT as an innovative operator offering integrated communication services combining communication and innovative services in one package and reliable partner for building long-term partnership.

MKT has developed different sales channels in order to serve the customers from different segments. Direct sales channels comprise: own retail network, telesales, on-line sales channel, technicians, direct sales agents, account managers (for Institutional, Key Accounts and Large Accounts) and a multichannel logic in the sales and service of the SOHO (Small-Office-Home-Office) segment. The indirect sales channel is based on indirect master dealers with their own network of shops, partner shops and kiosks. An external company engaged in 2014 continues with telesales activities (proactive retention and loyalty activities were also introduced).

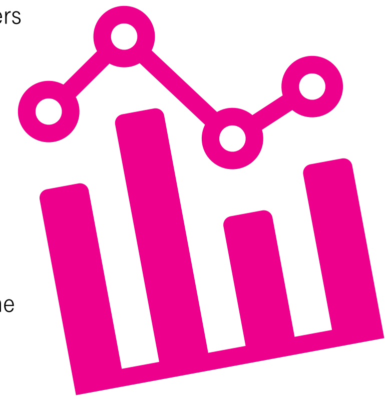
The main sales channels are the MKT's shops. There are 36 shops as at 31 December 2015. In 2015, the own shop network was refreshed with refurbishing of 16 shops with implementation of partner stages. All shops are offering the complete mobile and fix product portfolio under the same conditions and with the same customer service level. As of 21 September 2015 the shops are formally functioning as shops of one company – MKT. Since 2015 was the year of service in MKT, all the employees in the shops were focused on improvement of the service in the shops. In that direction, waiting time was halved from the beginning of 2015. Starting from 21 September 2015, main sales focus was Magenta 1 and until the end of 2015 10,000 Magenta 1 packages were sold. The biggest portion of Magenta 1 sales transactions were done over shops.

„WE CREATE MEMORABLE MOMENTS FOR OUR CUSTOMERS"

Partners' presentation in own shops continues in 2015 with implementation of new content on m-Walls and Window Digits. New partners stages in the refurbished shops were used for the same purpose.

Sales activities that include home delivery via telesales were used in 2015 for retention of fixed and mobile subscribers.

E-business has provided new, consolidated web site for all fix and mobile customers. We further developed new features for improvement of online sales channel and increased transactions through web shop, as well as introduced Smartphone Help mobile application for our Android users. We introduced Live chat and offered better way to help our customers through direct contact with Customer support personnel on our website.



Another channel of the distribution network of MKT is the dealers' cooperation. As at 31 December 2015, the network consisted of 5 master dealers with 61 shops as MKT partners. The majority of the MKT master dealers' shops are offering the full MKT portfolio. In more than 40 master dealer's shops bill payment was introduced in 2015. In addition, prepaid vouchers are also available in 4,015 kiosks. More than 2,000 kiosks are performing top-up over MKT's processing centre.

A part of the MKT product portfolio (e.g. telephone sets, TV sets, computers, printers, network equipment and home appliances) is available to the customers using payment by instalments through their telephone bill.

INFRASTRUCTURE

INNOVATIONS IN THE DIGITAL WORLD HAVE ALREADY STARTED.

THE POTENTIALS ARE HUGE,
WE ARE SHAPING THE FUTURE!

Competitive pressure in conjunction with saturated Telco market, complexity of business environment with multiple and more sophisticated customer segments, multiple vendors and complex service offerings, fast changes in the technology with new technology paradigm targeting for one universal IP network and cloud based service delivery platform, as well as changes in the regulations, are only part of the challenges that MKT will face in the next few years.

In order to keep sustainable business and major revenue streams in very complex telecommunication environment, as well as proactively influence to market trends with new business opportunities, MKT is aiming to keep technology leadership position and ensure growth through service improvement and innovation by continuous development of its infrastructure.

Development of infrastructure and investment in Technology should encompass the following objectives/trends: broadband performance, integrated service delivery platforms, efficiency and quality leadership, self-service enablers, cloud concept and “virtual” infrastructure, cost efficiency, flexibility and responsiveness – reduced time-to-market, as well as competence development.

During 2015, we have made significant steps towards achievement of our goals with development of telecommunication network, service platforms and supporting systems.

In order to ensure high quality Broad Band (BB) performance, BB market and technology leadership, MKT is continuously investing in fix and mobile access development. At the end of 2015, more than 121,000 homes passed installed capacity or 21% households coverage with FTTH was reached. Significant improvement was also done in LTE rollout, reaching 45% territory coverage and 70% population coverage.

Alongside extensive mobile BB access rollout, during 2015, high focus was set on the network quality, which is confirmed by P3 “Best in Test” certificate which represents an internationally recognized acknowledgement for quality of mobile network, as well as well as by the National Report for Network Quality Parameters prepared by the Agency. Demonstration of technology leadership with fastest LTE network was presented with LTE Advanced Pilot. The maximum achieved throughput is 220 Mbit/s out of 225 Mbit/s theoretical maximum.

The growth of BB access and continuous traffic increase are supported with further development of IP Core and transport network as cornerstone of all services. In 2015, a "Strategic Program for IP Core & Transport Network Modernization" was started, which includes modernization, reorganization and extension of all IP Core Network elements, Transport and Aggregation systems. It consists of five domains:

- Terastream Core Network (Multiprotocol Label Switching Backbone, Inter net Gateway Switches)
- NG Transport Network (Dense Wavelength Division Multiplexing)
- Internet Broadband Gateway (Broadband Remote Access Server)
- Unified Service Platform Network (Network infrastructure in mobile network and IP Multimedia Subsystem (IMS) backbone network, IPTV Switches)
- HA Aggregation Network (IP Routers/Switches, Coarse Wavelength Division Multiplexing network)

The project will continue in the next midterm period.

During 2015, Google Global Cache solution was implemented in MKT that will provide optimization of internet traffic on the International links and therefore assure Internet service quality and links cost optimization.

The increased traffic is also supported with the modernization of the backhole solutions for mobile base stations trough fibre connections.

In terms of Service Platforms, during 2015, full IMS Geo redundancy solution was implemented and upgrade of existing IPTV Platform started in the second half of the year. Beside this, new Automatic Device Configuration solution is implemented and Integration of Policy and Charging Rules Function (PCRF) System with Online Charging System is done which allows implementation of different packages for mobile prepaid customers. Also, during 2015 Starhome platform for Roaming Steering and Intelligent Border Roaming (IBR) services was fully modernized.

In order to provide higher efficiency, better flexibility and fast response in the provisioning, fault clearance and other processes in technology domain, we continued with further development of strategic Operations Support Systems (OSS) enablers. During 2015 we worked on a several projects in this domain. Some of them are: New Generation OSS, Broad Band Service Assurance (BBSA), Trouble Ticketing (TT) extension and pilot for Geo Location System. Finalization of the projects is expected next year.

Based on the most advanced network infrastructure and service platforms, MKT continues with its determination and its work to be innovation leader on the market. This year, we made a great success in the area of "Smart Cities", by successful implementation of the Automatic vehicle location and Smart ticketing system for the public transport providers in the City of Skopje. Apart of the benefits that this system brings to the public transport providers, we strongly believe that it will upgrade the customer experience and quality of service in the public transport, leading to the increase of its use.

Further, leveraging on the best network technologies, being the cornerstone for the managed services, we are focused on directing the customer towards using fully managed services through our connectivity. Following our strong determination on this, this year we enriched our managed service portfolio with new product - Cisco Meraki, enabling customers for building up its own corporate network infrastructure without initial investments.

Under the motto - INNOVATION SYNERGIES – WIN WITH PARTNERS, we designed partnership eco-system for both SI and public cloud areas, covering:

- Technology partnerships – synergize with DT group membership in Cisco, EMC, Microsoft, Citrix, Oracle etc.
- DELIVERY Partnership with local and international companies for large scale System Integration and public cloud products

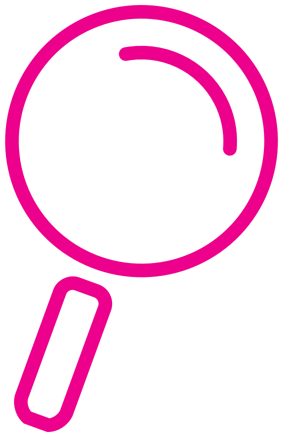
As a result of such technology partnerships, this year we became Cisco Gold certified partner, which is proof for our competences in the areas of enterprise networks, collaborations, network securities and Data Centre technologies.

Concerning the DELIVERY partnership, we launched several Cloud products on the markets, offering new tools and opportunities to our customers, for enhancing of their way of doing business.

Besides partnering with existing players in some areas, internal growth and delivery by own resources are our further focus as well.

In addition, we need to drive full force exploring of new markets and possibilities for growth and development, in the field of finance, health, agriculture, smart metering, connected home etc.

„THE BEST AND MOST RELIABLE NETWORK"



TECHNOLOGY

NEW TECHNOLOGIES,
NEW FORMS OF COMMUNICATION**!**

Following the decision for legal merge of MKT and TMMK, we have implemented the Common SAP solution based on a "single legal entity" concept i.e. one company code in SAP system in line with legal accession of the TMMK to MKT. Consolidated SAP, ensured implementation of legal and tax requirements related to the legal accession of the TMMK to MKT and alignment of master data and business process on SAP side.

In 2015 we started a project for Consolidation of the MKT and TMMK Data Warehouse and Business Intelligence (DWH/BI) systems in one system. The new system will strengthen the company's possibilities for advanced analytics and data driven decisions to respond quickly to market changes, and it will also allow a reduction of the operating costs through achieving synergies in the operations of the existing two solutions.

A project for replacement of existing Interactive Voice Response (IVR) and Call Centre Solutions, with new consolidated IVR and Call Centre system that will bring together the core capabilities of customer service, collections, blended interaction and workforce optimization in a unified enterprise-class solution stack was started in 2015. The new system will dynamically adjust to business conditions, improves productivity and increases customer satisfaction by providing a rich, consistent customer experience across multiple channels.

In order to sustain as technology leader on the ICT market and to be ready for new market challenges, MKT is continuously working on transformation, focusing on converged services and improvement of customer experience. As part of this strategy, in the process of implementation is consolidated solution for OSS Fulfilment, Inventory, OSP and Workforce based on Net Cracker technology planned to be completed by mid of 2016. Following the ICT strategy, we have developed and implemented the cloud product named HR4Me, for managing Human Resources, as part of B2B portfolio. This solution is extending the offering in the B2B segment for automation of customer's ERP processed.

Project for redesign of the existing Customer Care system was started that will bring flexibility and bigger potential for serving customer needs in the front end points. Customer creation, Customer 360 degrees overview, product definition, order capture and order processing will be performed based on processes standardised for the Telecom world industries. Fix and mobile convergence regarding CRM aspects will bring new possibilities for the business.

Consolidation of the two Fraud Management systems after the legal merge (one for fix customers and one for mobile customers) was initiated. The new instance of the Fraud Management system is implemented. In 2016 the two customer databases will be merged, as well as the business rules. After finishing the project there will be only one Fraud Management system in MKT IT infrastructure.

Project for consolidation of the business critical revenue management systems Net Cracker's Raiting&Billing Manager 5.3 and Ericson's BSCS iX R2 in one billing system is also ongoing in 2015. The purpose is to have all lines of business consolidated in a single billing system with the current functionality. Expected benefits are:

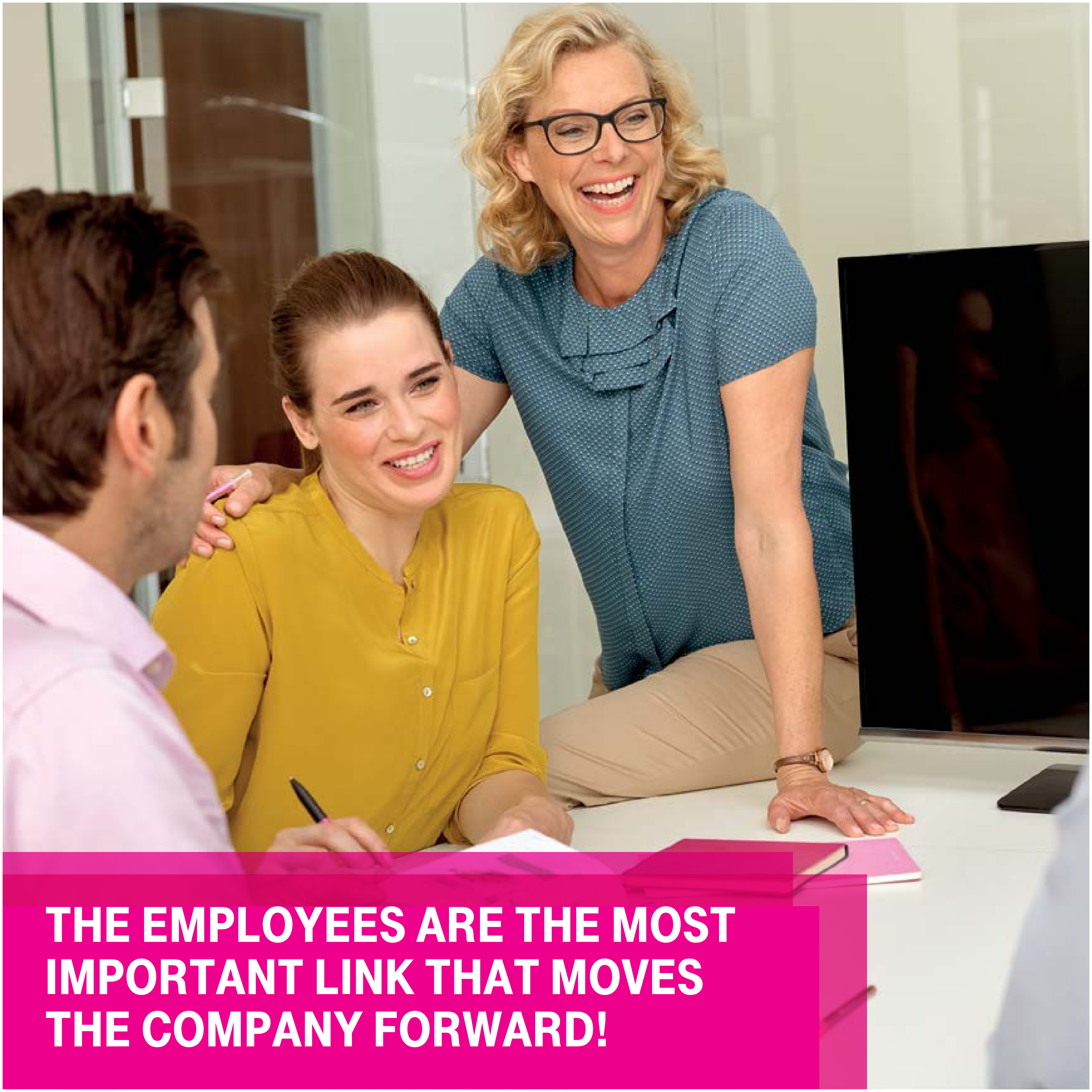
- OPEX reduction: Support contract with one supplier will be terminated. OPEX related to database, hardware etc., can be reduced.
- Utilization of IT resources will be much better for operations and development activities.
- Future CAPEX reduction for upgrades of the systems, because only one system will be in production.
- Convergent customer database gives opportunities for new bundle services (fix-mobile convergence).
- The IT security standards have been improved by implementing several security relevant systems that decrease the operational risks and improve customer and personal data protection.

„WE KEEP INVESTING AND WE TRANSFORM OURSELVES TO BE PREPARED FOR THE NEW CHALLENGES"

EMPLOYEES

ONE TEAM, ONE GOAL.

TOGETHER FOR BETTER RESULTS!


THE EMPLOYEES ARE THE MOST IMPORTANT LINK THAT MOVES THE COMPANY FORWARD!

The business challenges arising from our motto for the year 2015 "Year of Service" constitute the key drivers of the company and the individual performance. The foregoing is indispensable so that we could establish ourselves on the market as an operator that offers innovative communications, the best in the class, as well as outstanding services. Furthermore, they also provide the guidelines for human resources (HR) management.

ONE TEAM THAT SUPPORTS THE CHANGE PROCESS

The intensive and dynamic changes on the market require the adoption of a business model which will be capable of responding to the customer demands, as well as the demands of our employees, while concurrently keeping up with the business trends in the country and on a wider plane, in line with the internationally accepted standards.

As a business partner of the organization, HR is keeping up with the pace of the transformation process, wherein all necessary activities were implemented so that the process of accession of T-Mobile Macedonia to Makedonski Telekom could advance smoothly. We worked hard on the implementation of the changes that pertained to the employees' labour relation, the related rights and obligations that were affected by this process, as well as the alignment of the employees' benefits and remunerations.

In 2015, a new organizational structure was adopted, which was altered in order to fortify the strategic positioning of the company on the market. For the purposes of achieving this goal, we have been working primarily on the technological and process transformation, whereby we are going to ensure the best customer experience. Therefore, it is necessary for Makedonski Telekom to have an efficient organizational structure guided by experienced individuals, who developed professionally with the company and who are prepared to invigorate the company and bring new ideas. Our managers worked on the planning of an efficient transformation of the changes, which became effective as of 1st January 2016.

In order to maintain the successfulness, competitiveness and efficiency of operation, the need has arisen for a completely new and different approach towards our business activities. Thence, under a Resolution of the Board of Directors of MKT and TMMK, the cancellation of certain non-core activities performed in the company was approved, as well as their transfer to an external service provider - outsourcing. The following activities were outsourced: logistics (warehousing and distribution), archive, corporate finances (activities for a later debt collection) and device management (collection and distribution of faulty devices). In view of the fact that the company is a responsible one that looks after its employees, the employees were informed into detail regarding the entire process. Each of them was able to make a choice from the several offered options, as well as to make a decision as to which option is best for them and their professional engagement and development.

Another step towards the improvement of the company efficiency was the project for establishing the potential for conducting the business model "Managed Services" in the Technical Area. Having regard to the fact that this process affects a large number of employees and relying on the experience from such projects within the DT Group, the company commenced the process of analyzing and assessing the conditions on the market for outsourcing a part of the operational activities performed in the mobile and the fixed network. In fact, the term "Managed Services" pertains to the new and improved business model for operational activities which is conducted in partnership with the global technology leaders and the partner companies of DT, which would take over a part of the operational activities of the Technical Area.

In 2015, MKT became a partner of Cisco GOLD. The process of becoming a GOLD partner was a lengthy one, filled with many challenges throughout the year. The Human Resources Area provided support in the areas relevant for us, especially in the process of training and certification of the employees, which was necessary for MKT to meet the criteria for a GOLD certification.

HUMAN RESOURCES IN THE ROLE OF THE DRIVER TOWARDS A CUSTOMER-ORIENTED SERVICE COMPANY

Guided by the objective of grasping a leading position on the market, we have discerned that it is high time to establish and then observe new standards and a new manner of operation in the segments of customer services and customer relations. To that end, we implemented the "Back to Front" project, which is a part of the Ambition Program. Practically, in this way we enabled for a part of the employees from back-end administrative positions to cross over to positions that are in direct contact with the customers. This project was one of the pillars that support the planned structural transformation to which we are fully dedicated.

In order to achieve the goal of 7% more, i.e. 55% of the human resources being engaged in the units which are in direct contact with the customers, we had no doubts whatsoever that amongst our employees engaged in back-end operations there are qualified internal resources who, after the selection, may be adequately re-qualified and then successfully transferred to positions that are in direct contact with the customers. Thus, 63 employees were successfully transferred to the Telekom points of sale, in the customer care departments, as well as in direct sales.

The results were immediately noticeable since the level of customer services has been improved in terms of the reduction of the waiting time at the points of sale, the level of services at the Call Centre and the reduction of the time for responding to complaints.

WE ARE BUILDING A CORPORATE CULTURE, WE APPRECIATE OUTSTANDING PERFORMANCE AND WE PROMOTE INDIVIDUAL DEVELOPMENT FOR THE EMPLOYEES

WE HIGHLY APPRECIATE A JOB WELL DONE AND WE ARE REDESIGNING OUR PROCESSES SO AS TO ENSURE AN ADEQUATE REWARD

The performance management process strengthens personal responsibility for achieving the personal targets and meeting the company goals. Having assessed the excellent performance results and guided by the objective of promoting the individual development of employees, in 2015 we introduced changes in target setting (structure, scale and corridors) and in the incentive calculations and possibilities where a stronger focus was put on the company goals, such as customer satisfaction and revenue increase. By means of these changes, we supported the achievement of the challenging company goals, wherein the accomplished results will be a motif for grater dedication and contribute for better results in the business operation.

We are striving to provide a culture that is oriented towards the achievement of results and that allows for equal opportunities for earning and winning an attractive reward for our dedicated employees in the sales segment. That is why we implemented a new salaries and incentives system for the employees in the business sales segment so as to eliminate the differences in the fixed salaries among the employees. In practice, this means standardization of the fixed salary according to the local market conditions, while the variable part of the salary was significantly increased based on the performance in terms of adding value, revenues and gross new subscribers.

As to the benefits, we defined new conditions that pertain to the 3Max packages for employees and the post-paid tandem lines for employees. The newly promoted 3Max packages include lower monthly subscriptions, increased Internet speed, free-of-charge additional TV packages and free-of-charge calls within the Telekom mobile network. The new favourable tariff models for the tandem mobile lines for employees include unlimited calls to the national networks, a super fast 4G Internet, LOOP and mobile Max TV.

The guiding principle of the HR work is that professional, capable and dedicated employees are essential for Makedonski Telekom! They are our greatest asset!

RESPONSIBLE HUMAN RESOURCES MANAGEMENT

The fast changes in our industry demand rapid responses, i.e. adequately educated and trained employees who are prepared to perform their tasks in a positive working environment. We provide such a response by continuous improvement, educational trainings for the employees and adjusting the measures pertaining to human resources.
In that way, we are elaborating various development programs that are suitable at different levels in the organizational structure.

Management development programs

Our managers are the ones who will responsibly and fully stand behind their decisions and the decisions of their team, thereby bearing the “burden” of being role-models for behaviour and for the creation of our corporate culture. That is why a special accent is put on the development of programs for this group of employees who directly manage the human resources.

In order to strengthen the competencies of the executive managers and increase their leadership role, and based upon the Guiding Principles and the Leadership Principles, we developed and implemented a leadership culture in which accomplishments are acknowledged and commended. The structure of the remuneration for the executive managers is established on this basis, i.e. on the basis of the individual performance and the performance of the company as basic elements. We are referring to the initiative Lead to Win through which the previously applied target management process and the Performance Potential Review (PPR) are replaced with the combined Performance Dialogue. The Performance Dialogue is an annual and systematic process at the level of the Deutsche Telekom Group for the assessment, remuneration and development of the executive managers. This initiative has very clearly defined goals, whose accomplishment is of crucial importance. What should be achieved is support of the continuous dialogue between the executive manager and the superior thereof, as well as increasing the responsibility of the executive managers for the progress of their career and concurrently strengthening the leadership capabilities of their superiors. This also pertains to the annual review of the overall performance and the development process, including also regular feedback based upon comparative, transparent measurements. This is the initial point of the qualitative progress in the areas of successor planning, remuneration and development.

In accordance with the challenges faced by the Deutsche Telekom leaders and guided by the goals of achieving better leadership performance, we implemented another initiative based upon various business-driven learning formats. Thus, as a part of Lead to Win, a new platform Open L.E.A.D was promoted for all managers of the highest levels who have a possibility to join the portal and to make a choice from the wide portfolio of offered business and strategic trainings.

In 2015, we were also dedicated to the development of leadership skills and competencies for working in a team and those of the middle management, as a crucial part of human resources management. To that end, we created a development program in which 32 managers participated. The managers were divided into groups and each group had 6 training sessions with an experienced certified trainer. A part of the program also covered being directly exposed to various leadership techniques. They had a possibility to try out various tools for team leadership and task management. They also had a possibility to define individual targets and action plans, as well as to work on such plans, support each other and learn from each other.

Development programs for the employees who have direct contact with the customers

The year 2015, as our Year of Service, has contributed for our preparedness for new battles on the market and for offering something different, something that can distinguish us and single us out as much better than the others. We firmly believe that we have the capabilities required for moving this company forward and making it a champion in terms of customer experience. That is why we have created several development programs which pertain to the employees who are in direct contact with our customers for the purposes of achieving the best results.

In order to prepare the shop managers for the future challenges, as well as to develop skills with a focus on people and process management, we have created the Shop Manager Development Program. At the same time, not forgetting the fact that we should constantly build and enhance our relation with the customers, we also implemented the Training for the development of the professional skills of the Call Centre employees. The colleagues from the General Contact Centre, the Technical Contact Centre and Tele-sales took part in this program. We worked on the improvement of the communication and the skills for the purposes of providing superior services to our customers. We also paid special attention to the productivity level under stressful conditions. The year 2015 was marked also by the Universal Technician Program, created in order to develop field technicians with skills that could respond to the various customer needs and technical challenges, which would render a superior customer experience while also increasing the productivity and the revenues. We worked on their communication and sales skills, as well as on expanding their technical knowledge so that they could fully respond to the needs of our customers.

Development programs for all employees

As direct support for the improvement of the management of the Company key initiatives, we conducted the Project Management initiative, which is comprised of 3 parts, such as project management training, certification preparation for project management professionals and on-the-job project management training. The employees from the entire company were included in order to improve their project management knowledge via a practical and interactive approach, as well as its application in the job, acquiring an official certificate and being provided with specific performance monitoring during project management, support of the practical implementation and overcoming any obstacles and dilemmas.

E-learning at a local level from DT

In order to provide a possibility for the MKT employees to learn and improve their knowledge according to a certified method of project management, DT via Telekom Training provides an online Project Management Program which is enabled through the Skillsoft platform. In 2015, 25 licences were obtained and issued to a part of the MKT employees. At the same time, with a view to providing new and innovative development opportunities for the MKT employees, as well as to promote digital learning in the entire learning portfolio, within Skillsoft for the EUT pilot program, MKT got 30 annual licences for full access to the Skillsoft training portfolio. Colleagues from various areas were enabled with access to trainings on technical, business, soft skills and other relevant topics.

THE INVOLVEMENT OF THE EMPLOYEES IS OF VITAL IMPORTANCE FOR OUR WORK

We believe that the involvement of the employees in the organization creates an environment in which people have an impact on the decisions and the activities that affect the business operation, as well as their work place and environment. Therefore, we constantly keep track of the employees' opinion via various researches that we conduct throughout the year. In May 2015, we conducted the Employee Survey at the level of the entire Group, which is a survey that is conducted every two to three years.. By means of this research, we identify the strategic areas of activity that have an impact on the performance, such as the engagement, health, organization and teams. In November, we also conducted the regular research Company Pulse Check. Such researches help us identify the trends and the employees' feelings, they show us how the employees understand the company processes, especially at a time of transformation and they identify the strengths and weaknesses of the areas in which additional improvement measures should be implemented.

NEW TRENDS FOR INCREASED EFFICIENCY AND PRODUCTIVENESS

The overall mission and strategic direction of Deutsche Telekom AD is to use the strengths of the DT Group in order to create value for all national companies that operate within DT, by efficiently providing HR services and enabling the local HR to shift the focus from administrative to more strategic activities. The implementation of the European HR SCC organization enabled cross-cooperation among the national companies and the local business units. It was the initial spur for the HR Shared Service Centre – HR SSC (Aramis), as a part of the trip One DT (Europe).

The Shared Service Centre Aramis uses an operational model applied by multinational companies and large groups of companies for the purposes of an efficient integration of the resources and for providing internal services. The goals of this centre include promoting cross-cooperation among the national companies, greater speed and business agility in human resources management, as well as higher HR efficiency, quality and strategic focus. HR SSC is located in Bucharest, Romania. The timeframe planned for the implementation of all processes is from 2014 to 2018 and from 2015 to 2018 for Makedonski Telekom.

„SUCCESS IS A RESULT OF TEAM WORK. THAT IS WHY WE CREATE AN ENVIRONMENT WHERE OUR EMPLOYEES WILL BE MORE SATISFIED AND HAPPIER"

„WE ARE THE DRIVING FORCE OF THE SOCIETY, WE INVEST, AND WE HELP THE CITIZENS. OUR GOAL IS TO MAKE THE WORLD A BETTER PLACE TO LIVE”

CORPORATE RESPONSIBILITY

Makedonski Telekom as one of the most significant players in the Macedonian business environment has the responsibility of setting standards and being the driving force of the development of society. Our mission is to enrich and improve the quality of life of the citizens in the Republic of Macedonia, while concurrently also improving the environment in which we operate. Therefore, we continuously support significant cultural and sporting events, donate and invest in education, health, social and child protection, while also promoting the universally accepted values arising from social responsibility.

In 2015, music, sports and culture were in our focus in terms of sponsorships. With our support, we took sports to a higher level, continuing our cooperation with the best handball and football club **Vardar**, while we also became the main sponsor of the Futsal **Business League**. Furthermore, we once again traditionally supported the **Ohrid Swimming Marathon**, which has grown into a supreme sporting event, while we were also a part of the Macedonian championship in marathon swimming which was organized at three locations: Kozjak, Prespa and Dojran.

In addition to sports, we also continuously invest in music, as one of the most prevailing social segments. For years, we have been partners of the worldwide known and unique **Skopje Jazz Festival**, as well as children's festivals such as **Zlatno Slavejce, Potocinja and Grozdoberce**. We have supported top music performers such as Karolina, Elena Risteska and Adrijan Gaxha.

Our investments in culture in the course of 2015 were also very generous. Among the most significant events it is worth noting the **Ohrid Summer Festival**, as an event that we have supported for many years, the **Struga Poetry Evenings**, as well as the Novel of the Year organized by Utrinski Vesnik. We were also partners of events such as **"See Music"**, **Baskerfest,** the one-of-a-kind open mass youth festival **Skopje Street Festival**, as well as the **Giffoni Film Festival**.

As one of the greatest donors, we continued the cooperation with the first children's embassy in the world Megashi, providing our support in the conducting of their activities aimed at helping children. At the same time, we were a part of the campaign "Go Pink 2015 – Walk Against Breast Cancer" organized by Borka, whereas through the Red Cross we provided our support in the Day of Hunger campaign, as well as providing help to the population affected by the floods in Tetovo.

WE INVEST IN THE **PRESENT**

FOR A BETTER AND MORE BEAUTIFUL **FUTURE!**

„E-MACEDONIA“ FOUNDATION Е-МАКЕДОНИЈА
„E-ENGAGEMENT“ EDUCATIONAL CARAVAN

With the support of the ”e-Macedonia” Foundation, established by Makedonski Telekom, in December 2015, the final conference of the “e-Engagement” educational caravan was held at the Telekom innovations centre, as a part of the project for promoting the advantages and benefits arising from information and communication technologies, organized by the non-governmental organization Youth Alliance.

The goal of the project was to encourage young people to use digital tools for the purposes of self-improvement and building positive changes in society by means of such tools.

Each workshop within the educational caravan was attended by hundreds of young people, among whom also young people from marginalized groups of citizens, who are ready to convey the knowledge and skills acquired at the workshop to their organization or community.

Radmila Joncevska, Director of the “e-Macedonia” Foundation, said that this project which encourages young people to apply generated knowledge, skills and technology benefits that will assist them in many spheres in their communications, work and professional ethics, will also additionally ensure useful tools for personal development and new achievements. Therefore, she reiterated her encouragement of young people to be leaders and creators of the future, both in terms of civic society and in terms of youth cooperation, creating positive social changes.

Biljana Stojceska, project coordinator at the NGO Youth Alliance, thinks that such activities in some communities have caused a real online youth revolution, while informing young people of the possibilities for online activation, as well as increasing their knowledge and views of the possibilities offered by new technologies and digital tools.

The final conference was attended by 15 lecturers, among whom Kosta Petrov, Maja Platnar, Filip Popovski, Jovan Dimitrov, Klimentina Ilijevski, Iva Dujak, Kalina Zografska, Zlata Golaboska, Jovana Tozija, Monika Rizovska and others, while also accommodating some of the most motivated and most active young people. It yielded numerous useful conclusions and recommendations pertaining to the way in which the digital engagement of young people could support various strategies for active inclusion of young people in all spheres of social living.

In the course of 2015, 12 one-day workshops were organized in 12 towns, while in the course of a period of two years, the caravan visited a total number of 16 towns throughout Macedonia, where more than 1,500 young people were engaged.

TELEKOM FOR MACEDONIA FOUNDATION

Traditional New Year's Caravan

In December, the Telekom for Macedonia Foundation organized the traditional New Year's Caravan, which has been held for thirteen years in a row. The Caravan started at the Children's Clinic and it brought joy to more than 2000 children all around Macedonia.

Organized by volunteers, employees at Makedonski Telekom, the New Year's Caravan visited the most vulnerable children groups: children without parents, children with special needs, children with impaired hearing or sight, children with a disability, children from socially underprivileged families and ill children accommodated at health care institutions. Spending time with children and giving them presents has become a tradition for the employees of Makedonski Telekom and this period of the year for them is an epitome of the New Year's Caravan. Some of them have been participating in this charity activity for many years, while the Caravan was conducted by more than 50 volunteers.

Traditionally, in December, New Year's presents are given out and performances are organized with families and institutions. Every year we change the institutions in order to visit as many children as possible, with the sole objective of bringing joy and New Year's spirit to those who need it the most.

Donation Numbers

Our help of any kind is of greatest importance to those who need it. That is why in 2015 we continued opening telephone number for donations helping the citizens collect money for the required aid. In the course of 2015, numbers were assigned on 55 occasions, of which 49 for natural persons and 5 for legal entities.

AWARDS
OUR MOBILE NETWORK IS THE BEST

Our dedication to provide superior services for the customers, as a result of the continuous investments in the infrastructure, has proven that we are on the right way. In February 2015, the renowned research agency Brima conducted an independent research and the results showed that as much as 68% of the citizens in the Republic of Macedonia consider T-Mobile's network to be the best in the country and find it up to their expectations.
The research was conducted on a representative sample, which comprised 1000 citizens aged above 15. For the needs of the research, Brima conducted a field survey, interviews with randomly chosen citizens according to a defined methodology, who voluntarily responded to questions related to the operation of the telecommunication operators, their services and products.

The choice of T-Mobile's network by the citizens as the best one, as we have already reiterated on many occasions, is a result of the multiple investments made by Makedonski Telekom and T-Mobile Macedonia in the latest telecommunications technologies, so as to ensure a superior customer experience through sophisticated and personalized services. It is exactly the continuous investments, primarily in the infrastructure of Makedonski Telekom, that enabled for Macedonia to be the first country in Europe, as well as the very first country in the Deutsche Telekom Group, with an ALL IP network. Furthermore, T-Mobile was the first one to introduce the 4G network at the end of 2015, by covering 45% of the territory of the Republic of Macedonia and 70% of the population. The investments in our infrastructure will continue in the future as well because it is our determination to provide the Macedonian citizens with a superior customer experience.

„WE CONTINUE INVESTING IN OUR INFRASTRUCTURE IN ORDER TO PROVIDE SUPERIOR CUSTOMER EXPERIENCE TO THE CITIZENS!”

TELEKOM STORE IN GTC IS THE BEST COMMERCIAL SHOP

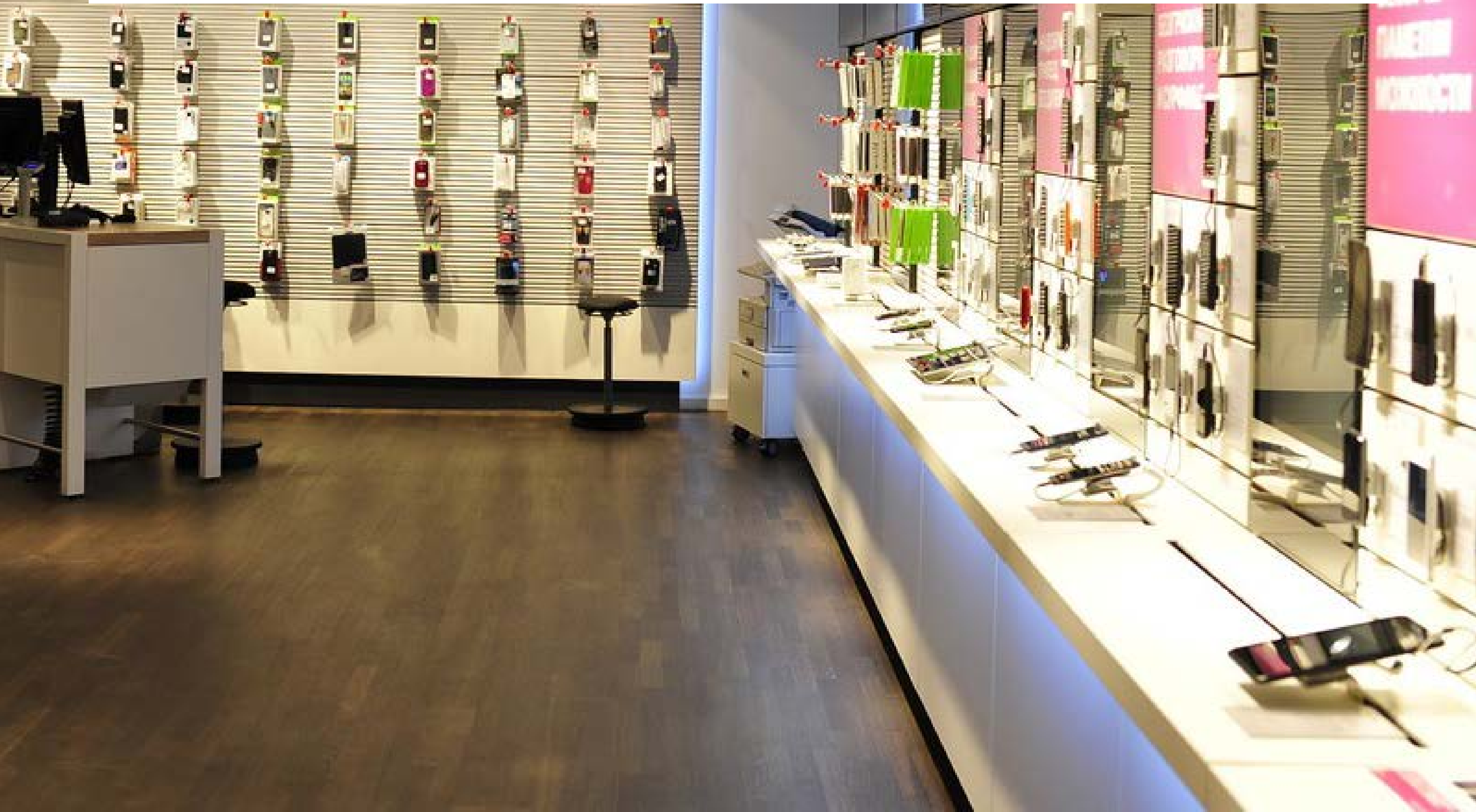
The Telekom shop at the City Trading Centre (GTC) was chosen as the best commercial facility for the year 2015 in the part of the category - Computer, Audio -Video and Telecommunications Equipment. This acknowledgement was presented pursuant to the results obtained from the research conducted by the market research company SWOT Research, in cooperation with the Local Economic Development Department of the City of Skopje. The direct 'culprit' for this unexpected acknowledgement of our work is the winning team of the GTC shop!

We are happy that our focus, desire and efforts to meet the customer demands almost never go unnoticed. That is why there is no greater acknowledgement than the one given by the customers, whose opinion and perception of our work put us among the highest ranking shops on the scale of the ICCA research.

As a customer oriented company, we are aware of the need to constantly develop and update our portfolio, which has been created completely in accordance with the needs and demands of our customers who know what they want and don't make any compromises. Nevertheless, without the flexible relations with the customers, which are based on mutual trust and understanding, our entire offer would merely constitute a brochure which, as any other company, we offer to our customers.

Definitely, what distinguishes us from the competition are the outstanding relations that we have with our customers. The GTC shop looks almost impeccable, equipped with the latest technology for which many colleagues are in charge, who also with their back office work contribute greatly to the overall smooth functioning. In this shop customers can get literally everything they need for the entire family. Nevertheless, this acknowledgement would not have been given to us without the kind, cheerful, diligent, dedicated and smiling employees who attract the customers to visit this shop in the centre of Skopje.

The acknowledgement for the GTC shop as the best commercial facility has come as the cherry on the top of the cake exactly in the year that we strategically dedicated to the customers. The year 2015 was a year of CUSTOMER SERVICES. Thence, the satisfaction from the award is even greater since it has come as a confirmation that we have successfully implemented the company strategy for customer satisfaction. It is certainly a result of our dedication to identify the needs, problems and priorities of each customer individually. We believe that our focus will remain on satisfied customers, not only with the service quality, but also with our overall behaviour and treatment.



G@ DIGITAL

STRATEGY 2016

"Everything that could go, would go digital." Tim Hőttges

In the spirit of our strategy, leading Telco Operator in Macedonia, Makedonski Telekom has a responsibility to be a pioneer and create conditions for the world trends and future opportunities in this country. In that manner in 2016 we are introducing G@ Digital programme.

With the new programme, Makedonski Telekom stands as a trusted companion in the digital world at home, at work, anyplace, anytime.

G@ DIGITAL programme:

- Digitization and consolidation of all customers interactions (e-bill, e-sales, e-service)
- Push simple, flexible, integrated and secure products
- Best seamless connectivity at home, on the go, in private and at work
- Simplification of processes, consolidation and digitization of systems and applications
- Promote new Digital Culture

G@ Digital programme is our long term commitment and will remain in our focus for the next few years.

MAKEDONSKI TELEKOM AD - SKOPJE

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2015
WITH THE REPORT OF THE AUDITOR THEREON

CONTENTS

pwc

Independent auditor's report

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

We have audited the accompanying financial statements of Makedonski Telekom AD – Skopje (the "Company"), which comprise the statement of financial position as of 31 December 2015 and the statement of comprehensive income, statements of changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these 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 about whether the financial statements are free from material misstatement.

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.

PricewaterhouseCoopers Revizija doo, 8th September 16, Hyperium Business Center, 2nd floor, 1000 Skopje, Republic of Macedonia, VAT No. MK4030008022586, T: +389 (02)31 40 900/901, F:+389 (02) 31 16 525, www.pwc.com/mk

Opinion

In our opinion, the financial statements presents fairly, in all material respects, the financial position of the Company as of 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Revizija DOO

PricewaterhouseCoopers REVIZIJA DOO
Skopje,
19 February 2016

Statement of financial position

As at 31 December

In thousands of denars	Note	2015	2014
Assets			
Current assets			
Cash and cash equivalents	5	1,550,123	1,450,018
Deposits with banks	6	-	1,418,676
Trade and other receivables	7	3,469,621	3,420,937
Income tax receivable	8	12,647	-
Other taxes receivable	8	12,581	11,672
Inventories	9	418,124	444,265
Assets held for sale	10	61,778	99,131
Total current assets		5,524,874	6,844,699
Non-current assets			
Property, plant and equipment	11	13,053,012	13,534,041
Advances for property, plant and equipment		2,959	2,811
Intangible assets	12	2,237,522	2,341,532
Trade and other receivables	7	407,520	363,387
Financial assets at fair value through profit and loss		47,987	44,549
Other non-current assets		6,750	612
Total non-current assets		15,755,750	16,286,932
Total assets		21,280,624	23,131,631
Liabilities			
Current liabilities			
Trade and other payables	13	4,782,086	4,019,481
Income tax payable	8	-	176,682
Other taxes payable	8	65,547	56,215
Provision for other liabilities and charges	15	164,788	252,744
Total current liabilities		5,012,421	4,505,122
Non-current liabilities			
Trade and other payables	13	391,403	470,767
Deferred income tax liabilities	14	175,557	201,332
Provision for other liabilities and charges	15	67,991	60,356
Total non-current liabilities		634,951	732,455
Total liabilities		5,647,372	5,237,577
Equity			
Share capital		9,583,888	9,583,888
Share premium		540,659	540,659
Treasury shares		(3,738,358)	(3,738,358)
Other reserves		1,237,534	1,237,534
Retained earnings		8,009,529	10,270,331
Total equity	16	15,633,252	17,894,054
Total equity and liabilities		21,280,624	23,131,631

These financial statements were authorized for issue on 19 February 2016 by the Management of Makedonski Telekom AD - Skopje, and are subject to review and approval by the Board of Directors on 25 February 2016 and by the shareholders on date that will be subsequently agreed.

Andreas Maierhofer Chief Executive Officer	Zarko Lukovski Chief Operating Officer	Slavko Projkoski Chief Financial Officer	Goran Tilovski Accounting and Tax Director Certified Accountant Reg. No. 11-2504/2

The accompanying notes are an integral part of these financial statements.

Statement of comprehensive income

		Year ended 31 December	
In thousands of denars	Note	2015	2014
Revenues	17	10,671,045	11,126,496
Depreciation and amortization		(2,678,301)	(2,740,313)
Personnel expenses	18	(1,219,485)	(1,225,870)
Payments to other network operators		(1,031,341)	(996,060)
Other operating expenses	19	(4,376,789)	(4,281,489)
Operating expenses		(9,305,916)	(9,243,732)
Other operating income	20	71,670	44,442
Operating profit		1,436,799	1,927,206
Finance expenses	21	(63,458)	(132,987)
Finance income	22	47,929	41,791
Finance expense - net		(15,529)	(91,196)
Profit before income tax		1,421,270	1,836,010
Income tax expense	23	(178,555)	(955,596)
Profit for the year		1,242,715	880,414
Total comprehensive income for the year		1,242,715	880,414
Earnings per share (EPS) information:			
Basic and diluted earnings per share (in denars)		14.41	10.21

The accompanying notes are an integral part of these financial statements.

Statement of cash flows

In thousands of denars	Note	Year ended 31 December 2015	2014
Operating activities			
Profit before tax		1,421,270	1,836,010
Adjustments for:			
Depreciation and amortization		2,678,301	2,740,313
Write down of inventories to net realizable value	19	2,474	11,587
Fair value gain on financial assets	22	(8,750)	(794)
Impairment on trade and other receivables	19	77,789	41,999
Net increase of provisions	15	24,836	160,023
Net gain on disposal of property, plant and equipment	20	(54,253)	(8,142)
Dividend income	22	-	(131)
Interest expense	21	48,625	117,514
Interest income	22	(34,546)	(32,763)
Effect of foreign exchange rate changes on cash and cash equivalents		(3,293)	1,112
Cash generated from operations before changes in working capital		4,152,453	4,866,728
Decrease/(Increase) in inventories		23,667	(43,765)
Increase in receivables		(189,033)	(327,202)
Increase in payables		82,593	572,634
Cash generated from operations		4,069,680	5,068,395
Interest paid		(15,797)	(42,108)
Taxes paid		(393,658)	(579,797)
Cash flows generated from operating activities		3,660,225	4,446,490
Investing activities			
Acquisition of property, plant and equipment		(1,446,518)	(1,597,600)
Acquisition of intangible assets		(476,678)	(411,359)
Loans collected		16,692	5,121
Deposits collected from banks		1,413,360	1,554,962
Deposits placed with banks		-	(1,413,362)
Dividends received		-	131
Proceeds from sale of property, plant and equipment		100,844	57,571
Interest received		39,862	37,736
Cash flows used in investing activities		(352,438)	(1,766,800)
Financing activities			
Dividends paid		(3,023,410)	(2,444,638)
Payments of other financial liabilities		(187,565)	(187,565)
Cash flows used in financing activities		(3,210,975)	(2,632,203)
Net increase in cash and cash equivalents		96,812	47,487
Cash and cash equivalents at 1 January		1,450,018	1,403,643
Effect of foreign exchange rate changes on cash and cash equivalents		3,293	(1,112)
Cash and cash equivalents at 31 December	5	1,550,123	1,450,018

The accompanying notes are an integral part of these financial statements.

Statement of changes in equity

In thousands of denars	Note	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total
Balance at 1 January 2014		9,583,888	540,659	(3,738,358)	1,237,534	11,834,555	19,458,278
Total comprehensive income for the year		-	-	-	-	880,414	880,414
Transaction with owners in their capacity of owners (dividends paid)		-	-	-	-	(2,444,638)	(2,444,638)
Balance at 31 December 2014	16	9,583,888	540,659	(3,738,358)	1,237,534	10,270,331	17,894,054
Balance at 1 January 2015		9,583,888	540,659	(3,738,358)	1,237,534	10,270,331	17,894,054
Total comprehensive income for the year		-	-	-	-	1,242,715	1,242,715
Transaction with owners in their capacity of owners (dividends paid)		-	-	-	-	(3,503,517)	(3,503,517)
Balance at 31 December 2015	16	9,583,888	540,659	(3,738,358)	1,237,534	8,009,529	15,633,252

1. GENERAL INFORMATION

1.1. ABOUT THE COMPANY

These financial statements relate to the Company Makedonski Telekom AD - Skopje.
Makedonski Telekom AD – Skopje, (hereinafter referred as: “the Company”) is a joint stock company incorporated and domiciled in the Republic of Macedonia. The Company’s immediate parent company is AD Stonebridge Communications – Skopje, solely owned by Magyar Telekom Plc. registered in Hungary. AD Stonebridge Communications – Skopje was under voluntary liquidation by the end of 2013 and from January 2014 its status has changed and is no longer under liquidation procedure. The ultimate parent company is Deutsche Telekom AG registered in Federal Republic of Germany.
On 31 October 2013 an Accession Agreement has been concluded with T-Mobile Macedonia (hereinafter referred to as: “TMMK”) as an Accessing company to the Company, as an Acquiring Company. The Accession Agreement has been changed with the Annex thereof concluded on 20 April 2015. TMMK as fully owned subsidiary of the Company has been consolidated until 2014 inclusive.

In accordance with the Accession Agreement and the Annex thereof, and pursuant to the provisions from the Law on Trade Companies, 31 December 2014 is determined as a date from which all transactions of TMMK, from the accounting point of view shall be considered as they are effectuated on behalf of the Company. Implicitly, as of 1 January 2015 the bookkeeping for the company and TMMK will be keep only by the Company.

In accordance with the Accession Agreement and the Annex thereof, which were adopted and confirmed by the Shareholders Assemblies of the Company and TMMK on the meetings held on 17 June 2015, the business activities of TMMK ceased as of 30 June 2015, when it has been deleted from the Central Register. With the deletion, TMMK no longer exists as a legal entity without a liquidation procedure to be conducted.

With cessation of TMMK, the assets and liabilities of TMMK were transferred to the Company by the way of universal transfer of the entire assets and liabilities. The Macedonian telecommunications sector is regulated by the Electronic Communications Law (ECL) enacted in March 2014 (Official Gazette No. 39 from 28 February 2014) as primary legislation and rulebooks as secondary legislation. As of June 2013 the Company is listed on the Macedonian Stock exchange (MSE) in the mandatory listing segment and it is reporting towards the MSE, as per the changes in the Law on Securities in 2013. In accordance with the MSE listing rules the Company has permanent disclosure obligations related to the business and capital, significant changes in the financial position, the dividend calendar, changes of the free float ratio (if it fails below 1%) and changes of the major shareholdings above 5%. In addition, the Company has specific disclosure obligations comprising of various financial information, including different financial reports (quarterly, semi-annual and annual), as well as public announcement for convening Shareholders Assembly (SA), all modifications and amendments made to the SA agenda and publication of certain adopted SA resolutions. Before June 2013, the Company was reporting towards the Macedonian Securities and Exchange Commission as a Joint Stock Company with special reporting obligations.

The Company’s registered address is “Kej 13 Noemvri” No 6, 1000, Skopje, Republic of Macedonia. The average number of employees of the Company based on the working hours during 2015 was 1,335. The average number of employees of the Company and TMMK based on the working hours during 2014 was 1,379.

1.2. Regulation environment - Mobile Line

On 5 September 2008 the Agency for Electronic Communications (Agency), ex officio, issued a notification to TMMK for those public electronic communication networks and/or services which have been allocated thereto under the Concession Contracts. The license for radiofrequencies used by TMMK with a bandwidth of 25 MHz in the GSM 900 band, was also issued in a form regulated in the ECL with a validity period until 5 September 2018, which can be renewed up to an additional 20 years in accordance with the ECL. Due to changes in the bylaws the 900 MHz band was opened for UMTS technology and based on TMMK’s request the radiofrequency license was changed so that these frequencies are now available for both GSM and UMTS technology.
After the analysis of the wholesale (WS) market “Call termination services in public mobile communication networks” the Agency in 2007 brought a decision by which TMMK was designated with Significant market player (SMP) status on this market. The price regulation on this relevant market continues as the Agency conducts periodical analysis of the market and updates the price regulation models. The current termination rate is symmetrical for both mobile operators: the Company and ONE.Vip Operator.

In 2008 a decision for granting three 3G licenses was published. The validity of the license is 10 years i.e. 17 December 2018, with a possibility for extension for 20 years in accordance with the ECL.

In 2010 TMMK was designated with SMP status on the WS market “Access and call origination in public mobile communication market”. Based upon Agency’s decision, in 2010 TMMK published a Referent Access Offer consisted of the following regulated services:

- call origination for Mobile Virtual Network Operator (MVNO)
- call origination for national roaming operator,
- SMS origination for MVNO and
- SMS origination for national roaming operator.

There has not been a second round analysis on this market since 2010, and there has not been MVNO or national roaming operator on TMMK network. An MVNO, Albafone hosted on ONE network entered the Macedonian market and started commercial operations in 2013. MVNO Albafone ceased the operations in June 2015.

In 2011, the Agency published the final analysis of the WS market “SMS termination in public mobile communication networks”, and in May 2011 all 3 mobile operators, at that time, were designated with SMP status on this relevant market. In July 2011 the RIOs were approved by the Agency with the regulated SMS termination price being symmetrical for all 3 operators but remaining the same as before the regulation.

On 19 December 2014, amendments of the ECL were enacted in the Official Gazette, No. 188. One of the most important changes was implemented by Article 75-a, which regulates the prices of international roaming. According to this article, the Agency has the right with Decision to determine the maximum prices for services which are offered to roaming users from countries with whom Republic of Macedonia has concluded agreement for reduction of prices of roaming services in public mobile communication networks, on reciprocal base, which cannot be higher from prices of the same services in the EU. In the period of 3 years from 2015, the prices will be reduced to the maximum determined.

The Director of the Agency brought a Decision on 10 December 2014 for the value of points for calculation of annual fee for the usage of radiofrequencies (RF). The value of the points is 0.8 EUR which means that all annual fees for radiofrequencies are reduced by 20% from 1 January 2015, compared to the previous value. Formulas for the calculation of annual RF fees are defined in the relevant rulebook.

An auction procedure concluded in August 2013 awarded the whole 790 – 862 MHz band together with the unassigned spectrum in the 1740–1880 MHz band for Long Term Evolution (LTE) technology in a public tender. Each of the 3 Macedonian mobile operators, at that time, acquired an LTE radiofrequency license of 2x10 MHz in the 800 MHz band and 2x15 MHz in the 1800 MHz band. Each license was acquired for a one-off fee of EUR 10.3 million. The license is for 20 years, until 1 December 2033, with an extension option for 20 years, in accordance with the ECL.

In 2013 the Agency conducted the second analysis on the WS SMS termination market and in October 2013, public debate was opened on the proposed new regulated prices symmetrical for all 3 operators, at that time, and 75% below the current price. After completion of the public debate, the Agency upheld its position to lower the regulated wholesale price for SMS termination by 75% for all 3 operators and the price became effective from 1 January 2014.

In 2013, TMMK was designated as SMP on the relevant WS market "Call termination services in public telephone network at a fixed location" by the Agency. Based upon the Agency's decision, TMMK RIO was modified by including this service.

The new ECL was enacted on 5 March 2014. The ECL is aligned with the EU 2009 electronic communications' regulatory framework. The process of harmonization of the existing secondary legislation with the new ECL was conducted through 2014.

In 2014, TMMK on its own decision returned 5 MHz of the spectrum owned in the 2100 MHz band as TMMK had not used this part since the assignment in 2008 and was not planned to be used in the future either.

In October 2014, VIP Operator, a subsidiary of Telekom Austria Group, and ONE, Telekom Slovenije's subsidiary, announced a merger of their business in Macedonia consisting of mobile, fixed, internet and transmission of audiovisual content. The Competition Authority approved the merger on 8 July 2015 and on 2 October 2015, Vip Operator was merged with ONE.

1.3. Regulation environment - Fixed Line

In December 2014, amendments of ECL were enacted. One of the most important changes was implemented in Article 75-a, which regulates the prices of international roaming. According to this article, the Agency has the right with Decision to determine the maximum prices for services which are offered to roaming users from countries with whom Republic of Macedonia has concluded agreement for reduction of prices of roaming services in public mobile communication networks, on reciprocal base, which cannot be higher from prices of the same services in the EU. In a period of 3 years starting from 2015, the prices will be reduced to the maximum determined.

Director of the Agency brought a Decision in December 2014 for the value of points for calculation of annual fee for usage of radiofrequencies (RF). The value of the points is EUR 0.8 which compared to the previous value of the points means that all annual fees for radiofrequencies is reduced by 20%, starting from 2015. Formula for calculation of annual RF fees is defined in the Rulebook for calculation of annual RF, the amounts are in points and the value of the points is defined in the above mentioned Decision.

All secondary legislation has to be amended according to the new ECL until 1 December 2014. Some of the existing Rulebooks were amended by the Agency relating to:

- retail price regulation;
- determination of calculation method for number and frequency usage and annual fees;
- assignment of numbers and series of numbers from the numbering and frequency plan;
- general terms and conditions;
- "underground cabling";
- local Bitstream access;
- wholesale leased lines;
- condition of use of E-112 unique emergency number
- universal service and functional broadband access
- interconnection and access
- security and integrity of communication networks and data protection
- Quality of service (QoS) parameter for fix and mobile networks.

In April 2012, the Agency published the general Regulatory strategy for the period of the next 5 years (2012 - 2016). The official document is "Five years regulatory strategy of AEC". Main focuses of the strategy are: fostering of wholesale and retail services regulation, introduction of methodology of pure Long Run Incremental Costs (LRIC) for fixed and mobile voice services, SMS etc, Next Generation Access (NGA) and Fiber To The Home (FTTH) regulation in line with NGA recommendation and refarming and frequency allocation for 4G services.

With amendments of the Rulebook for retail regulation, the Agency specified the manner and procedure for regulation of the retail prices for fixed voice telephone networks and services of the operator with significant market power on relevant retail markets. Ex-ante retail regulation shall be based on price squeeze methodology. These activities have resulted in price decrease of some wholesale and retail services of the Company. On retail side, standard monthly subscription for business customers was decreased (on equal level with residential one). On wholesale side there were changes in fees for interconnection (termination and origination), Unbundled Local Loop (ULL), Bitstream access and wholesale line rental (WLR).

The Company has a cost based price obligation for the Regulated wholesale services, using Long Run Incremental Costs methodology (LRIC). In August 2012 the Agency published draft results from its own developed LRIC Bottom-up costing model for Local Bitstream (cost based) and for retail and wholesale Leased Lines, ducts and dark fiber and minimal set of leased lines (cost based). As a result, on 15 January 2013 the Agency brought a decision for decrease of fees and approved the changed Reference offer for provision of physical access and usage of electronic communication infrastructure and associated facilities (ducts and dark fiber). New fees were implemented as of 1February 2013. The Agency also approved the Reference offers for Wholesale digital leased line (WS DLL), Local bitstream access and minimal set of leased lines and new changed methodologies of calculation of prices (length dependent) are implemented. WS DLL and Local bitstream access fees were decreased from 1 December 2012 and fees for minimal set of leased lines from 1 January 2013.

The Agency approved new prices for duct rental services on 18 January 2013. The prices were determined by the Agency according to the LRIC methodology. The approved prices are less than half the previous prices set by the Company.

On 5 August 2013 the Agency issued its final document on market analyses for call origination, call termination and transit of calls on the public telephone network provided at a fixed location (Market 4, Market 5 and Market 6). Only the Company is assigned as SMP on Market 4.

New remedies are the following:

- Implementation of IP (Internet Protocol) IC (interconnection) latest by 2016 for fixed and mobile operators;
- Transitional period for IP interconnection for alternative fixed and mobile operators up to 3 years;
- Submission of updated MATERIO (Company's Referent Interconnect Offer) with IP IC description (service and fees) and conditions latest by 31 October 2013 with content at least for:
    - IP network structure and information on the IP IC equipment
    - Number and location of IP PoIs
    - Voice transmission protocols and IP signalization
    - Technical parameters and interface for IP IC
    - Deadline for IP IC testing
    - Continuous update of MATERIO in the prices and cost oriented prices segments
    - Other remedies for Market 4 are the same as before (IC and access, access to specific network facilities, CS (carrier selection) and CPS (carrier preselection), transparency, non discrimination, accounting separation, price control and cost accounting).

In June 2013, the Agency announced starting the first analysis on wholesale market 13 (Transmission of broadcasting content to end users). The IP MATERIO was submitted for approval to the Agency in October 2013 on Company's initiative, in line with market analyses conclusion for submission of MATERIO changes with description and conditions for IP interconnection. On 27 December 2013 the Company received resolution for approval of IP MATERIO. In the process of approval additional changes were made (new interconnection prices based on "Top down LRIC" costing model were included). There are new prices for termination with no peak or off-peak prices. Changes in the IP MATERIO came into force from 1 January 2014. Regional and local termination prices will exist until last Time division multiplexing (TDM) switch is extinguished.

Final document for Broadband market analyses (Market 8) was published on 1August 2014. For the first time the Agency imposed regulation of access to broadband services over optical access network. All existing obligations for the copper network remain unchanged. All obligations are only for the Company as SMP on the broadband market.

In December 2014 the Agency brought a Decision for designation of the Company as SMP on Market 8.

Third analysis of Market 9 and 10 Termination and Transmission segments of Leased Lines (LL) and Market 7 Physical access to network infrastructure was finished in November 2014. As a result of the analysis, on Market 9 and 10 Termination and Transmission segments of the LL were deregulated and on Market 7 regulations of fiber based products of the Company were included. In December 2014 the Agency brought a Decision for designation of the Company for SMP on Market 9 - Terminating segments of leased lines in the geographical area of Republic of Macedonia.

In December 2014 the Agency brought a Decision for designation of the Company for SMP on Market 1- Access to public telephone networks at a fixed location for residential and business customers including all types of networks technology neutral.

Draft document for market analysis (Minimum set of leased lines) on relevant retail Market 3 was published in September 2015. Proposal is the Company to be released from SMP obligation on this market. Decision for withdraw of the SMP obligation is expected in Q1 2016.

1.4. Investigation into certain consultancy contracts

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

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

Magyar Telekom's Audit Committee informed the U.S. Department of Justice (the "DOJ") and the U.S. Securities and Exchange Commission (the "SEC") of the internal investigation. The DOJ and the SEC commenced investigations into the activities that were the subject of the internal investigation. On 29 December 2011, Magyar Telekom announced that it had entered into final settlements with the DOJ and the SEC to resolve the DOJ's and the SEC's investigations relating to Magyar Telekom. The settlements concluded the DOJ's and the SEC's investigations. Magyar Telekom disclosed the key terms of the settlements with the DOJ and the SEC on 29 December 2011. In particular, Magyar Telekom disclosed that it had entered into a two-year deferred prosecution agreement (the "DPA") with the DOJ. The DPA expired on 5 January 2014, and further to the DOJ's request filed in accordance with the DPA, the U.S. District Court for the Eastern District of Virginia dismissed the charges against Magyar Telekom on 5 February 2014.

In relation to the local investigation by the state authorities in Macedonia and further to the previously disclosed information in the Financial Statements of the Company for the preceding years, the basic court has sent an invitation for a representative of the Company for presence on the hearing scheduled for 25 February 2016.

We have not become aware of any information as a result of a request from any regulators or other external parties, other than the previously disclosed, from which we have concluded that the financial statements may be misstated, including from the effects of a possible illegal act.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of preparation

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

The financial statements are presented in Macedonian denars rounded to the nearest thousand.
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the 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.

2.1.1. Standards, amendments and interpretations effective and adopted by the Company in 2015

- IFRS 8 (amended). In December 2013 the IASB published amendments to IFRS 8 – Operating Segments that require (1) disclosure of the judgments made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendments were effective for annual periods beginning on or after 1 July 2014. The amended standard did not have material impact on the Company's financial statements.

- IFRS 13 (amended). In December 2013 the IASB published amendments to IFRS 13 where the basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. The amendments were effective for annual periods beginning on or after 1 July 2014. The amended standard did not have material impact on the Company's financial statements.

- IAS 24 (amended). In December 2013 the IASB published amendments to IAS 24 to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The amendments were effective for annual periods beginning on or after 1 July 2014. The amended standard did not have material impact on the Company's financial statements.

2.1.2. Standards, amendments and interpretations effective in 2015 but not relevant for the Company

- IAS 19 (amended). The IASB published amendments to IAS 19 – Employee Benefits in November 2013. The amendments apply to contributions from employees or third parties to defined benefit plans which are not relevant for the Company. The amendments were effective for annual periods beginning on or after 1 July 2014, with earlier application being permitted. As the Company does not operate definite benefit plans for the employees, the amendments did not have any impact on the Company's financial statements.

- IAS 16 and IAS 38 (amended). In December 2013 the IASB published amendments to IAS 16 and IAS 38 to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The amendments were effective for annual periods beginning on or after 1 July 2014. As the Company is not using the revaluation model, the amendments did not have any impact on the Company's financial statements.

- IFRS 2 (amended). In December 2013 the IASB published amendments to IFRS 2 to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. As the Company does not have share-based payments, the amendments did not have any impact on the Company's financial statements.

- IFRS 3 (amended). In December 2013 the IASB published amendments to IFRS 3 to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognized in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. As the Company does not have business combinations, the amendments did not have any impact on the Company's financial statements.

- IFRS 1 (amended). In December 2013 the IASB published amendments to IFRS 1 where the basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.

- IAS 40 (amended). In December 2013 the IASB published amendments to IAS 40 to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The amendments were effective for annual periods beginning on or after 1 July 2014. As the Company does not have investment property, the amendments did not have any impact on the Company's financial statements.

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

- IAS 1 (amended). The IASB published amendments to IAS 1 Presentation of Financial Statements in December 2014. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of the financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. The application of the amendments is required for annual periods beginning on or after 1 January 2016. We do not expect that the adoption of the amendments would result in significant changes in the financial statements disclosures of the Company.

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

Financial assets – At initial recognition, IFRS 9 requires financial assets to be measured at fair value. After initial recognition, financial assets continue to be measured in accordance with their classification under IFRS 9. Where a financial asset is classified and measured at amortized cost, it is required to be tested for impairment in accordance with the impairment requirements in IAS 39. IFRS 9 defines the below rules for classification.
IFRS 9 requires that financial assets are classified as subsequently measured at either amortized cost or fair value. There are two conditions needed to be satisfied to classify financial assets at amortized cost: (1) The objective of an entity's business model for managing financial assets has to be to hold assets in order to collect contractual cash flows; and (2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Where either of these conditions is not satisfied, financial assets are classified at fair value.
Fair Value Option: IFRS 9 permits an entity to designate an instrument that would otherwise have been classified in the amortized cost category, to be at fair value through profit or loss if that designation eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch).

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

Embedded derivatives: The requirements in IAS 39 for embedded derivatives have been changed by no longer requiring that embedded derivatives be separated from financial asset host contracts.

Reclassification: IFRS 9 requires reclassification between fair value and amortized cost when, and only when there is a change in the entity's business model. The ‚tainting rules' in IAS 39 have been eliminated.

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

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

The IASB issued amendments to IFRS 9 in December 2011 and in November 2013 and deferred the mandatory effective date of IFRS 9. The deferral will make it possible for all phases of the IFRS 9 project to have the same mandatory effective date. The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. This relief was originally only available to companies that chose to apply IFRS 9 prior to 2012. Instead, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments.

The IASB completed the final element of IFRS 9 Financial Instruments in July 2014. The package of improvements introduced by IFRS 9 includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. Classification and Measurement: Classification determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. IFRS 9 introduces an approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in a single impairment model being applied to all financial instruments.

Impairment: During the financial crisis, the delayed recognition of credit losses on loans (and other financial instruments) was identified as a weakness in existing accounting standards. As part of IFRS 9, the IASB has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a more timely basis.

Hedge accounting: IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements.

Own credit: IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss.

The application of the new standard and its amendments is required for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The adoption of the new standard and its amendments will likely result in changes in the financial statements of the Company, the exact extent of which, we are currently analyzing.

- IAS 16 and IAS 38 (amended). The IASB published amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets in May 2014. IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The application of the amendments is required for annual periods beginning on or after 1 January 2016. The adoption of the amendments will not result in any changes in the financial statements of the Company as we apply linear depreciation and amortization.

- IFRS 15(amended). In May 2014 the IASB and the US FASB jointly issued a converged Standard on the recognition of revenue from contracts with customers. The core principle of the new Standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and new guidance for multiple element arrangements. The application of the new standard is required for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The adoption of the new standard will result in significant changes in the financial statements of the Company, primarily in respect of the timing of revenue recognition and in respect of capitalization of costs of obtaining a contract with a customer and contract fulfillment costs. The timing of revenue recognition and the classification of our revenues as either service or equipment revenue will be affected due to the allocation of consideration in multiple element arrangements (solutions for our customers that may involve the delivery of multiple services and products occurring at different points in time and/or over different periods of time) no longer being affected by limitation cap methodology. Considering the current business models, the impact of applying the new standard is expected to result in allocating more revenues upfront. Our operations and associated systems are complex and the currently estimated time and effort necessary to develop and implement the accounting policies, estimates, judgments and processes to comply with the new standard is expected to span a substantial time. As a result, at this time, it is not possible to make reasonable quantitative estimates of the effects of the new standard.

- IFRS 16(new standard). In January 2016 the IASB published IFRS 16 Leases. The current lease accounting standard, IAS 17, does not permit recognition of obligations from operating leases in the statement of financial position. As a change from that, IFRS 16, in the future, requires entities when they are a lessee, to:
  - recognize lease assets and liabilities on the balance sheet, initially measured at the present value of unavoidable lease payments;
  - recognize amortization of lease assets and interest on lease liabilities over the lease term; and
  - separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities).

Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.
As a result, the most significant effect of IFRS 16 will be an increase in lease assets and lease liabilities, the extent of which will have to be determined after thorough analysis.
On the lessor (sell) side, we will mainly have to analyze the extent of which multiple element arrangements with embedded leases may be affected by the

revised definition of leases. Other than that, we do not expect a considerable impact on the financial statements of the Company at this time, as lessor accounting itself is not changing significantly through the introduction of IFRS 16.
An entity is required to apply IFRS 16 for annual periods beginning on or after 1 January 2019 and permits to apply the new Leases Standard early, if the entity also applies IFRS 15 Revenue from Contracts with Customers at or before the date of early application.

- IAS 12 (amended). In January 2016 the IASB issued amendments to IAS12 Income taxes. The amendments, Recognition of Deferred Tax Assets for Unrealized Losses, clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the following aspects to address diversity in practice:
    - Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
    - The carrying amount of an asset does not limit the estimation of probable future taxable profits.
    - Estimates for future taxable profits exclude tax deductions resulting f rom the reversal of deductible temporary differences.
    - An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The application of the amendments is required for annual periods beginning on or after 1 January 2017. We do not expect that the adoption of the amendments would result in significant changes in the financial statements of the Company.

- IAS 7 (amended). In January 2016 the IASB published amendments to IAS 7 Statement of Cash Flows. The amendments come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The IASB requires that the following changes in liabilities arising from financing activities are disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. Changes in liabilities arising from financing activities have to be disclosed separately from changes in other assets and liabilities. The application of the amendments is required for annual periods beginning on or after 1 January 2017. We do not expect that the adoption of the amendments would result in significant changes in the financial statements of the Company.
- IFRS 5 (amended). In September 2014 the IASB published amendments to IFRS 5 to clarify that change in the manner of disposal (reclassification from „held for sale" to „held for distribution" or vice versa) does not constitute a change to a plan of sale ore distribution, and does not have to be accounted for as such. The application of the amendments is required for annual periods beginning on or after 1 January 2016. We do not expect that the adoption of the amendments would result in significant changes in the financial statements of the Company.
- IFRS 7 (amended). In September 2014 the IASB published amendments to IFRS 7 to add guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The application of the amendments is required for annual periods beginning on or after 1 January 2016. We do not expect that the adoption of the amendments would result in significant changes in the disclosures in the financial statements of the Company.
- IAS 19 (amended). In September 2014 the IASB published amendments to IAS 19 to clarify that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. The application of the amendments is required for annual periods beginning on or after 1 January 2016. We do not expect that the adoption of the amendments would result in significant changes in the financial statements of the Company.

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

- IFRS 14 (new standard). The IASB issued an interim Standard, IFRS 14 Regulatory Deferral Accounts in January 2014. The new interim standard is applicable for first-time adopters, effective for periods beginning on or after 1 January 2016, which is not relevant for the Company. Therefore the new interim standard will not have any impact on the Company's financial statements.
- IAS 16 and IAS 41 (amended). The IASB published amendments that change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms in June 2014, effective for periods beginning on or after 1 January 2016. Since the Company is not engaged in agricultural activity, the amendments will not have any impact on the Company's financial statements.
- IAS 27 (amended). The IASB published Equity Method in Separate Financial Statements (Amendments to IAS 27) in August 2014, effective for periods beginning on or after 1 January 2016. The amendment is applicable for separate financial statements which is not relevant for the Company. Therefore the amendment will not have any impact on the Company's financial statements.
- IFRS 11 (amended). The IASB published amendments to IFRS 11 Joint Arrangements in May 2014. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment explicitly requires the acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the principles on business combinations accounting in IFRS 3. The application of the amendment is required for annual periods beginning on or after 1 January 2016. Since the Company does not have joint ventures and joint operations, the amendments will not have any impact on the Company's financial statements.
- IFRS 10 and IAS 28 (amended). The IASB issued narrow-scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The amendments address the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a

subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The application of the amendments is required for annual periods beginning on or after 1 January 2016. Since the Company does not prepare consolidated financial statements and does not have Investments in Associates and Joint Ventures, the amendments will not have any impact on the Company's financial statements.

- IAS 34 (amended). In September 2014 the IASB published amendments to IAS 34 to require a cross reference from the interim financial statements to the location of „information disclosed elsewhere in the interim financial report“.. The application of the amendments is required for annual periods beginning on or after 1 January 2016. Since the Company does not prepare interim financial statements, the amendments will not have any impact on the Company's financial statements.

2.2. Foreign currency translation

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

The foreign currencies deals of the Company are predominantly Euro (EUR) and United States Dollars (USD) based.

The exchange rates used for translation at 31 December were as follows:

	2015	2014
	MKD	MKD
1 USD	56,37	50,56
1 EUR	61,59	61,48

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 of the Company include, cash and cash equivalents, deposits with banks, equity instruments of another entity (available-for-sale and at fair value through profit or loss) and contractual rights to receive cash (trade and other receivables) or another financial asset from another entity.
Financial liabilities of the Company include liabilities that originate from contractual obligations to deliver cash or another financial asset to another entity (non-derivatives). In particular, financial liabilities include trade and other payables.

The fair value of traded financial instruments is determined by reference to their market prices at the end of the reporting period. This typically applies to financial assets at fair value through profit or loss.
The fair value of other financial instruments that are not traded in an active market is determined by using discounted cash flow valuation technique. The expected cash inflows or outflows are discounted by market based interest rates.

The fair value of long term financial liabilities is also determined by using discounted cash flow valuation technique. The expected cash inflows or outflows are discounted by market based interest rates.

Assumptions applied in the fair value calculations are subject to uncertainties. Changes in the assumptions applied in the calculations would have an impact on the carrying amounts, the fair values and/or the cash flows originating from the financial instruments. Sensitivity analyses related to the Company's financial instruments are provided in Note 3.

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.

Standard 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 are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the Profit for the year.

The Company assesses at each financial statement date whether there is objective evidence that a financial asset is impaired. There is objective evidence of impairment if as a result of loss events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Impairment losses of financial assets are recognized in the Profit for the year against allowance accounts to reduce the carrying amount until derecognition of the financial asset, when the net carrying amount (including any allowance for impairment) is derecognized from the statement of financial position. Any gains or losses on derecognition are calculated and recognized as the difference between the proceeds from disposal and the (net) carrying amount derecognized.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the 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. 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 favorable market conditions for their sale.

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

Dividend income from financial assets at fair value through profit or loss is recognized in the Profit for the year when the 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 financial statement date. These are classified as non-current assets.
The following items are assigned to the "loans and receivables" measurement category:

- cash and cash equivalents
- deposits over 3 months
- trade receivables
- receivables and loans to third parties
- employee loans
- other 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, cash in bank, call deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.
Should impairment on cash and cash equivalents occur, it would be recognized in the Profit for the year (Finance expenses).

Trade and other receivables
Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the underlying arrangement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments as well as historical collections 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 Profit for the year (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 the largest customers, international customers, customers of interconnection services and also for customers under liquidation and bankruptcy proceedings. Itemized valuation is also performed in special circumstances.

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

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

Employee loans
Employee loans are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.
Difference between the nominal value of the loan granted and the initial fair value of the employee loan is recognized as prepaid employee benefits, which reduces Loans and receivables from employees. Interest income on the loan granted calculated by using the effective interest method is recognized as finance income, while the prepaid employee benefits are amortized to Personnel expenses evenly over the term of the loan.

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

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

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the financial statement date. Purchases and sales of investments are recognized 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 favorable market conditions for their sale. Changes in the fair value of financial assets classified as available for sale are recognized in Other comprehensive income. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the Profit for the year as gains and losses from investment securities.

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

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

2.3.2. 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.
Long term financial liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.4. Inventories

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

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

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

2.5. Assets held for sale

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

2.6. Property, plant and equipment (PPE)

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2.8).

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 labor.

In 2011, Law on acting with illegally built facilities was enacted, according to which the Company will incur certain expenditures related to obtaining complete documentation for base stations and fix line infrastructure in accordance to applicable laws in Republic of Macedonia. The Company capitalizes those expenditures as incurred. The capitalized expenditures are included within Property, plant and equipment (see note 11).

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 Profit for the year during the financial period in which they are incurred.
When assets are scrapped, the cost and accumulated depreciation are removed from the accounts and the loss is recognized in the Profit for the year as depreciation expense.

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

Depreciation is charged to the Profit for the year on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Assets are not depreciated until they are available for use. Land is not depreciated. The assets useful lives and residual values are reviewed, and adjusted if appropriate, at least once a year. For further details on the groups of assets impacted by the most recent useful life revisions (see note 11).

The estimated useful lives are as follows:

	2015	2014
	Years	Years
Buildings	20-40	20-40
Aerial and cable lines	20-25	20-25
Telephone exchanges	7-10	7-10
Base stations	10	10
Computers	4	4
Furniture and fittings	4-10	4-10
Vehicles	4-10	4-10
Other	2-15	2-15

2.7. Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortization and impairment losses (see note 2.8).

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. New software modules that cannot be used independently of the existing software (releases), but rather only combined with the base version's functionalities and are implementations of enhanced software, characterized by systematic updates, revisions or expansions of previous versions of existing software represent subsequent costs for the previous version and are capitalized if they meet the capitalization criteria, i.e. if they coincide with the creation of additional functionalities. Consequently, the costs of releases is capitalized as part of the base version and amortized together with the residual carrying amount over the base software's remaining useful life. If indications exists that the software will be operated longer than the current useful life as a result of subsequently capitalized expenditure, the useful life of the base software is reviewed, and if applicable extended.

The Company's primary activities are in the fixed line and mobile operations in Macedonia. These operations usually require acquisition of licenses/frequency usage rights, which generally contain upfront fees and annual fees. For each acquired license/frequency usage right, the Company assesses whether the amount of future annual fees can be measured reliably at the start of the validity period of the license. If the Company considers that the amount of future annual fees can be measured reliably, the present value of the future annual fees is capitalized as part of the cost of the license otherwise these fees are recognized as expenses (Other operating expenses) in the period they relate to.

The useful lives of concession and licenses are determined based on the underlying agreements and are amortized on a straight line basis over the period from availability of the frequency for commercial use until the end of the initial concession or license term. No renewal periods are considered in the determination of useful life (see note 12).

The estimated useful lives are as follows:

	2015	2014
	Years	Years
Software and licenses	2-5	2-5
Concession	18	18
3G and 2G License	10	10
4G License	20	20

Amortization is charged to the Profit for the year on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortized from the date they are available for use. The assets useful lives are reviewed, and adjusted if appropriate, at least once a year (see note 12).

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.

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

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

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

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

2.9. 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 economic outflow required to settle the present obligation at the financial statement date. The estimate can be calculated as the weighted average of estimated potential outcomes or can also be the single most likely outcome. The provision charge is recognized in the Profit for the year within the expense corresponding to the

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

2.10. Share capital

Ordinary shares are classified as equity.

2.11. Treasury shares

When the Company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners as treasury shares until the shares are cancelled or reissued. When such shares are subsequently reissued, the treasury share balance decreases by the original cost of the shares, thereby increasing equity, while any gains or losses are also recognized in equity (Retained earnings). Treasury shares transactions are recorded on the transaction date.

2.12. Other reserves

Under local statutory legislation, the Company was required to set aside minimum 15 percent of its net profit for the year in a statutory reserve until the level of the reserve reaches 1/5 of the share capital. With the changes of the Law on Trading Companies effective from 1 January 2013, the Company is required to set aside minimum 5 percent of its net profit for the year as per local GAAP (Generally accepted accounting principles) in a statutory reserve until the level of the reserve reaches 1/10 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.

2.13. Revenues

Revenues for all services and equipment sales (see note 17) 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 all other specific recognition criteria of IAS 18 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.

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

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

2.13.1. Fixed line and mobile telecommunications revenues

Revenue is primarily derived from services provided to subscribers and other third parties using telecommunications network, and equipment sales. Customer subscriber arrangements typically include an equipment sale, subscription fee and charge for the actual voice, internet, data or multimedia services used. The 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. These units are identified and separated, since they have value on a standalone basis and are sold not only in a bundle, but separately as well. Therefore the Company recognizes revenues for all of these elements using the residual method that is the amount of consideration allocated to the delivered elements of the arrangements equals the total consideration less the fair value of the undelivered elements.
The Company provides customers with narrow and broadband access to its fixed, mobile and TV distribution networks. Service revenues are recognized when the services are provided in accordance with contractual terms and conditions. Airtime revenue is recognized based upon minutes of use and contracted fees less credits and adjustments for discounts, while subscription and flat rate revenues are recognized in the period they relate to.

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

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

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

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

2.13.2. System integration and IT revenues

Contracts for network services consist of the installation and operation of communication networks for customers. Revenues for voice and data services are recognized under such contracts when used by the customer.
Revenue from system integration contracts requiring the delivery of customized products and/or services is generally covered by fixed-price contracts and revenue is recognized based on percentage of completion taking into account the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

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

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

2.14. Employee benefits

2.14.1. 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. Holiday allowances are also calculated according to the local legislation. The Company makes these contributions to the Governmental and private funds. The cost of these payments is charged to the Profit for the year in the same period as the related salary cost. No provision is created for holiday allowances for non-used holidays as according 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 contractual obligation to pay to employees three average monthly salaries in Republic of Macedonia at their retirement date according the Collective agreement between the Company and the Trade Union of the Company, for which appropriate liability is recognized in the financial statements measured at the present value of three 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.

2.14.2. Bonus plans

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

2.14.3. Termination benefits

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

2.15. Marketing expenses

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

2.16. Taxes

2.16.1. Income tax

Companies did not have to pay income tax on their profit before tax (earned since 1 January 2009) until that profit was distributed in a form of dividend or other forms of profit distributions. If dividend was paid, 10% income tax was payable at the moment of the dividend payment, regardless of whether in monetary or non-monetary form, to the foreign nonresident legal entities and, foreign and domestic individuals. The dividends paid out to the resident legal entities were tax exempt. Apart of distribution of dividends, the tax was still payable on the non-deductable expenses incurred in that fiscal year, decreased by the amount of tax credits and other tax reliefs (see note 2.16.3).
In January 2014 the profit tax law was amended whereby the income tax is payable at the moment of dividend distribution regardless of the ownership structure. In accordance with these changes applicable as of January 2014, the income tax in Macedonia ceased to have the characteristics of withholding taxes. Consequently, as per IAS 12, the income tax arising from the payment of dividends was accounted for as a liability and expense in the period in which dividends were declared, regardless of the actual payment date or the period for which the dividends were paid.

As of 1 August 2014, new profit tax law came into force being applicable from 1 January 2015 for the net income for 2014, with which the base for income tax computation had been shifted from income "distribution" concept to the profit before taxes. According to the provisions of the new law, the tax base is the profit generated during the fiscal year increased for non-deductible expenses and reduced for deductible revenue (i.e. dividends already taxed at the payer) and the income tax rate is 10%. In line with these changes income tax for the year was calculated and recorded in the Statement of comprehensive income.

2.16.2. Deferred income tax

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

As of 1 August 2014, new profit tax law came into force being applicable from 1 January 2015 for the net income for 2014, with which the base for income tax computation had been shifted from income “distribution” concept to the profit before taxes. According to the provisions of the new law, the tax base is the profit generated during the fiscal year increased for non-deductible expenses and reduced for deductible revenue (i.e. dividends already taxed at the payer) and the profit tax rate is 10%.

In line with the new profit tax law deferred tax was calculated and recorded in the Statement of comprehensive income.
Deferred tax is recognized applying the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. Deferred tax is determined using income tax rates that have been enacted or substantially enacted by the financial statement date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
Deferred tax assets are recognized to the extent that it is probable that future taxable profit (or reversing deferred tax liabilities) will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16.3. Tax on non-deductable expenses

Under the previous profit tax law, applicable to the net income for 2013, at the end of fiscal year companies were liable to pay tax on non deductible expenses, regardless of their financial results. The basis was expenses which are not within the scope of the company business i.e. non deductible expenses (representation expenses, gifts etc) less tax credits and other tax reliefs. The tax on non-deductable expenses was recognized in the Profit for the year (Other operating expenses) against Other taxes. With the new profit tax law from 1 August 2014, being applicable for the net income for 2014 the base for income tax computation had been shifted from income “distribution” concept to the profit before taxes and the taxation of the non-deductable expenses (less tax credits) is now part of the tax base and within the Income tax line in the Profit for the year. The tax base is defined as the profit generated during the fiscal year increased for non-deductible expenses and reduced for deductible revenue (i.e. dividends already taxed at the payer) and the profit tax rate is 10% (see note 8).

2.17. Leases

2.17.1. Operating lease – Company as lessor

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

2.17.2. Operating lease – Company as lessee

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

2.18. 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.

2.19. Dividend distribution

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

2.20. Segments

The operating segments of the Company are based on the business lines, residential, business, wholesale and other, which is consistent with the internal reporting provided to the chief operating decision makers, the Chief Executive Officer (CEO) and Chief Operating Officer (COO), who are advised by the Management Committee (MC) of the Company. The CEO and COO are responsible for allocating resources to, and assessing the performance of, the operating segments. The accounting policies and measurement principles of the operating segments are the same as those applied for the Company described in the Significant accounting policies (see note 2). In the financial statements, the segments are reported in a manner consistent with the internal reporting.

The operating segments’ revenues include revenues from external customers and there are no internal revenues generated from other segments.

The operating segments’ results are monitored by the CEO and COO and the MC to Direct margin, which is defined by the Company as revenues less direct costs less Impairment losses on trade and other receivables.

The CEO, COO and the MC do not monitor the assets and liabilities at segment level.

2.21. Comparative information

In order to maintain consistency with the current year presentation, certain items may have been reclassified for comparative purposes. Material changes in disclosures, if any, are described in detail in the relevant notes.

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

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

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

3.1.1. Market risk

Market risk is defined as the 'risk that the fair value or value of 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 financial statement date. The balances at the end of the reporting period are usually representative for the year as a whole, therefore the impacts are calculated using the year end balances as though the balances had been constant throughout the reporting period. The methods and assumptions used in the sensitivity calculations have been updated to reflect the current economic situation.

a) Foreign currency risk

The functional currency of the Company 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 currency giving rise to this risk is primarily the EUR. The Company uses cash deposits in foreign currency, predominantly in EUR, and cash deposits in denars linked to foreign currency, to economically hedge its foreign currency risk in accordance with the available banks offers. The Company manages the foreign exchange risk exposure through maintaining higher amount of deposits in EUR as a proven stable 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.

At 31 December 2015, if MKD would have been 1% weaker or stronger against EUR, profit would have been MKD 5,937 thousand in net balance higher or lower, respectively. At 31 December 2014, if MKD would have been 1% weaker or stronger against EUR, profit would have been MKD 6,635 thousand in net balance lower or higher, respectively. At 31 December 2015, if MKD would have been 10% weaker or stronger against USD, profit would have been MKD 17,741 thousand in net balance higher or lower, respectively. At 31 December 2014, if MKD would have been 10% weaker or stronger against USD, profit would have been MKD 2,959 thousand in net balance higher or lower, respectively.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
Change in the interest rates and interest margins may influence financing costs and returns on financial investments.

The Company is minimizing interest rate risk through defining of fixed interest rates in the period of the validity of certain financial investments. On the other hand fix term deposits may be prematurely terminated, since the contracts contain a clause that, the bank will calculate and pay interest by interest rate which is valid on the nearest maturity period of the deposit in accordance with the interest rates given in the offer.

In case of significant increase of the market interest rates, deposit may be terminated and replaced by new deposit with interest rate more favorable for the Company at lowest possible cost.

The investments are limited to relatively low risk financial investment forms in anticipation of earning a fair return relative to the risk being assumed.

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

The Company had MKD 1,545,106 thousand call deposits and cash in bank as at 31 December 2015, 1% rise in market interest rate would have caused (ceteris paribus) the interest received to increase with approximately MKD 15,451 thousand annually, while similar decrease would have caused the same decrease in interest received. Amount of deposits is MKD 2,854,511 thousand (including call deposits) and cash in bank as at 31 December 2014, therefore 1% rise in market interest rate would have caused (ceteris paribus) the interest received to increase with approximately MKD 28,545 thousand annually, while similar decrease would have caused the same decrease in interest received.

c) Other price risk

The Company's investments are in equity of other entities that are publically traded on the Macedonian Stock Exchange, both on its Official and Regular market. The management continuously monitors the portfolio equity investments based on fundamental and technical analysis of the shares. All buy and sell decisions are subject to approval by the relevant Company's bodies. In line with the Company strategy, the investments within portfolio are kept until there are favorable market conditions for their sale.
As part of the presentation of market risks, IFRS 7 also requires disclosures on how hypothetical changes in risk variables affect the price of financial instruments. As at 31 December 2015 and 31 December 2014, the Company holds investments, which could be affected by risk variables such as stock exchange prices.

The Company had MKD 47,987 thousand investments in equity of other entities that are publically traded on the Macedonian Stock Exchange as at 31 December 2015, 20% rise in market price would have caused (ceteris paribus) MKD 9,597 thousand gain, while similar decrease would have caused the same loss in the Profit for the year. The amount of the investments in equity of other entities that are publically traded on the Macedonian Stock Exchange is MKD 44,549 thousand as at 31 December 2014, therefore 20% rise in market price would have caused (ceteris paribus) MKD 8,910 thousand gain, while similar decrease would have caused the same loss in the Profit for the year.

3.1.2. Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The 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 to be concluded with counterparties (banks) that have at least a credit rating of BBB+ (or equivalent) or where the counterparty has provided a guarantee where the guarantor has to be at least BBB+ (or equivalent).

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

The depositing decisions are made based on the following priorities:

- To deposit in banks (Deutsche Telekom core banks, if possible) with provided bank guarantee from the banks with the best rating and the best quality wording of the bank guarantee.
- To deposit in banks with provided bank guarantee from the banks with lower rating and poorer quality wording of the bank guarantee.
- Upon harmonization and agreement with the parent company these rules can be altered for ensuring full credit risk coverage. If the total amount of deposits cannot be placed in banks covered with bank guarantees with at least BBB+ rating (or equivalent credit rating), then depositing will be performed in local banks without bank guarantee.

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

The credit risk is controlled through credibility checking – which determines that the customer is not indebted and the customer's 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 group 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 statement of financial position. 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 financial statement date.

Largest amount of one deposit in 2015 is MKD 480,000 thousand, denominated in EUR 7,793 thousand, (2014: MKD 300,000 thousand denominated in EUR 4,876 thousand). In addition, the Company has deposits with 1 domestic bank (2014: 1 domestic bank). The Company has obtained collateral (guarantee) that mitigate the credit risk for the extent of the deposited amount in the respective bank.

3.1.3. Liquidity risk

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

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

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

The 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 Corporate Finance Department.

The tables below show liabilities at 31 December 2015 and 2014 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows. As the financial liabilities are paid from the cash generated from the ongoing operations, the maturity analysis of the financial assets as at the end of the reporting periods (in comparison with the financial liabilities) would not be useful, therefore, is not included in the tables below.

The maturity structure of the Company's financial liabilities as at 31 December 2015 is as follows:

In thousands of denars	Total	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years
Trade payables	964,988	463,308	485,203	16,477	-
Liabilities to related parties	750,836	719,808	31,028	-	-
Other financial liabilities	1,497,106	739,377	48,770	316,592	392,367
	3,212,930	1,922,493	565,001	333,069	392,367

The maturity structure of the Company's financial liabilities as at 31 December 2014 is as follows:

In thousands of denars	Total	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years
Trade payables	1,152,423	740,927	408,154	3,342	-
Liabilities to related parties	574,253	553,277	20,976	-	-
Other financial liabilities	836,015	103,819	15,375	245,090	471,731
	2,562,691	1,398,023	444,505	248,432	471,731

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 2015, is MKD 14,053,241 thousand, as per local GAAP (2014: MKD 14,057,432 thousand). Out of this amount MKD 9,583,888 thousand (2014: MKD 9,583,888 thousand) represent share capital and MKD 1,237,534 thousand (2014: MKD 958,389 thousand) represent statutory reserves, which are not distributable (see note 2.12). The Company has also acquired treasury shares (see notes 2.11 and 16.1). The transaction is in compliance with the local legal requirements that by acquiring treasury shares the total equity of the Company shall not be less than the amount of the share capital and reserves which are not distributable to shareholders by law or by Company's statute. In addition, according the local legal requirements dividends can be paid out to the shareholders in amount that shall not exceed the net profit for the year as presented in the local GAAP financial statements of the Company, increased for the undistributed net profit from previous years or increased for the other distributable reserves, i.e. reserves that exceed the statutory reserves and other reserves defined by the Company's statute. The Company is in compliance with all statutory capital requirements.

3.3. Fair value estimation

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

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

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

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

Financial liabilities included in the category Trade and other payables mainly have short term maturity. For this reason, their carrying amounts at the reporting date approximate their fair values.

The fair value of the long term financial liabilities is determined by using discounted cash-flow valuation technique.

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 outlined below.

4.1. Useful lives of assets

The determination of the useful lives of assets is based on historical experience with similar assets as well as any anticipated technological development and changes in broad economic or industry factors. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions. We believe that the accounting estimate related to the determination of the useful lives of assets is a critical accounting estimate since it involves assumptions about technological development in an innovative industry and heavily dependent on the investment plans of the Company. Further, due to the significant weight of depreciable assets in our total assets, the impact of any changes in these assumptions could be material to our financial position, and results of operations. As an example, if the Company was to shorten the average useful life of its assets by 10%, this would result in additional annual depreciation and amortization expense of approximately MKD 297,555 thousand (2014: MKD 303,894 thousand). See note 11 and 12 for the changes made to useful lives in 2015.

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

In 2012 the Company conducted an item by item revision of the useful life of assets affected by the PSTN migration project of the Company, which in general resulted in shortening of their useful life. In January 2014 the Company performed the migration of the last PSTN customer thus completing the PSTN migration project (see note 10).

In 2015 the Company conducted an item by item revision of the useful life of assets affected by the IP Core modernization project of the Company, which in general resulted in shortening of their useful life.

4.2. 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 of value is anticipated. The calculations of recoverable amounts are primarily determined by value in use calculations, which use a broad range of estimates and factors affecting those. Among others, we typically consider future revenues and expenses, technological obsolescence, discontinuance of services and other changes in circumstances that may indicate impairment. If impairment is identified using the value in use calculations, we also determine the fair value less cost to sell (if determinable), to calculate the exact amount of impairment to be charged. As this exercise is highly judgmental, the amount of a potential impairment may be significantly different from that of the result of these calculations. Management has performed an impairment test based on a 10 years cash flow projection and used a perpetual growth rate of 2% (2014: 2%) to determine the terminal value after 10 years. The discount rate used was 8.44% (2014: 9.36%). The impairment test did not result in impairment. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the cash-generating units to materially exceed its recoverable amount.

4.3. Estimated impairment of trade and other receivables

We calculate impairment for doubtful accounts based on estimated losses resulting from the inability of our customers to make the required payments. For the largest customers, international customers and for customers under liquidation and bankruptcy proceedings 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 (see note 2.3.1 (b)). These factors are reviewed periodically, and changes are made to the calculations when necessary. In 2014 the Company carried out detailed analysis on the groups of customers on which collective assessment of impairment is performed which resulted in changes in the related impairment rates due to different payment behavior, resulting in new impairment rates of trade and other receivables in 2014. If the financial condition of our customers were to deteriorate, actual write-offs of currently existing receivables may be higher than expected and may exceed the level of the impairment losses recognized so far (see note 3.1.2).

4.4. Provisions

Provisions in general are highly judgmental, especially in case of legal disputes. The 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 50%, the Company fully provides for the total amount of the estimated liability (see note 2.9). As the assessment of the probability is highly judgmental, in some cases the evaluation may not prove to be in line with the eventual outcome of the case. In order to determine the probabilities of an adverse outcome, the Company uses internal and external legal counsel.

4.5. Subscriber acquisition costs

Subscriber acquisition costs primarily include the loss on the equipment sales (revenues and costs presented on a gross basis) and fees paid to subcontractors that act as agents to acquire new customers or retain the existing subscribers. 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. The up-front fees collected from customers for activation or connection are marginal compared to the acquisition costs. These revenues and costs are recognized when the customer is connected to the Company's fixed or mobile networks. No such costs or revenues are capitalized or deferred. These acquisition costs (losses) are recognized immediately as expense (Other operating expenses) as they are not accurately separable from other marketing costs. The total amount of agent fees in 2015 is MKD 125,123 thousand (2014: MKD 155,753 thousand).

5. CASH AND CASH EQUIVALENTS

In thousands of denars	2015	2014
Call deposits	934,058	1,154,086
Cash in bank	611,048	281,749
Cash on hand	5,017	14,183
	1,550,123	1,450,018

The interest rate on call deposits is in range from 0.30% p.a. to 0.35% p.a. (2014: from 0.30% p.a. to 1.00% p.a.). 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	2015	2014
MKD	1,001,228	1,213,425
EUR	511,477	209,039
USD	37,418	27,492
Other	-	62
	1,550,123	1,450,018

Following is the breakdown of call deposits and cash in bank with bank guarantee by credit rating of the Guarantor (see note 3.1.2):

In thousands of denars	2015	2014
Credit rating of the Guarantor: A	1,494,453	1,395,258
	1,494,453	1,395,258

Following is the breakdown of call deposits and cash in bank by credit rating in local banks without bank guarantee (see note 3.1.2):

In thousands of denars	2015	2014
Credit rating: A+	16,301	-
Credit rating: B+	13,444	-
Credit rating: BBB-	1,612	344
Credit rating: BB-	-	17,888
Credit rating: B-	-	22,095
Credit rating: RD	18,669	-
Call deposits in local banks without rating	627	250
	50,653	40,577

The credit ratings in the table above represent either the credit rating of the local bank or the credit rating of the parent bank if no rating is available for the local bank.

6. DEPOSITS WITH BANKS

In 2014 deposits with banks represent cash deposits in reputable domestic banks, with interest rates from 1.45% p.a. to 1.70% p.a. and with maturity between 3 and 12 months.

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

In thousands of denars	2015	2014
MKD	-	962,388
EUR	-	456,288
	-	1,418,676

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

In thousands of denars	2015	2014
Credit rating of the Guarantor: A	-	1,418,676
	-	1,418,676

7. TRADE AND OTHER RECEIVABLES

In thousands of denars	2015	2014
Trade debtors – domestic	4,194,426	4,135,382
Less: allowance for impairment	(1,799,273)	(1,748,663)
Trade debtors – domestic – net	2,395,153	2,386,719
Trade debtors – foreign	189,232	126,231
Less: allowance for impairment	(12,776)	(12,776)
Trade debtors – foreign – net	176,456	113,455
Receivables from related parties	829,606	576,788
Loans to third parties	3,550	3,533
Less: allowance for impairment	(3,550)	(3,533)
Loans to third parties– net	-	-
Loans to employees	81,822	101,703
Other receivables	13,550	16,114
Financial assets	3,496,587	3,194,779
Advances given to suppliers	126,556	120,564
Less: allowance for impairment	(62,923)	(62,923)
Advances given to suppliers – net	63,633	57,641
Prepayments and accrued income	316,921	531,904
	3,877,141	3,784,324
Less non-current portion:		
Loans to employees	(66,678)	(83,369)
Less non-current portion:		
Trade debtors – domestic	(340,842)	(280,018)
Current portion	3,469,621	3,420,937

Receivables from related parties represent receivables from members of Magyar Telekom Group and Deutsche Telekom Group (see note 29).
Loans to employees are collateralized by mortgages over real estate or with promissory note.
Loans to third parties represent loan with reference interest rate of 6 months EURIBOR with margin of 0.3%. Loans granted to employees carry effective interest rate of 4.55% p.a. (2014: 4.55% p.a.).

The non-current portion of Loans to employees represents receivables that are due within 12 years of the financial statement date. The non-current portion of domestic trade receivables represents receivables that are due within 4 years of the financial statement date.

As at 31 December 2015, domestic trade debtors of MKD 2,151,715 thousand (2014: MKD 2,103,291 thousand) are impaired. The aging of these receivables is as follows:

In thousands of denars	2015	2014
Less than 30 days	194,181	195,732
Between 31 and 180 days	148,322	153,403
Between 181 and 360 days	93,882	78,692
More than 360 days	1,715,330	1,675,464
	2,151,715	2,103,291

As at 31 December 2015, domestic trade receivables in amount of MKD 253,139 thousand (2014: MKD 236,337 thousand) were past due but not impaired. These are mainly related to customers for interconnection services assessed on individual basis in accordance with past Company experience and current expectations, as well as specified business and governmental customers that belong to certain age bands and are past due but not impaired, based on past experience of payment behavior (see notes 2.4 and 4.3).

The analysis of these past due domestic trade receivables is as follows:

In thousands of denars	2015	2014
Less than 30 days	77,659	104,455
Between 31 and 60 days	9,615	44,683
Between 61 and 90 days	9,928	31,915
Between 91 and 180 days	13,245	19,881
Between 181 and 360 days	64,304	31,295
More than 360 days	78,388	4,108
	253,139	236,337

The total amount of the provision for domestic trade debtors is MKD 1,799,273 thousand (2014: MKD 1,748,663 thousand). Out of this amount MKD 1,542,269 thousand (2014: MKD 1,538,064 thousand) relate to provision made according the aging structure of the above receivables, while the amount of MKD 51,592 thousand (2014: MKD 47,339 thousand) is from customers under liquidation and bankruptcy which are fully impaired. In addition, the Company has a specific provision calculated in respect of a certain group of customers in amount of MKD 205,412 thousand (2014: MKD 163,260 thousand). The total amount of the provision for foreign trade debtors is MKD 12,776 thousand (2014: MKD 12,776 thousand).

The amount of impairment is mainly a result of receivables which are overdue more than 720 days. The total amount of fully impaired receivables is MKD 1,609,603 thousand (2014: MKD 1,557,900 thousand). These receivables are mainly from two way disconnected customers, dismantled customers, litigated customers and customers that are no longer using the Company services.

The fair values of financial assets within trade and other receivables category are as follows:

In thousands of denars	2015	2014
Trade debtors – domestic	2,395,153	2,386,719
Trade debtors – foreign	176,456	113,455
Receivables from related parties	829,606	576,788
Loans to employees	81,822	101,703
Other receivables	13,550	16,114
	3,496,587	3,194,779

Movement in allowance for impairment of domestic trade debtors:

In thousands of denars	2015	2014
Impairment losses at 1 January	1,748,663	1,748,145
Charge for the year	77,789	29,223
Write off	(27,179)	(28,705)
Impairment losses at 31 December	1,799,273	1,748,663

In 2014 and 2015 there is no movement in allowance for impairment of advances given to suppliers
Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

As at 31 December 2015, foreign trade debtors of MKD 12,776 thousand (2014: MKD 12,776 thousand) are impaired. The aging of these receivables is as follows:

In thousands of denars	2015	2014
Less than 30 days	-	326
Between 31 and 180 days	-	1,629
Between 181 and 360 days	-	1,955
More than 360 days	12,776	8,866
	12,776	12,776

As at 31 December 2015, foreign trade receivables in amount of MKD 89,941 thousand (2014: MKD 104,036 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 but not impaired foreign trade receivables is as follows:

In thousands of denars	2015	2014
Less than 30 days	2,192	25,652
Between 31 and 60 days	35,379	11,107
Between 61 and 90 days	6,135	25,667
Between 91 and 180 days	11,805	25,400
Between 181 and 360 days	2,553	6,684
More than 360 days	31,877	9,526
	89,941	104,036

The Company has renegotiated domestic trade receivables in carrying amount of MKD 15,803 thousand (2014: MKD 35,915 thousand). The carrying amount of loans and receivables, which would otherwise be past due, whose terms have been renegotiated is not impaired if the collectability of the renegotiated cash flows are considered ensured.
The carrying amounts of the Company's non-current trade and other receivables are denominated in MKD.

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

In thousands of denars	2015	2014
MKD	2,259,099	2,648,968
EUR	998,489	702,351
USD	208,514	67,571
Other	3,519	2,047
	3,469,621	3,420,937

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

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

In thousands of denars	2015	2014
Group 1	1,263,510	1,320,702
Group 2	86,547	81,037
Group 3	98,673	113,997
	1,448,730	1,515,736

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

In thousands of denars	2015	2014
Group 1	86,515	9,419
	86,515	9,419

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

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

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

8. TAXES

Commencing from 1 January 2009 and during 2010 the Government of the Republic of Macedonia has introduced several modifications and changes in the Profit Tax Law. According these changes the base for computation of income tax were non-deductible expenses incurred during the fiscal year, while the income tax was payable at the moment of profit distribution in a form of dividend to a foreign legal entities, foreign and domestic individuals. Dividend distribution among domestic companies was tax exempt. Therefore as of 31 December 2011 until December 2013 the tax computed on non-deductable expenses was presented as part of Other operating expenses in the Profit for the year and Other taxes in the Statement of financial position.

In January 2014 the profit tax law was amended whereby the income tax is payable at the moment of dividend distribution regardless of the ownership structure. In accordance with these changes applicable as of January 2014, the income tax in Macedonia ceased to have the characteristics of withholding taxes. Consequently, as per IAS 12, the income tax arising from the payment of dividends was accounted for as a liability and expense in the period in which dividends were declared, regardless of the actual payment date or the period for which the dividends were paid. This resulted in recognition of income tax expense on the dividends distributed in 2014 in amount of MKD 502,623 thousand in the first quarter of 2014 (see note 23).

As of 1 August 2014, new profit tax law came into force being applicable from 1 January 2015 for the net income for 2014, with which the base for income tax computation had been shifted from income "distribution" concept to the profit before taxes. According to the provisions of the new law, the tax base is the profit generated during the fiscal year increased for non-deductible expenses and reduced for deductible revenue (i.e. dividends already taxed at the payer) and the income tax rate is 10%. In line with these changes income tax for the year was calculated and recorded in the statement of comprehensive income. In addition, following the changes in the law, the tax on the tax base adjusting items (the non-deductable expenses and tax credits) is presented as part of income tax expense in the statement of comprehensive income (see note 2.16.1 and 2.16.3).

Up to now the tax authorities had carried out a full-scope tax audits at the Company for 2005 and the years preceding. Additionally, audit of personal income tax was carried out by the tax authorities for the period 1 January 2005 to 31 March 2006. During 2010 there was tax audit conducted by the Public revenue office for Profit tax and VAT for the period 2005 - 2009, as well as, withholding tax for years 2007 and 2008. In addition, in 2011 the Public revenue office conducted tax audit for withholding tax for 2010 and tax audit over certain service contracts from Transfer pricing perspective. In 2012 the Public revenue office conducted specific tax audit for VAT for August 2012 for the Company. In 2012 the Public revenue office carried out a tax audit in TMMK for Profit tax for the years 2005-2011, as well as tax audit for VAT for 2005-2009.

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

8.1. Other taxes receivable

In thousands of denars	2015	2014
VAT receivable	11,685	11,169
Other taxes receivable	896	503
	12,581	11,672

8.2. Other taxes payable

In thousands of denars	2015	2014
VAT payable	65,547	56,215
	65,547	56,215

9. INVENTORIES

In thousands of denars	2015	2014
Materials	131,116	114,383
Inventories for resale	307,926	354,801
Allowance for inventories	(20,918)	(24,919)
	418,124	444,265

Movement in allowance for inventories:

In thousands of denars	2015	2014
Allowance at 1 January	24,919	14,204
Write down of inventories to net realizable value	2,474	11,587
Write down of inventories	41,764	9,060
Write off	(48,239)	(9,932)
Allowance at 31 December	20,918	24,919

Allowance for inventory mainly relates to inventories for resale and obsolete materials (mainly materials related to installation of cables). Write down of inventories to net realizable value is based on the analysis of the lower of cost and net realizable value at the financial statement dates.

10. ASSETS HELD FOR SALE

Assets held for sale represent property, plant and equipment, within the Company which carrying amount will be recovered principally through sale transaction or exchange rather than through continuing use which is not considered by management to be probable. Management intentions are to sell these assets within one year, subject to extension in certain circumstances. There is a plan to sell or exchange these assets and either the management has started to actively market them at a reasonable price or there is already an arrangement for sale with a specific customer.

In December 2013, the Board of Directors of the Company brought a resolution for sale of the PSTN exchanges in line with the completion of the “All IP Transformation Project” where the Company migrated from PSTN to IP based services (see note 4.1). Accordingly, the carrying amount of these assets in amount of MKD 10,441 thousand was reclassified to assets held for sale in the statement of financial position as at 31 December 2013. During 2014 the Company recorded impairment for these assets in the amount of MKD 3,469 thousand recognized as Depreciation and amortization and part of these assets were sold, resulting in carrying amount of MKD 671 thousand as at 31 December 2014. The remaining of these assets was sold during 2015.

In addition, during 2014, the Company brought decisions for selling a number of other assets. The carrying amounts of the affected assets were reclassified to assets held for sale in the statement of financial position. As at 31 December 2014 the balance of assets held for sale includes vehicles with carrying amount of MKD 12,288 thousand for which the Company recorded impairment in the amount of MKD 1,800 thousand, based on the market offers received, recognized as Depreciation and amortization, buildings with carrying amount of MKD 86,159 thousand, and fiscal printers with carrying amount of MKD 13 thousand. Assets in amount of MKD 37,353 thousand, classified as asset held for sale at the end of 2014, were sold during 2015.

During 2015, the Company brought decisions for selling a number of other assets. The carrying amounts of the affected assets were reclassified to assets held for sale in the statement of financial position. As at 31 December 2015 the balance of assets held for sale includes vehicles with carrying amount of MKD 6,625 thousand for which the Company recorded impairment in the amount of MKD 307 thousand, based on the market offers received, recognized as Depreciation and amortization, buildings with carrying amount of MKD 55,140 thousand, and fiscal printers with carrying amount of MKD 13 thousand.

In accordance with IFRS 5, the assets presented as held for sale at the balance sheet date are accounted for at the lower of carrying value or fair value less cost to sell. The fair value less cost to sell is a non-recurring fair value which has been measured using observable inputs, being the price quotes from unrelated third parties, and is therefore within level 2 of the fair value hierarchy.

11. PROPERTY, PLANT AND EQUIPMENT

In thousands of denars	Land	Buildings	Telecommunication equipment	Other	Assets under construction	Total
Cost						
At 1 January 2014	8,114	5,682,968	22,126,293	3,971,650	1,674,723	33,463,748
Additions	2,556	6,615	350,277	161,125	923,775	1,444,348
Transfer from assets under construction (see note 12)	-	10,129	839,479	175,620	(1,403,692)	(378,464)
Disposals	-	(31,313)	(135,211)	(150,266)	-	(316,790)
Transfer to assets held for sale	-	(230,552)	-	(78,965)	-	(309,517)
At 31 December 2014	10,70	5,437,847	23,180,838	4,079,164	1,194,806	33,903,325
Depreciation						
At 1 January 2014	-	1,853,238	14,256,560	2,763,589	-	18,873,387
Charge for the year	-	144,489	1,436,844	408,590	-	1,989,923
Disposals	-	(31,313)	(135,211)	(142,726)	-	(309,250)
Transfer to assets held for sale	-	(117,332)	-	(67,444)	-	(184,776)
Transfer between group of assets	-	(1,663)	-	1,663	-	-
At 31 December 2014	-	1,847,419	15,558,193	2,963,672	-	20,369,284
Carrying amount						
At 1 January 2014	8,114	3,829,730	7,869,733	1,208,061	1,674,723	14,590,361
At 31 December 2014	10,670	3,590,428	7,622,645	1,115,492	1,194,806	13,534,041

In thousands of denars	Land	Buildings	Telecommunication equipment	Other	Assets under construction	Total
Cost						
At 1 January 2015	10,670	5,437,847	23,180,838	4,079,164	1,194,806	33,903,325
Additions	-	10,302	451,891	156,629	918,323	1,537,145
Transfer from assets under construction (see note 12)	-	6,235	245,260	64,116	(413,150)	(97,539)
Disposals	-	-	(190,119)	(149,681)	-	(339,800)
Transfer to assets held for sale	-	(12,941)	-	18	-	(12,923)
At 31 December 2015	10,670	5,441,443	23,687,870	4,150,246	1,699,979	34,990,208
Depreciation						
At 1 January 2015	-	1,847,419	15,558,193	2,963,672	-	20,369,284
Charge for the year	-	140,499	1,376,584	394,007	-	1,911,090
Disposals	-	-	(190,119)	(140,351)	-	(330,470)
Transfer to assets held for sale	-	(12,726)	-	18	-	(12,708)
At 31 December 2015	-	1,975,192	16,744,658	3,217,346	-	21,937,196
Carrying amount						
At 1 January 2015	10,670	3,590,428	7,622,645	1,115,492	1,194,806	13,534,041
At 31 December 2015	10,670	3,466,251	6,943,212	932,900	1,699,979	13,053,012

In 2015, the Company capitalized MKD 5,455 thousand (2014: MKD 23,719 thousand) expenditures related to obtaining complete documentation for base stations and MKD 142,045 thousand (2014: MKD 45,699 thousand) expenditures related to obtaining complete documentation for fixed line infrastructure in accordance to applicable laws in Republic of Macedonia (see note 2.6).

The reviews of the useful lives and residual values of property, plant and equipment during 2015 affected the lives of a several types of assets, mainly transmission equipment, cable lines and exchanges. The change of the useful life on the affected assets was made due to technological changes and business plans of the Company.

The reviews resulted in the following change in the original trend of depreciation in the current and future years.

In thousands of denars	2015	2016	2017	2018	After 2018
(Decrease)/increase in depreciation	(36,495)	(40,084)	76,565	33,944	(33,930)
	(36,495)	(40,084)	76,565	33,944	(33,930)

12. INTANGIBLE ASSETS

In thousands of denars	Software and software licenses	Concession, 2G 3G and 4G license	Other	Total
Cost				
At 1 January 2014	4,886,216	1,525,417	-	6,411,633
Additions	172,098	-	178,544	350,642
Transfer from assets under construction (see note 11)	378,464	-	-	378,464
Disposals	(518,469)	-	-	(518,469)
At 31 December 2014	4,918,309	1,525,417	178,544	6,622,270
Amortization				
At 1 January 2014	3,593,644	460,441	-	4,054,085
Charge for the year	578,332	117,194	49,596	745,122
Disposals	(518,469)	-	-	(518,469)
At 31 December 2014	3,653,507	577,635	49,596	4,280,738
Carrying amount				
At 1 January 2014	1,292,572	1,064,976	-	2,357,548
At 31 December 2014	1,264,802	947,782	128,948	2,341,532

In 2014 review of the TV content rights contracts was performed and two contracts were identified as qualifying for capitalization, considering the prospective application - the contracts are new or renegotiated after 1 January 2014; the non-cancellable term of the contracts being at least 12 months; the certainty of the content delivery; and that the cost of the content rights can be reliably estimated. Accordingly, these rights were recognized in 2014 in Intangible assets, category Other, at the net present value of future payments in amount of MKD 178,544 thousand and will be amortized over the contracts term, which is 3 years (see note 13 and 21).

In thousands of denars	Software and software licenses	Concession, 2G 3G and 4G license	Other	Assets under construction	Total
Cost					
At 1 January 2015	4,918,309	1,525,417	178,544	-	6,622,270
Additions	205,422	-	302,014	57,919	565,355
Transfer from assets under construction (see note 11)	97,539	-	-	-	97,539
Disposals	(481,070)	-	-	-	(481,070)
At 31 December 2015	4,740,200	1,525,417	480,558	57,919	6,804,094
Amortization					
At 1 January 2015	3,653,507	577,635	49,596	-	4,280,738
Charge for the year	556,639	117,194	93,071	-	766,904
Disposals	(481,070)	-	-	-	(481,070)
At 31 December 2015	3,729,076	694,829	142,667	-	4,566,572
Carrying amount					
At 1 January 2015	1,264,802	947,782	128,948	-	2,341,532
At 31 December 2015	1,011,124	830,588	337,891	57,919	2,237,522

In 2015 review of the TV content rights contracts was performed and one additional contract was identified as qualifying for capitalization, considering the prospective application - the contract is renegotiated after 1 January 2015; the non-cancellable term of the contracts being at least 12 months; the certainty of the content delivery; and that the cost of the content rights can be reliably estimated. Accordingly, this right was recognized in 2015 in Intangible assets, category Other, at the net present value of future payments in amount of MKD 302,014 thousand and will be amortized over the contracts term, which is 3 years (see note 13 and 21).

The reviews of the useful lives of intangible assets during 2015 affected the lives of a number of assets, mainly software. The change on the useful life of the affected assets was made according to technological changes and business plans of the Company.

The reviews resulted in the following change in the original trend of amortization in the current and future years.

In thousands of denars	2015	2016	2017	2018	After 2018
(Decrease)/increase in amortization	(20,170)	(22,758)	13,275	29,416	237
	(20,170)	(22,758)	13,275	29,416	237

13. TRADE AND OTHER PAYABLES

In thousands of denars	2015	2014
Trade payables - domestic	695,085	706,129
Trade payables - foreign	269,903	446,294
Liabilities to related parties	750,836	574,253
Dividends payable	482,099	1,992
Other financial liabilities	976,167	765,538
Financial liabilities	3,174,090	2,494,206
Accrued expenses	1,449,922	1,421,072
Deferred revenue	355,065	390,657
Advances received	69,474	65,988
Other	124,938	118,325
	5,173,489	4,490,248
Less non-current portion:		
Deferred revenue	(39,650)	(54,332)
Other financial liabilities	(351,753)	(416,435)
Current portion	4,782,086	4,019,481

Liabilities to related parties represent liabilities to members Magyar Telekom Group and Deutsche Telekom Group (see note 29).
Non-current deferred revenues have maturity up to 10 years from the date of the statement of financial position.

In the category Other financial liabilities of MKD 366,338 thousand (2014: MKD 533,089 thousand) represent the carrying amount of long term payables related to the transaction for purchase and sale of buildings with an exchange completed in 2012. These liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Financial liabilities of MKD 341,512 thousand (2014: MKD 145,351 thousand) represent the carrying amount of long term payables related to the capitalization of certain content right contracts in 2014 and 2015 (see note 12). These liabilities are recognized initially at the net present value of future payments and subsequently measured at amortized cost using the effective interest method. The unwinding of the discount is being recognized in Interest expense in Profit and loss (see note 21). The carrying amount of these liabilities approximates their fair value as the related cash flows are discounted with an interest rate of 6% p.a. which is the observable at the market for similar long term financial liabilities. The remaining balance of other financial liabilities arises from contractual obligations for various transactions, from the ordinary course of business of the Company.

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

In thousands of denars	2015	2014
MKD	3,790,463	1,916,194
EUR	916,249	2,031,225
USD	68,525	65,470
Other	6,849	6,592
	4,782,086	4,019,481

14. DEFERRED INCOME TAX

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

In thousands of denars	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Property, plant and equipment	-	-	173,389	198,198	173,389	198,198
Intangible fixed assets	-	-	2,168	3,134	2,168	3,134
Tax (assets)/liabilities	-	-	175,557	201,332	175,557	201,332
Net tax liabilities	-	-	175,557	201,332	175,557	201,332

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

In thousands of denars	2015	2014
Deferred tax liabilities:		
Deferred income tax liability to be recovered after more than 12 months	175,557	201,332
Deferred income tax liability to be recovered within 12 months	-	-
	175,557	201,332
Deferred income tax liabilities (net)	175,557	201,332

Movement in temporary differences during the year

In thousands of denars	Balance 1 January 2015	Recognized in income	Balance 31 December 2015
Property, plant and equipment	198,198	(24,809)	173,389
Intangible assets	3,134	(966)	2,168
	201,332	(25,775)	175,557

In thousands of denars	Balance 1 January 2014	Recognized in income	Balance 31 December 2014
Property, plant and equipment	-	198,198	198,198
Intangible assets	-	3,134	3,134
	-	201,332	201,332

The temporary differences relate to different carrying amount of property, plant and equipment and intangible assets as these assets were restated in accordance with statutory requirements in previous years at the year-end using official revaluation coefficients based on the general manufactured goods price increase index.

15. PROVISION FOR OTHER LIABILITIES AND CHARGES

In thousands of denars	Legal cases	Other	Total
1 January 2014	115,500	59,452	174,952
Additional provision	137,808	23,561	161,369
Unused amount reversed	(1,346)	-	(1,346)
Used during period	(1,601)	(20,274)	(21,875)
31 December 2014	250,361	62,739	313,100

In thousands of denars	Legal cases	Other	Total
1 January 2015	250,361	62,739	313,100
Additional provision	26,957	24,292	51,249
Unused amount reversed	(22,029)	(4,384)	(26,413)
Used during period	(90,501)	(14,656)	(105,157)
31 December 2015	164,788	67,991	232,779

Analysis of total provisions:

In thousands of denars	2015	2014
Non-current (Other)	67,991	60,356
Current	164,788	252,744
	232,779	313,100

Provisions for legal cases relate to certain legal and regulatory claims brought against the Company.
There are a number of legal cases for which provisions were recognized. Management recognizes a provision for its best estimate of the obligation but does not disclose the information required by paragraph 85 of IAS 37 because the management believes that to do so would seriously prejudice the outcome of the case. 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 2014.

Other includes provision made for the legal or contractual obligation of the Company to pay to employees three average monthly salaries in Republic of Macedonia at their retirement date (see note 2.14.3) and provision made for the Variable II and LTI incentive programs (see note 30). The provision is recognized against Personnel expenses in the Profit for the year.

16. CAPITAL AND RESERVES

Share capital consists of the following:

In thousands of denars	2015	2014
Ordinary shares	9,583,878	9,583,878
Golden share	10	10
	9,583,888	9,583,888

Share capital consists of one golden share with a nominal value of MKD 9,733 and 95,838,780 ordinary shares with a nominal value of MKD 100 each.
The golden share with a nominal value of MKD 9,733 is held by the Government of the Republic of Macedonia. In accordance with Article 16 of the Statute, the golden shareholder has additional rights not vested in the holders of ordinary shares. Namely, no decision or resolution of the Shareholders' Assembly related to: generating, distributing or issuing of share capital; integration, merging, separation, consolidation, transformation, reconstruction, termination or liquidation of the Company; alteration of the Company's principal business activities or the scope thereof; sale or abandonment either of the principal business activities or of significant assets of the Company; amendment of the Statute of the Company in such a way so as to modify or cancel the rights arising from the golden share; or change of the brand name of the Company; is valid if the holder of the golden share, votes against the respective resolution or decision. The rights vested in the holder of the golden share are given in details in the Company's Statute.

As at 31 December 2015 and 2014, the shares of the Company were held as follows:

In thousands of denars	2015	%	2014	%
Stonebridge AD Skopje	4,887,778	51.00	4,887,778	51.00
Government of the Republic of Macedonia	3,336,497	34.81	3,336,497	34.81
The Company (treasury shares)	958,388	10.00	958,388	10.00
International Finance Corporation (IFC)	151,468	1.58	157,468	1.64
Other minority shareholders	249,757	2.61	243,757	2.55
	9,583,888	100.00	9,583,888	100.00

16.1. Treasury shares

The Company acquired 9,583,878 of its own shares, representing 10% of its shares, through the Macedonian Stock Exchange during June 2006. The total amount paid to acquire the shares, net of income tax, was MKD 3,843,505 thousand. The shares are held as treasury shares. As a result of the findings of the Investigation, for one consultancy contract, the payments of which was erroneously capitalized as part of treasury shares in 2006 has been retrospectively derecognized from treasury shares (see note 1.4).

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

17. REVENUES

In thousands of denars	2015	2014
Revenues from fixed line operations		
Voice retail	1,356,311	1,538,631
Internet	1,237,224	1,185,294
Wholesale	691,916	820,537
TV	522,089	544,504
Data	312,579	338,509
Equipment	203,223	254,534
Other	112,625	104,229
	4,435,967	4,786,238
Revenues from mobile operations		
Voice retail	2,846,933	3,108,615
Wholesale	965,990	1,185,977
Internet	673,258	472,682
Equipment	666,772	571,810
Data	417,470	539,116
Content	71,451	71,046
Voice visitor	61,755	118,839
Other	147,815	127,631
	5,851,444	6,195,716
SI/IT revenues	383,634	144,542
	10,671,045	11,126,496

18. PERSONNEL EXPENSES

In thousands of denars	2015	2014
Salaries	783,577	788,055
Contributions on salaries	276,476	269,945
Bonus payments	131,492	133,637
Other staff costs	117,349	114,246
Capitalized personnel costs	(89,409)	(80,013)
	1,219,485	1,225,870

Other staff costs include termination benefits for 32 employees leaving the Company in 2015 (2014: 15 employees), holiday's allowance and other benefits.

Bonus payments also include the cost for Variable II and LTI programs (see note 30).

19. OTHER OPERATING EXPENSES

In thousands of denars	2015	2014
Purchase cost of goods sold	1,695,081	1,556,312
Services	650,460	661,198
Marketing and donations	383,487	344,772
Fees, levies and local taxes	311,727	417,907
Royalty payments	280,067	279,075
Materials and maintenance	266,160	291,289
Energy	217,248	244,543
Subcontractors	237,843	239,932
Rental fees	142,132	117,025
Impairment losses on trade and other receivables	77,789	41,999
Consultancy	27,319	29,469
Insurance	17,434	15,848
Write down of inventories	41,764	9,060
Write down of inventories to net realizable value	2,474	11,587
Other	25,804	21,473
	4,376,789	4,281,489

Services mainly include agent commissions, expenses for content services, postal expenses, security, cleaning, and utilities.

20. OTHER OPERATING INCOME

In thousands of denars	2015	2014
Net gain on sale of PPE	54,253	8,142
Other	17,417	36,300
	71,670	44,442

In 2015 amount of MKD 52,053 thousand included in the category Net gain on sale of PPE represents gain from sales of one administrative building presented as asset held for sale in 2014.

In 2014 amount of MKD 11,850 thousand in the category Other represents income from insurance compensation for damaged CPE devices and amount of MKD 20,192 thousands represents credit notes issued by Deutsche Telekom for invoices from previous years.

21. FINANCE EXPENSES

In thousands of denars	2015	2014
Interest expense	48,625	117,514
Bank charges and other commissions	14,833	15,473
	63,458	132,987

Interest expense in amount of MKD 28,836 thousand (2014: MKD 38,607 thousand) represents the unwinding of the discount related to the carrying amount of long term payables from the transaction for purchase and sale of buildings with an exchange completed in 2012, recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Interest expense in amount of MKD 5,186 thousand (2014: MKD 1,330 thousand) represents the unwinding of the discount related to the carrying amount of long term payables from the content right contracts capitalized in 2014, recognized initially at the net present value of future payments and subsequently measured at amortized cost using the effective interest method (see note 13).

22. FINANCE INCOME

In thousands of denars	2015	2014
Interest income	34,546	32,763
Net foreign exchange gain	4,633	8,103
Fair value trough profit and loss	8,750	794
Dividend income	-	131
	47,929	41,791

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

23. INCOME TAX EXPENSE

Recognized in the statement of comprehensive income:

In thousands of denars	2015	2014
Current tax expense		
Current year	204,330	754,264
Deferred tax expense		
Origination and reversal of timing differences	(25,775)	201,332
Total income tax in the statement of comprehensive income	178,555	955,596

Reconciliation of effective tax rate:

In thousands of denars		2015		2014
Profit before tax		1,421,270		1,836,010
Income tax	10.00%	142,127	10.00%	183,601
Non-deductible expenses	2.74%	39,008	3.99%	73,222
Tax exempt revenues	(0.18%)	(2,580)	(0.26)%	(4,755)
Tax incentives	-	-	(0.02)%	(427)
Income tax on distributed dividend	-	-	27.38%	502,623
Effect of change in tax rate/income tax legislation on deferred tax expense	-	-	10.96%	201,332
	12.56%	178,555	52.05%	955,596

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

In January 2014 the profit tax law was amended whereby the income tax is payable at the moment of dividend distribution regardless of the ownership structure. In accordance with these changes applicable as of January 2014, the income tax in Macedonia ceased to have the characteristics of withholding taxes. Consequently, as per IAS 12, the income tax arising from the payment of dividends was accounted for as a liability and expense in the period in which dividends were declared, regardless of the actual payment date or the period for which the dividends were paid. This resulted in recognition of income tax expense on the dividends distributed in 2014 in amount of MKD 502,623 thousand in the first quarter of 2014.

As of 1 August 2014, new profit tax law came into force being applicable from 1 January 2015 for the net income for 2014 with which the base for income tax computation had been shifted from income "distribution" concept to the profit before taxes. According to the provisions of this new law the tax base is the profit generated during the fiscal year increased for non-deductible expenses and reduced for deductible revenue (i.e. dividends already taxed at the payer), with income tax at rate of 10%. In line with these changes income tax for the year and deferred tax were calculated and recorded in the Statement of comprehensive income (see note 2.16.2 and 8).

24. DIVIDENDS

During 2015 the Company declared two dividends in May and December. The first Resolution for dividend payment is adopted by the Shareholders' Assembly of the Company, at its meeting, held on 15 April 2015 in the gross amount of MKD 2,262,857 thousand and the dividend was paid out in May 2015. The second Resolution for dividend payment is adopted by the Shareholders' Assembly of the Company, at its meeting, held on 20 November 2015 in the gross amount of MKD 1,240,660 thousand and the dividend was paid out in period December 2015 and January 2016. Up to date of issuing of these financial statements, no additional dividends have been declared.

25. REPORTABLE SEGMENTS AND INFORMATION

25.1. Reportable segments

The Company's reportable segments are: business, residential, wholesale and other segment.

In line with the Accession Agreement concluded between TMMK as an Accessing company and the Company, as an Acquiring Company, and that as of 1 January 2015 the bookkeeping for the company and TMMK was kept only by the Company, less emphasis was put on the segregation by technology (fixed line or mobile services). As a replacement, the current segment structure was monitored, which is based on customer segments that require different technology and marketing strategies. Comparative information has been provided for 2014.

Residential segment is consisted of consumer subscribers which are all directly owned human subscribers without business subscribers (i.e. self-employed individuals or legal entities offering chargeable products and/or services to customers, non-profit organizations and public organizations). Service providers are included in this Segment. Business segment is consisted of business subscribers which are all directly owned human subscribers who are either self employed individuals or employees of a legal entity that offers chargeable products and/or services to customers. Employees or members of non-profit and public organizations are also business subscribers. Wholesale comprises all services with telecommunication carriers for both mobile and fixed line, i.e. carrier services, mobile VNO and visitors.

25.2. Information regularly provided to the chief operating decision maker

The following tables present the segment information by reportable segment regularly provided to the Chief operating decision maker of the Company. The information regularly provided to the MC (Management Committee) includes several measures of profit which are considered for the purposes of assessing performance and allocating resources. Management believes that direct margin which is defined as revenues less direct costs less Impairment losses on trade and other receivables is the segment measure that is most consistent with the measurement principles used in measuring the corresponding amounts in these financial statements. Another important KPI monitored at Company level is EBITDA adjusted for the impact of certain items considered as „special influence“. These items vary year-over-year in nature and magnitude.

Revenues

In thousands of denars	2015	2014
Business segment revenues	6,561,966	6,900,248
Residential segment revenues	2,902,697	2,866,162
Wholesale segment revenues	1,177,755	1,314,911
Other segment revenues	28,627	45,175
	10,671,045	11,126,496

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

Segment results (Direct margin)

In thousands of denars	2015	2014
Business segment	4,715,320	5,012,168
Residential segment	1,850,571	2,071,884
Wholesale segment	784,607	904,531
Other segment	27,961	36,779
Total direct margin of the Company	7,378,459	8,025,362
Indirect costs	(3,335,029)	(3,402,285)
Other operating income	71,670	44,442
EBITDA	4,115,100	4,667,519
Depreciation and amortization	(2,678,301)	(2,740,313)
Total operating profit	1,436,799	1,927,206
Finance expense – net	(15,529)	(91,196)
Profit before tax	1,421,270	1,836,010
Income tax expense	(178,555)	(955,596)
Net profit for the year	1,242,715	880,414

26. LEASES AND OTHER COMMITMENTS

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

Operating lease commitments – where the Company is the lessee, are mainly from lease of business premises, 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	2015	2014
Not later than 1 year	104,946	142,200
Later than 1 year and not later than 5 years	199,017	262,189
Later than 5 years	26,578	38,634
	330,541	443,023

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

Operating lease commitments – where the Company is the lessor are mainly from lease of land sites for base stations.
The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

In thousands of denars	2015	2014
Not later than 1 year	27,623	27,575
Later than 1 year and not later than 5 years	59,719	80,068
Later than 5 years	7,048	12,014
	94,390	119,657

26.3. Capital commitments

The amount authorized for capital expenditure as at 31 December 2015 was MKD 474,745 thousand (2014: MKD 443,327 thousand). The amount authorized for capital expenditure as at 31 December 2014 and 2015 mainly relates to telecommunication assets.

27. ADDITIONAL DISCLOSURES ON FINANCIAL ASSETS

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

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

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

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Financial assets carried at amortized cost
The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Liabilities carried at amortized cost

Fair values of financial liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.
There was no transfer between Level 1 and Level 2 financial assets. Loans and receivables and the financial liabilities are measured at amortized cost, but fair value information is also provided for these. The fair values of these assets and liabilities were determined using level 3 type information. There are no assets or liabilities carried at fair value where the fair value was determined using level 3 type information.

27.1. Financial assets – Carrying amounts and fair values

The table below shows the categorization of financial assets as at 31 December 2014.

Assets In thousands of denars	Financial assets				
	Loans and receivables	Available-for-sale (Level 2)	At fair value through profit and loss (Level 1)	Carrying amount	Fair value
Cash and cash equivalents	1,450,018	-	-	1,450,018	1,450,018
Deposits with banks	1,418,676	-	-	1,418,676	1,418,676
Trade and other receivables	3,194,779	-	-	3,194,779	3,194,779
Other non-current assets	-	612	-	612	612
Financial assets at fair value through profit and loss	-	-	44,549	44,549	44,549

The table below shows the categorization of financial assets as at 31 December 2015.

Assets In thousands of denars	Financial assets				
	Loans and receivables	Available-for-sale (Level 2)	At fair value through profit and loss (Level 1)	Carrying amount	Fair value
Cash and cash equivalents	1,550,123	-	-	1,550,123	1,550,123
Trade and other receivables	3,496,587	-	-	3,496,587	3,496,587
Other non-current assets	-	6,750	-	6,750	6,750
Financial assets at fair value through profit and loss	-	-	47,987	47,987	47,987

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

Cash and cash equivalents, deposits, trade receivables and other current financial assets mainly have short times to maturity. For this reason, their carrying amounts at the end of the reporting period approximate their fair values.

Financial assets available for sale include insignificant investment in equity instruments, measured at fair value.

Financial assets at fair value through profit or loss include investments in equity instruments in the amount of MKD 47,987 thousand (2014: MKD 44,549 thousand) calculated with reference to the Macedonian Stock Exchange quoted bid prices. Changes in fair values of other financial assets at fair value through profit or loss are recorded in finance income/expenses in the Profit for the year (see note 21 and 22). The cost of these equity investments is MKD 31,786 thousand (2014: MKD 31,786 thousand).

27.2. Offsetting financial assets and financial liabilities

For the financial assets and liabilities subject to enforceable netting arrangements, each agreement between the Company and the counterparty (typically roaming and interconnect partners) allows for net settlement of the relevant trade receivable and payable when both elect to settle on a net basis. In the absence of such an election, the trade receivables and payables will be settled on a gross basis, however, each party to the netting agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

The following trade receivables and trade payables are subject to offsetting agreements, and are presented after netting in the statements of financial position as at 31 December 2015:

In thousands of denars	Trade and other receivables	Trade payables
Gross amounts of recognized financial instruments	3,585,284	3,262,787
Gross amounts of financial instruments set off	(88,697)	(88,697)
Net amounts of recognized financial instruments	3,496,587	3,174,090

The following trade receivables and trade payables are subject to offsetting agreements, and are presented after netting in the statements of financial position as at 31 December 2014:

In thousands of denars	Trade and other receivables	Trade payables
Gross amounts of recognized financial instruments	3,266,642	2,566,069
Gross amounts of financial instruments set off	(71,863)	(71,863)
Net amounts of recognized financial instruments	3,194,779	2,494,206

27.3. Other disclosures about financial instruments

There were no financial assets or liabilities, which were reclassified into another financial instrument category.
No financial assets were transferred in such a way that part or all of the financial assets did not qualify for de-recognition.

28. CONTINGENCIES

The Company has contingent liabilities in respect of legal and regulatory claims arising in the ordinary course of business. The major part of the contingent liabilities relates to 4 requests for initiating misdemeanor procedures from regulatory bodies for alleged breach of deadlines for provision of certain services, number portability and failure to comply with the obligations for allowing access and use of specific network assets. The maximum possible fine for each individual case is 7% to 10% in 3 cases and 4% to 7% in 1 case of the annual revenue from the previous year, in accordance with the applicable local legislation. Management believes, based on legal advice, that it is not probable that a significant liability will arise from these claims because of unsubstantial basis for initiating these misdemeanor procedures. It is not anticipated by the management that any material liabilities will arise from the contingent liabilities other than those provided for (see note 15).

29. RELATED PARTY TRANSACTIONS

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

The Government of the Republic of Macedonia has 34.81% ownership in the Company (see note 16). Apart from payment of taxes, fees to Regulatory authorities according to local legislation and dividends (see note 24), in 2015 and 2014, the Company did not execute transactions with the Government of Republic of Macedonia, or any companies controlled or significantly influenced by it, that were outside normal day-to-day business operations of the Company.

Transactions with related parties mainly include provision and supply of telecommunication services. The amounts receivable and payable are disclosed in the appropriate notes (see note 7 and 13).

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

	2015		2014	
In thousands of denars	Revenues	Expenses	Revenues	Expenses
Controlling owner				
Magyar Telekom Plc	3,642	25,980	(808)	31,443
Subsidiaries of the controlling owner				
Telemakedonija AD	-	-	14	-
Crnogorski Telekom	1,362	422	395	739
Novatel	15,354	2,204	11,911	2,993
Ultimate parent company				
Deutsche Telekom AG	695,203	221,938	934,700	146,190
Subsidiaries of the ultimate parent company				
Hrvatski Telekom	2,185	7,161	353	80
Slovak Telekom	(101)	633	(201)	152
T-Mobile Polska S.A.	891	624	198	48
T-Mobile Czech Republic	791	553	237	343
T-Mobile Austria	306	10,491	797	6,096
T-Mobile International Austria GmbH	-	2,960	-	3
Everything Everywhere Ltd	1,667	1,017	1,551	1,245
T-Mobile USA	(4,144)	(3,997)	687	1,097
T-Systems International GmbH	14,537	3,337	12,749	2,769
T-Mobile Netherlands B.V.	1,399	(229)	479	165
T-Mobile International UK Limited	377	-	547	26
OTE Globe	14,969	13,322	18,321	16,271
Telekom Romania Communications	-	915	37	915
Albanian Mobile Communications	563	1,334	585	1,950
Telekom Romania Mobile Communications S.A	110	65	41	71
COSMOTE-Mobile Telecommunications S.A.	(2,744)	27,291	(230)	2,829
Entity controlled by key management personnel				
Mobico Dooel	455	1,044	592	564

In addition to the above presented revenues and expenses from transactions with the related party Mobico Dooel, trading goods and assets in amount of MKD 145,794 thousand (2014: MKD 173,043 thousand), excluding VAT, were purchased.

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

	2015		2014	
In thousands of denars	Receivables	Payables	Receivables	Payables
Controlling owner				
Magyar Telekom Plc	3,795	9,805	1,896	7,416
Subsidiaries of the controlling owner				
Crnogorski Telekom	21,880	3,307	11,572	6,399
Novatel	2,916	371	1,351	166
Ultimate parent company				
Deutsche Telekom AG	577,294	456,377	414,832	388,217
Subsidiaries of the ultimate parent company				
Hrvatski Telekom	5,205	6,776	6,813	7,167
Slovak Telekom	921	1,061	918	649
T-Mobile Polska S.A.	820	734	630	743
T-Mobile Czech Republic	3,055	1,805	673	751
T-Mobile Austria	1,932	7,742	40,947	41,489
T-Mobile International Austria GmbH	-	513	-	299
Everything Everywhere Ltd	54,015	69,719	17,370	29,193
T-Mobile USA	59,754	60,949	27,342	34,030
T-Systems International GmbH	7,814	19,951	3,217	17,093
T-Mobile Netherlands B.V.	3,172	1,360	1,015	493
T-Mobile International UK Limited	198	-	32	-
OTE Globe	7,260	2,121	2,863	2,421
Telekom Romania Communications	-	2,215	-	2,121
Albanian Mobile Communications	63,908	58,251	36,985	27,258
Telekom Romania Mobile Communications S.A	1,990	1,585	2,585	2,032
COSMOTE-Mobile Telecommunications S.A.	12,056	33,078	5,371	6,011
Entity controlled by key management personnel				
Mobico Dooel	1,621	13,116	376	305

30. KEY MANAGEMENT COMPENSATION

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

In thousands of denars	2015	2014
Short-term employee benefits (including taxation)	129,180	87,341
State contributions on short-term employee benefits	17,297	6,333
Long-term incentive programs	18,359	9,554
	164,836	103,228

The remuneration of the members of the Company's Board of Directors, which amounted to MKD 10,629 thousand (2014: MKD 5,961 thousand) is included in Short-term employee benefits. These are included in Personnel expenses (see note 18).

A variable performance-based long-term-incentive program, named Variable II Program, was launched in 2012 as part of the global DT Group-wide compensation tool for the companies, which promotes the medium and long-term value enhancement of DT Group, aligning the interests of management and shareholders.

The Variable II Program for 2012 is applicable from 1 January 2012 until 31 December 2015, with two bridging programs: Variable II Bridging program I, with implementation period from 1 January 2012 to 31 December 2013 and Variable II Bridging program II, with implementation period from 1 January 2012 to 31 December 2014. The Variable II Program for 2013 is applicable from 1 January 2013 until 31 December 2016. The Variable II Program for 2014 is applicable from 1 January 2014 until 31 December 2017.

The Variable II is measured based on the fulfillment of four equally weighted Company long term performance parameters (adjusted earnings per share (EPS); adjusted return on capital employed (ROCE); customer satisfaction and employee satisfaction). Each parameter determines a quarter of the award amount. Levels of target achievement are capped at 150% and target achievement levels greater than 150% are disregarded in all four performance parameters. The assessment period is four years and is based on average target achievement across the four years planned.

In 2015 a new performance-based long-term-incentive (LTI) program was launched as part of the global DT Group-wide compensation tool for the companies. The program is a cash settled share-based program. Executives receive virtual shares depending on their individual performance. The number of virtual shares at the end of the term is determined by the target achievement of KPIs. The value and quantity of shares fluctuates during the term of the plan on the basis of two indicators: development of the DT share price and target achievement in connection with 4 company targets: (adjusted earnings per share (EPS); adjusted return on capital employed (ROCE); customer satisfaction and employee satisfaction). The target achievement is measured at the end of each annual cycle and the number of virtual shares determined on this basis is fixed as the result of the annual cycle (non-forfeitable). At the end of the plan's term, the results from the four annual cycles are totaled and paid out in cash. Programs participants are Company's top managers who have accepted participation in the designated time frame.

The expenses incurred by the Company related to the Variable II programs and the new LTI share-based program are shown within Long-term incentive programs (see note 15 and 18).

31. EVENTS AFTER THE FINANCIAL STATEMENT DATE

There are no events after the financial statement date that would have impact on the 2015 profit for the year, statement of financial position or cash flows.

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Such kind of statements are based on our current plans, estimations and projections, taking into consideration the financial conditions, the result of the companies and the Group
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