Introducing **Innovations**
Implementing the **Best solutions**
Investing into the **Future**

Makedonski Telekom AD
Annual Report 2008

Life is for sharing.

T Brand structure

Corporate Brand

Offers its customers in the consumer market services predominantly under the two brands T-Home and T-Mobile

T-Mobile Offer brand	T-Home Offer brand	T Offer brand
Mobile Telecommunications	Fixed Network/ Broadband	Product and offers for business customers and comprehensive services
“out of home”	“at home”	“at work” “overarching services”

- We introduced a new era for telecommunication services and solutions on the Macedonian market!
- We opened new communication horizons for all citizens and all our customers!
  Our customers joined the family of millions of customers throughout the world!

The new era in the development of the Company started in May 2008 with the arrival of the ultra-recognizable global T brand.

On 1st May 2008, AD Makedonski Telekomunikacii modified its legal name into Makedonski Telekom AD - Skopje.
Today, Makedonski Telekom AD - Skopje is a company entirely focused on the achievement of top quality in its operation and activity.

To this end and in accordance with the latest telecommunication trends, the Company is continuously focused on the modern day needs and demands of the customers, always using the best operational practices of the Deutsche Telekom Group.

Our Vision

Taking down the barriers towards a really market oriented company is what defines our 2008-2010 company and marketing strategy.
Our vision is Makedonski Telekom AD - Skopje to be a market leader and a customer-oriented company by providing high-quality integrated communication services and entertainment contents.

We strive to achieve this by providing our customers with a superior offer of communications and contents, products with exceptional customer care, top quality and technical possibilities with great services.

Company Profile

As a leading national electronic communications provider, Makedonski Telekom AD – Skopje offers its customers a wide array of superior telecommunication services and entertainment contents as a part of the fixed network, broadband services and integrated solutions, including TV over Internet Protocol (IPTV). The Company's product portfolio includes Internet Protocol–based services, data transfer, sale and lease of equipment and services for system integration.

By providing innovative services with high quality and efficiency in all fields of operation, the Company plays a key role in the modernization and improvement of the telecommunications market in the Republic of Macedonia. By developing innovative products and services, the Company promotes personal, business and social networking among the people in the Macedonian society, which makes it the major national engineer of information society in the country.

Part of the International Deutsche Telekom Group

Since 2001, the Company, as a member of the Magyar Telekom Group, has been part of the international Deutsche Telekom Group.
This provides the Company with a unique opportunity to always use the best practice of the Deutsche Telekom Group in order to provide maximum benefits for its customers. The new adjusted brand structure and the tendency to constantly keep pace with the latest world achievements in the electronic communications, enables the Company to focus on meeting the demands and needs of the today's customers.
The focus of the Company is the continuous development of the communication network on the territory of the Republic of Macedonia and the introduction of new telecommunication services and solutions. In 2009, Makedonski Telekom shall continue to operate in that direction. The implementation of the "Fibre to the Home" project is of crucial importance since it shall enable the construction of a significantly faster telecommunication network, with a speed of up to 100 Mbps available in every home in the country.

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

In accordance with the Law on Trade Companies and the Statute of Makedonski Telekom AD - Skopje, the Shareholders' Assembly, the Board of Directors and the Chief Executive Officer of the Company are authorized to adopt resolutions within their competence.
T – Mobile Macedonia (TM MK) is a fully owned subsidiary of Makedonski Telekom AD - Skopje.

Shareholders' structure

Shareholders of Makedonski Telekom

Name of owner	Number of shares	As %
Stonebridge AD Skopje (in liquidation)	48,877,780	51.00
Government of RoM	33,364,875*	34.81
Makedonski Telekom AD - Skopje (Treasury Shares)	9,583,878**	10.00
IFC	1,796,980	1.88
Other minority shareholders	2,215,268	2.31
Total	**95,838,781**	**100.00**

* Including the preference cumulative share (golden share) with par 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 Trading Companies (reference article 338) all rights attached to treasury shares are suspended.

Organizational structure of Makedonski Telekom

Since 10th October 2008, we have implemented a new organizational structure in order to ensure a better approach to our customers and to satisfy their needs more effectively.
We are organized into six functional areas, which provide support to the company.

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Interview with Nikolai J.B. Beckers, Chief Executive Officer of Makedonski Telekom AD - Skopje about the performance and the results of the company in a year of changes.

How do you asses the performance of Makedonski Telekom and the results the company has achieved in 2008 – one of the years of most radical changes in the telecommunication?

The telecom industry is changing with breathtaking speed. The permanent evolution of technology continues to influence our lives, making life easier, making life faster. We want to bring the benefits of this development to as many people as possible, as quickly as possible. This is why we are focusing on our clients needs, giving them what they want. Overall 2008 was a very successful year as we achieved nearly all targets which we set our self. We have implemented several organizational changes and streamlined our operations. We over achieved the planned EBITDA and planned revenues targets. We have improved all the Company processes in order to simplify the working environment of our employees and to satisfy the needs of our customers more effectively. Due to this, I can proudly say: Thank you and Congratulations!!! To the employees, to all team leaders, to the Company management, to you respected shareholders, to all those who supported the Company's success.

Most of all a big thank you– to all our loyal customers!

Which are the biggest benefits of the company's rebranding, which have marked the year 2008 for Makedonski Telekom?

In 2008 we have had the great re-branding of our Company. This was not only a change of the Company colours, but it meant complete changes in the Company culture, Company believes, innovations and service and product portfolio.
We invested a lot in all of that, but this investment proved to be worth from all perspectives. While marking the re-branding, standing at the Skopje City square among the biggest crowd ever gathered in Macedonia, on 17th of May, I was proud to be part of Makedonski Telekom and to represent the world famous T brand.

> "During the past year we have implemented several Company life changes and we achieved many successes."

What are the most significant improvements of the services the company introduced on Macedonian market in 2008?

We revolutionized the market with the IPTV by providing the complete TriplePlay portfolio with different sub-products in 2008. We have shaped the market with the VoIP products with flat tariffs. We have kept the clear positioning of the broadband services in 2008 which are of key importance for building the basis of the customers of broadband services. We achieved our goals, getting 100,000 ADSL customers until the end of the 2008.
We have used the synergies among the businesses of the fix and mobile telephony; we have decreased the costs in order to secure our dominant position on the market. We broadened the small and medium enterprises sales channels – by reflecting the differences and the potential of the SME business community through their involvement within our indirect sales channels.
The Company also launched a trial with direct optical connections (Fttx) to individual households and SME.

In which way do you embrace the fast changes?

The expectations of customers are forcing us to become more streamlined in our approach. We have already simplified all our processes; we promoted the 'One stop shop' approach in the country. All of these proved to be successful approach, and contributed for winning the customer loyalty.
We managed by constant follow of the market developments, by hard work and efforts to stay in front of the competitors, by creating the best telecommunication products and services in the country, by providing value for money for our customers, by bringing entertainment into their homes, by taking care for them. We plan to increase the structure of our Points of sales; We will stay transparent; We will do our best to win the "Golden medal" again and again.

What are the priorities for 2009?

We are aiming to achieve similar results as this year. And as part of our efforts to succeed in this mission, we have identified the key areas on which we will be concentrating in 2009 as well. Working together in this way, we will surely achieve our final goal and thus maintain our strong position in the Macedonian market and continue improving our reputation amongst our customers. There will be even bigger challenges in 2009. But we are prepared for it. We have a clear vision, and I believe that we will stay the best on the Macedonian market.

At the same time, I would also like to take this opportunity to appeal to all of you to give your fullest support and greatest efforts in achieving our future mutual goals.

The Management of Makedonski Telekom

Nikolai J.B. Beckers, Chief Executive Officer of Makedonski Telekom

The Shareholders' Assembly of Makedonski Telekom AD - Skopje appointed Mr. Nikolai Beckers as a member of the Board of Directors of Makedonski Telekom on 31st July 2007. The Board of Directors appointed Mr. Beckers as an Executive member with the title Chief Executive Officer of Makedonski Telekom AD – Skopje on 10 September 2007. He joined Deutsche Telekom in 1995 in managerial positions for international joint ventures of the Group such as Satelindo, Indonesia; Globe/Islacom, the Philippines, and France, holding high managerial positions.He is Board member of Imperial Tobacco Macedonia, President of the German-Macedonian Business Association, Vice-President of the European Business Association and Vice President of ICI International Council of Investors.

Slavko Projkoski, Chief Financial Officer of Makedonski Telekom

He was appointed Chief Financial Officer of Makedonski Telekom on 1st of October 2007. 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 Controlling Area and lately as Chief Financial Director. Due to the performance demonstrated in the course of his career in Makedonski Telekom, he was appointed as the ideal candidate for the Chief Financial Officer position, back in 2007.

He holds a BSc degree in electrical engineering and has extensive experience in the Telecommunication industry.

Mathias Hanel, Chief Marketing Officer of Makedonski Telekom

He joined Makedonski Telekom as Chief Marketing and Sales Officer on August 1st, 2008, wherein as of 1st October the same year he assumed the position of the Chief Marketing Officer.
Mr. Hanel holds a degree in Business Administration obtained in England and Germany. He gained his professional experience in marketing while holding various positions in Germany, Indonesia and England. Since 1997, he has been a part of the Deutsche Telekom Group and T-Mobile International in Bonn and London.
Prior to his arrival in Macedonia, Mr. Hanel was in charge of the International Marketing Planning of T-Mobile International in Bonn.

From left to right: Ognen Firfov, Chief Sales Director; Klaus Mueller, Chief Director of Key Issues; Slavko Projkoski, Chief Financial Officer; Nikolai Beckers, Chief Executive Officer; Thorsten Albers, Chief Service Officer and Mathias Hanel, Chief Marketing Officer of Makedonski Telekom AD - Skopje

Thorsten Albers – Chief Technical Officer of Makedonski Telekom

He joined Makedonski Telekom on 1st October 2008, as the Chief Technical Officer. Mr. Albers holds a degree in electrical engineering and he is specialized in communication and information technology, as well as various Cisco and Nortel/Bay certificates in the relevant areas.

He gained his professional experience and expertise while holding various positions in the technical area in Germany and Hungary. Since 2003, he has been a part of Magyar Telekom, responsible for the coordination of projects under the Chief Technical Officer at the level of Deutsche Telekom.

Klaus Muller, Chief Director of Key Issues of Makedonski Telekom

He is the Chief Director of Key Issues of Makedonski Telekom, appointed to this position on March 1st, 2008. Mr. Mueller has a long and successful career in various domains in the telecommunication industry. He commenced his career in 1992 in the Deutsche Post, whereupon he continued his professional progress mainly at high positions within the Deutsche Telekom Group, including the engagements at Magyar Telekom, as well as the present engagement at Makedonski Telekom. He holds Ph.D. in political economy and a top of class graduation of an Executive Masters in Business Administration (program). He is a proven professional in the sphere of corporate strategy, government and corporate affairs, as well as in the wholesale telecommunication business. Mr. Mueller is a member of the Board of Directors of the American Chamber of Commerce in Macedonia.

Ognen Firfov, Chief Sales Director of Makedonski Telekom

He is the Chief Sales Director of Makedonski Telekom and was appointed to this position on 1st October 2008, when he became a member of the Management Team.
Mr. Firfov holds a BSC degree in Electrical Engineering, MSc in Computer Sciences from the Ss. Cyril and Methodius University and an MBA in Marketing from the Sheffield University.
Prior to coming to the position of Chief Sales Director, he was Sales Executive Director in Makedonski Telekom. He has extensive professional experience within Makedonski Telekom, acquired at many different managerial positions. During many years of work in the telecommunication area, he has demonstrated exceptional results in many important and large projects.

Board of Directors of Makedonski Telekom

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 compliance 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.

Zarko Lukovski – Non-Executive Member and President

He was appointed as a member of the Board of Directors on 29th November 2006 and as a President of the Board of Directors of Makedonski Telekom AD – Skopje on 12th December 2006. Mr. Lukovski has extensive experience in the field of computer science and telecommunication integration.
His experience includes working on both the Swedish and the Macedonian market. He took an active role in the project for electronic signature of the Ministry of Finance. For many years, Mr. Lukovski has worked and cooperated with various world brands such as Fujitsu, Siemens, Microsoft, Philips, Compaq, Xerox, Hewlett Packard, Motorolla, Ericsson, thus acquiring extensive international experience.

Nikolai Beckers - Executive Member and CEO

The Shareholders' Assembly of Makedonski Telekom AD - Skopje appointed Mr. Nikolai Beckers as a member of the Board of Directors of Makedonski Telekom on 31st July 2007. The Board of Directors appointed Mr. Beckers as an Executive member with the title Chief Executive Officer of Makedonski Telekom AD – Skopje on 10 September 2007.
He joined Deutsche Telekom in 1995 in managerial positions for international joint ventures of the Group such as Satelindo, Indonesia; Globe/Islacom, the Philippines, and France, holding high managerial positions.
He is Board member of Imperial Tobacco Macedonia, President of the German-Macedonian Business Association, Vice-President of the European Business Association and Vice President of ICI International Council of Investors.

Agron Budzaku - Non-Executive Member

He was appointed as a member of the Board of Directors of Makedonski Telekom AD - Skopje on 3rd September, 2008.
Mr. Budzaku holds a Master's Degree in international political sciences. His rich professional career has been developing in several trade companies.

His professional career started at the High Commissariat for Refugees, followed by the position of Assistant of the Vice President of the Belgium Senate and since 2002 a member of the Macedonian Parliament. In 2004-2005 Mr. Budzaku was the Minister of Transport and Communications in the Government of the RoM.

Wolfgang Hauptmann - Non-Executive Member

He was appointed as a member of the Board of Directors of Makedonski Telekom AD - Skopje on 18th April 2003.

Mr. Hauptmann has been building his career in Deutsche Telekom as of the beginning of 1992, where to date he has been engaged at various positions. Internationally he assumed responsibility as a Project Manager in the International Division of Deutsche Telekom, where he was mainly in charge of the Project Lead for Privatisation and M&A-Projects in Western Europe. Currently he is heading T-Home´s International Business department.

Dénes Szluha - Non-Executive Member

He has been a member of the Board of Directors of Makedonski Telekom AD - Skopje since 29th November 2006.
Mr. Szluha started his career at the Deloitte Audit Department. He joined Matáv (today Magyar Telekom) as a senior project manager in 2002. He has managed several big acquisitions, among them the one of Dataplex. His present responsibility at Magyar Telekom is to manage the International Portfolio as Director. His current positions are: member of the Board of Directors of Makedonski Telekom AD Skopje, T-Mobile Macedonia AD Skopje, Crnagorski Telekom AD (Montenegro) and Chairman of the Board of Orbitel.

János Szabó - Non-Executive Member

He has been a non-executive member of the Board of Directors of Makedonski Telekom AD - Skopje since his appointment to the position on 31st July 2007.

He obtained a degree at the Budapest University of Economics in 1986, majoring in international relations. Since April 2003, he has been the Director of Finance of the Wireline Services LOB of Magyar Telekom and from January 2008 he is the Director of Planning and Controlling of Magyar Telekom. Mr. Szabó is also a member of the Board of Crnagorski Telekom AD (Montenegro).

Boris Stavrov - Non-Executive Member

He was appointed member of the Board of Directors of Makedonski Telekom AD - Skopje on 04th December 2008.
Mr. Stavrov is a Physics Engineer and holds an Executive MBA degree and various certificates in the field of telecommunications and Project Management, he is a Lecturer in Organizational Behaviour at The University American College - Skopje. During his professional career, he has worked as a CEO and member of the Board of MTRTV - the Macedonian National Radio and Television, he was a member of the Board of Directors of T-Mobile Macedonia. He also worked as Senior HR Manager, Director of Regulatory Department, Business Coordinator and Executive Assistant to CEO at Makedonski Telekom. He has strong experience as well as extensive knowledge both in technical and administrative fields - in Broadcasting, Media, IT, HR, the sphere of regulatory and legal issues.

Gábor Pál - Non-Executive Member

He was appointed as a member of the Board of Directors of Makedonski Telekom AD - Skopje on 18th December 2007.
Mr. Pál earned his degree at the Finance and Logistics Management faculty of the Budapest University of Economics, followed by a second degree at the Programmer Mathematician faculty of Eötvös Lóránd University, graduated as MBA student of the joint International Master of Management program of Purdue University, Indiana, USA. He started working for NN Hungary Insurance Company, continued at Westel Mobile Co. Ltd. (later named as: T–Mobile Hungary Ltd) where he became Executive Director of Finance. Since 2008, he is Strategy, Planning and Controlling Director of Consumer Business Unit of Magyar Telekom Plc. He participated in several Magyar Telekom acquisition projects in the region.
Mr. Pál is also member of the Board of Directors of T-Mobile Macedonia AD Skopje, Crnogorski Telekom AD (Montenegro), M-Factory Ltd.

Joachim Haas - Non-Executive Member

He has been member of the Board of Directors of Makedonski Telekom AD - Skopje since 3rd September 2008.

Mr. Haas holds a Ph.D. in Commercial and Antitrust Law. He has a rich career within the DT Group, developing it for many years. Currently, he is advisor to the Board of Management of T-Mobile on all regulatory matters. He has been representing the entire Deutsche Telekom Group vis-à-vis governments and regulatory authorities in Central and Eastern Europe.
He has been a member of several business delegations of the Federal Government.

András Fischer - Independent Member

He was appointed as a member of the Board of Directors of Makedonski Telekom AD - Skopje on 3rd September 2008. Mr. Fischer acquired his MBA degree in London Business School and Budapest University of Economics. Mr. Fischer started his career at the TRANSELECTRO Foreign Trade Company. From 1982, later he worked for the largest commercial bank in Middle-East Europe. Mr. Fischer has started his media career in 1993, when he became the Sales and Marketing Director of Népszabadság, the largest daily paper in Hungary, the largest investment of Bertelsmann Group in Hungary. In 1997, Mr. Fischer started his story in the electronic media market, first at the Danubius Radio, and then at the Hungarian Television Ltd. He joined the Magyar Telekom Group in 2006, as Content Development Director of T-Online Hungary. Later on, he was appointed as the CEO of Origo Media and Communication Service Co. Ltd. Mr. Fischer is also a member of the Board of Directors of T-Mobile Macedonia AD Skopje.

Metodi Stoimenovski- Independent Member

He was appointed as a member of the Board of Directors of Makedonski Telekom AD - Skopje on 17th May 2007.

Mr. Stoimenovski holds a degree in computer techniques, information technology and automatics from the Electro-Technical Faculty, University St. Cyril and Methodius. Since January 2006, he has been working as a Director of the Information Technology Department at the public enterprise "Water Supply" – Skopje.
He has gained his previous rich experience at Duna Computers, at ESM AD, EIN-SOF and at the Ministry of Local Self-Government.

Romeo Dereban - Independent Member

He has been a member of the Board of Directors of Makedonski Telekom AD - Skopje since 17th May 2007.

Mr. Dereban was the Mayor of the Municipality of Struga. After this position, he took on the responsibility as an Advisor in the Administration for Property-Legal Affairs - Regional Unit Ohrid.
Mr. Dereban is a permanent associate of the ZFRSL in the Units of the Local Self-Government and a former member of the Standing Committee of the Association of the Units of Local Self-Governments of Macedonia.

Goran Ivanovski - Non-Executive Member

He has been a non-executive member of the Board of Directors of Makedonski Telekom AD - Skopje as of 29th November 2006.
Mr. Ivanovski graduated from the Faculty of Technology at the University of Ss. Cyril and Methodius in Skopje. He has been the Director of the National Sitel Television since 1995 and the General Director of the RIK Sileks Kratovo as of 2002.

Róbert Molnár - Independent Member

He has been an independent member of the Board of Directors of Makedonski Telekom AD - Skopje since 17th May 2007.
Mr. Molnár graduated as a wireless communication engineer from the Technical College Széchenyi István in 1991 and obtained university degree from the Faculty of Economics at the Janus Panonius University. He has spent more than seven years in MATÁV in different positions and as of 1st July 2003 he was appointed as the Chief Executive Officer and member of Board of Directors of the First Pest City Telephone Co Plc (EPT), a company member of the Magyar Telekom Group.

Members of the BoD of Makedonski Telekom AD during 2008, who have resigned / have been released:

Bence Holo, independent member until 22nd July 2008 inclusive, Horst Herman, non-executive member until 25th August 2008 inclusive; Iljas Iljazi, Vice President and non-executive member until 3rd September 2008 inclusive; Igor Bimbiloski, non-executive member until 4th December 2008 inclusive.


Let’s take the barriers down

We create the greatest telecommunication stories

We are recognizable partner on the market - We are T.
Being part of the T means everyday race to adjust to the market trends, to justify the promises, to be part of the important events and to create new and more memorable moments for our customers. We established new approaches and basic structures for a sustainable competitive high-performance company.
We are given the ability to be more dynamic, more advanced and more successful than we ever could be alone.
We will do all what it takes to continue so.

Market environment:

The growth of the Macedonian telecommunication market and an increasing competition marked the year 2008. The overall telecom market is growing, due to increasing of mobile, Internet, System Integration and TV market. Influenced by the global trends, the Macedonian telecom market is turning into a much broader and more interactive environment.

2008 was a year of an increased competition in most of the telecommunication segments. On the fixed-voice market, two other companies started offering their services, and the F2M substitution continued as usual. There was intense competition on the internet market, with the CaTV operators being the major competitors offering TV, Internet and further extend to the voice market. The Internet providers launched 2ble play and 3ple play packages. There was full competition in terms of mobile telephony as well. A third mobile operator entered the market in September 2007, drastically reducing the prices, and later, in 2008, started offering BlackBerry for the first time on this market, while another operator introduced 3G services offering mobile BB.

2008 - T-Home transition year

Despite the fierce competition, Makedonski Telekom has managed to face all the challenges and to meet the 2008 requirements and expectations. Due to the dynamics of the market and the progress of technology, Makedonski Telekom has transferred into communications full-service provider. 2008 was a year of transition for Makedonski Telekom. The new era of the company's development started in May 2008 with the arrival of the ultra-recognizable global T brand. With the implementation of the „T" brand, which is an umbrella of the two sub-brands T-Home and T- Mobile, Makedonski Telekom assumed the corporate identity and design of the Deutsche Telekom Group, launching a series of new products and services on the market.

Shaping our future:

Four Pillars of the Strategy of Makedonski Telekom:

1. Improvement of the competitiveness

– As increasing the market orientation was one of the focuses of Makedonski Telekom in 2008, the Company continued to satisfy the customer expectations, enlarge the structure of the points of sales and come closer to the customers. We started to broaden the SME sales channels by including the IT suppliers in Macedonia as indirect sales partners. The activities which were undertaken in the residential/SOHO/SME sales have led to significant sales increases and acquiring of new sales partners.
Internet has always been considered by Makedonski Telekom as an important growth area, both because of its intrinsic profit potential and because of its importance in the retention of fixed-line access subscribers. Building the customer base and maximizing value of the broadband market, stimulation of content development and creation of favourable regulatory environment, were the focal points of our strategy in 2008. This strategy will continue in 2009.
Taking into consideration the global trends, Makedonski Telekom, has entered the TV market by launching the Internet Protocol Television (MaxTV/ 3Max service) in November 2008.
The access network remains one of the company's most important strategic assets, wherein we are fully focusing on network consolidation and modernization. Since, the FTTx is seen as the most valuable means for enabling aggressive IPTV penetration, at the end of the last year, the start of the implementation of the "Fibre to the Home" Project was approved. As one of the company's crucial projects, it shall enable the construction of a state-of-the-art telecommunication network that offers vast advantages.
We harmonized the retail network offers – we created one-stop-shopping for all T family products and increases the quality of services offered to the customers.

ISO Certificate
2008 was the first full year of working under the internationally recognized Integrated Management System. The ISO certificate was awarded to the Company in November,
last year, after one year of intensive work of the standards' implementation team. The official certification guarantees to the customers world standard quality and security. The ISO certification provides the company with a competitive advantage on the Macedonian telecommunications market and increases the effectiveness and efficiency in the operation of every individual in it.

2. Constant growth - mobile and broadband communications, VoIP (voice over Internet Protocol) and IPTV (Internet television)
– Retaining the clear leadership position in the broadband services and providing an overall Triple Play portfolio with flexible products were among the focuses of Makedonski Telekom in 2008.
We have shaped the VoIP market by introduction of VoIP products in the fixed telephony. In addition, we have revolutionized the market with IPTV. In order to overtake the leading position in terms of excellence, in September 2008 we introduced a modification in the MaxADSL portfolio. Makedonski Telekom has increased the monthly traffic of all MaxADSL packages, both for the current and for the new MaxADSL subscribers. In addition to the traffic increase, and also at the same price, in September the customers had the opportunity to experience the benefits of multiple times higher speeds for all MaxADSL packages. Considering our strategic objective to develop the right products for the right customer segments, we introduced to the private customers the Call&Surf Comfort and Call& Surf Comfort+ packages. For the first time on the Macedonian market, We provided the customers with a possibility to talk and surf with one package including incredible benefits. It allows them to satisfy their voice and Internet needs, control and reduce the telephone expenses and be ready to welcome the interactive TV (IPTV).

3. Establishing the basis for future development - Mobilization of Internet and the Web 2.0 trend
– The second 3G license was obtained in 2008, whereupon we have been building up our product portfolio based on feature differentiation.
Among the activities we focused on in 2008 and are in our spotlight for 2009 are recognizing all multiplatform benefits of content business, owning a respectful media/entertainment platform on the web, building sound relations with content production partners and supporting and participating in content development initiatives, such as governmental e-Projects and innovative ideas.

4. Systematic Business Customer Approach
– The alignment of our key account approach, prioritization and product portfolio were in our primary focus in 2008.
How we did it? – By offering a clear and comprehensive portfolio of products and providing top quality, end-to-end and integrated solutions for the customers. We invested into the development of the sales staff with regards to their knowledge, sales and negotiation skills. These will continue to be our objectives in 2009.

In line with this, in 2008 the restructuring of certain activities showed good results, in particular in terms of the integrated communication approach and the changes in key account management. In relation to the key account delivery process, we introduced new rules, implemented certain business oriented activities which resulted in success

Makedonski Telekom offers Internet to residential and business customers, providing Internet capacities from Magyar Telekom, Telekom Srbija and OTEGlobe. The Internet capacity during 2008 rapidly increased from 4 Gbps at the beginning of the year to 11 Gbps at the end of the year.

Building partnerships: During 2008, Makedonski Telekom established five new interconnections with fixed alternative operators, totalling the number of interconnection partners by the end of 2008 to three mobile and nine fixed operators. We also started the sales of several mass-market regulated wholesale services, such as Unbundling Local Loop Services and Number Portability.
Wholesale Line Rental service was also introduced on a commercial basis by the end of the year, while the Wholesale ADSL reached near 20% of the total ADSL connections installed by our company.

Fruitful Merger of Experience and Fresh Talents and Ideas

A Partner who Believes & Invests in People

We deeply believe in investing in our people. We are aware that every investment we make, large or small, is also an investment made on behalf of our clients, shareholders, the community and our staff themselves.

Our Commitment to People:

- Leadership Development - Our investment reflects our value of retaining a talented management team with a regional focus who deliver exemplary leadership and profitability.
- Sharing experiences - While capitalizing our knowledge in international best practices, we foster and maintain win-win relationships with the regulators, minority shareholders and employees providing solid stakeholder management.
- International opportunities – We offer many opportunities for travel and career advancement and create opportunities for international placements
- Incentive schemes & rewards – Our people are regularly rewarded based on their performances which positively affect our success.
- Focused programs - We have launched programmes to grow and retain talent.

We train and motivate our employees

In order to achieve its strategic goals and increase the overall performance of the company, Makedonski Telekom needs educated staff that continuously produces high performance. Therefore, in 2008, Makedonski Telekom provided much training for its employees, according to the Training Plan. The major part was related to professional trainings, trainings for the improvement of professionally required skills, as well as trainings for development of other "soft" skills. Among the most important were the trainings for the introduction of the T-Brand (each employee in Makedonski Telekom was trained on the T-Brand standards, principles and values), ISO standards (for security and quality), CSI Project trainings (Culture Improvement Project), and trainings for the launch of IPTV and VoIP products and services.

Even though the main purpose of the trainings is education for achieving higher performance, the training itself represents a motivation tool, as well. Accordingly, the Human Resources Area, on behalf of the management, offered new development opportunities for our employees, since their constant development is a mandatory part of their personal growth. Thus, the Company financed scholarships for 5 employees of Makedonski Telekom AD – Skopje for MBA studies at the Sheffield University in Thessaloniki, Greece.
We believe that this is as a very important step in the professional development and commitment of the employees in terms of our Company.
In this way, we invest in their professional development, while gaining in return satisfied and professionally accomplished employees, which is our primary goal.

Each year, our company gives a special recognition to the best performers with "Employee and Manager of the Year" award.

We believe that a continued investment in the enhancement of our employees' skills is the key to the creation of a successful company. Therefore, educating, training and motivating the employees remains our main purpose by which we strive to achieve excellent performance, loyalty and dedication.

Real People = Real Success

Cross-functional development Club

The Cross functional development club is an initiative which provides different learning possibilities for a group of highly motivated and talented employees, who have demonstrated excellent results in their performance and exemplary behaviour, but also possess the knowledge which can make the organisation more successful. Through this programme, we raise their professional quality to an even higher level, thus creating a high quality cross-functional pool of internal resources for important company's projects.

"The equipping of staff and the realization of their ambitions by developing them as people and as professionals, forms the bedrock on which our success is built"

Employee Survey & Pulse check

During 2008, we have implemented two surveys among the employees on overall Company level.
In our regular Employee Survey conducted on more than 80% of the employees there were several topics regarding the improvement of the working environment of the employees. In anonymous manner, we hear the employee's opinion about their daily work, about their familiarization with the Company vision and strategy, and about their satisfaction of Makedonski Telekom as an employer.

In addition, the employees were given the possibility of expressing their opinion much more often trough the Company Pulse Check, a regular survey on employees' opinion which conducts all over the world. The pulse of the Company is being checked every 3 months in year 2008.

Service Culture Improvement Project

In July 2008, the "Service Culture Improvement Project" in Makedonski Telekom AD – Skopje started on-site, having 30 of our top managers standing behind the sales counters. In this way, the management faces with the customers, meeting their most common needs and requests directly. The managers apply the experience acquired from this project in improving the relation towards the customers and promoting the service culture.
The positive assessment received by the participants only confirmed the success of this project and encouraged us to regard this process even more as the right direction towards implementing the planned changes in the sales processes.

During the next phase, the managers faced the customers while working at the Call Centre, and later as a part of the on-site teams working on the installation of our services.
Placing the top management of the company in the market's front line and their direct experience with the customers' mindset, needs and requests, was not only a demonstration of support and recognition for the demanding work of the colleagues from the front lines, but also a realization of the potentials for promoting the working processes in the segments of the company referring to the direct work with the customers.
In addition, the project emphasized the possibility for direct and unhindered communication of the employees with the top managers regarding questions related to their working domain – sales and the challenges arising from it.
Finally, the Service Culture Improvement Project in Makedonski Telekom demonstrated its strength to initiate some new movements within the Company and awaken the spirit of changes precisely in this environment.

"We take pride in partnering our staff by setting goals for their advancement and use our inherent respect for cultures to propel them towards reaching their goals"

Fresh Mindset and New Talents – the Key to Company Success

New fresh ideas, mindset, standpoints and reasoning are what every company needs and one of the strategic advantages of an organization.
A company needs constant renewal in order to live up to the ever-changing expectations of the market and the customers. To be able to perform up to the new expectations, we need a constant inflow of fresh capacity, an influx of new talent.

Within the frame of our talent acquisition efforts, we attended job fairs in and outside the country to raise and enhance the profile of Makedonski Telekom among the university students and recent graduates in order to attract a suitable number of high quality candidates into the business.
The objective of this valuable initiative is to build a database of available talents whom we can approach as a source when needs and opportunities arise.

In 2008, the trainee program functioned with its full capacity.
Excellent cooperation was established and we concluded agreements for cooperation with 7 universities. This is where we provide new talents from in the form of three and six months internships for advanced students.
Through strengthening the cooperation with the universities, we will be fostering our own talent pool for the future and supporting the students to obtain practical experience during their studies.
This initiative was highly welcomed by all parties concerned. The trainees are grateful for the given opportunity to work and gain their first experience in a company of our rank. The managers, on the other hand, were amazed by the new ideas and fresh thoughts which made this initiative particularly appreciated.

New Collective Agreement

The new Collective Agreement has marked the year 2008, as a result of the cooperation and successfully concluded negotiations with the Trade Union.
The constructive discussions and consultations with the Trade Union were completed with signing of the new Collective Agreement, which is in compliance with all the obligations arising from the Macedonian law.

Taking care of our community

...an established partner in sports, health, culture and innovations

Welcome T-Home

The capital city's main square, Macedonia, was too small to gather, for the first time ever, more than 150.000 Macedonian citizens, on a joint celebration on the International Telecommunications Day, 17th May.

It was our company which made this biggest entertainment event in the country possible, in honour of the official rebranding of the Company into T-Home, with the concert of Balkans super star, Zdravko Cholic and the British trio, Sugababes.

On the day of re-branding of Makedonski Telekom, the entertainment events started with performances for the youngest population, organized in front of the plateau of the House of ARM, including the performances of the children from "Golden Nightingale" and many Macedonian music stars.

That very night, the city square of Skopje was called "the epicentre of Saturday night fever", and it can be justified with only one fact: Everybody attending the event was having a great party.

to Macedonia

We brought T-Home to our customers for one very important reason – to bring them closer to the latest global developments in the sphere of electronic communications.

We brought to our customers' homes more fun, more communications and more excitement.

The new brand identity means a transparent and timely reaction to all customers' desires and needs. They have the opportunity of getting a response to all requests at one single point.

T-Home is and will stay their loyal partner, rendering our customers everyday life simple, comfortable and fun.

We believe in and we value the community

We build trust and integrity. It is in our belief that we owe responsibility not only to our customers but the entire society. That is why as a leader in the telecommunication business, we have aligned our behavior and values with the expectations and needs of the community.
Health and education, culture and tradition are the focal areas of our social strategy. We invest into integration of communities, into development of the e-society and continuously support different sport and healthy lifestyle programs. Our considerable investment into Corporate Social Responsibility is a reflection of our commitment to improve the community well-being.

Our commitment makes difference:

Enriching Culture and Public Well-being

Supporting cultural events enriches the lives of everyone in a community. Starting from concerts in the park, to public art on the street, art makes our everyday lives more enjoyable, more interesting. This took our attention and called us to join the very idea.

Being a good corporate citizen, Makedonski Telekom supports and promotes various cultural initiatives in the country: music festivals, concerts of public interest, exhibitions, but also many cultural institutions, such as museums, galleries, etc.

We are led by the idea of increasing the access to and awareness of culture and arts for people of all ages and from all socioeconomic backgrounds. T-home is traditional supporter of the two famous Carnivals in Macedonia, the Vevcani Carnival and the Strumica Carnival, events which we are traditionally supporting.
We have provided entertainment and furthered the cultural arts for all citizens of the RoM through the multi-performance street happening Buskerfest 2008, the Project "For the Beautiful and Macedonia Forever", and, in November, a famous Croatian music stars held a concert in the city square of Kumanovo, an event which was visited by more than 50,000 citizens.
Makedonski Telekom is an old friend of the most famous and globally recognized cultural event – Ohrid Summer Festival, which with the support of our company welcomed to the country world recognized artists and performers such as Jose Carreras, Jessie Norman, the choir of the Viennese children, Aldo Chicolini, Julian Rahlic, Ivo Pogorelic, the Russian opera and ballet and many others.
In 2008, we started another significant friendship – with the Skopje Summer Festival. This event has grown into one of the most recognizable cultural events in the capital of Skopje, offering a programme that satisfies many artistic appetites.

Colouring the world of the children

Putting a smile on a child's face is the most rewarding feeling of all. This is the corporate responsibly initiative we are ready to undertake at all times.

In 2008, Makedonski Telekom donated New Year and Christmas presents for the disadvantaged children from the University Clinic for Children's Diseases at the Children Lung Diseases Institute Kozle-SKOPJE, as well as for the children from the inter-municipal social work centre Makedonski Brod. In order to make the holidays more pleasant and more festive, Makedonski Telekom also donated presents, a TV set and a DVD burner for the children from the Public Care Institute for Educationally and Socially Challenged Children C.O. Skopje.
As a supporter of young talents from Macedonia, our company was the organizer of the exhibition "Playing with Colours" of the young artist Stefan Pleskonic, in May, 2008. The exhibition, "The little Mozart of visual art", as Stefan is usually called by the world artistic public, marked 10 years of his creative work. When it comes to the– one tradition started long time ago – Zlatno Slavejce. Through this oldest music festival of children songs, and through Grozdoberce, we have only confirmed our dedication and intention for true friendship with our dearest – the children.

Education is the key to a productive future

We strongly believe that education is the key to a productive future and it has the power to make a positive impact on the lives of individuals and sustainable community. Education is our corporate responsibility as we strive to be partners to educators, civil-society and the Government. Therefore, given the prestige of our globally known brand, we consider our partnership in this area as very important.

Moreover, improved education is seen as a way of contributing to establish a solid basis for cultural and social integration and a key to the future preservation of our environment and habitat. As an integral part of the mission

of improving the knowledge of young people, we have established a traditional partnership with the Faculty for Electrical Engineering and Information Technology. Every year, we contribute to the granting of traditional awards for the best students and support activities necessary for the preparation for participation in competitions in the country and abroad.
In September 2008 – Makedonski Telekom supported the Government project "Computer for Every Student". Until November 2008, 1951 classrooms i.e. 93 schools were cabled and the next phase will be the cabling of all dormitories in the RoM, which further supports our goal for broadening the access to technology.
Every year, we donate PC-s to many civil-society organizations, supporting the activities of marginalized groups, women and those with little or no access to technology. This year, PCs were donated to the Association of the Deaf and Hard of Hearing Persons in Macedonia, the Association of Blind People, the Council of Youth, NGOs and many others.

Support and Promotion of Civil Society

In 2008, Makedonski Telekom cooperated with the International Council of Investors, the European Business Association, the MASIT ICT Chamber of Commerce and the American Chamber of Commerce in order to conduct conferences and lectures with the aim to support the civil society and promote international cooperation.

Promoting Health and Safety

Makedonski Telekom reflects its commitment to health and safety activities by interaction and active cooperation with health service providers, non-governmental institutions that work on creating awareness, prevention and assistance in dealing with certain illnesses, and organizations working for improved well-being of various stakeholders in our community, especially those standing for the rights of marginalized groups.

In 2008 Makedonski Telekom cooperated with the Women's Lobby, the Association against Violence and Women Trafficking, and the Association for Fight against Cancer "Borka" so as to increase the awareness and provide the necessary information regarding these issues that are considered to be sensitive. Moreover, in order to ensure the health and safety of the disabled persons in the country, we completely renovated the premises of the Association of the Deaf and Hard of Hearing Persons of Macedonia, a donation of over 50,000 Euros.
In addition, in 2008, our Company started a partnership with the Civil Association WEB Doctor by means of the creation of a webpage and an application for interaction between various groups: citizens and doctors, doctors with medical students, NGOs and health care providers, etc. Today, this website is among the most visited in the country, and now our employees are working on upgrading WEB Doctor's platform for the next year.

Sports Bring People Together

Whether it is for the pleasure of the experience, professionalism or simply for the fun, sports create a dialog, transcend boundaries; it teaches us how to be tolerant and how to accept others. Team spirit and the importance of team work are the core principles of sportsmanship.

As a company that rests its cornerstone on teamwork, team spirit and sharing experiences, Makedonski Telekom is a strong supporter of the development of sports in Macedonia.
Some of the sports activities sponsored by Makedonski Telekom in 2008 are:

- Sponsorship for the realization and technical support for the organization of the event "Broadcasting of the European Championship in Football 2008" within the programme for support of the activities of public interest in the area of development, promotion and popularization of sports
- The traditional sponsorship of the biggest international sports event in the country – the Ohrid Swimming Marathon
- Sponsorship for the realization of the international event "Fight against Racism and Nationalism" held in Kumanovo; an organized football tournament for children for the promotion of the "healthy body, healthy spirit" premise
- Tournament in futsal among different media and some of the biggest companies in Macedonia for building team spirit and respect

e-Macedonia Foundation

Makedonski Telekom establishes the e-Macedonia Foundation with the sole aim behind which is to work for a society based on information and knowledge. As a part of the dedication to strengthen our communities and improving people's lives through technology, we have established the Foundation in order to make information technology a driving force of economic development. The foundation is established in order to promote the knowledge and information as the fundaments of economic relations, and information technology as driver of economic development will provide a better quality of citizens' life and work. Through "e-Macedonia", Makedonski Telekom supports voluntary based programs that are related to the inventive usage of technology.

Constant passion about success creates satisfied customers


Bagel 2.10
Bio-Vollkornbrot 1.60
Sandwich 1.80
Heisses Sandwich 2.10
Bio Sauerteigbrötchen 2.30
** plus -30 Cent
*** plus -50 Cent

Focused towards Fully Satisfied Customers

In a highly competitive environment, We strive to maintain our leading position on the Macedonian market. This success is based on a continuous dedication to high-quality service, strengthening of the sales channels and creation of customized offers to meet the needs of specific customer segments.
Our highest priority is to ensure that we meet the current and predict the future needs of our customers with products and services of the highest quality.

The main focus in 2008 was to increase the existing broadband customer base, introduce new services (Call & Surf and 3 Max), retain the customers, further develop good business relations with top customers, increase equipment sales, etc. in order to maintain the leading position in both the residential and the business segment.

In spite of all this, customers do not care about the organizational structures of the companies, but they do care about the best ways of getting the needed services. That is why we did some importamt changes in the most direct conntacts with our customers – on the front lines – in our shop spots.

The external appearance and atmosphere and the internal processes were improved by means of different projects during 2008:

- Rebranding
- Joint retail network of MKT and TMMK
- Strategy Project
- Internal reorganization

The rebranding brought a completely new face to our all 29 shops, whereby we implemented the standards of Deutsche Telekom, in terms of product presentation and T- brand implementation. The year ended with the opening of the biggest shop in terms of space and content – Coffee Shop at the Macedonia Square. This concept was implemented for the first time in Makedonski Telekom and it met the criteria of a "Flagship Store".

Both the service level and the appearance of the shops were improved, and the sales representatives were trained in order to ensure a better organization inside the shops, where the product lines of both brands are presented in an interactive manner. The offers of both T-Home and T-Mobile are available at one and the same place. The customers may find the latest communication services for the home and on the move, a business offer for mobile and fixed, voice and data communication, as well as state-of-the-art communication equipment.

The distinctive feature of this shop as compared to the other points of sale is the interactive concept, which denotes personally testing the products and services, according to the standards which are immanent in the worldwide trends in the retail business. The services and products of T-Home and T-Mobile are segmented in the shop according to the type of service which is offered, regardless of the brand, which is another opportunity for making a comparison between the technological and commercial features, as well as sharing completely new experiences.

The rebranding process encompassed 27 points of sale of PC&IT Partners and 13 joint partners with T-Mobile MK for the sales of post-paid services, more than 2 000 PoS for the sale of pre-paid cards and 1 600 public payphones.

The main goal of the Joint Retail Network Project is to ensure that the same customer service level is provided to the customers of T-Home and T-Mobile. Many customer expectations were met with this project by providing 80% availability of the services of both companies.
We extended our retail network and we improved our presentation in Prilep, Kicevo and Skopje-Lisice.

We developed communication concepts through our shops and established up-sale and cross-sale activities which had a direct impact on the sales performance in the shops.

In 2008, we provided high-quality and easily accessible services for our customers through the following sales channels:
- a retail network of 29 points-of-sale that cover the entire territory of Macedonia: 8 in Skopje, 11 in Eastern Macedonia, 10 in Western Macedonia

Integrated direct and indirect sales network consisted of:
- 26 Sales representatives specialized and trained for the direct sales with a focus on SoHo/SME business segment
- 13 Master dealers with more than 80 points-of-sale for sale of post-paid services
- 2 476 points-of-sale throughout Macedonia for the sales of pre-paid cards

Online Sales - Any Time, Any Place – 24 hours a day 7 days a week

In order to provide an easy, comfortable and fast approach and to enable the customers to avoid crowds and long queues, the online sales is the best channel. By filling in and submitting the online application from, the customers are automatically included in the priority list. We have had online requests and all of them have been realized. The online sales channel constitutes a significant improvement of the sale trends and the conceptual approach in WEB communication.

The sales channel is used by residential customers at www.online.t-home.mk, as well as by business customers at www.online.telekom.mk.

We Develop Multimedia Portals

The recognition of the Internet portal of Makedonski Telekom – Multibox is an acknowledgment for our dedication to multimedia and content development. It is the Macedonian candidate for the global award on the World Summit 2009 (WSA), in the category of e-fun and games (www.multibox.com.mk).

Entertainment for Our Customers

'Idividi' is the portal of Makedonski Telekom existing five years already. It provides the latest news to all visitors in cooperation not only with the national news agencies, but also with BBC, Deutsche Welle and the Voice of America. 'Idividi' not only has an informative, but also an entertainment character in every respect. It provides various services, such as life streaming of different events, which is why it is the most visited web in the RoM with more than 65,000 visits per day.

Friends Club

This Club is a free membership bonus program, created for all residential customers using the services of T-Home. As members of the Friends Club, customers receive a club card and they immediately start receiving the T-Home additional benefits.

Customer care

With the emergence of competition in the telecommunication business, it has become increasingly important for Makedonski Telekom to ensure on-time and high quality services for the customers. In the upcoming plans for an upgrade of the technical platform, we will have a cutting-edge platform with built-in flexibility for a quick change of business processes according to the customers' needs. We will continue to solve every problem or request until the customer is satisfied.

Every Customer Care representative will maintain high professionalism in contacts with our customers.

Taking responsibility for a wide and varied range of challenges across our business

The Best Partner

As a leading national operator for electronic communications, We offer a wide spectrum of modern telecommunication services and information technology to our business customers as well, regardless as to whether in terms of services from fixed telephony or broadband solutions.

While providing services with a high quality, efficiency and innovation in all business areas, the Company has a key role in the modernization and advancement of the telecom market in the Republic of Macedonia.

New Business Units with New Tasks

One of the key elements of the strategy of Makedonski Telekom is to explore new business opportunities and markets.

Since October 2008, two new organizational units have been founded within the Sales Area: Large Project Management Business Centre and Sales and Provisioning Support Business Centre.

The Large Project Management Business Centre is responsible for preparing tender documentation and offers for public bids and large commercial projects, as well as for business intelligence. It proactively follows the development of the country-wide infrastructure (free economic and industrial zones, large business centres, new residential zones) and the needed key customer infrastructure upgrades and gives the predictions needed for the preparation of a technical solution.

The second new unit, Sales and Provisioning Support Business Centre, currently controls and evaluates the sales channel performance, prepares sales&revenue related analyses and reports, and evaluates the sales process efficiency.

Residential SoHo/SME Business Customer Centre

The need for fast and confidential communication, in all segments of operation, is imminent in order to establish a successful business, in a competitive business environment, for all small and medium enterprises (SoHo / SME).
The Residential SoHo/SME Business Customer Centre was involved in many projects during 2008 in order to provide a higher standard for customer servicing and a higher customer satisfaction. The main activity of the business centre was to reach the business plan with the implementation of new sales, retention of the customers, an up-sales and cross-sales strategy for the services bundled with equipment.

The Strategy Project gave guidelines for the future development of the sales channels with reference to better customer orientation and an appropriate service type for the different customer segments, as well as a proposal for product development based on the customer needs. The project triggered the improvement of the cooperation with the IT companies as potential strategic partners for the servicing of SoHo/SME customer segment.

The internal cooperation improved the processes in the residential centre for a good quality and fast customers service. Each customer service will receive an adequate service treatment. Special focus was put on the cooperation and servicing of the SoHo/SME customers through the cooperation with Makedonski Telekom sales representatives and IT partners.

Key Accounts Business Centre

The Key Accounts Business Centre as a part of the sales area continues developing good business relations with the MKT top customers in a more competitive environment. The main market characteristics include a relatively stable voice revenue in line with the estimations, a high market share and a continual trend of growth year by year for data services and a slower growth of the Internet revenues due to the high competitiveness of the market.

Most of the market activities were focused on the retention and renewal of contracts and on looking for new opportunities and alternatives for business development. New loyalty contracts for voice services were offered to business customers in combination with increased speeds and SLA parameters for data services as a tool for customer retention and for customer satisfaction increase.

A combined approach offering knowledge and competences with system integration services as value added to traditional telecommunication services was developed and accepted on the market by the top key customers. Few new complex services were delivered by means of this approach, including disaster recovery solutions and complex data interconnectivity solutions.

The Strategy Project during 2008 helped to streamline the internal processes, improve the efficiency and provide stronger customer focus of the whole business organization. Additionally, it is aimed at the future focus of data services and products in the lower sub-segments of the business customer segment, as well as potentials for new complex services such as disaster recovery for the top commercial segment.

Additional new initiatives were undertaken for the improvement of sales activities, including preparations for the start of a FTTB project for fibre interconnection of key customers and a pilot project for joint account management with T-Mobile Macedonia.

With our rich product portfolio, starting from ADSL, Metronet, FlatNet and HSISa, an Internet based private network and digital certificates to integrated technical solutions, we provide the right choice for the Customers

Wholesale Business Centre

The business sales and coordination of regulated and commercial wholesale services for domestic carriers and service providers, as well as the international carriers is performed in a separete centre within Makedonski Telekom.
The main Wholesale customers are the mobile carriers, the fixed line alternative carriers, CATV operators, voice service, internet & data and premium rate service providers.
Through the Wholesale Centre which contributes approximately with 20% to the Company revenue on annual basis, Makedonski Telekom provides interconnection services, unbundled local loop services, commercial voice transit services, wholesale of rented voice lines, and ADSL as the most successful one, High Speed Internet Access and other wholesale services. Currently Makedonski telekom has app. 60% share on Internet broadband market in Macedonia.
Due to the constant development of the market and of the customer's requests and needs, as well as increasing of the competition, the Company through the Wholesale will focus on Increased sales of the commercial wholesale as well as on developing the cross border wholesale activities.

Integrated Solutions

Business solutions consist of telecommunication services combined with customer premises equipment (hardware and/or software). These solutions are offered to large business customers, governmental organizations and SOHO/SME business customers. Large business and governmental customers mainly request tailored solutions and they are served by Telcos and system integrators in Macedonia. Offering entire integrated solutions to the business customers remains one of Makedonski Telekom's main focuses. Equipment sales to residential and SOHO segment also marks a notable growth in 2008 for the period Jan-Aug 2008 compared to the same period in 2007.

We are aiming towards:

- Promoting bundled products for the SoHo/SME market from the aspect of bundle of services (Voice – fixed, IP, mobile + Internet) and bundle of services and equipment/SWs
- Further improvement of the existing business solutions (Video Surveillance, Video Broadcast, Video Conference, Digital Certificate Services)
- Developing new solutions for specific market segments (IP Centrex, ICT System Collocation service)

New Products & Services

An important role in the retention of customers and traffic will be given to bundled services (voice, Internet and TV). IT solutions (PCs, servers, software), together with corporate data and voice solutions, shall be developed in order to meet the customer tailored demands.
We shall consider the development of new services in order to ensure long-term business growth.

Future Solutions

- Segment-specific solutions, with a focus on the SoHo/SME market segment;
- End-to-end solutions including a network part and customer premises equipment;
- Extensions and repositioning of the existing services;
- Bundled offers (equipment and services);
- Special offers for telephony lines and equipment;
- Special offers for telecom services (voice, fixed and mobile + Internet).


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Out-of-the-box thinking and acting

We Thrive on Innovation

We believe in innovation. In a rapidly developing telecommunications industry, we constantly invest in innovative solutions because we know that forefront technologies lay the foundation for future expansion and success.

We believe in quality. To us, customer care is not a technique, it is a mindset. It is a customer-focused corporate approach and culture that inspires our teams to keep creating and delivering extraordinary customer value. That is how we acquire new customers, provide superior customer satisfaction and build customer loyalty.

Snapshots and Illustration of Our Believes:

Internet Services

One of the main focuses of the Company in 2008 was to increase the number of ADSL users and the market share in the internet broadband services. Since September 2007, Makedonski Telekom launched a dedicated ADSL radical growth project, aiming to increase the number of ADSL active users above 100,000 (incl. both retail and wholesale) by the end of 2008. The Company managed to regain market share, thus reinstating the dominant position as broadband Internet provider in Macedonia. The following chart shows the market share in the Internet broadband segment in terms of users as of August 2008.

Voice services remain the major revenue drivers in the forthcoming period despite the decreasing trend and the competition.

Number Portability became available from September 2008. Competition in the domain of international outgoing traffic is still mostly significant in the area of network access (VoIP) services. Makedonski Telekom is successfully keeping the market share stable by adequate responses (tariff zones restructuring, tariff packages, different promotions, etc.).

T-Home brings excitement into your home

In 2008, the main focus was the provisioning of new broadband 2Play/3Play services (IP telephony for residential customers and IPTV). The implementation of these services started in November 2008. Within this project, all national TV houses were connected with new optical cables, wherein also equipment was installed that provides a TV signal from more than 60 satellite TV channels.

Since the official launching of the campaign until the end of the year, we managed to attract more than 5000 customers. This service is offered as a package together with internet and fixed telephony. The Triple Play package on the Macedonian market is known as 3 Max.

Makedonski Telekom is the first company on the Macedonian market that brought this digital technology closer to the Macedonian citizens.
The T-Home customers were given a possibility to use all the telecommunication services (voice, internet and telephony) from one place on the same bill, with one point for support and maintenance. The 2 Max services provided enjoyment in different multimedia and interactive TV and video contents with much better quality of the TV signal. More than 70 local, national and foreign channels were included within the different 3 Max packages, with several unique possibilities for the customers.

Technology Solutions for Our Customers

The introduction of Internet access packages based on fibre-to-the-home (FTTH) technology is planned for Q4 2009, for residential and business customers, with access speeds greater than those possible with ADSL2+. In order to test the functionalities of the equipment from leading vendors before the mass FTTH deployment planned for 2009 and with the purpose to keep the leadership on the Macedonian market using future-proof technology by means of provisioning high-quality BB services, in 2008 a pilot project was conducted for connecting more than 100 subscribers with optical fibre. With the implementation of this pilot project, several buildings in Skopje downtown area have been connected.

Upgrade of the Network and Infrastructure Projects:

Optical cables: Related to the development of the new infrastructure in 2008, new optical cables have been implemented and put into operation. The result of this project enabled the achievement of the increased transit capacity demand required from the telecom operators from Kosovo to other international links.

Transport network: In 2008, the upgrade of transport network was completed, thus providing possibilities for a flexible extension of the links according to the traffic demands, as well as a flexible and fast provisioning of the services when some changes in service packages appear. Furthermore, in order to satisfy the demand for increased Internet peering, International leased lines and extension of cross-border links were implemented.

In order to satisfy the requirements from T-Mobile Macedonia, an upgrade was performed of the Company backbone transport DWDM network at several locations with a capacity of 8x1Gbps.

Information Technology

The old platform at the Call Centre was completely upgraded/replaced with relevant systems with the latest releases, the Definity switch was completely replaced with a new communication manager, also the Call Management System was replaced with the newest CMS. The Avaya Interaction Centre system was upgraded to the latest release and a new PDS outbound dialler system was introduced instead of the old soft dialler. The Avaya Interaction Response systems were upgraded (HW and SW) and the old Reptile reporting system was discontinued and all relevant reports were implemented in DWH system. The complete migration was performed successfully; all systems were migrated to the new platform with a minimum downtime.

For the needs of T-Mobile Macedonia, the existing version of SAP R/3 4.6C system that was in operation at T-Mobile was upgraded to SAP ECC 6.0 version. A new version of SAP was implemented in order to meet the latest market requirements and the flexibility of adapting the company business and the newest IT technology.

Additionally, in 2008, an upgrade was performed of the previous billing system from the Geneva version to Infinys Rating and Billing.
Due to the obsoleteness of the existing equipment and the insufficient performances, a replacement of the network equipment in WAN, the LAN part and security devices was performed. The purpose was to provide a stable and reliable network infrastructure with a minimum downtime in the forthcoming years, so as to ensure the continuity of all working processes in the company. The project included the following activity: upgrade of the network equipment at WAN and LAN locations, CheckPoint upgrade, ACS upgrade, ASA –VPN upgrade and ASA –Internet upgrade.

Makedonski Telekom will continue to follow the path of success in the years to come!


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Stability and Sustainability –

the basis for a future focused company

Consolidated Financial Statements

For the year ended
31 December 2008
With the Report of the Auditor Thereon

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Independent Auditor's Report

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

Report on consolidated financial statements

We have audited the accompanying consolidated financial statements of Makedonski Telekom AD Skopje (the "Company") and its subsidiaries T-Mobile Macedonia AD Skopje and E-Makedonija foundation – Skopje (together "the Group") which comprise the consolidated balance sheet as of 31 December 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

Our report has been prepared in Macedonian language and in English language. In all matters of interpretation of information, views or opinions, the Macedonian version of our report takes precedence over the English version.

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

Basis for Qualified Opinion

As of the date of this report, third party experts are in the process of examining certain of the transactions entered into by the Group. These investigations are ongoing, but as a result of the work performed by the investigators to date, we are currently unable to determine whether certain transactions entered into by the Group with other entities in 2006 resulted in the receipt of services commensurate with consideration paid. The total amount of such transactions recorded in the consolidated financial statements as of 31 December 2008 and for the year then ended are MKD 105,147,000 which are recorded within treasury shares in the consolidated balance sheet as at both 31 December 2008 and 31 December 2007. Our opinion on the corresponding figures for the year ended 31 December 2007 was modified accordingly.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly in all material respects the financial position of the Group as of 31 December 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Pricewaterhouse Coopers Revizija DOO

PricewaterhouseCoopers REVIZIJA D.O.O. Skopje

5 March 2009

Skopje

Consolidated financial statements

Consolidated Balance Sheet

As at 31 December

In thousands of denars	Note	2008	2007
Assets			
Current assets			
Cash and cash equivalents	5	1,123,520	6,728,837
Deposits with banks	6	9,932,605	7,384,557
Trade and other receivables	7	2,999,608	2,966,540
Inventories	9	279,943	300,890
Assets held for sale	10	1,204	32,091
Total current assets		14,336,880	17,412,915
Non-current assets			
Property, plant and equipment	11	14,054,385	14,067,684
Advances for property, plant and equipment		486	-
Intangible assets	12	2,829,685	1,951,977
Trade and other receivables	7	98,887	103,581
Available-for-sale financial assets		896	896
Financial assets at fair value through profit and loss	13	61,476	226,272
Total non-current assets		17,045,815	16,350,410
Total assets		31,382,695	33,763,325
Liabilities			
Current liabilities			
Trade and other payables	14	3,476,452	2,549,630
Current income tax liability		134,787	274,638
Provision for other liabilities and charges	15	587,432	457,554
Total current liabilities		4,198,671	3,281,822
Non-current liabilities			
Deferred income tax liabilities		47,835	139,607
Provision for other liabilities and charges	15	705,669	381,841
Total non-current liabilities		753,504	521,448
Total liabilities		4,952,175	3,803,270
Equity			
Share capital		9,583,888	9,583,888
Share premium		540,659	540,659
Treasury shares		(3,843,505)	(3,843,505)
Statutory reserves		2,475,068	2,475,068
Retained earnings		17,674,410	21,203,945
Total equity	16	26,430,520	29,960,055
Total equity and liabilities		31,382,695	33,763,325

The consolidated financial statements set out on pages 1 to 38 were authorised for issue on 16 February 2009 by the Management of Makedonski Telekom AD - Skopje, and are subject to review and approval by the Board of Directors on 10 March 2009 and by the shareholders on date that will be subsequently agreed.

Nikolai J.B. Beckers
Chief Executive Officer

Slavko Projkoski
Chief Finance Officer

Consolidated Income Statement

In thousands of denars	Note	Year ended 31 December 2008	2007
Revenues	17	18,603,199	18,077,817
Depreciation and amortisation		(2,993,033)	(3,273,901)
Personnel expenses	18	(2,014,999)	(1,569,338)
Payments to other network operators		(1,722,243)	(1,692,406)
Other operating expenses	19	(5,602,901)	(4,828,200)
Operating expenses		(12,333,176)	(11,363,845)
Other operating income	20	257,127	94,189
Profit from operations		6,527,150	6,808,161
Finance expenses	21	(119,915)	(234,277)
Finance income	22	706,506	561,410
Profit before tax		7,113,741	7,135,294
Income tax expense	23	(860,205)	(974,293)
Net profit for the year		6,253,536	6,161,001

Consolidated statement of cash flows

In thousands of denars	Note	Year ended 31 December 2008	2007
Operating activities			
Profit before tax		7,113,741	7,135,294
Adjustments for:			
Depreciation and amortisation		2,993,033	3,273,901
Write down of inventories to net realisable value	19	23,231	51,950
Income from sale of subsidiary	20	(238,421)	-
Fair value losses/(gains) on financial assets at fair value through profit and loss	21/22	99,870	(56,327)
Impairment losses on trade and other receivables	19	189,709	241,790
Provisions		540,097	474,527
Net gain on disposal of equipment		(18,706)	(94,189)
Dividend income	22	(3,144)	(2,724)
Interest expense	21	48	659
Interest income	22	(630,624)	(502,359)
Effect of foreign exchange rate changes on cash and cash equivalents		(11,809)	27,293
Cash generated from operations before changes in working capital		10,057,025	10,549,815
Increase in inventories		(2,284)	(42,696)
Increase in receivables		(222,627)	(299,849)
Increase in payables		811,472	215,789
Cash generated from operations		10,643,586	10,423,059
Interest paid		(48)	(659)
Income taxes paid		(1,091,828)	(1,004,524)
Cash flows from operating activities		9,551,710	9,417,876
Investing activities			
Acquisition of property, plant and equipment		(2,135,789)	(1,709,469)
Acquisition of intangible assets		(1,676,113)	(640,719)
Proceeds from sale of subsidiary		303,346	-
Loans collected/(granted)		4,972	(17,877)
Deposits collected from banks		17,179,697	4,354,477
Deposits placed with banks		(19,669,550)	(7,557,812)
Dividends received		3,144	2,724
Proceeds from sale of equipment		32,526	153,667
Interest received		572,002	496,785
Cash flows from investing activities		(5,385,765)	(4,918,224)
Financing activities			
Dividends paid		(9,783,071)	(7,426,794)
Cash flows from financing activities		(9,783,071)	(7,426,794)
Effect of foreign exchange rate changes on cash and cash equivalents		11,809	(27,293)
Net decrease in cash and cash equivalents		(5,605,317)	(2,954,435)
Cash and cash equivalents at 1 January		6,728,837	9,683,272
Cash and cash equivalents at 31 December	5	1,123,520	6,728,837

Consolidated 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 2007		9,583,888	540,659	(3,843,505)	2,475,068	22,469,738	31,225,848
Net profit for the year		-	-	-	-	6,161,001	6,161,001
Dividend payment		-	-	-	-	(7,426,794)	(7,426,794)
Balance at 31 December 2007	16	9,583,888	540,659	(3,843,505)	2,475,068	21,203,945	29,960,055
Balance at 1 January 2008		9,583,888	540,659	(3,843,505)	2,475,068	21,203,945	29,960,055
Net profit for the year		-	-	-	-	6,253,536	6,253,536
Dividend payment		-	-	-	-	(9,783,071)	(9,783,071)
Balance at 31 December 2008	16	9,583,888	540,659	(3,843,505)	2,475,068	17,674,410	26,430,520

1. General Information

1.1. About the Company

These consolidated financial statements relate to the group of Makedonski Telekom AD - Skopje, which includes Makedonski Telekom AD - Skopje, T-Mobile Macedonia AD Skopje and e-Makedonija foundation – Skopje (hereinafter referred as to “the Group”).
Makedonski Telekom AD – Skopje, (hereinafter “the Company”) is a joint stock company incorporated and domiciled in the Republic of Macedonia.

In 2008 the Company adopted the T-Home brand and on 1 May 2008 changed its legal name from AD Makedonski telekomunikacii Skopje into Makedonski Telekom AD - Skopje and its products are now marketed under the brand T-Home.
The Group’s immediate parent company is AD Stonebridge Communications – Skopje, under voluntary liquidation, solely owned by Magyar Telekom Plc. registered in Hungary. The ultimate parent company is Deutsche Telekom AG registered in Federal Republic of Germany.
The Company is the leading fixed line service provider while T-Mobile Macedonia AD is the leading mobile service provider in Macedonia. e-Makedonija is foundation, established to support application and development of information technology in Macedonia.
The Macedonian telecommunications sector is regulated by the Electronic Communications Law (“ECL”) enacted in March 2005. With the latest changes of the ECL published on 4 August 2008, the existing Concession Contracts of the Company and T-Mobile Macedonia are no longer valid as of 5 August 2008. On 5 September 2008 the Agency for Electronic Communications (“The Agency”), ex officio, has issued a notification to both the Company and T-Mobile Macedonia for those public electronic communication networks and/or services which have been allocated thereto under the Concession Contracts. Radiofrequency licenses were issued to the operators for the bands granted with the Concession Contracts in a form prescribed by the ECL.

The Agency on 27 December 2007 brought a decision to announce public tender for the universal provider of electronic communications services in Republic of Macedonia. The opening of the qualified bids was on 18 February 2008, and on 22 February 2008 based on decision of the Agency, the Company was selected as one of the candidates for universal service provider in the prequalification. Written invitation (without public announcement) by the Agency will be submitted to selected candidates from the first phase, to submit offer for selection of universal service provider.

The regulatory framework for the tariff regulation for the Company until August 2008 was provided in the Concession Contract. With the enactment of the ECL in March 2005 and the published relevant Draft bylaw for retail regulation in September 2008, the Agency may prescribe one of the following ways of retail regulation of fixed telephony services: price cap, individual price approval, cost based prices or benchmarks.
The Company had a cost based price obligation for Regulated wholesale services, using fully distributed costs (“FDC”) methodology until July 2007 and using Long run incremental costs methodology (“LRIC”) there after. A proposal for interconnection fees with LRIC was submitted by the Company in July 2007 and for unbundling fees in December 2007. On 23 May 2008, the Agency issued approval for the new decreased interconnection and unbundling fees, based on the audit report for the costing accounting system issued by independent auditor. The fees are applicable from 1 June 2008.

Under the ECL, the Company has been designated as a Significant Market Power operator (“SMP”) in the market for fixed line voice telephone networks and services, including the market for access to the networks for data transmission and leased lines. Based on 4 enacted bylaws and several Draft bylaws published in September 2008 the Company will be obliged to prepared several additional regulated wholesale products.

The Agency on 29 June 2007 has published the draft analysis conducted on Market 16 (Call termination services in public mobile communication networks) and based on it on 26 November 2007 has brought a decision by which T-Mobile Macedonia was designated with SMP status and several obligations were imposed (interconnection and access, non-discrimination in interconnection and access, accounting separation and price control and cost accounting).
T-Mobile Macedonia submitted Reference nterconnection Offer (RIO) to the Agency on 29 February 2008. On 28 March 2008, the Agency decided to significantly decrease the mobile termination rates. The new termination rates of T-Mobile Macedonia are applied from 1 August 2008.

The Agency in November 2007 has published a public tender for granting one license for 3G radiofrequencies utilization. Cosmofon won the tender and started the 3G commercial operations from 12 August 2008. On 2 September 2008 a decision for granting three 3G licences for 10 million EUR one off fee each was published. T-Mobile Macedonia won one license which was granted to it on 17 December 2008 and is obliged to launch commercial start of the 3G services by 17 June 2009. The Government of Republic of Macedonia has published an official decision for granting additional two 3G licenses with 5 million EUR one off fee, each. The public tender for granting these licenses is still not published.

As of August 2006 the Company has more than 100 shareholders, as a result of the sale of Governmental shares through auction organized by the Government during June 2006.
According to the Law on securities it qualifies as company with special reporting obligations, which mainly, encompasses provision of quarterly, semi annual and annual financial information to the Securities Exchange Commission of the Republic of Macedonia.

The Company’s registered address is “Orce Nikolov” Street bb, 1000, Skopje, Republic of Macedonia. The average number of employees during 2008 was 1,906 (2007: 2,151).

1.2. Investigation into Certain Consultancy Contracts

On 13 February 2006, Magyar Telekom Plc., the controlling owner of the Company (via Stonebridge Communications AD - Skopje under liquidation, majority shareholder of Makedonski Telekom AD – Skopje), 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. 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. The investigation, conducted by an independent law firm and supervised by the Audit Committee of Magyar Telekom Plc., is still ongoing.

Magyar Telekom Plc. has already implemented certain remedial measures designed to enhance the control procedures of the Magyar Telekom Group with respect to the entry into consultancy contracts, including the introduction of a new governance model.
As a result of the delays in finalizing its 2005 and 2006 financial statements due to the investigation, the Company has failed to meet certain deadlines prescribed by Republic of Macedonia and other applicable laws and regulations for preparing and filing audited annual results and holding annual general meetings.
In May 2008, White & Case LLP, counsel to the Audit Committee of Magyar Telekom Plc. in the independent investigation, provided Magyar Telekom Plc. with a "Status Report on the Macedonian Phase of the Independent Investigation." In the Status Report, White & Case stated, among other things, that "there is affirmative evidence of illegitimacy in the formation and/or performance" of six contracts for advisory, marketing, acquisition due-diligence and/or lobbying services in Macedonia, entered into between 2004 and 2006 between Magyar Telekom Plc. and/or various of its affiliates on the one hand, and a Cyprus-based consulting company and/or its affiliates on the other hand, under which Magyar Telekom Plc. and/or its affiliates paid a total of over EUR 6.7 million.

We understand, based on information from White & Case provided to Magyar Telekom, that the internal independent investigation has identified several contracts (including the six contracts with the Cyprus-based consulting company and/or its affiliates referred to in the public disclosure of May 21, 2008) related to Magyar Telekom Group's business operations in Macedonia, that White & Case deemed suspicious and worthy of further inquiry. The latest of those suspicious contracts is dated March 1, 2006. White & Case has indicated that it will inform Magyar Telekom's Audit Committee, Magyar Telekom's management and Magyar Telekom's auditors of relevant information and/or conclusion relating to these contracts. (Magyar Telekom's Board of Directors authorized White & Case to make voluntary disclosure of all the issues and concerns raised by the auditors to the SEC and DOJ, and Magyar Telekom has been informed that White & Case has met and discussed its investigation with the SEC and DOJ on several occasions.)

The independent investigation is continuing. The Company cannot predict when the internal investigation will be concluded, what the final outcome of the investigation may be, or the impact, if any, the investigation may have on the Company's financial statements or results of operations.

In May 2008, the Ministry of Interior (MOI) of RM submitted to the Company an official written request for information and documentation regarding certain payments for consultancy services and advance dividend, as well as certain procurements and contracts. In June 2008 the Company submitted copies from the requested documents.
In October 2008 the Investigation Judge from the Primary Court Skopje 1 – Skopje (the criminal court), has issued an official written order to the Company to handover certain original documentation. Later in October 2008, the Company officially and personally handed over the requested documentation. Additional MOI requests in written were submitted and the Company provided the requested documentation.

We understand, based on public information available as of December 10, 2008, that the MOI Organized Crime Department submitted the files to the Basic Public Prosecution Office of Organized Crime and Corruption, with a proposal to bring criminal charges against Attila Szendrei (former CEO of Makedonski Telekom AD - Skopje), Rolf Plath (former CFO of Makedonski Telekom AD - Skopje),
Mihail Kefaloyannis (former member of the Board of Directors in StoneBridge and former member of the Board of Directors in Telemacedonia) and Zoltan Kisjuhász (former CEO of Stonebridge and former non-executive member of the Board of Directors of Makedonski Telekom AD - Skopje) on the account of a reasonable doubt for committed criminal act.
These individuals are proposed to be charged with having „abused of office and authorizations" in their position in Makedonski Telekom AD - Skopje by concluding consultancy contracts for which there was no intention or need for any services in return.
The Primary Court Skopje 1 in Skopje, Investigative Department for Organized Crime delivered a summon to the Company in connection with the criminal charges against the above stated persons and asked for a statement whether the Company has suffered any damages on the basis of the said consultancy contracts.

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

No provision is recognised in these financial statements for this investigation.

2. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated 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 consolidated financial statements of Makedonski Telekom AD – Skopje have been prepared in accordance with International Financial Reporting Standards (IFRS).
The consolidated 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 Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated 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 Group in 2008

- IAS 39 (Amended) Financial Instruments: Recognition and Measurement. The IASB published on 14 October 2008 amendments to IAS 39 and IFRS 7 - Financial Instruments: Disclosures. The amendments relate to the possibility to reclassify financial instruments measured at fair value through profit of loss. So far, reclassifications in and out of this category were not allowed. The amendment now enables under certain circumstances a reclassification. If based on the new rules a reclassification is done, the amended IFRS 7 demands additional disclosures. The amendments had no effect on the Group's equity or Net income or implications for reporting as the Group did not make and does not intend to make such reclassifications. The amendment is effective from July 2008.

- IFRIC 11 Interpretation to IFRS 2 - Group and Treasury shares transactions. Under IFRS 2 it was not defined exactly how it should be calculated where the employees of a subsidiary received the shares of a parent. IFRIC 11 clarifies that certain types of transactions are accounted for as equity-settled or cash-settled transactions under IFRS 2. It also addresses the accounting for share-based payment transactions involving two or more entities within one group. The Group applied this Interpretation from 1 January 2008, but no such transactions fell under the scope of IFRIC 11.

- IFRIC 12 Service Concession Agreements. This interpretation applies to companies that participate in service concession arrangements and provides guidance on the accounting by operators in public-to-private service concession arrangements. IFRIC 12 had no impact on the Group's accounts.

2.1.2. Standards, amendments and interpretations effective in 2008 but not relevant for the Group

There are no standards, amendments or interpretations effective in 2008 that are not relevant for the Group.

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

- IAS 1 (revised) Presentation of Financial statements. Revised IAS 1 introduces overall requirements for the presentation of financial statements, guideline for their structure and minimum requirements for their contents. The Group will apply this Interpretation from January 1, 2009. The Group does not expect the revised IAS 1 to cause significant changes in the presentation of the Group's financial statements.

- IAS 23 Borrowing Costs (Revised March 2007). Under the revised IAS 23 an entity shall capitalize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group does not expect IAS 23 to have any impact on the financial statements.

- IFRS 2 (amended) - In January 2008 the IASB published the amended Standard IFRS 2 - Share-based Payment. Main changes and clarifications include references to vesting conditions and cancellations. The changes to IFRS 2 must be applied in periods beginning on or after 1 January 2009. The Group has no significant share based compensations; therefore, we do not expect the amended standard to have a significant effect on the Group when applied.

- IFRS 3, IAS 27 (amended). In January 2008 the IASB published the amended Standards IFRS 3 - Business Combinations and IAS 27 - Consolidated and Separate Financial Statements. The major changes compared to the current version of the standards are summarized below:

- With respect to accounting for non-controlling interest (new term for ‚minority interest') an option is added to IFRS 3 to permit an entity to recognize 100% of the goodwill of the acquired entity, not just the acquiring entity's portion of the goodwill (‚full goodwill' option) or to measure non-controlling interest at its fair value. This option may be elected on a transaction-by-transaction basis.
- In a step acquisition, the fair values of the acquired entity's assets and liabilities, including goodwill, are measured on the date when control is obtained. Accordingly, goodwill will be measured as the difference at the acquisition date between the fair value of any investment the business held before the acquisition, the consideration transferred and the net asset acquired.
- A partial disposal of an investment in a subsidiary while control is retained is accounted for as an equity transaction with owners, and gain or loss is not recognized.
- A partial disposal of an investment in a subsidiary that results in loss of control triggers re-measurement of the residual interest to fair value. Any difference between fair value and carrying amount is a gain or loss on the disposal, recognized in profit or loss.
- Acquisition related costs will be accounted for separately from the business combination, and therefore, recognized as expenses rather than included in goodwill. An acquirer will have to recognize at the acquisition date a liability for any contingent purchase consideration. If the amount of contingent consideration accounted for as a liability changes as a result of a post-acquisition event (such as meeting an earnings target), it will be recognized in accordance with other applicable IFRSs, as appropriate rather than as an adjustment of goodwill.
- The revised standards require an entity to attribute their share of losses to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- Effects resulting from an effective settlement of pre-existing relationships (relationships between acquirer and acquiree before the business combination) must not be included in the determination of the consideration.
- In contrast to current IFRS 3, the amended version of this standard provides rules for rights that have been granted to the acquiree (e.g. to use its intellectual property) before the business combination and are re-acquired with the business combination.
- The revised IFRS 3 brings into scope business combinations involving only mutual entities and business combinations achieved by contracts alone.

  The amended version of IFRS 3 has to be applied for Business Combinations with effective dates in annual periods beginning on or after 1 July 2009. Early application is allowed but restricted on annual periods beginning on or after 30 June 2007. The changes to IAS 27 must be applied in periods beginning on or after 1 July 2009. Early application is allowed. Early application of any of the two standards requires early application of the other standard, respectively.

  The amended standards are not expected to have impact on the Group's financial statements.

- IFRS 8 Operating Segments. Under IFRS 8, segments are components of an entity regularly reviewed by an entity's chief operating decision-maker. Items are reported based on the internal reporting. IFRS 8 also sets out requirements for related disclosures about products and services, geographical areas and major customers. The Group is currently analyzing the changes that IFRS 8 may cause in the Group's financial statements.
- IFRIC 13 Customer Loyalty programs. This Interpretation addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services to customers who redeem award credits. The Group will apply this Interpretation from 1 January 2009. We do not expect that IFRIC 13 may cause significant changes in the Group's accounting treatments as the loyalty programs have been accounted for in the same way as included in the recently issued IFRIC 13.

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

- IAS 32 (amended). In February 2008, the IASB amended IAS 32 with respect to the balance sheet classification of puttable financial instruments and obligations arising only on liquidation. As a result of the amendments, some financial instruments that currently meet the definition of a financial liability will be classified as equity. The amendments have detailed criteria for identifying such instruments. The amendments of IAS 32 are applicable for annual periods beginning on or after 1 January 2009. The Group does not expect the amendments to the standard to affect the Group's financial statements.
- IAS 39 (amended). The IASB published an amendment in August 2008 to IAS 39 with respect to hedge accounting. The amendment „Eligible Hedged Items" allows to designate only changes in the cash flows or fair value of a hedged item above or below a specified price or other variable (IAS 39.AG99BA). The amendment of IAS 39 shall be applied retrospectively for annual periods beginning on or after 1 July 2009. The amendment will not affect the Group's accounts as the Group does not apply hedge accounting.
- IFRS 1 First-time Adoption of IFRS (revised). In November 2008 the IASB issued the revised version of IFRS1. As the Group has been reporting according to IFRS for many years, neither the original standard, nor the revisions made are relevant for the Group.
- IFRIC 14 Interpretation on IAS 19 - The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction. IFRIC 14 provides general guidance on how to assess the limit in IAS 19 Employee Benefits on the amount of the surplus that can be recognized as an asset. It also explains how the pension's asset or liability may be affected when there is a statutory or contractual minimum funding requirement. This Interpretation is not applicable to the Group as the Group has no funded defined post-retirement benefit schemes.
- IFRIC 15 Agreements for the Construction of Real Estate. IFRIC 15 refers to the issue of how to account for revenue and associated expenses by entities that undertake the construction of real estate and sell these items before construction is completed. The interpretation defines criteria for the accounting in accordance with either IAS 11 or with IAS 18. IFRIC 15 shall be applied for annual periods beginning on or after 1 January 2009. As the Group is not involved in such constructions, IFRIC 15 is not relevant for the Group.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation. IFRIC 16 refers to the application of Net Investment Hedges. Mainly, the interpretation states which risk can be defined as the hedged risk and where within the group the hedging instrument can be held. Hedge Accounting may be applied only to the foreign exchange differences arising between the functional currency of the foreign operation and the parent entity's functional currency. A derivative or a non-derivative instrument may be designated as a hedging instrument. The hedging instrument(s) may be held by any entity or entities within the group (except the foreign operation that itself is being hedged), as long as the designation, documentation and effectiveness requirements of IAS 39.88 that relate to a net investment hedge are satisfied. IFRIC 16 shall be applied for annual periods beginning on or after 1 October 2008. As the Group does not apply such hedges and does not apply hedge accounting, IFRIC 16 will have no impact on the Group's accounts.
- IFRIC 17 Distributions of Non-cash Assets to Owners. This interpretation issued in November 2008 refers to the issue when to recognize liabilities accounted for non-cash dividends payable (e.g. property, plant, and equipment) and how to measure them. In addition, the interpretation refers to the issue how to account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable. The interpretation shall be applied for annual periods beginning on or after 1 July 2009. As the Group does not distribute non-cash dividends, IFRIC 17 will have no impact on the Group's financial statements.
- IFRIC 18 Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not expected to have any impact on the Group's financial statements.

2.2. Consolidation

2.2.1. Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.
Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The subsidiaries of the Company and the ownership interest are presented below:

	Country of incorporation	Ownership interest 2008	Ownership interest 2007
T-Mobile Macedonia AD	Macedonia	100	100
Montmak	Montenegro	-	100
e-Makedonija	Macedonia	100	100

2.3. Foreign Currency Translation

2.3.1. Functional and presentation currency

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

2.3.2. Transactions and balances

Transactions in foreign currencies are translated to denars at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to denars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement (Finance income/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 Group are predominantly EURO (EUR) and United States Dollars (USD), based.

The exchange rates used for translation at 31 December 2008 and 2007 were as follows:

	2008 MKD	2007 MKD
1 USD	43.56	41.66
1 EUR	61.41	61.20
1 CHF	41.04	36.86

2.4. Financial Instruments

Financial assets include, in particular, cash and cash equivalents, deposits with banks, trade receivables and other non-derivative financial assets. Financial liabilities generally substantiate claims for repayment in cash or another financial asset. In particular, financial liabilities include trade and other payables.

2.4.1. Financial assets

The Group classifies its financial assets in the following categories:

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

The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of financial assets at their initial recognition.
Regular way purchases and sales of financial assets are recognized on the trade-date, the date on which the Group 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 income statement.
Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group 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 Group manages such asset and makes purchase and sale decisions based on its fair value in accordance with the Group investment strategy for keeping investments within portfolio until there are favourable market conditions for their sale.
'Financial assets at fair value through profit or loss' are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognized in the income statement (Finance income/expenses) in the period in which they arise.
Dividend income from financial assets at fair value through profit or loss is recognized in the income statement when the Group's right to receive payments is established and inflow of economic benefits is probable.

(b) Loans and receivables

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

- cash and cash equivalents
- deposits with bank
- receivables and loans to third parties
- trade receivables
- employee loans
- other receivables (e.g. interest receivables)

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

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

Trade and other receivables
Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired.
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the

income statement (Other operating expenses – Impairment losses on trade and other receivables).
The Group's benchmark 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 and international customers and also for customers under litigation and bankruptcy proceedings.
When a trade receivable is established to be uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the recognized loss in the income statement.
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in the income statement.
Amounts due to, and receivable from, other network operators are shown net where a right of set-off exists and the amounts are settled on a net basis (such as receivables and payables related to international traffic).

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

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

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Purchases and sales of investments are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset.
Subsequent to initial recognition all available-for-sale financial assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses. The intention of the Company is to dispose these assets when there are favourable market conditions for their sale.
Changes in the fair value of financial assets classified as available for sale are recognised in equity. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.
The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. There is objective evidence of impairment if as a result of loss events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
Loss events can be the followings:

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

If any such evidence exists for AFS financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement – is removed from equity and recognized in the income statement (Finance income). Impairment losses recognized in the income statement on equity instruments shall not be reversed through the income statement.

2.4.2. Financial liabilities

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

2.5. Inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. The cost of inventories is based on weighted average cost formula and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Phone sets are often sold for less than cost in connection with promotions to obtain new subscribers with minimum commitment periods. Such loss on the sale of equipment is only recorded when the sale occurs as they are sold as part of a profitable service agreement with the customer.

2.6. Non Current Assets Held for Sale

An asset is classified as held for sale if it is no longer needed for the future operations of the Group, 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 income statement (Depreciation and amortization) as an impairment loss.

2.7. Property, Plant and Equipment (PPE)

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2.9).
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 dismant-

ling and removing the item and restoring the site on which it is located is also included in the costs if the obligation incurred can be recognized as a provision according to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.
The cost of self-constructed assets includes the cost of materials and direct labour.
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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.
When assets are scrapped, the cost and accumulated depreciation are removed from the accounts and the loss is recognized in the income statement 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 income statement (Other operating income).
Depreciation is charged to the income statement 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:

	2008 Years	2007 Years
Buildings	20-40	20-40
Aerial and cable lines	20-25	20-25
Telephone exchanges	10	10
Base stations	10	7
Computers	3-4	3-4
Electronic devices	2-15	2-15
Furniture and fittings	4-6	4-6
Vehicles	4-6	4-6

2.8. Intangible Assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see note 2.9).

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

	2008 Years	2007 Years
Software and software licences	2-5	2-5
Concession	18	5
3G licence	10	-

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The assets useful lives are reviewed, and adjusted if appropriate, at least once a year.
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.

2.9. Impairment of PPE and Intangible Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.
Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units - CGUs).
Impairment losses are recognized in the income statement. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10. Provisions and Contingent Liabilities

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

2.11. Share Capital

Ordinary shares are classified as equity.

2.12. Treasury Shares

When the Group purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued. When such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Group's equity holders.

2.13. Other Reserves

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

2.14. Revenues

Revenue is primarily derived from services provided to customer subscribers and other third parties using telecommunications network, and equipment sales. Revenues for all services and equipment sales (see note 17) are shown net of VAT, discounts and after elimination of sales within the Group. 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 Group and specific criteria of IAS18 on the sale of goods and rendering of services are met for the provision of each of the Group's services and sale of goods described below.

Customer subscriber arrangements typically include an activation fee, equipment sale, subscription fee and monthly charge for the actual airtime used. The Group considers the various elements of these arrangements to be separate earnings processes for IFRS purposes and recognizes the revenue for each of the deliverables using the residual method.
The Group provides customers with narrow and broadband access to its fixed and mobile network. Service revenues are recognized when the services are provided in accordance with contractual terms and conditions. Airtime revenue is recognized based upon minutes of use and contracted fees less credits and adjustments for discounts, while subscription and flat rate revenues are recognized in the period it relates to.
Revenue and expenses associated with the sale of telecommunications equipment and accessories are recognized when the products are delivered, provided there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement.
Revenues from operating leases are recognized on a straight line basis over the period the services are provided.

Value added services mostly include SMS, MMS, WAP and other similar services. The Group acts as a principal in such transactions and consequently, those revenues are included in this category on a gross basis. Revenues from premium rate services are also included in this category, recognized on a gross basis as the delivery of the service over the network is the responsibility of the Group, the Group establishes the prices of these services and bears substantial risks of these services.

Customers may also purchase prepaid cards which allow those customers to use the telecommunication network for a selected amount of time. Customers must pay for such services at the date when the card is purchased. 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 network. These wholesale (incoming) traffic revenues are recognized in the period of related usage. A proportion of the revenue received is often paid to other operators (interconnect) for the use of their networks, where appropriate. The revenues and costs of these terminate or transit calls are stated gross in these consolidated financial statements and recognized in the period of related usage.

2.15. Employee Benefits

2.15.1. Short term employee benefits and pensions

The Group, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax which are calculated according to the statutory rates in force during the year, based on gross salaries and wages. Food allowances, travel expenses and holiday allowances are also calculated according to the local legislation. The Group makes these contributions to the Governmental and private funds. The cost of these payments is charged to the income statement in the same period as the related salary cost.
No provision is created for holiday allowances for non-used holidays as according the local legislation the employer is obliged to provide condition for usage, and the employee to use the annual holiday within one year. This is also exercised as Group policy and according the historical data employees use their annual holiday within the one year legal limit.
The Group does not operate any other pension scheme or post retirement benefits plan and consequently, has no obligation in respect of pensions. The Group has legal obligation to pay to employees two average monthly salaries in Republic of Macedonia at their retirement date, for which appropriate liability is recognized in the financial statements. In addition, the Group is not obligated to provide further benefits to current and former employees.

2.15.2. Bonus plans

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

2.15.3. 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 Group 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.

2.16. Marketing Expenses

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

2.17. Income Taxes

2.17.1. Corporate income tax

Corporate income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

2.17.2. Deferred income tax

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred income tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. However, the deferred income 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 or loss.
A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred income tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.18. Leases

Leases of property, plant and equipment where the substantial risks and rewards of ownership retained to the Group are classified as finance leases.
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

2.18.1. Operating lease – Group as lessor

Assets leased to customers under operating leases are included in Property, plant and equipment in the balance sheet. 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.

2.18.2. Operating lease – Group as lessee

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

2.19. 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.

2.20. Dividends

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

2.21. Comparative Information

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

3. Financial Risk Management

3.1. Financial Risk Factors

The Group does not apply hedge accounting for its financial instruments, all gains and losses are recognized in the income statement except financial assets classified as available for sale that are recognised in equity. The Group is exposed in particular to risks from movements in exchange rates, interest rates, and market prices that affect its assets and liabilities. Financial risk management aims to limit these market risks through ongoing operational and finance activities.
The detailed descriptions of risks, the management thereof as well as sensitivity analyses are provided below. Sensitivity analyses include potential changes in profit before tax. The impacts disclosed below are post tax figures, calculated using a 10% tax rate. The potential impacts disclosed (less tax) are also applicable to the Group's Equity.

3.1.1. Market risk

Market risk is defined as the 'risk that the fair value or value or future cash flows of a financial instrument will fluctuate because of changes in market prices' and includes interest rate risk, currency risk and other price risk.
As the vast majority of the revenues and expenses of the Group arise in MKD, the functional currency of the Company is MKD, and as a result, the Group objective is to minimize the level of its financial risk in MKD terms.

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

a) Foreign currency risk

The functional currency of the Company is the Macedonian denar.
The foreign exchange risk exposure of the Group is related to holding foreign currency cash balances, and operating activities through revenues from and payments to international telecommunications carriers as well as capital expenditure contracted with vendors in foreign currency.
The currencies giving rise to this risk are primarily EUR and USD. The Group uses cash deposits in foreign currency, predominantly in EUR and USD, and cash deposits in denars linked to foreign currency, to economically hedge its foreign currency risk as well as local currency risk in accordance with the available banks offers. The Group manages the foreign exchange risk exposure through maintaining higher amount of deposits in EUR as proven stable currency and by striving to lower the number of contracts with foreign operators in USD as relatively unstable currency in the period and by executing payments in USD from cash reserves in that currency.
The foreign currency risk sensitivity information required by IFRS 7 is limited to the risks that arise on financial instruments denominated in

currencies other than the functional currency in which they are measured.

The Group accumulated more cash in EUR and USD than its trade payables in EUR and USD. At 31 December 2008, if EUR would have been 5% (2007: 5%) weaker or stronger against MKD, profit would have been MKD 322,324 thousand (2007: 281,860 MKD thousand) after tax in net balance higher or lower, respectively. At 31 December 2008, if USD would have been 5% (2007: 5%) weaker or stronger against MKD, profit would have been MKD 20,829 thousand (2007: MKD 80,050 thousand) after tax in net balance higher or lower, respectively.

b) Interest rate risk

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

The Group 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 Group had MKD 14,113,359 thousand deposits (including call deposits) as of 31 December 2007, 1 percentage point rise in market interest rate would have caused (ceteris paribus) the interest received to increase with approx. MKD 127,021 thousand annually after tax, while similar decrease would have caused the same decrease in interest received. Amount of deposit is MKD 11,056,018 thousand (including call deposits) as of 31 December 2008, therefore 1 percentage point rise in market interest rate would have caused (ceteris paribus) the interest received to increase with approx. MKD 99,504 thousand annually after tax, while similar decrease would have caused the same decrease in interest received.

c) Other price risk

The Group'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 Group strategy, the investments within portfolio are kept until there are favourable 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 of 31 December 2007and 2008, the Group holds investments, which could be affected by risk variables such as stock exchange prices.

The Group had MKD 161,346 thousand investments in equity of other entities that are publically traded on the Macedonian Stock Exchange as of 31 December 2007, 20 percentage point rise in market price would have caused (ceteris paribus) MKD 29,042 thousand gains after tax, while similar decrease would have caused the same loss in the income statement. The amount of the investments in equity of other entities that are publically traded on the Macedonian Stock Exchange is MKD 61,476 thousand as of 31 December 2008, therefore 20 percentage point rise in market price would have caused (ceteris paribus) MKD 11,065 thousand gains after tax, while similar decrease would have caused the same loss in the income statement.

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

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

A - Banks with evaluation from 1.84 to 2.45 – investments not exceeding 80% from the bank shareholder's capital

B - Banks with evaluation from 2.46 to 3.07 – investments not exceeding 70% from the bank shareholder's capital

C - Banks with evaluation from 3.08 to 3.69 – investments not exceeding 60% from the bank shareholder's capital

The process of managing the credit risk from operating activities includes preventive measures such as creditability checking and prevention barring, corrective measures during legal relationship for example reminding and disconnection activities, collaboration with collection agencies and collection after legal relationship as litigation process, court proceedings, 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 customers credit worthiness and through preventive barring – which determinates the credit limit based on the customer's previous traffic revenues.

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

The Group's procedures ensure on a permanent basis that sales are made to customers with an appropriate credit history and not exceed an acceptable credit exposure limit.
The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Consequently, the Group considers that its maximum exposure is reflected by the amount of debtors net of provisions for impairment recognized and the amount of cash deposits in banks at the balance sheet date.
Management is focused on dealing with most reputable banks in foreign and domestic ownership on the domestic market.

The following table represents Group exposure to credit risk in 2008 and 2007:

In thousands of denars	2008	2007
Deposits with banks	9,932,605	7,384,557
Cash and cash equivalents	1,123,417	6,728,808
Trade debtors – domestic	2,455,617	2,235,561
Trade debtors – foreign	261,212	499,093
Loans to employees	111,625	115,752
Receivables from related parties	71,385	34,576
Other receivables	31,898	20,978
	13,987,759	17,019,325

In order to maintain consistency with the current year presentation the advances given to suppliers, prepayments and accrued income and other receivables presented as Financial assets in 2007 in the amount of MKD 164,161 thousand were excluded from the financial assets category in these financial statements. The reclassification had no impact on equity or net profit.
Cash and cash equivalents in the table above exclude cash on hand as no credit risk exists for this category.
Largest amount of one deposit in 2008 is MKD 1,473,895 thousand – the original denomination of the deposit is EUR in the amount of 24,000 thousand – (2007: MKD 600,000 thousand) and the Group has deposits with 10 domestic banks (2007: 8 domestic banks).

3.1.3. Liquidity risk

Liquidity risk is the risk that an entity may encounter difficulty in meeting obligations associated with financial liabilities.
Liquidity risk is defined as the risk that the Group could not be able to settle or meet its obligations on time.
The Group'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 Group'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 Cash Management Department.

3.2. Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group'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. There is no gearing as at 31 December 2008 and 2007 related to current and non-current loans. The total amount of equity managed by the Company, as at 31 December 2008, is MKD 17,661,389 thousand, as per local GAAP. Out of this amount MKD 9,583,888 thousand represent share capital and MKD 1,916,777 thousand represent statutory reserves, which are not distributable (see note 2.13). The Company has also acquired treasury shares (see notes 2.12 and 16.1). The transaction is in compliance with the local legal requirements that by acquiring treasury shares the total equity of the Company shell not be less then 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 shell not exceed the net profit for the year as presented in the financial statements of the Company, increased for the undistributed net profit from previous years or increased for the other distributable reserves, i.e. reserves that exceed the statutory reserves and other reserves defined by the Company's statute.

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 non current portion of trade receivables comprising of employee loans are 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 balance sheet date.

4. Critical Accounting Estimates and Judgments

The Group 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 Group. Further, due to the significant weight of long-lived 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 Group 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 352,774 thousand. See note 11 for the changes made to useful lives in the reported years.

The Group constantly introduces a number of new services or platforms including, but not limited to, the Universal Mobile Telecommunications System (UMTS) based broadband services in the mobile communications and the fiber-to-the-home rollout. In case of the introduction of such new services, the Group 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 old platforms, resulting in no change-over to the new technology. Consequently, the useful lives of the older platforms usually do not require shortening.

4.2. Estimated Impairment of Property, Plant and Equipment, and Intangibles

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 (if any).
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. Value in use was determined using discounted cash flow analysis. The discount rate used was 9.4%. No impairment was identified as of 31 December 2008.

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 required payments. For the largest customers and international customers, 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 ageing of our account receivables balance and our historical write-off experience, customer credit-worthiness and recent changes in our customer payment terms (see note 2.1.4 (b)). These factors are reviewed periodically, and changes are made to the calculations when necessary. 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 Group assesses the probability of an adverse event as a result of a past event to happen and if the probability is evaluated to be more than fifty percent, the Group fully provides for the total amount of the estimated liability. The Group is rather prudent in these assessments, but due to the high level of uncertainty, in some cases the evaluation may not prove to be in line with the eventual outcome of the case.

4.5. Subscriber Acquisition Costs

Subscriber acquisition costs primarily include the loss on the equipment sales (revenues and costs disclosed separately) and fees paid to subcontractors that act as agents to acquire new customers. The Group's agents also spend a portion of their agent fees for marketing the Group's products, while a certain part of the Group'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 Group's fixed or mobile networks. No such costs or revenues are capitalized or deferred. These acquisition costs (losses) are recognized immediately as they are not accurately separable from other marketing costs. The total amount of agent fees in 2008 is MKD 498,024 thousand (2007: MKD 419,651 thousand).

5. Cash and Cash Equivalents

In thousands of denars	2008	2007
Call deposits	1,123,413	6,728,802
Cash on hand	103	29
Cash equivalents	4	6
	1,123,520	6,728,837

The significant decrease in the cash and cash equivalents compared to 2007 is mainly result of the higher amount of dividend paid in 2008 compared to 2007. For further details in cash and cash equivalents movement see the consolidated statement of cash flows.

The interest rate on call deposits is in range from 1.60% p.a. to 6.90% p.a. (2007: from 1.98% p.a. to 4.68% p.a.). These deposits have maturities of less than 3 months.

The Company has restricted cash in amount of MKD 16,891 thousand (2007: MKD 8,862 thousand) representing performance guaranties issued for sales projects.

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

In thousands of denars	2008	2007
MKD	1,013,822	5,613,577
EUR	96,762	932,532
USD	12,932	182,682
Other	4	46
	1,123,520	6,728,837

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

In thousands of denars	2008	2007
A	825,128	6,575,580
B	51,933	146,908
C	246,352	6,314
	1,123,413	6,728,802

6. Deposits with Banks

Deposits with banks represent cash deposits in reputable domestic banks, with interest rates in range from 2.35% p.a. to 6.15% p.a. (2007: from 2.8% p.a. to 4.41% 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	2008	2007
MKD	2,098,761	1,235,020
USD	462,844	1,428,558
EUR	7,371,000	4,720,979
	9,932,605	7,384,557

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

In thousands of denars	2008	2007
Deposits in banks with obtained guarantee from BBB+ rating guarantor	1,230,150	-
A	8,702,455	7,032,803
B	-	351,754
	9,932,605	7,384,557

7. Trade and other Receivables

In thousands of denars	2008	2007
Trade debtors – domestic	4,472,252	4,143,508
Less: allowance for impairment	(2,016,635)	(1,907,947)
Trade debtors – domestic – net	2,455,617	2,235,561
Trade debtors – foreign	261,212	499,093
Receivables from related parties	71,385	34,576
Loans to related parties	-	2,849
Loans to third parties	2,999	-
Loans to employees	111,625	115,752
Other receivables	28,899	18,129
Financial assets	2,931,737	2,905,960
Advances given to suppliers	144,005	90,777
Less: allowance for impairment	(74,156)	(74,397)
Advances given to suppliers – net	69,849	16,380
Prepayments and accrued income	92,610	147,781
Other	4,299	-
	3,098,495	3,070,121
Less non-current portion: Loans to employees	(98,887)	(103,581)
Current portion	2,999,608	2,966,540

In order to maintain consistency with the current year presentation the advances given to suppliers, prepayments and accrued income and other receivables presented as Financial assets in 2007 in the amount of MKD 164,161 thousand were excluded from the financial assets category in these financial statements. The reclassification had no impact on equity or net profit.

Receivables from related parties represent receivables from Magyar Telekom Group and Deutsche Telekom Group (see note 28).
Loans to employees are collateralised by mortgages over real estate or with promissory note.

Loans to related parties in 2007 represent loan given to Montmak during 2007. In 2008 Montmak was sold and the related loan was reclassified to loans to third parties, along with the interest due, in the amount of MKD 2,999 thousand (2007: MKD 2,849 thousand). The referent interest rate is 6 months EURIBOR with margin of 0.3%.
Loans granted to employees carry effective interest rates of 4.55% p.a. and 7% p.a. (2007: 4.55% and to 7% p.a.).
All non current receivables are due within 15 years of the balance sheet date.

As of 31 December 2008, domestic trade debtors of MKD 2,854,740 thousand (2007: MKD 2,455,988 thousand) are impaired.

The ageing of these receivables is as follows:

In thousands of denars	2008	2007
Less than 30 days	402,064	354,644
Between 31 and 180 days	315,649	290,210
Between 181 and 360 days	145,679	157,069
More than 360 days	1,991,348	1,654,065
	2,854,740	2,455,988

The total amount of the provision for domestic trade debtors is MKD 2,016,635 thousand (2007: MKD 1,907,947 thousand). Out of this amount MKD 1,964,050 thousand (2007: MKD 1,870,633 thousand) relate to provision made according the ageing structure of the above receivables (including receivables from customers under liquidation and bankruptcy which are fully impaired). In addition, the Group has a specific provision calculated in respect of a certain group of customers in amounting to MKD 52,585 thousand (2007: MKD 37,314 thousand).

The amount of impairment compared to the gross value of the domestic trade receivables is mainly a result of receivables which are overdue more than 360 days and which are fully impaired. These receivables are mainly from two way disconnected customers, dismantled customers, litigated customers and customers that are no longer using the Group services.

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

In thousands of denars	2008	2007
Trade debtors – domestic – net	2,455,617	2,235,561
Trade debtors – foreign	261,212	499,093
Receivables from related parties	71,385	34,576
Loans to related parties	-	2,849
Loans to third parties	2,999	-
Loans to employees	111,625	115,752
Other receivables	28,899	18,129
Financial assets	2,931,737	2,905,960
Advances given to suppliers	69,849	16,380
Prepayments and accrued income	92,610	147,781
Other	4,299	-
	3,098,495	3,070,121

Movement in allowance for impairment of domestic trade debtors

In thousands of denars	2008	2007
Impairment losses at 1 January	1,907,947	2,165,886
Charged to expense	189,604	203,442
Write off	(80,916)	(461,381)
Impairment losses at 31 December	2,016,635	1,907,947

Movement in allowance for impairment of advances given to suppliers

In thousands of denars	2008	2007
Impairment losses at 1 January	74,397	36,049
Charged to expense	105	38,348
Used	(346)	-
Impairment losses at 31 December	74,156	74,397

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.
As of 31 December 2008, foreign trade receivables in amount of MKD 118,900 thousand (2007: MKD 176,971 thousand) were past due but not impaired. These relate to a number of international customers assessed on individual basis in accordance with past Group experience and current expectations.

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

In thousands of denars	2008	2007
Less than 30 days	52,355	63,236
Between 31 and 60 days	34,566	38,025
Between 61 and 90 days	3,807	1,783
Between 91 and 180 days	4,201	68,210
Between 181 and 360 days	2,710	1,088
More than 360 days	21,261	4,629
	118,900	176,971

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

The Group has renegotiated domestic trade receivables in carrying amount of MKD 28,497 thousand (2007: MKD 8,949 thousand).

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

In thousands of denars	2008	2007
MKD	93,260	98,231
EUR	5,627	5,350
	98,887	103,581

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

In thousands of denars	2008	2007
MKD	2,650,762	2,375,669
EUR	317,559	510,497
USD	22,922	30,978
Other	8,365	49,396
	2,999,608	2,966,540

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

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

In thousands of denars	2008	2007
Group 1	1,197,725	1,107,286
Group 2	214,286	326,202
Group 3	205,501	254,032
	1,617,512	1,687,520

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

In thousands of denars	2008	2007
Group 1	97,652	67,095
Group 2	44,558	103,281
Group 3	102	151,746
	142,312	322,122

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. Deferred Income Tax

Recognised deferred income tax (assets)/liabilities

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

In thousands of denars	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
Property, plant and equipment	-	-	488,638	505,865	488,638	505,865
Intangible fixed assets	(6,861)	(15,911)	-	-	(6,861)	(15,911)
Inventory	(34)	(248)	-	-	(34)	(248)
Trade and other receivables	(219,084)	(198,762)	-	-	(219,084)	(198,762)
Deferred revenue	(87,183)	(56,655)	-	-	(87,183)	(56,655)
Financial assets at fair value through profit and loss	-	-	1,591	3,469	1,591	3,469
Trade and other payables	(13,200)	(14,207)	-	-	(13,200)	(14,207)
Provisions	(116,032)	(83,944)	-	-	(116,032)	(83,944)
Tax (assets)/liabilities	(442,394)	(369,727)	490,229	509,334	47,835	139,607
Set off of tax	442,394	369,727	(442,394)	(369,727)	-	-
Net tax liabilities	-	-	47,835	139,607	47,835	139,607

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	2008	2007
Deferred income tax assets:		
Deferred income tax asset to be recovered after more than 12 months	283,276	223,721
Deferred income tax asset to be recovered within 12 months	159,118	146,006
	442,394	369,727
Deferred tax liabilities:		
Deferred income tax liability to be recovered after more than 12 months	(490,229)	(509,334)
Deferred income tax liability to be recovered within 12 months	-	-
	(490,229)	(509,334)
Deferred income tax liabilities (net)	(47,835)	(139,607)

Movement in temporary differences during the year

In thousands of denars	Balance 1 January 2008	Recognised in income	Balance 31 December 2008
Property, plant and equipment	505,865	(17,227)	488,638
Intangible assets	(15,911)	9,050	(6,861)
Inventory	(248)	214	(34)
Trade and other receivables	(198,762)	(20,322)	(219,084)
Deferred revenue	(56,655)	(30,528)	(87,183)
Financial assets at fair value through profit and loss	3,469	(1,878)	1,591
Trade and other payables	(14,207)	1,007	(13,200)
Provision	(83,944)	(32,088)	(116,032)
	139,607	(91,772)	47,835

In thousands of denars	Balance 1 January 2007	Recognised in income	Balance 31 December 2007
Property, plant and equipment	525,393	(19,528)	505,865
Intangible assets	(16,299)	388	(15,911)
Inventory	(2,990)	2,742	(248)
Trade and other receivables	(220,237)	21,475	(198,762)
Deferred revenue	(45,480)	(11,175)	(56,655)
Financial assets at fair value through profit and loss	(496)	3,965	3,469
Trade and other payables	(44,818)	30,611	(14,207)
Provision	(21,066)	(62,878)	(83,944)
	174,007	(34,400)	139,607

The temporary differences mainly relate to eliminated revaluation made in accordance with statutory requirements and differences between tax allowable and accounting depreciation charges. The difference in the treatment of provisions and impairment losses for trade and other receivables for tax and accounting purposes also contributes to the temporary differences.

9. Inventories

In thousands of denars	2008	2007
Materials	75,722	68,585
Inventory for resale	235,214	253,770
Write down of inventories to net realisable value	(30,993)	(21,465)
	279,943	300,890

Movement in allowance for inventories to net realizable value:

In thousands of denars	2008	2007
Allowance at 1 January	21,465	25,323
Charged to expense	23,231	51,950
Write off	(13,703)	(55,808)
Allowance at 31 December	30,993	21,465

Allowance for inventory mainly relates to obsolete materials.

10. Assets Held for Sale

Assets held for sale represent property, plant and equipment (few premises of a hotel) which are unusable within the Company. Management intentions are to sell these assets within one year, subject to extension in certain circumstances. There is a plan to sell these assets and management has started to actively market them at a reasonable price.

11. Property, Plant and Equipment

In thousands of denars	Land	Buildings	Telecommunication equipment	Other	Assets under construction	Total
Cost						
At 1 January 2007	6,353	3,621,586	24,462,983	4,144,524	218,174	32,453,620
Additions	-	16,848	853,795	441,929	473,936	1,786,508
Transfer from assets under construction (see note 12)	-	5,124	88,921	48,766	(172,252)	(29,441)
Disposals	-	(792)	(1,281,648)	(154,308)	(466)	(1,437,214)
Transfer from assets held for sale	-	330,652	-	-	-	330,652
At 31 December 2007	6,353	3,973,418	24,124,051	4,480,911	519,392	33,104,125
Depreciation						
At 1 January 2007	-	1,065,085	13,521,869	3,361,126	-	17,948,080
Charge for the year	-	105,219	1,824,151	367,177	-	2,296,547
Disposals	-	(406)	(1,186,908)	(144,100)	-	(1,331,414)
Transfer from assets held for sale	-	123,228	-	-	-	123,228
At 31 December 2007	-	1,293,126	14,159,112	3,584,203	-	19,036,441
Carrying amount						
At 1 January 2007	6,353	2,556,501	10,941,114	783,398	218,174	14,505,540
At 31 December 2007	6,353	2,680,292	9,964,939	896,708	519,392	14,067,684

In thousands of denars	Land	Buildings	Telecommunication equipment	Other	Assets under construction	Total
Cost						
At 1 January 2008	6,353	3,973,418	24,124,051	4,480,911	519,392	33,104,125
Additions	-	38,593	1,024,866	566,448	613,310	2,243,217
Transfer from assets under construction (see note 12)	-	312	544,984	29,820	(606,679)	(31,563)
Disposals	-	(1,118)	(653,675)	(674,085)	(1,421)	(1,330,299)
Transfer from assets held for sale	-	35,634	-	3,420	-	39,054
At 31 December 2008	6,353	4,046,839	25,040,226	4,406,514	524,602	34,024,534
Depreciation						
At 1 January 2008	-	1,293,126	14,159,112	3,584,203	-	19,036,441
Charge for the year	-	107,087	1,753,843	333,700	-	2,194,630
Disposals	-	(128)	(607,973)	(660,990)	-	(1,269,091)
Transfer from assets held for sale	-	4,748	-	3,421	-	8,169
At 31 December 2008	-	1,404,833	15,304,982	3,260,334	-	19,970,149
Carrying amount						
At 1 January 2008	6,353	2,680,292	9,964,939	896,708	519,392	14,067,684
At 31 December 2008	6,353	2,642,006	9,735,244	1,146,180	524,602	14,054,385

Operating lease rentals amounting to MKD 133,811 thousand (2007: MKD 94,534 thousand) relating to the lease of property and equipment are included in the income statement.

A major review of the useful lives of property, plant and equipment took place in 2008 as a result of revised network strategy at T-Mobile Macedonia. As result of the review, the useful life of base stations was changed as of 1 January 2008 (increased). The revision of the useful life of these assets resulted in the following change in the original trend of depreciation.

In thousands of denars	2008	2009	2010	2011	After 2011
Decrease of depreciation (base stations)	(89,967)	(132,061)	(65,706)	(1,172)	288,906
	(89,967)	(132,061)	(65,706)	(1,172)	288,906

12. Intangible Assets

In thousands of denars	Software and software licences	Concession	Other	Total
Cost				
At 1 January 2007	5,513,091	154,757	139,853	5,807,701
Additions	625,213	-	15,506	640,719
Transfer from assets under construction (see note 11)	21,408	-	8,033	29,441
Disposals	(2,126)	-	-	(2,126)
At 31 December 2007	6,157,586	154,757	163,392	6,475,735
Amortisation				
At 1 January 2007	3,427,445	154,757	63,437	3,645,639
Charge for the year	872,483	-	5,664	878,147
Disposals	(28)	-	-	(28)
At 31 December 2007	4,299,900	154,757	69,101	4,523,758
Carrying amount				
At 1 January 2007	2,085,646	-	76,416	2,162,062
At 31 December 2007	1,857,686	-	94,291	1,951,977

In thousands of denars	Software and software licences	Concession and 3G licence	Other	Total
Cost				
At 1 January 2008	6,157,586	154,757	163,392	6,475,735
Additions	972,355	613,837	10,966	1,597,158
Transfer from assets under construction (see note 11)	31,118	-	445	31,563
Disposals	(112,075)	-	-	(112,075)
At 31 December 2008	7,048,984	768,594	174,803	7,992,381
Amortisation				
At 1 January 2008	4,299,900	154,757	69,101	4,523,758
Charge for the year	833,162	(85,976)	3,827	751,013
Disposals	(112,075)	-	-	(112,075)
At 31 December 2008	5,020,987	68,781	72,928	5,162,696
Carrying amount				
At 1 January 2008	1,857,686	-	94,291	1,951,977
At 31 December 2008	2,027,997	699,813	101,875	2,829,685

13. Financial Assets at Fair Value through Profit and Loss

The amount of MKD 61,476 thousand (2007: MKD 226,272 thousand) represents financial assets at fair value through profit or loss of which MKD 61,476 thousand (2007: MKD 161,346 thousand) is calculated with reference to the Macedonian Stock Exchange quoted bid prices and in 2007 MKD 64,926 thousand were calculated based on an independent valuation for financial assets that were not quoted on the Macedonian Stock Exchange in 2007 and which were sold in 2008. Changes in fair values of other financial assets at fair value through profit or loss are recorded in finance income/expenses in the income statement (see note 21 and 22). The cost of these equity investments is MKD 31,786 thousand (2007: MKD 135,785 thousand).

14. Trade and Other Payables

In thousands of denars	2008	2007
Trade payables		
- Domestic	562,378	312,321
- Foreign	759,603	253,902
Liabilities to related parties	174,816	261,698
Other liabilities	34,756	98,754
Financial liabilities	1,531,553	926,675
VAT and social security payable	77,862	93,586
Accrued expenses	785,926	784,765
Advances received	34,551	37,898
Deferred revenue	1,011,795	671,941
Other	34,765	34,765
	3,476,452	2,549,630

In order to maintain consistency with the current year presentation the VAT and social security payable, the accrued expenses, advances received, the deferred revenue and other payables presented as Financial liabilities in 2007 in the amount of MKD 1,622,925 thousand were excluded from the financial liabilities category in these financial statements. The reclassification had no impact on equity or net profit.
Liabilities to related parties represent liabilities to Magyar Telekom Group and Deutsche Telekom Group (see note 28).

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

In thousands of denars	2008	2007
Less than 90 days	1,264,677	516,287
Between 90 and 180 days	13,471	20,782
Between 181 and 360 days	43,833	29,154
	1,321,981	566,223

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

In thousands of denars	2008	2007
MKD	2,798,515	2,131,054
EUR	628,204	364,074
USD	35,831	22,239
Other	13,902	32,263
	3,476,452	2,549,630

15. Provision for Other Liabilities and Charges

In thousands of denars	Legal cases	Severance	Other	Total
January 1, 2008	585,207	135,561	118,627	839,395
Additional provision	518,736	18,159	99,236	636,131
Unused amount reversed	(94,628)	-	(1,406)	(96,034)
Used during period	(13,372)	-	(73,019)	(86,391)
December 31, 2008	995,943	153,720	143,438	1,293,101

In thousands of denars	Legal cases	Severance	Other	Total
January 1, 2007	247,260	117,940	19,949	385,149
Additional provision	341,536	17,621	135,329	494,486
Unused amount reversed	(10)	-	(19,949)	(19,959)
Used during period	(3,579)	-	(16,702)	(20,281)
December 31, 2007	585,207	135,561	118,627	839,395

Analysis of total provisions:

In thousands of denars	2008	2007
Non current (legal cases and other)	705,669	381,841
Current	587,432	457,554
	1,293,101	839,395

Provisions for legal cases mainly relate to certain legal and regulatory claims brought against the Group. There are numerous legal cases for which provisions were recognized, none of which are individually material, therefore not disclosed. Further, the disclosure of any individual legal case could hurt the Group defending its position at various courts.
Based on legal advice, the management does not expect that the outcome of these legal claims will give rise to any significant loss beyond the amounts provided at 31 December 2008.
Other mainly includes provision for customer loyalty programs which includes the fair value of discount credits earned by customers that have not been utilized. The provision is recognized against revenues.

16. Capital and Reserves

Share capital consists of the following:

In thousands of denars	2008	2007
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.

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 and has been deducted from shareholders' equity. The shares are held as treasury shares. 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	2008	2007
Domestic fixed line telecommunication services		
-subscription, installation and other charges	2,325,901	2,411,733
-traffic revenues	3,360,181	3,913,798
International traffic revenues	925,109	1,401,566
Mobile telecommunication services	9,143,225	8,213,818
Leased line	609,271	425,534
Data transmission	965,948	639,490
Other	1,273,564	1,071,878
	18,603,199	18,077,817

Other revenues include revenues from equipment sales mainly related to sale of computer equipment and equipment related to system integration.

18. Personnel Expenses

In thousands of denars	2008	2007
Salaries	810,118	813,674
Contributions on salaries	355,381	379,107
Bonus payments	184,210	152,575
Other staff costs	754,537	282,985
Capitalised personnel costs	(89,247)	(59,003)
	2,014,999	1,569,338

Other staff costs mainly include termination benefits of MKD 523,780 thousand for 391 employees leaving the Company in 2008 (2007: MKD 45,482 thousand for 62 employees). In addition, other staff costs also include food and travel allowance.

19. Other Operating Expanses

In thousands of denars	2008	2007
Services	1,172,901	1,022,291
Purchase cost of goods sold	1,531,505	1,293,279
Marketing and donations	787,379	488,329
Consultancy	85,213	264,101
Materials and maintenance	413,721	389,383
Impairment losses on trade and other receivables	189,709	241,790
Fees, levies and local taxes	535,993	425,170
Energy	206,968	191,908
Premium rate services	258,559	183,997
Rental fees	133,811	94,534
Insurance	22,154	28,553
Write down of inventories to net realisable value	23,231	51,950
Other	241,757	152,915
	5,602,901	4,828,200

Services mainly include expenses for agent commissions, postal expenses and other service fees (such as cleaning, security and legal services).
In order to maintain consistency with the current year presentation the expenses presented as Provisions for liabilities and other charges in 2007 in the amount of MKD 183,009 thousand were reclassified and now are shown as Fees, levies and local taxes.
The reclassification had no impact on equity or net profit.

20. Other Operating Income

In thousands of denars	2008	2007
Gain on sale of PPE, Intangible assets and assets held for sale	18,706	94,189
Gain on sale of subsidiaries	238,421	-
	257,127	94,189

Gain on sale of subsidiaries represents income from sold fully owned subsidiary in Montenegro – Montmak (see note 2.2.1). On 12 February 2008 the Company signed Share Purchase Agreement for selling Montmak. The proceeds from the sale of the subsidiary were MKD 303,346 thousand. As of 31 December 2007 the Montmak's carrying value was MKD 64,926 thousand.
In the 2008 consolidated financial statements, the other operating income category was reclassified and shown as a separate line on the face of the income statement as opposed to disclosure in prior year, when these were presented as netting the other operating expenses. Prior year disclosures have been restated accordingly. The reclassification had no impact on equity or net profit for the year.

21. Finance Expenses

In thousands of denars	2008	2007
Interest expense	48	659
Bank charges and other commissions	19,997	19,377
Fair value loss	99,870	-
Net foreign exchange loss	-	214,241
	119,915	234,277

22. Finance Income

In thousands of denars	2008	2007
Interest income	630,624	502,359
Fair value gains	-	56,327
Dividend income	3,144	2,724
Net foreign exchange gain	72,738	-
	706,506	561,410

All fair value gains/losses and dividend income are from financial asset at fair value through profit and loss. Interest income is generated from financial assets classified as loans and receivables.

23. Income Tax Expense

Recognized in the income statement:

In thousands of denars	2008	2007
Current tax expense		
Current year	951,977	1,008,693
Deferred tax expense		
Origination and reversal of timing differences	(91,772)	(34,400)
Total income tax in income statement	860,205	974,293

Reconciliation of effective tax rate:

In thousands of denars		2008		2007
Profit before tax		7,113,741		7,135,294
Income tax	10.0%	711,374	12.0%	856,235
Non-deductible expenses	2.4%	167,960	2.0%	142,765
Tax exempted revenues	(0.3)%	(19,129)	(0.3)%	(24,707)
	12.1%	860,205	13.7%	974,293

Up to now the tax authorities had carried out a full-scope tax audits at the Company for 2005 and the years preceding. No issues have been identified in the performed tax audits.
The Government enacted new income tax rates on 30 December, 2006 for 2007 and 2008. The income tax rate for 2007 is 12%, while the applicable tax rate for 2008 and the years after is 10%.

The effect of changes in the income tax rate from 12% to 10% is presented below:

In thousands of denars	2008	2007
Effect of change of tax rate on deferred tax (net release of deferred tax liability)	-	(27,921)
	-	(27,921)

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. 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.

24. Dividends

The Shareholders' Assembly of the Company, at its meeting, held on 3 September 2008 adopted a Resolution for the dividend payment for the year 2007. The Resolution on dividend payment for 2007 is in the amount of MKD 9,783,071 thousand of which MKD 9,043,913 thousand are from the net profit for the year 2007, whereas the remaining MKD 739,158 thousand are from the accumulated profit. The dividend was paid out on 29 September 2008. Up to date of issuing of these financial statements, no dividends have been declared for 2008.

25. Commitments

25.1. Capital Commitments

The amount authorized for capital expenditure as at 31 December 2008 was MKD 268,490 thousand (2007: MKD 472,803 thousand).

25.2. Operating Lease Commitments – where the Company is the Lessee:

Operating lease commitments were mainly in respect in the lease of buildings, business premises and other telecommunications facilities.

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

In thousands of denars	2008	2007
Not later than 1 year	76,609	82,236
Later than 1 year and not later than 5 years	303,905	323,349
Later than 5 years	82,953	-
	463,467	405,585

26. Categories of Financial Assets

The table below shows the categorization of financial assets as at December 31, 2007.

	Financial assets					
Assets In thousands of denars	Loans and receivables	Held-to-maturity	Available-for-sale	At fair value through profit and loss	Carrying amount 2007	Fair value 2007
Cash and cash equivalents	6,728,837	-	-	-	6,728,837	6,728,837
Deposits with banks	7,384,557	-	-	-	7,384,557	7,384,557
Trade and other receivables	2,905,960	-	-	-	2,905,960	2,905,960
Available-for-sale financial assets	-	-	896	-	896	896
Financial assets at fair value through profit and loss	-	-	-	226,272	226,272	226,272

The table below shows the categorization of financial assets as at December 31, 2008.

	Financial assets					
Assets In thousands of denars	Loans and receivables	Held-to-maturity	Available-for-sale	At fair value through profit and loss	Carrying amount 2008	Fair value 2008
Cash and cash equivalents	1,123,520	-	-	-	1,123,520	1,123,520
Deposits with banks	9,932,605	-	-	-	9,932,605	9,932,605
Trade and other receivables	2,931,737	-	-	-	2,931,737	2,931,737
Available-for-sale financial assets	-	-	896	-	896	896
Financial assets at fair value through profit and loss	-	-	-	61,476	61,476	61,476

In order to maintain consistency with the current year presentation the advances given to suppliers, prepayments and accrued income and other receivables presented as Financial assets in 2007 in the amount of MKD 164,161 thousand were excluded from the financial assets category in these financial statements. The reclassification had no impact on equity or net profit.

27. Contingencies

The Company has contingent liabilities in respect of legal and regulatory claims arising in the ordinary course of business. The regulatory claims mainly relate to internet dial-up access, access to data transfer networks and fix to mobile interconnection retail prices. It is not anticipated by the management of the Company that any material liabilities will arise from the contingent liabilities other than those provided for (see note 15).

T-Mobile Macedonia is defending an action brought by Newsphone S DOO – Skopje with regards to lost future profits as a result of termination of contract by T-Mobile Macedonia. While liability is not admitted, if defense against the action is unsuccessful, damage compensation would amount to MKD 983,083 thousand. Based on legal advice, the management does not expect the outcome of the action to have a material effect on the Group's financial position.

In May 2007, the Agency issued new invoices for T-Mobile Macedonia for surcharge on radiofrequency fee for 2004 and 2005 in the amount of MKD 150,790 thousand. T-Mobile Macedonia has already paid previously issued invoices in the amount of MKD 125,561 thousand issued by the Agency relating to these same periods and considers these fees as finally settled and has not recognized nor paid the new invoices issued in May 2007.

The Agency has initiated a court procedure. The Primary court in its first instance has awarded the claim and T-Mobile Macedonia has filed an appeal. Up to date the Primary court has not decided on the appeal. Based on legal advice, the Management expects that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

28. Related Party Transactions

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

Transactions with related parties include provision and supply of telecommunication services and equipment, loans granted and supply of management consultancy services. The amounts receivable and payable are disclosed in the appropriate notes (see note 7 and 14).

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

In thousands of denars	2008		2007	
	Revenues	Expenses	Revenues	Expenses
Deutsche Telekom Group	270,694	139,519	207,294	124,609
Magyar Telekom Group	35,393	144,304	121,863	347,877

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

In thousands of denars	2008		2007	
	Receivables	Payables	Receivables	Payables
Deutsche Telekom Group	67,363	37,194	24,727	24,733
Magyar Telekom Group	4,022	137,622	9,849	236,965

The transactions with Deutsche Telekom Group presented above include transaction with the ultimate parent company and its subsidiaries excluding transactions with Magyar Telekom Plc. and its subsidiaries which are present as transactions with Magyar Telekom Group.

29. Key Management Compensation

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

In thousands of denars	2008	2007
Short-term employee benefits	93,135	48,142
Share-based payments	946	-
	94,081	48,142

The remuneration of the members of the Company's Board of Directors amounted to MKD 6,067 thousand (2007: MKD 2,312 thousand) included in Short-term employee benefits.

In order to maintain consistency with the current year presentation the remuneration of the members of the Company's Board of Directors was included in the short-term employee benefits in the comparative figures in 2007 as opposite to prior year disclosures when these expenses were not shown as part of this category. The amendment had no impact on equity or net profit.

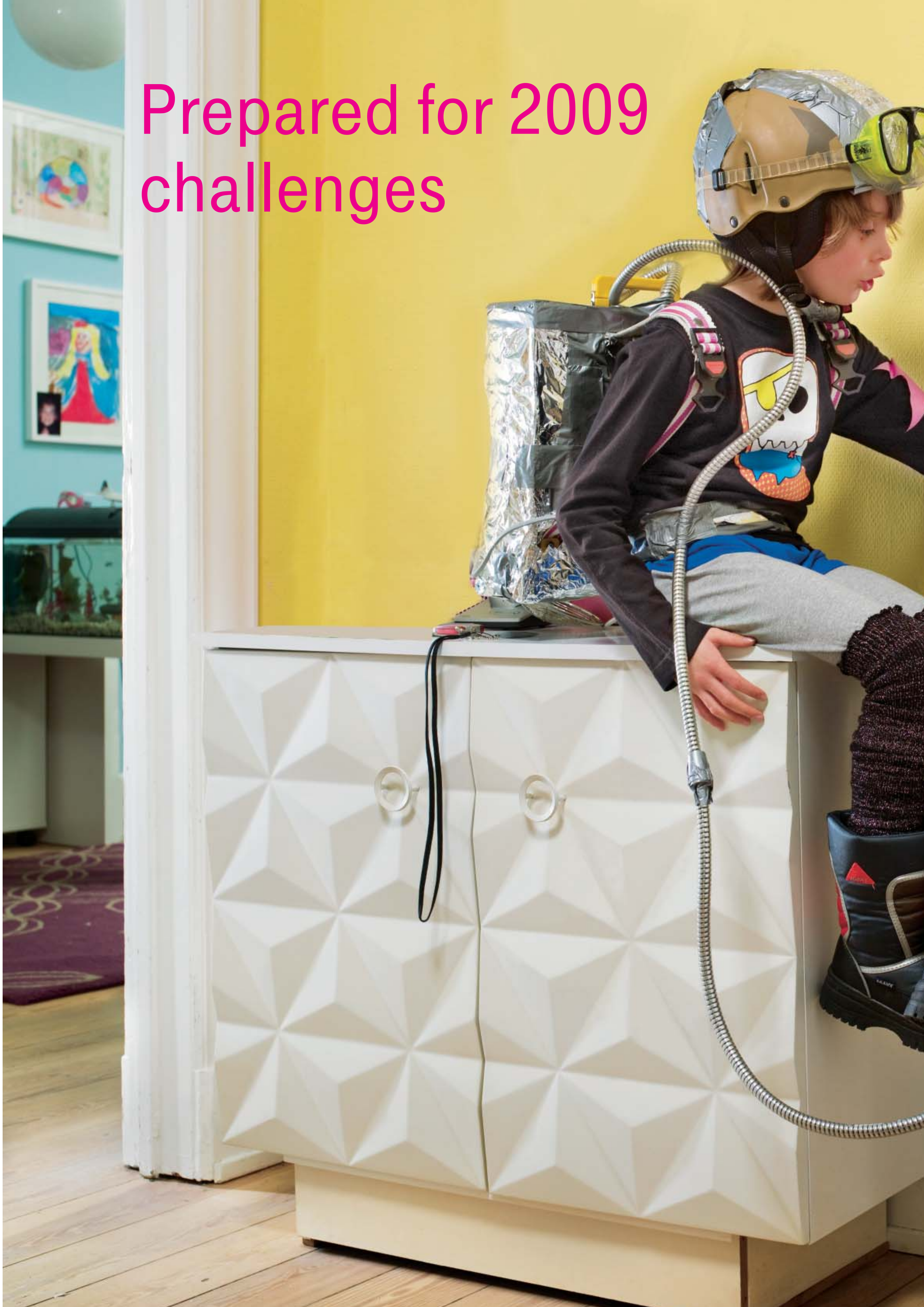
The share-based payments represent compensation of key management from the Company as part of a Mid Term Incentive Plan (MTIP) launched in 2004 by Magyar Telekom Plc., whereby the targets to be achieved are based on the performance of the Magyar Telekom Plc. shares. Participants include top and senior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

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

30. Events after the Balance Sheet Date

There are no events after the balance sheet date that would have impact on the 2008 income statement, balance sheet or cash flow.

Prepared for 2009 challenges



2009 Finance Events

Date	Event/Type of Report
28.02.2009	2008 Makedonski Telekom's annual accounts in accordance with the local GAAP to the Central Register and Public Revenue Office of the RoM
31.03.2009	2008 Consolidated Makedonski Telekom's annual accounts and report on the operation in accordance with the local GAAP to the Central Register of RoM
30.04.2009	Consolidated unaudited Income Statement in accordance with the IFRS and a report on the operation of Makedonski Telekom for the first quarter of 2009 to the Securities and Exchange Commission of the RoM
30.04.2009	2008 Annual Report of Makedonski Telekom, including the audited consolidated financial statements in accordance with the IFRS to the Securities and Exchange Commission of the RoM
15.05.2009	Publishing the summary of the audited consolidated financial statements for 2008 of Makedonski Telekom in accordance with the IFRS, alongside the audit opinion in a daily newspaper in the RoM
30.06.2009	The 2008 audited annual financial statements of MKT (standalone and consolidated) in accordance with the local GAAP and IFRS to the Central Register of the RoM
14.08.2009	Consolidated unaudited financial statement for the first half of 2009 of Makedonski Telekom in accordance with the IFRS to the Securities and Exchange Commission of the RoM
30.10.2009	Consolidated unaudited Income Statement in accordance with the IFRS and a report on the operation of Makedonski Telekom for the third quarter of 2009 to the Securities and Exchange Commission of the RoM

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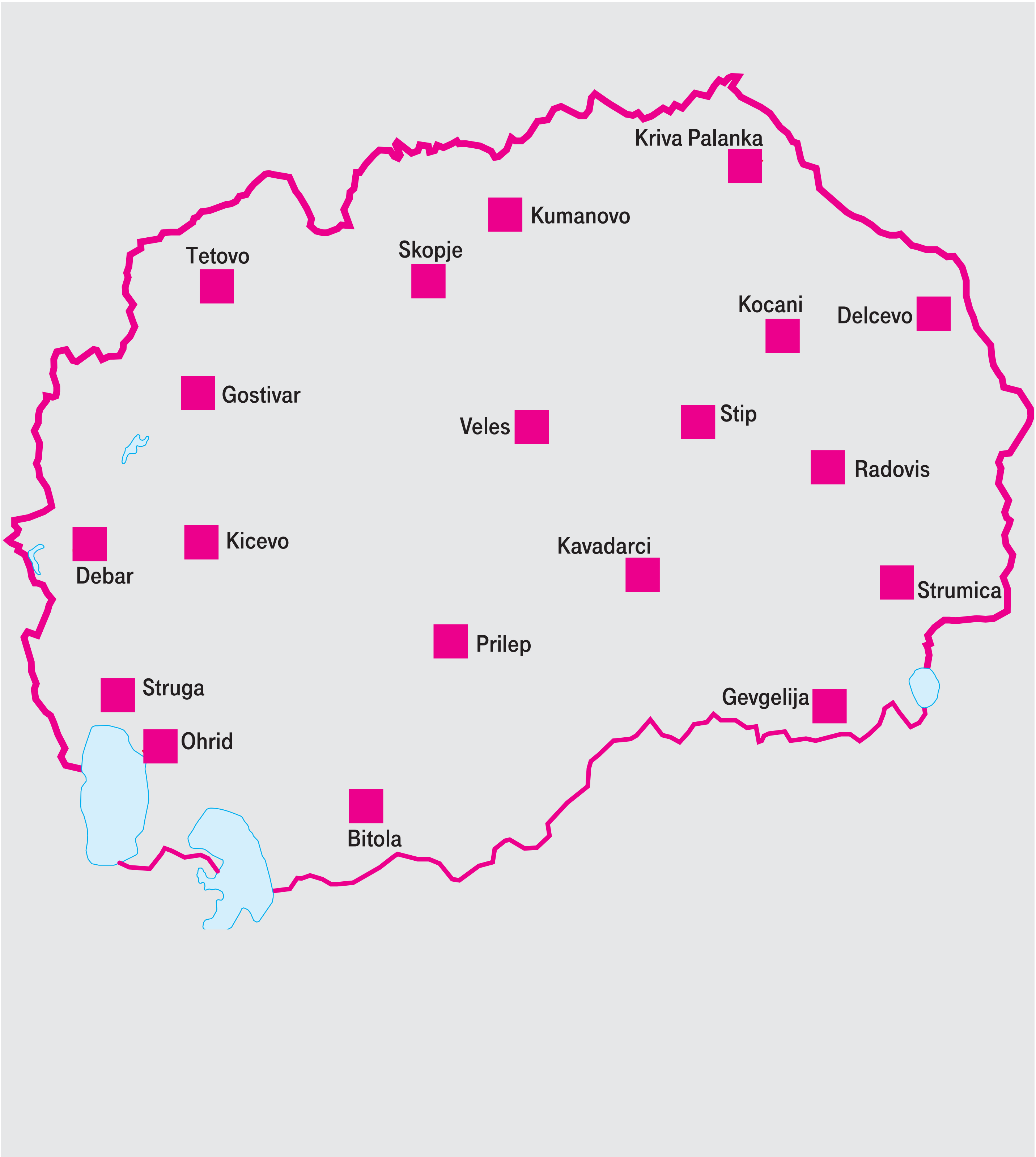
Makedonski Telekom is available for its customers everywhere. That is why we have our own developed sales network in 29 cities across the country. This is where the customers can get what they need from the Company's rich service and product portfolio.

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