

**To:** Securities and Exchange Commission of the RoM  
26 Dimitrija Cupovski, 1000 Skopje

**Date:** 29.04.2011

**Subject:** Financial Statements for the first quarter of 2011

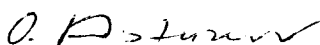
Dear Sirs/Madams,

In accordance with Articles 157, 160 and 164 of the Law on Securities and the respective by-laws, please find enclosed the financial statements for the first quarter of 2011 which contain the following:

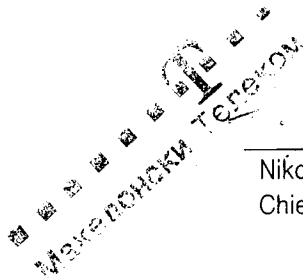
1. The consolidated and non-consolidated unaudited income statement and the analysis of the consolidated and non-consolidated operating profit prepared in accordance with the International Financial Reporting Standards (IFRS);
2. Explanations on the operation of Makedonski Telekom AD - Skopje (the Company) for the period from 01.01.2011 until 31.03.2011 (the same refer to the consolidated and non-consolidated unaudited income statement);
3. Statements for the accuracy of the foregoing.

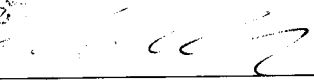
In accordance with the respective by-laws, the Company shall post the above listed financial statements in an electronic format on the website of the Securities and Exchange Commission through the respective module.

Yours faithfully,



Oliver Kosturanov  
President of the Board of Directors



  
Nikolai Beckers  
Chief Executive Officer

Proofread and verified by Lingva Ekspert

**To:** Securities and Exchange Commission of RoM  
26 Dimitrija Cupovski, 1000 Skopje

**Date:** 29.04.2011

**Subject:** Explanation on the operation of Makedonski Telekom AD - Skopje for the period from 01.01.2011 until 31.03.2011

The following analysis refers to the stand-alone financial reports of Makedonski Telekom AD – Skopje.

During the first quarter of 2011, the revenues remain stable compared to the same period of the previous year. The voice retail revenues movement results from the general usage decrease. Internet revenues still experience a continuous growth, as a result of the continuation of the trend of increasing the number of ADSL Internet subscribers. In addition, Makedonski Telekom AD - Skopje generates increased revenues from the sales of the service for provision of digital television via Internet protocol ("IPTV"). The voice wholesale revenues have increased due to the higher payment from domestic fixed line operators. Foreign sales revenues have increased due to the increased termination fee of international incoming traffic.

On the cost side, the position Services has increased due to the increased payment to the domestic mobile and fixed line operators. Depreciation and amortization have also increased compared to the same period of the previous year. Other operating costs have decreased compared to the same period of the previous year mainly as a result of the reduced valuation allowance of receivables.

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

*For further information about the internal investigation, please refer to the financial statements of the Company for the year ended 31 December 2010.*

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



Makedonski Telekom AD Skopje  
Orce Nikolov bb 1000 Skopje

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

- *As previously disclosed, there is evidence that certain former employees intentionally destroyed documents relating to activities undertaken in Macedonia by Magyar Telekom and its affiliates.*
- *Between 2000 and 2006, a small group of former senior executives at Magyar Telekom and Magyar Telekom's Macedonian affiliates, authorized the expenditure of approximately EUR 24 million through over twenty suspect consultancy, lobbying, and other contracts (including certain contracts between Magyar Telekom and its subsidiaries, on one hand, and affiliates of a Cyprus-based consulting company, on the other hand). The Final Report concludes that "the available evidence does not establish that the contracts under which these expenditures were made were legitimate."*
- *"The evidence shows that, contrary to their terms, a number of these contracts were undertaken to obtain specific regulatory and other benefits from the government of Macedonia. The Companies generally received the benefits sought and then made expenditures under one or more of the suspect contracts. There is evidence that the remaining contracts were also illegitimate and created a pool of funds available for purposes other than those stated on the face of the agreements."*
- *In entering into these contracts and approving expenditures under them, the former senior executives knowingly caused, structured, or approved transactions that shared most or all of the following characteristics:*
  - *intentional circumvention of internal controls;*
  - *false and misleading corporate documents and records;*
  - *lack of due diligence concerning and failure to monitor the performance of contractors and agents in circumstances carrying a high risk of corruption;*
  - *lack of evidence of performance; and*
  - *expenditures that were not for the purposes stated in the contracts under which they were made, but were rather intended to obtain benefits for the Magyar Telekom subsidiaries that could only be conferred by government action.*
- *The Final Report states that "the Investigation did not uncover evidence showing receipt of payments by any Macedonian government officials or political party officials." However, the counsel of Magyar Telekom's Audit Committee did not have access to evidence that would allow it to identify the ultimate beneficiaries of these expenditures.*

*As previously disclosed, Magyar Telekom has taken remedial measures to address issues previously identified by the independent investigation, including steps designed to revise and enhance Magyar Telekom Group's internal controls, as well as for establishing the Corporate Compliance Program. According to the information provided to the Company by Magyar Telekom, due to these measures, no modifications to the Corporate Compliance Program were viewed as necessary in response to the Final Report. This conclusion has been discussed with the Audit Committee of Magyar Telekom. The Audit Committee of Magyar Telekom has not made recommendations either relating to Magyar Telekom's compliance program or to the internal controls.*

*In relation to the issuance of the Final Report and the information provided to the Company by Magyar Telekom, in January 2010, the Chairman of the Company's Board of Directors requested third-party legal*

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ID number 5168660

*and tax expertise for the assessment of the potential accounting and tax implications arising from the transactions conducted by the Company and its subsidiary subject to the Final Report.*

*The external experts prepared reports (the "Reports") on their assessment and submitted the Reports to the Chairman of the Company's BoD and the Management of the Company and its subsidiary accordingly. As a result, based on the analysis of the tax and legal experts and the information available to the Management related to the transactions subject to the Final Report, an amount of MKD 216,577 thousand has been identified as potential tax impact (together with the related penalty interest) as of 31 December 2009, arising from the transactions conducted by the Company subject to the Final Report. In 2010, the amount related to the identified potential tax impact (together with the related penalty interest) amounted to MKD 227,972 thousand, which were paid in 2010 upon an executive decision issued by the Public Revenue Office. In addition, the value of one contract of MKD 105,147 thousand, capitalised within treasury shares, is now corrected and accounted for as though these payments had been expensed in 2006 rather than capitalized as part of treasury shares, as originally reported. The other contracts that were identified in the Final Report and the reports of the tax and legal experts related to transactions undertaken by the Company were expensed in the related periods (2001-2007).*

*In May 2008, the Ministry of Interior ("Moi") of the Republic of Macedonia ("RoM") submitted to the Company an official written request for information and documentation regarding certain payments for consultancy services and advance dividend, as well as certain procurements and contracts. In June 2008, the Company submitted copies from the requested documents. In the same period, T-Mobile Macedonia also received similar requests for the submission of certain documentation to the Ministry of Interior of RoM, which documentation was submitted accordingly.*

*In October 2008, the Investigation Judge from the Primary Court Skopje 1 – Skopje (the criminal court), 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 written requests were submitted and the Company provided the requested documentation.*

*We understand, based on public information available as of 10 December 2008, that the Moi Organized Crime Department submitted the files to the Basic Public Prosecution Office of Organized Crime and Corruption, with a proposal to bring criminal charges against Attila Szendrei (former CEO of Makedonski Telekom AD - Skopje), Rolf Plath (former CFO of Makedonski Telekom AD - Skopje), Mihail Kefaloyannis (former member of the Board of Directors in Stonebridge and former member of the Board of Directors in Telemacedonia) and Zoltan Kisjuhász (former CEO of Stonebridge and former non-executive member of the Board of Directors of Makedonski Telekom AD - Skopje), on account of a reasonable doubt for a committed criminal act. These individuals are proposed to be charged with having committed "abuse of office and authorizations" in their position in Makedonski Telekom AD - Skopje by concluding consultancy contracts for which there was no intention or need for any services in return.*

*The Primary Court Skopje 1 in Skopje, Investigative Department for Organized Crime, delivered a summons to the Company in connection with the criminal charges against the above-stated persons and asked for a statement as to whether the Company suffered any damages on the basis of the said consultancy contracts.*

*After several postponements of the court hearing related to the investigation procedure handled in the Primary Court Skopje 1 Skopje, at the hearing held on 13 April 2009, the representatives of Makedonski*



Makedonski Telekom AD Skopje  
Orce Nikolov bb 1000 Skopje


*Telekom AD Skopje declared the position of the Company that taking into consideration the ongoing independent internal investigation conducted by White & Case, approved by the Company's BoD, it was premature to preannounce any damage which may be caused by means of the implementation of the mentioned contracts or with reference to them. Upon the completion of the independent internal investigation, the Company will inform the court on its final position in respect of the possible damage and the criminal prosecution of the accused persons. On 9 April 2010, the Company received a notification from the Bureau of Judicial Expertise that based on the order of the Primary Court Skopje 1 Skopje the Bureau would perform expertise on the case. The expertise was performed on 11 May 2010 and the experts from Ministry of Justice of the Republic of Macedonia – Court Expertise Office – Skopje, asked for some additional documents from Company in order to prepare the expertise. The Company received a notification from the Court Expertise Office – Skopje that the expertise would continue on 18 October 2010. The experts asked for additional information related to certain agreements concluded in 2005 and 2006, and the related invoices. The Company collected and submitted the requested information/documentation to the Court Expertise Office on 1 November 2010. On 14 March 2011, the Company, through its counsel (the Law Firm Polenak), received from the Primary Court Skopje 1 a copy of the "Finding and Opinion", dated November 2010, issued by the Bureau of Judicial Expertise to the Primary Court Skopje 1 as a result of the expertise procedure. The "Finding and Opinion" addresses and contains conclusions regarding five contracts entered into with Chaptex and Cosmotelco in 2005 and 2006 and formerly reviewed by the Audit Committee of Magyar Telekom. The "Finding and Opinion" concludes that, based on these contracts, expenditures in the amount of EUR 3.975 million were made by the Company and Stonebridge to Chaptex "without evidence for performed services"; accordingly, the shareholders of the Company and Stonebridge, in the proportion of their shareholding, suffered damages in the aforementioned aggregate amount as result of decreased proceeds for the payment of dividend in 2005 and 2006. The Company understands that the Public Prosecutor will consider whether to bring an accusation act against the above cited individuals in this case.*

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

  
  
**Nikolai Beckers**  
**Chief Executive Officer**

Proofreading by Lingva Ekspert

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Број:   
Датум: 056-151394/3 7 9 2011



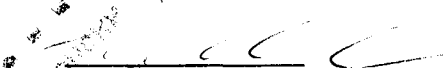
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NON-CONSOLIDATED INCOME STATEMENT ACCORDING TO IFRS (BY COST NATURE)

Company	Makedonski Telekom AD - Skopje		
Reporting period	First quarter of 2011	ID number	5168660

(in thousands of MKD)

No,	Item	Previous year		Current year		Indices	
		Cumulative from the beginning of the year	Current quarter	Cumulative from the beginning of the year	Current quarter	Compared to the previous year	Compared to the previous quarter
1	<b>OPERATING INCOME</b>	<b>2,090,329</b>	<b>2,090,329</b>	<b>2,078,340</b>	<b>2,078,340</b>	100	100
2	Sales revenues	1,976,820	1,976,820	2,050,192	2,050,192	104	104
2a	Domestic sales revenue	1,754,479	1,754,479	1,693,882	1,693,882	97	97
2b	Foreign sales revenue	222,341	222,341	356,310	356,310	161	161
3	Changes in the stock of finished products and work in progress	-	-	-	-	-	-
4	Other operating income	113,509	113,509	28,148	28,148	25	25
5	<b>OPERATING EXPENSES</b>	<b>(1,562,214)</b>	<b>(1,562,214)</b>	<b>(1,629,974)</b>	<b>(1,629,974)</b>	<b>105</b>	<b>105</b>
6	Cost value of trade goods	(102,573)	(102,573)	(110,759)	(110,759)	108	108
7	Materials, small inventory and services	(761,414)	(761,414)	(790,189)	(790,189)	104	104
7a	Raw materials and small inventory	(12,220)	(12,220)	(10,311)	(10,311)	85	85
7b	Services	(749,194)	(749,194)	(779,878)	(779,878)	104	104
8	Changes in the stock of finished products and work in progress	-	-	-	-	-	-
9	Employee-related costs	(261,094)	(261,094)	(270,949)	(270,949)	104	104
10	Depreciation, amortization and provisions	(401,182)	(401,182)	(448,752)	(448,752)	112	112
10a	Depreciation	(401,042)	(401,042)	(448,599)	(448,599)	112	112
10b	Impairment of fixed assets	(140)	(140)	(153)	(153)	110	110
10c	Provisions for costs and risks	-	-	-	-	-	-
11	Other operating expenses	(35,951)	(35,951)	(9,325)	(9,325)	26	26
12	<b>OPERATING PROFIT/LOSS</b>	<b>528,115</b>	<b>528,115</b>	<b>448,366</b>	<b>448,366</b>	<b>85</b>	<b>85</b>
13	Financial income	-	-	3,742,954	3,742,954	-	-
14	Income from investments, loans, interest and FX rate movements	75,174	75,174	53,166	53,166	71	71
15	Other financing income	-	-	-	-	-	-
16	Financial expenses	-	-	-	-	-	-
17	Expenses for interest, FX rate movements and similar expenses	(5,353)	(5,353)	(2,121)	(2,121)	40	40
18	Other financing expenses	-	-	-	-	-	-
19	<b>Profit/loss from regular operations before tax</b>	<b>597,936</b>	<b>597,936</b>	<b>4,242,365</b>	<b>4,242,365</b>	<b>710</b>	<b>710</b>
20	Income tax	(4,751)	(4,751)	-	-	-	-
21	<b>Net profit/loss after tax</b>	<b>593,185</b>	<b>593,185</b>	<b>4,242,365</b>	<b>4,242,365</b>	<b>716</b>	<b>716</b>
22	Minority interest	-	-	-	-	-	-
23	<b>Net profit/loss for the fiscal year</b>	<b>593,185</b>	<b>593,185</b>	<b>4,242,365</b>	<b>4,242,365</b>	<b>716</b>	<b>716</b>

  
Nikolai Beckers  
Chief Executive Officer

Makedonski Telekom AD Skopje  
 Orce Nikolov bb 1000 Skopje

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

Company	Makedonski Telekom AD - Skopje		
Reporting period	First quarter of 2011	ID number	5168660

(in thousands of MKD)

No,	Item	Previous year		Current year		Indices	
		Cumulative from the beginning of the year	Current quarter	Cumulative from the beginning of the year	Current quarter	Compared to the previous year	Compared to the previous quarter
1	Sales revenues	1,976,820	1,976,820	2,050,192	2,050,192	104	104
2	Other operating income	113,509	113,509	28,148	28,148	25	25
3	Cost value of goods and services sold	(102,573)	(102,573)	(110,759)	(110,759)	108	108
4	Changes in the stock of finished products and work in progress	-	-	-	-	-	-
5	Raw materials, materials and small inventory	(12,220)	(12,220)	(10,311)	(10,311)	85	85
6	Impairment charges	(13,761)	(13,761)	9,455	9,455	-69	-69
7	Employee-related costs	(261,094)	(261,094)	(270,949)	(270,949)	104	104
8	Sales costs	(461,123)	(461,123)	(524,000)	(524,000)	114	114
9	Costs for services provided by other parties	(689,113)	(689,113)	(704,477)	(704,477)	103	103
10	Other operating expenses	(22,330)	(22,330)	(18,933)	(18,933)	85	85
11	<b>OPERATING PROFIT/LOSS</b>	<b>528,115</b>	<b>528,115</b>	<b>448,366</b>	<b>448,366</b>	<b>85</b>	<b>85</b>

Nikolai Beckers  
 Chief Executive Officer

Makedonski Telekom AD Skopje  
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To: **Securities and Exchange Commission of the RoM**  
**26 Dimitrija Cupovski, 1000 Skopje**

Date: **29.04.2011**

## STATEMENT

In accordance with the Law on Securities of the RoM as well as the respective by-laws, I, Nikolai Beckers, Chief Executive Officer of Makedonski Telekom AD – Skopje (the Company) hereby affirm that the delivered non consolidated financial reports for the first quarter of 2011, are accurate and reliable.

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

*For further information about the internal investigation, please refer to the financial statements of the Company for the year ended 31 December 2010.*

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

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

- *As previously disclosed, there is evidence that certain former employees intentionally destroyed documents relating to activities undertaken in Macedonia by Magyar Telekom and its affiliates.*
- *Between 2000 and 2006, a small group of former senior executives at Magyar Telekom and Magyar Telekom's Macedonian affiliates, authorized the expenditure of approximately EUR 24 million through over twenty suspect consultancy, lobbying, and other contracts (including certain contracts between Magyar Telekom and its subsidiaries, on one hand, and affiliates of a Cyprus-based consulting company, on the other hand). The Final Report concludes that "the available evidence does not establish that the contracts under which these expenditures were made were legitimate."*
- *"The evidence shows that, contrary to their terms, a number of these contracts were undertaken to obtain specific regulatory and other benefits from the government of Macedonia. The Companies generally received the benefits sought and then made expenditures under one or more of the*





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- suspect contracts. There is evidence that the remaining contracts were also illegitimate and created a pool of funds available for purposes other than those stated on the face of the agreements."*
- *In entering into these contracts and approving expenditures under them, the former senior executives knowingly caused, structured, or approved transactions that shared most or all of the following characteristics:*
    - *intentional circumvention of internal controls;*
    - *false and misleading corporate documents and records;*
    - *lack of due diligence concerning and failure to monitor the performance of contractors and agents in circumstances carrying a high risk of corruption;*
    - *lack of evidence of performance; and*
    - *expenditures that were not for the purposes stated in the contracts under which they were made, but were rather intended to obtain benefits for the Magyar Telekom subsidiaries that could only be conferred by government action.*
  - *The Final Report states that "the Investigation did not uncover evidence showing receipt of payments by any Macedonian government officials or political party officials." However, the counsel of Magyar Telekom's Audit Committee did not have access to evidence that would allow it to identify the ultimate beneficiaries of these expenditures.*

*As previously disclosed, Magyar Telekom has taken remedial measures to address issues previously identified by the independent investigation, including steps designed to revise and enhance Magyar Telekom Group's internal controls, as well as for establishing the Corporate Compliance Program. According to the information provided to the Company by Magyar Telekom, due to these measures, no modifications to the Corporate Compliance Program were viewed as necessary in response to the Final Report. This conclusion has been discussed with the Audit Committee of Magyar Telekom. The Audit Committee of Magyar Telekom has not made recommendations either relating to Magyar Telekom's compliance program or to the internal controls.*

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

*The external experts prepared reports (the "Reports") on their assessment and submitted the Reports to the Chairman of the Company's BoD and the Management of the Company and its subsidiary accordingly. As a result, based on the analysis of the tax and legal experts and the information available to the Management related to the transactions subject to the Final Report, an amount of MKD 216,577 thousand has been identified as potential tax impact (together with the related penalty interest) as of 31 December 2009, arising from the transactions conducted by the Company subject to the Final Report. In 2010, the amount related to the identified potential tax impact (together with the related penalty interest) amounted to MKD 227,972 thousand, which were paid in 2010 upon an executive decision issued by the Public Revenue Office. In addition, the value of one contract of MKD 105,147 thousand, capitalised within treasury shares, is now corrected and accounted for as though these payments had been expensed in 2006 rather than capitalized as part of treasury shares, as originally reported. The other contracts that were identified in the Final Report and the reports of the tax*



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*and legal experts related to transactions undertaken by the Company were expensed in the related periods (2001-2007).*

*In May 2008, the Ministry of Interior ("Mol") of the Republic of Macedonia ("RoM") submitted to the Company an official written request for information and documentation regarding certain payments for consultancy services and advance dividend, as well as certain procurements and contracts. In June 2008, the Company submitted copies from the requested documents. In the same period, T-Mobile Macedonia also received similar requests for the submission of certain documentation to the Ministry of Interior of RoM, which documentation was submitted accordingly.*

*In October 2008, the Investigation Judge from the Primary Court Skopje 1 – Skopje (the criminal court), 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 Mol written requests were submitted and the Company provided the requested documentation.*

*We understand, based on public information available as of 10 December 2008, that the Mol 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 account of a reasonable doubt for a committed criminal act. These individuals are proposed to be charged with having committed "abuse of office and authorizations" in their position in Makedonski Telekom AD - Skopje by concluding consultancy contracts for which there was no intention or need for any services in return.*

*The Primary Court Skopje 1 in Skopje, Investigative Department for Organized Crime, delivered a summons to the Company in connection with the criminal charges against the above-stated persons and asked for a statement as to whether the Company suffered any damages on the basis of the said consultancy contracts.*

*After several postponements of the court hearing related to the investigation procedure handled in the Primary Court Skopje 1 Skopje, at the hearing held on 13 April 2009, the representatives of Makedonski Telekom AD Skopje declared the position of the Company that taking into consideration the ongoing independent internal investigation conducted by White & Case, approved by the Company's BoD, it was premature to preannounce any damage which may be caused by means of the implementation of the mentioned contracts or with reference to them. Upon the completion of the independent internal investigation, the Company will inform the court on its final position in respect of the possible damage and the criminal prosecution of the accused persons. On 9 April 2010, the Company received a notification from the Bureau of Judicial Expertise that based on the order of the Primary Court Skopje 1 Skopje the Bureau would perform expertise on the case. The expertise was performed on 11 May 2010 and the experts from Ministry of Justice of the Republic of Macedonia – Court Expertise Office – Skopje, asked for some additional documents from Company in order to prepare the expertise. The Company received a notification from the Court Expertise Office – Skopje that the expertise would continue on 18 October 2010. The experts asked for additional information related to certain agreements concluded in 2005 and 2006, and the related invoices. The Company collected and submitted the requested information/documentation to the Court Expertise Office on 1 November 2010. On 14 March 2011, the Company, through its counsel (the Law Firm Polenak), received from the Primary Court Skopje 1 a copy*

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*of the "Finding and Opinion", dated November 2010, issued by the Bureau of Judicial Expertise to the Primary Court Skopje 1 as a result of the expertise procedure. The "Finding and Opinion" addresses and contains conclusions regarding five contracts entered into with Chaptex and Cosmotelco in 2005 and 2006 and formerly reviewed by the Audit Committee of Magyar Telekom. The "Finding and Opinion" concludes that, based on these contracts, expenditures in the amount of EUR 3.975 million were made by the Company and Stonebridge to Chaptex "without evidence for performed services"; accordingly, the shareholders of the Company and Stonebridge, in the proportion of their shareholding, suffered damages in the aforementioned aggregate amount as result of decreased proceeds for the payment of dividend in 2005 and 2006. The Company understands that the Public Prosecutor will consider whether to bring an accusation act against the above cited individuals in this case.*

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

  
Nikolai Beckers  
Chief Executive Officer

Proofreading by Lingva Ekspert

**To:** Securities and Exchange Commission of RoM  
26 Dimitrija Cupovski, 1000 Skopje

**Date:** 29.04.2011

**Subject:** Explanation on the operation of Makedonski Telekom AD - Skopje for the period from 01.01.2011 until 31.03.2011

The following analysis refers to the consolidated financial reports of Makedonski Telekom AD - Skopje Group, which includes Makedonski Telekom AD - Skopje, T-Mobile Macedonia AD Skopje and e-Macedonia - Skopje Foundation.

During the first quarter of 2011, the revenues on Group level decreased by 9% compared to the same period in 2010. The revenues from fixed telecommunication services remain stable, while the revenues from the mobile segment have decreased compared to the same period of the previous year. The voice retail revenues, from the mobile segment, have decreased, which is partly compensated by the increased revenues from the voice wholesale and mobile internet services. The voice revenues in the fixed segment services have decreased. The Internet revenues still experience a slight growth as a result of the continuation of the trend of increasing the number of ADSL Internet subscribers. In addition, Makedonski Telekom AD - Skopje generates increased revenues from the sales of the service for provision of digital television via Internet protocol ("IPTV"). Foreign sales revenues have increased due to the higher termination fee for international incoming traffic. The decrease in Other operating revenue relates to the lower FX gains in the current year compared to the same period in the previous year.

On the cost side, the Cost value of trade goods sold has decreased due to the decreased sale of equipment in the current year. The Services have increased due to the payment to domestic mobile and fixed line operators, partly compensated by the decrease of the payment to international operators. Depreciation and amortization have also increased compared to the same period of the previous year. The decrease in the Provision for cost and risk results from the release of provision for possible costs in the mobile segment. Other operating costs have decreased compared to the same period in the previous year as a result of the reduced valuation allowance of receivables.

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

*For further information about the internal investigation, please refer to the financial statements of the Company for the year ended 31 December 2010.*

*According to the information provided to the Company by Magyar Telekom, on 2 December 2009, the Audit Committee of Magyar Telekom provided Magyar Telekom's Board of Directors with a "Report of Investigation to the Audit Committee of Magyar Telekom Plc." dated 30 November 2009 (the "Final Report"). The Audit Committee of Magyar Telekom indicated that it considers that, with the delivery of*



Makedonski Telekom AD Skopje  
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*the Final Report based on the currently available facts, White & Case completed its independent internal investigation.*

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

- *As previously disclosed, there is evidence that certain former employees intentionally destroyed documents relating to activities undertaken in Macedonia by Magyar Telekom and its affiliates.*
- *Between 2000 and 2006, a small group of former senior executives at Magyar Telekom and Magyar Telekom's Macedonian affiliates, authorized the expenditure of approximately EUR 24 million through over twenty suspect consultancy, lobbying, and other contracts (including certain contracts between Magyar Telekom and its subsidiaries, on one hand, and affiliates of a Cyprus-based consulting company, on the other hand). The Final Report concludes that "the available evidence does not establish that the contracts under which these expenditures were made were legitimate."*
- *"The evidence shows that, contrary to their terms, a number of these contracts were undertaken to obtain specific regulatory and other benefits from the government of Macedonia. The Companies generally received the benefits sought and then made expenditures under one or more of the suspect contracts. There is evidence that the remaining contracts were also illegitimate and created a pool of funds available for purposes other than those stated on the face of the agreements."*
- *In entering into these contracts and approving expenditures under them, the former senior executives knowingly caused, structured, or approved transactions that shared most or all of the following characteristics:*
  - *intentional circumvention of internal controls;*
  - *false and misleading corporate documents and records;*
  - *lack of due diligence concerning and failure to monitor the performance of contractors and agents in circumstances carrying a high risk of corruption;*
  - *lack of evidence of performance; and*
  - *expenditures that were not for the purposes stated in the contracts under which they were made, but were rather intended to obtain benefits for the Magyar Telekom subsidiaries that could only be conferred by government action.*
- *The Final Report states that "the Investigation did not uncover evidence showing receipt of payments by any Macedonian government officials or political party officials." However, the counsel of Magyar Telekom's Audit Committee did not have access to evidence that would allow it to identify the ultimate beneficiaries of these expenditures.*

*As previously disclosed, Magyar Telekom has taken remedial measures to address issues previously identified by the independent investigation, including steps designed to revise and enhance Magyar Telekom Group's internal controls, as well as for establishing the Corporate Compliance Program. According to the information provided to the Company by Magyar Telekom, due to these measures, no modifications to the Corporate Compliance Program were viewed as necessary in response to the Final Report. This conclusion has been discussed with the Audit Committee of Magyar Telekom. The Audit Committee of Magyar Telekom has not made recommendations either relating to Magyar Telekom's compliance program or to the internal controls.*

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Makedonski Telekom AD Skopje  
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*In relation to the issuance of the Final Report and the information provided to the Company by Magyar Telekom, in January 2010, the Chairman of the Company's Board of Directors requested third-party legal and tax expertise for the assessment of the potential accounting and tax implications arising from the transactions conducted by the Company and its subsidiary subject to the Final Report.*

*The external experts prepared reports (the "Reports") on their assessment and submitted the Reports to the Chairman of the Company's BoD and the Management of the Company and its subsidiary accordingly. As a result, based on the analysis of the tax and legal experts and the information available to the Management related to the transactions subject to the Final Report, an amount of MKD 248,379 thousand has been identified as potential tax impact (together with the related penalty interest) as of 31 December 2009, arising from the transactions conducted by the Company and its subsidiary subject to the Final Report. In 2010, the amount related to the identified potential tax impact (together with the related penalty interest) amounted to MKD 261,834 thousand, out of which MKD 227,972 thousand, related to the Company, were paid in 2010 upon an executive decision issued by the Public Revenue Office. In addition, the value of one contract of MKD 105,147 thousand, capitalised within treasury shares, is now corrected and accounted for as though these payments had been expensed in 2006 rather than capitalized as part of treasury shares, as originally reported. The other contracts that were identified in the Final Report and the reports of the tax and legal experts related to transactions undertaken by the Company and its subsidiary were expensed in the related periods (2001-2007).*

*In May 2008, the Ministry of Interior ("Mol") of the Republic of Macedonia ("RoM") submitted to the Company an official written request for information and documentation regarding certain payments for consultancy services and advance dividend, as well as certain procurements and contracts. In June 2008, the Company submitted copies from the requested documents. In the same period, T-Mobile Macedonia also received similar requests for the submission of certain documentation to the Ministry of Interior of RoM, which documentation was submitted accordingly.*

*In October 2008, the Investigation Judge from the Primary Court Skopje 1 – Skopje (the criminal court), 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 Mol written requests were submitted and the Company provided the requested documentation.*

*We understand, based on public information available as of 10 December 2008, that the Mol 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 account of a reasonable doubt for a committed criminal act. These individuals are proposed to be charged with having committed "abuse of office and authorizations" in their position in Makedonski Telekom AD - Skopje by concluding consultancy contracts for which there was no intention or need for any services in return.*

*The Primary Court Skopje 1 in Skopje, Investigative Department for Organized Crime, delivered a summons to the Company in connection with the criminal charges against the above-stated persons and asked for a statement as to whether the Company suffered any damages on the basis of the said consultancy contracts.*

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Makedonski Telekom AD Skopje  
Orce Nikolov bb 1000 Skopje

*After several postponements of the court hearing related to the investigation procedure handled in the Primary Court Skopje 1 Skopje, at the hearing held on 13 April 2009, the representatives of Makedonski Telekom AD Skopje declared the position of the Company that taking into consideration the ongoing independent internal investigation conducted by White & Case, approved by the Company's BoD, it was premature to preannounce any damage which may be caused by means of the implementation of the mentioned contracts or with reference to them. Upon the completion of the independent internal investigation, the Company will inform the court on its final position in respect of the possible damage and the criminal prosecution of the accused persons. On 9 April 2010, the Company received a notification from the Bureau of Judicial Expertise that based on the order of the Primary Court Skopje 1 Skopje the Bureau would perform expertise on the case. The expertise was performed on 11 May 2010 and the experts from Ministry of Justice of the Republic of Macedonia – Court Expertise Office – Skopje, asked for some additional documents from Company in order to prepare the expertise. The Company received a notification from the Court Expertise Office – Skopje that the expertise would continue on 18 October 2010. The experts asked for additional information related to certain agreements concluded in 2005 and 2006, and the related invoices. The Company collected and submitted the requested information/documentation to the Court Expertise Office on 1 November 2010. On 14 March 2011, the Company, through its counsel (the Law Firm Polenak), received from the Primary Court Skopje 1 a copy of the "Finding and Opinion", dated November 2010, issued by the Bureau of Judicial Expertise to the Primary Court Skopje 1 as a result of the expertise procedure. The "Finding and Opinion" addresses and contains conclusions regarding five contracts entered into with Chaptex and Cosmotelco in 2005 and 2006 and formerly reviewed by the Audit Committee of Magyar Telekom. The "Finding and Opinion" concludes that, based on these contracts, expenditures in the amount of EUR 3.975 million were made by the Company and Stonebridge to Chaptex "without evidence for performed services"; accordingly, the shareholders of the Company and Stonebridge, in the proportion of their shareholding, suffered damages in the aforementioned aggregate amount as result of decreased proceeds for the payment of dividend in 2005 and 2006. The Company understands that the Public Prosecutor will consider whether to bring an accusation act against the above cited individuals in this case.*

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

  
  
**Nikolai Beckers**  
**Chief Executive Officer**

Proofreading by Lingva Ekspert

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CONSOLIDATED INCOME STATEMENT ACCORDING TO IFRS (BY COST NATURE)

Company	Makedonski Telekom AD - Skopje		
Reporting period	First quarter of 2011	ID number	5168660

(in thousands of MKD)

No,	Item	Previous year		Current year		Indices	
		Cumulative from the beginning of the year	Current quarter	Cumulative from the beginning of the year	Current quarter	Compared to the previous year	Compared to the previous quarter
1	<b>OPERATING INCOME</b>	<b>4,257,841</b>	<b>4,257,841</b>	<b>3,883,908</b>	<b>3,883,908</b>	<b>92</b>	<b>92</b>
2	Sales revenues	4,105,947	4,105,947	3,832,985	3,832,985	94	94
2a	Domestic sales revenue	3,796,987	3,796,987	3,418,816	3,418,816	90	90
2b	Foreign sales revenue	308,960	308,960	414,169	414,169	134	134
3	Changes in the stock of finished products and work in progress	-	-	-	-	-	-
4	Other operating income	151,894	151,894	50,923	50,923	34	34
5	<b>OPERATING EXPENSES</b>	<b>(2,892,436)</b>	<b>(2,892,436)</b>	<b>(2,564,899)</b>	<b>(2,564,899)</b>	<b>89</b>	<b>89</b>
6	Cost value of trade goods	(398,332)	(398,332)	(329,502)	(329,502)	83	83
7	Materials, small inventory and services	(1,150,826)	(1,150,826)	(1,103,351)	(1,103,351)	96	96
7a	Raw materials and small inventory	(20,235)	(20,235)	(15,936)	(15,936)	79	79
7b	Services	(1,130,591)	(1,130,591)	(1,087,415)	(1,087,415)	97	97
8	Changes in the stock of finished products and work in progress	-	-	-	-	-	-
9	Employee-related costs	(388,886)	(388,886)	(402,760)	(402,760)	104	104
10	Depreciation, amortization and provisions	(884,254)	(884,254)	(692,246)	(692,246)	79	79
10a	Depreciation	(742,290)	(742,290)	(786,893)	(786,893)	106	106
10b	Impairment of fixed assets	(3,638)	(3,638)	(1,317)	(1,317)	37	37
10c	Provisions for costs and risks	(138,326)	(138,326)	95,964	95,964	-70	-70
11	Other operating expenses	(70,138)	(70,138)	(37,040)	(37,040)	53	53
12	<b>OPERATING PROFIT/LOSS</b>	<b>1,365,405</b>	<b>1,365,405</b>	<b>1,319,009</b>	<b>1,319,009</b>	<b>97</b>	<b>97</b>
13	Financial income	-	-	-	-	-	-
14	Income from investments, loans, interest and FX rate movements	105,363	105,363	69,673	69,673	67	67
15	Other financing income	-	-	-	-	-	-
16	Financial expenses	(47)	(47)	-	-	-	-
17	Expenses for interest, FX rate movements and similar expenses	(5,353)	(5,353)	(6,413)	(6,413)	120	120
18	Other financing expenses	-	-	-	-	-	-
19	<b>Profit/loss from regular operations before tax</b>	<b>1,465,368</b>	<b>1,465,368</b>	<b>1,382,269</b>	<b>1,382,269</b>	<b>95</b>	<b>95</b>
20	Income tax	(18,806)	(18,806)	-	-	-	-
21	<b>Net profit/loss after tax</b>	<b>1,446,562</b>	<b>1,446,562</b>	<b>1,382,269</b>	<b>1,382,269</b>	<b>96</b>	<b>96</b>
22	Minority interest	-	-	-	-	-	-
23	<b>Net profit/loss for the fiscal year</b>	<b>1,446,562</b>	<b>1,446,562</b>	<b>1,382,269</b>	<b>1,382,269</b>	<b>96</b>	<b>96</b>

Makedonski Telekom  
Nikolai Beckers  
Chief Executive Officer



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

Company	Makedonski Telekom AD - Skopje		
Reporting period	First quarter of 2011	ID number	5168660

(in thousands of MKD)

No,	Item	Previous year		Current year		Indices	
		Cumulative from the beginning of the year	Current quarter	Cumulative from the beginning of the year	Current quarter	Compared to the previous year	Compared to the previous quarter
1	Sales revenues	4,105,947	4,105,947	3,832,985	3,832,985	94	94
2	Other operating income	151,894	151,894	50,923	50,923	34	34
3	Cost value of goods and services sold	(398,332)	(398,332)	(329,502)	(329,502)	83	83
4	Changes in the stock of finished products and work in progress	-	-	-	-	-	-
5	Raw materials, materials and small inventory	(20,235)	(20,235)	(15,936)	(15,936)	79	79
6	Impairment charges	(32,073)	(32,073)	(12,676)	(12,676)	40	40
7	Employee-related costs	(388,886)	(388,886)	(402,760)	(402,760)	104	104
8	Sales costs	(964,864)	(964,864)	(797,687)	(797,687)	83	83
9	Costs for services provided by other parties	(1,046,343)	(1,046,343)	(980,657)	(980,657)	94	94
10	Other operating expenses	(41,703)	(41,703)	(25,681)	(25,681)	62	62
11	<b>OPERATING PROFIT/LOSS</b>	<b>1,365,405</b>	<b>1,365,405</b>	<b>1,319,009</b>	<b>1,319,009</b>	<b>97</b>	<b>97</b>

Nikolai Beckers  
Chief Executive Officer

Makedonski Telekom AD Skopje  
Orce Nikolov bb 1000 Skopje

To: **Securities and Exchange Commission of the RoM**  
**26 Dimitrija Cupovski, 1000 Skopje**

Date: **29.04.2011**

## STATEMENT

In accordance with the Law on Securities of the RoM as well as the respective by-laws, I, Nikolai Beckers, Chief Executive Officer of Makedonski Telekom AD – Skopje (the Company) hereby affirm that the delivered consolidated financial reports for the first quarter of 2011, are accurate and reliable.

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

*For further information about the internal investigation, please refer to the financial statements of the Company for the year ended 31 December 2010.*

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

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

- *As previously disclosed, there is evidence that certain former employees intentionally destroyed documents relating to activities undertaken in Macedonia by Magyar Telekom and its affiliates.*
- *Between 2000 and 2006, a small group of former senior executives at Magyar Telekom and Magyar Telekom's Macedonian affiliates, authorized the expenditure of approximately EUR 24 million through over twenty suspect consultancy, lobbying, and other contracts (including certain contracts between Magyar Telekom and its subsidiaries, on one hand, and affiliates of a Cyprus-based consulting company, on the other hand). The Final Report concludes that "the available evidence does not establish that the contracts under which these expenditures were made were legitimate."*
- *"The evidence shows that, contrary to their terms, a number of these contracts were undertaken to obtain specific regulatory and other benefits from the government of Macedonia. The Companies generally received the benefits sought and then made expenditures under one or more of the*

*suspect contracts. There is evidence that the remaining contracts were also illegitimate and created a pool of funds available for purposes other than those stated on the face of the agreements."*

- *In entering into these contracts and approving expenditures under them, the former senior executives knowingly caused, structured, or approved transactions that shared most or all of the following characteristics:*
  - *intentional circumvention of internal controls;*
  - *false and misleading corporate documents and records;*
  - *lack of due diligence concerning and failure to monitor the performance of contractors and agents in circumstances carrying a high risk of corruption;*
  - *lack of evidence of performance; and*
  - *expenditures that were not for the purposes stated in the contracts under which they were made, but were rather intended to obtain benefits for the Magyar Telekom subsidiaries that could only be conferred by government action.*
- *The Final Report states that "the Investigation did not uncover evidence showing receipt of payments by any Macedonian government officials or political party officials." However, the counsel of Magyar Telekom's Audit Committee did not have access to evidence that would allow it to identify the ultimate beneficiaries of these expenditures.*

*As previously disclosed, Magyar Telekom has taken remedial measures to address issues previously identified by the independent investigation, including steps designed to revise and enhance Magyar Telekom Group's internal controls, as well as for establishing the Corporate Compliance Program. According to the information provided to the Company by Magyar Telekom, due to these measures, no modifications to the Corporate Compliance Program were viewed as necessary in response to the Final Report. This conclusion has been discussed with the Audit Committee of Magyar Telekom. The Audit Committee of Magyar Telekom has not made recommendations either relating to Magyar Telekom's compliance program or to the internal controls.*

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

*The external experts prepared reports (the "Reports") on their assessment and submitted the Reports to the Chairman of the Company's BoD and the Management of the Company and its subsidiary accordingly. As a result, based on the analysis of the tax and legal experts and the information available to the Management related to the transactions subject to the Final Report, an amount of MKD 248,379 thousand has been identified as potential tax impact (together with the related penalty interest) as of 31 December 2009, arising from the transactions conducted by the Company and its subsidiary subject to the Final Report. In 2010, the amount related to the identified potential tax impact (together with the related penalty interest) amounted to MKD 261,834 thousand, out of which MKD 227,972 thousand, related to the Company, were paid in 2010 upon an executive decision issued by the Public Revenue Office. In addition, the value of one contract of MKD 105,147 thousand, capitalised within treasury shares, is now corrected and accounted for as though these payments had been expensed in 2006 rather than capitalized as part of treasury shares, as originally reported. The other contracts that were*

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Makedonski Telekom AD Skopje  
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identified in the Final Report and the reports of the tax and legal experts related to transactions undertaken by the Company and its subsidiary were expensed in the related periods (2001-2007).

In May 2008, the Ministry of Interior ("Mol") of the Republic of Macedonia ("RoM") submitted to the Company an official written request for information and documentation regarding certain payments for consultancy services and advance dividend, as well as certain procurements and contracts. In June 2008, the Company submitted copies from the requested documents. In the same period, T-Mobile Macedonia also received similar requests for the submission of certain documentation to the Ministry of Interior of RoM, which documentation was submitted accordingly.

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We understand, based on public information available as of 10 December 2008, that the Mol 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 account of a reasonable doubt for a committed criminal act. These individuals are proposed to be charged with having committed "abuse of office and authorizations" in their position in Makedonski Telekom AD - Skopje by concluding consultancy contracts for which there was no intention or need for any services in return.

The Primary Court Skopje 1 in Skopje, Investigative Department for Organized Crime, delivered a summons to the Company in connection with the criminal charges against the above-stated persons and asked for a statement as to whether the Company suffered any damages on the basis of the said consultancy contracts.

After several postponements of the court hearing related to the investigation procedure handled in the Primary Court Skopje 1 Skopje, at the hearing held on 13 April 2009, the representatives of Makedonski Telekom AD Skopje declared the position of the Company that taking into consideration the ongoing independent internal investigation conducted by White & Case, approved by the Company's BoD, it was premature to preannounce any damage which may be caused by means of the implementation of the mentioned contracts or with reference to them. Upon the completion of the independent internal investigation, the Company will inform the court on its final position in respect of the possible damage and the criminal prosecution of the accused persons. On 9 April 2010, the Company received a notification from the Bureau of Judicial Expertise that based on the order of the Primary Court Skopje 1 Skopje the Bureau would perform expertise on the case. The expertise was performed on 11 May 2010 and the experts from Ministry of Justice of the Republic of Macedonia – Court Expertise Office – Skopje, asked for some additional documents from Company in order to prepare the expertise. The Company received a notification from the Court Expertise Office – Skopje that the expertise would continue on 18 October 2010. The experts asked for additional information related to certain agreements concluded in 2005 and 2006, and the related invoices. The Company collected and submitted the requested information/documentation to the Court Expertise Office on 1 November 2010. On 14 March 2011, the Company, through its counsel (the Law Firm Polenak), received from the Primary Court Skopje 1 a copy


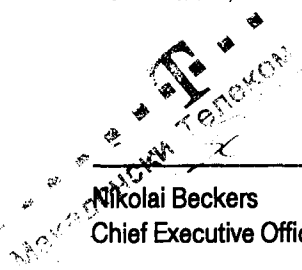
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Orce Nikolov bb 1000 Skopje

*of the "Finding and Opinion", dated November 2010, issued by the Bureau of Judicial Expertise to the Primary Court Skopje 1 as a result of the expertise procedure. The "Finding and Opinion" addresses and contains conclusions regarding five contracts entered into with Chaptex and Cosmotelco in 2005 and 2006 and formerly reviewed by the Audit Committee of Magyar Telekom. The "Finding and Opinion" concludes that, based on these contracts, expenditures in the amount of EUR 3.975 million were made by the Company and Stonebridge to Chaptex "without evidence for performed services"; accordingly, the shareholders of the Company and Stonebridge, in the proportion of their shareholding, suffered damages in the aforementioned aggregate amount as result of decreased proceeds for the payment of dividend in 2005 and 2006. The Company understands that the Public Prosecutor will consider whether to bring an accusation act against the above cited individuals in this case.*

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

  
  
**Nikolai Beckers**  
**Chief Executive Officer**

Proofreading by Lingva Ekspert