



Makedonski Telekom AD Skopje
„Kej 13-ti Noemvri” br.6, 1000 Skopje, Republika Makedonija

To: Macedonian Stock Exchange
Orce Nikolov 75, 1000 Skopje

Date: August 2013

Subject: Explanation on the operation of Makedonski Telekom AD - Skopje for the period from 01.01.2013 until 30.06.2013

The following analysis refers to the unaudited non consolidated (stand-alone) financial reports of Makedonski Telekom AD – Skopje, prepared in accordance with International Financial Reporting Standards (IFRSs).

During the first half of 2013, the revenues marked a decrease of 11.5% compared to the same period of the previous year. The revenues of voice services in the fixed line segment decreased due to the decreased number of fixed line customers by 7.4% compared to the same half of the previous year, resulting in a customer base of 274 thousand at the end of June 2013 and a decrease of the outgoing traffic by 18.0%, thus amounting to 292,471 thousand minutes in the first half of 2013. However, Makedonski Telekom managed to maintain its leading market position with a market share of 71% (estimated internally) in the fixed line segment and with internet broadband market share of 53.1% (estimated internally). The revenues from internet and digital television via Internet protocol (“IPTV”) increased by 8.0% compared to the first half of the previous year. The focus on the double and triple play packages resulted in an increased number of DSL customers by 10.0%, resulting in DSL customer base of 180 thousand at the end of June 2013. Makedonski Telekom, with its IPTV service, entered as a challenger on the market already dominated by the CATV providers. However, due to the high quality service, the interactivity and the unique TV experience, Makedonski Telekom achieved an increase of the number of IPTV customers by 58.0% compared to end of June 2012, whereby the number of customers at the end of June 2013 amounted to 80 thousand.

On the cost side, during the first half of 2013, the operating expenses mark a slight increase of 3.7% compared to the same period of the previous year.

The above-stated movements on the revenues and costs side resulted in a decrease of the net profit for the first half of the 2013 by 37.9% compared to the same period of the previous year, resulting in a net profit of MKD 2,480,318 thousand.

On 13 February 2006, Magyar Telekom Plc., 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 Plc. to determine whether the contracts were entered into in violation of Magyar Telekom Plc. policy or applicable law or regulation. Magyar Telekom’s Audit Committee retained White & Case, as its independent legal counsel to conduct the internal investigation. Subsequent to this on 19 February



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2007, the Board of Directors of the Company, based on the recommendation of the Audit Committee of the Company and the Audit Committee of Magyar Telekom Plc., adopted a resolution to conduct an independent internal investigation regarding certain contracts in Macedonia.

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

Magyar Telekom’s Audit Committee informed the U.S. Department of Justice (the “DOJ”) and the U.S. Securities and Exchange Commission (the “SEC”) of the internal investigation. The DOJ and the SEC commenced investigations into the activities that were the subject of the internal investigation. For further information about the internal investigation, please refer to the financial statements of the Company for the previous years.

In 2011, Magyar Telekom entered into final settlements with the DOJ and the SEC to resolve the DOJ’s and the SEC’s investigations relating to Magyar Telekom. The settlements concluded the DOJ’s and the SEC’s investigations.

Magyar Telekom has entered into a two-year deferred prosecution agreement (the “DPA”) with the DOJ, under which Magyar Telekom was charged with a violation of the anti-bribery provisions of the FCPA and two violations of the books and records provisions of the FCPA. In accordance with the DPA, on 29 December 2011, the DOJ filed a criminal information (the “Information”) setting out these charges in the U.S. District Court for the Eastern District of Virginia. Magyar Telekom has agreed to admit to the DOJ’s allegations and to acknowledge responsibility for the acts as charged in the Information. Magyar Telekom has agreed to pay a criminal penalty of USD 59.6 million to cooperate with the DOJ in future investigations, to refrain from any violations of U.S. federal criminal law, to continue to operate a compliance program and to report to the DOJ annually regarding the compliance program during the term of the DPA. The DOJ will seek to dismiss the charges upon conclusion of the two-year term, unless Magyar Telekom violates the terms of the DPA.

On 29 December 2011, the SEC filed in the U.S. District Court for the Southern District of New York a Complaint (the “Complaint”) and a proposed Final Judgment against Magyar Telekom (the “Final Judgment”). Without admitting or denying the allegations in the Complaint, Magyar Telekom consented to the filing of the Complaint and entry of the Final Judgment to resolve the SEC’s investigation. The Complaint alleged civil violations of the FCPA’s anti-bribery, books and records and internal control provisions. The Final Judgment, which was approved by the U.S. District Court for the Southern District of New York on 3 January 2012, permanently enjoined Magyar Telekom from violating these provisions and required Magyar Telekom to pay USD 25.2 million for disgorgement of profits and USD 6.0 million of prejudgment interest thereon.

The final settlements recognize the DOJ’s and the SEC’s consideration of Magyar Telekom’s self-reporting, thorough internal investigation, remediation and cooperation with the DOJ’s and the SEC’s investigations. Magyar Telekom has undertaken several remedial measures to address the issues identified during the course of these investigations. These measures include steps designed to revise and enhance Magyar Telekom’s internal controls, as well as the establishment of the Corporate Compliance Program. The Corporate Compliance Program promotes awareness of Magyar Telekom’s compliance policies and procedures through training, the operation of a whistleblower hotline, and

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monitoring of, and communications with, employees and subsidiaries of Magyar Telekom. Magyar Telekom remains fully committed to responsible corporate behaviour.

On 6 January 2012 Magyar Telekom paid a criminal penalty of USD 59.6 million pursuant to the settlement with the DOJ and on 23 January 2012 Magyar Telekom paid USD 25.2 million for disgorgement of profits and USD 6.0 million of prejudgment interest pursuant to the settlement with the SEC, totalling USD 90.8 million paid with respect to the settlements with the DOJ and the SEC.

The above-referenced settlement by Magyar Telekom and associated liability was not recorded in the financial statements of the Company. These amounts were reflected in the consolidated financial statements of Magyar Telekom and are not reflected in the financial statements of the Company.

According the information provided to the Company by Magyar Telekom Plc., on 2 December 2009, the Audit Committee of Magyar Telekom Plc., provided the Magyar Telekom’s Board of Directors with a “Report of Investigation to the Audit Committee of Magyar Telekom Plc.” dated 30 November 2009 (the “Final Report”).

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 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 information available to the Management related to the transactions subject of the Final Report, amount of MKD 216,577 thousand has been identified as potential tax impact, together with 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 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 was corrected in 2009 financial statements and was 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 by the Final Report and the reports of the tax and legal experts related to transactions undertaken by the Company were expensed in the related periods (2001-2007).

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 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 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

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(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 “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 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.

After several postponements of the court hearing related to the investigation procedure handled in the Primary Court Skopje 1 Skopje, on 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. An 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’s side in order to prepare the expertise. The experts asked additional information related to certain agreements concluded in 2005 and 2006, and related invoices. The Company has collected and submitted requested information/documentation to the Court Expertise Office on 1 November 2010.

On 14 March 2011, the Company 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, 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 payment of dividend in 2005 and 2006.

Based on publically available information, we understand that the Public Prosecutor has filed an indictment in 2011 against Mr. Szendrei, Mr. Kisjuhász and Mr. Plath, but not against Mr. Kefaloyannis. The court hearing has taken place at the end of 2011, but it was postponed since the court could not provide presence of any of the defendants. The Company, as damaged party in this case, has not received official court invitation for the hearing.

Pursuant to the questions posed by the investigative judge, it could be concluded that the public prosecutor has addressed the Company as party damaged by the actions of the defendants. However, based on the content of the order for expertise issued by the investigative judge, and on the basis of the expert opinion, it can be concluded that now damaged parties are shareholders of the Company (Stonebridge AD Skopje, Republic of Macedonia and minority shareholders) and therefore the state budget, as the Republic of Macedonia is a shareholder in the Company. Therefore, the public prosecutor should clear out who is considered as damage party in this particular case, which is of significant importance for the position of the Company in this proceeding and its further actions. At the moment there aren’t any indications that the Company could be found liable and made to pay any penalties or



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fines for the criminal procedure which is initiated against the individuals and accordingly the Company did not record any provision.

On 23 February 2012 the Company received a request for documentation from the Financial Police Office of the Ministry of Finance of RoM related to certain consultancy contract and underlying documentation, which were also provided to White & Case during the internal investigation. The Company responded to the request accordingly.

We have not become aware of any 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 from the effects of a possible illegal act.

Thilo Kusch
Chief Executive Officer

Slavko Projkoski
Chief Financial Officer

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

Company Makedonski Telekom AD - Skopje
Reporting period 01.01.2013 – 30.06.2013

ID number

5168660

(in MKD thousands)

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

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	3,682,983	1,823,210	3,326,186	1,678,338	90	92
2	Other operating income	104,458	86,484	25,513	19,637	24	23
3	Cost value of goods and services sold	-165,565	-77,999	-199,880	-112,736	121	145
4	Changes in the stock of finished products and work in progress	0	0	0	0	0	0
5	Raw materials, materials and small inventory	-16,971	-6,861	-18,666	-5,943	110	87
6	Impairment charges	-13,256	-14,853	-24,116	-15,781	182	106
7	Employee-related costs	-540,204	-270,056	-564,495	-270,818	104	100
8	Sales costs	-1,086,441	-533,215	-1,174,854	-580,713	108	109
9	Costs for services provided by other parties	-1,368,145	-702,305	-1,338,601	-656,106	98	93
10	Other operating expenses	-39,482	-23,218	-27,997	-18,268	71	79
11	OPERATING PROFIT/LOSS	557,377	281,187	3,090	37,610	1	13

 Thilo Kusch
 Chief Executive Officer

 Slavko Projkoski
 Chief Financial Officer

UNAUDITED NONCONSOLIDATED INCOME STATEMENT ACCORDING TO IFRS (BY COST NATURE)

Company Makedonski Telekom AD - Skopje
Reporting period 01.01.2013 – 30.06.2013

ID number

5168660

(in MKD thousands)

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	OPERATING INCOME	3,787,441	1,909,694	3,351,699	1,697,975	88	89
2	Sales revenues	3,682,983	1,823,210	3,326,186	1,678,338	90	92
2a	Domestic sales revenue	2,945,500	1,429,930	2,674,305	1,359,952	91	95
2b	Foreign sales revenue	737,483	393,280	651,881	318,386	88	81
3	Changes in the stock of finished products and work in progress	0	0	0	0	0	0
4	Other operating income	104,458	86,484	25,513	19,637	24	23
5	OPERATING EXPENSES	-3,230,064	-1,628,507	-3,348,609	-1,660,365	104	102
6	Cost value of trade goods	-165,565	-77,999	-199,880	-112,736	121	145
7	Materials, small inventory and services	-1,511,733	-759,569	-1,485,868	-714,050	98	94
7a	Raw materials and small inventory	-16,971	-6,861	-18,666	-5,943	110	87
7b	Services	-1,494,762	-752,708	-1,467,202	-708,107	98	94
8	Changes in the stock of finished products and work in progress	0	0	0	0	0	0
9	Employee-related costs	-540,204	-270,056	-564,495	-270,818	104	100
10	Depreciation, amortization and provisions	-962,865	-484,776	-1,046,253	-528,712	109	109
10a	Depreciation	-959,824	-482,812	-1,046,253	-528,712	109	110
10b	Impairment of fixed assets	-3,041	-1,964	0	0	0	0
10c	Provisions for costs and risks	0	0	0	0	0	0
11	Other operating expenses	-49,697	-36,107	-52,113	-34,049	105	94
12	OPERATING PROFIT/LOSS	557,377	281,187	3,090	37,610	1	13
13	Financial income	3,358,781	3,282	2,464,210	1,640	73	50
14	Income from investments, loans, interest and FX rate movements	82,818	34,856	42,575	6,022	51	17
15	Other financing income	0	0	0	0	0	0
16	Financial expenses	0	0	0	0	0	0
17	Expenses for interest, FX rate movements and similar expenses	-7,702	-3,286	-29,557	-14,947	384	455
18	Other financing expenses	0	0	0	0	0	0
19	Profit/loss from regular operations before tax	3,991,274	316,039	2,480,318	30,325	62	10
20	Income tax	0	0	0	0	0	0
21	Net profit/loss after tax	3,991,274	316,039	2,480,318	30,325	62	10
22	Minority interest	0	0	0	0	0	0
23	Net profit/loss for the fiscal year	3,991,274	316,039	2,480,318	30,325	62	10

Thilo Kusch
Chief Executive Officer

Slavko Projkoski
Chief Financial Officer

UNAUDITED NONCONSOLIDATED BALANCE SHEET ACCORDING TO IFRS

Company Makedonski Telekom AD - Skopje
Reporting period 30.06.2013 ID number

5168660

(in MKD thousands)

Item	Previous year	Current year	Indices
ASSETS	23,206,221	19,642,182	85
NON-CURRENT ASSETS	16,590,375	16,202,838	98
Intangible assets	712,893	697,386	98
Property, plant and equipment	12,705,875	12,347,052	97
Investments in subsidiaries	0	0	0
Investments in associate companies	2,792,171	2,792,170	100
Investments in securities	50,828	47,426	93
Other tangible assets	0	0	0
Other long-term receivables	328,608	318,804	97
Deferred tax assets	0	0	0
CURRENT ASSETS	6,615,846	3,439,344	52
Inventories	178,443	298,119	167
Trade receivables	1,152,024	1,287,578	112
Other receivables	134,872	175,595	130
Short-term investments	5,072,181	1,444,354	28
Cash and cash equivalents	78,326	233,698	298
TOTAL ASSETS	23,206,221	19,642,182	85
OFF-BALANCE SHEET RECORDS - ASSETS			
EQUITY AND LIABILITIES			
EQUITY	19,889,739	16,723,450	84
Shareholders' equity	6,386,189	6,386,189	100
Reserves	1,916,777	958,388	50
Accumulated profit (loss)	11,586,773	9,378,873	81
Minority interest	0	0	0
LIABILITIES	3,316,482	2,918,732	88
CURRENT LIABILITIES	2,560,560	2,204,021	86
Trade payables and other liabilities	2,482,592	2,113,347	85
Short-term borrowings	0	0	0
Short-term provision	57,144	55,399	97
Payables to the state	20,824	35,275	169
LONG-TERM LIABILITIES	755,922	714,711	95
Long-term borrowings	648,845	671,434	103
Trade payables and other long-term liabilities	0	0	0
Other long-term provision	107,077	43,277	40
TOTAL EQUITY AND LIABILITY	23,206,221	19,642,182	85
OFF-BALANCE SHEET RECORDS - LIABILITIES			

Thilo Kusch
Chief Executive Officer

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Chief Financial Officer

UNAUDITED NONCONSOLIDATED CASH FLOW STATEMENT ACCORDING TO IFRS

 Company Makedonski Telekom AD - Skopje
 Reporting period 01.01.2013 – 30.06.2013

ID number

5168660

(in MKD thousands)

Item	Previous year 01.01.2012 – 31.12.2012	Current year 01.01.2013 – 30.06.2013	Indices
A) Cash flows from operating activities	<u>2,775,878</u>	<u>652,150</u>	23
Net profit / loss after tax	4,951,413	2,480,318	50
Adjustment for			
Depreciation	2,007,154	1,046,255	52
Amortization and impairment charges	39,146	9,694	25
Increase / decrease of inventories	-8,028	-119,677	1,491
Increase / decrease of customers	113,786	-135,554	(119)
Increase / decrease of advance payments receivables	-9,209	-19,687	214
Increase / decrease of other short-term receivables	3,094	-10,697	(346)
Increase / decrease of prepaid expenses	-14,027	-10,794	77
Increase / decrease of trade payables	-19,241	-32,925	171
Increase / decrease of payables for received advances	1,467	581	40
Increase / decrease of other short-term liabilities	-2,058	76,063	(3,696)
Increase / decrease of differed income	25,803	-190,027	(736)
Interest income / expense	-127,191	-13,154	10
Dividend paid / charged	-3,358,784	-2,464,210	73
Tax paid	19,443	14,451	74
Capital profit / loss from sale of fixed assets	-711,225	769	(0)
Capital profit / loss from sale of investments	0	0	0
Other cash flows from operating activities	-135,665	20,744	(15)
B) Cash flows from investing activities	<u>3,440,121</u>	<u>5,149,829</u>	150
Acquisition of property, plant and equipment, intangible assets, etc.	-1,801,594	-997,268	55
Disposal of property, plant and equipment, intangible assets, etc.	35,478	9,059	26
Cash flows from disposal of bearer or debt securities to other legal persons and participation in joint ventures	0	0	0
Cash payments for acquisition of bearer or debt securities to other legal persons and participation in joint ventures	0	0	0
Cash advances and loans provided to other parties (excluding financial institutions)	2,354	0	0
Cash flows from collection of advances and loans provided to other parties (excluding financial institutions)	0	9,804	0
Cash flows from interests	128,238	36,197	28
Cash flows from dividends	3,358,784	2,464,210	73
Other cash flows from investing activities	1,716,861	3,627,827	211
C) Cash flows from financing activities	<u>-6,163,557</u>	<u>-5,646,607</u>	92
Cash flows from increase of equity through issuing stock or other bearer securities	0	0	0
Cash payments for repayments of loans	0	0	0
Cash flows from issued debt securities and other short-term and long-term loans and borrowings	0	0	0
Acquisition of minority interests	0	0	0
Dividend paid	-6,163,557	-5,646,607	92
Treasury shares purchased/ sold	0	0	0
Cash payments for reduction of financial leasing payables	0	0	0
Increase / decrease of cash and cash equivalents	<u>52,442</u>	<u>155,372</u>	296
Cash and cash equivalents at the beginning of the year	25,884	78,326	303
D) Cash and cash equivalents at the end of the period	<u>78,326</u>	<u>233,698</u>	298

 Thilo Kusch
 Chief Executive Officer

 Slavko Projkoski
 Chief Financial Officer

UNAUDITED NONCONSOLIDATED STATEMENT OF CHANGES IN EQUITY ACCORDING TO IFRS

Company Makedonski Telekom AD - Skopje
Reporting period 01.01.2013 – 30.06.2013 **ID number** 5168660

(in MKD thousands)

Changes	Shareholders' equity	Share premium	Reserves	Accumulated profit (loss)	Minority interest	Total equity
Balances at 1 January of the previous year	5,845,530	540,659	1,916,777	12,798,917	0	21,101,883
Payment of shares	0	0	0	0	0	0
Treasury shares acquired	0	0	0	0	0	0
Treasury shares sold	0	0	0	0	0	0
Conversion of securities	0	0	0	0	0	0
Profit (loss) for the fiscal year	0	0	0	4,951,413	0	4,951,413
Distribution of the profits as transfer to the reserves	0	0	0	0	0	0
Distribution of the profits for dividends and other payouts to the shareholders	0	0	0	-6,163,557	0	-6,163,557
Distribution of the profits for rewards and benefits for the employees	0	0	0	0	0	0
Other company reserves	0	0	0	0	0	0
Evaluation of tangible assets	0	0	0	0	0	0
Adjustments of investments available-for-sale at fair value	0	0	0	0	0	0
Realized capital gain from the sale of securities	0	0	0	0	0	0
Recording losses of subsidiaries using the equity method	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0
Recognized income and expenses, net	0	0	0	0	0	0
Foreign exchange rate movements	0	0	0	0	0	0
Other increase / decrease of assets, net	0	0	0	0	0	0
Balances at 31 December of the previous year	5,845,530	540,659	1,916,777	11,586,773	0	19,889,739
Payment of shares	0	0	0	0	0	0
Treasury shares acquired	0	0	0	0	0	0
Treasury shares sold	0	0	0	0	0	0
Conversion of securities	0	0	0	0	0	0
Profit (loss) for the fiscal year	0	0	0	2,480,318	0	2,480,318
Distribution of the profits as transfer to the reserves	0	0	0	0	0	0
Distribution of the profits for dividends and other payouts to the shareholders	0	0	0	-5,646,607	0	-5,646,607
Distribution of the profits for rewards and benefits for the employees	0	0	0	0	0	0
Other company reserves	0	0	0	0	0	0
Evaluation of tangible assets	0	0	0	0	0	0
Adjustments of investments available-for-sale at fair value	0	0	0	0	0	0
Realized capital gain from the sale of securities	0	0	0	0	0	0
Recording losses of subsidiaries using the equity method	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0
Recognized income and expenses, net	0	0	0	0	0	0
Foreign exchange rate movements	0	0	0	0	0	0
Other increase / decrease of assets, net	0	0	-958,389	958,389	0	0
Balances at 30 of June of the current year	5,845,530	540,659	958,388	9,378,873	0	16,723,450

Thilo Kusch
Chief Executive Officer

Slavko Projkoski
Chief Financial Officer



Makedonski Telekom AD Skopje
„Kej 13-ti Noemvri” br.6, 1000 Skopje, Republika Makedonija

To: Macedonian Stock Exchange
Orce Nikolov 75, 1000 Skopje

Date: August 2013

Subject: Explanation on the operation of Makedonski Telekom AD - Skopje Group for the period from 01.01.2013 until 30.06.2013

The following analysis refers to the unaudited consolidated financial reports of Makedonski Telekom AD – Skopje Group, which includes Makedonski Telekom AD - Skopje, T-Mobile Macedonia AD Skopje and the e-Makedonija – Skopje Foundation, prepared in accordance with International Financial Reporting Standards (IFRSs).

The revenues at Group level in the first half of 2013 amounted to MKD 6,270,034 thousand, which represents a decrease of 9.2% compared to the same period in 2012.

The revenues from voice services in the fixed line segment decreased due to the decreased number of fixed line customers by 7.4% compared to the same half of the previous year, resulting in a customer base of 274 thousand at the end of June 2013 and a decrease of the outgoing traffic by 18.0%, thus amounting to 292,471 thousand minutes in the first half of 2013. However, Makedonski Telekom managed to maintain its leading market position with a market share of 71% (estimated internally) in the fixed line segment and with internet broadband market share of 53.1% (estimated internally). The revenues from internet and digital television via Internet protocol (“IPTV”) increased by 8.0% compared to the first half of the previous year. The focus on the double and triple play packages resulted in an increased number of DSL customers by 10.0%, resulting in DSL customer base of 180 thousand at the end of June 2013. Makedonski Telekom, with its IPTV service, entered as a challenger on the market already dominated by the CATV providers. However, due to the high quality service, the interactivity and the unique TV experience, Makedonski Telekom achieved an increase of the number of IPTV customers by 58.0% compared to end of June 2012, whereby the number of customers at the end of June 2013 amounted to 80 thousand.

The decline in mobile revenues is mostly due to the decrease in the voice retail revenues, mainly as a result of the decrease in the subscriber base resulting to 1,198 thousand subscribers at the end of June 2013. Moreover, the Average Revenue Per User (ARPU) decreased by 7.0%. Nevertheless, even with this strong price competition, T-Mobile Macedonia maintained its leading market position with a market share of 48.1% (estimated internally).

On the cost side, during the first half of 2013, the operating expenses remain relatively stable compared to the same period of the previous year.

The above-stated movements on the revenues and costs side resulted in a decrease of the net profit in the first half of the 2013 by 39.5% compared to the same period of the previous year, resulting in a net profit of MKD 1,066,384 thousand.



Makedonski Telekom AD Skopje
„Kej 13-ti Noemvri” br.6, 1000 Skopje, Republika Makedonija

On 13 February 2006, Magyar Telekom Plc., 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 Plc. to determine whether the contracts were entered into in violation of Magyar Telekom Plc. policy or applicable law or regulation. Magyar Telekom’s Audit Committee retained White & Case, as its independent legal counsel to conduct the internal investigation. Subsequent to this on 19 February 2007, the Board of Directors of the Company, based on the recommendation of the Audit Committee of the Company and the Audit Committee of Magyar Telekom Plc., adopted a resolution to conduct an independent internal investigation regarding certain contracts in Macedonia.

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

Magyar Telekom’s Audit Committee informed the U.S. Department of Justice (the “DOJ”) and the U.S. Securities and Exchange Commission (the “SEC”) of the internal investigation. The DOJ and the SEC commenced investigations into the activities that were the subject of the internal investigation. For further information about the internal investigation, please refer to the financial statements of the Company for the previous years.

In 2011, Magyar Telekom entered into final settlements with the DOJ and the SEC to resolve the DOJ’s and the SEC’s investigations relating to Magyar Telekom. The settlements concluded the DOJ’s and the SEC’s investigations.

Magyar Telekom has entered into a two-year deferred prosecution agreement (the “DPA”) with the DOJ, under which Magyar Telekom was charged with a violation of the anti-bribery provisions of the FCPA and two violations of the books and records provisions of the FCPA. In accordance with the DPA, on 29 December 2011, the DOJ filed a criminal information (the “Information”) setting out these charges in the U.S. District Court for the Eastern District of Virginia. Magyar Telekom has agreed to admit to the DOJ’s allegations and to acknowledge responsibility for the acts as charged in the Information. Magyar Telekom has agreed to pay a criminal penalty of USD 59.6 million to cooperate with the DOJ in future investigations, to refrain from any violations of U.S. federal criminal law, to continue to operate a compliance program and to report to the DOJ annually regarding the compliance program during the term of the DPA. The DOJ will seek to dismiss the charges upon conclusion of the two-year term, unless Magyar Telekom violates the terms of the DPA.

On 29 December 2011, the SEC filed in the U.S. District Court for the Southern District of New York a Complaint (the “Complaint”) and a proposed Final Judgment against Magyar Telekom (the “Final Judgment”). Without admitting or denying the allegations in the Complaint, Magyar Telekom consented to the filing of the Complaint and entry of the Final Judgment to resolve the SEC’s investigation. The Complaint alleged civil violations of the FCPA’s anti-bribery, books and records and internal control provisions. The Final Judgment, which was approved by the U.S. District Court for the Southern District of



Makedonski Telekom AD Skopje
„Kej 13-ti Noemvri” br.6, 1000 Skopje, Republika Makedonija

New York on 3 January 2012, permanently enjoined Magyar Telekom from violating these provisions and required Magyar Telekom to pay USD 25.2 million for disgorgement of profits and USD 6.0 million of prejudgment interest thereon.

The final settlements recognize the DOJ's and the SEC's consideration of Magyar Telekom's self-reporting, thorough internal investigation, remediation and cooperation with the DOJ's and the SEC's investigations. Magyar Telekom has undertaken several remedial measures to address the issues identified during the course of these investigations. These measures include steps designed to revise and enhance Magyar Telekom's internal controls, as well as the establishment of the Corporate Compliance Program. The Corporate Compliance Program promotes awareness of Magyar Telekom's compliance policies and procedures through training, the operation of a whistleblower hotline, and monitoring of, and communications with, employees and subsidiaries of Magyar Telekom. Magyar Telekom remains fully committed to responsible corporate behaviour.

On 6 January 2012 Magyar Telekom paid a criminal penalty of USD 59.6 million pursuant to the settlement with the DOJ and on 23 January 2012 Magyar Telekom paid USD 25.2 million for disgorgement of profits and USD 6.0 million of prejudgment interest pursuant to the settlement with the SEC, totalling USD 90.8 million paid with respect to the settlements with the DOJ and the SEC.

The above-referenced settlement by Magyar Telekom and associated liability was not recorded in the consolidated financial statements of the Group. These amounts were reflected in the consolidated financial statements of Magyar Telekom and are not reflected in the consolidated financial statements of the Company.

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

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 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 information available to the Management related to the transactions subject of the Final Report, amount of MKD 248,379 thousand has been identified as potential tax impact, together with 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 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 2012 the amount of MKD 36,724 thousand related to the identified potential tax impact, together with related penalty interest, in the subsidiary was paid 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 was corrected in 2009 consolidated financial statements and was accounted for as though these



Makedonski Telekom AD Skopje
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payments had been expensed in 2006 rather than capitalized as part of treasury shares as originally reported. The other contracts that were identified by 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 (“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 has also received similar requests for provision of certain documentation to the Ministry of Interior of RM and they were submitted accordingly.

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 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 the account of a reasonable doubt for committed criminal act. These individuals are proposed to be charged with having “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 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.

After several postponements of the court hearing related to the investigation procedure handled in the Primary Court Skopje 1 Skopje, on 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. An 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’s side in order to prepare the expertise. The experts asked additional information related to certain agreements concluded in 2005 and 2006, and related invoices. The Company has collected and submitted requested information/documentation to the Court Expertise Office on 1 November 2010.



Makedonski Telekom AD Skopje
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On 14 March 2011, the Company 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, 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 payment of dividend in 2005 and 2006.

Based on publicly available information, we understand that the Public Prosecutor has filed an indictment in 2011 against Mr. Szendrei, Mr. Kisjuhász and Mr. Plath, but not against Mr. Kefaloyannis. The court hearing has taken place at the end of 2011, but it was postponed since the court could not provide presence of any of the defendants. The Company, as damaged party in this case, has not received official court invitation for the hearing.

Pursuant to the questions posed by the investigative judge, it could be concluded that the public prosecutor has addressed the Company as party damaged by the actions of the defendants. However, based on the content of the order for expertise issued by the investigative judge, and on the basis of the expert opinion, it can be concluded that now damaged parties are shareholders of the Company (Stonebridge AD Skopje, Republic of Macedonia and minority shareholders) and therefore the state budget, as the Republic of Macedonia is a shareholder in the Company. Therefore, the public prosecutor should clear out who is considered as damage party in this particular case, which is of significant importance for the position of the Company in this proceeding and its further actions. At the moment there aren't any indications that the Company could be found liable and made to pay any penalties or fines for the criminal procedure which is initiated against the individuals and accordingly the Group did not record any provision.

On 23 February 2012 the Company received a request for documentation from the Financial Police Office of the Ministry of Finance of RoM related to certain consultancy contract and underlying documentation, which were also provided to White & Case during the internal investigation. The Company responded to the request accordingly.

We have not become aware of any 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 from the effects of a possible illegal act.

Thilo Kusch
Chief Executive Officer

Slavko Projkoski
Chief Financial Officer

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

Company Makedonski Telekom AD - Skopje
Reporting period 01.01.2013 – 30.06.2013

ID number

5168660

(in MKD thousands)

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

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	6,755,126	3,389,667	6,187,817	3,122,255	92	92
2	Other operating income	149,758	109,803	82,217	43,452	55	40
3	Cost value of goods and services sold	-612,558	-283,558	-810,453	-368,022	132	130
4	Changes in the stock of finished products and work in progress	0	0	0	0	0	0
5	Raw materials, materials and small inventory	-24,952	-8,868	-23,281	-8,843	93	100
6	Impairment charges	-41,669	-32,706	-48,702	-46,104	117	141
7	Employee-related costs	-770,672	-379,824	-821,856	-400,208	107	105
8	Sales costs	-1,859,066	-869,904	-1,666,416	-820,755	90	94
9	Costs for services provided by other parties	-1,865,864	-928,885	-1,816,258	-887,330	97	96
10	Other operating expenses	-76,025	-41,996	-46,828	-31,820	62	76
11	OPERATING PROFIT/LOSS	1,654,078	953,729	1,036,240	602,625	63	63

Thilo Kusch
Chief Executive Officer

Slavko Projkoski
Chief Financial Officer

UNAUDITED CONSOLIDATED INCOME STATEMENT ACCORDING TO IFRS (BY COST NATURE)

Company Makedonski Telekom AD - Skopje
Reporting period 01.01.2013 – 30.06.2013

ID number

5168660

(in MKD thousands)

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	OPERATING INCOME	6,904,884	3,499,470	6,270,034	3,165,707	91	90
2	Sales revenues	6,755,126	3,389,667	6,187,817	3,122,255	92	92
2a	Domestic sales revenue	5,837,598	2,892,289	5,428,592	2,751,574	93	95
2b	Foreign sales revenue	917,528	497,378	759,225	370,681	83	75
3	Changes in the stock of finished products and work in progress	0	0	0	0	0	0
4	Other operating income	149,758	109,803	82,217	43,452	55	40
5	OPERATING EXPENSES	-5,250,806	-2,545,741	-5,233,794	-2,563,082	100	101
6	Cost value of trade goods	-612,558	-283,558	-810,453	-368,022	132	130
7	Materials, small inventory and services	-2,081,864	-1,018,210	-2,025,164	-976,126	97	96
7a	Raw materials and small inventory	-24,952	-8,868	-23,281	-8,843	93	100
7b	Services	-2,056,912	-1,009,342	-2,001,883	-967,283	97	96
8	Changes in the stock of finished products and work in progress	0	0	0	0	0	0
9	Employee-related costs	-770,672	-379,824	-821,856	-400,208	107	105
10	Depreciation, amortization and provisions	-1,671,083	-791,410	-1,480,791	-740,845	89	94
10a	Depreciation	-1,674,035	-795,408	-1,480,791	-740,845	88	93
10b	Impairment of fixed assets	-3,065	-1,963	0	0	0	0
10c	Provisions for costs and risks	6,017	5,961	0	0	0	0
11	Other operating expenses	-114,629	-72,739	-95,530	-77,881	83	107
12	OPERATING PROFIT/LOSS	1,654,078	953,729	1,036,240	602,625	63	63
13	Financial income	3,281	3,281	1,640	1,640	50	50
14	Income from investments, loans, interest and FX rate movements	116,056	49,238	61,297	11,259	53	23
15	Other financing income	0	0	0	0	0	0
16	Financial expenses	1,076	538	0	0	0	0
17	Expenses for interest, FX rate movements and similar expenses	-10,311	-4,242	-32,793	-16,511	318	389
18	Other financing expenses	0	0	0	0	0	0
19	Profit/loss from regular operations before tax	1,764,180	1,002,544	1,066,384	599,013	60	60
20	Income tax	-564	2,677	0	0	0	0
21	Net profit/loss after tax	1,763,616	1,005,221	1,066,384	599,013	60	60
22	Minority interest	0	0	0	0	0	0
23	Net profit/loss for the fiscal year	1,763,616	1,005,221	1,066,384	599,013	60	60

Thilo Kusch
Chief Executive Officer

Slavko Projkoski
Chief Financial Officer

UNAUDITED CONSOLIDATED BALANCE SHEET ACCORDING TO IFRS

Company Makedonski Telekom AD - Skopje
Reporting period 30.06.2013 ID number

5168660

(in MKD thousands)

Item	Previous year	Current year	Indices
ASSETS	27,624,998	22,655,482	82
NON-CURRENT ASSETS	17,332,636	16,728,193	97
Intangible assets	2,069,223	1,851,810	89
Property, plant and equipment	14,853,210	14,480,749	97
Investments in subsidiaries	0	0	0
Investments in associate companies	0	0	0
Investments in securities	50,828	47,426	93
Other tangible assets	0	0	0
Other long-term receivables	359,375	348,208	97
Deferred tax assets	0	0	0
CURRENT ASSETS	10,292,362	5,927,289	58
Inventories	423,025	652,868	154
Trade receivables	2,109,210	2,401,796	114
Other receivables	524,929	469,421	89
Short-term investments	7,082,983	2,057,201	29
Cash and cash equivalents	152,215	346,003	227
TOTAL ASSETS	27,624,998	22,655,482	82
OFF-BALANCE SHEET RECORDS - ASSETS			
EQUITY AND LIABILITIES			
EQUITY	23,114,507	18,534,284	80
Shareholders' equity	6,386,189	6,386,189	100
Reserves	2,475,068	1,237,534	50
Accumulated profit (loss)	14,253,250	10,910,561	77
Minority interest	0	0	0
LIABILITIES	4,510,491	4,121,198	91
CURRENT LIABILITIES	3,669,989	3,323,967	91
Trade payables and other liabilities	3,472,172	3,071,394	88
Short-term borrowings	0	0	0
Short-term provision	123,529	123,776	100
Payables to the state	74,288	128,797	173
LONG-TERM LIABILITIES	840,502	797,231	95
Long-term borrowings	648,845	671,433	103
Trade payables and other long-term liabilities	0	0	0
Other long-term provision	191,657	125,798	66
TOTAL EQUITY AND LIABILITY	27,624,998	22,655,482	82
OFF-BALANCE SHEET RECORDS - LIABILITIES			

Thilo Kusch
Chief Executive Officer

Slavko Projkoski
Chief Financial Officer

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT ACCORDING TO IFRS

Company Makedonski Telekom AD - Skopje
 Reporting period 01.01.2013 – 30.06.2013 ID number

5168660

(in MKD thousands)

Item	Previous year 01.01.2012 – 31.12.2012	Current year 01.01.2013 – 30.06.2013	Indices
A) Cash flows from operating activities	<u>6,596,506</u>	<u>1,975,971</u>	30
Net profit / loss after tax	3,780,196	1,066,384	28
Adjustment for			
Depreciation	3,353,369	1,480,791	44
Amortization and impairment charges	400,124	9,846	2
Increase / decrease of inventories	156,425	-229,843	(147)
Increase / decrease of customers	281,487	-292,586	(104)
Increase / decrease of advance payments receivables	-12,870	-15,081	117
Increase / decrease of other short-term receivables	20,258	-19,510	(96)
Increase / decrease of prepaid expenses	-132,409	72,770	(55)
Increase / decrease of trade payables	-506,401	11,042	(2)
Increase / decrease of payables for received advances	-9,271	1,504	(16)
Increase / decrease of other short-term liabilities	-2,999	109,584	(3,654)
Increase / decrease of differed income	339,984	-223,103	(66)
Interest income / expense	-146,551	-29,046	20
Dividend paid / charged	-3,285	-1,640	50
Tax paid	20,964	54,509	260
Capital profit / loss from sale of fixed assets	-839,731	-358	-
Capital profit / loss from sale of investments	-30	0	0
Other cash flows from operating activities	-102,754	-19,292	19
B) Cash flows from investing activities	<u>-395,588</u>	<u>3,864,424</u>	(977)
Acquisition of property, plant and equipment, intangible assets, etc.	-2,797,532	-1,254,894	45
Disposal of property, plant and equipment, intangible assets, etc.	33,984	11,765	35
Cash flows from disposal of bearer or debt securities to other legal persons and participation in joint ventures	0	0	0
Cash payments for acquisition of bearer or debt securities to other legal persons and participation in joint ventures	0	0	0
Cash advances and loans provided to other parties (excluding financial institutions)	0	0	-
Cash flows from collection of advances and loans provided to other parties (excluding financial institutions)	812	11,168	1,375
Cash flows from interests	207,323	68,952	33
Cash flows from dividends	3,285	1,640	50
Other cash flows from investing activities	2,156,540	5,025,793	233
C) Cash flows from financing activities	<u>-6,163,557</u>	<u>-5,646,607</u>	92
Cash flows from increase of equity through issuing stock or other bearer securities	0	0	0
Cash payments for repayments of loans	0	0	0
Cash flows from issued debt securities and other short-term and long-term loans and borrowings	0	0	0
Acquisition of minority interests	0	0	0
Dividend paid	-6,163,557	-5,646,607	92
Treasury shares purchased/ sold	0	0	0
Cash payments for reduction of financial leasing payables	0	0	0
Increase / decrease of cash and cash equivalents	<u>37,361</u>	<u>193,788</u>	519
Cash and cash equivalents at the beginning of the year	114,854	152,215	133
D) Cash and cash equivalents at the end of the period	<u>152,215</u>	<u>346,003</u>	227

Thilo Kusch
 Chief Executive Officer

Slavko Projkoski
 Chief Financial Officer

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ACCORDING TO IFRS

Company Makedonski Telekom AD - Skopje
 Reporting period 01.01.2013 – 30.06.2013 ID number 5168660

(in MKD thousands)

Changes	Shareholders' equity	Share premium	Reserves	Accumulated profit (loss)	Minority interest	Total equity
Balances at 1 January of the previous year	5,845,530	540,659	2,475,068	16,636,611	0	25,497,868
Payment of shares	0	0	0	0	0	0
Treasury shares acquired	0	0	0	0	0	0
Treasury shares sold	0	0	0	0	0	0
Conversion of securities	0	0	0	0	0	0
Profit (loss) for the fiscal year	0	0	0	3,780,196	0	3,780,196
Distribution of the profits as transfer to the reserves	0	0	0	0	0	0
Distribution of the profits for dividends and other payouts to the shareholders	0	0	0	-6,163,557	0	-6,163,557
Distribution of the profits for rewards and benefits for the employees	0	0	0	0	0	0
Other company reserves	0	0	0	0	0	0
Evaluation of tangible assets	0	0	0	0	0	0
Adjustments of investments available-for-sale at fair value	0	0	0	0	0	0
Realized capital gain from the sale of securities	0	0	0	0	0	0
Recording losses of subsidiaries using the equity method	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0
Recognized income and expenses, net	0	0	0	0	0	0
Foreign exchange rate movements	0	0	0	0	0	0
Other increase / decrease of assets, net	0	0	0	0	0	0
Balances at 31 December of the previous year	5,845,530	540,659	2,475,068	14,253,250	0	23,114,507
Payment of shares	0	0	0	0	0	0
Treasury shares acquired	0	0	0	0	0	0
Treasury shares sold	0	0	0	0	0	0
Conversion of securities	0	0	0	0	0	0
Profit (loss) for the fiscal year	0	0	0	1,066,384	0	1,066,384
Distribution of the profits as transfer to the reserves	0	0	0	0	0	0
Distribution of the profits for dividends and other payouts to the shareholders	0	0	0	-5,646,607	0	-5,646,607
Distribution of the profits for rewards and benefits for the employees	0	0	0	0	0	0
Other company reserves	0	0	0	0	0	0
Evaluation of tangible assets	0	0	0	0	0	0
Adjustments of investments available-for-sale at fair value	0	0	0	0	0	0
Realized capital gain from the sale of securities	0	0	0	0	0	0
Recording losses of subsidiaries using the equity method	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0
Recognized income and expenses, net	0	0	0	0	0	0
Foreign exchange rate movements	0	0	0	0	0	0
Other increase / decrease of assets, net	0	0	-1,237,534	1,237,534	0	0
Balances at 30 of June of the current year	5,845,530	540,659	1,237,534	10,910,561	0	18,534,284

Thilo Kusch
 Chief Executive Officer

Slavko Projkoski
 Chief Financial Officer