

**Questions asked by shareholders at the Annual Shareholders' Assembly of Makedonski Telekom
(the Company) held on 29.03.2013 and answers to the questions**

- **Upon the first item of the Agenda – Proposed Resolution on the adoption of the Annual Accounts of the Company for the year ended 31 December 2012 as per local GAAP and**
- **Upon the second item of the Agenda – Proposed Resolution on the adoption of the Consolidated Annual Accounts of the Company for the year ended 31 December 2012 as per local GAAP:**

Question: The Chief Executive Officer of the Company to present his position on the perspective of Makedonski Telekom AD – Skopje in the environment of the competitive firms and to provide clarification for the way out of the situation in which the results of the operation of the Company for the previous year are under certain expectations, i.e. less favourable compared to the previous year. In general, the shareholders are satisfied with the amount of the dividend, under such circumstances and with these results, and that amount is objective, however it should be emphasized that the dividend, in addition to being a result of the Company's operation, it also includes the accounting income resulting from the transaction with the exchange of the buildings in the amount of thirteen million euro. If that income is not taken into account, then the actual income, and consequently the dividend, would be different.

Answer: The Company's strategy, which was prepared in 2011, covers the period from 2011 until 2015, and if one observes the Company's performance it is true that these figures are lower than the ones in the previous years and this is actually owing to the fact that the telecommunication services and at the same time the revenue from the telecommunication services have decreased. This decrease is a result of the higher competition and the regulatory changes that affect the Company. The way out of this situation is in the modernization of the Company, which modernization not only implies reconstruction of the Company and its downsizing, but also introduction of new services for the customers. In fact, the strategy envisages a shift of the Company from the so-called existing telecommunication services, such as providing only voice and telephone service to the customers, and an attempt to find new areas for doing business. A good example that should provide higher self-confidence of both the shareholders and the Company are the IPTV services or the TV performance as an entirely new business area that was introduced for the first time at the end of 2008 and we are proud to state that at the end of 2012 the Company has become number one TV broadcaster in Macedonia. In general, due to the developments in the telecommunication services, which are already overused, a need emerged for finding new ways or other areas for doing business. One of them is the so-called broadcast and the other one is the broadband internet where there is a still good potential, particularly in the mobile internet, as well as other areas that are close to the core business. That doesn't imply doing something that is completely distant from the telecommunication, but something that is called near core activities, that are in fact close to the core activity of the Company. For example, these are the so-called ICT services and IT services where the customers can be provided with services that are a combination of telecommunication and IT services by providing an IT infrastructure. The Company's strategy is actually a transfer of the traditional revenue, which is a telecommunication revenue, and an attempt to start a new area of services in the sphere of broadcasting, in the sphere of broadband internet, in the sphere of ICT services and some other new areas that were not presented so far, and therefore the figures from these areas cannot be seen in the results from 2012. However, in 2013 they will be presented, such as the mobile payment, which will represent an entry of the services for providing financial transactions. In the past, in the golden era, a lot has been talked about the so-called vertical growth, the revenue was increasing and that was, as it is well known, a very easy period. Nevertheless, these days the growth is actually horizontal which means that, in addition to telecommunication services, the Company is increasingly offering other services and hence the profile of the Company's services expands and that should provide certain hope for the future. It was pointed out that the satisfaction was great because, when this strategy was presented before the Board of Directors, it resulted in financial support for these new business areas which should bring the necessary revenue and also provide profit in the following period. It is very hard to say if they will completely replace the revenue and this is a big challenge, but if one looks at other similar companies on leading positions in the neighbouring countries, it can be concluded that they are also susceptible to revenue decline, nevertheless they try to make changes in terms of the services. This modernization of the services for the customers needs to be taken into account and also considered very seriously in the near future. Once the Company is modernized, it will not be only externally towards the

customers, but it will be also modernized internally. The own structure must be observed: is the operation as efficient as possible, are the funds spent for their intended purpose and is the entire Company's infrastructure used adequately, because the foregoing is of outmost importance in addition to the Company's workforce. This refers to the infrastructure throughout Macedonia and the manner in which it is used regardless of whether it is fixed or mobile telephony. In 2012 a lot of effort was exerted for modernization of the infrastructure and for the radio network that was completely modernized in 2012 in the mobile telephony segment, for the access to optics and also for IP migration of the fixed side. It was stated that this modernization has to continue, both externally and internally, and new areas for doing business have to be found and, as mentioned earlier, the Company has already started with these activities and it is certain that in the following year, and even starting from this year or the following year until 2015 and onward, the company will have a stabile work.

Question: Will the efforts made in 2012, with a delay of one year, result in such an effect that will keep the percentage of share in the telecommunication market in Macedonia.

Answer: Keeping the percentage of Company's market share is not the only target that the team has in terms of the telecommunications. When talking about the market share, one should not only talk about the part of the telecommunication market where certain market segments are lost, but one should recognize the market segments where the Company's market share has increased. The IPTV was emphasized where not only the market share increased significantly, but also the Company has become number one. In 2008 there were 65 (sixty five) cable operators/TV operators throughout the country. The Company became the 66th (sixty sixth) operator that entered this market without any previous experience and today it is number one (1). In fact, in these areas one should consider the average market share. Ultimately, it is important that the market share is a good indicator, but also one should consider the customers' satisfaction where the Company also has excellent results compared to other countries. Moreover, one should also consider the financial figures such as the revenue and the final target, hence stabilization of the Company's market share is recommended. Such market stabilization is a key priority for this company, but the stabilization itself does not imply that this market share will be preserved. Most probably few percentages will be lost in the traditional telecommunication, but it is certain that there will be gains in the new business areas, such as ICT, IPTV etc.

- **Upon the sixth item of the Agenda - Proposed Resolution on the adoption of the Annual Report on Operations of the Company for the Year 2012:**

Question: In accordance with the final report of the American investigative company White & Case, which *inter alia*, reads that in the period as of 2000 until 2006, a small group of former members of the executive management of Magyar Telekom and the Macedonian subsidiaries of Magyar Telekom approved expenditures in the amount of approximately twenty four million euro for over twenty suspicious contracts for consultancy services for lobbying and other contracts. Upon a request of the Court, the Company stated that it has not suffered any damage, i.e. it accepted the conclusion of the investigative judge. While the prosecutor stated that the Company has been damaged and it should be treated as damaged party, the Company's management accepted another conclusion that it is not the company that is damaged but its shareholders. In that regard a question was raised on how the shareholders will be indemnified for the suffered damage resulting from those actions? Was there any concept because the conclusion is that both major and minority shareholders have been damaged. How the other shareholders will be indemnified, i.e. what is the solution that the major shareholder proposes for indemnification of itself and the other shareholders? Furthermore an explanation was requested as to whether the major shareholder of the Company has any receivables and whether the minority shareholders should seek their rights in other manner, i.e. whether the major shareholder of the Company will initiate a procedure.

Answer: The compensation (indemnification) of all shareholders is an issue that is not an Agenda item for the current Shareholders' Assembly. It was stated that in order to be able to discuss this issue, it should be proposed as an Agenda item and the current Agenda item is the Annual Report on Operations of the Company for 2012. On the other hand, in addition to what is included in the Annual Report on Operations of the Company for 2012, in terms of the final report of the investigative American company White & Case, there is nothing else to add.

- **Upon the tenth item of the Agenda - Proposed Resolution on the approval of the operation of the members of the Board of Directors of the Company for the Year 2012:**

Question: At the previous meeting of the Shareholders' Assembly it was pointed out that it was necessary to have an overview of the members of the current Board of Directors in terms of their proposals and accomplishments. An information on their activities should be submitted, including identification of certain problems and resolution thereof etc.

Answer: The Annual Report on Operations of the Company covers all the facts related to the operation of the Company, but they are not individually stated in terms of what kind of Resolutions the Board of Directors has adopted and the Annual Report on Operations should not be burdened with too many details because it is already voluminous. The Annual Report on Operations of the Company comprises all activities of the Company, the Board of Directors and the Chief Executive Officer within the Board of Directors.

- **Upon the twelfth item of the Agenda - Proposed Resolution on the appointment of members of the Board of Directors of the Company:**

Question: A question was asked what was the reason due to which the Chief Executive Officer, Mr. Daniel Szasz, was leaving the position in the Board of Directors. At the same time, the new members were welcomed and the decrease of the number of members of the Board of Directors were greeted.

Answer: The resignation is for personal reasons. Mr. Daniel Szasz is preparing to go back to Hungary because it's been six year since he was out of the country and he is going home. That is the basic reason for the resignation. In terms of the conclusion that the number of members of the Board of Directors has decreased, it was pointed out that there is no decrease, but new members are appointed instead of the members of the Board of Directors who resigned and the total number of members of the Board of Directors, in accordance with the Statute of Makedonski Telekom AD – Skopje, is fourteen. Furthermore it was clarified that when the operation of the members of the Board of Directors was approved, there were certain members of the Board who have started their operation in the mid of the year and therefore it seems that there are more than fourteen BoD members.

Translated by Lingva Ekspert