




**Subject: Explanation on the operation of AD Makedonski Telekomunikacii
in the period from 01.01.2007 until 31.03.2007**

AD Makedonski Telekomunikacii is the largest company which provides services in the field of the fixed telephony in Macedonia. The telecommunication sector in Macedonia has been regulated by the implementation of the new Law on Electronic Communications which was adopted in March 2005. AD Makedonski Telekomunikacii has a Concession Contract on the basis of which the foregoing services may be provided by 31 December 2018. As of 2007, the fixed telephony market is being liberalized in practice.

In the course of the first three months of 2007, the revenues from the telecommunication services in the domestic market remain stable compared to the same period of the previous year. The Internet revenues still mark a continuous growth as a result of the increase of number of ADSL Internet subscribers. The part of the revenues from the mobile operations marks an increase despite the competition, as a result of the increased number of subscribers.

On the costs side, there is a decrease in the employee-related costs as a result of the optimization of the number of the employees. The other operating expenses mark a decrease as a result of the general cost reduction. Specifically, a cost decrease has been achieved on the basis of allowance for uncollectibility as a result of the improved collection of the receivables, decrease of the power-supply costs, as well as decrease of the FX losses in 2007 compared to the same period of the previous year.

As announced earlier, Magyar Telekom, which owns 51.00% of AD Makedonski Telekomunikacii through Stonebridge Communications A.D. Skopje under liquidation, is still investigating possible violations of company policy or applicable law and regulation. This inquiry, which is being conducted by an independent law firm and supervised by the Audit Committee of Magyar Telekom is still ongoing. As a result of the investigation, the submitted annual accounts have not been audited yet. No assurance can be given that as a result of the investigation the financial statements for 2005 and financial statements or financial information for any other period, including any period of 2006, will not vary from those submitted and published prior to the completion of the investigation and the audit of such financial statements and data.



Attila Szendrei
Chief Executive Officer



CONSOLIDATED INCOME STATEMENT as of March 31, 2007

AD Makedonski Telekomunikacii - Skopje
ID 5168660

(in thousands of MKD)

IFRS CONSOLIDATED INCOME STATEMENT			
	AOP	31.03.2007	31.03.2006
Sale Revenues	032	4,145,913	4,033,519
Other operational revenues	033	69,333	63,967
Movement in inventories	034		
Capitalized own work and products	035	-	7,082
Materials, spare parts and office supplies	036	(15,279)	(21,058)
Employee expenses	037	(371,185)	(418,544)
Depreciation and revaluation (indexation) of depreciation	038	(810,049)	(950,368)
Other operating expenses	039	(1,157,125)	(1,254,218)
Cost of goods sold	040	(253,575)	(185,283)
Profit/Loss from the operation (AOP 032 to 040)	041	1,608,033	1,275,097
Financial revenues	042	168,515	146,581
Financial expenditures	043	7,572	459
Profit/Loss before tax (AOP 041+042-043)	044	1,768,976	1,421,219
Income tax expense	045	225,424	196,525
Profit/loss from operating activities after tax (AOP 044-045)	046	1,543,552	1,224,694
Minority Interest	047		
Net profit/loss from operating activities (AOP 046-047)	048	1,543,552	1,224,694
Extraordinary Revenues	049		
Extraordinary Expenditures	050		
Net profit/loss (AOP 048+049-050)	051	1,543,552	1,224,694



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