

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

Date:

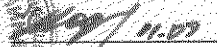
Subject: Explanation on the operation of AD Makedonski Telekomunikacii
for the period from 01.01.2007 until 30.06.2007

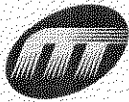
AD Makedonski Telekomunikacii is the largest company which provides services in the field of the fixed telephony in Macedonia. The telecommunication sector in Macedonia has been regulated by the implementation of the new Law on Electronic Communications which was adopted in March 2005. AD Makedonski 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.

During the first half of the year 2007, the revenues mark an increase as a result of the revenue growth from the mobile telephony, where there is a continuous increase of the number of customers, despite the competition. The revenues from the fixed telecommunication services mark a slight decrease compared to the same period of the previous year. The Internet revenues still mark a continuous growth as a result of the increase of the number of ADSL Internet subscribers.

On the costs side, there is a decrease in the employee-related costs as a result of the optimisation of the number of employees and the decreased rate of the personal income tax. The depreciation also mark a decrease compared to the same period of the previous year. The other operating expenses mark a decrease as a result of the general cost reduction and the decrease of the FX losses compared to the same period of the previous year.

As announced earlier, Magyar Telekom, which owns 51.00% of AD Makedonski Telekomunikacii (the Company) through Stonebridge Communications A.D. Skopje under liquidation, is still investigating possible violations of the Group's policy or the applicable laws and regulations, which investigation includes the Company. 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 IFRS Consolidated Financial Statements for 2005 and 2006 have not been audited yet. No assurance can be given that as a result of the investigation the IFRS Consolidated Financial Statements for 2005 and 2006 and the financial statements or financial information referring to any other period, including any period of 2007, 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 BALANCE SHEET ACCORDING TO IFRS

Makedonski telekomunikacii AD Skopje

ID 5168660

(in thousands of denars)

	31.12.2006	30.06.2007
Assets		
A) Receivables for issued not paid shares		
B) Non-current assets	17,238,337	16,305,938
Intangible assets	2,163,875	1,988,542
Tangible assets	14,820,439	13,999,051
Long term investments	170,514	224,839
Noncurrent receivables	83,509	93,506
C) Current assets	17,077,966	21,108,030
Inventory	310,141	316,920
Trade receivables	2,558,161	2,743,572
Advances paid	46,027	40,649
Other current receivables	15,197	23,961
Short term financial investments	4,180,999	9,556
Prepaid and deferred expenses and accrued income	284,169	226,086
Cash and cash equivalents	9,683,272	17,747,286
TOTAL ASSETS	34,316,303	37,413,968
EQUITY AND LIABILITIES		
A) Equity and reserves	31,225,848	34,466,182
Share capital	9,583,888	9,583,888
Share premium	540,659	540,659
Revaluation reserves		
Reserves	2,475,068	2,475,068
Retained earnings	22,469,738	25,710,072
Treasury shares	(3,843,505)	(3,843,505)
B) Long term provision	68,185	183,100
C) Minority interest		
D) Noncurrent liabilities	174,008	154,907
E) Current liabilities	2,848,262	2,609,779
Trade payables	1,074,952	783,289
Other short term liabilities	770,265	828,144
Advances received	38,168	41,357
Short term loans		
Accrued expenses and deferred revenue	964,877	956,989
TOTAL EQUITY AND LIABILITIES	34,316,303	37,413,968

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Chief Executive Officer





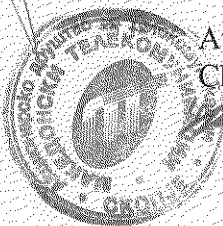
CONSOLIDATED INCOME STATEMENT ACCORDING TO IFRS

Makedonski telekomunikacii AD Skopje
ID 5168660

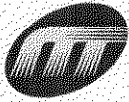
(in thousands of denars)

	01.01- 30.06.2006	01.01- 30.06.2007
Sales revenues	8,184,355	8,535,285
Other operating revenues	169,852	176,544
Movement in inventories		
Capitalized own work and products	14,803	140
Materials, spare parts and office supplies	(37,740)	(38,024)
Employee expenses	(822,468)	(756,252)
Depreciation and revaluation (indexation) of depreciation	(1,895,235)	(1,603,642)
Other operating expenses	(2,700,064)	(2,402,412)
Cost of goods sold	(353,026)	(531,197)
Profit/loss from operations	2,560,477	3,380,442
Financial revenues	276,836	340,682
Financial expenses	10,549	14,734
Profit/loss before tax	2,826,764	3,706,390
Income tax expense	317,778	466,056
Profit/loss from operating activities after tax	2,508,986	3,240,334
Minority interest		
Net profit/loss from operating activities	2,508,986	3,240,334
Extraordinary income		
Extraordinary expenses		
Net profit/loss	2,508,986	3,240,334

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Chief Executive Officer



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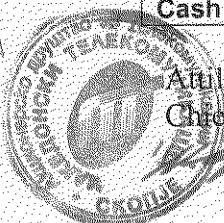
CONSOLIDATED CASH FLOW STATEMENT ACCORDING TO IFRS

Makedonski telekomunikacii AD Skopje
ID 5168660

(in thousands of denars)

	31.12.2006	30.06.2007
A) Cash flows from operating activities	9,901,470	4,474,010
Net profit/loss after tax	5,455,983	3,240,334
Depreciation	3,693,107	1,603,642
Revaluation (indexation) of depreciation		
Increase/decrease in inventories	(38,358)	(6,779)
Increase/decrease in trade receivables	82,173	(185,411)
Increase/decrease in advances paid	(15,939)	5,378
Increase/decrease in other current receivables	(3,504)	(8,764)
Increase/decrease in prepaid, deferred expenses and accrued income	(177,313)	58,083
Increase/decrease in trade payables	75,986	(285,653)
Increase/decrease in advances received	16,760	3,189
Increase/decrease in other current liabilities	435,953	57,879
Increase/decrease in accrued expenses and deferred revenue	376,622	(7,888)
B) Cash flows from investing activities	(821,374)	3,494,190
Acquisition of tangible and intangible assets	(1,948,640)	(630,754)
Sales of tangible and intangible assets	44,779	17,823
Increase/decrease in long term investments	(20,297)	(54,325)
Increase/decrease in non-current receivables	(27,782)	(9,997)
Increase/decrease in short term financial investments	1,130,566	4,171,443
C) Cash flows from financing activities	(3,932,972)	95,814
Increase in equity		
Increase/decrease in long term loans (non current liabilities & provisions)	(89,467)	95,814
Acquisitions of minority interest		
Dividends paid		
Purchase/sale of treasury shares	(3,843,505)	
Increase/decrease in cash and cash equivalents	5,147,124	8,064,014
Cash and cash equivalents at the beginning of the year	4,536,148	9,683,272
Cash and cash equivalents at the end of the year	9,683,272	17,747,286

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Chief Executive Officer





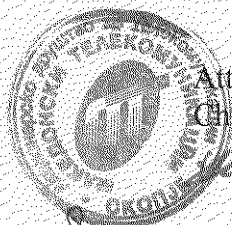
AD MAKEDONSKI TELEKOMUNIKACII-SKOPJE
Orce Nikolov bb 1000 Skopje, Republic of Macedonia
Tel. +389 3 242 013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ACCORDING TO IFRS

Makedonski telekomunikacii AD Skopje
ID 5168660

(in thousands of denars)

	31.12.2006	Increase	Decrease	Current period
Share capital	9,583,888			9,583,888
Share premium	540,659			540,659
Treasury shares	(3,843,505)			(3,843,505)
Reserves	2,475,068			2,475,068
Retained earnings	22,469,738	3,240,334		25,710,072
Dividends				
Revaluation reserves				
Total equity and reserves	31,225,848	3,240,334		34,466,182



Attila Szendrei
Chief Executive Officer

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