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Company Profile

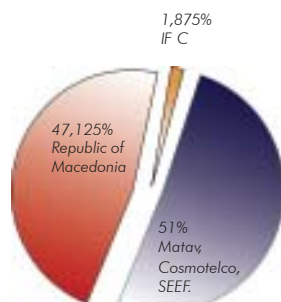
AD "Makedonski Telekomunikacii" is a national telecom operator providing public telecommunication services in the Republic of Macedonia. As a modern company, which keeps pace of global trends, it offers its customers a comprehensive range of telecommunication services: telephony services, telegraph and telex services, public payphone services, leased-line services, mobile telephony services, data transmission services, value-added services, directory services, VSAT and other satellite services, and other services.

In order to fully satisfy the needs of its customers, to understand them, to serve them better and to get closer to them, MT's operations are organized into the following separate Lines-of-business within MT: MTline, MTnet and MTcom, and Mobimak, the last of which, has been operating as a separate legal entity - daughter company, since 1st June, 2001.

MT has undertaken significant developmental measures in readiness to face emerging competition in the telecommunications market. Indeed, MT perpetually strives to implement new trend technologies in our quest to achieve ever greater flexibility and adaptability in meeting the needs of our customers and in strengthening our customers' confidence.

Our company's major commitment is to provide services suited to each and every customer, satisfying all of their communication needs and requirements. In this way, MT is evolving into a company that is truly close to its customers.

The shareholders structure of MT:



The shareholders structure of MT: Stonebridge (Matáv, Cosmotelco, SEEF) owns 51% of the shares, IFC owns 1,875% of the shares, and the Republic of Macedonia owns 47,125% of the shares, including the golden share.

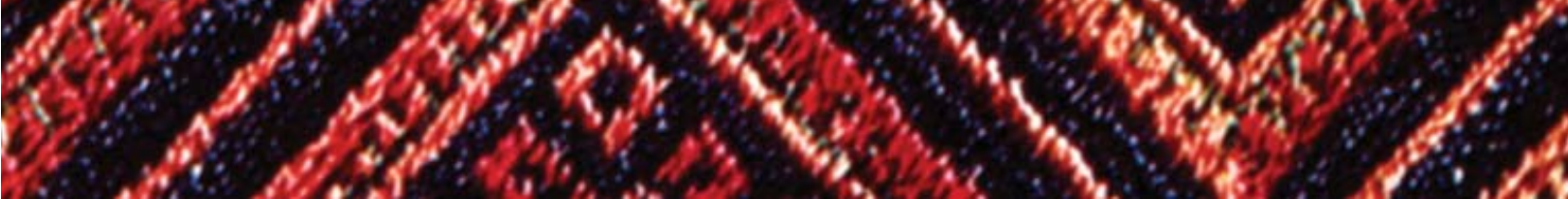
History

Prior to 1st January, 1997, MT's predecessor company, under the name of PTT Makedonija, provided telecommunication, postal, savings-banking and other services in the Republic of Macedonia..

In accordance with a resolution passed by the Government of the Republic of Macedonia in 1996, PTT Makedonija was divided into two new legal entities: AD Makedonski Telekomunikacii and AD Makedonski Posti. This became effective as of 1st January, 1997 and resulted in the separation of postal services from those of telecommunications and telegraphy and in the division of all relevant assets and liabilities.

In March, 1998, in order to prepare for privatisation, the Company was registered as a joint stock company in public ownership.

On 15th January, 2001, the Government of the Republic of Macedonia and a Consortium led by the Hungarian telecommunication operator, Matáv, signed a contract for the acquisition of MT's shares, by which Matáv entered MT's shareholders' register as the owner of 51% of the shares, thus becoming the dominant owner of the Company.



Vision – Mission Statements

Our Vision

To become the best telecommunications operator in the region and to expand our activities into other markets.

Our Mission

To satisfy the telecommunication needs of the people, businesses, and institutions of Macedonia and, thereby to enhance the quality of life.

To develop MT into a customer - oriented company, measuring our success in terms of the quality of services we provide, the satisfaction level of our customers, the rate of new customer acquisition, and the overall profitability of our company.

To promote and participate in the construction of an information society in the Republic of Macedonia, and to promote this, as a regional model for the “networked economy”.



CEO`s Introduction



Attila Szenderi
Chief Executive Officer of MT

Dear Shareholders, Customers, Partners and Employees,

2002 was a highly significant year for our Company's operations: a year in which all divisions of the Company exerted their maximum efforts towards the fulfilment of our Business Plan. Our Lines of Business attained strong market position and the Company's functional areas were equipped and trained to ensure optimum levels of support for our activities. In spite of complex market conditions this year, the results we achieved in 2002 entitle us to announce with confidence that our Company is moving in the right direction. To achieve our long-term business objectives, however, much scope for improvement still remains.

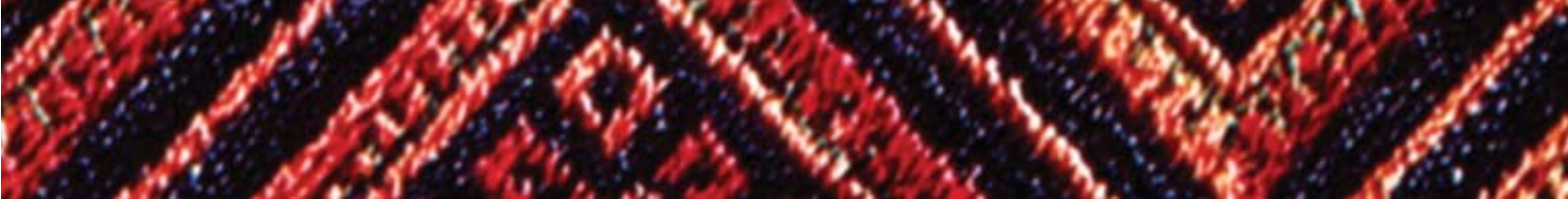
Financial results for the year ending 2002 show that total company revenues rose by 13% to MKD 16.9 billion. This increase was due, above all, to the strong growth of the mobile phone business sector. MT Group EBITDA revenues amounted to MKD 9.2 billion, with a margin reaching 54.5% as a result of revenue growth.

Evaluation of the performance of MT Group companies for the year 2002 clearly indicated the positive financial status of MT and showed that net income was sufficiently high to enable payment of dividends. Based on the precise calculations of the Company's management -taking into account the Company's future prospects and developmental requirements as well as the interests of MT's major shareholders- the Company's owners unanimously decided to pay dividends to the amount of approximately EUR 40 million in three instalments throughout 2003. This decision was incorporated in the relevant Resolutions of both the Board of Directors and the Shareholders' Assembly.

The results we achieved in 2002 were highly satisfactory. This successful financial performance is reflected in our dividend payments and we trust that our shareholders will share our satisfaction. The successful performance of our Company is of indisputable benefit to the Macedonian economy as a whole and thus, indirectly, brings advantages to all its citizens as well.

Regarding the Lines of Business, I am pleased to announce that MTline connected 48,742 new subscribers in 2002. The rate of digitalisation reached 96% in Macedonia and 100% in Skopje, while the penetration rate reached 28%. In the field of Internet services, we doubled our Internet customer base (including MTnet pre-paid customers) and maintained our dominant position in the Internet market, covering over 50% of the market share. MTcom, meanwhile, established itself as a powerful player in providing integrated business solutions, increasing its revenue from business-leased lines by 12% compared to 2001, and upping revenue from data transmission services by 34%. The last quarter of 2002 also saw the commencement of our programme of new public payphone installations, a programme we expect to be completed in 2003.

The implementation of two major projects related to the quality of customer service provision began in 2002: the introduction of a new Billing System and the establishment of MT's first Call Centre. Both of these projects reflect our strong commitment to increasing levels of customer satisfaction. 2002 was an excellent preparatory year for these projects, all of which are planned to be launched in 2003.



These projects form part of our wider endeavour to reshape our organisational structure in order to transform MT from a technical company into a consumer-driven, market-oriented company. Faced with the rapid emergence of market competition, the way ahead must lie in keeping pace with change and in devoting our efforts towards making MT a commercially viable organisation that will continue to thrive in a competitive commercial environment. Makedonski Telekomunikacii must continue to evolve if it is to gain domestic and international recognition as a successful, efficient and profitable company providing optimum services tailored to the needs of its customers. Such evolution must apply to all areas of our organisation. This requires our Company to undertake restructuring measures both internally and externally.

As part of our efforts to achieve these changes, 2002 witnessed the introduction of our 'Road to Success' programme: a set of measures which will be fully implemented in 2003. This programme aims at a reassessment of all current Company activities; analysing and dividing these according to whether they are deemed non-core business support activities, value-adding activities, or non-value adding activities. Those activities which are identified as non-value adding - either for the Company or for its customers - and for which customers are unwilling to pay, will be terminated. Non - core business support activities are henceforth to be outsourced.

The 'Road to Success' programme will serve to determine the key aims and steps which our Company must adopt and undertake over the years ahead. The programme will involve the participation not only of the Company's management but also of MT's employees, the most valuable resource we possess in our endeavour to achieve our Company's goals.

With regard to Human Resources we should first reiterate that our employees remained the moving force behind the Company's success in 2002. In line with this perception, our Company presented special awards at the end of the year to those personnel who had demonstrated extraordinary achievement. Long-service awards were given, too, rewarding those colleagues who have worked loyally with the Company for more than 15 years.

In a further drive to maximise overall operational efficiency, the Company undertook a management headcount survey this year and introduced an early-retirement programme.

We have achieved a very fruitful, cooperative relationship with the Trade Union of MT, and in 2002 we succeeded in reaching agreement on several issues in dispute. A significant step forward in Company-Trade Union relations was taken in our signing of the Collective Agreement: a central document related to the rights and responsibilities of Company employees and their employer.

2002 saw the Company continue its active participation in Macedonian society and its contributions to social issues through Company donations and sponsorships in many different areas of social life. One project worthy of special mention is that of MT's sponsorship of the restoration of Samuil's Fortress in Ohrid, a building of great significance to Macedonia's cultural heritage.

Attila Szendrei
Chief Executive Officer of MT



MT's Board of Directors

The bodies of MT comprise the Shareholders' Assembly and the Board of Directors. In accordance with the provisions of the Shareholders' Agreement and Statute of MT, the Board of Directors has performs managerial, leading function, and is composed of 9 non-executive members and one executive member, the Chief Executive Officer (CEO).



Borce Davitkovski, *President*

Representative of the Republic of Macedonia. He has been a non-executive member and President of MT's Board of Directors since 3rd December, 2002.



Gavriilo Dzikovski, *member.*

Representative of the Republic of Macedonia. He has been a non-executive member of MT's Board of Directors since 3rd December, 2002.



Asan Jakupi, *member.*

Representative of the Republic of Macedonia. He has been a non-executive member of MT's Board of Directors since 3rd December, 2002.



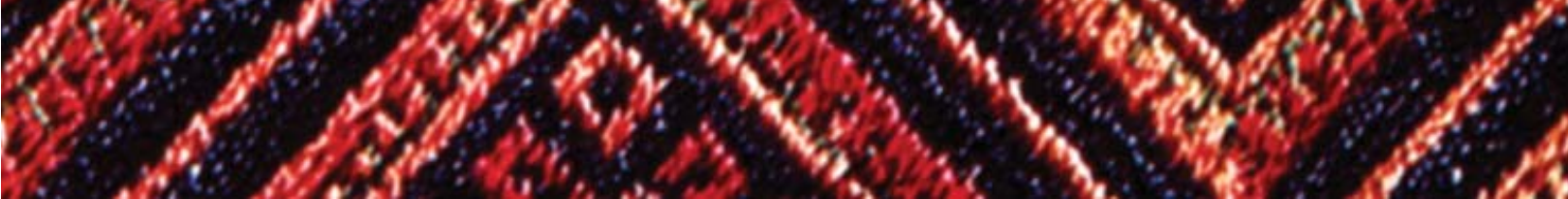
Simo Gruevski, *member.*

Representative of the Republic of Macedonia. He has been a non-executive member of MT's Board of Directors since 3rd December, 2002.



Horst Hermann, *member.*

Representative of Stonebridge AD. He has been a non-executive member of MT's Board of Directors since its constitution, in January, 2001.



Stavros Nikos Stavridis, member.

Representative of Stonebridge AD. He has been a non-executive member of MT's Board of Directors since its constitution in January, 2001.



Siegfried Pleiner, member.

Representative of Stonebridge AD. He has been a non-executive member of MT's Board of Directors since September, 2001.



Ronald O. Drake, member.

Representative of Stonebridge AD. He was elected non-executive member of MT's Board of Directors in March, 2001.



Bence Varady - Szabo, member.

Representative of Stonebridge AD. He was elected non-executive member of MT's Board of Directors in September 2002.



Attila Szendrei, executive member.

He was appointed Chief Executive Officer of MT and elected executive member of MT's Board of Directors in September 2002.



Danilo Gligorovski was a member and Chairman of the Board of Directors of MT until December 2002.

Zamir Dika was a member of the Board of Directors of MT until December 2002.

Slobodan Danevski was a member of the Board of Directors of MT until December 2002.

Krale Spancevski was a member and president of the Board of Directors of MT until December 2002.

Istvan Szabo was a member of the Board of Directors of MT until September 2002.

John Munnery was an executive member of the Board of Directors and CEO of MT until September 2002.

By a Resolution of the Government of the Republic of Macedonia, Taki Fiti was elected a Government representative on 25th November, 2002. At the Shareholders' Assembly meeting dated 3rd December, 2002, Taki Fiti was elected President of the Assembly. In 2002, Lambe Arnaudov was Chairman of the Shareholders Assembly of MT.

MT Management Committee 2002

The Management Committee of MT has the authority delegated by the Board of Directors as well as authority regarding the day-to-day activities of MT's operation, in order to ensure accuracy and efficiency in the functioning of the Company. The members of the Management Committee are the Chief Executive Officer, the Chief Functional Officers, and the Business Executive Directors of MT's Lines of Business.



Attila Szendrei, Chief Executive Officer

He holds a BSc. Degree in Technical and Economic Engineering. After working in Aluterv in Hungary, he spent 16 months in Libya. He has held top managerial positions in the large Hungarian companies, Videoton and Zwack Unicum. He later joined Matáv Group as Chief Executive Officer of Matavkabel TV. He was appointed CEO of MT and was elected an executive member of MT's Board of Directors in September 2002.



Bence Varady-Szabo, Chief Financial Officer

He gained a BSc. Degree in Economics from Budapest University of Economic Sciences, and specialised in Economic Law at ELTE, Budapest. In his five years with Matáv Ltd., he worked in the Treasury Department, in the Investment Portfolio, and as Deputy Director in the Strategy Department. He joined MT as CEO of Telemacedonia, and in March 2002 he was appointed Chief Financial Officer of MT.



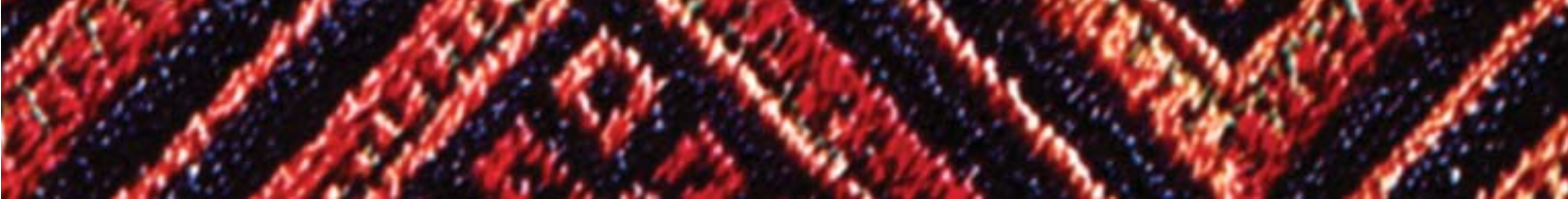
Bela Kozma, Chief Technical Officer

He holds a BSc. Degree in Electronic Engineering and Telecommunication Engineering. He began his career as a network planner and expert in the Budapest Area Directorate, Magyar Posta, in 1981. In 1985 he was promoted as a senior expert in the Telecommunications Branch at the HQ of Magyar Posta. In 1987 he became a group leader in ETAS, Austria Telekomunikation GmbH, Wien. He joined Matáv Ltd. in 1990 as Head of Department in Matáv Ltd Headquarters. In 1993 he was promoted to the position of Director of Operations and Maintenance Directorate and in 1999 he was appointed Deputy CTO of Matáv Ltd., later to become Director of PKI Telecommunications Development Institute, directing the network development, network planning and technical product development activities of Matáv Ltd. He joined MT as Chief Technical Officer of MT in March, 2001.



Ildiko Magyar, Chief Marketing Officer

She holds a BSc. Degree in Electronic and Economic Engineering as well as being certified as an ISO auditor, Technical Controller and Change Management Consultant. She worked as a researcher and chief wireless collaborator in Hungarian PTT. She then acted as a representative of several French companies (TRT (Philips, LUCENT), Thomson, Dassault,) in Hungary. Before joining MT, Ms. Magyar was the director and chief owner of a wireless installation company (NMT,GSM, Micro). She joined MT in March 2002 in the post of Chief Marketing Officer.



Darko Madzoski, Chief Human Resources Officer

He graduated from the Faculty of Law, Skopje University, in 1989. His 12-year professional career began as a project manager in the Swedish company, "Punkten AB", and he progressed in various positions within the field of PR and marketing. Over the following six and a half years he headed two multinational companies operating in Macedonia, British American Tobacco and Unilever, as country manager with wider regional responsibilities. He joined MT in January 2002 as Chief Human Resources Officer.



Kiril Trendafilov, Business Executive Director of MT line

He holds a BSc. Degree in Electrical Engineering & IT, and has led IBM seminars (DB administration, system engineer, CICS). In 1993 he worked in the IT Department of Zastava HTD-Ohrid. After working in Plima-Ohrid as a Programmer in Applications Development, he returned to Zastava AGP-Ohrid as an Assistant to the CEO for IT. In 1999, he returned to Plima as General Manager. In 1999, he joined MT as a Regional Centre Director based in Ohrid. In March 2000, he was promoted to the post of Chief Operational Officer of MT and in 2002 he was appointed Business Executive Director of MTline, which is the fixed telephony centre of MT.



Ognen Firfov, Business Executive Director of MTnet

He holds a BSc. Degree in Electrical Engineering, and an MSc. Degree in Computer Science. He worked as an Assistant Programmer in EMO Avtomatika & Elektronika between 1991 and 1994. In 1994, he occupied the same position in PTT Macedonia in the City Phone Department. From 1996 until 1998, he worked as System Engineer in PTT Macedonia in the Telecommunication Department. He was promoted to the Directorship of MT's MTnet Line-of-Business in July 1998. Within the new organisational structure, he now holds the position of Business Executive Director of MTnet, the Company's Line of Business which covers Internet Business.



Toni Rusomarovski, Business Executive Director of MTcom

He holds a BSc. Degree in Telecommunications. During his career with MT he has written a number of scholarly papers and led seminars at international conferences. Before joining MT he worked on the system design and programming of micro-controllers. He has been with MT for more than 8 years now. He worked as Director of the Sales Department and -prior to this- held various different engineering positions related to network planning. He has been Business Executive Director of MTcom, MT's centre for business customers, since its establishment in April 2001.



Fixed Line Segment – MTline

MTline is a separate line-of-business within MT encompassing residential customer-related business and SME fixed telephony customer-related business. One of the core segments of the organization, MTline carries forward the company's strategy of increasing our customer orientation with an emphasis on the Sales and Customer Care segment, supported by the International Carrier Relations, Controlling and Technical Support, as well as the Public Payphones.

In 2002 the introduction of our new Sales and Customer Care concept was identified as fundamental to the improvement of the quality of our services and customer relations. In 2002, therefore, a project for the implementation of new Call Centre services was completed, signalling a new direction in the manner in which we serve our customers, together with the introduction of the initial phase of people training. A Data Transparency and Network Provision Project was also completed. In the sphere of sales activities, 2002 witnessed the adoption by MTline of the concept of Direct Sales Agents and the introduction of value-adding services provision through MT shops. The aim of these measures is that of providing customers with comprehensive service at one-stop customer care and sales points employing standardized procedures in uniformly designed shops throughout the entire territory of the Republic of Macedonia as part of our overall drive towards achieving better and more direct communication with our customers. With respect to the provision of customer complaint procedures, 14 first-instance committees were formed across Macedonia in 2002. In the same year, the 988 operator service established itself as an example to most of the Departments in MT which can withstand comparison of its operational standards to those of other European operators.

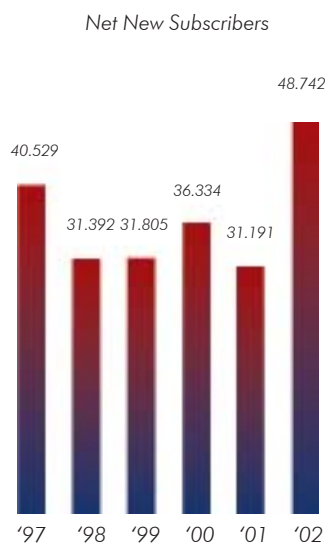
In the Republic of Macedonia, MT is the sole provider of basic telephony services

in national, long-distance and international traffic, including ISDN services, additional services, and public payphone provision. MTline consistently attends to the needs of its customers, providing up-to-date services of the highest available quality. In 2002 MTline connected 48,742 new subscribers.

MTline undertook substantial preparatory activities in 2002 with a view to maximizing our adaptability to technological changes and to further enhancing our capacity to meet customers' needs as comprehensively as possible. In this direction, MTline has proved itself innovative in creating and packaging new services in line with customers' demands as part of our fulfilment of the Company's Business Plan.. An additional target for MTline in 2002 was that of providing additional services, of value-adding services, of increasing ISDN sales, and of "leave the message" services. At the end of 2002, we launched a campaign for package-sales of a new attractive ISDN 2 offer and thereby increased the number of ISDN subscribers.

International telephone traffic from Macedonia towards the rest of the world is organised via direct links with 22 countries to more than 30 destinations. In total, MT has 2,605 international circuits. MT's international terrestrial links are based on SDH transmission technology. These new direct circuits are with Skopje-Brussels 30NO1. At the beginning of the year we expanded existing capacity with DCME; expanded capacity Italy, Skopje via Milan 30NO4; Hungary, Skopje via Budapest 30 NO3; Serbia and Montenegro, Stip via Belgrade 30 NO3, 30 NO4. Reduced capacity with Skopje via Vienna 30NO1; Skopje via Sofia 30NO3; Greece-Skopje via Athens (Greece Telecom, 240 circuits with DCME 1:8); Skopje via Rome 30MO2; Skopje via Ljubljana 30NO2; a satellite link via Switzerland.

Twenty percent (20%) of the international telephony traffic is provided via sat-



ellite links, while the remainder travels via optical fibers. With each neighboring country, the Republic of Macedonia has achieved a large capacity of international trunks, providing links with telecommunication networks in Europe and with the rest of the world.

The Public Payphones Centre, within MTline, is the first and sole operator of public payphones employing smart cards in the territory of the Republic of Macedonia.

In 2002, 1,890 functioning public payphones had been installed throughout the entire territory of Republic of Macedonia. The public payphones are the product of Nortel and the supervision computer is a product of the Tandem company. In order to upgrade our provision of this service to our customers, 2002 saw the initial phase of the replacement of existing public payphones by a new Marconi system of payphones across the network. This project is set to continue into the future.

In 2002, MTline plans to undertake activities for the creation of more new packages aimed at further increasing the number of our subscribers. Focussing on customer care provision at the points of sales mentioned above, we are confident that we will achieve yet greater flexibility in meeting the needs of our customers.

199* ден.
* 12 x 199 денари

ЛИНИЈА
НА ДОФАТ

Нова понуда од АД Македонски телекомуникации
Телефонска линија на 12 месечни рати по 199 денари без вклучен ДДВ - 19%
Понудата важи до 11.12.2002 година. Информирајте се во најблиската
продавница на МТ или на бесплатниот телефонски број 0800 12 222

МАКЕДОНСКИ
ТЕЛЕКОМУНИКАЦИИ



Detail from Embroidery work on the bride's veil (Sokay) - region of Struga

Business Solutions – MTcom

As a business unit of MT, established to provide integrated communication solutions, MTcom is dedicated to serving the market of key business customers in Macedonia. This entails providing flexible and dynamic offer of customized services to our clients, together with offering vertical markets solutions.

One of the business market sector, which has been attracted to MTcom's solutions for developing corporate WANs based on new digital technologies is that of the public sector, within which MTcom implemented IP and ISDN solutions for corporate networks and also concluded two important long-term contracts. MTcom operated successfully within the financial sector of the market providing IP VPN and digital leased lines solutions for corporate networks. As a result, revenue from leased lines and data transmission services increased in 2002.

Revenue from business leased-line services in 2002 reached 102,273,000 MKD, representing an increase of 12% over 2001. If the revenue from the interconnection leased lines with MobiMak is added to the previous amount, the total revenue from leased-line services amounts to 411,246,000 MKD.

Thanks to the implementation of IP VPN solutions, the revenue from data transmission services increased by 34% in 2002.

In 2002, MTcom performed preparatory work on the launching of a campaign for the encouragement of migration from analog leased lines to digital leased lines. Favourable conditions were offered to customers as incentives for migration and the first migrations took place in 2002. The migration from analog to digital leased lines will continue throughout 2003, further raising the quality of this service.

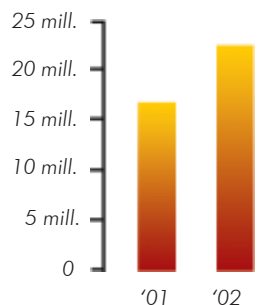
As part of MTcom's flexible range of services, we designed and implemented solutions during the 2002 election period for

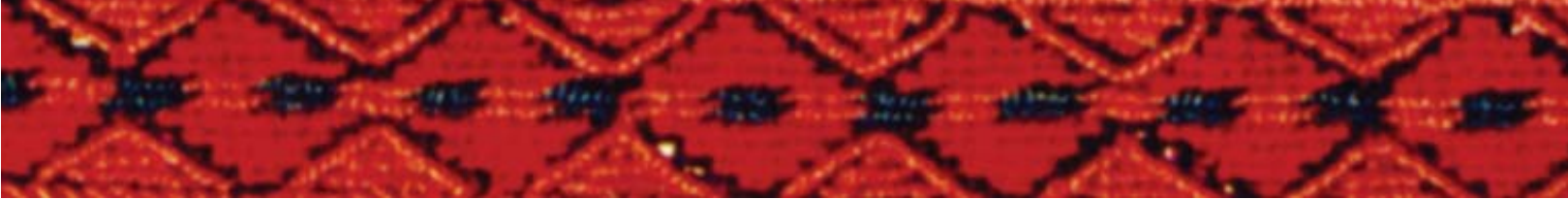
the temporary needs of relevant government institutions (MTcom provided IP-based store-and-forward video signal transmission for the Broadcasting Council of RM and a customised virtual IP-based RAS solution for the National Election Committee).

In November 2002, MTcom embarked upon a campaign offering PBX systems with PSTN and ISDN BRI telephone lines, Internet access and maintenance. Varying customer needs were taken into account and this underpinned our decision to market our campaign under the banner, "Business solutions tailored for you". This approach proved highly successful. During the first month of the introduction of the offer, sales of PBX systems rose by as much as 106%, while the increase for the second month was 83%. Each PBX system was sold along with a contract for two-year maintenance.

Plans for 2003 include expanding our range of integrated solutions and the implementation of new services that will help further satisfy our business customers' needs.

Revenue from data transmission services in MKD:



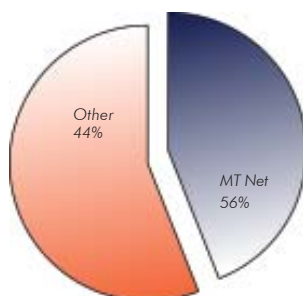


As a business unit of MT, established to provide integrated communication solutions, MTcom is dedicated to serving the market of key business customers in Macedonia. That means providing flexible and dynamic offer of customized services and offering vertical markets solutions.



Internet - MTnet

Market share



General Information

MTnet was founded as part of Makedonski Telekomunikacii in 1995. The current organisation structure is as following:

- * Sales and Marketing Department
- * WEB Content and SW Development Department
- * Technical Department
- * Controlling Department

As both the largest and the highest quality Internet provider in the Republic of Macedonia, MTnet covers 56% of the market.

Services

Dial-up services

MTnet offers a range of different packages and services to its dial-up customers including post-paid and pre-paid offers for both residential and business customers.

- o Post-paid

Four different dial-up post-paid packages, as an Internet solution for everyone:

- * Click – limited access
- * Surfer – for frequent surfers, and business users
- * Business 1 – 5 e-mail addresses and web hosting up to 5 MB.
- * Business 2 - 10 e-mail addresses and web hosting up to 10 MB.
- o Pre-paid
 - * 5 hours E-card
 - * 10 hours E-card
 - * PC + Internet (consists of PC and 10 hours Internet access per month over a 24 month period).

WEB services

MTnet WEB services are divided into the following categories according to the different types of services on offer: building WEB pages and portals, hosting services on MTnet's WEB servers, preparation and update of WEB sites and portals, WEB pro-

motions and advertising on the most visited portal in Macedonia (www.mt.net.mk), and it's affiliated WEB sites. MTnet also offers content oriented WEB services including an e-mail directory, telephone directory, advertising on MTnet, news, search MK, City Information, Business, and a Gift Shop.

- o New web offer
 - * Easy web1 – design tool for design of WEB pages up to 5 MB
 - * Easy web2 - design tool for design of WEB pages up to 10 MB
- o Web hosting
- o Promotion and advertisement through MTnet's web page

Internet Direct Access

During 2002, as part of the business plan, MTnet implemented two access plans for Internet Direct Access, suited to business customers seeking permanent, rapid Internet access.

Marketing campaigns

Several highly successful marketing campaigns were launched by MTnet in 2002:

- * PC+Internet
- * Pre-paid eCard
- * New post-paid dial-up number
- * Relaunch PC+Internet
- * Joint Mobimak +MTNet Campaign: e-cards in package
- * Post-paid PWG

Sales

The sales network of MTnet enables direct sales of MTnet products and services through MT shops, MTnet corners, 17 MobiMak shops and in MTnet cafes throughout the whole of the Republic of Macedonia. Indirect sales of e-cards to the wider market are also available.





Other activities

- * Presence at the INFOCOM Fair
- * Two leased line action plans for increasing the business customer base.
- * New Internet Café in Struga
- * New post-paid dial-up access number
- * Co-branding and introducing of e-snack as a product in the second McDonald's restaurant in Skopje (Pedagoska) - fast Internet, fast service.
- * New sales points
- * Participation at the 5th CEI Summit - Economic Forum, as part of MT group
- * Acknowledgement of MTnet as an authorised member of the Cisco Powered Network.

Sponsorships

MTnet endeavours to raise awareness of the importance of the Internet and of the social benefits the Internet affords to users in the Republic of Macedonia. MTnet also provides contributions and support to different areas of social life through its sponsorship activities:

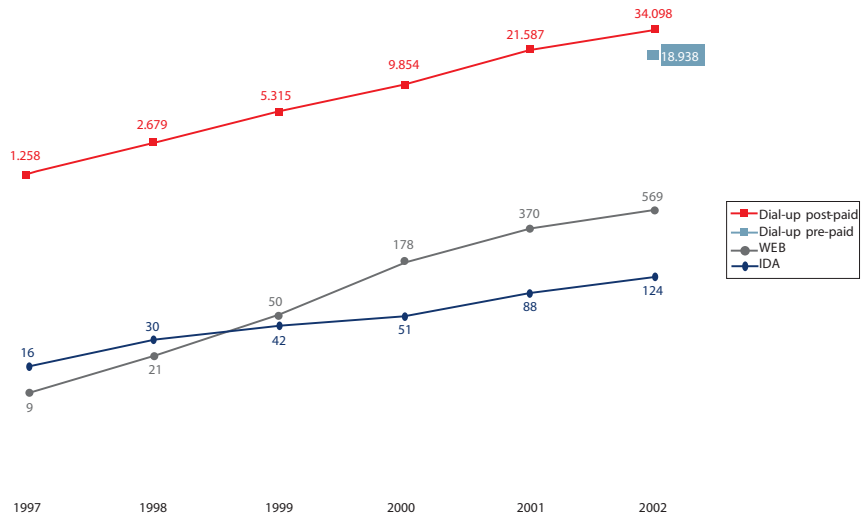
- * MTnet Junior Open –junior tennis tournament
- * McDonalds' lottery
- * MobiMak price winning game
- * "Peace is ..." - competition for best poem and prose

Technical activities

- * Upgrading of routers and switchers
- * Dial-up post-paid access ports - 1080 and 120
- * Upgrading ports for direct access

Customers

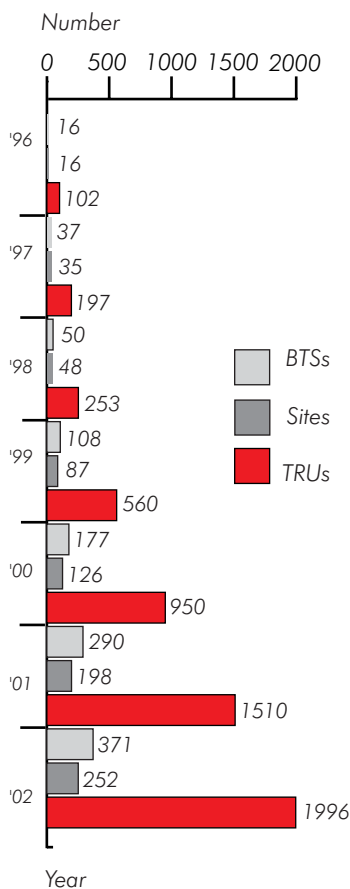
	Dial-up post-paid	Dial-up pre-paid	WEB	IDA
1997	1.258	0	9	16
1998	2.679	0	21	30
1999	5.315	0	50	42
2000	9.854	0	178	51
2001	21.587	0	370	88
2002	34.098	18.938	569	124



Detail from Embroidery work on the sleeve of a woman's shirt - region of Bitola, Gorni Sela

Mobile - MobiMak

Network & Infrastructure



2002 was the first full year for MobiMak - the Number One GSM operator in Macedonia - following its separation from Makedonski Telekomunikacii. In this year, MobiMak concentrated primarily on continuing the job it began in 2001: that of transforming MobiMak into a successful state-of-the-art, customer and market oriented company that set out to achieve the highest possible standards through excellent quality services, close attention to its customers, its employees and the whole society of Macedonia as well as through financial results that satisfy the expectations of its shareholders.

The Company for Cellular Communications MobiMak AD, through its multinational management team and with the support of the main shareholders Matáv-Westel, Cosmotelco-InterAmerican and the Macedonian Government, has reached its best ever achievements in all the above-mentioned areas.

Our Philosophy: Quality, Reliability and Stability for the Customers

MobiMak is committed to providing quality in all areas of its business, from the network upwards through customer relations and all the way to financial and human resources management. Serious efforts were made to develop our GSM network and to increase the quality of its operation, to introduce new services, tariffs and benefits for our customers, to extend the distribution network for the greater convenience of our existing and future clients, to improve the activity of the customer services, to upgrade the business supporting functions in Information Technology and Finance & Accounting, to further reward our employees for their diligent work and to pay yet greater attention to the special needs of the society.

We are committed to perpetual improvement and to the application of best practices to our business. This philosophy has helped us to increase the customer sat-

isfaction dramatically, and this is reflected in consecutive quarterly results of the customer satisfaction measurement system, TRIM.

In recognition of these efforts, MobiMak received two special acknowledgements in 2002 for its results in the areas elaborated in detail in the report below. After thorough and in-depth preparation, MobiMak successfully passed the Final Audit of its quality assurance system on 19th December and was presented with the ISO 9001-2000 Certification by the Lloyds' Register Company. On the same day, on the occasion of the European Market Research Forum 2002 in Brussels, MobiMak was awarded the EuroMarket 2002 for "outstanding business performances and managerial achievements while adapting international standards in the field of telecommunications". These acknowledgements clearly demonstrate that MobiMak is moving in the right direction and is adding value to the Macedonian economy.

Network and infrastructure

In 2002, MobiMak proceeded with the network development work begun in 2001. In close cooperation with our strategic vendor, Ericsson, we built 81 base stations and 27 repeaters. In this way MobiMak reached its original targets for 2002: 98% of the population and 90% territorial coverage. Simultaneously, the company carried out the installation of the Standalone HLR and the implementation of the new PrePaid Strong system that facilitates new services (replacing the old PrePaid Light). As in the previous year, MobiMak again increased the switching capacity of the network in line with the dynamic growth trend of the customer base. Parallel to this extensive growth in capacity, we exercised system optimisation of our MSCs and BSCs in order to better utilize the capacity. These development projects resulted in improved quality parameters: network congestion of



less than 3%, total dropout of less than 3%, handover dropout of less than 2%, cell downtime at less than 1%. In cooperation with Makedonski Telekomunikacii, we introduced the Fix GSM solution for faster access and better service for fixed line customers.

These development projects are characteristic not only of MobiMak's network but also of the company's IT infrastructure. The IT Department provided full, functional set-up and support for the new services, tariffs, discounts, as well as improving IT security. They successfully completed implementation of the new Mediation and Provisioning System, the Fraud Management System, the Call Centre and the MobiNet Intranet System, tightly integrating all system elements into one coherent structure. The IT Department also carried out an upgrade of the Voice Mail and Short Messaging System with new services and features, commenced an upgrade of the Billing System and set up a Data Warehouse. In cooperation with Makedonski Telekomunikacii, a New Data Centre was established, providing much better data storage, back-up, security and enhanced system resilience.

Marketing

In 2002, the key concepts driving our marketing activity were those of: quality, benefits, comfort, state-of-the-art services and loyalty. We continuously sought to provide more and more services to our customers at better prices and conditions. The reward for this commitment and for our continuous endeavour to improve was seen in unprecedented rise in the number of new services introduced in any one single year: Tandem Subscription, iSMS services, Flirt SMS service, GSM Pro (professional GSM-radio service), GSM adapter to handle calls from PABX to mobile phones, Prepaid Roaming, My Company (Closed User Group Service), USSD Balance Checking for prepaid customers, WAP service (in col-

laboration with our partners MTnet and OnNet) and web2sms service (also in cooperation with MTnet).

We are very proud that one of our advertising campaigns was the prize - winner at the Festival of Advertising in Maribor, while another (about the extremely successful SMS winning game named 15th Gate) was selected by the BBC as ranking amongst the based available.

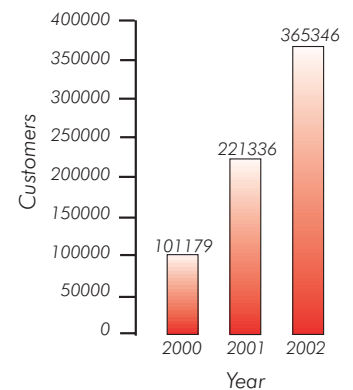
To increase the satisfaction of our customers we surprised them with several tariff innovations: we cut international tariffs, reduced the per-minute fees for prepaid customers by up to 15%, introduced lower tariffs for post-paid customers in mobile-to-mobile relation and provided them with the MyCircle (Friends and Family) discounts. Finally – at the end of the year – we extended the validity of the prepaid vouchers and rewarded higher recharges with bonuses.

The exemplary Club 360 loyalty program continued in 2002 to reward key customers for their commitment and loyalty to MobiMak. The Club 360 Magazine became one of the highest quality and most popular magazines in Macedonia. In the middle of the year, a new benefit was added to those already existing: Partner Program which provides valuable discounts on a huge number of products and in the network of the partners.

Customer Relations: Sales and Customer Service

Our vision of extending the distribution network for the convenience and satisfaction of our existing and future customers resulted in a simultaneously extensive and intensive development of MobiMak. Within the framework of this concept, by the end of the year, MobiMak had opened 4 more new shops, bringing the total number of MobiMak - branded shops to 18, all following our unified layout design, in which customers are served in a high quality en-

Number of Customers





vironment.

Parallel to the development of the direct sales network, MobiMak continued the dynamic development of the indirect network as well, with the collaboration of master dealers, the indirect network totalled 80 dealer shops by the end of 2002 (representing a 100% increase in one year) and 690 points for the sale of the pre-paid vouchers (representing a 176% increase in the space of one year).

Through our sales and distribution network, the company sold a total of 160,000 new subscriptions. With this outstanding sales result the number of RPC increased by 63% by the end of 2002 from 221,336 to more than 365,000 (which represents more than 18% market penetration). MobiMak continued to pay close attention to key - account customers through the application of a discount system and the offer of new tailored services. By the end of the year, 92% of potential key - account customers had signed a long term key-account subscription contract with MobiMak. Sales of pre-paid vouchers increased from a value of 84 million MKD in December 2001 to 202 million MKD in December 2002. The number of SMS messages sent doubled over the year, from a monthly average of 4.4 million pieces to 9.7 million pieces.

The company further developed its Customer Service activity. In the call - in customer service, we combined high technology with human values: a brand new, modern, IVR- based Call Centre with new employees, new procedures, quality control (through automated procedures and call recording) and training for representatives. Service levels rapidly increased as a consequence and the ratio of answered calls increased in one year from 70% to more than 95% by the end of 2002. Other areas of Customer Service also achieved spectacular results. By the end of 2002, the collection group had reached a highly significant milestone: the monthly collection ra-

tio was increased from the last year's (already very good) 94% to more than 97%. The Fraud Group successfully monitored and filtered fraud cases, thereby protecting our business interests and reinforcing customer confidence. The Proactive Group intensified and modulated its activities by drawing our customers' attention to the services, discounts and benefits that best suit their needs.

Finance

The Finance Department successfully completed implementation and integration of the SAP system, developing the controlling, procurement and accounting system. The International Roaming team was also very productive: by the end of 2002, roaming cooperation was established with 147 operators in 61 countries. For the convenience of our customers, the Finance Department (in cooperation with other departments) made possible the payment of monthly invoices in all MobiMak sales showrooms as well as in all subsidiaries of Stopanska Banka.

Human Resources

In 2002 MobiMak focused its efforts on making the successful MobiMak team even tighter, more cooperative and more team - oriented, as well as on rewarding the team for high performance.

For the purpose of continuing and expanding the education and training activity we had begun in 2001, the HR Department organised several training courses in 2002 (project management training, communication training, sales training and team-building exercises). Informal meetings, a Family Picnic and other social events were organised, all aimed at the broadening MobiMak's team spirit to the families of our employees.

We are proud of our team, in which all separate departments are linked together to form a unique, functioning company. The combination of competitive remuneration

packages, with a series of company benefits (Tandem for family members, sports facilities, health care), together with our long-term loyalty scheme ensure that MobiMak has been able to keep a very high employee retention rate.

Another important result from 2002 was the conclusion of the Collective Agreement between AD MobiMak and the Independent Union of MobiMak.

Public Relations and Corporate Citizenship

As Macedonia's national operator, MobiMak recognises and embraces its moral and social obligation of playing an active and positive role in society. MobiMak continued to invest in the country in 2002 in the fields of culture, sport and in various other sectors of society. The forestation of polluted cities (Veles and Bitola), the cleaning of City Park in Skopje, Skopje Film Festival, Skopje Jazz Festival, the concerts of famous Macedonian music stars, Skopje and the Ohrid Summer Festivals are just some of the examples of MobiMak's social activities, crowned by the organisation of a New Year's Eve celebration in Skopje and throughout the country.

Faithful to its brand and public image philosophy, MobiMak continued to support the archeological excavation at Vardarski Rid, along with the provision of aid to the reconstruction of two monasteries that constitute part of the Macedonian national heritage: St. Jovan Bigorski and St. Joakim Osogovski.

Through our support for the country-wide music contest, "M2 - Macedonian Music - Search for Stars", MobiMak (together with its partners) created a unique opportunity for talented people to break through and achieve success.

MobiMak opened a new chapter in charity activities in Macedonia with the establishment of the Foundation, MobiMak for Macedonia. The Foundation very suc-

cessfully announced public tenders and implemented projects for organisations devoted to the provision of care to people with special needs and for children's issues-related organisations. The launch of a special relationship with the Association of Blind People was also very well received, providing support for this Association in the building of a computer laboratory for blind people as well as introducing a special MobiMak tariff package with extra discounts suited to the specific needs of blind users.

Statements of income

for the year ended 31 December 2002 and six months ended 31 December 2001

In thousands of denars	Notes	Year ended 31 December 2002	Six months to 31 December 2001
Operating revenue	10	7,389,569	3,240,991
Operating costs	11	(4,137,569)	(1,890,148)
<i>Operating profit</i>		3,252,286	1,350,843
<i>Net financial expenses</i>	12	(89,721)	(61,911)
<i>Profit from ordinary activities before taxation</i>		3,161,565	1,288,932
Income taxes	13,14	(389,019)	(94,187)
<i>Net-profit</i>		2,773,546	1,194,745



Detail from Embroidery work on a collar & the chest of a woman's shirt - region of Bitola, Gorni Sela

Marketing

The overall conduct of CMA activities in 2002 was intently focused on fulfilment of the company business plan, and, at the same time, on the execution of its own activities, serving to support the evolution of our organisation into a customer and market-oriented company, thoroughly prepared for future competition. In spite of the business challenges we faced this year, our overall results reflect the momentum we are beginning to attain.

Our commitment to devote all our human and technology resources to the further development of the company's operations was realised through the mutual involvement of the Company's integral segments (quoted below) which comprise constituents of the Central Marketing Area:

- * Product management
- * Market research
- * Marketing communication and PR
- * Sales and customer care coordination
- * Donation and sponsorship
- * PR

Products and Promotions

This functional segment is principally based on a "business case" type of approach which is applicable to each newly-developed product as well as to the modification of the existing products in MT's portfolio.

Through intensive team work, our people devised new and creative ways of formulating, harmonising and sustaining the Company's bonds with our customers. Consequently, a number of products were introduced with tailored modifications supported by relevant research in the form of a variety of financial and technical analyses and innovative communication programs, all of which share the central aim of deepening existing relations with targeted customers (an acceleration of pace we see as crucial to our future success) and, as al-

ways, with a mind to the generation of additional growth opportunities for particular products.

Even with the growth of our customer-oriented business, our product range was broadened in order to guarantee long-term growth. The following is only a brief overview of some of the products we introduced in 2002:

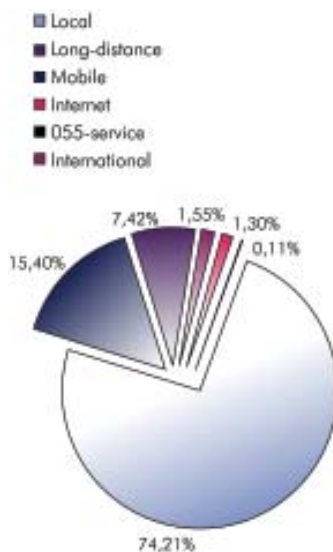
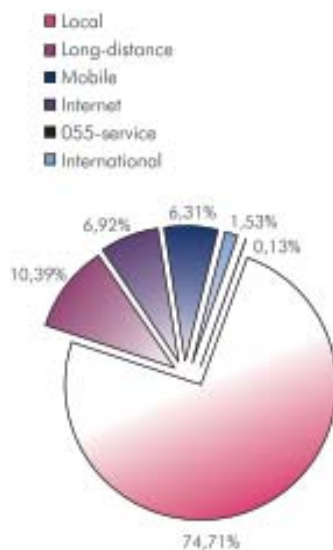
- * Migration of analogue leased-line customers
- * Common data centre proposal
- * New Internet Leased-Line package
- * Fix GSM solution
- * Mail2SMS product proposal
- * PC + Internet package
- * Bundled PBX solution
- * New CPE portfolio
- * Video streaming

Each new product was launched by a promotional campaign in support of the sales force of MTline, MTcom and MTnet in their fulfillment of the projected sales figures and in support of the qualitative, campaign-based promotion of these services. Effectiveness, cost-efficiency, and a coordinated approach to our customers through the Lines-of-Business sales and customer care force were the outcome of the concept implemented in 2002.

Indicated below are those MT campaigns successfully launched in 2002 and conducted as a means of exploiting all profitable local opportunities for the products through product experience and creative marketing activities based on customer feedback and our customer service system.

MTline

- * "Parallel Line" I and II
- * "My Line"
- * "Phone in every home" (3 x 15 Euros)
- * "Line within reach" (12 x 199 denars)
- * "New ISDN2 special offer"





MTcom

"Business Telephony System offer" (PBX bundles)

MTnet

* "PC + Internet" (New Year campaign)

* "eCard" (Pre-paid Internet)

* "Good news from MTnet"

* "Spend the Summer with PC + Internet"

* "Life is easier with accessories" (Tie-in campaign with MobiMak)

* "Connect, Surf and Win" (a post-paid prize winning game)

* "Internet Business package + Easy Web"

* "Internet Direct Access" office package

Fair Presentation

MT's presence at the Infokom 2002 information technology and telecommunications fair was of great significance for the Company, first and foremost because we effectively managed to demonstrate that the transformation process from a technical company into a customer and marketing driven one was beginning its full implementation. All this is evident in the successfully applied approach to our products as well as in the general initiative to serve the customers by employing creativity, availability and consistency, all of which were fulfilled by means of the superbly organised promotional stand, the specially allocated space, and the entertainment concept seg-

mentation of each of the Lines-of-Business, namely, MTline, MTnet, and MTcom.

Competitive Prices of Telecommunication Services

The general pricing policy of telecommunication services, which is an exclusive right of Makedonski Telekomunikacii, is determined by the price cap mechanism and the long-term rebalancing approach.

At the end of the exclusivity period, as a result of rebalancing steps performed, this long-term pricing strategy will result in:

- * a cost - oriented tariff structure,
- * a reduction in the imbalance between international and national telephony prices

- * cost efficiency and improvement of the operation

- * a level of prices reflecting the purchasing power of the population and affordability of the services

The rebalancing step taken in 2002 led to an average price drop of international calls by 9%, and an increase in long-distance and local calls.

Taking into consideration the pulse-based billing system, free pulses for residential customers are included in the monthly fee in order to protect the low-end and low-income customers mostly affected by the rebalancing. This approach is used as a temporary substitution for the special packages that are going to be tailored for these customers with the implementation of the new billing system.





BSS and Call Centre Project

The BSS system was introduced in the year 2001. An international tender was organised and a supplier company was chosen. The Billing system, as part of the BSS, is of crucial importance to the Company in accomplishing its strategic goals. Firstly, it will increase the overall efficiency of the company in collecting revenue and in reducing the possibility of fraud, and, secondly, it is seen as a means of communication with the customers which will result in greater trust, loyalty, and ever more friendly relations.

The introduction of the new Billing system for all MT customers will provide the Company with a powerful tool for comprehensive analyses and the necessary, inbuilt flexibility to offer different product packages, tariff models, and discount opportunities. This will bring about an overall growth of the company based on customer satisfaction.

The Call Centre Project entered its initial phase in 2001. The Centre is projected as a modern system better suited to meet the requirements of existing and potential customers with greater flexibility. Customers will be given the opportunity of reaching the Company by telephone as well as of obtaining information about MT services from the operators or the automatic answering machines.

All these projects have already given –and continue to represent– a considerable contribution to the enlargement of the range and quality of services provided by MT for the benefit of our customers. Creating new products and packages and improving existing ones in accordance with customers' needs is the main task which the Marketing Area aims to complete in order to bring MT services closer to the customers to the mutual satisfaction of both parties.

Sales and Customer Care Coordination Function

The transformation of MT's image into that of an open, customer-oriented and market-driven company is seen as a high priority, middle-term objective. This is a process requiring many steps to be undertaken.

In order to achieve this transformation, the main activities of the newly established function within Central Marketing in 2002 were oriented towards tracing the path of development of corporate sales and customer care strategy, harmonising the sales activities of the LoBs, the development of a Code of Practice, customer satisfaction measurement - implementation and measurement procedures, handling of extra customer cases and the management of marketing research. Initial steps were taken with the aim of developing sales channels and modern sales strategies, the improvement of customer care and customer loyalty, the establishment of a corporate image and the provision of quality service and customer satisfaction.

At the end of 2002, the Printed Directory Pilot project was successfully executed for the region of Strumica, including the municipalities of Gevgelija, Novo Selo, Valandovo, Vasilevo, Bogdanci, Murtino, Kuklis, Star Dojran, and Miravci, covering a total of 50,000 customers. The plan for next year is to publish printed directories for the other regions of the country, the target being the publication of a printed directory covering the whole territory of the Republic of Macedonia by the end of the year.

Commitment to the Transparency and Accuracy of Information delivered to the Internal and the External Public

As a dominant national telecommunication operator in Macedonia, and one of the most modern telecom companies in the region, as well as a provider of the most sophisticated products and services in the communications field, MT aims to gen-



erate a superior external and internal PR approach in order to achieve adequate representation of the Company. The PR segment is perceived as one of the essential elements that will establish the company's brand image.

The main messages that the PR activities intend to convey to the external and internal public are as follows:

- * MT is a well-organised company providing the best telecommunication services to the customers
- * MT is a customer-oriented company
- * MT is part of Macedonian society as a good legal entity
- * MT improves its business results, with the contribution of its strategic partners
- * MT employees are the moving force of the company.

Within the PR activities in 2002, several major projects were implemented as part of the company's efforts to be transparent,

open and truly close to the external and internal public. These projects are as follows:

- * Participation in MT campaigns for the introduction of new services and packages.
- * Organisation of press conferences (a press conference during the trade fair for telecommunications, computers and IT – INFOKOM 2002).
- * Preparation of MT's annual report for the year 2001 and preparation of a corporate brochure - MT 2002.
- * PR events (internal celebration of 17th May, WTD, opening of a new business centre building, opening of an MT shop, coverage of MT's participation at the 5th CEI Summit Economic Forum)
- * Preparation, publication of the internal newspaper
- * Preparation of the new corporate web page (www.mt.com.mk), launched at the end of 2002.



Detail from Embroidery work on the lower part of a woman's shirt - Skopska Blatiya nearby Skopje

Network Infrastructure

2002 was one of the most successful years in the technical sphere. The number of channels connected surpassed 44,000. Several analogue (mainly party) lines were replaced all over the country. The last analog switch was switched off in Skopje in September. Replacement began in the countryside as well and the program will be finished in 2003. Several new services and technologies were launched and implemented in 2002.

More than 79,000 channels with switching capacity were installed in Alcatel and EWSD switches, and more than 33,000 channels were reconfigured across the complete switching network. As a result of this high level of reconfiguration, nearly 80% utilisation rate was reached in the switching network (without ISDN).

More than 2,500 channels were reactivated in the crisis regions and were able to recommence normal operations.

New software (V15) was installed in several switches to prepare for the introduction of new services and to provide better operations and maintenance.

More than 200 km of optical cables were installed throughout the country:

- * to connect new locations,
- * to improve the reliability of the backbone network.

More than 30 new network elements were installed in the SDH backbone network, and some 50 network elements were relocated to the regional rings. These were part of the SDH network extension project launched in 2001.

The new network:

- * Provides transmission capacity to telephony development,
- * Provides transmission capacity to mobile telephony development,
- * Provides transmission capacity to business communications development.

The new management system supports us in providing higher quality service to the

leased-line business segment.

The mobile network leased-line outage was significantly better than the value quoted in the SLA (Service Level Agreement).

A new TDM network was put into service with more than 25 network elements. Some 150 leased lines are already operating in the network.

The IP-VPN and IP-VPDN services were launched with SLA.

Power supply is important for all technologies. Three major projects related to this sphere were underway in 2002.

A new power supply system was installed in the TC Centre. This is state-of-the-art technology and raises the capacity of the telecommunications systems in the TC Centre.

DEAs (Diesel Electric Aggregates) were installed in several towns and villages to provide the required level of quality to our customers.

Several Makedonska Posta and Makedonski Telekomunikacii buildings were separated with regard to electricity) in accordance with the Agreement between the two companies.

In 2002, 93,000 new pairs were installed throughout the country, mainly in the urban areas. Several party lines were replaced in Ohrid, Prilep, Bitola, and other towns. This replacement activity resulted in better quality service and higher revenue. The new projects provided the capacity for the connection of more than 44,000 channels.

MobiMak and Makedonski Telekomunikacii provided Fix GSM solution, mainly for rural areas. Around 1,000 sets were installed in 2002. Fix GSM solution will continue to remain a technology for the rural areas in 2003.

The concession contract defined the quality targets for AD Makedonski Telekomunikacii. The technical area concentrated on the quality targets and on qualitative improvement as well as on the in-



vestment program. The figures improved month by month.

The following quality indicators, amongst other factors, were measured and controlled in the course of the year:

- * Service failures,
- * Call completion,
- * Erroneous billing,
- * Leased-line provisioning.

The targets for the most significant indicators were achieved.

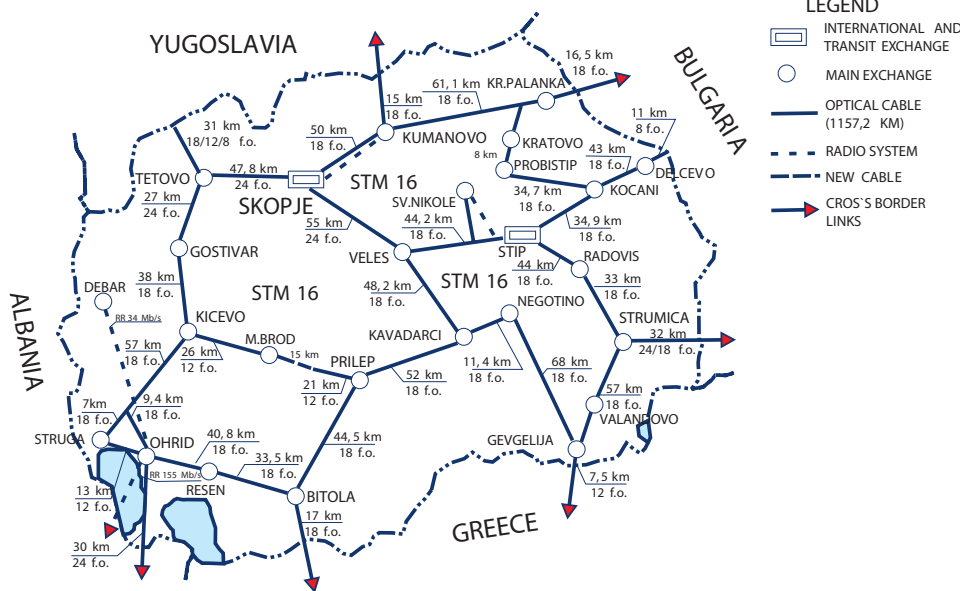
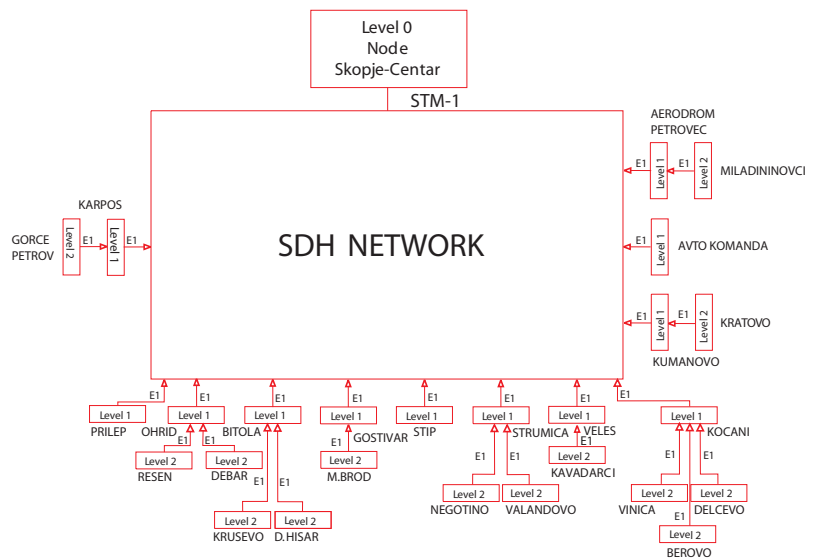
The technical area operates as a functional organisational unit. The above-mentioned results refer to the telecommunications network extension, upgrading and reconstruction. Several new technologies were introduced in the operation and maintenance activities in order to raise levels of efficiency and quality.

These investments were:

- * TeMIP implementation, to improve the switch maintenance
- * NMS upgrade of SDH, to improve the transmission maintenance
- * New management system for the power supply
- * Upgrade of the technical inven-

tory system

The systems were implemented and the processes were defined and described. The new technologies, along with the detailed descriptions of processes and procedures, help us to continuously improve our efficiency and quality.



Plan SDH backbone network in the Republic of Macedonia



Detail from Embroidery work on the bride's veil (Sokaj) - region of Debartsa

Within the Strategic Plan for the year 2002, IT either completed or commenced execution of the following projects:

Implementation of the following SAP R/3 modules:

- * IM/PS module
- * SD module
- * MM-WM sub-module
- * 2002-2003 SIU

2002 is developed by IT SIU (Small Inventory in Use), SAP customised module fully integrated into the existing SAP modules. In 2003, SIU is implemented.

Inhouse developed applications

1. IIS for MTcom
2. Decoding of Fix GSM
3. Intranet Portal
4. IDTKS -Phase 1
5. CC&NP-Phase 1
6. Report builder for analysis of LoBs' sales
7. Sales in MTline and MTnet shops

Activities performed as part of the implementation of the enterprise storage consolidation project were as follows: the defining of the initial storage solution in line with MT's requirements, the preparation of a technical architecture overview, the planning of the enterprise storage network layout, and the assignment of the project team.

To realise the company's vision, IT also needed to re-engineer itself. This project called for the creation of a new data centre, the introduction of new applications and the establishment of a reliable and efficient IT support infrastructure. In this process, we drew upon the experience and expertise of our partners, Matáv and Deutsche Telecom. The outcome of this technology transfer was the successful completion of the Data Centre and Storage Consolidation Project. The common concept underlying these projects was that of meeting business needs in the best and most effective manner while pro-

viding innovative technologies and state-of-the-art equipment.

The object of the Enterprise Storage System Consolidation Project for Makedonski Telekomunikacii was that of providing our company with an optimised storage consolidation solution, which is highly reliable and efficient in terms of total-cost-of-ownership (TCO) and return-on-investment (ROI). The project was based on the high level of integration of the enterprise storage system by EMC, the communication equipment from CNT, the tape backup hardware by StorageTek and the backup software by Hewlett-Packard. The solution provides consolidation of the storage requirements, effective tape backup as well as timely replication of the data to another location for the purposes of disaster recovery using the software tools by EMC.

In IT, we are proud of our recently developed and installed applications:

- * X25/FR Billing and Collection re-developed from the legacy X25/FR billing with additional functionality customised bill collection system, developed on the Windows 2000 platform using Visual C++ 6.0, Crystal Report and Oracle Database 8i.

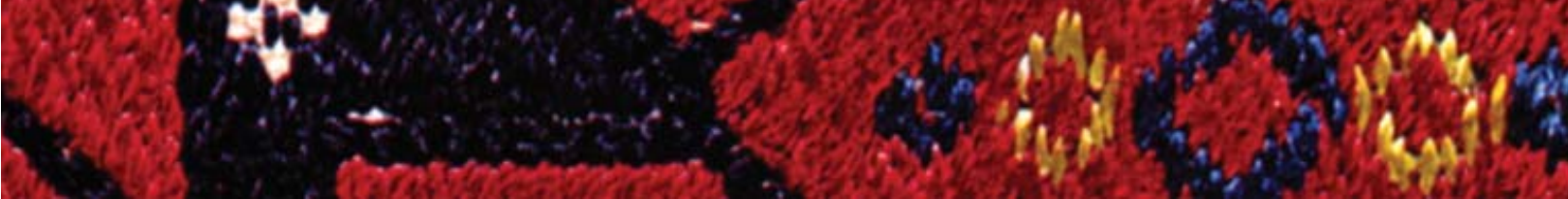
- * EWSD/E10 Automatic Mediation System. Redesigned application from interactive GUI based on COM /ATL windows services, developed on the Windows 2000 platform using Visual C++ 6.0, Crystal Report and Oracle Database 8i.

- * Premium Rate Services Billing and Customer Care application developed on Delphi 6.0 and MS SQL 2000, as a client server application.

- * Data warehouse for MTnet based on CDRs developed on MSSQL 2000 server, covering all the internet traffic in the country.

- * Fraud Management based on processing CDRs from the digital exchanges MSSQL 2000 and DELPHI 6.0.

- * Tool for decoding and processing



information from the international exchanges Skopje and Stip, DELPHI 6.0 and MS SQL 2000.

- * Suing of customers for unpaid bills, ORACLE Developer and Oracle 8i.

- * PCM maintenance and support application.

- * IT Help Desk Support application based on ASP/VB 6.0 and MSSQL 2000.

- * MTline shops with stock control based on Oracle Developer and Oracle 8i RDBMS.

Our Billing group is proud of the following projects:

- * Payments from Diners Club: the application for collection of data from Diners Club and making the necessary input file for billing application are developed on the Windows 2000 platform using Vi-

sual Basic, Crystal Report and Access Database. Obligations of invoices from the Miracle Database are dealt with by the SQL.

- * Data Warehouse for Debt Management – an application that provides an overview of the debiting and payments for the subscribers categorised according to type of subscriber, type of phone line and by RC; developed in SQL Server 2000 using with Microsoft Analysis Management (OLAP).

Some of the activities of the SAP group include:

- * Implementation of the SAP – FI (GL, AR, AP, AA), CO and MM modules.

- * Programming of the several interfaces from SAP modules to other applications.



Detail from Embroidery work on the bride's veil (Sokay) - region of Struga

Human Resources

Total number of employees in MT in 2002:

Areas	Status on 31.12.2001	Status 31.12.2002	Percentage of MT COMPANY total	
CEO		102	3,12	%
CMO		32	0,96	%
CFO		783	23,97	%
CTO		1460	44,70	%
HR		29	0,89	%
MT LINE		686	21,00	%
MT NET		74	2,27	%
MT COM		97	2,97	%
NOT ASSIGNED		3	0,09	%
MT COMPANY TOTAL:	3437	3266	100,00	%
MOBIMAK	339	378		
MT GROUP TOTAL:	3776	3644		

2002 was a year of building the skeleton of the new HR organisational structure and of founding a new perception of the function and role of HR within the Company.

The establishment of a totally new department within the HR functional area - Remuneration & Performance Department and the adjustment of the Personnel & Training Department, the Labour & Payroll Administration Office, and the recent HR service centre as per the Company's organisational structure and needs, were of supreme importance for the HR function in the Company. With the R&P as a brand new department, we started the process of budgeting and tracking personnel expenditures. We established a performance appraisal system for the managers as a logical outcome of the introduction of managerial contracts and yearly bonus targets for the management team. Within the frame-

work of the Personnel & Training Department new procedures for recruitment and selections were implemented, both internally and externally, following international practices, excluding nepotism and political influences. Also within the Department continuous dialogue with the Trade Union was maintained. Training courses and business trips were regulated and tracked, and Training Plan was prepared for the year to come, 2003, based on the training and development needs of the employees within the limits of the available budget. The Labour and Payroll Administration Office followed the new organisational structure implemented in March 2002, and worked on the improvement of all employee - related issues of importance to the Company .

Based on the international benchmarking survey, headcount management was introduced for the first time in the Company, and programs such as the early retirement

program contributed to an overall increase in the operational efficiency of the Company.

By the end of the year, those colleagues with extraordinary achievements were granted special awards. Long - service awards were presented to those colleagues who had worked for more than 15 years in the Company, and since these awards had not been given for the previous three years, they were now awarded to older colleagues in recognition for their dedication and loyalty to MT.

In order to reach the stage at which we will be able to measure employee satisfaction levels, taking into account the Company's interests and development plans, the change management program "Road to Success", along with other plans such as the Talent Management Program and the Corporate Cultural Change Program was initiated and projected for completion in 2003.

Training of employees

In the survey of the types of training courses organised in 2002, it can be seen that the employees that most often attended an appropriate training were from MTline, for the purpose of gaining theoretical and practical skills for sales and customer care, while the training courses in IT and the technical area were focused on the new Billing System as well as on installation and maintenance of new and advanced technology, as it is shown in the chart.

The chart does not include training for top management called Finance for Non - finance Managers, which 12 managers attended and which started in 2002 and will continue in 2003. 500 employees took part in the initial stage of training for all MT employees - end- users of Windows 2000 and Exchange 2000 - and the second stage of training will continue in 2003.

Number of trainings for MT employees in 2002

Organizational Unit	Number of Employees
CEO -IT	
Total	40
CEO	
Total	61
CMO	
Total	2
MTline	
Total	256
MTcom	
Total	7
MTnet	
Total	9
GRAND TOTAL	375



Detail from Embroidery work on the bride's veil (Sokay) - region of Debartsa

A Good Corporate Citizen

As an integral part of the social and economic fabric of the community in which we operate, Makedonski Telekomunikacii pursues development that responds to the middle-term and long-term needs and expectations of the society as a whole. MT continues to achieve significant success in its business and wishes to share this success with its customers and business partners.

The Company is known for the sponsorship activities which it performs on a regular basis. In this way MT seeks to assist in developing values in areas such as culture, sport, cultural heritage, education and charity.

MT is proud of its largest single sponsorship in the cultural sphere – the donation of one million Euro towards the restoration of Samuel's Fortress in Ohrid, a unique symbol of Macedonia's cultural and historic heritage. By supporting a project of such immense cultural significance as this, MT embraces the opportunity of contributing to Macedonia and its citizens.

The tradition of one of the biggest international festivals, Ohrid Summer Festival, continued this year as well and was

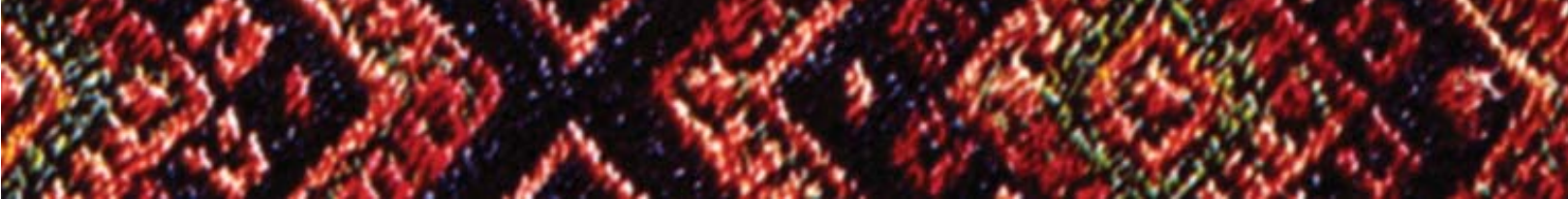
again supported by MT. The event merged classical music and theatre at the monumental sites of Ohrid, with participants attending from all over the world.

MT's partnership with the Macedonian Philharmonic Orchestra continues to be a highly successful one. Communications and music represent different, yet related worlds of possibilities and both are means of expression that enhance our lives regardless of the specific musical direction. In this respect, MT also participated in the world famous Skopje Jazz Festival, keeping pace with all that happens in our society.

The Ohrid Swimming Marathon, the most important international sporting event in the country, gave MT an opportunity, together with the contestants and sport fans, to take pleasure in the excitement and entertainment offered by sport.

MT acknowledges its role as a corporate citizen and recognises that sponsorship is beneficial to the wider community with which MT is building good relations and with which it endeavours to become ... truly close...





MT is proud of its largest single sponsorship in the cultural sphere – the donation of one million Euro towards the restoration of Samuil's Fortress in Ohrid, a unique symbol of Macedonia's cultural and historic heritage. By supporting a project of such immense cultural significance as this, MT embraces the opportunity of contributing to Macedonia and its citizens.



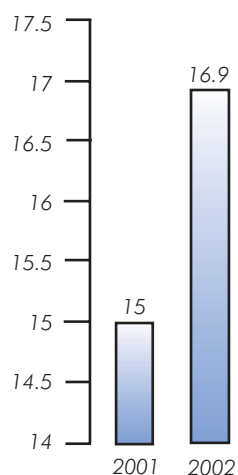
Detail from Embroidery work on the bride's veil (Sokay) - region of Debarca

Financial Highlights

* Total revenues grew by 13% to MKD 16.9 bn., primarily due to the strong growth of the mobile business.

* MT Group EBITDA amounted to MKD 9.2 bn. and the EBITDA margin amounted to 54.5% due to growth in revenue.

Operating revenue



Operating revenues

* The fixed-line segment revenue grew by 8%. A decline in the international traffic revenue was compensated by an increase in domestic telecommunication revenue, leased line and data revenue, based on an expanded subscriber base and a tariff increase.

* Mobile segment revenues increased by 37%, reaching MKD 5.6 bn., mainly driven by the expanded subscriber base attracted by new tariff package offers.

In billions of denars	2001	2002
Domestic fixed line telecommunication service	6,7	8,0
International traffic revenues	3,5	2,0
Mobile telecommunication service	4,1	5,6
Leased line and data transmission	0,2	0,5
Other revenues	0,5	0,8
Total	15,0	16,9

Operating expenses

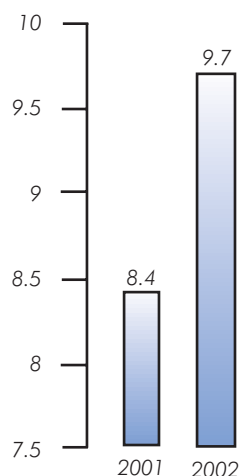
* Employee - related expenses increased by 27% to MKD 1.9 bn. as a result of wage increases (effective as of December, 2001). At the end of 2002, the total group headcount amounted to 3,644 representing a 3.1% decrease compared to 3,776 at the end of 2001.

* Depreciation and amortisation amounted to MKD 2.0 bn, compared to MKD 1.9 bn in 2001 due to continuous capital investments in switches, IT and other investments.

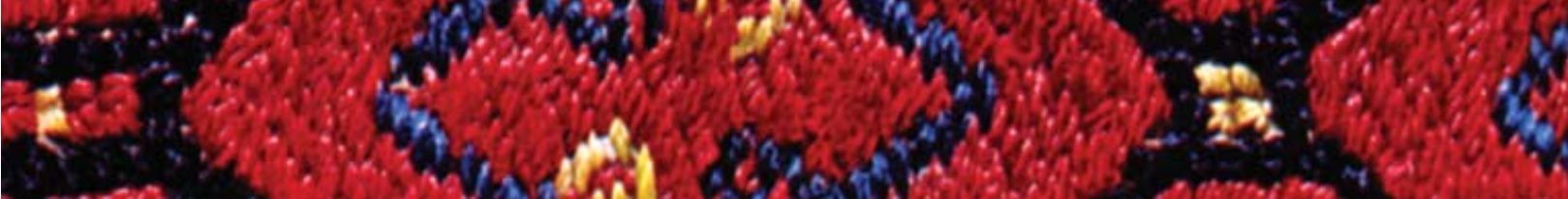
* Payments to other network operators amounted to MKD 1.3 bn. Payments to foreign service - providers reflect reduced international traffic and favourable average settlement rates.

* Other operating expenses totalled MKD 4.5 bn., compared to MKD 3.6 bn. in 2001, an increase of 25%. Major expenses increased, including those for materials, maintenance, energy, services, marketing, consultancy expenses and impairment losses for trade receivables.

Operating expenses



In billions of denars	2001	2002
Personal costs	1,5	1,9
Depreciation and amortisation	1,9	2,0
Payments to other network operators	1,3	1,3
Other operating costs	3,6	4,5
Total	8,4	9,7



Income tax

* The income tax on the annual profit comprises both current and the deferred tax. The current income tax of 15% was calculated according to Macedonian Law. The deferred tax was calculated to account for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

* The effective tax rate was 13% in 2002 and 11% in 2001.

Balance sheet

* The total assets on 31 December, 2002 amounting to MKD 28.9 bn., representing an increase over 2001 of 16%.

* The 15% increase in fixed assets was generally due to the completion and activation of a large number of investment projects related to tangible and intangible assets.

* Current assets increased by 23% as a result of the increased debtor accounts and cash position.

Capital

* Total capital on 31 December, 2002, amounted to MKD 26.0 bn compared to 2001, amounting to MKD 19.8 bn, as a result of higher net-income for the year.

Liabilities

* The Group long-term borrowings were repaid, coming to a zero balance at the end of 2002. On the other hand, the trade and other payables increased as a result of the extended payment terms negotiated with the suppliers.

Cash flows

* The cash flow generated from operating activities in 2002 amounted to MKD 8.5 bn, increasing by 47% compared to 2001, thereby reflecting the increased operations and improved inventory management system in 2002. Part of this cash was used for the early repayment of debts to EBRD and IFC reaching zero balance at the year - end. The net cash employed in investment activities in 2002 amounted to MKD 4.7 bn, increasing by 11% compared to 2001. This was primarily a result of new capital expenditures in tangible and intangible assets.

