



MAKEDONSKI TELEKOM AD – SKOPJE

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ANNUAL REPORT on the Operations of Makedonski Telekom AD - Skopje in 2023

This Annual Report on Operation refers to Makedonski Telekom AD - Skopje (hereinafter referred to as: "MKT").

In 2023, the Macedonian economy was confronted with significant challenges marked by a slow economic growth and a deceleration in inflation, which, despite the decrease, remains at a relatively high level. Although fiscal and monetary actions have been put in place in order to offset the challenges posed by the geo-economic crisis, the growing dependency on energy imports, the structural economic weaknesses and the high inflation rate are eroding the purchasing power and the business confidence.

Despite operating in a challenging economic environment with aggressive competition, MKT achieved year-over-year growth by increasing the revenues which resulted in a higher net margin and lower costs, primarily due to the reduced electricity expenses. The mobile segment, and especially the post-paid services, drove higher revenues, supported by an increased subscriber base and increased revenue per subscriber. The fixed revenues saw a growth from the broadband and TV services, interconnection, and TV content resale. At the same time, the system integration revenues declined. MKT plans to sustain its positive performance from 2023 by leveraging the integrated offers, focusing on service revenue growth, strengthening its position in the ICT market amid the growing digitization demands, expanding the next-generation networks, and maintaining its status as a premium provider.

MKT registered a customer base growth in all three focus segments – post-paid, BB internet and TV customers. At the end of 2023, MKT had 228 thousand stable fixed line voice accesses. The number of total broadband (BB) subscribers increased to 210 thousand at the end of 2023, marking a 3.5% year-over-year increase. The number of IPTV customers at the end of 2023 reached 150 thousand customers, marking a 1.8% increase from the end of 2022. The number of Fibre to the Home (FTTH) customers reached 113 thousand at the end of 2023, marking a 14% increase from the end of 2022.

MKT had 1,281 thousand mobile subscribers at the end of 2023, or a 1% increase compared to 2022. The mobile market penetration in the Republic of North Macedonia is 127%. As a result of the market saturation, MKT continuously focuses on retaining the customers in order to protect the market share.

MKT has built a substantial advantage on the market in terms of FMC penetration. MAGENTA 1 continued to be MKT's main product, offered both in the consumer and in the business segment. The positive value generation from the converged households, the simplification of the product propositions and the digital customer experience were the main guiding directions in 2023.

Focus is constantly put on the migration to the next generation integrated gigabit networks (FTTH and 5G) and the dedication to deliver best customer experience, which resulted with the prestigious Ookla award for the best mobile network based on the data from Speed-test Intelligence referring to the superior speed of the mobile network, the largest coverage of the territory of Macedonia and the best quality of the network.

During 2023 within the ESG agenda (Environment, Society and Governance), MKT managed to further reduce the CO2

emissions and the energy consumption, thus making contribution to the process of prevention of climate changes and efficient utilization of the resources of the society.

Board of Directors' remuneration

Presented below are the available remuneration data about the Board of Directors' (BoD) members of MKT, related to the applicable period of 2023*.

a) Data about the remunerations in MKT and in other companies if the respective member is also a member of the management bodies of other companies (salary, salary remunerations, remunerations for membership, bonus, insurances and other rights)

Name and surname (applicable period)	Company where the member is a member of the managing body	Salary	Salary remuneration	Remunerations for membership	Bonus	Insurances	Other rights
Igor Milev	Makedonski Telekom AD – Skopje (Non-Executive member and President of the Board of Directors)	0	0	MKD 372,000 (net) from 30.06.2023 to 21.07.2023 MKD 155,000 (net) from 21.07.2023 to 31.12.2023	0	0	None
Sadula Duraki	Makedonski Telekom AD – Skopje (Non-Executive member and Vice President of the Board of Directors)	0	0	MKD 93,000 (net)	0	0	None
Danijela Bujic	Makedonski Telekom AD - Skopje (Non-Executive member of the Board of Directors)	0	0	0	0	0	None
	Slovak Telekom, (Board of Directors)	0	0	0	0	0	None
	Slovak Telekom, (Audit Committee)	0	0	0	0	0	None
Diana Annamária Várkonyi	Makedonski Telekom AD - Skopje (Non-Executive member of the Board of Directors)	0	0	0	0	0	None
	Telekom New Media Supervisory Board member	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements
Lubor Zatko	Makedonski Telekom AD - Skopje (Non-Executive member of the Board of Directors)	0	0	0	0	0	None
	Magyar Telekom Nyrt.	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements

Borce Siljanoski	Makedonski Telekom AD - Skopje (Non-Executive member of the Board of Directors)	0	0	0	0	0	None
	Magenta Telecom Austria	0	0	0	0	0	None
Vladimir Ivanovski	Makedonski Telekom AD - Skopje (Non-Executive member of the Board of Directors)	0	0	0	0	0	None
	T-Systems Magyarország Zrt.	This info may not be disclosed	This info may not be disclosed	This info may not be disclosed	This info may not be disclosed	This info may not be disclosed	This info may not be disclosed
Nina Angelovska	Makedonski Telekom AD - Skopje (Non-Executive member of the Board of Directors)	0	0	MKD 62,000 (net)	0	0	None
	Macedonian e-Commerce Association	MKD 98,000			0	0	None
Bardul Nasufi	Makedonski Telekom AD - Skopje (Non-Executive member of the Board of Directors with)	0	0	MKD 62,000 (net)	0	0	None
Peter Veil	Makedonski Telekom AD - Skopje (Independent member of the Board of Directors)	0	0	0	0	0	None
	JP HT d.d. Mostar, BiH	0	0	0	0	0	None
Martin Renner	Makedonski Telekom AD - Skopje (Independent member of the Board of Directors)	0	0	0	0	0	None
	Slovak Telekom, a.s.	0	0	0	0	0	None
Shkodrane Darlishta	Makedonski Telekom AD - Skopje (Independent member of the Board of Directors)	0	0	MKD 62,000 (net)	0	0	None
Akijif Mediu	Makedonski Telekom AD - Skopje (Independent member of the Board of Directors)	0	0	MKD 62,000 (net)	0	0	None

b) Data about the employment if the member has established a labour relation with other employers (name of employer, activity, salary amount, salary remunerations, bonus, insurances and other rights).

Name and surname (applicable period)	Name of the employer	Activity of the employer	Salary amount	Salary remunerations	Bonus	Insurances	Other rights
Nikola Ljushev	None	None	None	None	None	None	None
Igor Milev	Lawyer Igor Milev	Lawyer	MKD 50,000	None	None	None	None
Sadula Duraki	None	None	None	None	None	None	None
Danijela Bujic	Deutsche Telekom	Telecommunications	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements
Diana Annamária Várkonyi	Magyar Telekom Plc..	Telecommunications	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements
Lubor Zatko	Magyar Telekom Nyrt.	Telecommunications	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements
Borce Siljanoski	Deutsche Telekom AG	Telecommunications	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements
Vladimir Ivanovski	Magyar Telekom Nyrt.	Telecommunications	This info may not be disclosed	This info may not be disclosed	This info may not be disclosed	This info may not be disclosed	This info may not be disclosed
Nina Angelovska	University of Tourism and Management	Education	MKD 30,035	None	None	None	None
Bardul Nasufi	Municipality of Struga	Public Institution	MKD 49,470	None	None	None	None
Peter Veil	Deutsche Telekom AG	Telecommunications	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements
Martin Renner	Deutsche Telekom AG (01 – 05 2023) T-Mobile Czech Republic 06-12 2023	Telecommunications	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements	This may not be disclosed due to applicable requirements
Shkodrane Darlishta	Public Institution in the field of healthcare	Public Institution	MKD 45,000	None	None	None	None
Akjif Mediu	None	None	None	None	None	None	None

** Data for remuneration and membership in a management body in other companies and data for employment are presented in scope, layout and content as given by the respective member of the BoD and MKT has not made any verification of the accuracy and completeness of the data.*

In addition, the compensation of the key management of MKT, including taxation charges and contributions, is presented below:

<i>In thousands of denars</i>	2023
Short-term employee benefits (including taxation)	67,669
Contributions to the state pension system on short-term employee benefits	9,890
Other state contributions on short-term employee benefits	5,049
Termination benefits	9,657
Long-term incentive programs	50,879
Other payments	2,474
Total	145,618

Further details on MKT's financial performance, the operating and accounting policies, as well as other relevant disclosures, including details about the investigation into certain consultancy contracts, are given in the MKT financial statements for the year ended 31 December 2023.

Information on participation of the members of the Board of Directors of MKT on the meetings held in 2023

The Board of Directors of MKT held 8 meetings in the 2023, out of which 4 regular meetings and 4 extraordinary meetings as well as 2 e-mail votings.

Information on the participation of the members of the Board of Directors of MKT on the meetings held in 2023 is given below:

Name and surname	Position	Participation	Mandate
Zoran Kitanov	Non-Executive member and BoD President	4 meetings	until 29.05.2023
Igor Milev	Non-Executive member and BoD President	4 meetings	from 30.05.2023
Sadula Duraki	Non-Executive member BoD Vice President	8 meetings	2023
Nikola Ljushev	Executive BoD member	8 meetings	2023
Nina Angelovska	Non-Executive BoD member	8 meetings	2023
Bardul Nasufi	Non-Executive BoD member	8 meetings	2023
Andreas Maierhofer	Non-Executive BoD member	2 meetings	until 29.05.2023
Danijela Bujic	Non-Executive BoD member	3 meetings	from 30.05.2023
Diana Annamária Várkonyi	Non-Executive BoD member	7 meetings	2023
Borce Siljanoski	Non-Executive BoD member	7 meetings	2023
Vladimir Ivanovski	Non-Executive BoD member	8 meetings	2023
Lubor Zatko	Non-Executive BoD member	6 meetings	2023
Peter Veil	Independent BoD member	6 meetings	2023
Martin Renner	Independent BoD member	7 meetings	2023
Shkodrane Darlishta	Independent BoD member	7 meetings	2023
Akjif Mediu	Independent BoD member	8 meetings	2023

Transaction with an Interested Party

Given below are the details of the transaction concluded with an interested party in 2023.

With the Resolution of the Board of Directors of MKT adopted at its regular meeting held on 22.03.2023, the conclusion of a Framework Cooperation and Service Agreement for PSL business competence center services with Magyar Telekom was approved as a transaction with an interested party in view of the fact that Magyar Telekom is the sole shareholder of Stonebridge Communications AD, a shareholder that owns 56.67% of the total number of shares with a right to vote issued by MKT. This Agreement was concluded on 20.10.2023 for a period of 4 years until 31.12.2026 inclusive for the purposes of providing PSL Int support of services in connection with PSL Int BCC services. The value of the Agreement is up to EUR 60,000 and its implementation and the respective payments by MKT towards Magyar Telekom shall be effectuated by 31 December 2026.

Auditor

The Shareholders' Assembly of MKT, at its meeting held on 30 May 2023 adopted a Resolution on the appointment of an authorized auditor for auditing the financial statements for the year 2023. The appointed auditor was Deloitte DOO Skopje.

MKT does not use any other services from Deloitte DOO Skopje except for audit of financial statements.

Corporate Social Responsibility

The Company reports on the environmental and social issues based on the principle of transparency and in accordance with the relevant legal requirements and good international practices. In line with this, the company prepares a separate report on Corporate Social Responsibility as part of the Deutsche Telekom Group. The link to the report can be found on the Company's web site and in the Corporate Governance Questionnaires (GIQ2T) delivered to the Macedonian Stock Exchange in Section 6 - Stakeholders Sustainability and Social Issues.

Regulation and Pricing

The Law on Electronic Communications - "LEC" of North Macedonia was enacted in March 2014 as primary legislation, followed by rulebooks adopted as secondary legislation in order to ensure alignment with the EU Framework Directives 2009.

On 19 December 2014, amendments of the LEC were enacted. One of the most important changes is implemented in Article 75-a, which regulates the prices of international roaming. In accordance with this Article, the Agency for Electronic Communications ("the Agency") has the right, with a Decision, to determine the maximum prices for the services which are offered to the roaming users from countries with which the Republic of North Macedonia has concluded agreements on the reduction of the prices of roaming services in public mobile communications networks.

In March 2019, Article 75-a was changed in order to enable the extension of the RLAH regulation. On 5 April 2019, six Western Balkan countries signed an agreement aimed at gradually abolishing the retail roaming surcharges by 1 July 2021. The Western Balkan regional roaming rules were inspired by the EU Roaming Regulation. In particular, the agreement includes the "Roam Like at Home" principle: from 1 July 2021, the roaming services within the region should be provided at domestic retail prices without surcharges for international roaming. The agreement applies only on the territories of the Western Balkan countries and has no impact on the users in the European Union. The Western Balkan countries comprise Albania, Bosnia and Herzegovina, Kosovo, North Macedonia, Montenegro and Serbia.

In July 2019, the LEC was changed once again, and Article 29-a was added in order to enable the financing of the Operational-Technical Agency. With this regulation, the Agency is obliged to transfer part of its funds to finance the activity of the Operational -Technical Agency, as follows:

- 50% of the total revenue generated by the Agency for the preceding calendar year from the annual fees paid by the operators for market surveillance, set out in the Agency's annual performance report for the previous calendar year, adopted by the Commission of the Agency, and
- 10% of the total revenue generated by the Agency for the previous calendar year from the revenues from the annual fees for radio frequency utilization by the holders of authorizations for radiofrequency utilization, set out in the Agency's annual report for the previous calendar year, adopted by the Commission of the Agency.

The Agency is obliged to pay the amounts to the Operational-Technical Agency no later than April 15 of the current year.

New articles 71-a 71-b, 71-c, 71-d and 71-e were added, requiring the establishment of a National Broadband Competence Office as an expert and advisory body to support the investment in Broadband Networks.

In April 2021, amendments of LEC were enacted with new articles, from 166-a to 166-d, concerning the security of electronic communication networks and control and monitoring by the relevant institutions. A Rulebook was enacted in April 2022 in order to be able to implement the LEC provisions.

From 1 January 2022, MKT was once again designated as a Universal Service (US) provider for a period of 5 years, for fixed telephony services and Internet of 12 Mbit/s, and providing service for disabled end-users.

In April 2019, the Ministry of Information Society and Administration issued the National Broadband Strategy which sets the following targets:

- By the end of 2023, at least one major city should be covered with 5G signal;
- By the end of 2025, the regional highways and state highways defined by the Agency should be covered by a continuous 5G signal;
- By the end of 2027, all urban areas will be covered by a continuous 5G signal;
- By the end of 2029, everyone will have access to 5G internet with a minimum internet speed of 100 Mbps;
- By the end of 2029, at least 50% of the total number of subscriber agreements of households across the whole country should have internet access of at least 100 Mbps;
- By the end of 2029, all households will have affordable access to a network that provides download speeds of at least 100 Mbps with the possibility of upgrading to a gigabit speed;
- By the end of 2029, all public institutions (schools, universities, research centres and other educational institutions, health institutions, ministries, courts, local governments and other public authorities and bodies) should have symmetric access to the Internet of at least 1 Gb/s.

Regulation of Fixed Line Business

MKT is a significant market power (SMP) operator on the wholesale markets of fixed telephony networks and services, including the market of access to the networks for data transmission and leased lines. MKT, as an SMP operator, has the obligation to enable its subscribers to access publicly available telephone services of any interconnected operator with an officially signed interconnection contract.

In 2017, both relevant retail markets for fixed telephony - 1. Access to the public telephone network at a fixed location and 2. Publicly available telephone services at a fixed location - were deregulated. Consequently, MKT is no longer an SMP and it has no ex-ante regulations for the retail fixed services.

According to the bylaws, MKT has an obligation to publish reference offers for the wholesale products for interconnection, Unbundling Local Loop (ULL), Local Bit-Stream Access (BSA), Reference Access Offer for providing access to physical infrastructure and use of specific network facilities and wholesale terminating segments of leased lines.

The Rulebook on the emergency number E 112 was enacted on 27 October 2015 (Official Gazette No. 184/2015). An update of the rulebook was enacted in 2021 and the Crisis Management Centre (CUK) started the service in 2022.

Regulated Wholesale Prices

In May 2017, the Agency adopted a Decision for the designation of MKT as an SMP operator on wholesale markets, local and central access on a fixed location, relevant markets, 3a and 3b. With the same market analysis, A1 Macedonia (formerly known as one.Vip) was designated as an SMP operator for the first time, with the same regulatory obligations as MKT. A1 Macedonia is obliged to offer wholesale broadband services on DOCSIS technology. With the analysis in 2022, the previous decisions were confirmed without any changes.

In the middle of 2019, the NRA implemented ERT testing (margin squeeze methodology) to the NGA based broadband wholesale services supplied by the two dominant operators (MKT and A1 Macedonia). The developed ERT model will test the economic replicability of the retail bundles including broadband services with access speed higher than 30 Mb/s.

Regulation of the Mobile Business

MKT has radiofrequency usage rights for the following radiofrequencies for public mobile communications systems:

- 2 x 12.5 MHz in the 900 MHz band, validity period: 8 September 2008 – 8 September 2028 (20 years)

- 2 x 10 MHz in the 1800 MHz band, validity period: 9 June 2009 – 9 June 2029 (20 years)
- 2 x 15 MHz 2100 MHz band, validity period: 17 December 2008 – 17 December 2028 (20 years)
- 2 x 15 MHz 2100 MHz band, license validity until 2028, new
- 2 x 10 MHz in the 800 MHz band, validity period: 1 December 2013 – 30 November 2033 (20 years)
- 2 x 15 MHz in the 1800 MHz band, validity period: 1 December 2013 – 30 November 2033 (20 years)
- 2 x 10 MHz in the 700 MHz band, validity period: 11 July 2022 – 10 July 2037 (15 years) new
- 100 MHz in the 3.7-3.8 MHz band, validity period: 11 July 2022 – 10 July 2037 (15 years) new

The competitor A1 Macedonia has frequency usage rights for the following radiofrequencies for public mobile communications systems:

- 2 x 12.5 MHz in the 900 MHz band
- 2 x 10 MHz in the 2100 MHz band
- 2x 10 MHz in the 2100 MHz band, new
- 2 x 10 MHz in the 800 MHz band
- 2 x 15 MHz in the 1800 MHz band
- 2 x 10 MHz in the 800 MHz band
- 2 x 15 MHz in the 1800 MHz band
- 2 x 10 MHz in the 700 MHz band, validity period: 11 July 2022 – 10 July 2037 (15 years) new
- 100 MHz in the 3.7-3.8 MHz band, validity period: 11 July 2022 – 10 July 2037 (15 years) new

The duration of two licences positioned in the lower parts of the bands previously owned by A1 Macedonia was until 2017, 10 MHz from 900 MHz band and 10 MHz from 1800 MHz band, and they expired on 23 March 2017. Based on a request from A1 for licence prolongation, the Agency adopted Resolution No. 0804-974 dated 2 November 2016 not to prolong these two licences. Their resolution was based on the efficient and effective spectrum usage and the necessity for realising radiofrequencies for the entrance of a third mobile operator on the market in order to foster competition. At the moment, these radiofrequencies are not allocated and they are not available for sale to the existing operators. 2 x 15 MHz in the 2100 MHz band is prolonged until 2028. In September 2023, A1's licence 2x900 MHz was prolonged for 5 years, until 2028.

The retail services provided by the mobile network operators in the Republic of North Macedonia currently are not subject to ex-ante price regulation.

MKT is an SMP Operator on the wholesale market for voice call termination services in mobile communications networks, whereby several obligations are imposed: interconnection and access, non-discrimination in interconnection and access, accounting separation and price control and cost accounting. A1 Macedonia and all three MVNO's are designated as operators with SMP status on the relevant market for mobile calls termination.

In 2020, the Agency conducted new market analyses on the relevant market for mobile access and origination. The regulatory remedies imposed by the Agency are as follows: joint dominance of A1 Macedonia and MKT, the same remedies for both operators, mobile access obligation for all MVNO hybrid types (including Reseller), a cost-based price for Full MVNO and retail minus (-35%) for the Reseller, an obligation for access to MMS services and mobile data based on technology neutrality (including 4G access). In December 2021, the Agency approved new decreased wholesale prices for mobile data and SMS for MVNO.

An auction procedure concluded in August 2013 awarded the whole 790 – 862 MHz band together with the unassigned spectrum in the 1740 – 1880 MHz band for Long Term Evolution (LTE) technology in a public tender. Each of the 3 Macedonian mobile operators acquired an LTE radiofrequency license of 2x10 MHz (in the 790 – 862 MHz band) and 2x15 MHz (in the 1740 – 1880 MHz band). Each license was acquired for a one-off fee of EUR 10.3 million (MKD 634,011 thousand). MKT will retain the license for 20 years, until 30 November 2033, with an extension option for up to 20 years in accordance with the LEC.

5G tender was held in 2022 and, as a result, spectrum was sold in a total amount of 2x20 MHz on 700 MHz and 228.5 MHz in 3.x GHz band.

Competition

The competition in the telecommunications business is well-developed in all segments. Two main integrated players that offer a full portfolio of fixed and mobile services shape the telecommunications market in North Macedonia: MKT and A1 (subsidiary of Telekom Austria Group).

There are four MVNOs on the mobile market with very low market shares.

The fixed market is fragmented, with more than 50 providers of TV and BB services, most of them with a regional coverage.

The product portfolio of all operators is dominantly driven by bundle products. The cable operators are bundling their TV offers with Internet and fixed voice services. As the overall market is price sensitive, the price perception plays a significant role in the customers' choice and thus the cable operators' offers are seen as more competitive than MKT's.

A1 Macedonia, as an integrated operator, offers comprehensive service portfolio - mobile and fixed voice, mobile and fixed broadband Internet, TV and ICT solutions. The main focus is on mobile post-paid, bundled fix, as well as bundled convergent offers.

Telekabel is the biggest cable provider among around 30 active cable operators, with a strong presence in the regions where MKT has a low market share. It is also present on the mobile market as a MVNO, offering post-paid services. By offering all fixed and mobile bundled services, it became the third fully integrated player on the market.

Telekom Serbia (TS) entered the market in Q4 2021 under the regional brand Mtel, initially starting with satellite TV. Mobile offers were launched a year later, in Q4 2022, as a MVNO. In Q4 2023, Mtel introduced a completely new interactive TV platform "Move TV".

As at 31 December 2023, MKT had an estimated retail fixed broadband Internet market share of 46%, a TV market share of 34% and retail fixed voice market share of 63%, (source: internal best estimates for market development based on the official Telekom Austria report Q3 2023 and the AEC Q2 2023 report). In the mobile market, the market share of MKT is estimated to 48% (source: internal best estimates based on the official Telekom Austria report Q3 2023 and the AEC Q2 2023 report).*

*All market shares are based on the product logic of Telekom Austria, reporting 4G routers in mobile.

Marketing and Sales

In 2023, MKT maintained its customer base growth in all the major segments: Postpaid, Magenta 1, Internet and TV. With strong focus on providing ultimate customer experience, during 2023, Telekom launched several propositions and campaigns, some of the most crucial being:

- 100,000 Fiber users with promotionally increased speed for all customers
- Gaming booster, the unique fully digital innovative solution on the market
- Best mobile network – confirmed by OOKLA
- Magenta Moments, the new, unique and completely digital customer engagement program
- Roaming landing page for worry free surfing in roaming

Best Mobile Network in Macedonia and Largest Fiber Network

The network superiority remains a strategic priority which continues to be executed via the intensive roll-out of the fiber network and 5G coverage. In 2023, MKT maintained its position as the operator with largest fiber territory coverage and also received prestigious award from OOKLA for its best mobile network.

Digital Customer Experience & Digital Transformation

New completely innovative approach to customer engagement was introduced, providing better customer experience,

more benefits, 24/7 availability for seamless service provisioning, as well as extension of the portfolio of fully digital processes for completion of all mobile customer journeys including new line acquisitions and mobile number portability.

In 2023 the focus remained on the improvement of the customer experience while using the Telekom MK application which provides a new set of digitally available products and services available for activations with zero human touch, practically in real time, for mobile, internet and TV customers.

In 2023 we strengthened our technology leadership by designing completely innovative digital solutions for fiber speed booster for upgrading the speed of the fixed line without human intervention, as well as by introducing the sophisticated gaming solution dedicated for our most demanding customers as a genuine innovation on the telco market.

Magenta Moments

During 2023, with the new Magenta Moments program, a new and completely innovative approach to customer engagement was introduced, offering the customers an extensive set of benefits provided by MKT, as well as its Magenta Moments partners coming from various industries such as tourism, entertainment, health, home, children, food & beverages, travel etc. With Magenta Moments, MKT has set a new ecosystem that matches the needs and interests of the customers on one side and the business partners on the other, thus confirming the true value of belonging to the Telekom family.

TV

The TV content also had several improvement points in 2023 - launch of two new movie channels in Q1 (Tring Super and M1 Family) and a range of channels from Sky Showtime, Mezzo and Bloomberg, as well as SVOD content from Disney for National Geographic Now and Baby TV and from VIASAT World for Viasat Explore, Nature and History.

Environmental Protection and Corporate Responsibility

In 2023, MKT continued its successful program "Recycle for a new smartphone" started in 2022 with the aim of contributing to the raising of wider ecological awareness and reduction of electronic waste.

This program is also branded under the DT brand "Green Magenta".

Business Customers

In 2023 we continued to focus on the Magenta 1 Business sales, executing continuous promotions directed mostly on digital services sales as part of the Magenta package. The main purpose was to bring the digital services closer to the business customers with the goal of streamlining their business.

In 2023 it was once again confirmed that MKT owns the best mobile network and fiber optical infrastructure providing the best user experience. In September, we doubled the connection speeds for the optical packages with speeds up to 500 Mbps as part of the standard offerings, thus supporting the price premium and providing best value for money. In the mobile portfolio, the commercial roaming packages were enriched with even more value, with increased (up to double) traffic quota and broader list of international carriers and countries.

T-Business Magazine is the brand-new messenger for business customers which was launched in November. It is a guide to innovative solutions that the company offers to its business users. The main purpose is to inform the customers about the new propositions and technological developments and to help their businesses in the process of digital transformation and achieving operational excellence for greater competitiveness and efficiency.

In December, MKT organized the T Business Conference, where in front of more than 300 attendees, MKT presented innovative business solutions that respond to the challenges of the new era. Subject-matter experts from MKT and DT group shared their knowledge, expertise and best practices related to the key topics of the conference, cloudification, smart solutions and cyber security. We also announced the development of smart solutions in the field of telemedicine that will completely revolutionize this field.

The promotion of the digital channels and self-service tools continued to be one of the highest priorities in 2023 for the B2B segment. Various activities led to an improved Digital Customer Journey and an increased Telekom App penetration,

reaching 69% of the eligible B2B customer base by the end of the year. Increasing the B2B customers' satisfaction was another goal reached in 2023, which was clearly reflected in an increase of the TRIM index in Q3 2023 by 30-point difference compared to the main competitor and maintaining the number one position in B2B DT EU.

Hitting the Right Spot with Gen Z

The most exciting communication activities in 2023 revolved around growing our relationship with Gen Z. We hit several sweet spots with them – first through gaming, thanks to the Regional eSports Tournament; then by proper localization of the international Summer of Youth project, and finally with the Magenta Moments program, which resonated highly with this audience. All of these actions helped increase our brand affinity and preference among our future customers.

The second half of the year was marked by our Ookla Best Network Award win. This gave us the opportunity to once again communicate our network superiority and reaffirm our tech leadership position.

We ended the year successfully – MKT remains the best-perceived, most preferred, and most loved telco brand in North Macedonia, far ahead of its competition.

Outstanding Service Quality

In 2023, according to our regular customer satisfaction surveys, MKT managed to remain the number one operator in customer satisfaction in mobile, fixed and convergent services, thus continuing the trend of the previous years.

To enhance the customer orientation and strengthen our regional presence, the customer-facing touchpoints became united frontline and were divided in several regions. All the main points of sales were merged with technical field services, with the goal of winning the customers' hearts and growing along the way. This united frontline continues to follow the latest trends in providing the best customer experience, where the customers can explore the products and services. The provided support of our sales agents is always there to ensure choosing the best offer for their household. The push sales channels like Door to Door (D2D) and telesales also remained in the focus with a significant contribution to the overall sales results. The technical customer services (installation and fault repair) were provided in a timely manner, to the satisfaction of our customers.

MKT is adamant about providing efficient and 24x7 customer support. MKT provides support for the customers' inquiries (either for information or for problem resolution) via different channels. The traditional support for calls is still dominant, but it is shifting to the digital and written channels, including live chats on the web, social media (Facebook, Tweeter, Instagram) and the Telekom App - it is all aimed at being closer to our customers on the channels preferred by them. We continued to develop the Chatbot possibilities that we introduced in 2021, in order to ensure faster, automated and accurate response. The customers are also able to conduct self-diagnostics and troubleshooting for their services.

MKT also implemented a new, state-of-the-art tool for collecting feedback from our customers and measuring the Net Promoter score – to understand the customer's opinion about the quality of our services, the products that they use and the brand in general, and there is a main purpose - continuous improvement in all directions that reflects in improving the customer experience.

Research and Development

ICT

MKT continues with innovations as a technology leader on the market. Special focus areas for development are Smart City, Smart Energy Metering, Telemedicine and Cybersecurity solutions.

We have successfully implemented several projects by using our in-house solution for smart energy metering and management (SEMM). The solution includes hardware and software, and it provides cloud-based web and mobile applications through which the consumption and quality of the delivered electric energy is monitored in real time. The user does not have to wait for the bill to arrive at the end of the month but can regularly monitor the consumption and react

proactively in order to minimize the costs. The solution can be used by all companies and institutions, and it is ideal for companies that have a large and variable consumption, as well as their own photovoltaic systems. The solution is connected in real time to the Hungarian stock power exchange (HUPX) for monitoring and comparing the price of electricity on the market. In 2023 we implemented it in our data centres, one governmental and one commercial customer which have already achieved substantial energy savings.

We are developing a telemedicine solution that we are particularly proud of because we use the new technologies for humane goals. This solution will provide remote monitoring and diagnosis of patients and by using artificial intelligence it will enable early detection, timely intervention and improvement of the treatment outcomes. Considering the deficit of healthcare specialists, especially in the smaller towns and rural areas, this solution will make the quality health services more accessible to all citizens in Macedonia. Furthermore, we are developing a solution which is providing real-time communication over 5G between the medical devices in the ambulance car and the hospital. During the transportation of the patient, by means of connected medical devices, the vital signs of the patient are measured so he/she will be prepared according to the instructions received from the team of doctors in the hospital, and the intervention can start immediately after the patient's admission. This solution will be among the first ones in the region, which speaks of MKT's commitment to improve the citizens' quality of life.

Together with the German Society for International Cooperation (German. Deutsche Gesellschaft für Internationale Zusammenarbeit [GIZ]), we are implementing a solution for Smart Water Metering in three municipalities. The solution will be used for reading the water consumption, identification of losses in the water supply and rationalization of consumption of the water, which is increasingly becoming an invaluable resource. In addition, this digital solution can be used for optimal irrigation of the agricultural areas.

We have been working on smart city solutions for several years and currently we are successfully maintaining our solutions for smart lighting in Skopje, Makedonska Kamenica, Ceshinovo-Obleshevo, Vasilevo and Kriva Palanka for the benefit not only of the municipalities and institutions but also of all citizens. With our digital solutions for smart lighting, on one hand, we improve the quality of life of the citizens by improving the quality of the street lighting, security and personal safety, and on the other hand, we help the municipalities to reduce their electricity bills.

We are also preparing to introduce standard solutions for protection of our large, medium and small customers from the risks of the cybercrime. By means of these solutions we provide our customers with tools for fighting cyber-attacks which detect suspicious activities in the digital space, notify the relevant persons of the customer, identify, create reports and propose measures to eliminate potential security vulnerabilities.

Network Technology

As a dominant fixed and mobile line operator and an innovation leader in the market, MKT feels responsible for making technology and innovation ubiquitous. Making technology accessible for everyone was the number one priority for the company in 2023.

MKT is a leader in the segment of fibre optic infrastructure. By the end of 2023, the Company increased the fiber reach to a total of 314,216 FTTH accesses passed, which means that around 37.64% of the households already have the option of booking a fibre-optic connection. Regarding the VDSL rollout, there are more than 230,000 VDSL accesses passed in the fixed copper network. At the end of 2023, the number of LTE box users was more than 13,000 and there were approx. 2,000 hybrid users.

During 2023, the Copper2Fiber project continued with focused migrations on specific products and with focused migrations in designated geographical areas.

In 4 out of 7 areas in the project scope, activities were completed including customer migration (copper to fibre), copper cables dismantling, and DSL equipment dismantling. The activities will continue in 2024 as well, aiming at providing best customer network experience to an even wider customer base.

With continuous strategic investments, the company managed, in a record time, to complete the final cycle of mobile network modernization. So far, 82% of the population throughout the country can use the 5G technology. At this moment,

Telekom is the only one that delivers gigabit speeds of 5G mobile internet in most of the towns in Macedonia. The LTE network also continued to grow in 2023. More than 99.9% of the total sites provided LTE services and 72.5% of all BTSs are connected via optics. The data volume via 5G is also increasing month by month. To provide a more efficient spectrum usage and optimization of the complex 4RATs (2G/3G/4G/5G) mobile network, the activities for the retirement of 3G technology were boosted during 2023. The whole project is planned to be completed in H1 of 2024, which will result in the implementation of a new NT production model based on virtualized, cloudified and disaggregated RAN.

In the core network, the emphasis was placed on the ePC domain. The project for packet core renovation started and it will be delivered in several phases. The whole set of activities is planned to be finished at the end of 2026. In parallel with these activities, the SW upgrade of vIMS was successfully completed, thus enabling the voice network modernization. New virtual Interconnect/Trunking Session Border Controllers (SBCs) were also implemented. In addition, we have reached our network Cloudification target for 2023 and now operate 28% of the telco workloads in the cloud. The Cloudification Project continues in 2024 as well.

The growth of BB access and the continuous traffic increase were supported with the further development of the IP core and transport network as a cornerstone for all services. The network was able to always handle the traffic volume without any problems. The data volume in 2023 in the mobile network increased by approx. 40% in comparison to 2022.

MKT's TV Strategy vision is to continue to be on the #1 TV provider position on the Macedonian market, by providing the best TV service and the most relevant content. In that regard, during 2023 the emphasis was placed on the deployment of the new cloud NGTV platform that provides seamless multi-screen (TV, Mobile, Web) experience with a new client look and feel for our customers. The new TV product will be commercially launched during 2024.

MKT is dedicated to the environmental protection and to reducing the harmful impact on the nature and in this process we are also using the technology. The greatest consumer of electric energy is the mobile network, which comprises approximately 55% of the entire consumption. To reduce this trend in the long run, MKT has already started working on artificial intelligence-based features.

Information Technology

In 2023, the IT department continued embracing Agile methodologies to drive internal changes centered around the development of microservices architecture and the retirement of legacy applications in the CRM domain. This shift empowered the cross-functional teams to work on specific microservices concurrently, thus accelerating the development cycles and promoting a modular approach. Continuous integration and delivery (CI/CD) pipelines were established, ensuring seamless deployment and updates.

One of the most significant undertakings to date is the Maxis initiative aimed at retiring Mobi+, a micro-front-end application constructed with a micro-front-end approach and comprising 20 microservices.

Another substantial transformation involves the overhaul of Tibco services' extensive middleware in Java, leading to substantial cost reductions and resource optimization.

The IT department achieved a significant milestone by deploying its first application in the public cloud, unlocking a myriad of new possibilities. This strategic move marked a departure from traditional on-premises environment.

Nikola Ljusev

Chief Executive Officer
Makedonski Telekom AD – Skopje



Statement on compliance with the Corporate Governance Code

In accordance with the Macedonian Stock Exchange Listing rules (Article 42 a), the Board of Directors gives the following Statement:

The Board of Directors of Makedonski Telekom AD - Skopje, hereby states that, in its operations, Makedonski Telekom AD - Skopje adheres to the Corporate Governance Code for joint stock companies listed on the Macedonian Stock Exchange AD Skopje, published on the Stock Exchange's website at www.mse.mk.

Makedonski Telekom AD - Skopje adheres to the principles and best practices of corporate governance prescribed by the Code according to the 'comply or explain' approach by fulfilling questionnaires, the form and content of which are prescribed with the Code.

By this Statement it is confirmed that the questionnaires will be published on SEI-NET and the website of Makedonski Telekom AD - Skopje, and that the answers contained therein are correct and true and accurately show the application of the principles and best practices of corporate governance by Makedonski Telekom AD - Skopje as prescribed by the Corporate Governance Code.

On behalf of Makedonski Telekom AD - Skopje

Chief Executive Officer
Nikola Ljushev

A blue ink handwritten signature, appearing to be 'N. Ljushev', written over a horizontal line.



Statement on the Application of the Corporate Governance Code

Makedonski Telekom AD – Skopje (MKT) is a company listed on the official market of the Macedonian Stock Exchange AD Skopje, in the sub-segment "mandatory listing".

For the purpose of adequate compliance with Article 384-a of the Law on Trade Companies, MKT hereby makes this statement whereby it confirms that it applies the principles of good corporate governance in accordance with the obligations defined in the Law on Trade Companies.

The corporate governance, as well as the ethical and business behaviour of the management and the employees in MKT, are guaranteed with internal acts that are adopted by the Board of Directors (BoD) of MKT, as follows:

1. Code of Conduct of MKT
2. Financial Code of Ethics of MKT;
3. Manual for the MKT Corporate Compliance Program;
4. Directive of MKT on the introduction of fraud prevention principles;
5. Directive of MKT on the compliance with the anti-corruption principles;

The Company has developed comprehensive Compliance Management System and adopt a set of internal acts that set high requirements and standards for the ethical and business behavior of the managers and the employees of the Company, including the members of the BoD. The elements of the Compliance program are available on Company's web site including Code of Conduct and Code of Ethics of MKT.

On behalf of Makedonski Telekom AD - Skopje

Chief Executive Officer
Nikola Ljushev