

Self-evaluation of the work of the Board – 2008

Role, members and meetings of the Board of Directors

The Board of Directors of Magyar Telekom, as management body, represents the Company before third parties, courts and other authorities. The Board is responsible for comprehensive management of the group and for the approval of the company strategy, structure and the long-term objectives. While the Board has delegated the daily management of the Company – with support from the Management Committee – to the Chief Executive Officer (who is also Chairman of the Board), it has retained certain formally defined issues within its exclusive authority.

The Board exercises its rights and fulfills its obligations as an independent body. The Board of Directors acts in compliance with its rules of procedure, the relevant regulations and the Articles of Association.

The Board of Directors of Magyar Telekom is not an operative management body. In other words, it is not involved in the daily business of the Company. It acts in all matters that do not belong to the scope of the shareholders' assembly. Among other things, it approves the Company's strategy, business plan, major organization transformation measures, outstanding transactions, makes work contracts and relieves the CEO and the chief officers, determines their remuneration and targets, on the basis of which it evaluates the performance of the top management.

At the time of writing this document the Board of Directors has nine members, two internal and seven external directors. The ordinary annual general meeting held on April 25, 2008 elected as new Board members Messrs. Gregor Stücheli and Lothar Alexander Harings. Mr. Horst Hermann resigned his Board membership with effect August 15, 2008.

Board meetings and information flow

In 2008 the Board of Directors met on five occasions, these sessions were attended on average by 86.4% of the members in person or via telephone conference. In twelve cases the Board of Directors took decision through telefax vote regulated by the rules of procedure.

The members of the Management Committee and senior executives of other than Board level attend certain Board meetings to answer questions and make presentations on strategic directions and the results of their business units. The members of the Board receive accurate and appropriate documentation before the Board meetings. Apart from the formal meetings, the Board may take decisions through fax vote. The Chairman-CEO maintains regular communication with the Board members also outside the events discussed above, and holds informal talks with those directors who are not involved in the management of the company about matters impacting the Company.

Group strategy objectives and expansion

2008 – 2010 Magyar Telekom Group strategy was approved by the Board of Directors at its December 18, 2007 meeting. Within the strategy the Board approved the Company's vision that is still valid and this is the frame of MT's recent operation:

1. Market leadership in whatever we do.
2. Always make it a pleasure for customers to do business with us.
3. Build broadband societies wherever we operate.
4. Capture new markets and opportunities by extending the brands and driving innovation.
5. Act as one company, pull together as a team.
6. Deliver quality in everything we do.
7. Safeguard the company's money as if it would be yours.

The Board and the management have developed close and constructive working relations for the implementation of the strategic objectives.

Building on integrated operation and in response to the intensifying infrastructure-based competition in Hungary, Magyar Telekom Board has analyzed the opportunity of launching a new generation access network development program. The Board approved this initiative with the ultimate goal of being able to provide extra-fast broadband services to its customers. The new network is characterized by bigger bandwidth and greater cost efficiency, which enable Magyar Telekom to focus on excellent quality and competitively priced products, double- and triple-play service offerings, which are expected to strengthen the market position and retain customers.

The Board has paid special attention to acquisition opportunities since the exploration and successful implementation of further value-creating acquisition opportunities remains a key strategic objective for Magyar Telekom in the medium term. Among the acquisition efforts made in 2008, participation in the privatization tender of Telekom Slovenije deserves special mention where the Board approved to make a binding offer but finally the seller decided to suspend the transaction. In the near future MT is going to focus on major privatization tenders to be announced in our region, while typically in Hungary the most activity is expected in the infocommunications and system integration, cable television service and media sectors.

At its December 16, 2008 session, the Board adopted the 2009-2011 strategic priorities along with the business plan as follows:

1. Three-screen company
2. Leading ICT provider
3. Innovative services
4. Regional presence
5. Enabling corporate fundamentals

Organizational operation of the Company

The Board developed new management structure in order to match the strategic objectives, which is an indispensable condition for the company to successfully hold its own in an ever intensifying competition. The new management structure was introduced with effect January 1, 2008.

The changes affect the organization and activities of the business units and the scope of responsibility of the members of the top management. The most important changes were the following:

- The newly formed Consumer Services Business Unit comprises the entire marketing, sales and customer care activities of the mobile and fixed residential products and brands. The T-Home brand was introduced in August 2008.

- The Business Services Business Unit provides mobile and fixed telecommunication, infocommunications and systems integration services also comprising marketing, sales and customer care activities, for the key business partners (large enterprises) and for the small and medium-size business sector.
- The new Alternative Services and Corporate Development Business Unit is responsible for content, media and other non-access services, and for the coordination of the development and innovation activities of the new business areas.
- The mobile and fixed network management and development activities have been added to the IT area to create the new Technology and IT area.

Compliance

The Board of Directors has approved the Corporate Compliance program and manual of the Magyar Telekom Group, which were developed jointly with the management. The program contains the fundamental legal, regulatory and ethical guidelines for the business management of the Magyar Telekom Group, and also pronounces the commitment of the Magyar Telekom Group to the strictest ethical standards and integrity.

In 2008 the Board continuously monitored the implementation of the Corporate Compliance program.

The Board continued to offer full-breadth support to the internal investigation of the Audit Committee into certain consulting contracts and directed the Company's ongoing cooperation with the investigations of the US, Macedonian and Hungarian authorities.

Dividend policy and other important decisions

The Board proposed to the AGM the payment of HUF 74/share dividend from the 2007 net earnings. The size of the dividend is in harmony with the Company's dividend policy, which pronounces that the dividend has to be determined in such a way as to keep the net Group leverage between 30 and 40 per cent.

The Board reviewed the 2008 financing strategy of Magyar Telekom and gave the necessary authorizations for the specific transactions.

The Board submitted to the Company's ordinary AGM the 2007 consolidated Annual Report prepared according to the International Financial Reporting Standards (IFRS) and the Annual Report of the Company prepared according to the Hungarian Accounting Rules (HAR). It also submitted to the AGM the Company's corporate governance report for the 2007 business year.

The AGM accepted the reports and the dividend payment proposal. After having evaluated the work of the Board members, the AGM granted the release for the members for the 2007 business year.

The Board submitted to the AGM the proposed amendments of the Articles of Association.

The Board executed the necessary amendments to its rules of procedure in order to comply with the corporate governance recommendations of the Budapest Stock Exchange and to accommodate the changes identified in the course of its operation.

Aspects to be considered in assessing the Board members

Name, position of the Board member	Fitness for the position
Christopher Mattheisen Chairman-CEO of Magyar Telekom Plc.	Masters in Economics. Ten years' senior management experience with mobile operators in marketing, sales and strategic areas. Directed Magyar Telekom's fixed residential business unit for five years.
Dr. István Földesi international business consultant	PhD in economics. Twenty years' diplomatic services and over fifteen years' experience in international business consulting. Has served two terms, ten years, as member of the Board of Directors.
Dr. Mihály Gálík Corvinus University, department head professor	Two decades of professional experience in responsible positions in the media sector. Author of some 70 scientific publications in his capacity of university professor.
Michael Günther Senior Vice President Central European Subsidiaries Deutsche Telekom AG and Member of the Management Board Joint Venture Management T-Mobile International AG	Three decades of professional experience in the position of financial manager of large corporations. Has been responsible for the direction of the Central and Eastern European mobile communication subsidiaries of the DT group since 2001 and all South-Eastern subsidiaries of the DT group since 2007. Board or supervisory board member of several subsidiaries.
Lothar A. Harings Board member of T-Mobile International AG, Chief Human Resources Officer	Degree in law. Almost twenty years' management experience in the human resource areas of international corporations. Board or supervisory board members of several subsidiaries.
Thilo Kusch Chief Financial Officer of Magyar Telekom Plc.	University education in communication engineering and business administration. Over 15 years of experience in telecommunications as management consultant, equity analyst, investor relations and CFO..
Frank Odzuck CEO, Zwack Unicum Plc.	Degree in economics. Professional experience in the position of managing director of the Hungarian subsidiaries of international corporations.
Dr. Ralph Rentschler Member of the Board of Management T-Home Finance & Controlling	Obtained professional experience as manager of accounting and controlling areas in several companies CFO of T-Home. Member of the supervisory board or the board of several DT group subsidiaries.
Gregor Stücheli CEO, T-Systems Switzerland	Degree in economics. Almost two decades' experience in managing international IT and telecommunications companies.