

## Self-evaluation of the work of the Board – 2009

### 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 ten members, two internal and eight external directors. At the ordinary annual general meeting held on April 2, 2009 Michael Günther, Lothar A. Harings and Gregor Stücheli resigned their Board membership. The AGM elected as new Board members Ms. Mechthilde Maier and Messrs. Wolfgang Hetlinger, Guido Kerkhoff and Dr. Steffen Roehn.

### Board meetings and information flow

In 2009 the Board of Directors met on four occasions, these sessions were attended on average by 95% of the members in person or via telephone conference. In seventeen cases the Board of Directors took decision through fax voting 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.

In accordance with the relevant law, the Articles of Association and the Rules of Procedure of the Supervisory Board, the Board of Directors has furnished regular reports to the Supervisory Board on the management, financial status and business policy of the Company.

## Group strategy objectives and expansion

Magyar Telekom Group strategy for 2009 – 2011 was approved by the Board of Directors at its December 16, 2008 meeting. As part of the strategy the Board approved the Company's main strategic directions and the relevant action plans:

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

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

Having analyzed the intensifying infrastructure-based competition in Hungary, Magyar Telekom Board decided that it was especially important to strengthen the company's position in the television market. Several initiatives in this line were put on the agenda, and the Board also gave the green light to DVB-S platform cooperation with other DT subsidiaries in order to reduce costs.

Parallel with the development of the infrastructure the Board laid great weight on innovation by utilizing the existing assets of the Company, so it decided to streamline and strengthen the business development area by creating the control area of the Chief Strategic and Corporate Development Officer.

In addition, after having carefully weighed all circumstances, the Board approved the launch of development in highly important new market areas, which developments are intended to help the company keep up its revenue flow over the medium and long term. As part of these decisions the Company launched two thematic television channels in the media market.

The Board continued to pay special attention to acquisition opportunities since the exploration and successful implementation of value-creating acquisition opportunities is a key strategic objective for Magyar Telekom in the medium term. In the near future MT will continue 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 15, 2009 session, the Board adopted the 2010-2012 strategic priorities along with the business plan, leaving unchanged the strategic priorities set for 2009-2011, but making changes in their implementation on the basis of the 2009 experiences and the changed circumstances, and also adopted the following objectives for 2010 (BIGX):

1. Maintain market leadership in fixed and mobile markets
2. Excel in flagship segments: become leading player in the TV access market in mid term and keep broadband market share
3. Retain and enhance customer relationships with cross-sell / up-sell utilizing FMC
4. Further grow IT services MSH in business segment
5. Sizable revenue volume from beyond core markets
6. Customer centricity – service leadership
7. Save for Service - Restructured business operation
8. Be among the best 3 on the Best Workplace Survey
9. Manage transition in international operations

## **Organizational operation of the Company**

In accordance with the changes in the organization the Board approved the amendment of the Basic Document of the Rules of Organization and Operations of the Company.

## **Compliance**

The Board continuously monitored the implementation of the Corporate Compliance program also in 2009. The program contains the fundamental legal, regulatory and ethical guidelines for the business management of the Magyar Telekom Group, and also declares the commitment of the Magyar Telekom Group to the strictest ethical standards and integrity.

In 2009 an external partner evaluated the structure and efficiency of the compliance program. It was found that the key elements of the compliance system and the compliance organization have, on the whole, been developed appropriately. The group-level compliance directives are well-regulated. Areas in need of development have also been identified in the respect of certain elements of the compliance program, and the management will take the necessary steps to implement the improvement proposals.

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 2008 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 2009 financing strategy of Magyar Telekom and gave the necessary authorizations for the specific transactions.

The Board submitted to the Company's ordinary AGM the 2008 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 2008 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 2008 business year.

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

The Board convened the extraordinary meeting of the company for June 29, 2009 and made a proposal for merging T-Kábel Magyarország Kft. and Dél-Vonal Kft. into Magyar Telekom Plc.

The Board executed the amendments to its rules of procedure necessitated by the developments during the year and approved the amendment of the Rules of Procedure of the Management Committee.

## 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, eleven years, as member of the Board of Directors.
Dr. Mihály Gálík Corvinus University, department head professor	PhD in economics. Two decades of professional experience in responsible positions in the media sector. Has been heading several university departments for 12 years and author of some 90 scientific publications.
Wolfgang Hetlinger T-System Austria, Director responsible for International Operations and Services, Central Eastern Europe	Over 20 years' experience in the infocommunications industry and broad experience in senior management positions in international companies
Guido Kerkhoff Deutsche Telekom AG Board member for Southern and Eastern Europe	Degree in business administration. Decades of experience in management positions in financial areas.
Thilo Kusch Chief Financial Officer of Magyar Telekom Plc.	University degree 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.
Mechthide Maier Deutsche Telekom, senior vice president responsible for corporate diversity	Degree in business management and administrative management. Over ten years' management experience in HR area.
Dr. Ralph Rentschler Member of the Board of Management T-Home Finance & Controlling	PhD in economics. Obtained professional experience as manager of accounting and controlling areas in several companies and as CFO of DT's fixed net business. Member of the supervisory board or the board of several DT group subsidiaries.

<p>Dr. Steffen Roehn Chief Information Officer of DT Group.</p>	<p>PhD in physics. Experience as advisor for international companies. 10 years' management experience in IT area.</p>
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