

Self-evaluation of the work of the Board of Directors – 2012

Role, members of the Board of Directors

The Board of Directors of Magyar Telekom Plc. (hereinafter “Magyar Telekom” or “Company”), as management body, represents the Company before third parties, courts and other authorities. The Board of Directors 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 of Directors has delegated the daily management of the Company to the Management Committee chaired by the Chief Executive Officer (who is also Chairman of the Board of Directors), it has retained certain formally defined issues within its exclusive authority.

The Board of Directors 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 legal 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 General Meeting or other corporate bodies. Among others, it approves the Company’s strategy, business plan, major organization transformation measures, outstanding transactions, makes work contracts and may relieve the Chief Executive Officer and the chief officers, determines their remuneration and targets, on the basis of which it evaluates the performance of the top management.

The Board of Directors is comprised of a minimum of six (6) and a maximum of eleven (11) members. In 2012 the Board of Directors had nine members, with two internal (executive) and seven external (non-executive) members.

The Board of Directors evaluated the independence of its members taking into the following criteria:

- lack of an important conflict of interest, incompatibility,
- there is no such
 - business,
 - family, or
 - other relationship (with the company, its controlling shareholder or the management of either)that results in a conflict of interest and therefore threatens decision-making.

Meetings of the Board of Directors and information flow

In 2012 the Board of Directors held five meetings in accordance with its Preliminary Meeting Schedule, at which the overall rate of attendance of the members (either personally or by telephone conference) was 89%. The Board of Directors adopted resolutions without holding a meeting in writing in ten cases as regulated in its Rules of Procedure.

The members of the Management Committee and senior executives of other than Board of Directors level attend certain Board of Directors meetings to answer questions and make presentations on strategic directions and the results of their business units. The members of the Board of Directors receive accurate and appropriate documentation before the Board of Directors meetings. Apart from meetings through personal attendance, the Board of Directors may take decisions without holding a meeting in writing. The Chairman-CEO maintains regular communication with the Board of Directors members also outside the

events discussed above, and holds informal talks with those Board of Directors members who are not involved in the daily 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.

Information about decisions of the Board of Directors relevant to the investors was published on an ongoing basis on the Company's website and the Budapest Stock Exchange website.

Group strategy objectives

On the 13 December 2011 meeting, the Board of Directors adopted the 2012-2016 strategic priorities along with the business plan, and also adopted the following objectives for 2012 (BIGX):

1. Slow down erosion of traditional high margin products.
2. Further improve cost base.
3. Secure market leader position in broadband.
4. Achieve critical mass on interactive TV market.
5. Restructure revenue base.

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

The Board of Directors 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. Magyar Telekom will continue to focus on acquisition possibilities in Hungary, the most activity is expected in infocommunication and system integration, cable television service and media sectors. Our ability for non-organic growth in Hungary through mergers and acquisitions is subject to the approval of, and can be limited by, the Competition Authority once the thresholds stipulated in the Competition Act are exceeded.

One of the most important strategic priorities of Magyar Telekom is to increase revenues by entering new business opportunities while exploiting existing core capabilities. To that end, the Company set out a vision for Telekom 2017 that encompasses growth in non-core areas (like digital home/ office, retailing), and creating more efficient operations through strengthening the automated on-line customer service channel together with the internal radical e-transformation initiative.

On the 13 December 2012 meeting the Board of Directors also approved the 2013-2017 Corporate Strategy and 2013-2016 Business Plan. The 2013 strategic priorities (BIGX) mentioned below were established to strengthen previous years' strategic direction and to answer the challenges of the market.

1. Build online Company through E-TRANSFORMATION both externally and internally.
2. Differentiate through best-in-class CUSTOMER EXPERIENCE in all channels.
3. Secure leadership in BROADBAND QUALITY countrywide (fixed and mobile).
4. Improve OPERATIONAL EXCELLENCE through online and agility.
5. Develop EMPLOYEES as our most important assets.
6. Leverage B2B competences in IT services regionally and increase non-telco revenues.

7. Boost INNOVATION and capture new revenue streams in Digital Home and Retail+.

Organizational operation of the Company

To enable the Company to react more efficiently to the fast changing market and economic environment the Board of Directors decided on organizational changes as of January 1, 2013:

- The structure of the Management Committee was modified. The total number of Chief Officers was left intact, but some functional areas were transferred in-between them and a new position was created too (Chief Commercial Officer SMB).
- The most notable transfers were the following:
 - the Director of Communication and the Director of Strategy reports directly to the CEO,
 - establishment of the Corporate Agility Development Directorate in the CEO's area,
 - acquisition and portfolio management related functions are transferred to the CFO's area,
 - transfer of the Wholesale Directorate to the Chief Technology and IT Officer's area.
- The position of Chief Marketing Officer was terminated; the functional areas were distributed among the other market facing organisations (to Chief Commercial Officer Residential, SMB areas).
- Currently the members of the Management Committee of the Company are: Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer, Chief Business Development Officer, Chief Legal and Corporate Affairs Officer, Chief Technology and IT Officer, Chief Commercial Officer Residential, Chief Commercial Officer SMB, Chief Commercial Officer Enterprise

In accordance with the changes in the organization the Board approved the amendments of the Base Volume of the Rules of Organization and Operation of the Company.

The most important issues discussed by the Board of Directors in 2012 were as follows:

- Monitoring financial and non-financial KPIs;
- Decisions on the bonus achievement for the members of the Management Committee in year 2011, based on recommendation of the Remuneration Committee;
- Decisions on the fine tuning of bonus targets for the members of the Management Committee for the year 2012, based on recommendation of the Remuneration Committee;
- Proposal to the General Meeting on the approval of the year 2011 financial statements, the use of the profit after tax and the dividend;
- Approval of the mid-term strategy and business planning for years 2013-2017;
- Cooperation with Deutsche Telekom;
- Decision on the termination and modification of the employment contract of certain Management Committee members, decision on the appointment of new Management Committee members;
- Organizational restructuring;
- M&A decisions;
- Risk management of Magyar Telekom Group;
- Review of the compliance program.

Compliance

The Board of Directors continuously monitored the implementation of the Corporate Compliance Program also in 2012. The program contains the fundamental legal, regulatory and ethical guidelines for the business management of Magyar Telekom and Magyar Telekom Group, and also declares the commitment of the Magyar Telekom Group to the strictest ethical standards and integrity.

Dividend policy and other important decisions

In 2012 the Board of Directors proposed to the AGM the payment of HUF 50/share dividend from the 2011 net earnings.

The amount of the dividend was in harmony with the Company's dividend policy.

The Board of Directors reviewed the 2012 financing strategy of Magyar Telekom and gave the necessary authorizations for the specific transactions.

The Board of Directors submitted to the Company's AGM the 2011 consolidated Financial Statements prepared according to the International Financial Reporting Standards (IFRS) and the Standalone Financial Statements of the Company prepared according to the Hungarian Accounting Rules (HAR).

It also submitted to the AGM the Company's corporate governance and management report for the 2011 business year.

The AGM approved the financial statements and the dividend payment proposal. After having evaluated the work of the Board of Directors members, the AGM granted the release for the members for the 2011 business year.

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

Upon proposal by the Board of Directors the AGM gave an authorization for buying own shares.

The Board of Directors 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 of Directors members

Name, position of the Board of Directors member	Fitness for the position
<p>Christopher Mattheisen Chief Executive Officer, Magyar Telekom Plc.</p> <p>Member of the Board of Directors: Makedonski Telekom, T-Mobile Macedonia</p>	<p>Masters in economics. Over 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.</p>
<p>Dr. Ferri Abolhassan Director Production and Member of the Executive Board, T-Systems International GmbH, Deutsche Telekom AG</p>	<p>PhD in research and development. Over ten years' senior management experience in IT and system integration.</p>
<p>György Mosonyi Chairman of the Supervisory Board, MOL</p>	<p>Degree in chemical engineering. Two decades of senior management experience in the petrochemical sector (Shell, MOL).</p> <p>Independent member of the Board of Directors.</p>
<p>Günter Mossal Vice President for Area Management, Europe, Deutsche Telekom AG</p>	<p>Degree in electrical engineering. Over ten years' senior management experience in the Deutsche Telekom Group.</p>
<p>Thilo Kusch Chief Financial Officer of Magyar Telekom Plc.</p>	<p>University degree (masters) in business administration and communication engineering. Over fifteen years of experience in telecommunications as management consultant, equity analyst, investor relations and CFO.</p>
<p>Dr. Klaus Nitschke Vice President Content Development & Production at Products & Innovation, Deutsche Telekom AG</p>	<p>University degree, PhD. Almost ten years' management experience in various functional areas of DT.</p>
<p>Frank Odzuck Chief Executive Officer of Zwack Unicum Plc</p>	<p>Degree in economics. Professional experience in the position of managing director of the Hungarian subsidiaries of international corporations.</p> <p>Independent member of the Board of Directors.</p>
<p>dr. Mihály Patai Chairman-CEO of UniCredit Bank Hungary Zrt.</p>	<p>PhD in economics. Over two decades of senior management experience in the financial sector.</p> <p>Independent member of the Board of Directors.</p>
<p>Dr. Ralph Rentschler Finance Europe, Financial Director Europe, Deutsche Telekom AG</p>	<p>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 directors of several DT group subsidiaries.</p>