

Sustainability Report 2008

In accordance with GRI G3 Guidelines

Life is for sharing.



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Chairman-CEO's letter



Dear Reader,

In 2008, Magyar Telekom pursued its business in line with its new strategy, retaining its sustainability values. It was through numerous initiatives that we got closer to achieving our main objective of increasing awareness among employees and customers regarding the Group's leading role in sustainability, while maintaining this leading position. Employees were kept informed on the issue, both in the context of related actions and programs, as well as external initiatives, through the intranet and the corporate magazine's "Down to Earth" page. Our internal climate protection campaign was continued by actions aimed at drawing employees' attention to the problems springing from climate change and to the responsibility of individuals in the matter. As of 2008, the presentation of sustainability-related information has also become part of the series of presentations designed for newly hired colleagues.

At the beginning of 2008, Magyar Telekom was among the founders of the climate protection program called "Cut back!", which is aimed at urging the young generation to act against climate change.

Raising awareness about sustainable development was also the aim of the first Sustainability Day, on November 21, 2008, where positive examples of conduct to follow, innovative initiatives, Hungarian and international ideas, fantastic break-through inventions and everyday opportunities alike were demonstrated through interactive presentations.

As of 2008, we have established a new governance and brand structure with the aim to become a truly integrated service provider. Our residential services are provided under the T-Home and T-Mobile brands, while corporate services are offered under the brand name of T-Systems. We are the only "double triple-play" provider on the market to offer telephone, internet and television through fix and mobile networks, to anyone at home or on the move. Our new satellite television service is available anywhere in the country.

The deepening economic crisis has proven that instead of a short-term, excessively consumption-focused approach, a long-term, integrated one is needed to ensure sustainable growth. Integrating environmental and social aspects with economic goals incur less risks and offer more opportunities for companies. The fact that Magyar Telekom is on the right path is very much proven by our favorable financials achieved under the unfavorable macroeconomic circumstances. Our revenues remained approximately on the same level as in 2007, while our operating EBITDA even slightly increased. The operating EBITDA margin increased from 41% in 2007 to 42% in 2008.

By constantly developing our networks, we are building an information society. In 2008, we installed fix-line broadband VDSL technology to access 100,000 households, thus achieving that the number of Group-level broadband connections exceeded 900,000. The number of DSL connections more than doubled in Montenegro and Macedonia. Our third-generation mobile network was already accessible, for two thirds of the population by the end of the year, and the number of mobile broadband customers exceeded 260,000 in Hungary. Our market share was above 53%. In addition, during 2008, we launched our third-generation mobile service in Montenegro, too.

Several corporate responsibility ratings prove that besides investors focusing on classic financial aspects, those who consider environmental and social performance should also turn their attention to Magyar Telekom's shares. The German corporate responsibility rating firm, Oekom awarded "prime" rating to Magyar Telekom, meaning a recommended investment status. Our company's sustainability performance improved from a score of 68 in 2007 to 78 in 2008 by the Dow Jones Sustainability Index (DJSI) measure, and in the yearbook published by Sustainable Asset Management (SAM), Magyar Telekom was ranked in the silver category from the 2,500 largest companies of the world, and as the only Central European one.

We achieved outstanding results by other ratings as well, confirming our leading role in sustainability, so just like in 2006 and 2007, in 2008 once more, we were ranked first in the Accountability Rating Hungary list.

From social and economic aspects, it is one of our top priorities that the benefits of info-communications technologies become available to everybody, and Magyar Telekom also strives to eliminate the so-called "digital divide" by pursuing numerous initiatives. Though the Digital Bridge at Small Settlements program is over its 112th event, Magyar Telekom's volunteers teach the inhabitants of the isolated small settlements to use the internet and exploit its potential with the same enthusiasm as they did at Bakonszeg, where the first event took place. The Internet for Equal Opportunity (Egálnet) program continues to enable the networking of organizations supporting disadvantaged groups of society, offering at the same time the chance of developing their web sites free-of-charge. The number of participants at our Internet Academy, which provides free-of-charge internet training, reached 16,500 last year.

It is indispensable to provide equal opportunity to everyone inside the company as well, therefore we were among the first to draw up an Equal Opportunity Plan and to establish the institutional conditions of implementing it. Our employees participating at the "Szabad az Á" Film Club were presented with a wide range of new information and thoughts in the context of Equal Opportunities. In the framework of the Romaster Program, we continue to support the talented young Roma to develop their careers.

In addition to the above, we strive to establish a work-life balance by numerous measures, which the Ministry for Social Affairs and Labor recognized by granting us the "Family Friendly Workplace 2008" Award.

As of last year, we have the chance to meet our Macedonian or Montenegrin colleagues in a virtual Telepresence videoconferencing meeting room, which reduces our environmental burden and also helps us keep travel costs down.

We strengthen climate protection not only through replacing travel by other means, but also by applying alternative energy sources for different purposes. We were the first to put into operation a base station that runs on PEM cells, i.e. hydrogen, which enables environment-friendly and cost-efficient operation. Two Magyar Telekom sites utilize technological residual heat by heat pumps. Our hybrid fleet now includes 53 cars.

Despite the fact that in light of the unfavorable macroeconomic conditions and the intensifying competition, we expect 2009 to be a tough year, we also see quite some opportunities that it holds for us. Namely, we can further strengthen our positions on the information technology and system integration markets, while the current low asset prices present value creating acquisition opportunities.

As far as our budgets allow, we keep up our efforts to increase the ratio of renewable energy sources, and we continue our initiatives of rationalizing energy consumption.

We wish to further increase awareness among our employees and customers regarding issues of sustainability, focusing primarily on the importance of climate protection.

The purpose of the present document is to encourage readers to support us even more, under the current difficult economic conditions, with their ideas about the development of sustainable business operations, and to invite them to participate at our sustainability events in as large numbers as possible.

Budapest, July 31, 2009



Christopher Mattheisen
Chairman-CEO

About the report

After having concluded our latest 3-year sustainability strategy by issuing our last year's report, this year, we are in a position to address the first year of our new strategy (2008–2011). The text has been structured accordingly. Following the introductory chapters, we present the Group's sustainability activities of 2008, along the 6 key challenges included in the strategy.



The report has been compiled in compliance with the Global Reporting Initiative third generation guidelines (GRI G3), and includes, similarly to last year's A+ rated report, a really wide range of diverse information. The guidelines have been applied at the highest, A+ level (full compliance).

When elaborating the report, we focused on the significance and comprehensiveness of the information, as well as the introduction of aspects that changed with time and the current challenges. When addressing the financial performance, we highlighted the most important operational data in the chapter about the Group. More detailed data are available as part of Magyar Telekom Group's Annual Report.

The Report covers Hungary, Macedonia and Montenegro, including all the activities pursued by the Group. The section about the employees covers an even larger portion of the Group than before, thus the uncovered ranges in the information provided by the foreign subsidiaries have further decreased. All the affiliates with significant sustainability impacts have provided their data, including the newly acquired ones, too. In order to interpret the data the right way, you need to take into consideration the changes in the Group's size and structure. These aspects can be best assessed by looking at the table at the beginning of the chapter on reducing environmental effects.

We strove to compile all the information in the most thorough, objective, comparable, transparent and timely manner. In order to ensure authenticity, we involved an external, independent third party this year again. B&P CSR management audited our Report and certified the information therein to be reliable. The relevant statement is included in the chapter "Certification".



Data sources:

- Financial data are from the Group's Annual Report on the financial year 2008¹, the IFRS Financial Statement, as well as external surveys.
- Social data have been compiled on the basis of the data provision within the Group.
- Environmental data are from the data provision conducted annually in a regulated manner within the Group.

The validity of the data included in the Report are certified by the executives heading the relevant organizational units by which the data were provided.

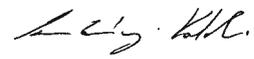
Our Sustainability Report aims to inform all concerned parties, however, on the basis of previous years' experience, it primarily addresses the information needed by investors, especially those seeking responsible investments.

In the spirit of dematerialization, this year's Sustainability Report is published solely on the internet.

We firmly believe that sustainable growth, including sustainable corporate operations, is our common cause, and is more significant under the current difficult economic conditions than ever before. Therefore, we encourage everyone to send their ideas, thoughts and express their opinion by writing to the fenntarthatosag@telekom.hu address.



Éva Somorjai
Chief HR Officer
Senior Executive acting
on behalf of the MC in connection
with the Group Sustainability Strategy



Katalin Szomolányi
Head of the Corporate
Sustainability Department
Professional Supervisor
of the Group
Sustainability Strategy



¹ Identical to the calendar year

I. | About the Group

Magyar Telekom (www.telekom.hu) is Hungary's largest telecommunication service provider.

Magyar Telekom provides a wide range of fixed line telephony, data transmission, value-added, systems integration and information technology services, and is Hungary's leading mobile telecommunication and internet service provider.

Magyar Telekom is the majority owner of Makedonski Telekom, the leading fixed line provider in Macedonia, and its subsidiary, T-Mobile Macedonia, the market leader mobile provider in the country. Magyar Telekom also holds majority share in Crnogorski Telekom, Montenegro's largest telecommunication provider, which provides fixed line, mobile and internet services to its customers.

Magyar Telekom, founded in 1991 (then called Matáv), was privatized in 1993. The domestic and international initial public offering of Magyar Telekom shares took place in Budapest and in New York in 1997.

Magyar Telekom's majority (59.21%) owner is MagyarCom Holding GmbH, which is solely owned by Deutsche Telekom AG.

As of March 01, 2006, Magyar Telekom's registered corporate name is Magyar Telekom Telecommunications Public Limited Company, abbreviated as Magyar Telekom Plc.

The operational territory of the affiliates is Hungary, Macedonia, Montenegro, Romania, Bulgaria and the Ukraine.

The headquarters of the Group is located at Budapest (Krisztina krt. 55).

You can learn more about the Group and its foreign subsidiaries at: http://www.telekom.hu/rolunk/magyar_telekom_csoport

In 2008, the following changes took place in the structure of the Group:

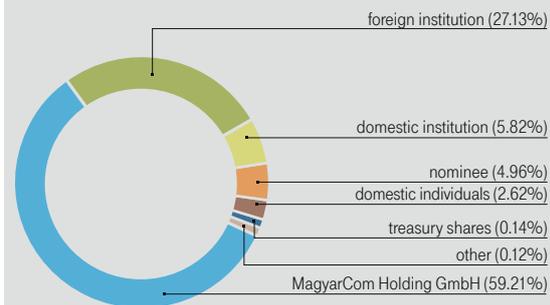
- BCN Rendszerház was merged into KFKI.
- T-Systems Hungary was merged into IQSYS.
- Magyar Telekom acquired numerous cable television networks at individually insignificant prices, amounting to a total of HUF 687 million.

More information about the Group's products and services can be found at the Company's home page: <http://www.telekom.hu/szolgalattasok>, and through the customer service.

You can read more about the history of the Company at: <http://www.telekom.hu/rolunk/cegtortenet>

Magyar Telekom's ownership structure in 2009 (according to the April 29, 2009 status of the share registry) showed the following breakdown in percentages².

Ownership structure of Magyar Telekom



You can read more about Magyar Telekom's ownership structure at: http://www.telekom.hu/befektetoknek/magyar_telekom_reszveny/tulajdonosi_szerkezet

Magyar Telekom Group's headcount³ (FTE on December 31, 2008) is 10,439, that of Magyar Telekom Plc. is 6,125.

New brand structure, repositioned service provider

Pursuant to the decision of Magyar Telekom's Board of Directors adopted in June 2008, Magyar Telekom introduced, in September, the T-Home brand, replacing the T-Com, T-Online and T-Kábel brands, as one brand covering all fixed line communication and entertainment services accessible in households.

Parallel to the introduction of the T-Home brand, the corporate "T" brand was renewed to serve as an umbrella brand over the T-Home, T-Mobile and T-Systems offer brands which mediate our services to customers. Magyar Telekom's new slogan is "Life is for sharing." used by T-Home and T-Mobile alike. The slogan implies that the fixed line and mobile services play a significant role in communicating, sharing experiences.

Our business customers will continue to meet with the brand they are already used to: T-Systems.

By re-branding, a brand structure was established that is simpler and makes it easier for customers to clearly identify the products. By introducing T-Home, we also repositioned Magyar Telekom, as the only "double triple-play" provider in Hungary, offering, uniquely in Hungary, internet, television and telephony through T-Home and T-Mobile via fixed line and mobile networks available to anyone at home or on the move.

Our service portfolio further widened in November by the launch of the T-Home SatTV satellite television service, through which we, as the first real three-screen company (internet, television, mobile phone), provide television services in the homes of our customers anywhere in the territory of Hungary.

² When comparing with previous years, changes in the structure are to be taken into account!

³ Calculating with 8 hours employment that means a 0.5 multiplier in case of 4 hours employment

Magyar Telekom operating model from January 1, 2008



Direct economic value produced and divided

Given its scope of activities, the group is future-oriented, flexible, innovative and contributes to improving the competitiveness of its operation environment. With its ICT services that follow (and also continuously further develop) the latest technologies, it promotes long-term and sustainable economic growth in every service area. Magyar Telekom makes ongoing infrastructure development efforts in order to promote the competitiveness and wellbeing of its operation environment.

For more detail on the economic performance of the company please read the Annual Report: http://www.telekom.hu/static/sw/download/EvesJelentes_2008.pdf

In the table below the company presents the way it creates welfare for its stakeholders: which part of the produced economic value goes to employees, investors, the state and communities it operates in.

Direct economic value produced	2007	2008
Revenues (overall revenue+share of associates' after-tax income)	677,595 million HUF	674,397 million HUF
Divided economic value		
Operating costs (payments from overall revenue+net other operating costs)	312,578 million HUF	304,358 million HUF
Employee wages and benefits (employee-related costs)	120,176 million HUF	100,320 million HUF
Payments to shareholders (dividend paid+net interest cost)	107,021 million HUF	107,360 million HUF
Payments into the state budget (profit tax)	26,221 million HUF	27,698 million HUF
Community investments (donations, institutional patronage, voluntary work, education)*	1,448 million HUF	1,256 million HUF
Retained profit (after-tax income+depreciation-dividend paid)	111,599 million HUF	134,661 million HUF

Note:
In brackets the appropriate lines of the IFRS profit and loss statement are given (with the exception of community investments because there is no such line in the P&L statement)

* Does not contain broadband investments in small regions and sponsoring activities. It has not been deducted from direct economic value produced as operating costs and employee wages and benefits already contain this sum.

Substantial financial support from the State	2007	2008
Tax benefit used	355 million HUF	294 million HUF
Deduction from tax base due to donations	180 million HUF	398 million HUF
Tax gain by taxable income decrease due to R&D	12 million HUF	60 million HUF

Comparing the aggregations in the table above with the row "Payments into the state budget" in the previous table one can get information on monetary movements between the company and the state.



Magyar Telekom Group: summary of operating statistics

T-Home segment	December 31, 2007	December 31, 2008	Change (%)
Fixed line penetration	28.8%	26.9%	n.a.
Number of closing lines			
Residential	1,778,444	1,594,974	(10.3)
Business	162,795	150,734	(7.4)
Payphone	19,458	16,279	(16.3)
ISDN channels	303,998	285,660	(6.0)
Total lines	2,264,695	2,047,647	(9.6)
Data products			
ADSL connections	613,051	633,459	3.3
Number of Internet subscribers			
Dial-up	16,357	9,711	(40.6)
Leased line	652	617	(5.4)
DSL	398,265	430,433	8.1
W-LAN	598	208	(65.2)
Cable broadband	89,853	107,769	19.9
Total retail Internet subscribers	505,725	548,738	8.5
Total broadband Internet access	716,714	761,967	6.3
Market share in the DSL broadband market (estimated)	82%	79%	n.a.
Market share in the dial-up market (estimated)	33%	32%	n.a.
Cable television customers	418,517	422,936	1.1
IPTV customers	9,225	28,496	208.9
Macedonian fixed line penetration	22.4%	20.9%	n.a.
Number of closing lines			
Residential	404,925	371,285	(8.3)
Business	40,954	40,344	(1.5)
Payphone	2,015	1,692	(16.0)
ISDN channels	44,482	44,694	0.5
Total Macedonian lines	492,376	458,015	(7.0)
Data products (Macedonia)			
ADSL connections	48,214	98,866	105.1
Number of Internet subscribers			
Dial-up ⁽¹⁾	18,459	5,910	(68.0)
Leased line	149	129	(13.4)
DSL	48,214	98,866	105.1
Total Internet subscribers	66,822	104,905	57.0
Market share in the DSL broadband market (estimated)	58%	59%	n.a.
Market share in the dial-up market (estimated)	93%	96%	n.a.
	30.6%	28.0%	n.a.
Montenegrin fixed line penetration	30.6%	28.0%	n.a.
Number of closing lines			
PSTN lines	168,062	164,394	(2.2)
ISDN channels	21,906	22,416	2.3
Total Montenegrin lines	189,968	186,810	(1.7)
Data products (Montenegro)			
ADSL connections	16,106	38,956	141.9
Number of Internet subscribers			
Dial-up	28,401	17,455	(38.5)
Leased line	146	188	28.8
DSL	16,106	38,956	141.9
Total Internet subscribers	44,653	56,599	26.8
Market share in the dial-up market (estimated)	98%	98%	n.a.
IPTV customers	2,397	17,531	631.4

T-Mobile segment	December 31, 2007	December 31, 2008	Change (%)
Mobile penetration	109.7%	121.8%	n.a.
Market share of T-Mobile Hungary	44.0%	43.9%	n.a.
Number of customers (RPC)	4,853,492	5,361,792	10.5
Postpaid share in the RPC base	37.0%	38.5%	n.a.
MOU (Minutes of Usage per User/Month)	149	152	2.0
ARPU (Average Traffic Revenue per User/Month, HUF)	4,542	4,087	(10.0)
Postpaid ARPU (HUF)	8,635	7,720	(10.6)
Prepaid ARPU (HUF)	2,205	1,890	(14.3)
Enhanced services within ARPU (HUF)	679	702	3.4
Average acquisition cost (SAC) per customer (HUF)	6,554	7,376	12.5
Macedonian mobile penetration	93.3%	110.5%	n.a.
Market share of T-Mobile Macedonia	62.3%	59.4%	n.a.
Number of customers (RPC)	1,212,539	1,379,191	13.7
Postpaid share in the RPC base	23.2%	26.2%	n.a.
MOU	90	96	6.7
ARPU (HUF)	3,054	2,586	(15.3)
Montenegrin mobile penetration ⁽²⁾	168.7%	185.6%	n.a.
Market share of T-Mobile Crna Gora ⁽²⁾	33.8%	36.1%	n.a.
Number of customers (RPC)	408,941	506,519	23.9
Postpaid share in the RPC base	18.0%	17.6%	n.a.
MOU	120	105	(12.5)
ARPU (HUF)	3,252	2,886	(11.3)

T-Systems segment	December 31, 2007	December 31, 2008	Change (%)
Number of closing lines			
Business	60,259	59,822	(0.7)
Managed leased lines (Flex-Com connections)	7,710	6,037	(21.7)
ISDN channels	166,748	168,558	1.1
Total lines	234,717	234,417	(0.1)

⁽¹⁾ Dial-up Internet subscriber figures were reported according to the number of accounts in previous periods. One user may have several accounts (that can be inactive for longer time). In order to avoid the misleading picture of the Internet market, we now report the number of users. Previously published subscriber figures have been restated.

⁽²⁾ Data published by the Montenegrin Telecommunications Agency based on the total number of active SIM cards in the previous three months.

II. | Vision, Mission, Environmental Policy, Strategies

Vision

As market leading telecommunications and information technology provider the Magyar Telekom Group works for the better future of the entire society. It offers top quality, efficiency and innovative knowledge to its customers. In every respect.

Mission

As the market leader, we uniquely bring together the needs of our customers with the latest in technology, whether in communications, information or entertainment.

Everything we do starts with the customer.

Our goal is to turn modern communications into experience which makes a difference in people's lives. We are here to make Magyar Telekom everybody's favorite service provider.

Environmental policy

Magyar Telekom Group's Environmental Policy

The Magyar Telekom Group, as leading infocommunications service provider of Central Europe and leading player of the Hungarian economy, is committed to preserving the nature and the environment and to improving the state of the environment. We are aware that climate change is one of the most formidable challenges of environment protection so we identified with this problem and set such goals in our programs which also serve the cause of protection of the climate. In compliance with our mission and our sustainability strategy and bearing in mind the role we intend to play in the information society, we feel responsibility for harmonizing our goals with the basic principles of sustainable development. Beyond complying with the regulations, we are making efforts both at group and member company level to meet halfway the general social and environmental expectations. Our goal is to improve our environmental performance while reducing our environmental impact. Through the development, implementation and use of our telecommunications and information technology services we give the society, our customers and also ourselves the opportunity to improve the general efficiency of the environment protection efforts. Our information and communication services carry considerable potential for the reduction of greenhouse gas emissions. By actively communicating this fact to our stakeholders we enable them to be more environment-conscious. In order to meet our commitments:

We operate a group-level environmental coordination process and implement and operate an MSZ EN ISO 14001 standard environment-centered management system at the organizations with major impact.

In our developments we take into consideration environmental aspects and social expectations alike.

Environmental guidelines and considerations play a major role in our procurement and investment policies and we also expect our suppliers and subcontractors to comply with them, thus encouraging their environment-conscious development.

In the development of our services we seek to reduce the use of energy and other resources, to analyze our products from an environmental aspect and to certify and communicate their positive environmental impact.

We wish to make the protection of the environment an important cause for every employee and customer, so we regularly provide information about our environment protection activities and we also developing and operating an environmental information system.

In these environment protection activities and development efforts we cooperate with the stakeholders and release annual reports about our achievements for their information.

We share our knowledge and experiences with our partners, thus helping them implement their own programs.

The management of the Magyar Telekom Group declare that they pursue their activities in compliance with the guidelines of this environmental policy and also expect every employee to do the same.

Budapest, January 26, 2006

Magyar Telekom's strategy

The financial market problems perceivable since the autumn of 2008 do not call for a change in our objectives and strategy declared in 2007. We take into account the risks of economic recession, at the same time, we are ready to exploit the potential business opportunities. Our central strategic objectives remain to be efficiency, operational excellence, the expansion of our range of services and innovation.

You can read more about our strategy in Magyar Telekom's Annual Report 2007:

http://www.telekom.hu/static/sw/download/2007_annualreport.pdf

New network development strategy

In 2008, Magyar Telekom announced its new access strategy, on the basis of which the Company started to develop new-generation fiber and cable networks with the objective of strengthening its leading position in fixed line and mobile broadband by providing much faster fixed line access to its customers.

Magyar Telekom plans to pass 200 000 households by the end of 2009, and 780 000 by 2013 with its fiber network (fiber to the home, FTTH), as well as to further develop its network with high-speed EuroDocsis 3.0 technology in an additional 380 000 households already covered by cable networks. The new-generation network enables us to provide very-high-speed services to our customers via both fixed line and mobile technologies.

These network development investment projects further strengthen Magyar Telekom's leading telecommunication and multimedia service provider position, and are also important for Hungary, since they facilitate the evolution of the information society, and increase the country's competitiveness.

By December 2008, about 5 000 households had been able to test the fiber network, and by 2013, approximately 1.2 million households will be provided with the new-generation access network.

HR strategy

The targets set forth by the HR Strategy were achieved to a pro rated extent in 2008.

1. Out of the total efficiency improvement target set for the 3 years, the planned ratio of the Group-level personnel expenditure savings was achieved in 2008.
2. - In 2008, the Performance Management system was extended to cover all employees of Magyar Telekom Plc., thus, the ratio of employees covered by the Performance Management system at the mother company is 100%. Group-level roll-out is in progress.
- A Culture Development Project was put in place, which elaborated/elaborates, in several workstreams, action plans aimed at establishing a performance culture within the Company.
- A new Career Management system was established.
3. In 2008, the procedures and methods of managing succession to managerial and key positions were elaborated. In 2009, we plan to fill 50% of these vacancies by internal candidates.
4. We provide development to managers as part of the "Management in Change – Change in Management" program launched in 2008. The program comprises of mandatory and optional modules, with a defined number of credits to be gained during the year. The program's structure is primarily aimed at helping managers to develop their staffs and improve their people management skills.
5. The employer brand campaign titled "Everyday Heroes" started in the autumn of 2008, a new Internship Program was also introduced, and several measures were put in place to improve employee satisfaction (e.g. atypical staffing pilot, restaurant investment projects, development of workplace environment, renewal of the system of recognitions etc.)

6. The HR customer satisfaction measurement system's structure was elaborated in 2008. The launch of its application is in progress with the involvement of Strategy. The HR customer satisfaction index target values were defined for 2009 and 2010.

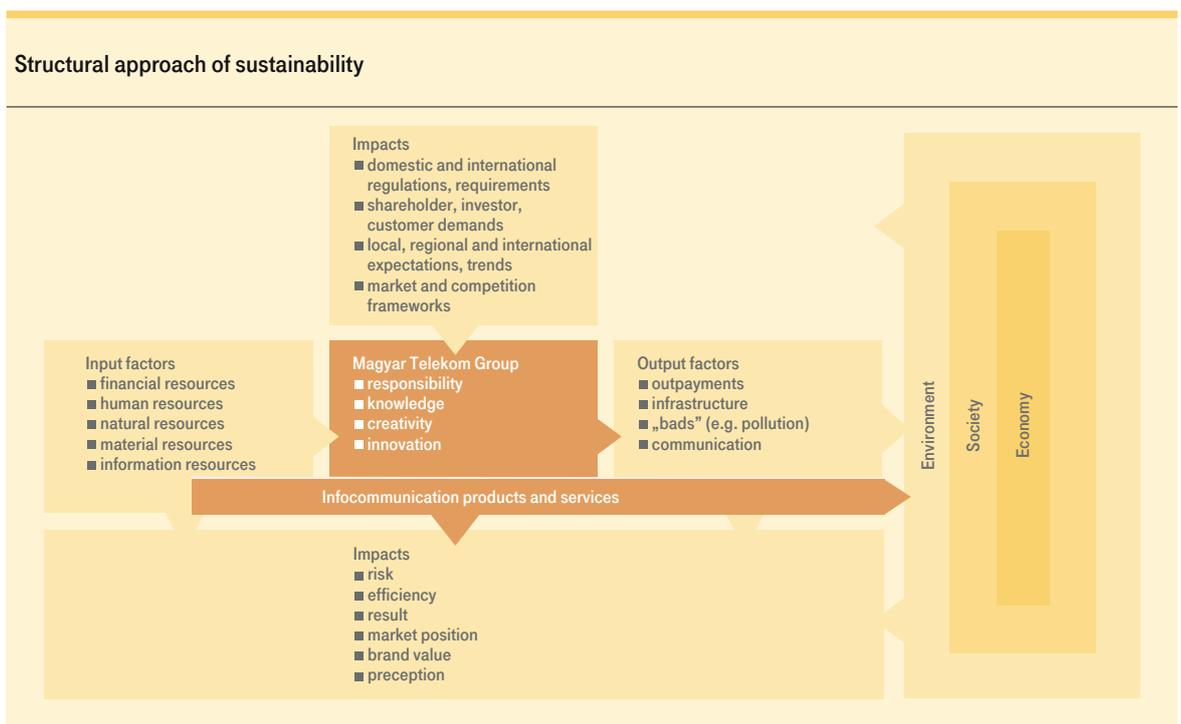
Sustainability approach and strategy

For the Magyar Telekom Group sustainability means realization of the connection of environment-society-economy and pursuing positive activities in that medium is a long-term strategic principle.

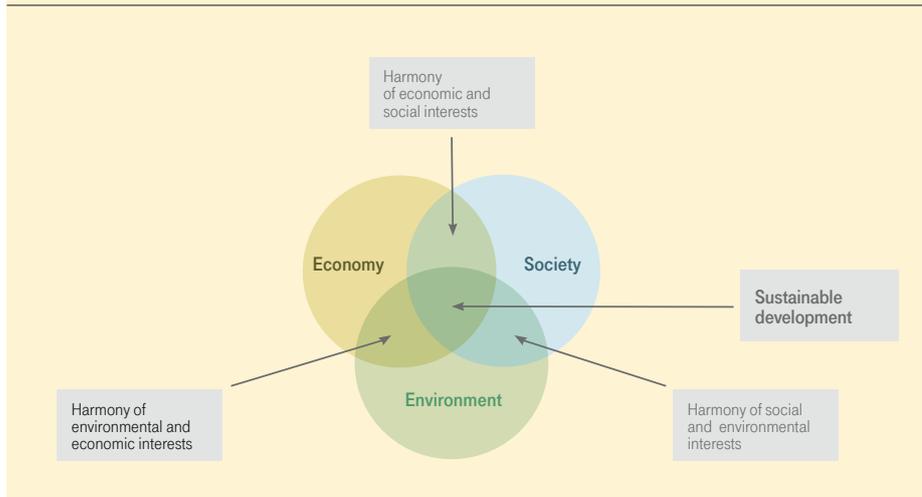
"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (UN's Our Common Future report, 1987). This can be implemented in practice if we harmonize the interests of the economy, society and the environment.

Having realized the importance of sustainable development – as well as the fact that it is essential for the business activities of the future – the Magyar Telekom Group assumes commitment, responsibility to pursue its operations, corporate governance and other activities in this spirit in Hungary and in every other country where it is present through any form of business involvement or cooperation. This not only implies potential future business success for the group, but through its role in the region and the services provided it also carries significant positive impact for the society, the environment and the economy.

The figure below is meant to demonstrate the relationship of the group with the triple pillar of environment-society-economy, in its full complexity. The sustainability approach of the Magyar Telekom Group has been developed accordingly.



Connection of sustainability with different interests



Sustainability values

Within the three dimensions of sustainability the following values characterize the sustainability tasks:

Economic dimension

- Company, fairness, transparency
- Vision, innovation
- Employees, team, dynamism
- Customer

Social dimension

- Democracy, information society
- Future generations, sustainable society
- Diversity, social solidarity, quality of life
- Partnership, talent, creativity

Environmental dimension

- Earth
- Livable, healthy environment
- Nature, biological diversity
- Natural resources

Sustainability Strategy 2005–2008

The main objective set by the previous sustainability strategy – that the Group should achieve a leading position in Central-Europe in the context of sustainability – has been achieved. Details are available as part of the Sustainability Report of 2007: (http://www.telekom.hu/static/sw/download/Fenntarthatosagi_2007_hun_1002.pdf)

Sustainability strategy 2008–2011

The key objective of the 2008–2011 strategy is to make the leading sustainability role achieved by Magyar Telekom so far visible for the employees and the customers, too. This objective is proposed to be reached through tasks arranged in 34 themes alongside the following key challenges:

Corporate governance and risk management

Magyar Telekom seeks to implement transparent and accountable operation, while ensuring compliance, anti-corruption practices and efficient risk management. Its goals include further development of the compliance system and improvement of the environmental and social evaluation of the supplier environment.

Customer relations

The group wants its customers also to learn its efforts aimed at sustainable development. The goals include development and promotion of the electronic service and product ordering solutions and measuring of the perception of the company's sustainability performance.

Improving of the communication opportunities of the society

Besides keeping abreast of the advance of technology, Magyar Telekom considers it an important goal to promote everyone's access of the benefits offered by the infocommunications technology. The goals of the group include continuation and expansion of the program of closing the digital gap, the provision of special ICT services to promote sustainability, to communicate the sustainability impacts of its products and to raise the awareness of the customers.

Reduction of the environmental load

Although the telecommunications products and services help save raw materials and energy, they also have environmental impact. The goal of the group is to reach further substantial reduction in this impact. The struggle against the climate change is a priority task: the company has set the goal of reducing its CO₂ emission by 10% by 2011. Magyar Telekom is determined also to help its customers reduce their emission meanwhile offering them assistance in adaptation to climate change.

Human resource management

“Committed professionals with independent initiatives are the key factor for the Magyar Telekom Group’s business success” (Magyar Telekom human resources vision). Consequently, the group makes consistent efforts to constantly develop its human capital, attract and retain new talent, to ensure equal opportunity and to help its employees find the balance between job and family.

Maintaining trust and credibility

In order to maintain social trust the company must operate transparently and with observance of the expectations of the stakeholders. Bearing this in mind Magyar Telekom is determined to step up communication on the effects of electromagnetic fields, further improve the protection of children from adult content and join the important sustainability initiatives or start such initiatives, respectively.

At the time of compiling this Report, the senior management of the Magyar Telekom Group has given full authority and responsibility to the chief HR officer to coordinate the implementation of the Sustainability Strategy approved by the management earlier, while the Corporate Sustainability Department is responsible for professional coordination of the relevant efforts.

Time proportional fulfilment of 2008–2011 sustainability strategy

Issue	Task (nr)				
	Total	Started, continued	Implementation		
			Continuous	In progress	Completed
Corporate governance and risk management	8	8	1	3	4
Utilizing customer relationships	5	5	0	4	1
Strengthening society’s communications means	5	5	1	4	0
Reducing the environmental footprint	3	3	0	1	2
Utilizing human resources	5	5	0	4	1
Maintaining trust and credibility	8	8	5	1	2
Total	34	34	7	17	10

Top executives about sustainability after completing the first year of the new strategy

János Winkler

Chief Officer, Consumer Services Business Unit

One of the guiding principles of Magyar Telekom's operations has been for years to systematically carry out our undertakings made and programs designed with the aim to promote sustainable growth. However, it is important that Magyar Telekom's leading role in sustainability become increasingly apparent for and visible by our customers and employees. The T-Home and T-Mobile services enable more and more people to communicate freely by means of state-of-the-art solutions, at increasingly favorable prices, connecting them with each other through any potential way.

Currently more than 68 percent of the territory where our customers live, i.e. 320 settlements are covered by mobile internet, which is one of the most significant services from the aspect of sustainability, and parallel to that, we have reached more than 50 thousand households by our fiber network. Our customers are thus able to conduct their business, access information, knowledge or entertainment services by simply clicking on a few icons, without the hassle of time-consuming and inconvenient travel. They can save energy and money. As their service provider, we ensure immediate access to communities, enabling them to share their experiences. It is one of our key tasks for the period ahead of us to develop services that support sustainable growth, and help the evolution of a more conscious consumer behavior by increasing awareness about these services. By exploiting our capabilities in this regard, we can decrease our physical environmental footprint, help to eliminate the digital divide, and contribute to improve quality of life in general.

This is for this very reason that we must support the programs that help people to understand and learn about these new opportunities, as well as programs through which we can directly promote an environment-conscious life-style, for example by widely popularizing travel by bicycle..

István Papp

Chief Officer, Business Services Business Unit

The convergence of telecommunication and information technology has opened new horizons for every business with a progressive mentality in Hungary. Sustainability cannot be supported by any other industry in such an innovative manner.

One of the most important objectives of the Business Services Business Unit's product development is to offer the greatest possible freedom for its customers. In course of our development efforts, we have considered it an important aspect that everyone be able to benefit from mobility through our mobile access, BlackBerry and Push mail⁴ applications, while doing their work in the same quality, by virtual means, thus minimizing travel, in

order to avoid environmental effects. Nowadays, virtualization is inevitable for business, as it eliminates any boundaries in time and space, enables colleagues working at geographically remote locations to collaborate on the same screen, thus saving costs, and offers the opportunity to share information without delay. These applications become available even for small and medium-sized enterprises in 2009. While we offer functionality and unlimited access to our customers, we do not lose sight of the increasingly significant data security aspects either.

In the spirit of corporate responsibility, in 2008, we elaborated schemes for our customers that enable them to avoid expenditure on sizable investments. The equipment needed to use our info-communication services are available to our SMB customers for a monthly fee, without the need for them to invest themselves.

The special-quality video service, marketed under the name of TelePresence, is offered not only to multinational customers. This development has put video conferencing into a new dimension, as it offers HD visual and real-time voice for the user.

All the above clearly show that, even during the economic crisis, info-communication remains a growth engine of the Hungarian economy, in which Magyar Telekom's innovative product development plays a key role.

Róbert Pataki

Chief Officer, Alternative Business and Corporate Development Business Unit, Director of Strategy

Innovation and business development are based upon Magyar Telekom's dual strategic belief that we wish to make our customers' lives more comfortable and safer by an increasing availability of information technology. In addition, we would like to help individuals to network, small and remote communities to establish and maintain contacts with each other. We strive to respond to basic human needs, like bringing medical, security and other convenience services closer to our families, as well as making sure from a remote location, without the hassle of running errands and standing in lines, that our beloved ones, our homes and valuables are safe. We try to make household energy consumption and costs more transparent, decrease energy consumption in general, thus reducing the emission of gases with greenhouse effects. By enabling customers to view their bills on the internet, pay their parking and highway tolls and other goods through their mobile phones, we wish to decrease paper consumption, thus protecting forests and the environment. Besides all the above, we strive to provide means for people to connect and join communities even in this rushing society of ours, and we hope that, by this, we contribute to building a less alienated society. By using online information technologies, we need to travel less, our everyday life becomes more comfortable, since we can witness or attend events, conferences, a not insignificant consequence of which is the decrease of pollutant emission caused by travel, and the use of paper, photocopiers and printers, too. We do hope that, by this, we intensively contribute to the exercise of the individual's right to access to information, thus building a more livable, knowledge-based society.

⁴ A push e-mail is such a technology that enables mobile telephone users to receive letters without request, just like by an sms.

István Maradi

Chief Technical Officer

As a market leader info-communication company, we must think and conduct our business in a such a responsible way that promotes the protection of our natural resources and decreases our environmental footprint. The fact that this concept must be part of our daily lives is well exemplified by measures like the smog alerts, which are to be adopted in order to leave a livable world to the following generation.

The fact that Magyar Telekom does not only declare its climate protection and sustainability initiatives, but actually acts in their spirit, too, is proven, for example, by the development of the new generation fiber access network. This technology does not only significantly increase the bandwidth available for customers, but consumes much less energy than the copper-based solutions, and the applied equipment require less space, too. What is more, broadband services offer a series of applications, like telework and video conferencing, that help to protect the environment, since less travel means less pollutant emission. Of course, we continue our previously started network modernization actions aimed at decreasing energy consumption, and we seek more sophisticated air-conditioning for our technological sites than the existing one. We strive to use exiting facilities to mount our mobile base stations, and where we must build new towers, in 80% of the cases, we do it jointly with other operators. We continue to keep the elimination of the digital divide close to our heart. The 100th event of our Digital Bridge Program has taken place at Bakonszeg, and we wish to go on popularizing the internet at the small settlements with the help of our volunteers.

Thilo Kusch

Chief Financial Officer

The protection of the environment, the preservation of nature's assets have become defining parts of the social/economic life, whereas their management have turned into a unique new corporate function.

During a crisis every company revisits its operation. It is important to see, though, that sustainability and financial success are not opposite terms. We have abundant opportunities to save energy that will simultaneously decrease both the pressure on the environment and the fees paid for energy. The same way, positive opportunities may be explored through selective waste material collection as well as waste material utilisation. The new technological solutions introduced in the past few years also provide vast grounds for the simultaneous implementation of technical development and sustainability. Exploration of all the above is an outstanding task for us as the financial and capital market players – besides profitability indicators – place increasing focus on watching the companies' contribution to environment protection. A good example for the above is our experiment conducted in 2008 where we produced electric energy by using fuel cells – as a byproduct, a few drops of clear water was released in the nature expressing our intention that, by using said technologies, we can minimise the environment polluting impacts of the technologies.

Éva Somorjai

Chief Human Resources Officer

In the context of the social dimensions of sustainability, numerous current problems and opportunities are closely related to human resources management. Accordingly, tasks related to equal opportunities, the development of the human capital, the attraction and retention of talent, as well as work-life balance play key roles in the new sustainability strategy.

In the first year covered by the strategy, we prepared an Equal Opportunity Plan in cooperation with the collective bargaining partners, established an equal opportunity committee, and appointed a person to be in charge of implementation. Our goal is to support by these means, too, the disadvantaged groups within the company, and positively shape the thinking of our colleagues about equal opportunity issues.

For the development of the human capital, a new career management system and management development program have been introduced. In order to attract talent, we launched an employer brand campaign, titled "Everyday Heroes", and renewed our internship program with the aim of adapting to the expectations of the students that have changed in the meantime. In order to retain talented employees, we work on further developing the company's performance culture.

In the context of work-life balance, the atypical employment program, elaborated in 2008, might be a milestone, providing different forms of working for the company. Telework, part-time and flextime work can significantly boost our employees' satisfaction. Our family support program that help employees in finding nursery and kindergarten placement for their children, as well as our discount-rate children's summer camp offers contribute to establishing the desired work-life balance. The Ministry for Social Affairs and Labor recognized our achievements by granting us the Family-friendly Workplace 2008 Award.

In summary, our new initiatives and our achievements both show that we are on the right track to achieve our sustainability objectives.

Being the Group's top executive responsible for sustainability, I am delighted that more and more employees come to understand the concept of sustainability, and an increasing number of them contribute to the establishment of a sustainable company.

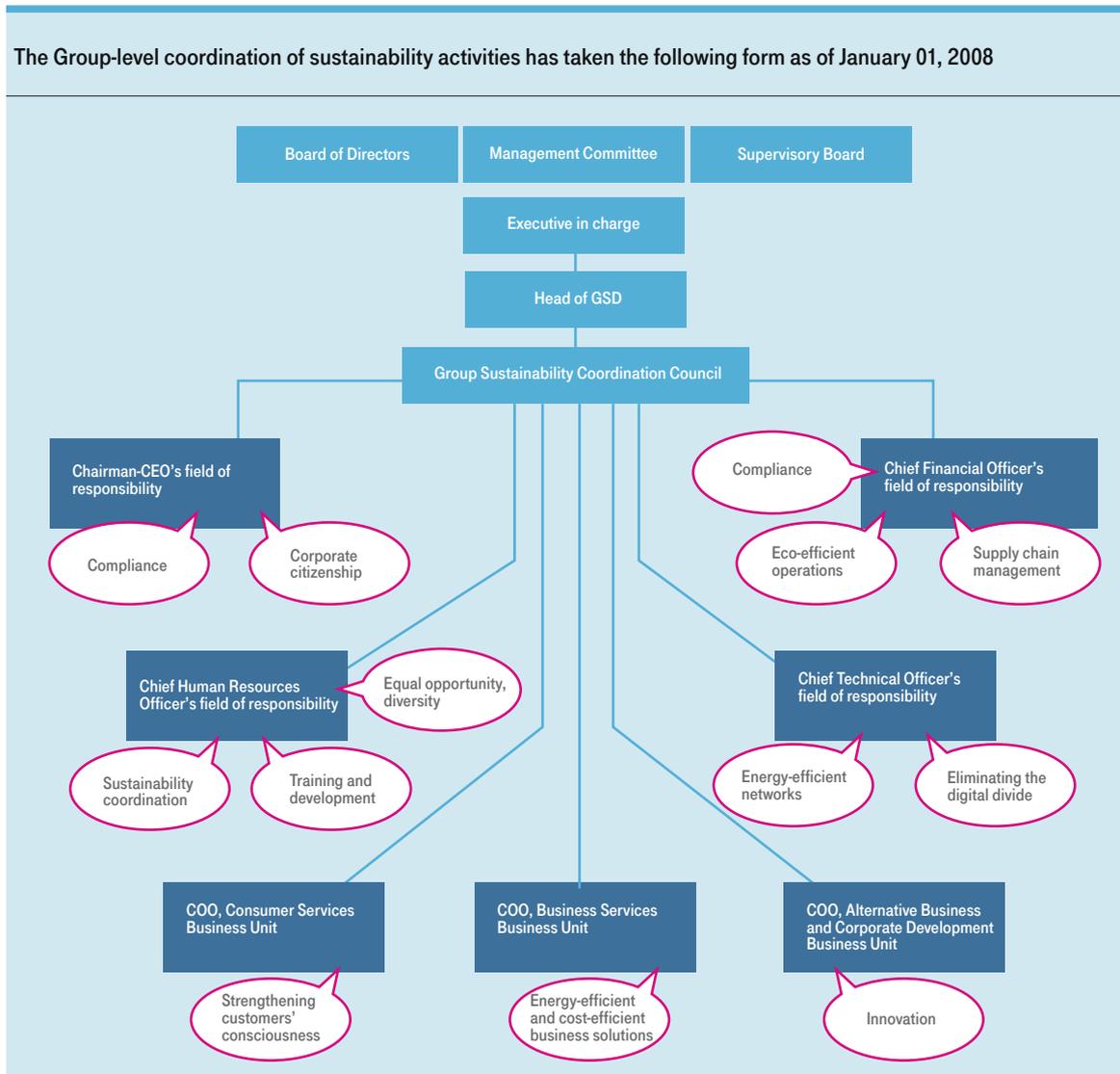
Support Strategy

As a significant market player, the Group is responsible not only for its customers, but also for the whole society, thus, it strives to contribute to the society's better living conditions by as many means as possible, including support to culture and sports, financial aid, charity services, or even volunteer work offered by its employees.

In the second half of 2009, Magyar Telekom Group elaborated a new sponsorship strategy, the focus of which is education, healthcare and sustainability. The telephone helpline services remain to be one of the key targets of our donations.

III. | Sustainability coordination

The Group-level coordination of sustainability activities has taken the following form as of January 01, 2008.



Due to the complexity of corporate sustainability, its Group-level coordination is of utmost importance.

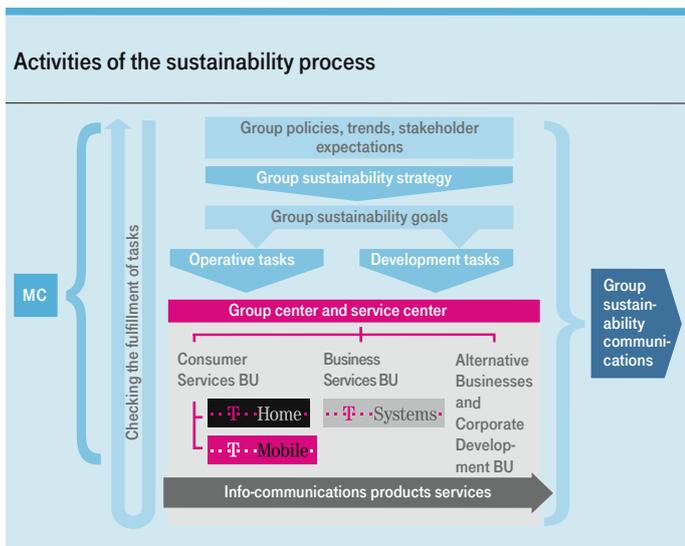
The main responsibility of the Group Sustainability Coordination Council (CsFkT) is to coordinate the Group's sustainability – including environment protection – activities, which encompass the elaboration and updating of different policies (e.g. environment protection, equal opportunity policies), the elaboration of the sustainability strategy – and its harmonization with the business strategy – the implementation of the objectives and tasks set forth thereof, as well as their communication and the management of sustainability stakeholder relations.

Sustainability activities run on two levels:

- The elaboration of strategic concepts, management of activities, preparation of communication steps and liaison with different national and international organizations are done by the CsFkT.
- Operational activities, implementation of tasks, data provision etc. are done by the business units' organizations, under stewardship and coordination by the delegates of the CsFkT.

Hierarchy of sustainability activities

The hierarchy of Magyar Telekom Group’s sustainability activities did not change compared to the previous status. As described by the following chart, the sustainability strategy, and the regularly updated objectives and tasks derived from the strategy are elaborated upon consideration of the Group’s different policies, the national and international trends (climate protection, electromagnetic fields, responsible content provision etc.) and the expectations set by the concerned parties (proposals made at roundtable discussions and sustainability forums, email comments).



The results achieved by the above activities are the basis of communication, an important part of which is the annually published Sustainability Report.

All activities are supervised by the Management Committee on the basis of the regular reports provided to it.

Regulation of the sustainability activities, Group sustainability process, environmental coordination

The group sustainability coordination process, which is described by an annex to the directive that lays down the rules of the Group-level sustainability activities, encompasses Magyar Telekom Group’s total sustainability (including environment protection) activities.

The interrelations of the different elements in the process are described by the following chart.



The Group’s sustainability activities are all pursued in accordance with the above process.

In 2008, the CsFkT, as the successor of the earlier Group Environment Protection Coordination Council, continued to hold regular meetings monitoring, as a coordination forum, the completion of tasks. The implementation and completion of operational environment protection tasks are the responsibility, in line with the previous practice, of the Group’s concerned organizational units, as stipulated by the relevant directive issued by the Company’s Chief Executive Officer on October 07, 2008.

In order to ensure that the top executives of the organizational units and affiliates, as well as the Chief Officers of the business units be up-to-date regarding the sustainability issues, and top managerial control be continuously exercised, they receive regular information about the meetings held by the CsFkT.

Magyar Telekom Group’s top management body, the Management Committee, is provided information about the accomplishment status of the tasks described in the Group’s sustainability strategy and about other significant sustainability-related activities and achievements with the necessary regularity (at least every year).

1. | Responsible corporate governance and risk management





1.1. Corporate governance	22
1.2 Corporate compliance	24
1.3. Involvement in public politics	25
1.4 Suppliers	26
1.5. Risk management	27

Magyar Telekom puts great emphasis on the transparency, accountability and statutory compliance of its activities. It provides high-quality information to any concerned parties about the company's governance, as well as the management of the economic, social and environmental issues. As a result, Magyar Telekom has been the most accountable company in Hungary for years⁵. The Company continues to strive to remain a useful member of society, transparent and accepted by everyone.

In an effort to handle the different risks efficiently, the Company continuously improves its risk management policy, which, due to the economic crisis and climate change, is of even greater significance than ever before. In addition to extending the scope of Magyar Telekom's responsibility, the review of our supplier chain from social and environmental aspects also offers opportunities to decrease the level of risks.

1.1. Corporate governance

The professional sphere and the investors require public companies listed on the stock exchange to state clearly what governance model they use and how this is applied in the practice. Being a company listed both on the Budapest Stock Exchange and the New York Stock Exchange it is highly important for us to meet this requirement and the relevant statutory and stock exchange requirements. To ensure transparency of the company's management information about Magyar Telekom's corporate governance is available on the following website:

http://www.telekom.hu/investor_relations/corporate_governance

In the context of responsible corporate governance, on January 08, 2007, the Group introduced the Financial Code of Ethics, which is applicable to finance managers, and is available at:

http://www.telekom.hu/static/sw/download/MT_Financial_Code_of_Ethics_20080909.pdf

Magyar Telekom Group's Code of Conduct stipulates the ethical and legal standards of the Group's daily operation. The rules therein, based on the effective law, describe the morally and legally appropriate employee behavior, on the basis of the values that have already been guiding the Group's activities, so far. By introducing the Code of Conduct, Deutsche Telekom Group, and as part of it, Magyar Telekom Group commit themselves to comply with a set of transparent and compulsory rules in every country of their operations, striving to act as a reliable and predictable partner for any entities they liaise with, including customers, business partners and employees.

The Code of Conduct is available at:

http://www.telekom.hu/static/sw/download/426-M1_eng.pdf

⁵ On the basis of Accountability Rating Hungary's 2006, 2007 and 2008 rating

⁶ Independent members: Dr. István Földesi, Dr. Mihály Gálík, Franz Odzuck.

Board of Directors

Under Hungarian law the Board of Directors is responsible for the management of the company and it takes decision in all such matters in which the shareholders do not have exclusive power of decision. The Board of Directors submits annual reports to the shareholders at the annual general meeting and quarterly reports to the Supervisory Board on the management, assets and business policy of the company.

The Articles of Association of the company approved by the shareholders' meeting rules that the Board of Directors has to be composed of minimum 6, maximum 11 members, whom the AGM elects for a period of three years. Seven of the current directors were nominated by MagyarCom and three of the current directors were elected upon proposal by other shareholders of the Company.

The Board of Directors meets at least four times a year. The Board of Directors has quorum if at least six members are present. Each board member has one vote. The Board adopts its resolutions by simple majority vote.

Three members of the Board are independent⁶ and 5 do not hold management position (outside the independent members). The chairman of the Board of Directors holds management position (chairman-CEO).

"The Board of Directors, acting on behalf of the shareholders, ensures that the activities of Magyar Telekom comply with the interests of the shareholders in whichever part of the world they may be." As leading body of Magyar Telekom, we fulfill our mandate of trust and our conduct complies in every respect with the following values:

- accounting obligation towards the shareholders,
- openness for thorough investigation on the part of the shareholders,
- transparency of every decision taken,
- fair, open but also efficient, timely and proper debates.

By having accepted membership in the Board of Directors of Magyar Telekom, we committed ourselves that we will not spare time or effort in order to earn the trust of those who invested in the future of this company."

Members of the Board of Directors on April 02, 2009

Name	Main position
Christopher Mattheisen	Chairman-CEO, Magyar Telekom
dr. István Földesi	International business consultant
dr. Mihály Gálík	University professor, head of University Department Media, Marketing-communication and Telecommunication Department Corvinus University Budapest, Financial Management Faculty
Guido Kerkhoff	Member of Deutsche Telekom AG's Board of Directors in charge of the South-East-European subsidiaries' management
Thilo Kusch	Chief Financial Officer, Magyar Telekom
Wolfgang Hetlinger	Regional Manager, East Olicom Central-Eastern-Europe and the Middle East CEO, 3COM Regional Manager, East EMC Central-Eastern-Europe and the Middle East
Mechthilde Maier	Deutsche Telekom's Diversity Management Senior Vice President
Frank Odzuck	CEO, Zwack Unikum Plc.
dr. Ralph Rentschler	Member of T-Com's Board of Directors
Dr. Steffen Roehn	CIO Member of Deutsche Telekom Group's Board of Directors, in charge of the IT issues related to Deutsche Telekom's integrated mass-market approach

Management Committee

In compliance with the company's Articles of Association and the rules of procedure of the Board of Directors, in 2000 the Board of Directors established the Management Committee with powers to pursue its activities in compliance with the annual business plan

Members of the Management Committee on April 02, 2009

Name	Main position
Christopher Mattheisen	Chairman-CEO
Thilo Kusch	Chief Financial Officer
István Maradi	Chief Technical Officer
István Papp	Chief Officer, Business Services Business Unit
Róbert Pataki	Chief Officer, Alternative Business and Corporate Development Business Unit, Group Strategy Director
Éva Somorjai	Chief Human Resources Officer
János Winkler	Chief Officer, Consumer Services Business Unit

Supervisory Board

The Supervisory Board supervises the management of the company and ensures the compliance of the company with the Hungarian statutory regulations and the company's own corporate governance regulations. The Supervisory Board studies every report to be submitted to the annual general meeting, the proposals of the Board of Directors, the financial reports and the proposal for the distribution of the net income. The Supervisory Board makes reports about these issues for the AGM that has mandate of deliberating the annual report.

In compliance with the Articles of Association of the company, the Supervisory Board has minimum 3, maximum 15 members, who are elected by the AGM for a term of three years. The Workers' Council appoints one third of the Supervisory Board members, in compliance with the principles on employee representation. The Supervisory Board has quorum if at least eight members are present.

The company's AGM held on April 27, 2005 raised the number of the members of the Supervisory Board to 12 from the former 9, in order for Magyar Telekom to be able to comply with the special requirements for the Audit Committees of the companies listed on the New York Stock Exchange, as well as the relevant provisions of the Hungarian regulations. Eight of the Supervisory Board members are independent⁷.

Members of the Supervisory Board on April 02, 2009

Name	Main position
Jutta Burke	Executive in charge of Hungary, Macedonia and Montenegro, on behalf of Deutsche Telekom AG
Attila Csizmadia	Senior Advisor, Finance Ministry
Dr. Ádám Farkas	CEO, Member of the Board of Directors, Allianz Bank (Allianz Group), Budapest
Dr. János Illéssy	External Professor at the Central European University Business School
Dr. Sándor Kerekes	Deputy Rector of Corvinus University Budapest, Director of the University's Institute of Environmental Sciences
István Koszorú	Chairman of Magyar Telekom's Central Works Council
Konrad Kreuzer	Chairman of E.ON Hungary's Board of Directors
Martin Meffert	Country Manager, Hungary T-Home HQ, Deutsche Telekom AG
Éva Őz	Controlling Manager, Headquarters Controlling Directorate, Magyar Telekom
Dr. László Pap*	Professor at the Electronic Engineering Faculty of the University of Technology and Economics, Budapest
Mrs. Zsolt Varga	BPM Manager, Customer Service Directorate, Magyar Telekom
György Varju	Chairman of the Technical Services Works Council, Member of the Central Works Council (Magyar Telekom)

Audit Committee

The Audit Committee is involved in the selection and appointment of the independent auditor and reviews the services provided by the external auditor. It is also the responsibility of the Audit Committee to approve the audit and non-audit services provided by the external auditor. The Audit Committee reviews the annual financial reports of Magyar Telekom, with observance of the results of the audits and the audits of the independent external auditor, the reports to be submitted to the stock exchanges and the financial authorities, as well as the reports of the internal audit. The Audit Committee meets as necessary, but at least on four occasions a year. The members of the Committee are elected by the AGM of the company from among the independent members of the Supervisory Board.

Members of the Audit Committee on April 02, 2009

Name	Main position
dr. Ádám Farkas**	CEO, Member of the Board of Directors, Allianz Bank (Allianz Group), Budapest
dr. János Illéssy	External Professor at the Central European University Business School
Dr. Sándor Kerekes	Deputy Rector of Corvinus University Budapest, Director of the University's Institute of Environmental Sciences
Dr. László Pap	Professor at the Electronic Engineering Faculty of the University of Technology and Economics, Budapest

⁷ Members of the SB who are not independent Jutta Burke, Martin Meffert, Éva Őz and Mrs. Zsolt Varga

* Chairman of the Supervisory Board
** Chairman of the Audit Committee

Remuneration Committee

The Remuneration Committee makes proposal to the Board of Directors for the employment, dismissal, remuneration, determination and evaluation of the bonus targets of the chief executive officer and the chief officers. The Remuneration Committee meets at least three times a year. The members of the Remuneration Committee are elected from the members of the Board of Directors.

Members of the Remuneration Committee on April 02, 2009⁸

Frank Odzuck	CEO, Zwack Unikum Plc.
Dr. Ralph Rentschler	Member of the Board of Directors, T-Com/T-Home (Deutsche Telekom AG Division)

Incentives and evaluation of the performance of top executives

Top executives (Chief Executive Officer, Chief Officers) are paid variable pay (bonus) as performance incentive. Bonus targets are linked to the Company's performance through the Performance Management (PM) system. On top of the short-term incentive, the interests of top management are aligned with those of the owners by means of a so-called Mid-term Incentive Plan.

The Remuneration Committee (3 members elected by Magyar Telekom's Board of Directors) makes proposals as to both the annual targets and the evaluation of their performance, as well as monitors the performance of top executives throughout the year. Upon consideration of the proposals made by the Remuneration Committee, the Board of Directors adopts decisions regarding the evaluation of the top executives' performance. The Board of Directors meets four times a year – the performance of the previous year takes place at the first meeting held during the year.

55% of the top executives' salary is fixed, while 45% is variable pay. The annual bonus is payable pro rated to the evaluated performance of the individual targets, set at the beginning of the year, and derived from Magyar Telekom Group's strategic targets. No bonus is payable, if performance is below a certain minimal limit defined in advance. In case of over-achieving the targets, additional bonus is payable, the extent of which cannot exceed 50% of the bonus payable upon 100% performance. The framework of bonus target setting (bonus extent, structure and maximal extent of additional bonus) is defined by the strategic investor's compensation guidelines (Deutsche Telekom Global Compensation Guidelines).

In addition to the annuity-based bonus, paid as short term incentive, in 2004, a cash-equivalent management incentive plan was introduced, which includes three-year tranches starting each year, as a mid/long-term incentive for top executives. This strictly-regulated program linked to the MTelekom share price, rewards top management on the basis of the three-year performance of success parameters defined annually.

⁸ The Remuneration committee was extended on April 02, 2009 to include Board Member, Guido Kerhoff (the member of Deutsche Telekom AG's Board of Directors in charge of the South-East-European subsidiaries' management)

The extent of this incentive element is determined as a ratio of the annual on-target salary (base wage plus bonus payable upon 100% performance), in equal ratios for each top executive.

The last tranche of the incentive plan approved in 2004 to encompass 5 years started in 2008. The incentive plan to start as of 2009 is now undergoing the approval procedure.

Through the Performance Management System (TM) the implementation of the sustainability objectives is connected with the remuneration of the top managers who influence the fulfillment of the tasks. In case of non-fulfillment of the targets the bonus of the managers is reduced.

1.2 Corporate compliance

Magyar Telekom Group's Corporate Compliance Program has been elaborated with the aim to ensure that Magyar Telekom Group conduct its business in full awareness of and commitment to the relevant statutes, in harmony with the strictest possible business ethical standards. In order for that, directives and procedures addressing the potential compliance risks are to be implemented which order and ensure to provide training to employees, as well as define clear processes for the whistle-blowing, investigation, monitoring and remedy of suspected cases of non-compliance. The Corporate Compliance Program is supervised by the Group Compliance Director. The Group Compliance Director reports directly to the Audit Committee, and is in direct cooperation with the Board of Directors, the Supervisory Board and the management. The Compliance Program focuses on the Code of Conduct.

In course of 2008, 100% of both Magyar Telekom Plc's organizational units and subsidiaries took part in the process of risk analysis. As a result of the survey, a comprehensive audit was conducted about the risks of potential fraudulent acts, the findings of which were submitted to the Company's Audit Committee.

In 2008, the Company launched comprehensive, online training courses addressing anti-corruption and basic compliance issues designed for its employees and anyone who acts on behalf of the Company. By the end of 2008, the anti-corruption online training phase was completed by all members of the Group. 94% of the invitees completed at the course. The online course addressing basic compliance issues shall continue in 2009, and is expected to be attended by a minimum of 85% of the invitees. On top of the above, in 2008, the Company held courses to be attended in person by members of Magyar Telekom Group's areas, in both the mother company and the Hungarian and foreign subsidiaries, exposed to the risk of fraud, addressing issues of anti-corruption and ethical business conduct.

Regulatory Compliance

In 2008, as before, no fines were imposed upon the Company pursuant to violation of environment protection statutes and policies, or non-compliance with statutes or other decrees addressing expected care and manner of use of products and services.

In 2008, as before, no complaints about discrimination were filed with the relevant authorities against Magyar Telekom Group affiliates, and no proceedings or investigations were launched in this regard.

In 2008, 3 labor-law lawsuits were launched against the Company. Including the proceedings rolling over from previous years, 8 lawsuits reached their end during the year, half of which were won by the Company. For comparison: In 2007 4 lawsuits were launched and 6 reached their end, all of which were won by the Company.

The National Communication Authority imposed fines on the Company to the total amount of HUF 87.5 million in 2008. Besides some smaller items, fines imposed by the Authority to the extent of HUF 48 million were pursuant to non-compliance in case of internet retail customer contracts, and HUF 24 million related to IP-based fixed-line broadcasting retail customer contracts. The Company appealed against the rulings, thus the payment of the fines was not due in 2008.

In 2008, the HUF 214,546 consumer protection fines were imposed upon the Company. In the context of damages claims, HUF 102 million was paid. For comparison in 2007 HUF 70,000 and HUF 1.6 million were paid.

Pursuant to anti-competitive conduct, or to the violation of anti-trust and anti-monopoly decrees, no fines were imposed on the Company in 2008.

The investigation conducted by the Hungarian Competition Authority in 2007 into the T-Online ADSL campaigns was completed in 2008. The Competition Council, with a justification similar to the one applied in case of the year 2007 T-DSL campaigns, imposed a fine of HUF 10 million on Magyar Telekom Plc., as it found the communication of band width potentially misleading to customers. The company conducts its communication and advertisement activities in line with the principles of fair business conduct, the effective law and the advertisement market features associated with the product in question, and due to the fact that it disagrees with the position of the Hungarian Competition Authority, it launched a lawsuit against the ruling, which proceeding has not reached an enforceable resolution, yet.

The Competition Council imposed a fine of HUF 7 million on T-Online Hungary (the legal successor of which is Magyar Telekom Plc.) in relation to the summer and autumn ADSL campaigns of 2006, the resolution about which was received by the Company in 2008. The Council found the communication regarding the trial month misleading. Magyar Telekom's position is that T-Online's communication had been in line with the effective law, thus, the Company challenges the ruling by launching a lawsuit.

The Hungarian Competition Authority launched proceedings against T-Online Hungary in 2007 addressing the conditions of the T-Home TV service. The proceeding reached its final conclusion in 2008. The Authority assumed that T-Online abused its market power, when it prescribed a fixed

phone line, and initially a T-Online ADSL subscription as a precondition to place an order for the T-Home TV service. The investigation conducted by the Authority determined that the relevant statutes were not violated, thus the proceeding was discontinued.

Conflict of interest

Magyar Telekom Group has put rules in place to govern the following cases of conflict of interest:

1. Restriction on employment by or working for other legal entities
 - 1.1. Employees may not be employed by or work for:
 - a) any enterprise that provides public telecommunication services,
 - b) any enterprise that conducts business with any affiliate of Magyar Telekom Group,
 - c) any enterprise that pursues any business pursued by Magyar Telekom Plc.
 - 1.2. Employees may not enter into any additional employment contract with Magyar Telekom Plc. for the pursuance of any other activities.
 - 1.3. Employees may not work for Magyar Telekom Plc. under any other contract for the pursuance of a task that is part of the individual employee's job.
2. Restriction on economic interest

Employees may not hold economic interest in any enterprise pursuing an identical business with that of Magyar Telekom Plc.
3. Restriction on other types of interest

Employees may not participate in the preparation, consideration or performance of any contract, or conduct of any of other types of business transaction with external parties between any affiliates of Magyar Telekom Group and an enterprise in which the employee in question holds a direct or indirect interest.
4. Personal conflict of interest

An employee may directly report to one of his/her close relatives working for the company only with the relevant HR Partner Director's specific per case approval.
5. Conflict of interest in positions

The manager must ensure that none of his/her subordinate employees be the decision maker regarding issues that belong, under the Rules of Organization and Operation, to the individual employee, when the issue in question impacts an entity outside of Magyar Telekom Plc. (business, foundation, union, association), in which the employee holds an office (membership in boards of directors, supervisory boards, chair or membership in boards of trustees etc.).

1.3. Involvement in public politics

The Magyar Telekom Group is involved in shaping public politics through its representation organizations. This works the following way:

Under the effective regulations the representation organizations are given the possibility to comment the draft regulations. The ministries submit the proposed regulations to the representation organizations which poll the member companies, collect their opinions and relay them to the line ministry. Such commenting activities are carried out under the auspices of the Joint Venture Alliance or the Hungarian Society of International Corporations.

The Magyar Telekom Group is involved in the work of the environmental group of the Hungarian Business Leaders Forum, and also regularly comments the draft environmental regulations and law amendments submitted to it by the Joint Venture Alliance and the Hungarian Society of International Corporations.

In Hungary, lobbying activities are regulated by law [Act XLIX of 2006 and Government Decree 176/2006 (VIII. 14.) on its implementation].

The Magyar Telekom Group regulates compliance with this law in a group CEO directive.

In 2007 the group did not pursue such activities which fall under Act XLIX of 2006.

1.4 Suppliers

Magyar Telekom's procurement focused vendor relations management is performed by a centralized organization certified according to the ISO 9001:2000 standard. Group-level coordination of vendor relations is ensured by the Group Procurement Board, partly through the provision of centralized procurement services and partly through coordination of the member companies' functional organizations.

The suppliers are selected in compliance with the laws, in procurement procedures that ensure fair competition, transparency and structured and documented processes. In its contracts the company seeks to develop mutually advantageous, value-creating partner relations. To ensure cost-efficient operation the company is continuously rationalizing its processes and the number of vendors whereby a stable group of high quality vendors is achieved.

The following objectives have been set to improve the efficiency of the procurement activity:

- reduce the number of active vendors to reach an optimum number required for the operation.

By exploiting the synergies offered by Group-level procurement, the number of active suppliers decreased significantly by 12%, compared to the data of 2007.

- Use in a high percentage qualified vendors for the performance of orders:

Currently 97% of the annual number of orders and more than 95% of the order value is delivered by qualified vendors.

- The number of alternative electronic procurement solutions, which decrease the time requirement and the volume of paper-based documentation, should increase:

The ratio of electronic procurement transactions increased continuously during the past years, now reaching 47% of all placed orders (without the volumes through eShops).

The internal system for the placement of orders (SRM) was expanded to include further electronic catalogues managed by suppliers. Orders placed through this system are forwarded totally electronically to the supplier.

With the aim to improve procurement efficiency, the number of internet online warehouses (eShops) dedicated to Magyar Telekom, offering operational items of small value have further increased.

Vendors' references, financial position, quality and environment related capabilities are assessed in a prequalification system, contractual performance is assessed in a postqualification system and on the basis of the results vendors are classified in categories (A, B, C, D). Qualification results are key factors in the vendor selection process. The company procures products and services primarily from qualified (category A and B) vendors.

The Procurement Directorate's website (<https://www.beszerzes.magyartelekom.hu/english/main.vm>) offers interactive pages for vendors where after registration they can directly access newsletters, calls for bids, the vendor qualification system and make some of their official statements (Anticorruption statement, Code of Conduct) connected with procurement tenders, as well as obtain information about the company's requirements for ethical conduct, operations and social matters. Registered vendors are informed monthly about their results achieved in the vendor qualification process to ensure mutual development.

The procurement procedures that liaison with the suppliers mostly comprise of are conducted by means of integrated IT systems. The selection process is supported by an internet-based offer request and auction tool (e-RFX), and orders are placed/confirmed also through an internet-based electronic commerce solution (WebEDI), the number of transactions through which is increasing year by year.

Supplier Conferences are held every year since 1996, with the participation of the Company's most important suppliers, where the achievements of the previous year are evaluated, and the strategic directions of procurement and new trends are presented. In recognition of the performance of the best suppliers, the Company grants "Supplier of the Year" awards. The satisfaction of the suppliers is also surveyed, the findings of which are important feedback for Magyar Telekom.

In the context of procurement processes, Magyar Telekom considers environment protection as an aspect of primary importance. Prior to purchasing, suppliers are enquired about the environmental effects of the products in question (Security Template, REACH). In an effort to prevent any damage, hazardous materials purchased are transported directly to the internal customer, with the exception of storing a minimal justifiable inventory, thus minimizing transportation time.

Magyar Telekom purchases materials, tangible assets and services exclusively by means of a regulated procedure. Since 2002, an environment protection certification process is in place for both products and suppliers. As to products, there is a black list and a grey list of ingredients, meaning that products that contain any of the listed materials are banned from procurement (blacklist), or are not recommended to procure (grey list) by Magyar Telekom.

With the aim to establish a sustainable supplier chain, Magyar Telekom started to assess its top 40 suppliers by the self-assessment questionnaire elaborated by GeSI (Global e-Sustainability Initiative), which includes questions addressing, in addition to environment protection, human rights, healthy and safe workplace and business ethics. So far, 31 suppliers have been assessed.

For Magyar Telekom, anti-corruption and ethical conduct are important concepts, therefore, it expects its suppliers to sign up to its anti-corruption declaration, as well as its Code of Conduct, and comply with the requirements set forth therein, which is also stipulated by their contracts. Thus, the aspects of both supplier and customer qualifications include ethical conduct and human rights.

Magyar Telekom gives priority to payment to its partners upon the schedule laid down in contracts and agreements. A generally applicable payment condition – payment within 45 calendar days of reception of the invoice – is applied for payments to vendors. This condition must be taken into consideration by all Magyar Telekom organizations preparing or signing a contract. This payment condition is used also in procurement contracts and order forms, but naturally it can occur in particular cases that differing special payment conditions are used.

Percentage of products and services procured from local* vendors by Magyar Telekom Plc. in 2008: 78% (in 2007 84%)
Percentage of the number of products and services procured from local* vendors by Magyar Telekom Plc. in 2008: 96% (the same in 2007)

*Vendors with registered offices in Hungary

Although not applied across-the-board, the principle of making procurements from local or regional suppliers is being observed as a professional or commercial criterion in the specific procurement processes: The supplier is familiar with the local conditions, local transport is more cost efficient and involves less fuel consumption, the local supplier has the appropriate licenses, connections.

Our present contracts do not contain a clause on human rights. We have started to review our vendors according to the GeSi criteria mentioned earlier here. So far we have not encountered any human rights problems with our selected vendors in our procurement practice.

Suppliers are informed about the Group's expectations like the above, in the Code of Conduct and the Employment Charter, available at the Group Procurement Directorate's internet home page.

Delfin Award to suppliers

The responsibility of our company goes beyond the company borders, so in a pioneer initiative in the Hungarian telecommunications sector, Magyar Telekom uses its own example as incentive for its suppliers to follow a sustainable development path. In addition, those suppliers that fulfill the sustainability criteria represent smaller risk for the company (scandals, penalty, boycott, etc.) For this purpose, in 2008 our company founded the DELFIN Award (Hungarian acronym for Award for a Committed, Sustainable and Innovative Generation).

With the DELFIN Award Magyar Telekom recognizes the efforts aimed at promoting the idea of sustainable growth and the activities carried out to reach this goal.

The award is given to suppliers who play an outstanding role in sustainability, on the basis of application works which are evaluated by a panel of colleagues with practical experience. The second award ceremony will take place on June 22, 2009, on the Sustainability Roundtable discussion.

1.5. Risk management

According to the relevant principles of our Company, the reports to our shareholders and investors must be true and fair, as well as fully representative of our financial status and operational results. These reports are prepared with the regularity required by the applicable statutes, stipulations and policies, including the policies of the Budapest Stock Exchange and the U.S. Securities and Exchange Commission (SEC). In order to comply with these requirements, we have established the Disclosure Committee and continuously develop our risk management policy.

Risk management policy

Our risk management system incorporates the identification of risks, the assessment of their effects, the elaboration of the necessary action plans, and the monitoring of their efficiency and effectiveness. In order for the efficient operation of the risk management system, we must ensure that management make their business decisions upon consideration of every important risks.

In 1999, we put a formal risk management system into place. This system became an integrated part of Deutsche Telekom's risk management system in 2002.

All material risks attached to internal and external activities or to the compliance with financial and legal requirements, as well as any other risks are assessed and managed in the framework of a well-defined internal mechanism. A risk management manual and an internal risk management policy have been prepared. Risk management courses have been held with the participation of employees responsible for risk management in every concerned area. Risk factors impacting our operations are reviewed quarterly on Group level. All of our subsidiaries, business units and divisions must identify and report the risks attached to their respective operations on a quarterly basis. Upon assessment of these risks, our findings are reported to the management, the Board of Directors, the Disclosure Committee, the Audit Committee and Deutsche Telekom.

After the adoption of the Sarbanes-Oxley Act, we included a new element in the risk management process. This new act stipulates that risks that influence investors' decisions are to be disclosed immediately, thus, our quarterly risk reporting system has been supplemented by a continuous reporting obligation. Pursuant to this, the Group's units must report any material new facts, information or risk immediately. The information collected is assessed by the risk management area, and material new risks or information are reported to the Chief Financial Officer.

There is an internal corporate policy in place that includes the accountability of employees in the context of monitoring and managing risks. The requirements and key reporting and responsible corporate governance obligations set forth in the Sarbanes-Oxley Act, as well as our extended risk management system were presented to the employees by means of distance learning. This training was provided to every employee.

2. | Customer relations





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Magyar Telekom has adopted numerous measures in an effort to properly handle customers' complaints and comments, as well as to appropriately inform customers and to continuously improve their satisfaction.

2.1 Managing customer complaints⁹

As in the previous years, in 2008, Customer Service put special emphasis on the structured collection and management of customers' suggestions, comments and complaints, in compliance with Government Decree 345/2004. (XII. 22), and as of the 4th quarter, Government Decree 229/2008. (IX. 12) newly adopted.

In course of the year, we made several changes in order to simplify collection and to make administration easier: we merged the complaint definitions applicable to fix line and internet services, and issued a unified policy regarding the complaint management process, which facilitated easier identification of complaint causes and their feedback to the areas concerned.

In the spirit of cooperation between areas, not only did more reconciliation and joint thinking take place regarding the introduction of new products and services, but customer comments made about services already introduced were regularly fed back to the product owners, with the aim to trigger remedial actions that eliminate the causes of the complaints, decrease the number of faults, thus improving customer satisfaction.

The increase in customer demand for the new T-Home brand introduced in the autumn of 2008, impacted the number of customer complaints and their management. The modified product structure and the related new scheme of discounts, as well as the launch of SAT-TV, which had not been part of the service portfolio before, triggered significant interest on behalf of the existing and new customers. The number of our customer contact points, i.e. call centers and shops, drastically increased, and the enquiries and orders placed by the customers could not be totally fulfilled by the originally planned and not even by the later increased resources. As a result, the number of customer complaints increased during the last months of the year.

The ratio of customer complaints about fixed line services, i.e. T-Home, did not change in comparison to previous years, however, the number of bill complaints increased. It is to be noted that customers' sensitivity in this regard increased as a result of the economic crisis, meaning that more customers challenged their bills, even though the valid complaints did not increase proportionately. The proportionate improvement of complaints about how we handle customers' affairs in general ensured that despite the many external and internal changes, the ratio of complaints remained unchanged.

We are committed to continuously improve and implement best practices, therefore we further developed our complaint handling process managing the T-Mobile branded products and services. The upgrade of the IT support

system enabled the modernization of processes handling certain types of complaints: complaint monitoring and retrieval was simplified, and system support is available to manage the fulfillment of complaint investigation and reply deadlines. We also updated our internal policies and data provision methods in line with requirements set by the authorities.

Complaint received about mobile services increased slightly more (13%) than the number of mobile customers (10.3%): number of complaints per 1,000 customers in 2007: 18.8; in 2008: 8.29. However, the number of quality complaints decreased: in 2007, we received 4 quality complaints per 1,000 customers while in 2008 only 2.61.

In order to ensure standardized customer service, our goal remains to be to harmonize the complaint handling definitions and procedures of every product group.

In case of fix line telephone number of complaints slightly increased (number of complaints per 1,000 customers in 2007: 5.01; in 2008: 5.15), meanwhile number of quality complaints significantly decreased: number of quality complaints per 1,000 customers in 2007: 0.05; in 2008: 0.03. Number of complaints related to internet services decreased to almost one fourth (number of complaints per 1,000 customers in 2007: 184.41; in 2008: 50.35), but number of quality complaints increased significantly: number of quality complaints per 1,000 customers in 2007: 6.72; in 2008: 11.78.

In addition to direct complaints from the customers, feedback received indirectly through authorities, consumer protection organizations and our employees are of primary importance, too. In 2008, the mentioned external entities, besides checking statutory compliance, also made several remarks and suggestions aimed at the improvement of customer service, e.g. to develop the T-Home and T-Mobile web sites, to improve communication materials, to word General Contractual Terms more precisely. The relevant areas (marketing, legal, process engineering etc.) examined the potentiality of implementing the suggestions in every case, and took the necessary modification measures.



⁹ By Magyar Telekom Plc.

2.2. Informing our customers

The offer of the Magyar Telekom tariff packages was extended in 2007 as well. The Group made efforts to increase transparency of the offers and provide for their wide scale availability.

Information about the tariff packages offered by Magyar Telekom's LoBs is available at the following websites:

<http://www.t-home.hu>

<http://www.t-system.hu>

<http://www.t-mobile.hu/lakossagi/tarifak>

Customers can address enquiries regarding T-Mobile tariff packages and services or even request modifications any time of the day through

- the consumer customer service call center, which can be called free-of-charge by dialing 1430 from T-Mobile's Hungarian network,
- the 1777 (Domino center) number, in case they hold top-up cards,
- the WAP self-service center accessible via the t-zones portal,
- the My T-Mobile online self-service page accessible via the www.t-mobile.hu website, as well as
- the SMS self-service center, in case of certain services.

In addition to the above, the brochures and information leaflets available at the T-Pont and T-Partner shops or electronically delivered per request also support customers in making their choice.

The T-Home consumer call center is available 24 hours a day by dialing 1412. This customer service channel is responsible for helping customers using fixed line telephones, internet or television services to understand the parameters of these services, providing information as to the relevant tariffs and conditions.

An especially customer-friendly application is the T-Home Tariff Package Calculator, which is accessible at <http://webshop.t-home.hu/WHPackageWizardAskAddressCmd>, upon entry. This practical application helps customers to identify the most favorable tariff package on the basis of the individual's usage patterns – by merely answering a few questions. By using the Tariff Package Calculator, the customer can also calculate the T-Home discounts available to him/her, and even place orders for the selected services at the end of the process.

There are different ranges of information available regarding different products and services, details of which can be found in the terms and conditions:

<http://www.telekom.hu/szolgalatasok/aszf>

2.3. Customer satisfaction

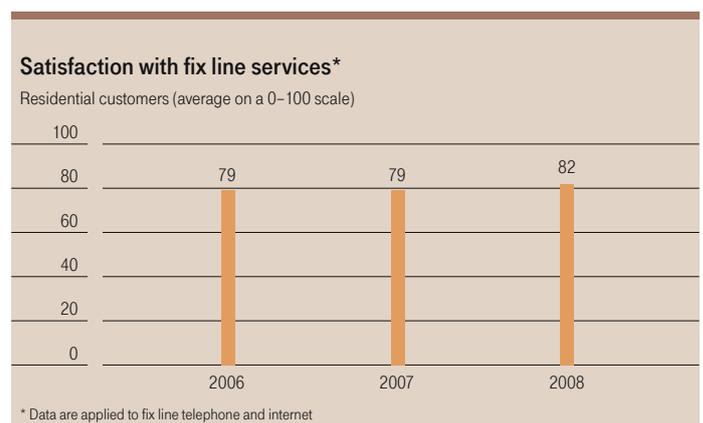
The Company conducts measurements on a quarterly basis aimed at measuring the Company's performance perceived by the customers along composite indicators incorporating satisfaction level and other components.

Thus, one of the factors measured is satisfaction level. In addition, several satisfaction surveys might be conducted per year targeted at certain specific areas.

In course of the regular satisfaction surveys, the satisfaction of the Company's customers with the Company and the satisfaction of competitors' customers with their respective service providers are measured alike, broken down to consumer and business customer segments. The findings of the surveys serve as feedback from our customers, which is an important indicator of corporate performance in the different customer segments, and can also be used as a basis for further analyses by means of which we can learn as much about the expectations of our customers as possible and adjust our services accordingly.

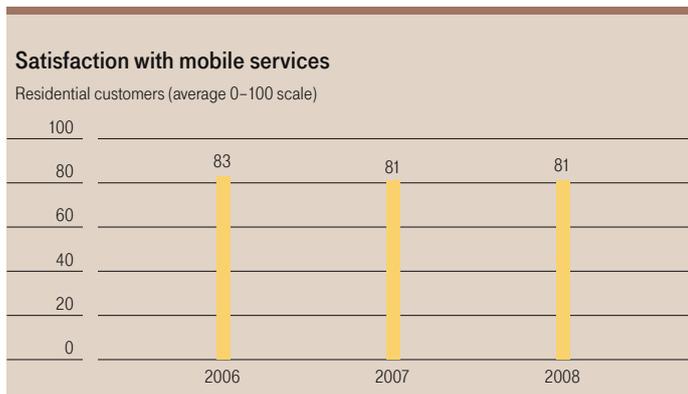
Customer satisfaction is measured by an external, independent research firm. The compilation of the questionnaires, the research itself, the adjustment and processing of the database, the preparation of analyses, studies and presentations about the findings, as well as their interpretation are the responsibility of the research firm in cooperation with the Market Research Department.

The survey is conducted by eliciting answers via telephone, in the form of standard interviews, encompassing samples of the justifiable size, composition and weights. The content of the survey substantially remain the same from year to year, to ensure comparability of data, but a certain degree of adjustment is required time to time, due to the changing expectations of the Company (Group), as well as the changes of the product structure and the market. The selection of the target group, as well as the coordination and administration (definition of the goals, selection of the research firm, contracting, certification of performance) of the survey are done by the Market Research Department.

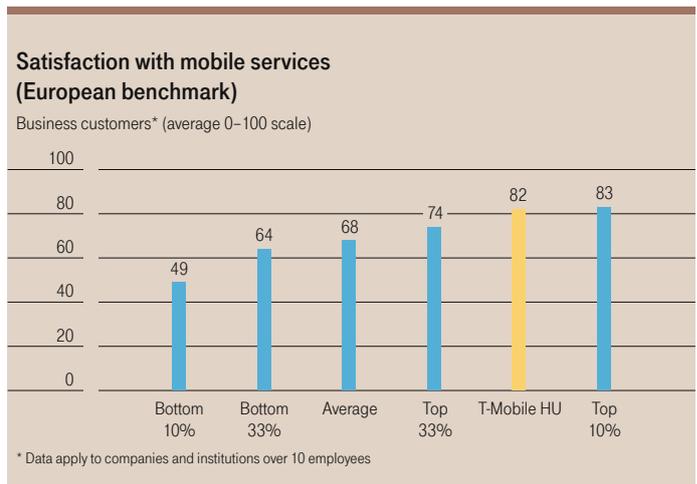


In addition to classic satisfaction surveys, customers' satisfaction with the specific customer relations channels, i.e. call center, shops and exchange of information in writing are continuously measured.

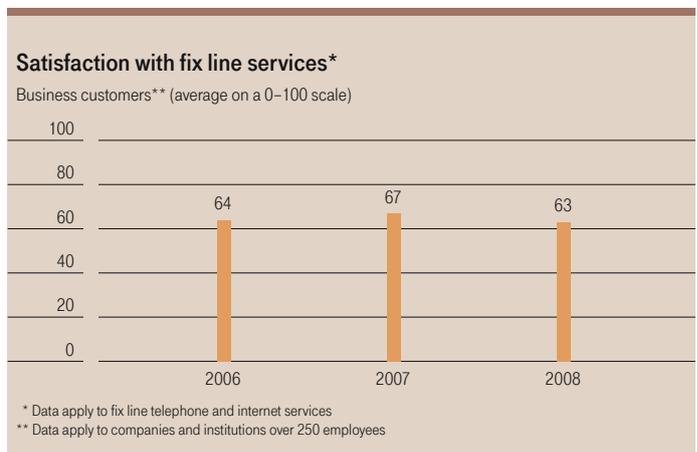
On the basis of the analyses, top management defines action plans. The analyses are processed focusing on customer groups managed by specific organizational units, as well as on Group level. Implementation is monitored by top management and the directors in the framework of management meetings. Deficiencies, deviations identified through the analyses are addressed by the head of the unit concerned.



In 2006–2008, the level of residential consumers' satisfaction with both fixed line (telephone, internet) and mobile services was constantly high, the slight changes of the data are not significant, thus do not represent real deviations.



In 2008¹⁰, on the basis of mobile customers' satisfaction, T-Mobile Hungary is among the top players in Europe.



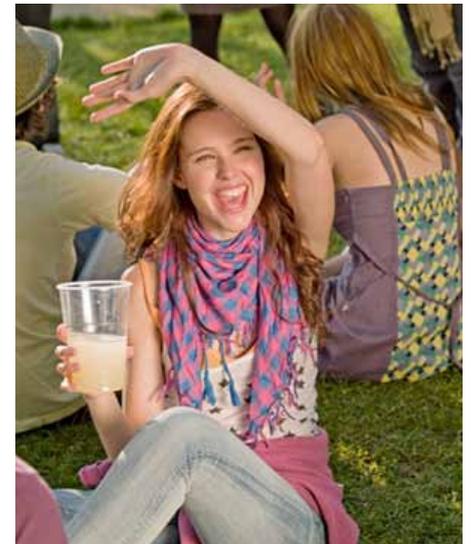
In 2006–2008, the satisfaction of the large business and institutional segment's customers¹¹ with fixed line services was stable, the slight changes in the data are not significant, thus do not represent real deviations.

¹⁰ No data series are available regarding earlier periods.

¹¹ No data series regarding smaller business segments are available.

2.4. Marketing Communications

Magyar Telekom makes significant efforts to communicate its advertisements to the consumers without being deceptive. In view of the experiences of earlier advertisements and taking into consideration the guidelines of GVH (the Competition Office) the contents of advertisements undergo preliminary (internal) legal control before they are communicated to the customers, accordingly, the ads are developed by the Communications area always by assessing both business and the legal aspects. Customers are provided information via a number of different communications channels about the products and services to be advertised to ensure high accuracy information to a wide circle of customers.



3. | Communication without boundaries





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Magyar Telekom, as the first “double triple-play” provider in Hungary, offers internet, telephony and television services on both fixed line and mobile networks. It also continuously seeks the most sophisticated technological solutions to constantly develop and improve its services.

As a responsible company, it takes into account social and environmental aspects, besides the economic ones, in the context of providing its services.

By means of its ICT (Information and Communication Technology) services, the Company enables its customers to travel less and decrease their paper usage, thus reducing their environmental footprint. The available more efficient communication also helps to address environmental emergencies. However, not everyone has the same chance to access information technologies, which might create a digital divide isolating certain groups of society. By means of its internet training program, community and home page development portal, special services offered to the disabled, as well as the broadband developments at small settlements, the Company strives to eliminate this digital divide.

In the long run, exploiting the environmental and social opportunities offered by ICT products also lead to the evolution of new markets, thus promoting the Company's long-term economic interest.

3.1. ICT products for sustainability

With the help of information and communication technologies, Magyar Telekom is capable to provide services that promote sustainable growth. The sustainability assessment of products and services reveal whether their sustainability impact is positive, neutral or negative. Besides reducing the environmental footprint (less travel, dematerialization etc.), the services of positive impact can help people to access information or training, disadvantaged regions to catch up, decrease costs born by customers, through all of which, improving general welfare. Number of sustainable services increases year by year.

The sustainability impact of products/services is measured in 3 dimensions, in 15 topics and through 42 questions.

The Company informs its customers about its most important sustainable products and their sustainability benefits, in order for them to be able to make their choice in a responsible manner (http://www.telekom.hu/tarsadalom_es_kornyezet/ict_a_fenntarthatosagert).

The most important sustainable products and services offered to business customers:

- Telepresence Conference
- Hosting (data park) services
- Blackberry Enterprise
- E-Procurement
- E-bills
- Compleo service

Dimensions and main fields of sustainability analyses of services	
Dimension	Topic
Social dimension	Protection and promotion of human health
	Access to information and education
	Pursuing freedom, happiness and development
	Creation and protection of high quality jobs and income
Economic dimension	Equal opportunities
	Protection of long term business interest, reduction of business risk
	Sustainable examples of consumption
	Real costs, fair prices
	Orientation on current needs and benefits
Environmental dimension	Regional/global responsibility
	Competitiveness
	Saving resources input
	Environmental pollution resulting from outputs
	Contribution to climate protection
	Environmentally compatible products and processes

Most important sustainable products and services offered to residential customers:

- Mobile internet
- Mobile payment (<http://www.t-mobile.hu/lakossagi/szolgalatasok/mobilvasarlas/termekek>)
- Special tariff packages for the disabled



3.2 Eliminating the digital divide

Digital divide is the name used for the phenomenon, existing in today's society, of different groups of society having different chances to access information technologies (due to geographical location, social or other reasons).

Magyar Telekom makes efforts in line with its commitment to sustainable development to eliminate the negative consequences of spreading the use of information and communication technology and promote positive impacts. Today economic development requires access to information and communication technologies. Transformation of communication, that is the key to social life, requires knowledge and usage of new technologies and possibilities. Thus, by better communication means, we enable contacts to be established between individuals in particular and within society in general.

Magyar Telekom for the disabled

The Company supports the disabled by providing special means and discounted tariff packages.

Magyar Telekom provided significant financial support to development of the Dramatized Electronic Editing and Voice Book (DEX) a software application designed for blind or visually impaired persons. The "IT for visually impaired" Fund launched its development by using the research of the Telecom and Media Informatics Department of the Budapest University of Technology and Economics to facilitate usage of Internet and other digital media for the blind and visually impaired individuals. The software reads the text appearing on the screen with the help of a voice synthesizer, which allows access to the Hungarian Electronic Library for blind and visually impaired individuals. The software is able to edit and store the program which makes access to the information easier, and results in apparent improvement of the quality of life. The free software can be downloaded from www.infoalap.hu.

The company also supported development of another software application by the Information Technology Department of Pázmány Péter Catholic University. The software application titled John makes television an ultimate experience for people of defective hearing even in the lack of subtitling and lip-reading. The application displays a simulated face on the screen based on the voices of the TV program and the viewers can read from the lip independent from the language of the program. Currently the software undergoes tests, the development is continuous.

The Company has tested the videoconference as well, as a means of supporting communications of people of defective hearing.

Prepaid tariff package for the deaf and hearing impaired

The Group has set up a prepaid package of extremely favorable SMS rates for those customers who can underline their hearing impairment with documents.

Voice call charges are slightly higher than average while the SMS rates are discount ones (15 HUF).

Two big SMS packages were developed specially for these customers.

- SMS 500: at 1,500 HUF
- SMS 1000: at 2,500 HUF

In addition to that Domino Net 80 service is offered at a discount of 1,000 HUF against an interim fee of 990 HUF.

Prepaid packages designed for blind and visually impaired people offer discount rates of 30 HUF/min within the network in every period. Call charges of further calls: 50 HUF/minute.

Internet for Equal Opportunity (Egálnet) Program

At the end of 2006 we established a community portal with the objective to support operation of organizations dealing with various underprivileged groups by using the opportunities offered by Internet. By the end of 2008 149 organizations joined (registered) the program, 100 of the activated their home pages. Egálnet.hu is a community site where registered organizations can establish and keep contacts with each other. Organizations not having an own website can create it with a simple program. Organizations having own website can also join the community site.

The target groups of the program are communities with social disadvantage or disability and non-governmental organizations representing their interests and supporting them: unemployed young people, schools, groups supporting fresh graduates, minority communities and other foundations and associations created to solve social problems.

The project is used as a tool for the target group – interest communities, non-governmental organizations – with which they can develop themselves and their communication capabilities to promote their personal and professional development. We enable communities and non-governmental organizations to improve their awareness, exchange information and experience with organizations of similar interests and thereby collect more donations.

Further information is available on the following websites:

http://www.telekom.hu/tarsadalom_es_kornyezet/tarsadalom/digitalis_hid/egalnet

<http://www.egalnet.hu>

Internet Academy

As from August 2007 Magyar Telekom continued its free internet training program launched three years ago under the title of Internet Academy. The program had the purpose of proliferation of PC and internet usage, increase awareness of its opportunities, strengthen the Information society and terminate digital illiteracy. The attendants of the weekly lectures held to beginners and advanced Internet users, young and old individuals received leaflets to assist their Internet usage.

The program runs with great success: in 2007, 12,000 and in 2008, 16,500 people participated nationwide, since the training is available not only in Budapest, but in several other cities.

In 2008, the program reached the following cities: Budapest, Miskolc, Nyíregyháza, Debrecen, Eger, Szolnok, Békéscsaba, Szeged, Kecskemét, Székesfehérvár, Szekszárd, Pécs, Kaposvár, Zalaegerszeg, Veszprém, Tata-bánya, Győr and Szombathely.



Helping isolated, disadvantaged regions and groups of society to catch up

The objective of Magyar Telekom's Digital Bridge builders is to present the results and opportunities of information and communication technologies in the areas where there is a digital difference that can grow to a gap. The program aims at enabling underdeveloped, underprivileged small towns with less than 3,000 inhabitants to bridge communications gap and promote local and regional development. In the frame of the program the voluntary professional team of Magyar Telekom offers efficient customized training and IT courses for people living in villages.

By the end of 2008, 112 events took place.



539 participants attended the events in 2008 (without the Valley of Art event) and 255 Magyar Telekom employees worked on helping the participants to learn the use of the internet. In 2008, the program visited the Valley of Arts event at Kapolcs, which more than 2,000 people attended in 10 days. The competitions held as part of the event, aimed at teaching in a playful format, were very popular.

Children, adults and elderly happily welcomed the opportunity we offered them. Their comments are available at Magyar Telekom's Sustainability Page under related materials:

http://www.telekom.hu/tarsadalom_es_kornyezet/tarsadalom/digitalis_hid/digitalis_hid_kistelepuleseken

Jubilee! The Digital Bridge at Small Settlements program, which started four years ago, celebrates the 100th event of the series. The jubilee event took place at Bakonszeg, on July 23, 2008 with the participation of Péter Novák, singer, actor and choreographer. Bakonszeg had been chosen to host the jubilee event, because in 2004, it was the settlement where the first event took place. On the basis of the experience gained at this event, it became obvious for Magyar Telekom's volunteers that the series must continue, and the practice of internet usage has to be rolled out to as many small settlements as possible. The people of Bakonszeg were glad to welcome the volunteers once more. Many of them surfed the net for the first time in their lives, and listened keenly to the instructions of the colleagues and Péter Novák. The jubilee program was enriched by a competition, an awards ceremony and a huge tasty cake.

By supporting the Login initiative, Magyar Telekom helps the young roma to access the internet and supports them in receiving training, searching for jobs and developing their communities on the net.

Customers to whom wire line services are not available for any reason, or they are not willing to pay several thousand HUF as monthly wireline subscription may select MobilOthon Premium tariff package at a monthly fee of 450 HUF, where the call charge is 7.50 HUF/minute in fixed line direction. The tariff package offers an option within the network at 1,200 HUF/month where T-Mobile numbers can be called at a rate of 23 HUF instead of the basic rate of 46 HUF. Furthermore an SMS package is also connected to the tariff package at a monthly fee of 288 HUF where SMS can be sent at 9.60 HUF within the network.

The package contains discount rates in the territory of the country except for large cities and their outskirts. The service covers about 94% of the country. One of the options of the Kaméleon (Chameleon) package is ZöldZóna (Green Zone) scheme. That is, against an extra fee of 500 HUF 50% discount is allowed on the calls initiated from the discount areas.



In 2008, Magyar Telekom continued its efforts to increase the number of settlements covered by DSL services in business-wise unfavorable regions, too.

In order to achieve this goal:

1. We built out of our own resources 48.5 kilometers of regional access network to provide broadband access to 13 settlements for the access of which the Pécsvárad Multi-purpose Small Region Association had won subsidies through application in 2007 in the framework of the Economic Competitiveness Operational Program (ECOP) 4.4.1 project. The access to these 13 settlements would have been provided through fiber network mounted on poles jointly used with EON, but this initiative failed. Therefore, MT undertook to provide fiber access to the 13 settlements, thus offering high-speed broadband internet and partially also IPTV.
2. Through the networks built pursuant to successful applications by several municipalities to obtain subsidy from the ECOP project titled "Subsidy to municipalities' broadband network development in disadvantaged regions" (ECOP 4.2.2), it is Magyar Telekom that can provide its wholesale services.

The purpose of the project is to increase the availability of internet at smaller settlements, which are currently less covered and business-wise less attractive, where the broadband infrastructure would be established later or never, if not subsidies by the State.

Projects were invited to compete for the subsidy in February 2005. Settlements and small regions were entitled to apply, and they shall become the owners of the networks, too. The small regions had the option to choose a partner each to run their networks. This partner also helped in elaborating the technical content of the project.

Magyar Telekom may provide its wholesale services in 9 small regions, out of which in 5 regions, DSL technology, and in 4 regions coax/cableTV technology. Small settlements in the vicinity of 6 settlements won, including altogether 111 small settlements, which include 47,000 households.

In 2008, the permission procedures have started for the implementation of the projects.

Our Company put special emphasis on the development of mobile broadband: the UMTS/HSPA residential coverage was increased from 53% (118 settlements) at the end of 2007 to 67.44% (302 settlements) at the end of 2008, and by that time, we provided 7.2 Mbit/s nominal downloading and 1.4 Mbit/s nominal uploading speeds on the total network.

T-Mobile's Fixed Internet service aims at improvement of internet coverage in rural areas. The objective was to cover 200 areas where the T-Group does not plan to introduce broadband service.

W-LAN technology meant the cheapest alternative both for customers and service providers. The service was officially introduced on April 1, 2006. Use of the service does not require GSM subscription, the necessary devices are installed and controlled by the service provider when requested. In comparison to other internet service providers its tariffs are in the lower middle category. Currently 120 areas are covered with W-LAN and T-Mobile boasts with 1,300 Internet Fix subscribers. In 2008 the Company increased its capacity in the areas, where it is justified by the demands.

Extension of the 900 MHz mobile concession agreement also serves for the development of under-supplied areas.

Key aspects of the commitment:

1. Implementation of broadband mobile development with the value of 20 billion HUF + VAT (at current price) in the regions of low penetration¹²
2. Provide access to broadband mobile network for 1 million potential new subscribers in the regions of low coverage
3. Reach a 88% penetration among the population and 75% coverage of the villages in the Balaton region

Magyar Telekom plans to fulfill these commitments by the connection of 400 new base stations and extension of 300 existing base stations.

The deadline to fulfill these obligations is December 31, 2009.



¹² Under region of low penetration we mean regions of Hungary except middle Hungary (Budapest and Pest county).

Makedonski Telekom

The Macedonian info-communication service provider puts special emphasis on supporting education, which it considers the basis for a productive future. The company supports the Government's initiative of "PC for every student", in the framework of which they establish communication networks by linking PCs with aim to improve the quality of education. By November 2008, 1951 classrooms of 93 schools had been linked to the network.

In 2008, the company also donated PCs to many non-governmental organizations that support disadvantaged groups of society that do not (or hardly) access info-communication technologies.

The Macedonian subsidiary established the Macedonia Foundation in an effort to improve communication and living standards. The goal of the foundation is to bring people and local communities closer to the innovative capabilities offered by technology.

Crnogorski Telekom

Many initiatives taken by the Montenegrin subsidiary also show a commitment to education.

T-Mobile Montenegro donated mobile internet packages to those who demonstrated the most outstanding performance at students' academic competitions, and Crnogorski Telekom donated IT equipment to social and child-care institutions in an amount of 30,000 euro.

3.3. Availability of services

Magyar Telekom grants subscribers' rights connected with service availability and fault repair on the basis of its General Contract Conditions available on the Internet and in the customer service points. In these the company guarantees compliance with the published quality targets in the service provision process in its entire service area, which compliance is controlled with tests and the methods of measuring are made public.

The company also specifies here the quality target figures of services provided, and continuously measures their fulfillment and makes publicly available the readings. Faults in the service detected by the subscribers in the course of using the service are managed, among others, in line with their rights laid down in the General Contract Conditions, according to the procedure determined for the period after the detection and registration by the company of the fault.

The General Contract Conditions are available on the following website:
<http://www.telekom.hu/szolgaltatasok/aszf>

As of 2009, the Company starts a large-scale fiber network development program in line with the long-term strategy. These new fiber networks ensure a higher rate of availability than the existing networks due to the lack of active (energy demanding) network elements.

Availability of services				
Annual availability (%)	2005	2006	2007	2008
Cable television service	99.88	99.96	99.98	99.98
Cable telephone service	99.15	99.89	99.96	99.97
IPTV service			98.74	99.77
Fix line internet (ADSL) service		99.83	99.82	99.93
Mobile internet service	99.60	99.74	99.5	99.71
Fix line telephone service	99.97	99.97	99.97	99.96
Mobile telephone service	99.95	99.94	99.94	99.94

3.4 TETRA emergency system

The new social and environmental challenges encountered by the developing and globalizing societies necessitated coordination and improvement of the communications activities of law enforcement and emergency services throughout the world. Terrorism, organized crime, rising number of violent acts, law enforcement in war zones, risks of flood, inland water, hurricane, earthquake, avalanche, landslide, the increasing number of volcano eruptions, nuclear disasters, fires, mass disasters and their growing intensity urge the nations to provide efficient, fast and secure solutions for disaster and emergency situations.

The Hungarian government ordered through Government Decree No. 1031/2003. (IV. 09.) the construction of a unified digital radio telecommunications system in compliance with the Schengen Treaty requirements and the European Telecommunications Standardization Institute standard to ensure satisfaction of the radio communication needs of the emergency services and government users. The purpose of the closed radio communications system that ensures very high availability is to implement professional connections between various emergency and law enforcement bodies that enable faster, more efficient and secure performance of certain actions. (Users of EDR system in Hungary: Police, Fire Department, Disaster Prevention Service, National Environmental, Nature Preservation and Water Management Authority, Ministry of Finance, Ministry of Justice, Prime Minister's Office, National Security Services, Ministry of Health, National Ambulance Service, Army).

The winner of the tender invited on EDR system implementation was Pro-M Zrt. (Pro-M Professional Mobile Radio Co.Ltd) a company established in December 2005 by the consortium of T-Mobile and Magyar Telekom Plc. that put into operation the network of nation-wide coverage in December 2006, one month before the deadline stipulated in the contract.

By the full deployment of the system, one of Europe's most modern systems serving the largest number of emergency services was put into operation in Hungary, which covers 94% of Hungary's territory and offers 99.9% availability (maximum 8 hours downtime per year). The availability rate of this radio network exceeded the contractual requirements.

The Prime Minister's Office charged an external, independent consultant with the task of conducting the technical acceptance procedure regarding the Budapest and national systems of the EDR service. The acceptance procedure was completed successfully. In May 2008, Pro-M obtained the MSZ EN ISO 9001:2001 and the MSZ ISO/IEC 27001:2006 ISO certifications, in January 2009, it introduced the MSZ EN ISO 14001:2005 environment-focused management system, which is undergoing certification. Pro-M contributes to the activity of the users with a number of useful services. One of the key services is Pro-Mobil GPS. A significant feature of the system is that all the EDR equipment with GPS function can be displayed on a unified map surface which provides standard communication for the users by allowing for fast, targeted commanding, accurate information and cooperation between the particular organs. The Pro-Mobil Vehicle Monitoring System provides many important and useful information, on top of the geographical coordinates.

4. | Reducing the environmental footprint





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Due to its scope of activities, Magyar Telekom Group is not one of the significant polluters either on the input (raw materials, energy consumption) or the output (waste materials, emission) side. In addition to decreasing energy consumption, the Company reduces its environmental footprint on the input side by decreasing the volume of paper used or by replacing it by recycled paper. On the output side, it wishes to reduce its environmental footprint by a 10% CO₂ emission decrease (by 2011) and by selective waste collection. On top of the above, Magyar Telekom enables its customers to reduce their environmental footprints by using the Company's services, and puts emphasis on increasing awareness in this context, too.

In order for the comprehensive understandability of the diagrams, one must need to see Magyar Telekom Group's structure, which changed in course of the years in question as follows:



Change of Magyar Telekom Group between 2004 and 2008				
2004	2005	2006	2007	2008
Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.
T-Mobile	T-Mobile ¹³	-	-	-
Egertel	Egertel ¹⁴	-	-	-
Emitel	Emitel	Emitel ¹⁵	-	-
BCN	BCN	BCN	BCN ¹⁶	-
-	-	-	ICON ¹⁷	-
-	-	-	INTEGRIS ¹⁸	-
-	-	-	IQSYS ¹⁹	IQSYS ²⁰
-	-	-	KFKI-LNX ²¹	KFKI ²²
-	-	-	T-Systems Hungary ²³	-
T-Kábel	T-Kábel	T-Kábel	T-Kábel	T-Kábel
EPT	EPT	EPT	EPT	EPT
T-Online	T-Online	T-Online ²⁴	-	-
Cardnet	Cardnet ²⁵	-	-	-
-	-	-	-	PRO-M ²⁶
-	-	-	-	Dataplex ²⁷
-	-	-	-	Mfactory ²⁸
-	-	-	-	origo ²⁹
TCG ³⁰	TCG	TCG	TCG	TCG
MakTel ³¹	MakTel	MakTel	MakTel	MakTel

¹³ T-Mobile continues to exist as an independent brand and business unit within Magyar Telekom (as of 03.01.2006).

¹⁴ The relevant data of Egertel shall be presented as Magyar Telekom data (They are located in one of MT's buildings, provide their services via MT's network etc.).

¹⁵ In 2007, Emitel merged into Magyar Telekom's fixed line business unit.

¹⁶ From 2008, BCN is part of KFKI System Integration.

¹⁷ ICON provided information for the first time in 2007, its data are presented among BCN's data.

¹⁸ INTEGRIS provided information for the first time in 2007, its data are presented as BCN's data.

¹⁹ IQSYS provided information for the first time in 2007, its data are presented as BCN's data.

²⁰ In 2008, a new entity provided data under the name IQSYS, as the legal successor of the former INTEGRIS, IQSYS and T-Systems Hungary.

²¹ KFKI-LNX provided information for the first time in 2007, its data are presented as BCN's data.

²² In 2008, a new entity provided data under the name KFKI, as legal successor of BCN, ICON and KFKI-LNX.

²³ T-Systems Hungary provided information for the first time in 2007, its data are presented as BCN's data.

²⁴ T-Online Hungary's access activities merged into Magyar Telekom in 2007, while its web and content provision areas continue to work under the name [origo] Zrt, as an affiliate of Magyar Telekom Group.

²⁵ Cardnet was sold in 2006.

²⁶ PRO-M provided information for the first time in 2008.

²⁷ Dataplex provided information for the first time in 2008.

²⁸ Mfactory provided information for the first time in 2008.

²⁹ origo provided information for the first time in 2008.

³⁰ The data of the Montenegrin Crnogorski Telekom and T-Mobile Crna Gora are presented as TCG's data.

³¹ The data of the Macedonian Makedonski Telekom and T-Mobile Macedonia are presented as MakTel's data.

4.1. Climate protection

Few remain to debate the reality of global warming or the fact that it is caused by humanity. As a result of warming, certain areas become subject to desertification, while others are flooded, at the same time extreme weather conditions become globally more frequent and more intensive. These changes hit the population of the poorest regions to the greatest extent, besides harming biodiversity. All organizations must take every possible action within their power to combat the effects caused by one of the greatest environmental problems of our age, i.e. climate change. One of Magyar Telekom Group's greatest strategic challenges is to protect the climate, including the reduction of the CO₂ footprint.

Magyar Telekom is concerned in the issue of climate change from several aspects. First of all, the Company's operations incur direct and indirect greenhouse gas emissions, despite the fact that the activities pursued by the Company do not cause much pollution. These emissions are mainly due to electric power and paper consumption, heating and travel.

Second, the Group provides ICT (information and communication technology) services that can replace travel and material consumption. Video and audio conferencing, TelePresence, which is a more life-like way of videoconferencing, e-bills and other electronic solutions to conduct one's affairs are all such services.

Third, through the more frequent and more intensive occurrence of extreme weather conditions, climate change has an indirect effect on the Group, as network elements are exposed to weather. In an effort to manage these risks, Magyar Telekom prepared a study of the climate change effects and their relevant financial impact, on the basis of which it has started to mount weather monitoring measurement equipment on its towers³². Currently, 15 stations are equipped like that, and the inflowing data are being constantly assessed.

Climate protection is an important part of the Group's sustainability strategy, which sets the goal of 10% CO₂ emission decrease by 2011³³. Besides reducing its own emissions, the group also keeps in mind what its customers could do in the context of climate protection and how they could adapt to the changes.



Climate protection campaign

In 2008, Magyar Telekom's campaign, aimed at increasing employees' awareness about and commitment to climate protection and make them take action against the climate change, was continued by numerous new actions.

We took a significant savings measure on the March 6, the Energy Saving Day, when we started to turn off PCs left on at night by remote control. Between 8:00 pm and 9:00 pm, on March 29, major sites of Magyar Telekom, as well as its advertisement lights were switched off as part of the global Earth Hour. The initiative started from Sydney aims to let the world know that we can act against climate change. On the eve of Earth Hour, Al Gore's documentary titled "An Inconvenient Truth" was broadcast upon public demand.

We recommended summer camps close to nature for children of our employees.

In October, we drew the attention of our employees to the energy-efficient settings of their computers and to decrease their paper use (by e-bills, avoiding unnecessary printing etc.).



Magyar Telekom wishes to increase awareness about climate change outside of the Group, as well: The Cut Back! climate protection program started on October 1, 2008, with the purpose of urging everyone to take action against the climate change by joint thinking, collecting possible solutions, changing mentality and taking small steps locally. One founder of the program is Magyar Telekom.

The program includes a team game of constantly updated tasks, called Climate Action, by which we strive to collect ideas, increase awareness, encourage people to take specific actions, in order to make everyone accept the responsibility and demonstrate the capability to change their mentality.

Tasks are elaborated with the cooperation of the Cut Back! program's experts and prominent representatives of the Hungarian non-governmental community (WWF, Greenpeace, Association of Conscious Consumers, National Society of Conservationists, Hungarian Waste Prevention Alliance). You can read more about the program and Climate Action at the www.vegyelvissza.hu page.

³² The specific results are classified as business secrets.

³³ Base year: 2007

Energy consumption

Electric energy

In 2008, Magyar Telekom Group's electric energy consumption was 312 GWh, which includes the consumption of the subsidiaries newly joining data provision, like KFKI, IQSYS, Pro-M and Mfactory.

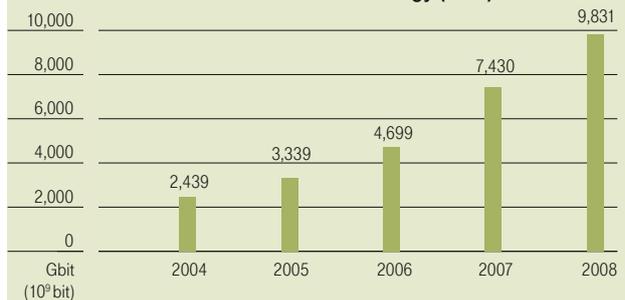
Even though Dataplex got involved in our data provision process only in 2008 we added its electric energy use data to the sum of 2007 group consumption due to its significant consumption, in order to create a proper base for monitoring our 2008–2011 strategy.

Electric power consumption increased by 6.6%, if taking into account the consumption of subsidiaries that newly joined data provision, which increase is justifiable by the widening service portfolio.

Among the affiliates, the greatest increase of consumption took place at TCG, which, including the data of T-Mobile Crna Gora, reached 68%. This increase is due to the launch of the very energy-intensive IPTV in 2008 and the need to build new data centers and base stations. Maktel increased its consumption by 6.2% due to the same reasons.

It is, however, to be noted that in the period in question, the volume of information transferred increased to a much greater extent than the energy consumption, thus confirming that our energy-efficiency efforts are necessary and point to the right direction, as well as demonstrating the results.

Data transmitted with 1 kWh electric energy (Gbit)



Fossil fuel consumption

Magyar Telekom Group uses fossil fuels to heat offices, part of which is from direct energy sources (natural gas), the rest is indirect energy provided by long-distance heating.

Oil is used for heating to an insignificant extent by our foreign subsidiaries, and the ratio is steeply decreasing, by close to 28%.

Gas consumption

Magyar Telekom Group's gas consumption shows increase, following last year's decrease of 14%. The 8 179 thousand m³ volume includes the data on the consumption of two new entities – a KFKI and IQSYS. The diagram clearly shows that the 2008 consumption is almost identical to that of 2006, when the weather conditions had been similar, and that the level of consumption is in direct proportion to the changes in net territory, and indirectly proportionate to the deviation of winter temperatures from the multi-year averages.

Within the Group, the consumption of Magyar Telekom Plc. increased by more than 11%, despite the furnace re-construction efforts. T-Kábel decreased its consumption by more than 16% (1,000 m³). The two new users: KFKI consumed 127,000 m³, and IQSYS consumed 53,000 m³ in 2008. (The affiliates not represented in the statement are located in rented office buildings, thus, their fuel costs are part of their rental invoices.)

Long-distance heating

Members of Magyar Telekom Group consumed close to 6% more long-distance heating energy in 2008 for the purpose of heating their facilities, than in the year before. The increase is due to the same reason as in case of the natural gas consumption: increasing net territory and lower winter temperatures in 2008 than in 2007.

Three members of the Group consume long-distance heating energy: Magyar Telekom Plc. (+22%), Mfactory (providing data for the first time) and MakTel Macedonia (-23%).

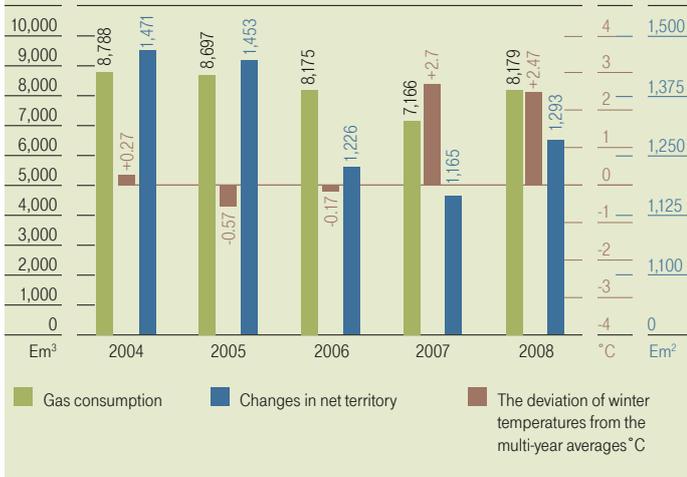
Environment-friendly data park at Dataplex

On August 26, 2008, György Simó and István Papp, both Chief Officers of Magyar Telekom Group, opened the new wing of the data center building extended by 5,600 square meters. The Hungarian market leader info-communication facility, thus, became the largest high-security data center in Central-Europe and one of the top 10 in Europe.

Upon consideration of the continuously increasing energy prices and in preparation for the liberalization of the Hungarian electric power market, Dataplex elaborated a new business model. By that, it motivates customers, who pay not only for the consumption of their servers and storage equipment, but for the air-conditioning, too, to rationalize their energy consumption. By this method, the energy rationalization level significantly improved among the customers, who demonstrated understanding towards the change. Justifiable so, since the per kWh prices available for the facility are a lot more favorable than the market prices, at the same time, the utilized green technologies ensure favorable operational conditions.

The Managing Director of Dataplex, Gábor Szabó, remarked that environment protection aspects had been handled as of primary importance even during the design and construction work, since the data center is located in a densely populated area, close to residential buildings. In that effort, special emphasis had been put on soundproofing: the air-conditioning equipment mounted on the roof are covered by multiple layers of soundproofing materials. In addition, cooling consumes much less energy, in the ratio of the IT-related energy input, due to the utilization of equipment that use the seasonal cold winter air. EU-4-standard low-emission generators and the most efficient UPS assets were installed. Dataplex provides customers in both wings of the building maintenance services with no downtime, as well as an automated security and monitoring system that ensures high-level availability.

Gas consumption as a function of changes in net territory and the deviation of winter temperatures from the multi-year averages



Directly generated energy to be used by the Company

In order for us to be able to provide continuous telecommunication services, even in case of power outages, we have emergency dieses power generators in place.

We continue to use a gas engine to provide the electric power, heating and hot water at the Krisztina krt. headquarters building. The unused portion of the generated electric power is sold to Budapest Electric Works. The consumption level did not change compared to previous years.

Alternative and renewing energy sources

Magyar Telekom installed heat pumps at two of its sites where cooling demand is coupled with significant demand for hot water used for heating.

Energy consumption of remote heating



Heat pumps use electric power to transport heat from one end of the equipment (earth, water, air, technological residual heat etc.) to the other end, where the heat is used to produce hot water for heating or for sanitary use (55-60°C). The energy thus produced can be 4-5 times as much as the electric power invested.

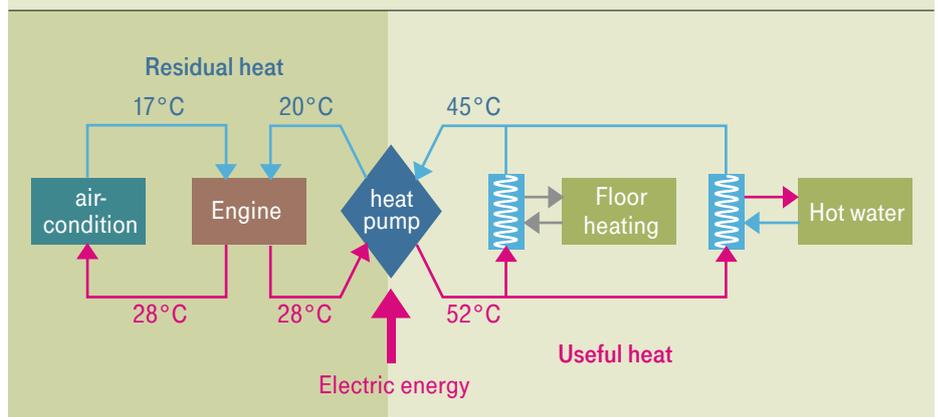
The heat pumps installed at Magyar Telekom utilize technological residual heat (to produce heating and sanitary hot water), in a way that the technological equipment are cooled by means of the heat pump, so energy spent on cooling is saved.

We install air/water heat pumps in or near the technological room to be cooled, thus extracting heat from its air, and then re-pumping cold air into the room.

The following chart shows the theoretical process.

On the basis of the experience gained, we installed further heat pumps. In addition, a solar collector was installed at one of the resorts at the Lake Balaton, in order to utilize an even greater extent of alternative energy.

Theoretical air-water heat pump process



A base station running on hydrogen

After long preparations, T-Mobile, in cooperation with technological leaders from the US and Hungary, was the first in Europe to put into operation the first Hungarian base station running on PEM fuel cells, i.e. hydrogen. By using state-of-the-art technology, as well as other environment-friendly solutions, totally green base stations can be built, therefore, diesel generators can be replaced, thus decreasing energy consumption and CO₂ emission.

T-Mobile (Magyar Telekom) experts are considered to be pioneers of the PEM base station technology in international comparison, too, since similar experiments had only been conducted with a few base stations in Sweden. The PEM (Proton Exchange Membrane) cell splits hydrogen atoms into hydrogen ions and free electrons on the surface of the membrane. The electrons can be used to generate electric power, while the hydrogen ions and ambient oxygen are emitted as water. Hydrogen is one of the basic materials that make up the Earth. It is part of every drop of water and almost every organic compound. It can therefore be the source of almost unlimited energy. It can be extracted from water, for example, by means of electrolysis, the electricity requirement of which can be produced from natural sources, like by wind mills. PEM fuel cells transform energy silently, without any mechanical parts, without any pollutant input, which makes PEM fuel cells very long lasting. It integrates with nature very well, due to the water-hydrogen-water cycle.

By means of PEM fuel cells and wind power, a cyclic process can be implemented that involves exclusively green, i.e. CO₂-free energy consumption. With this new solution, diesel generators running on fossil fuel, energy-intensive air-conditioning and pollutant-based batteries can be expelled from base stations. T-Mobile's technical team sought out the market-leader PEM fuel cell manufacturer, and in cooperation with several foreign and Hungarian companies, integrated their 5 kW PEM fuel cells into the system.

This environment-friendly development is an important milestone in Magyar Telekom's continuous environment-conscious efforts. Based on the success of the intelligent ventilation system at the 15th Hungarian Innovation Award, this solution can be the basis to implement a really alternative energy supply and decrease energy consumption. Magyar Telekom plans to use PEM technology for a large variety of purposes, primarily as emergency power supply, and in every area where the resulting energy and operating cost savings promise a realistic return on the investment.

Fuel consumption

Magyar Telekom Group's fleet increased by 1.2% compared to 2007, and mileage increased by close to 6%. As a result, fuel consumption increased by 7.5%.

The increase in consumption is partially due to the fact that some affiliates provided data for the first time (Origo, Dataplex, Mfactory) and the introduction of new services (IPTV, 3G) required installation work that incurred travel. If we compare the consumption of companies who provided data in 2007, too, the increase to 2008 is slightly higher than 6%.

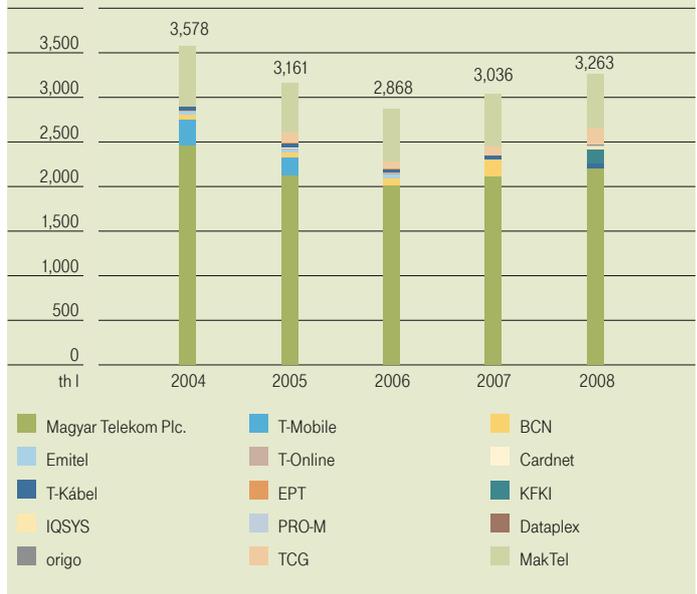
Diesel consumption

Magyar Telekom Group's diesel consumption increased by 7.5% in 2008, due to the above reasons, including the consumption of those who provided data for the first time. (Without them, the increase is 7%.)

TCG was the affiliate that increased its consumption the most: 79%. The increase is due to the fact that in previous years TCG did not include the data of T-Mobile Montenegro. The second is T-Kábel, with an almost 10% increase, which is due to an increasing service area. Magyar Telekom Plc's diesel consumption increased by 4.3%, due to the travel triggered by the installation work related to the increasing number of IPTV and 3G customers. MakTel's consumption increased by close to 3.4%, because of the more than 100% increase in ADSL subscribers, compared to 2007. New consumption data of integrated affiliates: KFKI: 163,000 liters, IQSYS: 27,000 liters. Pro-M is considered as new in this respect: 9,000 liters, Dataplex: 5,000 liters, and origo: 7,000 liters. The data are not directly comparable to those of 2007 due to the organizational changes.

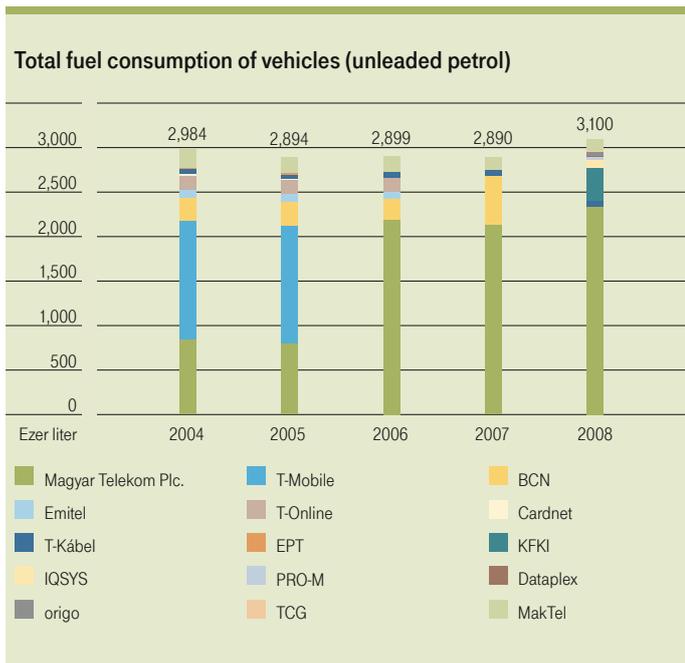


Total fuel consumption of vehicles (gasoline)



Unleaded gasoline consumption

Magyar Telekom Group's unleaded gasoline consumption, including the data of those that provided data for the first time, shows close to 7.3% increase, due to the reasons described regarding diesel consumption, while the increase without the new data providers is 4.1%. Magyar Telekom Plc's unleaded gasoline consumption increased by close to 10%, that of MakTel shows an increase of 2.4%. T-Kábel's decreased by 5.2%. Among the new data provider affiliates, KFKI consumed 365,000 liters of unleaded gasoline, and IQSYS did 90,000 liters. Pro-M, also to be considered one of the new providers of data, consumed 31,000 liters, Dataplex 17,000 liters, and origo 43,000 liters. The data are not directly comparable with those of 2007, due to the organizational changes.



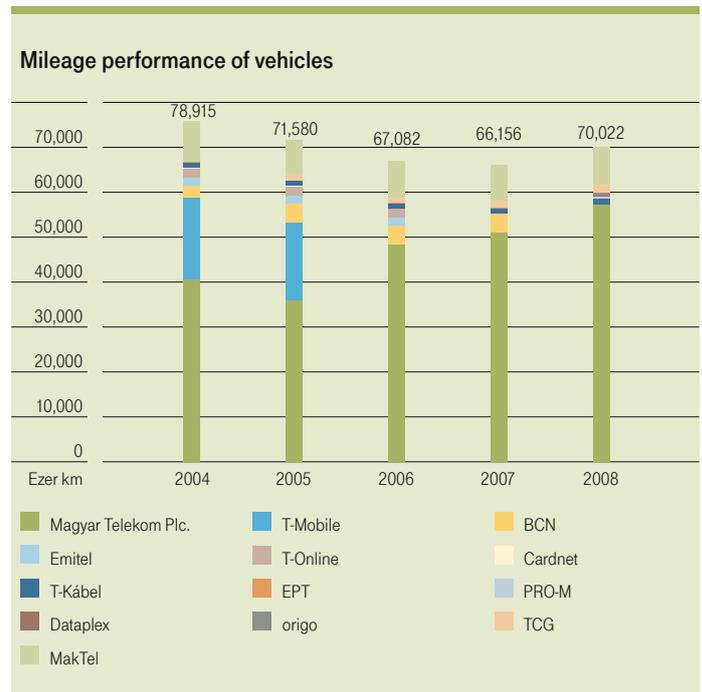
Leaded gasoline consumption

Within Magyar Telekom Group, only TCG uses leaded gasoline fuel for its fleet. The consumption, including T-Mobile Crna Gora, which provided data for the first time, is 10,000 liters.

Mileages

Magyar Telekom Group's affiliates provide their info-communication services in the total territories of Hungary, Macedonia and Montenegro. Faults can mostly be repaired remotely, by means of modern technologies, but travel to location is still required in many cases. Because of the increase in serviced area, the mileage of the Group's fleet increased by 5.8%, which includes the data of those that provided their data for the first time. As to affiliates, their increases are as follows: T-Kábel 13%, Magyar Telekom Plc. 12.2%, TCG 11.7%, MakTel close to 4%. EPT decreased its mileage by close to 12%.

Among those who provided this data for the first time, Pro-M Zrt's fleet did 458,867 kms, that of Dataplex sis 275,106 kms, and Origo's cars ran 610,616 kms in 2008.



Numbers of cars

The Group's fleet altogether increased by 1.2% compared to last year. The fleet of Pro-M, as a new data provider, (22 cars), the Dataplex fleet (9 cars), MFactory's fleet (4 cars) and origo's fleet (34 cars) were added to the total in 2008.

Breakdown by fuel types:

- The number of cars running on gasoline increased by close to 4%.
- The number of diesel cars decreased by 2%.

Breakdown by types of use:

- The number of service cars decreased by close to 4.5%.
- Private-purpose company cars increased by 14%.

Magyar Telekom aims to decrease the pollutant emission of its fleet. In an effort to obtain that result, the Company continuously modernizes its fleet. We strive to procure cars with the lowest possible emission levels, which also run economically. As a result of that effort, our fleet already includes 53 hybrid cars.

The average consumption of the fleet replaced in 2008 was 8.3 l/100 km, while that of newly procured cars is 7.2 l/100 km. The average CO₂ emission of the cars procured by Magyar Telekom Plc. in 2008 is 155 g/km.



T-Mobile for the bicycle sport

Did you know? If you travel by bicycle instead of car, you protect the environment by decreasing the amount of CO₂ emission by 204.5 g/km in average.

By becoming a dedicated supporter of bicycle sports, T-Mobile decided to promote not only safe ways of riding your bicycle, but a healthy and sporty life-style, as well as environment protection, too. The objective is to strengthen social responsibility, and promote environment protection, mass sports and a healthy life-style, through supporting the bicycle sport.

In 2008, too, our Company sponsored the T-Mobile TOP Marathon series, where more than 5,000 people participated, and more than 6,000 cheered for them, at four locations (Szilvásvárad, Visegrád, Eger, Mátraháza). Many brought their kids and families, thus we set up free-of-charge T-Mobile Bike Rental places, next to the T-Mobile Safe Cycling track, and organized T-Mobile Bike Tours, where amateurs also had a chance to ride their bikes in the forest, guided by experts, of course.

The T-Mobile Bike Tour of Dunaújváros is a regional event where participants do not race, just enjoy the ride together with other bicycling fans, thus demonstrating a healthy life-style and environment protection. In 2008, too, many participants, app. 2,000 people, showed up.

Sports Magic Island provided the framework in which the "T-Mobile Vagabond Biking" program was established, participants of which had to pass the bases by bicycle, learning not only safe biking, but a love of nature and sports, too, through the different games and competitions about the environment.

The Ministry for Transportation, following the European examples, organized again a "Bike to Work" program in the spring and autumn of last year. The program was sponsored by T-Mobile, too. Participants merely had to register and ride their bikes to work at least 4 times during the defined period (10-13 thousand participants per event).

In 2008, T-Mobile joined forces with the Ministry of Economy by launching its Smart Mobility program in alliance with the Ministry's Bike School series, in the framework of which, representatives of the company visited schools countrywide, and held classes to increase awareness about the importance of safe biking, living a healthy life-style and environment protection. The objective of the initiative is to popularize safe biking and environment-consciousness. In 2008, this program reached app. 10,000 kids, and pupils had the chance to test their skills in practice, at 15 local events.

On the occasion of the Szekszárd Bike Day, we organized T-Mobile Bike Tours and a Bikers' Demonstration in the spirit of a healthy life-style and environment protection, attended by quite a number of kids and adults from the region. The T-Mobile Bike Tour took place in the Gemenc Forest and its region. This time, we offered a wide range of programs for amateur bikers, families and kids at Szekszárd, at the T-Mobile Bike Day. Kids were invited to test their skills at the Safe Biking track built for the occasion near Garay Square. Teenagers and families could chose from three hikes of different distances. The purpose of the Bike Riders' Demonstration was to draw attention to the importance of environment protection, availability of bicycle tracks, educating the young to live a healthy life-style.

We make sure that our staff be informed about our bicycle events by sending out the relevant news via sms, email, posters and intranet articles, as a result of which, in 2008, more than 500 employees attended the events, including our trip to the Critical Mass. Participants of this event rally every year to popularize everyday city biking, in order to decrease heavy traffic and smog in the city. By attending, we confirmed our commitment to increasing the number of people opting for bicycling as a means of transportation, as soon as possible.

We have a so-called Big Bike Book, in which we collect signatures at every event of ours from people supporting a healthy life-style, biking, and environment protection. So far, we have collected 4,000 signatures.

We popularized biking, a healthy life-style and environment protection through our media contacts (e.g. Sport1 TV, Sport2 TV, Bike Magazin, Velo Magazin, Stársport Magazin, WAP, etc.), while one of our very popular giant poster campaigns aimed at increasing awareness about biking in particular. On top of the above, the media concept of our Echo Campaign included the utilization of promo-bikes, thus promoting the idea of environment protection.

Biking is both a life-style and a commitment. If you bike, you act responsibly for yourself and your environment!

Travel-decreasing solutions

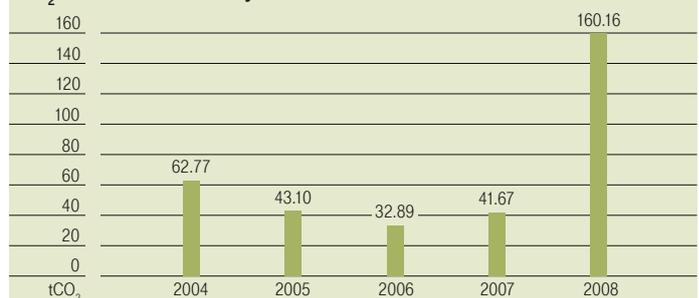
Audio and video conferencing

In order to decrease travel, Magyar Telekom Group uses means provided by telecommunication, like video and audio conferencing. By that, travel-related burden on the environment is reduced.

The table clearly shows that in 2008, Magyar Telekom Group made close to 31% more travel unnecessary by using info-communication solutions than in 2007, thus, preventing the emission of more than 160 tons of CO₂. Unlike in the previous year, the kilometers saved include the flights made unnecessary by using Telepresence, which enabled us to meet our colleagues in Montenegro and Macedonia in life-like virtual conditions, without burdening the environment. Due to less travel, employees can also spend more time with their families. What is also important is that the travel costs born by the Group also decrease.



CO₂ emission avoided by videoconference



Travel replacement by Magyar Telekom					
	2004	2005	2006	2007	2008
Saved travel distance (km)	294,742	208,650	156,670	197,874	286,232
Flight					138,348
Road	294,742	208,650	156,670	197,874	147,884
Saved fuel (l)					
Diesel	13,961	9,114	6,468	11,333	3,518
Gasoline	11,423	8,413	7,006	5,091	2,346
CO₂ equivalent (t)	62.77	43.10	32.89	41.67	160.16

Telework

The ratio of teleworkers at Magyar Telekom Plc. increased by 54% compared to last year (from 2.38 to 3.66%), which leads to less CO₂ emission by less commuting.

Distance learning

As in previous years, Magyar Telekom Group provides a significant portion of employee training in the form of distance learning. It means that employees access the training material through the intranet, and need to complete the course in a defined period of time. By that, significant savings are achieved in working hours and travel time.

CO₂ indicator

The CO₂ emission of different energy consumption types are described by the chart below. When converting the data, we applied the CO₂ conversion factors provided by International Energy Agency Data Service.

Energy consumption CO ₂ emission [tCO ₂]	2004	2005	2006	2007	2008
Direct energy consumption					
Natural gas	16,839	16,665	15,664	13,731	15,672
Heating oil	4,338	4,873	3,949	3,579	2,579
Fuel (diesel)	9,589	8,471	7,686	8,150	8,745
Fuel (gasoline)	6,714	6,462	6,452	6,454	6,882
Indirect energy consumption					
Electric energy	86,418	80,666	79,947	89,210	95,111
Long-distance heating	3,214	4,047	3,024	2,311	2,448
Emission by total energy consumption	127,111	121,185	116,721	123,435	131,436

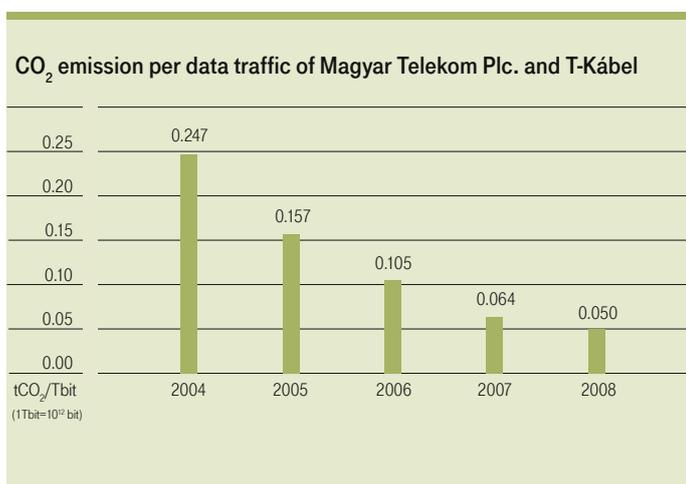
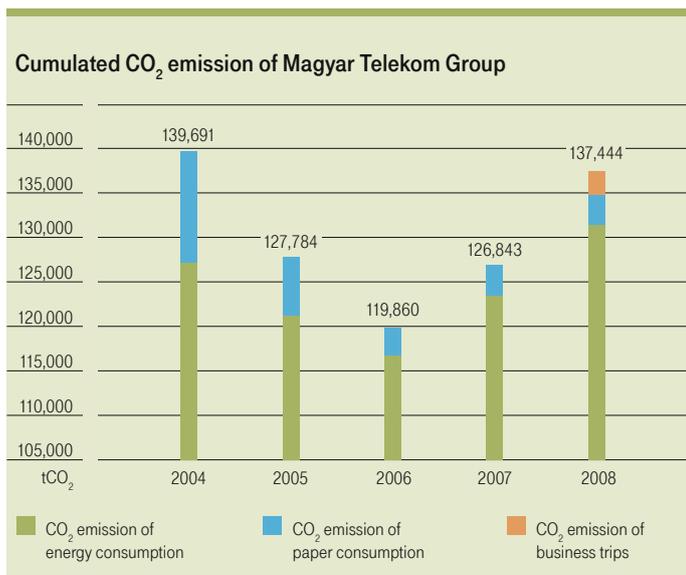
Compared to last year, the CO₂ emission due to direct energy consumption increased by 6.3%, while the CO₂ emission due to indirect energy consumption increased by 6.6%.

CO ₂ emission due to paper consumption [tCO ₂]	2004	2005	2006	2007	2008
New paper [tCO ₂]	12,517	6,571	3,100	3,354	3,287
Recycled paper [tCO ₂]	62	28	40	54	33
CO₂ emission by total paper consumption	12,579	6,599	3,139	3,408	3,320

The CO₂ emission due to paper consumption decreased by close to 2%, compared to last year.

We started to measure the CO₂ footprint of business travel (flights) in 2008. The value is 2,688 tons.

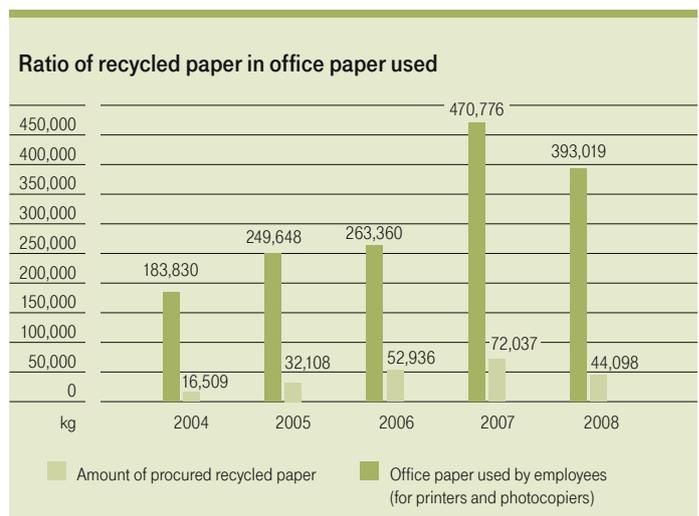
Compared to 2007, Magyar Telekom Group's total CO₂ footprint was close to 8.4% more in 2008, which translates into 137 thousand tons. The increase is due to the increasing range and volumes of services, the data added by entities that provided data for the first time, as well as the data of business travel taken into account. New data providers are Pro-M, Mfactory and origo Zrt. Even though Dataplex got involved in our data provision process only in 2008 we added its electric energy use data to the sum of 2007 group consumption due to its significant consumption, in order to create a proper base for monitoring our 2008–2011 strategy.



Paper consumption

Paper is the only material consumed as part of Magyar Telekom Group's business worth mentioning. Paper is used for office work, packaging and marketing purposes, as well as to print phone directories³⁴ and bills.

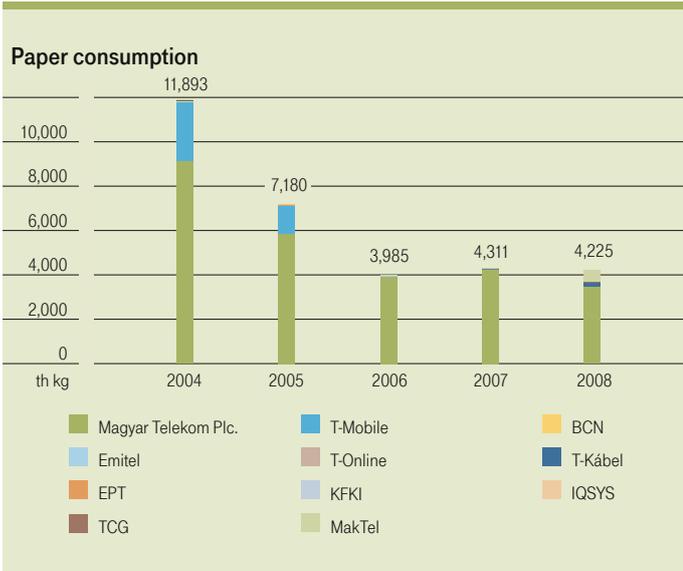
The total paper consumption in 2008 – without the paper used to print phone directories – was 4,225 tons, which is almost 2% less than the previous year. The office-purpose paper used by employees was 393,019 kgs, 11,2% of which was recycled paper. New data providers include Dataplex, which uses recycled paper in its offices to the extent of 75%, and Mfactory.



Within the Group, Magyar Telekom Plc. (18.8%) and EPT (32%) decreased their paper consumption. T-Kábel, MakTel and TCG significantly increased theirs.

The previous years show a decreasing trend in paper consumption, due to the continuous development of comfortable and quick electronic administration and data provision systems.

³⁴ It is not Magyar Telekom that publishes the printed phone directories. Volume of directories published: 1520 tons



Solutions to decrease the volumes of paper used to print phone directories

Phone directory CDs are published only by Magyar Telekom Plc. within the Group: 316,773 copies in 2008. This figure is 0.3% higher than the previous year.

The electronic phone directory is available at Magyar Telekom's home page, which includes customers' public mobile numbers, email and web addresses, too: <http://www.telefonkonyv.t-com.hu/tk/>

Magyar Telekom Group's environment-friendly material consumption patterns can be best characterized by the aforementioned use of recycled paper. The year-2008 calendars are made of recycled paper, like the previous year. The Group strives to procure stationery and business gifts made of environment-friendly materials. Employees can choose from many climate-friendly gifts when making a selection from the Christmas gift catalogue.

Magyar Telekom Group issued slightly more than 3.5% less bills in 2008, than the year before, for which purpose it used the following raw materials.

Paper: 100,062,464 of A0 sheets

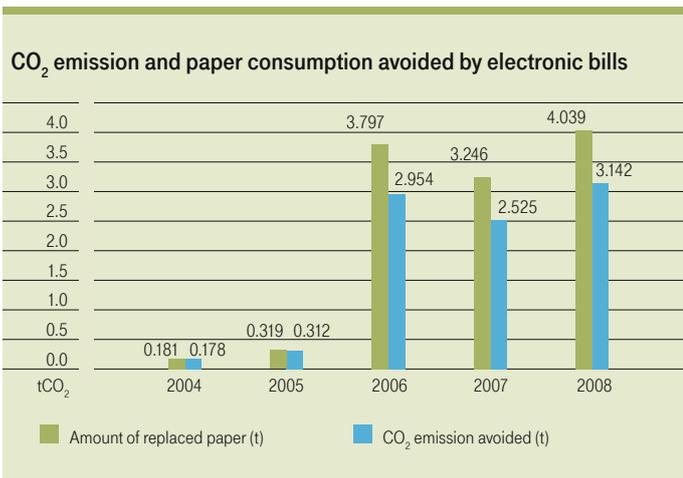
Envelopes: 55,356,967 pieces

Folia: 68,014 pieces

The number of Magyar Telekom Plc. customers who wish to have electronic bills is 367,221, which is 24.4% more than the previous year.

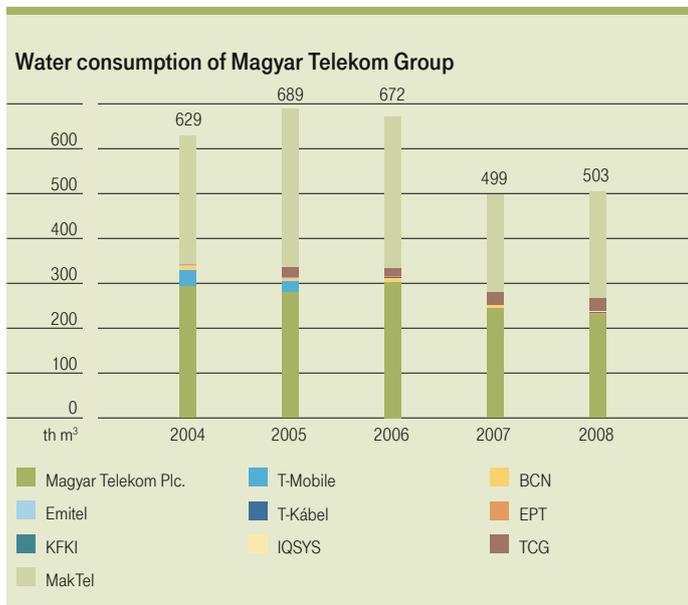
The Electronic Usage Report service is still available for key customers of mobile service, by means of which they can download bill images and detailed bills through the Self-service Customer Center.

Magyar Telekom does not collect back telephone directories in a regulated way, but the Hungarian Post takes over used ones on-demand.



4.2. Water consumption

Magyar Telekom continues to use water only for sanitary purposes. Water consumption shows a 0.8% increase compared to 2007. Within the Group, Magyar Telekom Plc. decreased its consumption by 6.5%. Increases: TCG by 3.7%, MakTel by 7.5% and T-Kábel (almost doubled its insignificant consumption of 1,000 m³). The reason for the increase was in all cases the increase in the net storey used (NSA).



4.3. Emissions

Emission into air

Normally, info-communication services do not incur pollutant emission into the air over the threshold limit. Diesel emergency power-generators emit pollutants, but they function for periods of less than 5 hours per month (power outages are rare, thus, they run practically only for test purposes).

The emission of gas-fuelled water heaters used to heat buildings and to provide sanitary hot water is under control. Every year, an accredited and licensed firm measures the emission, which is not significant, since modern, low-emission equipment are used. The (CO, NO_x) emission figures of the equipment, the size of which is regulated by the law, are reported to the Environment Protection Inspectorate.

In an effort to protect the stratospheric ozone layer, the ozone depleting substances used in some of our equipment (air-conditioners, fire fighting systems) have been replaced by environment-friendly alternatives, as prescribed by the law.

In the context of emissions, we must also make mention of the so-called line sources (cars), the emission produced by which are checked by authorized and licensed service stations.

Emission into soil, surface water and ground water

Due to the nature of Magyar Telekom Group's services no technologies are applied that require industrial water consumption or water management. Our affiliates consume water exclusively for the purpose of sanitary use at office and social facilities, as mentioned in the "Water consumption" chapter.

The drinking water used by members of the Group is provided from the public water supply network. Most of the sites are located in areas with public sewage networks. At sites, where public sewage networks are not in place, waste water is collected in non-leaking underground septic tanks, in compliance with the statutory requirements, from which sludge is periodically removed. At one of Magyar Telekom Group's sites an activated sludge sewage treatment equipment is in place, the efficiency and the components of the output water of which are regularly checked in a laboratory. As a consequence of all the above, members of Magyar Telekom Group do not output any untreated sewage into the environment.

The underground oil tanks used to store the fuel of the diesel emergency power generators have been equipped with double coating and leakage alert systems, in line with the relevant ministerial decree, thus decreasing their environmental hazard.

Noise and vibration

In the context of Magyar Telekom Group's activities, significant noise effects are generated by the outdoor units of larger air-conditioning equipment partially used for buildings. These equipment might trigger complaints primarily in residential neighborhoods. In an effort not to disturb residents and to avoid complaints, the equipment are regularly maintained, especially during the summer season, since significant noise levels can be caused by faults. During the past few years, we replaced our air-conditioning equipment by low-noise and energy-efficient ones. In areas critical from soundproofing aspects, the noise of newly installed equipment are measured when put into operation.

Diesel emergency power generators are muffled by soundproofing walls, and are placed in soundproofed rooms. In addition, suppliers test the equipments' noise levels when put into operation.



4.4. Waste

Hazardous waste

In 2008, the volume of hazardous waste decreased by more than 50%, following several years of increase. The volume of hazardous waste is largely dependent upon the given year's scrapping plan and the quality-replacement of certain equipment.

Within the Group, Magyar Telekom Plc. decreased the volume of its hazardous waste by 49%, and MakTel did by 77%. T-Kábel and Mfactory provided this data for the first time.

More than 63.7% of the hazardous waste was recycled, which is more than 11.7% more than in 2007. This ratio is also dependent upon the composition of the hazardous waste of the given year.



The hazardous waste is always transferred to specialized firms licensed to manage it.

As in previous years, we offered the opportunity to our customers to dispose of their obsolete handsets and batteries at the T-Pont shops. In addition to that, in compliance with the statutory requirements, collection of electronic and packaging scrap materials also take place through the organizations specialized in these activities.

Collection of handsets and batteries in T-Pont shops		
	Collected by the Company (kg)	Collected by specialized organizations (kg)
Electronic waste	37,620	109,610
Batteries	5,605	

Municipal waste and paper

In 2008, Magyar Telekom Group generated 5.3% less municipal waste than in the year before. Magyar Telekom Plc. decreased its volume of municipal waste by close to 8.6%, T-Kábel did by 1.2%.

In 2008, Pro-M, MakTel and Mfactory provided their relevant data for the first time. Comparing the units that had provided data in 2007, too, the decrease in 2008 is 7.8%.

The municipal waste, which is always transferred to licensed waste management firms, is neutralized by incineration or landfill.

In 2008, we integrated 3 more sites into selective waste collection, thus increasing the number of sites where colleagues can selectively collect waste to 8. (One site where selective waste collection had been practiced was eliminated in 2008.)

The volume of selectively collected waste paper significantly decreased in 2008, by 33.5%, partially due to the fact that info-communication technologies significantly reduce office paper use (by 16.5%).

Environment friendly mobile handsets from T-Mobile

The environment-friendly handset, called E200 Eco, was first presented in Beijing on August 14. The handset is special from the aspect that it is made of environment-friendly materials exclusively. Its outside cover is bio-plastic, partially extracted from corn. One ton of bio-plastic saves 2.16 tons of CO₂ emission (which would occur, if a polycarbonate were used). The handsets are packaged in paint-free, recycled paper boxes.

Telecommunication waste

The development of info-communication technologies urge affiliates to continuously and systematically replace their obsolete equipment, networks and assets. Equipment thus replaced are sold to specialized firms licensed to recycle such waste. Certain equipment are transferred with the purpose of re-utilizing them.

The volume generated in 2008 was more than 70% less than in the previous year. The most telecommunication waste is generated by Magyar Telekom Plc., the volume of which is decreasing. The diagram clearly shows the pace of replacement and technological upgrade significantly decreased in 2008, therefore, the volume of generated waste was reduced, too.

The volume of telecommunication waste significantly increased at T-Kábel Hungary (reached a level of more than ten times as before).

Telecommunication and other waste released for recycling



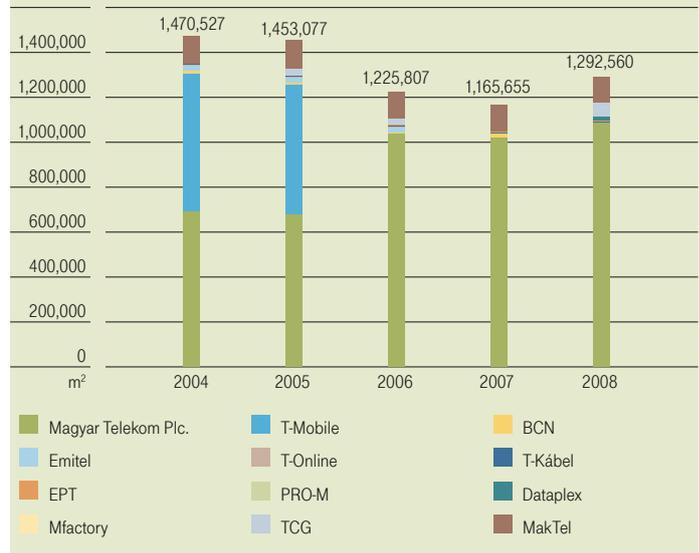
4.5. Biodiversity

Info-communication services put only a slight burden on the environment, but services are being provided in the total territory of the country, including landscape reserves, nature reserves and national parks, where negative effects are possible, whereas info-communication networks and equipment are needed for research and training activities. Network development in reserves is always closely supervised. Before work starts, potential effects are thoroughly studied.

Area used

The area used by Magyar Telekom Group increased by 10.8% compared to 2007, which is partially due to the increasing service area of the Group, as well as the inclusion of the data provided for the first time by certain units. New data providers include Pro-M, Mfactory and Dataplex. Without them, the Group's NSA would have increased by 4.18%.

Net storey area (NSA)



Landscape effects

The Group's considers it an important objective to change landscape as little as possible, when development projects are implemented, and that facilities should fit into the original landscape of the given region, town or village as well as possible. One of our key efforts is to lay networks underground, where technologically possible, instead of using aerial cables that negatively impact the landscape.

In order for us to be able to provide proper mobile services everywhere, it is inevitable to build towers and base stations. The priority is given to using towers jointly with other operators, and utilizing the existing infrastructure. In the previous years, several towers that integrate well with the landscape have been built.

The ratio of mobile towers used jointly was 85.1% in 2008.

The number of base stations on Group level increased by 14.5% (to 4,366), which is caused by the increased infrastructure requirement posed by the development of 3G networks, as well as the data provided by Pro-M (262 base stations) provided for the first time.

Info-communication services are based on telecommunication networks. In 2008, Magyar Telekom Group's network was 218,524 kms long, which is 13.7% shorter than in the year before. The aboveground network was 114,029 kms, which is 25.8% less than in the previous year. Underground cables are 104,495 kms long, which is 5.1% more compared to the previous year. The increase in the length of underground cables is due to the increase in fiber networks.

4.6. Environmental indicators and costs

Quantified Magyar Telekom Group Environmental Objectives 2008–2011 (basis: 2007):

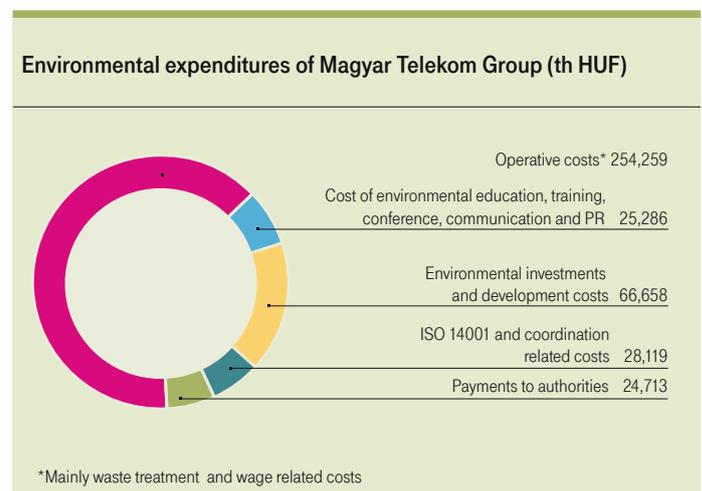
Legend:

- 😊 – positive deviation from the pro rated target exceeding 2%
- 😐 – deviation from the pro rated target by less than 2%
- 😞 – negative deviation from the pro rated target exceeding 2%

Natural gas consumption: The increase is partially due to the increase in the area used by the Group (NSA) and the lower than average temperatures in winter.

Vehicles' fuel consumption: The increase is due to the fact that the fleet and the mileage increased.

CO₂ equivalent: As a consequence of the increase in energy consumption, the CO₂ equivalent also increased.



Time proportional fulfillment of Magyar Telekom Group's environmental targets				
Target area	Target value 2008–2011	Pro rated target value	Partial achievement	2008 actual (December 31) ³⁵
Paper recycling	-20%	-6.67%	😊	-18.8%
Usage ratio of recycled paper	+25%	+8.33%	😊	+11.5%
Municipal waste	-20%	-6.67%	😊	-9.4%
Electric power consumption				
Office	-4%	-1.33%	😐	+6.6%
Technology	-30%	-10%	😐	
Natural gas consumption	-5%	-1.67%	😐	+11.6%
Vehicles' fuel consumption				
Diesel	-3%	-1%	😐	+7%
Gasoline	-3%	-1%	😐	+4.1%
CO ₂ equivalent	-10%	-3.33%	😐	+6.3%

Paper consumption: The target to decrease paper consumption can be considered a pro rated overachievement after one third of the plan period passed, since the target is 94% achieved.

Ratio of recycled paper use: Close to half of the targeted 25% decrease was achieved in the first year of the strategy.

Volume of municipal waste: Due to the fact that waste is collected selectively at 3 additional sites, and that the efficiency of selective paper waste collection improved, almost half of the target was achieved in the first third of the strategy's period.

Electric power consumption: The increase is due to the significant energy consumption of the IPTV service launched in 2008, as well as the necessity to build new data centers and base stations.

³⁵ Only the data of affiliates that provided data in 2007 are taken into account.

5. | Employees





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The quality policy of Magyar Telekom Group adopted in 2005, its HR strategy renewed in 2007, and the value-based systems in place at the company (Corporate Values, Code of Conduct, Code of Ethics, Social Charter, Diversity Policy) determine the values and management approach which the managers and non-managerial employees of the Company are expected to pursue. Employer responsibility is strengthened by the Equal Opportunity Plan, signed together with the collective bargaining partners, which was the first such document concluded in the Hungarian competitive sphere. The Equal Opportunity Plan serves as a framework for the equal opportunity measures adopted by the Company, and it also identifies the employee target groups that the Company wishes to pay special attention to.

The increase of business efficiency is achieved through stimulation of the performance of the employees, the development of mutual trust and respect between employer and employee, and the creation and maintenance of such working environment which ensures safe work performance and gives employees opportunity for self-fulfillment. The importance of the corporate values demands recognition and utilization of the individual and personal differences of all stakeholders (shareholders, customers, employees, suppliers). The company is adopting an approach that accepts diversity without bias or prejudice. An open and respectful corporate culture will be created in which the individual is given freedom to realize his ideas and satisfy his needs. The Diversity Policy adopted in October 2006 stresses the commitment of Magyar Telekom to consistent identification and use of the development possibilities. The pursuit and observance of the Diversity Policy helps fill with life the corporate vision and values, to the benefit of both the individuals and the Magyar Telekom Group.

To this end the group places special emphasis on the maintenance and further development of partnership with both the employees and the employee representations. Magyar Telekom is committed to granting its employees the rights they are entitled³⁶ and to ensuring a safe working environment. In declaration of these principles, in September 2006 it joined the program launched by the Ministry of Welfare and Labour under the title "Partnership for the Safety of Employment". The adoption of the Equal Opportunity Plan also strengthens the cooperation between the Company and the collective bargaining bodies, since the established Equal Opportunity Committee and the implementation of the individual programs and measures are all reliant upon the cooperation of the parties.

In addition to the performance indicators used in the Sustainability Report, the company also uses some special professional indicators to measure the performance of the HR area, monthly, quarterly or semi-annually. Beside the indicators, employee satisfaction surveys, ISO and internal audits also serve the purpose of controlling the processes.

"Committed professionals with independent initiatives are the key factor for the Magyar Telekom Group's business success."

Human resource vision of the Magyar Telekom Group

Further information:

<http://www.telekom.hu/static/sw/download/minosegpolitika.pdf>

http://www.telekom.hu/static/sw/download/Szocialis_Charta.pdf

http://www.telekom.hu/static/sw/download/Sokszinusegi_Politika.pdf

http://www.telekom.hu/static/sw/download/Magyar_Telekom_Eselyegyenlosegi_Terv_2008_2010.pdf

The document entitled "Partnership for the Safety of Employment" is available at

http://www.ommf.gov.hu/index.php?akt_menu=225



³⁶ Rights ensured by Labor Code, Social Chart of Magyar Telekom and Collective Agreement

5.1 Talent management

Magyar Telekom Group plays a decisive role in Hungary's ICT (information and communication technology) sector. In this knowledge-intensive industry, it is inevitable that the knowledge of managerial and non-managerial employees be updated, expanded and their skills be developed continuously. That is why Magyar Telekom Group puts special emphasis on the constant training and development of its employees. These training/development programs are designed and implemented on the basis of the demand communicated by the different business units and the objectives identified by the Company's training strategy covering the period of 2008–2010.

The 5 main objectives, which also support the implementation of the Company's HR strategy are as follows:

1. Establishing and strengthening a service culture
2. Repositioning the Magyar Telekom brands: T-Home, Employer Branding
3. Adopting a performance culture
4. One company – one culture
5. Knowledge retention: introducing alternative forms of development

All employees of Magyar Telekom Group are provided with training in order for them to possess up-to-date know-how necessary for their work, and the key competencies identified with their jobs.

Development and training programs are implemented in the following formats:

- traditional classroom training in the framework of in-house and external courses
- skills development training
- e-learning

The Company considers it important to transform the knowledge and experience of individuals into a collective knowledge possessed by the organization. Thus, in addition to providing the above traditional forms of training, it creates such an innovative development environment that inspires people to come to novel ideas and implement them, while the system in general guarantees their most efficient utilization by the Company.

Manager replacement and the professional development of the employees play key role in the fields of promotion and talent management in Magyar Telekom's human resource policy. Depending on the target, Magyar Telekom operates several talent management programs. (Human policy)

In order to ensure lasting high performance and service quality, the Magyar Telekom Group encourages skill development which serves the interests of both the employees and the company. At the same time the Magyar Telekom Group emphasizes and confirms the personal responsibility of the employees in maintaining their employment and improving its quality. (Social Charter, section 8)

Distance learning, as a form of the training, education activity supported by info-communications tools plays an important role at the Magyar Telekom Group. The Company implements the majority of its periodic or compulsory training courses through distance learning. The materials of the training programs and the e-learning infrastructure as service environment are available on the Internet, so the complex e-learning solution of Magyar Telekom offers a competitive alternative for the business sphere and individuals alike.

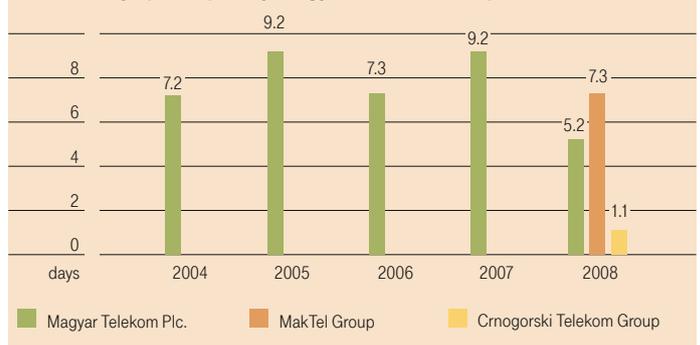
Ratio of distance learning by Magyar Telekom Group



The change in the proportion of distance learning is due to the fact that certain compulsory training, covering every employee of the company (fire safety, security etc.) take place biannually. Distance learning is the typical form of training applied by the Group, anyway, when large numbers of employees are to participate at compulsory training. We also expect our foreign subsidiaries to apply this form of training more widely in the future.

The Company also supports its employees in their studies pursued in the framework of the state education system by concluding study contracts with them, thus providing financial subsidy and some reduction of working hours. In 2008, Magyar Telekom Plc. concluded 52 new study contracts with its employees, thus increasing the number of employees with study contracts to 1,735 (including those who have already finished their studies, but are still subject to the related obligation of maintaining their employment with the Company). In addition, 608 new training-course-related contracts were also concluded (including ones imposed as compulsory courses by the employer).

Student days per capita by Magyar Telekom Group³⁷



³⁷ Internal trainings

In an effort to inject new knowledge into the organization, the Company has put in place an internship program called Starting Block in 1995, with an average of 20 participants annually, during the past 13 year. The learning period spent at the different organizational units promotes the individuals' development through their experience gained on-the-job.

The internship program has been renewed by 2008. Currently, we provide two types of programs to students in different years of their studies: to second-year and third-year students, we offer a one-year BSc program, while fourth and fifth-year students may participate in 3-4 semester MSc program sin rotation.

The internship program was renewed due to the following reasons:

- The expectations of interns have changed due to the transformation of academic education triggered by the Bologna process.
- Due to the intensifying competition, students start looking for internship opportunities even during their studies. They, however, do not seek full-time employment, rather a part-time engagement, which they can fulfill parallel to their active studies. These factors call for a different concept than the full-time program started after graduation we had offered before.
- The best students often stay with the organization that hosted them as student interns.
- Large companies have started a kind of headhunt for students with outstanding skills.

The Company offers dozens of students each year the opportunity to meet their academic work experience requirements by working for the Company, or consult the Company's experts when writing their theses.

Managers are provided with development opportunities in the framework of the Management in Change, Change in Management program series. The program's structure is designed to help managers to acquire the necessary skills to develop their people and improve their people management skills.

The ratio of employees covered by the Performance Management system is 100% at the mother company, due to the fact that in the context of developing our performance culture, the employees' bonus and performance evaluation system was expanded to cover every employee in 2008. The calculation of the bonus due to any employee of Magyar Telekom Plc. is based on the performance of centrally determined, as well as individual performance indicators.

Subsidiaries either have their own performance management system (these are not always electronic) or use PM system applied by Magyar Telekom Plc.

Competences, responsibility

Two systems are in place to ensure that the person determining the economic, environmental and social strategy of the organization (and all employees, for that matter) hold appropriate qualifications and experience: One of them is the uniform group-level job classification system, which makes the system of job categories more transparent and links the jobs to activities rather than to organizations. The basic element of this system is the job description of each position, which contains all those information, requirements and responsibilities the person filling the position must comply with.

The other is the group-level uniform competence system which contains all the key, general and manager competences expected from the employees of Magyar Telekom in any given job position.

The **key competencies** are such competences which every Magyar Telekom employee must possess.

General competencies: competencies which can be expected from Magyar Telekom employees (optionally, depending on the job position), in addition to the key competences.

Management competencies: competencies that can be expected from every manager of Magyar Telekom.

Since the two systems are connected, the basic expectations (education, language proficiency, professional experiences, expected competencies) required for filling a position are determined at the level of the job position. Selection is started on the basis of these competence requirements, and the search profile is also developed on this basis. This process ensures that such person will get into the given position, who possesses all the necessary professional experience, knowledge and the appropriate competences for filling that position.



5.2. Workplace health and safety

Magyar Telekom Group puts special emphasis on compliance with statutory labor safety and health requirements. At its foreign subsidiaries, separate labor safety organizations are in place that ensure the establishment of healthy and safe facilities and work environment, upon consideration of the local requirements in the specific country.

With the aim to improve the health and safety of the employees, the labor safety unit defined new guidelines, in 2008, regarding the labor safety activities.

The Labor Safety Office identified it as one of the most important tasks to handle the labor safety requirements and procedures applicable to different types of activities (conducted on traditional aboveground and underground networks, aerial towers, non-technological office work with screen) in a uniform manner.

In order to ensure the above, in 2008, the Office started to elaborate a new set of directives, which includes the general and comprehensive Labor Safety Policy, applicable to all employees, as well as the directives that address the specific stipulations governing the most important typical activities (working with screens, working high above the ground, working in cable ducts). This set of directives is supplemented by the Labor Safety Manual, which is being elaborated, and is aimed to help employees in applying the diverse labor safety regulations.

In order to ensure safe work processes, avoid work-related accidents and maintain a healthy work environment, it is inevitable that technological instructions and the related labor safety standards be observed. The requirements set by the technological instructions and descriptions are aligned with the effective EU and Hungarian statutes, and are being updated upon their modification.

Many jobs done by Magyar Telekom employees require them to wear protective gear for health and safety reasons.

While previously it had been mandatory to use the type of protective gear selected by the labor safety unit, in 2008, we widened their range and differentiated several ways of their use.

We have widened the range of protective gear used to protect employees from falling off the poles, when doing some of the jobs attached to our core activities. We have purchased several, different types of protective



gear and systems available to any of our employees concerned. One of the directives included in the abovementioned set of rules allows employees to choose the most appropriate from the available protective gear on-the-spot, upon consideration of the given conditions. By this, we do not only protect employees from falling off the poles, but also make him/her someone who can actively influence his/her safety.

In an effort to involve as many employees as possible in protecting their health and safety, we maintain a network of labor safety agents. The labor safety experts are in close cooperation with the units' labor safety agents, who also undertake operational labor safety tasks.

Magyar Telekom Plc. runs an integral system of recording workplace accidents. Accident data constitute an important input for the indicators developed in compliance with the national reporting system, according to which workplace accidents involving the loss of more than three working days are included in the statistical reporting system.

The technological changes have entailed the decrease of workplace accidents, a welcome process that did not break in 2008 either. In the past three years there were less than 4 per mill minor accidents at the Hungarian members of the Group, which is better than the indicator of the peer organizations of the industry. It deserves special mention that there was no fatal accident or serious injury involving the loss of a limb in 2008 either.

The Labor Safety Office works in close cooperation with DIMENZIO Health Fund, which provides occupational health services on the employer's request and in compliance with the statutory regulations. The medical fitness tests required for the various jobs are regulated in writing, participation in them is basic requirement. The employer expressly encourages the use of other services exceeding the framework of occupational health services, such as medical status check-ups, health consulting, advice in healthy eating, development of a model diet, medical preventive screening, etc. Programs designed to stop smoking or quit drinking, drug use and consulting in social matters are also encouraged and supported.

The company organizes annual events aimed at promoting a healthy lifestyle and giving assistance, for example the Dimenzio Green Days, the Magyar Telekom Olympic Games, national running races, blood donation programs.

The company also offers insurance services based on the shared risks of company and employee through the DIMENZIÓ Insurance Association. The life, pension, health insurance and self-aid benefits are available to all those employees who register for membership in the association.

On behalf of the employer, the Labor Safety Office coordinates the involvement of the different branches and areas in those nation-wide programs which are designed to promote the development of a healthy work environment, such qualification for the Healthy Workplace Certificate or meeting the criteria of the Health-friendly Employer program.

Enforcing safety of employment is a principle of primary importance for employees, employers and authorities alike. Magyar Telekom agrees with the theoretical objectives of the Partnership program invited by the National Work Safety and Labor Inspectorate, and participates in the practical implementation of the objectives. The program is a partnership between the authority and other players of the labor market aimed at enforcing the rights of employees and ensuring safe work environment. The partnership does not apply sanctions as the primary means of cooperation, but cooperation itself. The program strives to fight against the negative phenomena perceivable on the labor market and in relation to employment generally (like undeclared employment, accidents due to non-compliance with labor safety rules), as well as to build mutual respect and trust amongst players of the labor market. The collective bargaining partners give their support to this effort.



Magyar Telekom firmly rejects all forms of black labor. (Partnership, article 1).

It considers the life and physical integrity of its employees the most valuable asset of the national economy, consequently it fulfills all the basic labor safety requirements and provides safe working conditions for them that do not impair their health. (Partnership, article 2., Social Charter, section 9)

Magyar Telekom refrains from entering into contract or subcontract with such entrepreneurs who seriously breach employee rights and fail to comply with the minimum labor safety requirements. (Partnership, article 3)

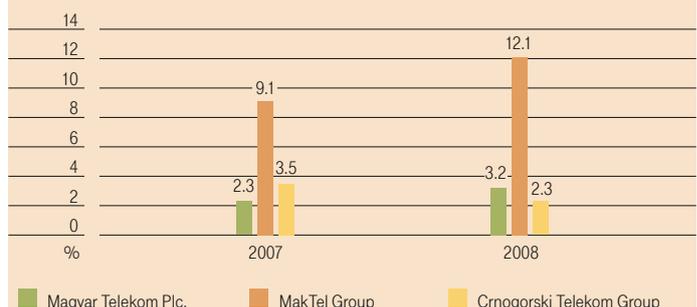
Refrain from violating the labor rules and the minimum labor safety requirements just to reach a more advantageous position in the market competition, refrain and from using such prices which do not cover the wage and wage taxes of the employees and the costs of compliance with the labor safety requirements (e.g. appropriate technology, personal safety equipment). (Partnership, article 4)

The high level of safety of its employees is key focus for Magyar Telekom, as is the observance of the requirements of providing safe working conditions for them that do not impair their health. Therefore, Magyar Telekom employs labor safety officers and a special organization is dedicated to the matters of labor safety and occupational health, as well as to the development of a labor safety strategy and targets. (Human policy, Partnership, article 7., Social Charter, section 9)

Number of work accidents by Magyar Telekom Plc.



Work accidents per 1,000 employees



5.3. Human rights, equal opportunity

Magyar Telekom Group's Social Charter defines the principles that serve as the basis for the Company in addressing human rights in general:
http://www.telekom.hu/static/sw/download/Szocialis_Charta.pdf

The Magyar Telekom Group recognizes and respects the cultural, social and legal diversity of the nations and societies and is committed to defending the international human rights. (Social Charter, section 1)

The Code of Conduct, renewed in 2008, also includes the principles of equal opportunity and anti-discrimination, as well as enabling employees to file complaints as described in the Code. The rules of filing and investigating complaints are described by Magyar Telekom's Code of Conduct (Annex 3). All Magyar Telekom employees are to declare in writing that they are aware of and shall comply with the principles defined by the Code.

It is a goal of primary importance of Magyar Telekom Group to ensure an anti-discriminatory workplace and equal opportunity. In order to support and achieve that goal, the Company has been running several programs for years. In an effort to establish a system encompassing the measures and programs related to equal opportunity, and also to implement any new measures, Magyar Telekom adopted a two-year Equal Opportunity Plan in the Autumn of 2008, together with the collective bargaining partners. In addition to declaring the main principles considered as important by Magyar Telekom, the purpose of the Equal Opportunity Plan on one hand is to ensure anti-discrimination and equal opportunity for all employees, on the other hand, to facilitate measures and programs that aim at the equal opportunity of certain groups of employees deemed to be disadvantaged. Magyar Telekom in its Equal Opportunity Plan described the procedure to file complaints, appointed an Equal Opportunity Agent, and established an Equal Opportunity Committee with the purpose of ensuring anti-discriminatory practices and coordinating the equal opportunity programs and activities pursued by the Company. The Equal Opportunity Plan is accessible by the employees and the public:
(http://www.telekom.hu/static/sw/download/Magyar_Telekom_Eselyegyenlosegi_Terv_2008_2010.pdf).



Magyar Telekom's performance in the context of human rights and anti-discriminatory practices is measured on the basis of the number of complaints filed through the procedures described by the Equal Opportunity Plan and the Code of Conduct, as well as the proceedings launched against the Company triggered by complaints filed with the relevant authority.

In 2008, no complaints were filed regarding any discriminatory conduct or violation of human rights via any of the channels defined either by the Equal Opportunity Plan (Equal Opportunity Agent, representatives of the collective bargaining partners) or the Code of Conduct (Magyar Telekom's Ethics Line, email, personal filing of complaint with the Compliance Director). We are not aware of any complaints filed against the Company with the relevant authority (Equal Treatment Authority) either, which employees may contact directly, and no proceedings were launched. Potential complaints filed and decisions made against the company would trigger fines to be paid by the Company and negative press, which can undermine the Company's public perception.

In 2008, the mother company (Magyar Telekom Plc.) launched numerous initiatives, in addition to adopting its Equal Opportunity Plan, and also joined other trend-setting initiatives aimed at implementing equal opportunity.

In 2008, the 11th event took place in the 3rd year of the "Szabad az Á" film club's operation, which remains to be as popular as before. The educative documentaries presented and the accompanying discussion has an audience of about 50-100 employees per event, either at location, or through the intranet. The topics for 2008 included old age, passing away, handicapped people and religious tolerance. The audience of the film club are faced with documentaries on equal opportunity and problems of the disadvantaged. The events include the film itself, as well as a live discussion and online chat, where the audience can address questions to the producers of the films.

"It's summer again!" is the slogan of the very successful program, launched in 2007) offering discount-rate summer camps for employees with small children (aged 7-14). More than 220 children participated in the summer camp program in 2008.

The 2nd Telekom Young Mothers' Meeting took place in 2008 for our colleagues nurturing their children at home. The main purpose of Magyar Telekom's Young Mothers' Program is to enable the young mothers to learn about the changes at their workplace, keep informed about job vacancies and receive support in returning to work.





In 2008, in the framework of the so-called "Family Support Program" launched in cooperation with Dimenzió Insurance Company and Mutual Fund, we provided discount-rate placement in 6 nurseries and kindergartens, available for active employees with children aged 1-7 years. Since the launch of the program in 2008, we have continuously provided daycare for app. 40-50 children. The discount on the nursery or kindergarten placement and also on the summer camps is close to 70%.

The Hungarian Business Leaders Forum (HBLF) announced the Romaster talent fostering program in February 2007. Romaster assists talented Roma youths in the secondary school to continue their studies in tertiary technical, business or legal education institutions. Magyar Telekom was among the first among the corporate sponsors to join this pioneer initiative. The Romaster program rests on three pillars. The first is the provision of grants to finance the studies of the students. The second, most important pillar, is the mentor whom the companies involved in the program appoint not only to coach the participants in matters connected with the chosen profession, but also help them solve their personal and social problems. The third pillar is the possibility to gain hands-on experience at the companies, with the prospect of employment after graduation. The students to benefit from the above supports until graduation are selected through application.

In April 2008, Magyar Telekom successfully participated at the first Hungarian "Civil Auction", as a result of which we conducted 2 equal opportunity training courses and one accessibility survey in 2008, thus accompanying our professional cooperation with by financial support to foundations and civil organization working on implementing equal opportunity in Hungary.

In the summer of 2008, in cooperation with Ability Park, we offered the opportunity to our colleagues to try the games played by handicapped or visually or hearing impaired people, and to get hand-on experience in what difficulties people in wheelchairs have to cope with in their everyday lives. The event that was part of the Magyar Telekom Olympic Games was aimed at educating the participants and improving their social empathy.



In recognition of the above programs, and measures, especially aimed at work-life balance, in 2008, Magyar Telekom was granted by the Ministry for Social Affairs and Labor the Family-friendly Workplace 2008 Award, which is the most prestigious award in this professional context in Hungary. The award rewards our professional efforts of many years that render us a leading position among Hungarian employers.



CSALÁDBARÁT MUNKAHELY

Observance of the working and resting times is a basic right and a requirement of preservation of the health of the employees. Magyar Telekom lays special emphasis on granting appropriate resting time to its employees, issue them the holidays they are entitled to by law and to record working time true to reality.
(Partnership, article 5., Social Charter, section 7)

Magyar Telekom acknowledges that the right to wage is one of the most fundamental employee rights, and uses every legal tool to ensure that the wage the employees are entitled to is paid properly and on time.
(Human policy, Partnership, article 6., Social Charter, section 6)

Freedom of association and collective bargaining

The Magyar Telekom Group has acknowledged in its Social Charter the freedom of association and the right to collective bargaining. In the spirit of openness and trust based on social dialogue, the Magyar Telekom Group declares support for cooperation with the legitimate representation of the employees and for striking a balance between interests. The respect of these rights is guaranteed by the Social Charter and the long-standing relationship of the management of Magyar Telekom and the employee representation organizations. Approximately 80% of the group's employees are under in the scope of agreement by collective bargaining.

Magyar Telekom is committed to promoting the enforcement of trade union rights and does not hinder the formation and operation of the employee representations. Magyar Telekom is committed to seeking negotiated settlement to any labor disputes and will only resort to legal consequences if the negotiations fail to reach a result.
(Partnership, article 10., Social Charter, section 2)

Child labor

In the Social Charter the Magyar Telekom Group pronounces its commitment to the abolishment of exploiting child labor and guarantees that it always observes the minimum age of entering employment within the Magyar Telekom Group, in compliance with the laws of the affected countries. In 2007 the competent authorities did not receive any complaint for the member companies of the Magyar Telekom Group for violation of the regulations on child labor, nor was any investigation or procedure launched on such grounds against the company. The procedure of hiring employees at Magyar Telekom ensures that all regulations and principles prohibiting child labor are fully complied with. On the basis of the data of December 31, 2008, Magyar Telekom Group did not employ any employees under the age of 18.

The Magyar Telekom Group is committed to the abolishment of exploiting child labor and guarantees that it always observes the minimum age of entering employment within the Magyar Telekom Group, in compliance with the laws of the affected countries.
(Social Charter, section 4)

Forced and compulsory labor

The labor practice purposed by Magyar Telekom Group's affiliates is in line with the principles banning forced and compulsory labor, adopted as part of the international treaties. Magyar Telekom Group's affiliates comply with the statutes and decrees, banning forced labor, effective in the different countries. Magyar Telekom Group's affiliates handle the personal documentation of employees only as long as necessary in relation to their employment and determining remuneration, in compliance with the stipulations set forth in the data privacy laws of the countries concerned. No complaints were filed in 2008 with the relevant authorities against Magyar Telekom Group's affiliates in the context of forced labor. No proceedings or investigations were launched against the Company in this regard.

Magyar Telekom Group emphatically declares that it opposes any form of forced labor.
(Social Charter, section 3.)

5.4. Managing change

Regarding drafts of decisions about changes that incur organizational transformation or impact a larger group of employees, the trade union and the work council (Central Work Council) must be consulted. The collective bargaining bodies have 15 days to provide their comments. The measure in question cannot be implemented during this 15-day period.

If the significant organizational transformation does not impact any components of employees' employment contracts (job, place of work etc.), then a notice is to be sent out under the general obligation to cooperate, but no specific deadline is defined by either the Labor Code or the Collective Agreement. Magyar Telekom's standard practice is that employees are informed, before the changes take place, at employee forums. Individual notices are also provided to the employees before the changes take place. The above apply to Magyar Telekom Group's affiliates seated in Hungary, to which Magyar Telekom Plc. provides the HR services. Foreign affiliates inform their collective bargaining partners and employees in accordance with the stipulations set forth by the local statutes.

Agreement for efficiency

In October 2008, Magyar Telekom agreed with the collective bargaining partners regarding the year-2009 salary and headcount issues. In the framework of that agreement, the Parties agreed that in 2009 a general, 5.6% base wage increase shall take place with effect of April 01, 2009. The agreement also includes that Magyar Telekom, in order to meet the efficiency improvement requirements, plans to terminate the employments of maximum 300 employees in 2009.

Program "Chance" continues

In 2008-2009, we continue to support the employees subject to mass downsizing in their efforts to find new employment in the framework of Program "Chance". We have "Chance Offices" at 1 location in Budapest and at 4 locations in the countryside. The services offered by the program include 2-day group training on labor market issues, support to active job search, financial subsidy to training and re-training courses aligned with labor market expectations, personal psychological and labor law consultancy, as well as follow-up and monitoring of individuals' success in finding new jobs. The information package compiled for the participants aims to improve the chances of the participants to proceed and find the most appropriate workplace for them. In the recent years, Program "Chance" has become well-known by our employees and their feedback is absolutely positive. The effectiveness of the program can be best characterized by the fact that in 2003-2008, 72% of the people subject to downsizing participated in the program, and about half of the participants found new employment.

5.5. Human resources indicators

Gender mix	
Magyar Telekom Group	65%-35%
Magyar Telekom Plc.	66%-34%
Average age:	
Magyar Telekom Group	39.3 years
Magyar Telekom Plc.	39.9 years

Ratio of fixed-term vs open-ended employment at Magyar Telekom Plc.

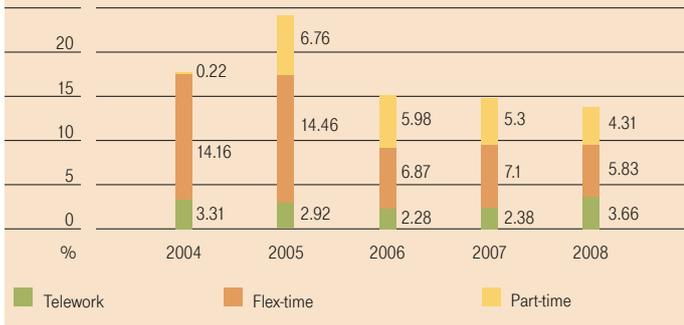


The ratio of fixed-term employment among the employees has been between 3-4% for years. Fixed-term employment is applied to hire people as substitute for those who are on leave for a longer duration or to hire people for a task with a specific completion deadline.

Fixed-term vs open-ended employment at Magyar Telekom Group in 2008

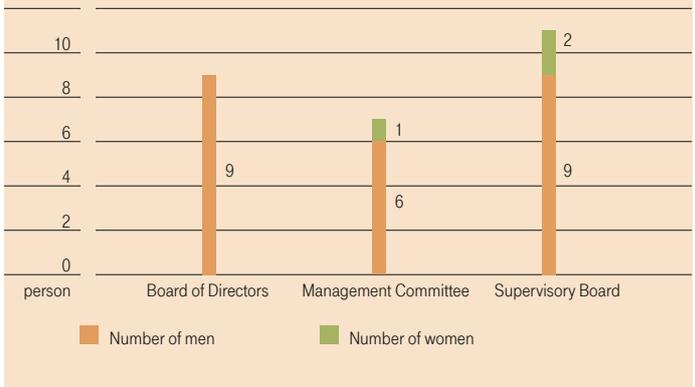


Atypical forms of staffing at Magyar Telekom Plc.



According to the standard practice of the mother company, all employees of Magyar Telekom are entitled to the same extent to all benefits due under the Collective Agreement and the related policies. Part-time employees working less than 6 hours a day are entitled to a pro rated cafeteria budget.

Gender mix of Magyar Telekom Group's Board of Directors, Management Committee and Supervisory Board



Comparing the status of December 31, 2008 to that of December 31, 2007, the ratio of women increased in the Supervisory Board.

Regional breakdown of employees (%)



Local/Expat breakdown of Magyar Telekom Group's Board of Directors, Management Committee and Supervisory Board³⁸



Total fluctuation in 2008

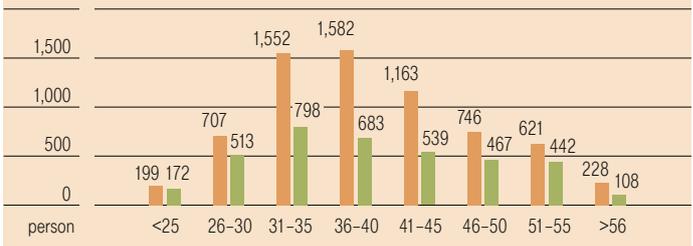
Magyar Telekom Group	18.7%
Magyar Telekom Plc.	19.1%
Ratio of departure from the company upon initiative by the employee (attrition)	
Magyar Telekom Group	3.9%
Magyar Telekom Plc.	3.1%

³⁸ There is no specific process for employing locals.

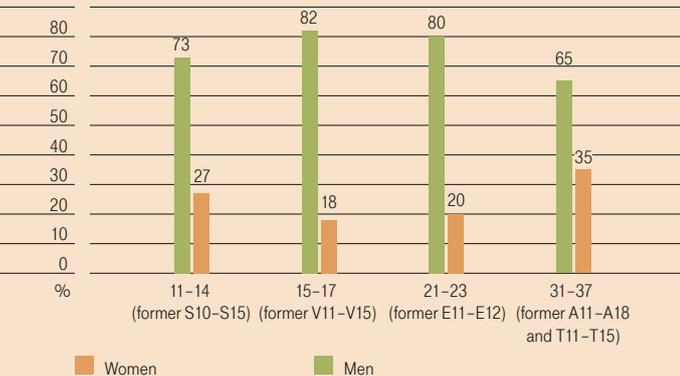
Age breakdown of Magyar Telekom Group's Board of Directors, Management Committee and Supervisory Board



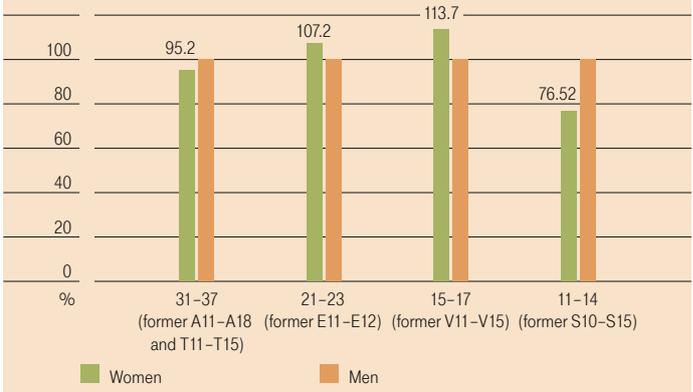
Magyar Telekom Group's age tree, December 31, 2008



Gender mix of employees broken down to wage grades



Base wage comparison by job-grades, Magyar Telekom Plc.³⁹



Legend:

Job-grade categories

31-37: employees

21-23: experts

15-17: mid-management, operational management

11-14: strategic management, key mid-management

The statistical data show that the general trend of women being under represented among management compared to the total organization's gender mix manifests at Magyar Telekom Plc., too. In our case, this is due to two factors: on one hand, there are many positions at the Company that need technical-engineering qualifications which are under represented among women, on the other hand, many women give their families priority over their career. The Company has put several measures in place in an effort to support women in establishing a work-life balance, including children's placement in nurseries, kindergartens, the employee counseling program called ABIGÉL, as well as the "Family and Workplace" series of presentations etc.

³⁹ Deviances are due to the changes within the predefined ranges.

5.6. Involvement of employees

One of the key objectives set by the new sustainability strategy is to make Magyar Telekom's sustainability-related activities visible for employees, since the support of all employees is inevitable for the success of sustainability initiatives. The specific tasks underlying the sustainability initiatives encompass diverse areas within the company, and require that employees understand the initiatives' significance, and identify with the concept of sustainable development. In order to ensure the above, the Company has taken the following steps:

- The sustainability-related events, publications and most important information are available for every employee at the Company's intranet, in the Society and Environment Chapter.
- The Company's internal climate protection campaign continued in 2008, and aims to increase awareness about the threats of climate change and to urge actions. The campaign has its own intranet page and forum, too. You can read more in the Climate Protection Chapter.
- The Company created a separate topic in its internal magazine, where the most important information about sustainability in general and the Company's sustainability-related activities in particular are published.
- The Selective Waste Collection page draws attention to the importance of collecting waste in a selective manner and buying goods consciously. Colleagues can read useful advice and ask their questions at this page.
- Magyar Telekom Group has put special emphasis on educating employees about the environment for years. In 2008, a total of 20 training courses were held about environment protection, where 8,492 employees participated. The courses were held as independent ones (16 courses, 87 participants), or as modules of other courses (4 courses, 8,405 participants).
- Environment protection ideas of employees are collected in the idea box, together with ideas of related to other topics. In 2008, a total of 298 ideas were received, most of which were answered in course of the year (the rest will be answered in 2009). There were 4 environment protection ideas, 3 of which have already been answered by colleagues in charge of the ideas.



On May 6, 2008, employees were invited to submit project proposals aimed at the establishment of operational processes that are in line with the new organizational structure and promote the achievement of the corporate goals in efficient ways. The initiative was titled "How to be quicker, more flexible and more efficient". We expected projects, by implementing which we can improve customer experience and quality. A total of 92 projects were submitted, all of which were evaluated along the pre-defined criteria (impact on customer experience, speed, flexibility, feasibility, innovative methodology). Pursuant to the evaluation, 49 projects were found feasible. Their detailed exploration and introduction, if so decided, is ongoing. We follow up on all feasible projects and monitor their impact. Just like in case of the idea box, employees can check the status of projects, from submission to introduction, at the SPS portal. In 2008, we completed 22 projects, 16 are already in operation. The rest of the projects are expected to be completed in 2009. In August 2008, we started to standardize, harmonize, and then replace by one system, the idea management portals ran at different locations within the Company, the result of which shall be included in our report of 2009.

6. | Maintaining trust and credibility





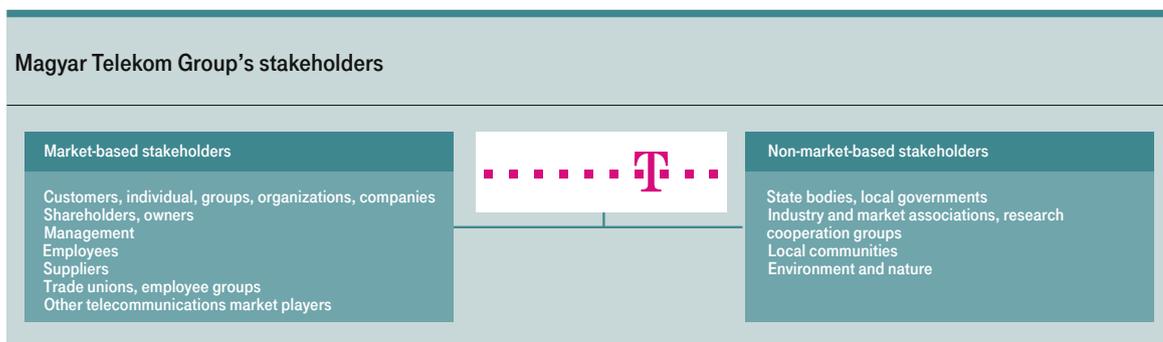
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It is important for Magyar Telekom Group to maintain good relationship with different groups of society. Several channels are in place to receive and discuss comments, complaints and recommendations addressed to the Group, parallel to which, the Group keeps its stakeholders up-to-date about its environmental, sociological and financial performance. Good relationships resulted in good cooperation. In addition to maintaining contacts, Magyar Telekom, as a good corporate citizen, supports the community as part of which it operates, by subsidies and volunteer work. The Group also puts emphasis on the security, legal and ethical implications of data and content services, as well as the protection of privacy rights. As a consequence of all the above, Magyar Telekom wishes to act as a credible player in the different areas of business, society and environment, and aims to ensure that all of its stakeholders trust the Company.

It is important for Magyar Telekom to make its customers aware of the efforts the Company makes for sustainable development, therefore - in addition to the Sustainability Report published annually – the Company also publishes sustainability information on the Sustainability site within the Magyar Telekom website. Naturally, communication is reciprocal, comments, ideas relating to improvement sustainability of operation are welcome.

The efforts of Magyar Telekom in the areas of environmental and corporate social responsibility and its 11-year uninterrupted development called for the attention of several responsible investors, universities and research institutions dealing with sustainability/CSR. The Company always provides them with full coverage of up-to-date information.

6.1. Stakeholders



The stakeholders of Magyar Telekom Group include all the groups which have an impact on achievement of the company's objectives or have a vested interest in it. The Company identified through reviewing its management systems and benchmark audits the scope of stakeholders and keeps continuous contact with them to ensure that their interests are taken into consideration in the course of its operations.

In course of certifying the year-2007 sustainability report (in 2008) a stakeholder forum was convened, where stakeholders could provide their comments about the report and the Company's sustainability performance. The feedback was processed and most of them were incorporated into the report or the sustainability activities.

To find information on important issues discussed with stakeholder please read memorials of previous Sustainability Roundtables: http://www.telekom.hu/tarsadalom_es_kornyezet/esemenyek/fenntarthatosagi_kerekasztal_beszelgetes

The 10th Sustainability Roundtable, which will focus on key current topics, will take place on June 22, 2009.

6.2. Investor relations

The methods used for communication with the investors and assessment of the investors' requirements include personal meetings, road-shows or thematic conferences organized by international investment banks and analysts.

The experts of the Company spend 30–35 days a year with attending various road-shows, conferences in the most prominent financial centers, where the most significant fund managers are present. 200–250 investor and analyst forums are organized each year which create an opportunity for meeting with the majority of actual and potential investors.

The needs of the corporate investors are assessed with annual by a questionnaire based polling. An external analyst company was assigned to draw up the so-called perception study to assess investors' requirements and expectations with a detailed list of questions and by representative sampling.

The best method for assessing the opinions of minority shareholders is personal interviews, with a view to their low participation rates in the Shareholders' Meeting.

A summary presentation is developed for the senior management on the basis of assessment of investors' demands which is presented at the

Management Committee (MC) meeting, then the MC submits the document to the Board of Directors where majority shareholders receive information. Senior managers participate regularly in the meetings, road-shows, conferences organized for the investors and analysts, in the discussions they can acquire direct information about the investors' expectations and demands.

Through the subsidiary portfolio Magyar Telekom also has an ownership stake and as an owner it has to integrate the needs and interests of its co-owners into his own strategy and business policy. We learn about the needs and interests of the co-owners in the frame of portfolio management. When necessary the desk officers responsible for the portfolio (Strategy area staff) hold consultation meetings, request information and prepare Magyar Telekom's executives for higher level coordination meetings with co-owners.

The following themes are put in the focus of the negotiations with the investors and analysts :

- Macroeconomic environment and its effect on Magyar Telekom
- the strategy, long term objectives, annual goals of the Company
- competition trends in the particular segments, key competitors, market stakes
- efficiency levels, measurements aiming to raise efficiency
- expansion opportunities,
- consumption of the cash-flow produced by the company

The above mentioned themes constitute the core of the communication, the responses and assessments are the permanent elements of the investor reports. When setting up the ordinary and extraordinary announcements the contents of the reports must be developed in compliance with the requirements of the investors, by bearing in mind the regulatory requirements as well.

In addition to the reports an IR⁴⁰ presentation is prepared as well to give an overall picture of operation, financial status, strategy of the Company and call the attention to the recent changes.

Besides the conventional investors Magyar Telekom Group wants to satisfy the needs and requirements of responsible investors as well. Accordingly, the Group – based on its sustainability strategy – makes efforts to implement an increasingly sustainable operation and accommodate to the requirements and expectations of the responsible investors identified in the questionnaires. It was the first time in 2007 that Magyar Telekom was assessed from the aspect of suitability for inclusion in the Dow Jones Sustainability Index (DJSI). Magyar Telekom's score was close to the limit defined for inclusion, and although this year the company did not manage to reach the limit, it has set the target of becoming part of the index through constant improvement of our sustainability performance.

The responsibly investor rating agency, Oekom Research audited the Group's environmental and sociological performance for the first time in 2008. Magyar Telekom achieved a Prime rating (recommended) as an investment, in other words, Oekom recommends its responsible investor clients invest into Magyar Telekom. Financial service providers manage EURO 90 billion on the basis of the rating agency's research.



Magyar Telekom was audited for the second time in 2008 with the aim to become part of the Dow Jones Sustainability Index (DJSI). This index incorporates the top 10% most sustainable companies among the top 2,500 largest companies of the world. Despite the fact that the Group's result in 2008 was one score higher (78) than that of the company with the lowest score (77) within the DJSI World Index, it was not admitted into the index, since there is a certain buffer-phase in the selection process. Magyar Telekom intends to become a part of the index parallel to the continuous improvement of its sustainability performance.

In the yearbook published by Sustainable Asset Management (SAM), Magyar Telekom was ranked in the silver category from the 2,500 largest companies of the world, and as the only Central European one. Silver class includes the top 15% of the 2,500 companies in sustainability from 57 assessed sectors.



6.3 Cooperation

Cooperation with professional organizations

Magyar Telekom's network of contacts is quite diverse, basically grouped around three categories:

- Institutes of academic education (BME, BCE, BMF, PPKTE, SZIE Győr)
- Cooperation with standardization bodies
- Participation in projects with the purpose of collecting international experience and exploit synergies

In pursuing our research and development efforts, we focus not only on the improvement of operational efficiency and the cost-conscious introduction of new services, but the applications of environment-conform technologies, too. As a recognition of our efforts, the jury of one most prestigious Hungarian R&D awards, the Hungarian Innovation Award, awarded our material submitted with the title of "Modern cooling methods of communication network stations" in 2007, and the one titled "Economical and efficient methods for identifying quality problems of mobile networks" in 2008.

⁴⁰ Investor relations

Magyar Telekom has been in cooperation with the Budapest University of Technology and Economics in the area of research and development, with the purpose of developing the most efficient utilization of current and future radio access and transmission technologies. As a result of the research, independent innovative development solutions and theoretical considerations play important roles in practical network design.

Since the Company's strategy puts emphasis on strengthening innovation, we recently started the practice of joining state-financed research and development projects (consortiums) in cooperation with our R&D partners (institutions of academic education, manufacturers, research institutions), the deliverables of which can be directly utilized in the context of our short-term and mid-term development tasks, thus enabling us to partially rely upon both professional and financial external resources when elaborating topics important for Magyar Telekom. This model helps us to efficiently utilize our internal resources and significantly contributes to acquiring knowledge. The consortium thus established is an unincorporated form of association, based exclusively on the voluntary commitment to the achievement of a defined professional goal.

The Mobile Innovation Center pursues research and development aimed at future wireless communication technologies (3G/4G). It is an organization that has sophisticated wireless communication environment and testing systems in place to develop and test state-of-the-art mobile applications. It involves universities, industrial companies, small and medium enterprises in its work. The main goal set by the consortium that pursues its work in the framework of the Jedlik Ányos Program is the optimization of visual signal transmission over wire and wireless info-communication networks, as well as elaborating and comparing different measurement methods aimed at measuring visual quality. As to scientific organizations in Hungary, we actively participate in the work of the Communication and Information Technology Association and the Hungarian Association for Innovation, where we represent Magyar Telekom's points of view.

Cooperation in developments plays an important role in the harmonization of wire and mobile network development, as well as operation and maintenance projects within DT Group (Hungary, Croatia, Slovakia, Macedonia, Montenegro and Deutsche Telekom). The primary objective is to ensure uniformity of equipment. In order to achieve that, when joint projects elaborate the DT Group-level cost-optimized networks, for example, common terminal equipment portfolios are identified, entities cooperate on the introduction of new technologies (e.g. VDSL2, GPON), existing technologies are assessed along business aspects, new-generation network concepts are aligned with the strategy. The jointly launched development projects enable us to exploit Group-level synergies, while efficiently utilizing financial and human resources and contract partners jointly. All that is also supported by the common procurement strategy framework elaborated for key technological platforms.

During the recent years, international cooperation within DT Group with the aim of exploiting Group-level synergies has been handled as being of increasing priority, especially in the contexts of adapting development results to the Hungarian market, sharing product launch experience, as well

as harmonizing supplier relations and procurement processes, if business-wise justified. We continue to maintain close contacts with our strategic vendors, which makes it possible to reconcile technological roadmaps, cooperation in the development phase, obtaining information about experience on other countries' markets.

In order to learn about experience abroad, we continuously participate in the work of international standardization organizations (ETSI TISPAN, ITU, DSLForum, ETNO, GSM Association, UMTS forum and The Wireless Broadband Alliance). On behalf of Magyar Telekom, PKI is part of two research partnerships: EURESCOM and DSL Forum.

Major environmental and social efforts that we cooperate in

In 2008, the Group continued to cooperate with numerous organizations in their efforts to address environmental and social problems.

The Chairman of the Environment Protection Committee of the American Chamber of Commerce in Hungary had been Magyar Telekom's Chairman-CEO, Christopher Mattheisen up to December 31, 2008.

The Group is an active member of the Hungarian Business Leaders Forum (HBLF) in different capacities:

- Equal Opportunity Workgroup,
- HR Workgroup,
- Environment Protection and Sustainability Workgroup

Magyar Telekom is a key sponsor of Mtd consultant community's nationwide research in the context of equal opportunity at work.

The Group has been an active member of ETNO's (European Telecommunications Network Operators Association) Sustainability Workgroup for years. Members support each other in solving all kinds of problems related to sustainability. In addition to the 3 meetings held each year, an internet portal also helps joint work and sharing best practices.

Sustainability Day at Millenáris

The first Sustainability Day took place on November 21, 2008 as a joint program by Magyar Telekom, Merlin Energia and Cut back! Hydrogen or hybrid cars, bicycles, wind turbines, solar collectors, recycled clothes, artwork made of waste: ideas, solutions, actions on the first Sustainability Day. The event wishes to put emphasis on positive messages and the energy to take action, since it is time that we stop seeking conflicts when talking about a responsible future. Let's demonstrate positive examples to be followed, innovative initiatives, international and Hungarian ideas, breakthrough inventions and minor solutions in everyday life. "The goal is that we see how many people have already arrived at responsible, still great and trendy ideas, how many opportunities we face and experience that we are able to take action to support sustainable development" – said Péter Novák, the day's host. Besides listening to traditional lectures, experts, layman, students and artists discussed responsibility under everyday circumstances, opportunities in alternative energy sources, decrease of travel, new technologies of the automotive industry and architecture, as well as the dilemma of consume or not to consume.

Beszélgetések a legjobbakkal

Kikkel?
olimpikonokkal, szakértőkkel, aktivistákkal, médiaszereplőkkel, professzorokkal és tanárokkal, vállalati szakértőkkel

Miről?
megoldásokról az energiában, építészetben, mobilitásban, az életben, felelősségvállalásról, a jövőről

Hogyan?
Interaktívan – akár webtől is, lenyúlva, ritmusosan – dobosokkal és VJ-vel

Kiállítás a megoldásokból

Székerek, napkollektor, hibrid- és hidrogén autók, retexil, természetes fényáramlat, hulladékból kreatív sarok, sok öko-, energiatakarékos és egyéb tudatos dolog

a nap házigazdája, hiperaktivistája, moderátora és pozitív energizálója **Novák Péter**

FELELŐSSÉGVÁLLALÁS = POZITÍV ENERGIA

FENNTARTHATÓSÁGI NAP

BUDAPEST,
MILLENÁRIS TEÁTRUM
2008. NOVEMBER 21.

Belépő 1 db ép PET palack – hulladékból miálkottás
Regisztráció a honlapon Ingyenes

SZERVEZŐK:

MÉDIATÁMOGATÓK: **origo**, **MaHolnap**, **PESTI-ÉS**

KÖZREMŰKÖDŐK: **CSR SERVICES**

Magyar Telekom joined forces with many organizations in the framework of the Cut back! climate protection program. You can read more about this initiative in the Climate Protection chapter.

The latest results of the research program pursued by T-Mobile and the Hungarian Academy of sciences were presented at a 3-day conference by researchers from many countries worldwide. The forum took place at the Academy's headquarter building under the title "Ethical aspects of mobile communication and community portals".

The 50 or so presentations delivered at the conference addressed, among other topics, how mobile phones and the internet converge, how the constantly diversifying community portals help the evolution of small and large communities, how they provide revolutionarily new ways to establish and maintain relationships, and change the rules and morals of human behavior. (You can read more at: http://www.t-mobile.hu/t-mobile/sajtokapcsolatok/sajtkozolemenyek/2008/sajtkozolemeny_20080925.xml)

Charters and principles

In addition to compliance with the statutory regulations, Magyar Telekom has signed several charters and adopted voluntarily the relevant basic principles to express, also in this way, its sensitivity for the social and environmental problems and its commitment to act for resolving them.

1. In November 2007 Magyar Telekom joined the Code on Organizational Diversity and Integration initiated by the Hungarian Business Leaders' Forum and the International Labour Organization.
2. Magyar Telekom was involved in the work of the Human Resource Innovation Forum organized by the Public Benefit Services Company of Budapest in the framework of the Integrating Budapest Project. Based on the round table discussions entitled "Career starters as efficient workforce", the company shared its practical experiences in employing young people in their first job for the publication of the Public Benefit Services Company of Budapest on this issue.
3. The company also contributed to the ILO report "For an integrating and diverse corporate community – good examples from Hungarian companies" by sharing its corporate practice. For this contribution and in recognition of the practice of the company in this field ILO gave Magyar Telekom the "Corporate Ambassador of Diverse and Integrating Employment Best Practice" certificate.
4. Magyar Telekom was also among the first companies to join the Romaster Program launched by the Hungarian Business Leaders' Forum in the autumn of 2007 to assist disadvantaged the secondary education of Roma youths not only by granting them scholarships, but also by involving them in a mentoring network and giving them such knowledge which will improve their chances of admission to tertiary education, obtaining a degree and a good job later on. This is one of the first initiatives where the players of the business sphere (IBM, Raiffeisen Bank, Holcim, Magyar Telekom, etc.) are joining forces to help cure an urgent and delicate social problem without the involvement of the public agencies.
5. Member companies of the above mentioned ETNO Sustainability Workgroup are all signatory parties to the ETNO Sustainability Charter, which embodies our commitment to sustainable development by providing sustainable products and services, along with environmental, social and economic responsibility. The parties are committed to continuous improvement and sharing best practices in the following areas: awareness, regulatory compliance, R&D, procurement, accountability, cooperation, management systems, maintaining contacts with employees.

6.4. Corporate citizenship

Magyar Telekom's supporting activities include three categories: institutional patronage, donations, sponsorship. Institutional patronage mainly involve long-term financing, primarily through non-profit organizations, provided to cultural, education or other institutions founded and/or maintained by the Company. Donation means one-time support provided to foundations, associations with public charitable purposes. Sponsorship is a type of cooperation, based on mutual benefits achieved by the sponsor and the sponsored entity, in organizing, implementing an event or project.

Sponsorship

The sponsorship pursued by the Group is primarily aimed at offering entertainment of valuable quality to its customers, but we also support high-standard professional conferences. The Group, as a major sponsor of Hungarian culture and community, is ready to support events, performers and productions that represent top quality in their respective arts, and also assumes a role proportionate to its business magnitude in sponsoring social initiatives.

As of 2008, Magyar Telekom is a strategic partner of the Palace of Arts. It is also with Magyar Telekom's exclusive sponsoring that since March 2008 representatives of high-quality Hungarian journalism are granted the Pulitzer Memorial Prize.

At the end of September Tempus Public Foundation organized with the support of Magyar Telekom the Researchers' Night series at Millenáris. Pupils of all ages were presented attractive and interesting aspects of science. Children and curious adults ready to play had the opportunity to get acquainted with physics that surrounds us, which is part of our lives, still we do not even think of it.

The initiative called Bridge of Health Alliance held its traditional whole-day program in October 2008, at the end of which a mass of participants walked from Pest to Buda over the Chain Bridge, flooded by pink light for the occasion, thus drawing attention to the fight against breast cancer. In 2008, Magyar Telekom was the main sponsor of the event and the whole year's program, demonstrating that it puts special emphasis on prevention and health.

The event called **T-Home Children's Island** was the greatest free-of-charge family program of 2008, held in Budapest, at the Hajógyári Island, offering exciting programs for children through 6 weekends. We always pay special attention to making sure that even those be able to come to the T-Home Children's Island who otherwise could not, because they live far from the capital or their social backgrounds just does not make it possible. For this reason, in cooperation with NIOK (Nonprofit Information and Training Center) we invited applications from nonprofit organizations or institutions that deal with disadvantaged children living in the countryside, whose protégés could spend a happy day at the T-Home Children's Island courtesy of T-Home.

T-Home sent charter buses to bring the kids to Hajógyári Island and also made sure that they are driven home. The children were given cold snack packs on arrival, and at the end of the day, they could take home several small gifts that they won at contests.

Those organizations or institutions were invited to apply that are not seated in Budapest and deal with socially disadvantaged children, children who live in broken families or without parents, or with the rehabilitation of children who recover from grave diseases.

Thanks to T-Home's charitable action, a total of 480 children who live in the countryside visited the Children's Island, including some who had never crossed the border of their county.

Hungary's most popular leisure-time sports events are the **T-Home Vivicitá Urban Preservation Runs**. In 2008, the runs took place at Budapest, Szeged and Kaposvár, and teams from primary and secondary schools could participate alike. T-Home offered HUF 100,000 worth of sports gear vouchers at each location for the schools that sent the largest teams. We are proud that by means of this event we could contribute to the promotion of a healthy lifestyle once more, since in 2008, more than 150 pupils participated at the T-Home Vivicitá urban preservation runs.



Institutional patronage

In 2008, as in the previous year, Magyar Telekom Group supported the following organizations:

- Magyar Telekom Symphonic Orchestra
- Puskás Tivadar Telecommunications secondary School
- Newscast Museum Foundation, Telephony Museum
- Post Museum – Budapest
- “Telephone for the needy” Foundation of Major Public Benefit

Donations

In addition to sponsoring Hungarian cultural events proportionately to its business magnitude, Magyar Telekom has also become one of the most important players in the non-governmental sphere.

In 2008, the Company continued to strengthen its well-recognized leading position in important areas of social responsibility. It was the second time that Magyar Telekom was elected to be the Hungarian company that donates the most. After having donated a total of more than HUF 1.4 billion in 2007, we were granted once more the Corporate Donor of the Year Award by the Hungarian Donors’ Forum that evaluates the donor activities of Hungarian corporations every year.

“Magyar Telekom Contributes”

The diverse activities aimed at support to society pursued by Magyar Telekom are implemented under the umbrella of the “Magyar Telekom Contributes” program.

The “Magyar Telekom Contributes” program is built on four pillars:

- Financial donations – financial, direct donations
- “Charitable numbers” – phone services serving the purpose of collecting donations from individuals without any extra charge
- Charitable services – discount-price phone services
- Donations from employees – donations made by individual employees (matched by the Company), volunteer work

Financial donations

Decisions about the specific donations are made by the “Magyar Telekom Contributes” program’s Board of Trustees, and are periodically published as part of the Company’s “Magyar Telekom Contributes” Newsletter, as well as at: (http://www.telekom.hu/tarsadalom_es_kornyezet/tarsadalom/hozzaad_program/penzadomanyok)

Magyar Telekom distributes more than HUF 100 million, in the form of financial donations, among foundations and associations, and spends additional tens of millions on subsidizing the communication of the organizations.

In 2008, Magyar Telekom also took charitable aspects into consideration, when deciding about Christmas gifts. It was the second year that the Regulatory and Wholesale Directorate spent the budget intended for gifts for partners on donations instead. Thus, instead of sending out Christmas

gifts, in 2008, we donated close to HUF 4 million to the Pécs Hospital School Program run by the Hospital Teachers’ Association and Zsótér Pál Foundation, for the publication of tale books for handicapped children. In 2008, we did not only donate financial resources to the Sports and Leisure Activities for the Visually Impaired, but – as a unique initiative – two Magyar Telekom employees embarked upon the challenge of completing the Bécs-Pozsony-Budapest super-marathon by tandem bikes, together with their visually impaired partners.

Charitable numbers

In 2002, it was in the framework of the “Magyar Telekom Contributes” program that as a unique initiative in European context, the first “charitable number”, the Telekom Donation Line was introduced, which provided a simple and transparent platform for collecting donations. By calling the 1788 number, anyone can donate HUF 100 for the previously announced charitable purpose. The subsidized initiatives are always organizations of public benefit that address society-level problems.

The Company provides this service free of charge, i.e. the whole donated amount is transferred, while attached costs (VAT) are born by the Company. We also provide significant financial support to the organizations in course of the campaign period of the initiative (by, for example, preparing the public commercial film, arranging television and press coverage). From the start of the program up to the end of 2008, 38 nonprofit organizations received more than HUF 245 million through the Telekom Donation Line.

Donations through the Telekom Donation Line in 2008:

1. January–February: Addetur Foundation
Donations: HUF 3,557,800 by customers
2. March–April: Somlai Angyalka Foundation
Donation: HUF 7,235,033 donation from customers
3. May–June: Round World Foundation
Donation: HUF 4,156,200 donation
4. July–August: Baptist Aid Foundation
Donation: HUF 2,788,300 donation
5. September–October: Bridge of Health Alliance
Donation: HUF 2,935,915 donation
6. November–December: Hospital Volunteer Service Foundation
Donation: HUF 4,805,517 donation

The Cause – the real reality show

In May 2008, Magyar Telekom's charity show, called The Cause, continued by the 5th and 6th episodes. The initiative, launched and financed by the Company, presents social problems and non-governmental organizations that address them in the form of a "documentary reality show", during which the audience decide by phone voting which cause will receive Magyar Telekom's HUF 5 million donation. One episode presents four causes and four organizations. All participants win, since those ranked 2nd, 3rd and 4th by the votes get HUF 1 million each from the Company, and the revenue collected by the voting phone calls (HUF 200³⁸) is transferred to the organization ranked 1st by the audience.

Charitable Services: Tariff Package for Non-governmental Organizations

This tariff package was introduced in March 2004, and serves the purpose of providing domestic wire calls with an average of 30% discount to nonprofit organizations. The organizations thus have the chance to spend the savings on their protégés. The discount tariff package is available for 100 non-governmental organizations each year, selected on the basis of their applications.



Counseling Help Lines

We put special emphasis on supporting counseling help lines by providing free-of-charge call-in capability. In 2008, this amounted to almost HUF 21 million provided to 41 organizations running help lines. It is to be noted that as of June, Magyar Telekom ensures nonstop, nationwide accessibility to the Blue Line for children and the young at 116,111, and the Blue Line "Are you there? Missing children" hotline at the 116,000 Europe-wide number. The numbers had been assigned by the European Union to children's hotlines and to support adults trying to locate missing children. The Blue Line Child Crisis Foundation, which runs the services, received HUF 6.5 million donation from Magyar Telekom in 2008.

Employees undertaking corporate responsibility

The Matching Donation Program is based on the concept that donation from individual employees are matched by a defined amount provided by the Company. By means of this program, the Company enables employees sensitive to social problems to make responsible decisions about the donations of the Company. (Up to HUF 25,000, the Company contributes a double amount of the individual's donation, between HUF 25,000–100,000, it provides the same amount, above HUF 100,000, it donates HUF 100,000.) The past four years prove that this system encourage ourselves, as private citizens, to be charitable: Up to December 31, 2008, different nonprofit organizations, dealing mainly with healthcare, education, disadvantaged children, received more than HUF 80 million worth of donations thanks to the charity of employees. The amount includes the donations from the employees and the contribution of the Company since 2001. The amount of employees' donations (and thus the Company's contribution, too) peaked last year with HUF 9 million from employees.

As a result of the program that has been running for seven years, so far, employees of the Company show an ever increasing willingness to donate.

Magyar Telekom Group employees continued the tradition of volunteer work, thus proving their personal commitment to corporate responsibility. Volunteer work is not a new initiative for us, as our employees have been continuously volunteering to work on the refurbishment of several facilities since 1999. At the end of April, Magyar Telekom's volunteers made an effort to clean-up Vérmező Park by collecting trash, cleaning the pathways, planting trees, bushes, flowers, mounting new benches, painting the old ones. More than 170 employees attended the program, representing every field of the Company.

³⁸ In case of Domino (prepaid) calls, VAT is included.

Santa Claus Factory 2008

Magyar Telekom puts special emphasis on supporting disadvantaged children, families and the needy in general. That is why the Company joined, like in 2007, Hungary's largest scale Christmas donation collecting action in 2008 once more. Employees' donations were collected at five locations in Budapest. The collected clothes, preserved food, sanitary products and toys were transported by Magyar Telekom's trucks to the Central Santa Clause Factory located at Fifty-six Square, where volunteers of the Company worked on furthering the initiative.



Makedonski Telekom

MakTel's support to culture encompassed the Skopje Cultural Information Center and the Ohrid Summer Festival.

As to sports, MakTel played a significant role in supporting the Ohrid Swimming Marathon.

The company also supported the Gradishte Summer Beach Club, which is one of the most popular beaches of Ohrid.

Among other initiatives, they also supported the Vevcan Carnival and the Taksirat Festival.

Crnogorski Telekom

Corporate citizenship is an important part of the Montenegrin subsidiary's business strategy, with special focus on culture, education, healthcare and sports. In 2008, sports were the main focus of the company that was the gold-category sponsor of the Montenegrin Olympic Team, and a sponsor of the Buducnost basketball team and women's handball team, which are definitive in Montenegro's sports life. The national soccer team got also major focus in sponsoring.

6.5. Protecting sensitive groups

Magyar Telekom Group has taken various measures to protect children. Today internet is a useful everyday source of information not only for the parents but also for children. Children can easily find their way in the world of tales, play, learn about the world by using Handabanda Children's Internet an initiative of T-Online. T-Online's children internet site offers edited content and protected internet access for children. The user interface is specially designed for children which facilitates simple surfing on the net, the browser is protected with a password approved by the parents which prevents access to undesirable content and allows access only to useful and interesting contents designed for children.

Interactive books for children are a novelty, by means of which kids can write their own tales, illustrate the tales by drawings, save them or even share them on the page. In course of playing, they learn to use the mouse and the keyboard.

Subscribers to Handabanda Children's Internet can also use the secure chat forum of the page, thus making sure that they talk to others of the same age group about appropriate topics.

The www.handabanda.hu site also offers free-of-charge content.

The chat rooms (iwiw, origo, T-Mobile) are also continuously monitored by undercover operators (who participate in the discussion). The age of the user is determined by clicking on one of the two buttons: above 18 or not (VIDEA video-sharing system, T-Mobile).

T-Online continuously monitors its adult content pages to prevent the upload of prohibited pornographic materials.

Magyar Telekom introduced a child lock feature with its T-Home IPTV service. Parents may lock adult content to make sure children cannot access them. The same feature (preventing children from accessing adult content) is available for our new Sat TV service.

The three mobile operators in Hungary signed a voluntary code of self-regulation on January 31, 2008 to ensure that the goals set forth by the European Framework Agreement, signed on February 06, 2007 in Brussels, be also achieved in Hungary.

The goal set forth by the code is to safeguard children who use mobile phones, in compliance with which, Magyar Telekom shall introduce the child lock feature for T-Mobile customers by February 01, 2009. The child lock feature enables parents to ensure that their children do not access, by their mobiles, inappropriate content available under the T-Mobile brand. In compliance with the code of ethics, the service provider elaborated an adult content classification system to categorize the different types of adult content.

In addition to the above, the recommendations and guidelines of ethics elaborated for T-Mobile information services, as well as the Code of Ethics for Value-added service Providers both underline that any content provision must observe social values and human dignity.

6.6. Internet security

Certain dial-up software have occurred recently which access the internet by dialing premium rate or international phone numbers – often without the knowledge of the user. The telephone service providers are not responsible for the existence of dial-up programs giving way to fraud, but Magyar Telekom – being a committed supporter of internet proliferation – takes joint actions with the NETUsers Internet Association (NETÉRT) against the dial-up programs.

As a first step of protection the customers are provided appropriate information. A collection of questions and replies contain useful information on services provided on ADSL, cable net and fiber optic network that also calls attention to the threat of the dial-up programs. Magyar Telekom provides an opportunity to its customer for consulting Internet experts. Magyar Telekom warned its subscribers about this danger in *Hirmondó*, a newsletter attached to the telephone bill. In addition to that the members of Magyar Telekom Group addressed this issue in various forums and news programs.

Magyar Telekom monitors the volume of national and international traffic on continuous basis. If the traffic to a particular phone number shows sudden, dramatic increase, Magyar Telekom contacts the foreign telecommunications operator through its partnership relations. In case the particular phone number is proven to be used for fraudulent dial-up programs Magyar Telekom bans automatic connection to the given telephone number, but the telephone number can still be called by the assistance of operator.

Magyar Telekom offers two means of call control to its fix line subscribers. Both can be applied for all the calls or for certain calls types, numbering fields (e.g. premium rate, satellite, international or long-distance calls). Call control is one of the simplest means of protection against dial-up programs; two different types are available: password-based (which can be ordered from the service provider) and permanent call restrictions. These services can be ordered from Magyar Telekom's call center, on the internet (by e-mail or chat at Internet customer service of Magyar Telekom) or personally in any T-Pont shops.

Most of us have already encountered with dozens of unsolicited offers received with our e-mails: according to the estimations nearly 60–70% of all the e-mails sent worldwide are spams which cause damage of several hundred million dollars to internet service providers and cause lots of inconvenience to the customers. Large variety of the spams makes protection against them rather difficult – although this is the common interest of internet service providers and users.

T-Home plays an active role in self-regulation initiatives, too, and introduced a number of solutions serving for the protection of the subscribers and in a wider sense the community of internet users. For example, antivirus programs are offered to all the subscribers and freemail users, a basic, serverside anti-spam protection is offered, and a full-scale antivirus and antispam solution is provided to the subscribers of T-Online Internet Security. Additional technical solutions are applied as well – among others sender authentication – to restrict proliferation of the spasm, prevent fraud, provide information to the infected subscribers, and in extreme cases exclude them from the service.

As of December 01, 2008, T-Mobile provides internet security services, enabling safer browsing through mobile internet access, which plays an important role in increasing internet penetration and the evolution of a digital society, for its postpaid customers (who make up most of the mobile internet subscribers).

An Internet Security Center is accessible on our websites, where any internet user may check whether his/her computer's security features are sufficient, since the relevant web application alerts, if the virus protection or firewall is deficient, or the relevant software are not up-to-date. Internet security software are available from Magyar Telekom and software that are not up-to-date may be updated by accessing the relevant provider (e.g. Microsoft download center), where we direct the users.



6.7. Addressing legal and ethical issues of content provision

By now Internet has become a public utility that facilitates the exchange of various forms of knowledge, information, goods, comfort services and entertainment. With the spreading of broadband internet the pattern of using access internet undergoes change as well, customers use Internet more intensively, and more frequently to access various forms of contents. [origo] Media and Communications Services Co. Ltd. – the subsidiary of Magyar Telekom Group which is responsible for the operation of [origo] portal – is the founding member of MTE Hungarian Content Providers' Association and accepts the binding effect of the Code of Ethics of Content. The Code of Ethics is available on the MTE home page: <http://www.mte.hu/etikaikodex.html>

The Hungarian Content Providers' Association (MTE) is a self-regulating body established in 2001 by the Hungarian internet content providers – including Index and [origo] – to ensure that content providers contribute with coordinated professional position statements and with self-regulation to development of the Internet market in Hungary.

MTE's objective is to provide an institutional framework for professional debates on regulation of Internet content services, to implement and actively use the techniques of Internet self-regulation. In addition to that MFE considers its task to elaborate and bring to the wide public the rules and code of ethics of internet content provision, to develop unified norms, implement clear and traceable rules in the activities for the domestic content provider and publisher workshops. The Association has to represent the content providers in the coordination with various state organs, contribute to the development of Internet culture and make Internet safer and more customer-friendly.

[origo] Media and Communication Services Plc. holds the license to grant all rights of use for [origo] databases whereby the company follows the recommendations of the Code of Content Provision to protect privacy and intellectual property and ensure conduct according to the Code of Ethics of the content providers.

Besides the commitments under the AHCP, [origo] has its own Code of Ethics, which is amended, revised periodically. In 2008, a chapter was added addressing reports on suicides.

[origo], joining forces with many competitors, signed up to the initiative by Transparency International aimed at transparency of campaign financing.

6.8. Data protection

Magyar Telekom Plc., as an electronic communication service provider, handles traffic and billing data of its private and business customers confidentially, for the dedicated purpose of providing services properly.

The Company respects and protects the data of customers in compliance with the relevant statutes. Magyar Telekom Plc., as an electronic communication service provider, handles traffic and billing data of its private and business customers confidentially, for the dedicated purpose of providing services properly. In all phases of data management, complies with the data protection stipulations set forth in Act 1992/LXIII on Protection of Personal Data and Freedom of Public Data, Act 2003/C on Electronic Communication, as well as the executive decrees of the above acts, especially Government Decree 226/2003 (Xii. 13) on Special terms and Conditions of Data Management by Communication Service Providers, the Data Security of Communication Services and the Rules of Caller IDs and Call Forwarding.

The internal directive, in harmony with the above statutes, regulates the process of data management for specific purposes, as well as the deletion/anonymity requirements of the supporting IT applications. Magyar Telekom Plc. also ensures the protection of customers' personal data, in line with the available international best practice. In this context, we take technical and organizational measures, in cooperation with other service providers, if needed, to ensure the security of the provided services. The technical and organizational measures, in light of the best practice and the costs of the measures, represent a level of security proportionate to the risks attached to the service in question. We also take the necessary measures to prevent unauthorized tapping, storage or monitoring of the communication transmitted or the related transmission data, as well as unauthorized or inadvertent access to the communication transmitted or the related transmission data (confidentiality of communication).

In addition, there are internal policies, processes and IT software in place to ensure that personal data of customers only appear in public directories upon consent by the customer.

About 5-10 reasonable complaints arrive annually referring to the handling of customers' personal data.

Code of Conduct for the Protection of the Individual's Right to Privacy in the Handling of Personal Data within the Deutsche Telekom Group covers Magyar Telekom Plc. and all of its Hungarian and foreign majority subsidiaries where customers'/employees'/shareholders' data are handled.

You can read more about the topic at: <http://www.telekom.hu/adatvedelem>

6.9. Safe use of mobile phones

In 2008, the number of mobile customers further increased, and the total number of subscriptions in Hungary exceeded 12 million. In addition to serving these customers with the right quality through the GSM networks, in December 2004, the Hungarian operators were provided with the UMTS licenses. Pursuant to that, a new 3G network was developed, the indoor coverage of which, in comparison to population, exceeded 55% by the end of 2008. The new installations and the issues around statutory regulation might arouse the interest of communities about electromagnetic fields, which adds importance to the corporate strategy addressing the issue.

The electromagnetic exposure limits in Hungary have been determined in line with the guidelines set by ICNIRP (International Commission on Non-Ionizing Radiation Protection), which are based on the practice applied in most European countries and Recommendation 1999/EC/519 by the European Commission. As a result of the relevant Hungarian decree adopted in August 2004 (63/2004. (VII.26.) ESzCsM), the Hungarian legal status is compliant with the EU's regulation on electromagnetic fields.

Aerials of the base stations are mounted in a way that employees normally cannot stay in front of the aerials, they do not have to work in the relevant area, passage ways do not cross the areas in question. If, in extraordinary cases, people must pass or work in front of the aerials, which is typical in case of external contractors' work, like in case of renovating buildings, safety distance data are available, measurements on-location are possible, and if justifiable, the aerials are relocated temporarily or their output is reduced.

If the operation and maintenance experts who work regularly in the vicinity of the aerials detect radio radiation of an unknown source, they determine the boundaries of the safe zone by their RADMAN personal radiation detectors, thus avoiding any health risks.

Despite the fact that the radiation of Magyar Telekom's handsets and mobile base stations is way below the ICNIRP emission limits, the Company strengthens communication to and dialogue with employees and customers alike, (http://www.telekom.hu/tarsadalom_es_kornyezet/tarsadalom/egeszsseg_es_biztonsag), as recommended by WHO's EMF (Electromagnetic Field) project. Issues of electromagnetic fields are addressed by T-Mobile International's EMF policy, the so-called "EMF Policy Recommendations", which emphasizes transparency, information provision and support to and participation in research.

A dedicated EMF workgroup has been set up by Magyar Telekom, which meets regularly and continuously monitors EMF-related developments in Hungary and abroad, and responds to EMF-related question posed by authorities, residents or employees.

(Further information about T-Mobile International's "EMF Policy Recommendations" adopted by Magyar Telekom is available in English at the homepage of T-Mobile International.)
http://ghs-internet.telekom.de/dtag/cms/contentblob/TMOI/en/347082/blobBinary/t_mobile_emf_policy.pdf;jsessionid=34B2BDE89E158A8D743BA499D9ADF1BA

In the framework of this policy, Magyar Telekom efficiently addresses complaints and inquiries. Therefore, areas of responsibility were set up in the training field of the Company with the aim to address the different issues, and every employee receives information about issues of electromagnetic fields following the mandatory briefing session. If necessary, T-Mobile's compliance with statutory limits is verified by independent measurement bodies. In 2008, 60 on-location ionization electromagnetic exposition measurements took place, all of which found the emission levels to be under the relevant limits.

In addition, communication continued by the issuance and update of publications in 2008. In 2006, in cooperation with the two other mobile operators, we established a jointly run EMF information portal (<http://www.emf-portal.hu>), through which questions may be asked regarding EMF topics, news and the results of the EMF measurements in Hungary. The content of the EMF portal was updated in 2008 to ensure that even more information is provided. Currently, in average, 1,200 visitors click on the homepage every month.

The SAR⁴¹ figures of mobile handsets are provided as part of the manufacturers' information in the handsets' packaging and the detailed information provided by T-Mobile webshop.

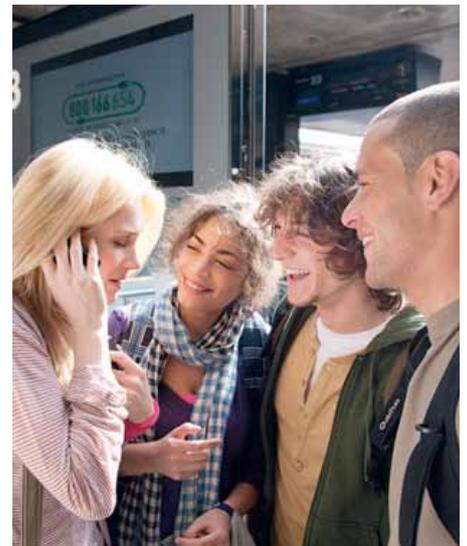
The Company also runs an other homepage (www.bazisallomas.com), where visitors can find answers to questions about the healthcare legal and technological implications of electromagnetic fields and GSM systems.

⁴¹ SAR value (specific absorption rate) measures the magnitude of energy absorbed in the tissues.

Magyar Telekom reconciles and cooperates with the relevant concerned parties prior to every base station and tower construction project. If needed, residential forums are held with the participation of all concerned parties to reach an agreement. In 2008 15 forums were held. Magyar Telekom also strives to minimize the landscape impact of its base stations, therefore, more than 80% of our tower facilities are jointly used, which is one of the highest ratio in Europe.

Finally, all T-Mobile national affiliates are committed to support independent research aimed at exploring the effects of electromagnetic fields. Thus, T-Mobile International, in cooperation with operators in the United Kingdom and Germany, has been supporting an international research program since 2002, with more than EURO 20 million, and through the GSM Association with an additional EURO 6 million.

By that, T-Mobile International is one of the biggest supporters of research globally.



List of abbreviations

Abbreviation	Full name		
AC	Assessment Center	EURESCOM	European Institute for Research and Strategic Studies
ADSL	Asymmetric Digital Subscriber Line	EWSD	Electronic Worldwide Switch Digital
AIDS	Acquired Immune Deficiency Syndrome	GDP	Gross Domestic Product
AIIESEC	Association Internationale des Etudiants en Sciences Economiques et Commerciales	GKI	Economic Research Institute
AmCham	American Chamber	GmbH	Gesellschaft mit beschränkter Haftung
ÁSZF	General Contract Terms	GPON	Gigabit Passive Optical Network
BÉT	Budapest Stock Exchange (BSE)	GRI	Global Reporting Initiative
BME	Budapest University of Technology and Economics	GSM	Global System for Mobile Communication
BMGE	Budapest University of Technology and Economics	GVH	Economic Competition Authority
CD	Compact Disc	GVOP	Economic Competitiveness Operative Program
CEERA	Central European Environmental Reporting Award	GYED	child-care fee
CEO	Chief Executive Officer	GYES	child-care allowance
CEU	Central European University	HDSL	High-bit-rate Digital Subscriber Line
CIO	Chief Information Officer	HotSpot	public, wireless Internet access point (wifi)
CMCS	Center for Media & Communications Studies	HP	Hewlett-Packard
CO	carbon monoxide	HR	Human Rights Performance Indicators
CO ₂	carbon dioxide	HR	Human Resources
CsFkT	Group Sustainability Coordination Council	ICNIRP	International Commission on Non-Ionizing Radiation Protection
CsSzDK	Group service fee discount	ICT	Information and communication technology
DC	Development Center	IFRS	International Financial Reporting Standards
DG	Directorate General	IHM	Ministry of IT and Communications
DSL	Digital Subscriber Line	IKM	Ministry of Industry and Trade
DT	Deutsche Telekom	ILO	International Labor Organization
DTIF	Deutsche Telekom International Finance	IO	Internal Operations
EB	European Championship	IP	Internet Protocol
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization	IPTV	Internet Protocol TV
EC	Economic Performance Indicators	ISDN	Integrated Services Digital Network
EDR	Uniform Digital radio Communication System	ISO	International Organization for Standardization
EF	Human resource (HR)	ITU	International Telecommunication Union
EFQM	European Foundation for Quality Management	iWiW	international who is who
EFT	Electronic Traffic Information	K+F	Research and development
EHR	Electronic Call Listings	K+F	Research and development
Eht	Act on Electronic Communications	KFKI	Central Physical Research Institute
EIU	Economist Intelligence Unit	Kft. (Co. Ltd)	limited liability company
EKR	Uniform Competence System	Kht.	public benefit company
ELTE	Eötvös Loránd University	KKE	Central and Eastern Europe
EMF	Electromagnetic Fields	KSH	Central Statistical Office
EN	Environmental Performance Indicators	KTI	Training and Knowledge Management Directorate
ENSZ	United Nations Organization	KÜT	Central Workers Council
e-RFX	Electronic RFX (RFX – collective name of RFI (request for information), RFP (request for proposals) and RFQ (request for quotations))	KvVM	Ministry of Environmental Protection and Water Management
ESzCsM	Ministry of Health, Welfare and Family Affairs	LA	Labour Practices and Decent Work Performance Indicators
ÉT	Interest conciliation talks	MakTel	Makedonski Telekomunikacii
ETIK	Inter-University Telecommunication and Information Center	MATÁSZ	Hungarian Telecom Industry Union
ETNO	European Telecommunications Network Operators' Association	MATMF	Magyar Telekom Quality Management Process Description
ETSI	European Telecommunications Standards Institute	MBA	Master of Business Administration
EU	European Union	MC	Management Committee
EÜ	health	MEOSZ	National Federation of Disabled Associations
		MERCER	Marsh & McLennan Companies
		MGYOSZ	National Association of Employers and Industrialists
		MINŐK	Hungarian Association of Internet Using Women

MISZ	Hungarian Innovation Association	TCG	Telekom Crne Gore / Crnogorski Telekom / Telekom Montenegro
MMS	Multimedia Message Service	TÉT	Telecommunications Conciliatory Council
MNB	National Bank of Hungary	TIPHON	Telecommunications and Internet Protocol Harmonization over Networks
MOKK	Media Education and Research Center	TISPAN	TIPHON + SPAN
Monet	currently T-Mobile Crna Gora	TM	Performance management
MSzT	Hungarian Standards Body	TMH	T-Mobile Hungary
MTA	Hungarian Academy of Sciences	ÜB	Management Committee
MTE	Hungarian Content Providers' Association	UMTS	Universal Mobile Telecommunications System
MUPBED	Multipartner European Test Beds for Research	UNEP	United Nations Environmental Programme
Mvt.	Act on Labor Safety	VB	World Championship
NEK	net avoidable cost	VDSL	Very high bit-rate Digital Subscriber Line
NETÉRT	NETUsers' Interest Representation Society	VFCS	Company sustainability group
NGN	Next Generation Network	VK	World Cup
NGO	Non-Governmental Organizations	VKI	World Economic Research Institute
NHH	National Communications Authority	WAP	Wireless Application Protocol
NKFP	National research and development programs	WebEDI	Web Electronic Data Interchange
NOx	Nitrogen-oxides	WEEE	Waste of Electrical and Electronic Equipment
NSA	Net Storey Area	WHO	World Health Organization
Nyrt.	Public limited company	W-LAN	Wireless Local Area Network
NYSE	New York Stock Exchange	WWF	World Wildlife Fund
OECD	Organization for Economic Cooperation and Development	Zrt.	Private limited company
OMIKK	National Technical Information Center and Library		
OPQ	Occupational Personality Questionnaire		
PA	Providing Access (to telecom products and services)		
PC	Personal Computer		
PKI	Post Experimental Institute (telecommunication development organisation of Magyar Telekom)		
PPKE	Pázmány Péter Catholic University		
PPR	Performance and Potential Review		
PR	Product Responsibility Performance Indicators		
PR	Public Relations		
PSTN	Public Switched Telephone Network		
PWC	PricewaterhouseCoopers		
RF	radio frequency		
RIO	Reference Interconnection Offer		
RT	Company limited by shares		
SA	Social Accountability		
SAM	Sustainable Asset Management		
SAP	Systems Applications and Products in Data Processing		
SAR	Specific Absorption Rate		
SGS	Société Générale de Surveillance SA		
SHDSL	Single pair High-speed Digital Subscriber Line		
SINOSZ	National Association of the Deaf and Hearing Impaired		
SMS	Short Message Service		
SO	Social Performance Indicators		
SOX	Sarbanes-Oxley (act)		
SPAN	Services and Protocols for Advanced Networks		
SPS	SharePoint Portal Server		
TA	Technology Applications		
TÁVSZAK	Union of Telecom Workers		

CSR management

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ASSURANCE STATEMENT

B&P CSR management has carried out an assurance process commissioned by Magyar Telekom Nyrt. (hereinafter: Magyar Telekom, the Company) as an independent third party to audit the Magyar Telekom Group's 2008 Sustainability Report (hereinafter: the Report).

Scope

The scope of assurance is to examine and confirm the relevance, completeness, and understandability of the Report, thus, increasing the stakeholders' trust in the Company.

Independence

B&P CSR management did not provide any advisory services for Magyar Telekom Group during the period of time covered by the Report which would contradict to the principle of independence necessary for the present task.

Verification Methodology

The process and methods of the audit were developed following the international standards below:

- Global Reporting Initiative (GRI) G3 Reporting Guidelines
- AccountAbility Assurance Standard (AA1000AS)
- International Standard on Assurance Engagements 3000 (ISAE 3000)

During the verification process we employed the following methods:

- According to the GRI G3 Reporting Guidelines, we examined whether the Report contains all the indicators that are required to attain Level "A", checked the conformance of the GRI content index, and the adherence to the GRI reporting guidelines.
- We took a random sample and reviewed the source systems and documents, to assess the credibility of the information published in the Report.
- We arranged personal interviews* with the owners of the original data and information in order to gain insight with respect to the assumptions, information, and complex calculations contained in the Report.
- We evaluated the completeness and relevance of the Report based on the analysis of public and internal documents, the operational context, and industry-specific trends and issues.
- We evaluated the structure and readability of the Report from the point of view of the reader.

Evaluation

On the grounds of the assessment of Magyar Telekom Group's Sustainability Report, the review of background documents, and personal interviews, we make the following the statements:

- The Report was prepared in accordance with the GRI G3 guidelines (A+). We highly appreciate that the Report also contains information conforming to draft industry-specific indicators currently under development for the telecommunication sector.
- The Report was prepared in accordance with the GRI reporting guidelines. We evaluated the conformance with the GRI guidelines one by one (see the table below); we also made suggestions to further increase compliance.
- On the basis of the random sample of data and information sources, and personal interviews we did not find any sign that would doubt the credibility of the Report. The information published is well-established, and is supported with real initiatives and actions.
- The Report is extremely detailed, and covers the topics relevant in terms of sustainability extensively. We find it very positive that every year the Group involves more and more of its subsidiaries under the scope of the Report.
- The Report is essentially well-structured and logical; readers may find the information they need with ease with the help of table of contents, tables, and references. On the other hand, we find it worth considering revising the length and the fluency of the text.

Proposed improvements

Based on the examination of the Report and the personal interviews, we make the following improvement proposals:

- We suggest that the approach and practices with respect to stakeholder engagement should be introduced in a more detailed and structured way, indicating also which were the important issues raised by the stakeholders. In relation to this, we also propose to cover in more detail how the Company reacts to the expectations of stakeholders, and how the Company uses the feedbacks and suggestions of the stakeholders to improve its operations.
- To be able to follow the improvements in sustainability performance more easily, and to allow comparison of performance over time, we advise the Company to present its objectives and concrete goals concerning its sustainability performance, and their achievement in a structured table format (indicating also the reasons for not having achieved particular objectives).
- In order to make the Group's sustainability performance more complexly assessable, we suggest further enlarging the scope of the Report by the more detailed and structured introduction of its subsidiaries' sustainability performance.
- To ensure the quality of the data required by the GRI, sometimes requiring complex calculations, we propose the strengthening of the data controlling systems.
- To keep the volume of the Report under control, we advise to prioritize the topics and follow a stricter filtering.

Compliance to GRI guidelines

Guideline	Assessment	Result
Materiality	<ul style="list-style-type: none"> The Report contains pieces of information relevant to the stakeholders; it gives an account on important issues in connection with the operation of the telecommunication sector, and on the approaches to tackle them. 	
Stakeholder Inclusiveness	<ul style="list-style-type: none"> The approach and practice concerning stakeholder engagement is not detailed and clear enough. The concerns of stakeholders, the answers given to them, and showing how their opinions were used to improve operations are not covered detailed enough. 	
Sustainability Context	<ul style="list-style-type: none"> The Report covers the most important topics concerning economic, social, and environmental sustainability. 	
Completeness	<ul style="list-style-type: none"> The Report introduces the relevant topics concerning sustainability in a detailed and extensive way. The Report contains information on the performance of a growing number of subsidiaries. 	
Balance	<ul style="list-style-type: none"> The emphasis put on the various topics of the Report are proportionate to their relative importance. The Report describes both the positive and negative effects of the operation of the Group. 	
Clarity	<ul style="list-style-type: none"> The structure of the Report is transparent, understandable. The technical expressions, acronyms, professional words are mostly provided with appropriate explanations. The presentation of concrete goals in terms of sustainability performance and their realization is not structured enough. Page numbers are missing from the GRI content index which makes the finding of indicators in the text more difficult. 	
Accuracy	<ul style="list-style-type: none"> The pieces of information published in the Report are altogether credible. 	
Timeliness	<ul style="list-style-type: none"> The Report provides information on 2008.; the time elapsed until the publishing of information makes no considerable harm to the timeliness of data. 	
Comparability	<ul style="list-style-type: none"> The extensive use of GRI indicators makes the comparison of performance with competitors' possible. The improvements of the Group's sustainability performance, the reasons of the changes are well-traceable in most areas. The coverage of objectives and concrete goals, and their achievement is not structured enough which hinders the comparison of performance over time. 	
Reliability	<ul style="list-style-type: none"> The information published in the Report was well supported by the representatives of the relevant organizational units during the personal interviews. The information contained in the Report is in accordance with its original sources; they appear in the same way. 	

László Radácsi, managing director
B&P CSR management

Patrik Perényi, project manager
B&P CSR management

Budapest, 29th July 2009.

**Interviewees: Gábor Hídvégi, Investment Engineer (T-Mobile Park); Kristóf Horváth, Sustainability Strategy Manager; Zoltán Kapitány Department Head, Brand Management and Corporate Citizenship Department; Attila Kelticska, Senior Sustainability Strategy Manager; Attila Kiss, Quality and Compliance Manager (Dataplex); Gábor Mátrai, Real Estate Investment Manager (T-Mobile Park); Dr. Géza Nagy, Senior Infrastructure Operations Manager (T-Mobile Park); Gábor Németh, Senior Regulatory Manager; Katalin Szomolányi, Department Head, Corporate Sustainability Department; Gábor Szócs, HR Solutions Manager.*

IMPRESSUM

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