

Magyar Telekom Telecommunications Public Limited Company

Submission  
to Magyar Telekom Plc.'s Extraordinary General Meeting

Subject: Decision regarding the secession and merger of T-Online Hungary Ltd.'s access business line and the upstream merger of Emitel Ltd. into Magyar Telekom Plc.

Budapest, June 29, 2007

Magyar Telekom Telecommunications Company Plc.'s (registered seat: 1013 Budapest, Krisztina krt. 55.) Board of Directors convened the Company's Extraordinary General Meeting to take place at 10:00 am, on June 29, 2005 with the below quoted items on the agenda. In this General Meeting submission we supply the necessary and currently available information to our kind shareholders that is necessary to make owners' decisions. Please find the individual submissions - in the order as set out in the announced agenda - and the proposed text of the GM resolutions attached.

1. Modification of Magyar Telekom Plc.'s Articles of Association - according to the proposed GM Resolution No 1/2007
2. Briefing to shareholders about the transformation of the Company, T-Online Magyarország Plc. and Emitel Plc. – Annex 1
3. Report of the independent auditor on the transformation of the Company and the declaration that the planned transformations do not endanger the fulfillment of the creditor's claims towards the Company – Annex 2
4. Comments of the Supervisory Board on the draft asset balances and draft asset inventory of the companies under transformation and on the draft asset balance and draft asset inventory of the legal successor– Annex 3
5. Decision on the approval of the written report of the senior officers – Annexes 4/A and 4/B
6. Decision on the amount of asset proportion payable for the shareholders who do not wish to participate in the legal successor and on the order of settlement with the departing shareholders – Annex 5
7. Identification of the shareholders who do not wish to participate in the legal successor and of their shares
8. Counting of the shareholders who do not wish to participate in the legal successor and count of their shares
9. Decision on the draft asset balance and asset inventory of Magyar Telekom Plc. as the legal successor – Annex 6/A and 6/B
10. Decision on the transformation, approval of the Demerger Agreement and of the Upstream Merger Contract – Annexes 7/A and 7/B
11. Nomination of Members of the Board of Directors and of the Supervisory Board of Magyar Telekom Plc. as the legal successor company
12. Decision on the approval of the modification of the Articles of Association of Magyar Telekom Plc. related to the transformation – according to the proposed GM Resolution No 10/2007  
All modifications to the Articles of Association are included in Annex 8.
13. Miscellaneous

Resolution proposals:

General Meeting Resolution No. 1/2007

The General Meeting approves the amendments of Sections 2.1, 2.3, 2.4, 2.5, 2.6, 4.2, 4.5, 4.6, 6.2, 6.4, 6.11, 6.18, 11.1, 11.4 and 12 in Magyar Telekom Plc's Articles of Association pursuant to the Act on abolishment of priority voting share (golden share) to be granted to the state, the modifications of Section 8.7. regarding the status of the Audit Committee and the deletion of Section 15.5 and Annex 1.

General Meeting Resolution No. 2/2007

The General Meeting accepts the independent auditor's report on the draft merger balance sheets and draft merger inventories of the companies to be transformed and the draft merger balance sheet and draft merger inventory of the successor Magyar Telekom Plc., the exchange rate of shares, the draft Demerger Agreement, the draft Upstream Merger Agreement and the written reports prepared by the senior officers, and the auditor's statement that the planned transformation will not endanger the satisfaction of creditors claims towards the company.

General Meeting Resolution No. 3/2007

The General Meeting acknowledges the Supervisory Board's opinion about the opening draft merger balance sheets and draft merger inventories of Magyar Telekom Plc., T-Online Hungary Ltd. and Emitel Ltd. and the draft merger balance sheet and draft merger inventory of the successor Magyar Telekom Plc.

General Meeting Resolution No. 4/2007

The General Meeting accepts the written reports of the senior officers of the companies to be transformed prepared according to Article 279 (2) of Act IV of 2006 on business associations on the necessity of the secession and merge of the access business line of T-Online Hungary Ltd. into Magyar Telekom Plc. and the upstream merger of Emitel Ltd. into Magyar Telekom based on legal and financial considerations.

General Meeting Resolution No. 5/2007

The General Meeting determines that HUF 366 (say three hundred and sixty-six forints) for each ordinary share held will be paid to the persons who do not wish to participate as shareholders in the successor business association. The General Meeting approves the method of settlement with the persons who do not wish to participate as shareholders in the successor business association with the content laid down in the announcement published by the company on May 29, 2007 and assigns the Board of Directors to execute it.

General Meeting Resolution No. 6/2007

*/ If any shareholder wish to depart the company./* The General Meeting establishes that on the basis of the shareholders' valid Declarations of Shareholder's Leaving delivered to Magyar Telekom (as defined in the announcement published by the company on May 29, 2007) and the valid Declarations of Shareholder's Leaving made at this General Meeting that the number of persons who do not wish to participate as shareholders in the successor Magyar Telekom is ..... who hold ..... shares.

*/If there will be no shareholder who wish to leave the above resolution will not be adopted, but the minutes will contain the following wording.*

As a result of a counting carried out at the General Meeting the Chairman establishes that no valid Declaration of Shareholder's Leaving was received by Magyar Telekom Plc. (as defined in the announcement published by the company on May 29, 2007) and none of the shareholders registered in the Register of Shares made at this General Meeting a Declaration of Shareholder's Leaving laid down in a private document with full probative force. This means that none of the shareholders will leave Magyar Telekom Plc. being the predecessor company./

#### General Meeting Resolution No. 7/2007

The General Meeting approves the draft merger balance sheet and draft merger inventory of Magyar Telekom Plc. being the successor company. /If any of the shareholders leaves the company then with the modification that the versions included in the documents submitted to the General Meeting were corrected with the assets paid to the shareholders who do not wish to participate in the successor company.

In line with the above the General Meeting establishes that the successor Magyar Telekom Plc.'s equity is reduced with the share of registered capital to be paid to the shareholders who do not wish to participate in the successor company that is proportionate to the number of shares held by them, therefore the equity will amount to HUF ..... (say ..... forints) consisting of HUF ..... (say ..... forints) cash and HUF ..... (say ..... forints) non-cash contribution, and the number of Series A ordinary shares of HUF 100 (say one hundred forints) face value is reduced with the number of ordinary shares held by these shareholders (..... shares). *If none of the shareholders wishes to leave naturally the above resolution will consist of only the first sentence./*

#### General Meeting Resolution No. 8/2007

The General Meeting decides on the secession and merger of the access business line of T-Online Hungary Ltd. into Magyar Telekom Plc. and the upstream merger of Emitel Ltd. into Magyar Telekom. The transformation will enter into force through registration by the Registration Court. The General Meeting identifies September 30, 2007 as the planned date of entry into force of the transformation. The General Meeting approves the Demerger Agreement and the Upstream Merger Agreement in the form enclosed to the submission and authorizes Chairman-CEO Christopher Mattheisen and CFO Thilo Kusch to sign the agreements.

#### General Meeting Resolution No. 9/2007

The General Meeting acknowledges that Emitel Ltd.'s Board of Directors and Supervisory Board members resign from their offices. The General Meeting declares that Magyar Telekom Plc.'s Board and Supervisory Board members will hold their office as Board or Supervisory Board members of the successor company with unchanged conditions and remuneration.

#### General Meeting Resolution No. 10/2007

The General Meeting decides that the successor Magyar Telekom Plc.'s Articles of Association will be amended (that will enter into force through registration of the merger by the Registration Court) as follows: Section 1.4 will show the property located at 6722 Szeged, Tisza Lajos krt. 41. as branch office; and

Section 1.8.2 will include the following wording: 1.8.2. Magyar Telekom Telecommunications Public Limited Company is the general successor in respect of the demerged corporate assets of T-Online Hungary Internet Service Provider Private Company Limited (registered office: 1117 Budapest, Neumann J. u 1/b.; Corporate Registry No.: 01-10-044389) that was merged into the Company on June 29, 2007.

1.8.3. Magyar Telekom Public Limited Company is the general successor of EMITEL Telecommunications Company Limited (registered office: 6722 Szeged, Tisza Lajos krt. 41., Corporate Registry No.: 06-10-000154).

*(If any of the shareholders leaves the company, with reference to General Meeting Resolution No. ..., Sections 1.7 and 2.1 will be deleted and replaced by the following wording.)*

#### *1.7. The Company's equity*

*The Company's equity amounts to HUF ..... (say ..... forints) consisting of HUF ..... (say ..... forints) cash and HUF 58,266,189,000 (say fifty-eight billion, two hundred and sixty-six million, one hundred and eighty-nine thousand forints) non-cash contribution.*

#### *2.1. Shares*

*The Company's equity consists of .....Series A registered ordinary shares of HUF 100 face value.*

*The Company's shares are shares produced in dematerialized form.*

*Dematerialized share means a registered share without serial number where the name of the shareholder and other data used for clear identification are shown on the securities account.*

The General Meeting requests the company's senior legal counsel to submit to the Metropolitan Court of Budapest as Registration Court the Articles of Association updated with the amendments approved at this General Meeting.

## Annex 1

### **Information for the shareholders on issues connected with the secession and merge of the access business of T-Online Hungary Ltd. and with the upstream merger of Emitel Ltd into Magyar Telekom Plc.**

On May 25, 2007 the Boards of Directors of all three companies confirmed their intention of upstream merger into Magyar Telekom Plc. of the access business to be demerged from T-Online Hungary Ltd. and the upstream merger of Emitel Ltd. In order to realize the transformation, the owners of the company need to take the final decisions at the Extraordinary General Meeting approving this transformation.

Magyar Telekom Plc.'s Annual Ordinary General Meeting approved the amendment of Articles of Association on the basis of which the company can decide on a corporate transformation where this is the reasonable solution. The Boards of Directors of the companies discussed and approved the documents enclosed to the submission, and the independent auditor and the Supervisory Board examined them and gave their opinions on them.

To prepare for the final decision the senior officers of the companies prepared before this General Meeting the draft merger balance sheet and draft merger inventory as of the predefined date (December 31, 2006) and the additional necessary documents, the assigned independent auditor gave his opinion on it and prepared a relevant statement. The proportion of assets payable to the shareholders who do not wish to participate in the merged company was determined and published in an announcement on May 29, 2007 together with information to the kind shareholders on how they can indicate their intention of not participating in the successor company and how the company will settle with them.

The Company fulfilled its obligations required by law connected with prior submission to the Registration Court and publication and the obligation of publication laid down in the Stock Exchange Regulations.

This Extraordinary General Meeting is to declare the transformation of the three companies and approve the documents needed for the operation of the successor Magyar Telekom Plc.

**REPORT ON THE  
DRAFT DEMERGER BALANCE SHEET OF T-ONLINE HUNGARY LTD. Co. AND THE  
DRAFT MERGER BALANCE SHEET OF THE  
INTERNET ACCESS DIVISION SPLIT FROM T-ONLINE LTD. Co  
AND EMITEL LTD. Co MERGING INTO  
MAGYAR TELEKOM TELECOMMUNICATIONS PLC.**

The shareholders of **Magyar Telekom Telecommunications Plc.** (registered office: 1013 Budapest, Krisztina krt. 55., corporate register No.: 01-10-041928, hereinafter referred to as: MT), of **T-Online Hungary Ltd. Co.** (registered office: 1013 Budapest, Krisztina krt. 55., corporate register No.: 01-10-041928, hereinafter referred to as: TOL) and of **EMITEL Ltd. Co.** (registered office: 6722 Szeged, Tisza Lajos krt. 41., corporate register No.: 06-10-000154, hereinafter referred to as: Emitel) plan, that assets, liabilities and shareholder's equity belonging to the internet access division of TOL (hereinafter referred to as: TOL IA) demerges from TOL and together with total corporate wealth of Emitel both merge into MT. As a consequence of the merger Emitel will cease to exist and MT will be its general legal successor. After the demerger of its Internet Access Division TOL will continue operation under the name of [origo] Média és Kommunikációs Ltd. Co. in unchanged legal form (hereinafter referred to as: [origo]). After having merged TOL IA and Emitel, MT shall operate under unchanged name and legal form. MT has assigned Mazars Metrum Ltd. (registered office: 1074 Budapest, Rákóczi út 70-72., corporate register No.: 01-09-078412, auditor number: 000220) to audit the draft transformation balance sheets. The work shall be carried out by Dr. Péter Galambos (auditor number: 003672).

The auditor shall, on the whole, carry out tasks referred to its responsibility by the Companies Act and the Accounting Act. The audit of the draft transformation balance sheet serves the purpose of determining whether the draft transformation balance sheet is in compliance with the provisions of the Companies Act and the Accounting Act. The auditor shall fulfill his engagement by handing over the report.

The auditor will not carry out an audit in relation to VAT, personal income tax and other taxes, but shall call the attention of the principal to deficiencies he may detect in the course of the audit.

The auditor is entitled to issue an adverse opinion if he detects material errors in the course of the audit. If the errors causing the adverse opinion are corrected, he may issue an unqualified opinion in the course of the subsequent audit.

The auditor may withdraw the unqualified opinion, addressed to the principal in writing, if facts arise in the future which were concealed before him in the course of the audit.

I carried out the audit in compliance with rules applied to auditing and the Hungarian National Auditing Standards. The principal has provided information and assistance necessary for the audit.

The basis of the draft transformation balance sheets shall be comprised by the balance sheets of the transforming companies, prepared as of December 31, 2006, audited by the statutory auditor of the respective companies, who has issued an unqualified opinion thereto.

## **I. Demerger**

With respect to the demerging company, in comparison to the December 31, 2006 balance sheet serving as the basis for the demerger, the column of the draft demerger balance sheet contains the following modifications:

The only change affecting the draft demerger balance sheet of TOL, the demerging company, is the posting of the year end profit (profit of HUF 1 723 442 thousand) to retained earnings.

The draft after demerger balance sheet of [origo], continuing operation in an unchanged legal form, differs from the pre demerger balance sheet of the legal predecessor as follows:

- For the purpose of providing coverage for foreseeable losses likely to be incurred up to the expected date of demerger, the reclassification column of the draft demerger balance sheet indicates a HUF 400 million of restricted reserve to the debit of retained earnings.
- THUF 2 906 845 had been transferred to profit reserve from capital reserve in order to show only positive net worth elements in the after demerger balance sheet of the legal successor.
- Following this the split of assets and liabilities, as well as the net worth took place between the divisions demerging from TOL and remaining in [origo]. In the course of this assets amounting to THUF 12 390 042, net worth in the amount of THUF 7 010 427, liabilities amounting to THUF 3 785 307 and deferrals amounting to THUF 1 468 202 had been selected with the purpose of merging them into MT. After this split the draft balance sheet of the legal successor [origo] consists of assets of THUF 2 151 591, net worth of



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THUF 1 496 297, liabilities of THUF 432 596 and deferrals of THUF 222 698. No revaluation of assets and liabilities took place in the demerging division, so their merger into MT takes place at their net book value.

The shareholders' equity of [origo] Média és Kommunikációs Ltd. Co., continuing operation in an unchanged legal form following the demerger, shall be as follows:

Data in THUF	Share capital	Capial reserve	Profit reserve	Restricted reserve	Net income of the year	Shareholder's equity
Basic data as of 12.31.2006	1 906 000	9 107 569	-4 230 287		1 723 442	8 506 724
Changes:						
1. Posting of annual profit into retained earnings			1 723 442		-1 723 442	0
2. Reserve for potential losses arising up to the expected date of the demerger			-400 000	400 000		0
3. Reclassification of profit reserve into R/E to eliminate negative equity element		-2 906 845	2 906 845			0
4. Equity elements of the demerging Internet Access Division	-1 623 987	-4 986 440		-400 000		-7 010 427
Changes altogether	-1 623 987	-7 893 285	4 230 287	0	-1 723 442	-7 010 427
<b>Total for [origo] per draft after demerger balance sheet:</b>	<b>282 013</b>	<b>1 214 284</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 496 297</b>

The share capital of the legal successor corporation amounts to THUF 282 013 and by being lower than the shareholder's equity less restricted reserves it is compliant with the relevant regulations of the Accounting Act.

The transformation balance sheet total of **T-Online Hungary Ltd. Co.**, the legal predecessor of the demerger, corresponds to THUF 14 541 633 (fourteen billion five hundred forty-one million six hundred thirty-three thousand Hungarian forints).

The transformation balance sheet total of the **Internet Access Division** demerging from T-Online Hungary Ltd. Co., and merging into MT, corresponds to THUF 12 390 042 (twelve billion three hundred ninety million forty-two thousand Hungarian forints).

The balance sheet total of the draft after demerger balance sheet of **[origo] Média és Kommunikációs Ltd. Co.**, continuing operation in unchanged form following the demerger, corresponds to THUF 2 151 591 (two billion one hundred fifty-one million five hundred ninety-one thousand Hungarian forints).

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In the course of the audit, I reviewed the draft demerger balance sheet of the transforming company, that of the legal successor as well as of the demerging division – the after demerger balance sheet total of the demerging division corresponding to THUF 12 390 042 (twelve billion three hundred ninety million forty-two thousand Hungarian forints) and the after demerger balance sheet total of the legal successor continuing operation corresponding to THUF 2 151 591 (two billion one hundred fifty-one million five hundred ninety-one thousand Hungarian forints)– in accordance with the Hungarian National Auditing Standards in force, and on the basis thereof, I acquired sufficient and adequate proof to the effect that the draft demerger balance sheet was prepared in compliance with the Accounting Act and general accounting principles. The draft demerger balance sheets provide a reliable and true picture of the assets and finances of the demerging companies.

**II. Merger**

With respect to the merging companies, in comparison to the December 31, 2006 balance sheet serving as the basis for the merger, the column of the draft pre-merger balance sheet contains the following modifications:

Since assets and liabilities have not been revalued by **Egertel** to be terminated by way of the merger, the only modification involves the posting of the year-end profit (profit of HUF 68,9 million), recorded in the balance sheet of December 31, 2006, to retained earnings.

Similarly, the only change affecting the draft pre-merger balance sheet of **MT**, the merging company, is the posting of the year end profit (profit of HUF 15 405 million) to retained earnings.

The draft after merger balance sheet of the company, continuing operation in an unchanged legal form, differs from the combined balance sheet of the predecessor companies as follows:

- Since TOL is a 100 % subsidiary of MT, MT's investment falling on the division to be merged needs to be eliminated in order to avoid capital aggregation. In the framework of the above, THUF 10 864 has been cancelled from among financial assets. This is 85,2046% of the total investment in TOL recorded in the books of the receiver company. The percentage represents the ratio of Internet Access Division assets split from the total assets of TOL. The total amount of share capital has been reduced with the nominal value of shares representing the same percentage equaling HUF 1 624 million, and the total value of retained earnings has been decreased with the difference between the nominal value and the cancelled investment value, corresponding to the amount of HUF 9 240 million.

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- As a result of eliminating mutual receivables, liabilities, accruals and deferrals between MT and TOL IA, the balance sheet total of the continuing operation shall be reduced by the amount of HUF 4 856 million.

Eliminated assets include the following:

Data in HUF million	MT	TOL IA	Together
Short term receivables	2 048	1 354	3 402
Income accruals	591	858	1 449
Prepaid expenses	4	1	5
<b>Total asset elimination</b>			<b>4 856</b>

Eliminated liabilities include the following:

Data in HUF million	MT	TOL IA	Together
Short term payables	2 150	1 379	3 529
Income deferral		5	5
Accrued expense	830	480	1 310
<b>Total liabilities elimination</b>			<b>4 844</b>

The difference of eliminated assets and liabilities is a HUF 12 million asset surplus, to offset this retained earnings was decreased by the same amount.

- Egertel Ltd. Co., holding a 0,0003 % stake in Egertel, has declared that it does not wish to participate as a member in the company following the merger. In accordance with the draft of the Agreement on the settlement, the share of the non-participating member shall be provided in cash. This amount represents HUF 11 516 calculated on Egertel's 1 piece of Emitel share, which amount decreases the invested financial assets shown in difference 3 column. Pursuant to the relevant rules of the Accounting Act, the elements of shareholders' equity must be reduced by a corresponding amount. Accordingly, share capital has been reduced by HUF 10 thousand, capital reserve reduced by HUF 128 and retained earnings reduced by HUF 1 516.
- Since MT has a 99,9997 % stake in Emitel, this investment needs to be eliminated in order to avoid capital aggregation. The value of shareholdings in Emitel recorded in the books of the receiver company will be cancelled from among financial assets in the amount of HUF 4 036 million. The total amount of share capital has been reduced with the nominal value of cancelled shares equaling HUF 3 109,99 million, and the total value of retained earnings has been decreased with the difference between the nominal value and the cancelled investment value, corresponding to the amount of HUF 926,01 million.

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- As a result of eliminating mutual receivables, liabilities, accruals and deferrals between MT and Emitel, the balance sheet total of the continuing operation shall be reduced by the amount of HUF 2 245 million.

The eliminated assets and liabilities are the following:

Data in HUF million	MT	Emitel	Together
Long term receivables	1 820		1 820
Short term receivables	81	267	348
Income accruals	48	24	72
Prepaid expenses		5	5
<b>Total asset elimination</b>			<b>2 245</b>
Long term payables		320	320
Short term payables	263	1 581	1 844
Dividend liability		1 158	1 158
Income deferral	5		5
Accrued expense	24	44	68
<b>Total liabilities elimination</b>			<b>3 395</b>

Since MT had only accounted for dividend receivable after its 2006. balance sheet had been closed, there is a HUF 1 158 million difference between asset and liability elimination that increases the compound retained earnings and the balance of other items to be eliminated decreases the same with HUF 8 million. Due to these differences the retained earnings will increase by a net HUF 1 150 million.

- The mutual receivables, liabilities, accruals and deferrals between Emitel and TOL IA on a million HUF basis do not show up in the draft merger balance sheet.

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The shareholders' equity of Magyar Telekom Telecommunications Public Ltd. Co., continuing operation in an unchanged legal form following the merger, shall be as follows:

Data in million HUF	Share capital	Capital reserve	Profit reserve	Restricted reserve	Net income of the year	Shareholder's equity
Basic data as of 12.31.2006	104 277	54 932	205 520	1 504	15 405	381 638
Changes:						
1. Posting of annual profit into retained earnings			15 405		-15 405	0
2. Addition of TOL IA shareholder's equity elements	1 624	4 986	0	400		7 010
3. Addition of Emitel shareholder's equity elements	3 110	40	-40	471		3 581
4. Equity adjustment related to the elimination of MT's TOL IA stake	-1 624		-9 240			-10 864
5. Difference after eliminating mutual MT - TOL IA claims and liabilities affecting R/E			-12			-12
6. Settlement with Egertel Ltd.	-0,01	-0,000128	-0,001388			-0,011516
7. Equity adjustment related to the elimination of MT's Emitel stake	-3 109,99		-926,01			-4 036,00
9. Difference after eliminating mutual MT - Emitel claims and liabilities affecting R/E			1 150			1 150
Changes altogether	0,00	5025,999872	6336,988612	871	-15 405	-3 171
<b>Total per draft after merger balance sheet</b>	<b>104 277</b>	<b>59 958</b>	<b>211 857</b>	<b>2 375</b>	<b>0</b>	<b>378 467</b>

When presenting the shareholders' equity of MT we assumed that at the General Meeting deciding about the merger there will not be any shareholder who does not wish to participate in the legal successor corporation as a shareholder.

The share capital of the legal successor corporation amounts to HUF 104 277 million and by being lower than the shareholder's equity less restricted reserves it is compliant with the relevant regulations of the Accounting Act.

The balance sheet total of the draft merger balance sheet of **Emitel Ltd. Co.** terminated by way of the merger, corresponds to HUF 7 194 million (seven billion one hundred ninety-four million Hungarian forints).

The transformation balance sheet total of the **Internet Access Division** splitted from T-Online Hungary Ltd. Co., and merging into MT, corresponds to HUF 12 390 million (twelve billion three hundred ninety million Hungarian forints).

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The balance sheet total of the draft merger balance sheet of **Magyar Telekom Telecommunications Plc.**, taking over the merged company, corresponds to HUF 965 862 million (nine hundred sixty-five billion eight hundred sixty-two million Hungarian forints) prior to transformation.

The balance sheet total of the draft after merger balance sheet of **Magyar Telekom Telecommunications Public Ltd. Co.**, continuing operation in unchanged form following the merger, corresponds to HUF 963 445 million (nine hundred sixty-three billion four hundred forty-five million Hungarian forints).

In the course of the audit, I reviewed the draft merger balance sheet of the two merging companies and that of the merging Internet Access Division – the after merger balance sheet total corresponding to HUF 963 445 million (nine hundred sixty-three billion four hundred forty-five million Hungarian forints)– in accordance with the Hungarian National Auditing Standards in force, and on the basis thereof, I acquired sufficient and adequate proof to the effect that the draft merger balance sheet was prepared in compliance with the Accounting Act and general accounting principles. The draft merger balance sheets provide reliable and true picture of the assets and finances of the merging companies.

**III. Other statements of the Auditor**

Considering that a 99,9997 % stake of the merged Emitel is held by the receiving company, the shareholders' equity of the receiving company may not be increased with the nominal value of such shares. The other shareholder of the merged company has stated that it does not wish to participate as a member in the legal successor company, therefore its shares shall be redeemed and its proportionate share of Emitel assets will be paid out.

Since T-Online Hungary Ltd. Co. is a 100 % subsidiary of MT, MT's investment falling on the Internet Access Division merging into MT needs to be eliminated, as well as the respective equity elements, as these can not increase the receiver company's shareholders equity in order to avoid capital aggregation.

The above transactions are appropriately reflected in the draft merger balance sheets. Considering that no new shares shall be issued by the receiver company in exchange for the shares of the merged company, or in exchange of the shares representing the merged Internet Access Division, we can not speak about the ratio of exchange for shares.



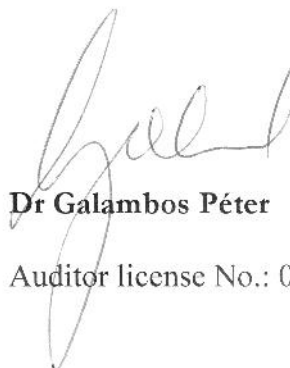
The provisions of the draft Merger and Demerger Agreement, respectively; and the written report of senior officials are in conformity with the audited draft transformation balance sheets and the draft inventories of assets and liabilities. We are of the view that the planned merger does not pose a risk to the satisfaction of creditor claims vis-à-vis the three companies.

Budapest, May 3, 2007.



**François Monville**

Managing director



**Dr Galambos Péter**

Auditor license No.: 003672

*Attachments:*

Draft pre demerger balance sheet and draft inventory of assets of TOL

Draft after demerger balance sheet and draft inventory of assets of [origo]

Draft after demerger and pre merger balance sheet and draft inventory of assets of Internet Access Division

Draft pre merger balance sheet and draft inventory of assets of MT

Draft pre merger balance sheet and draft inventory of assets of the merged company Emitel

Draft after merger balance sheet and draft inventory of assets of MT, the company operating in unchanged form following the merger

**Report of the Magyar Telekom Plc's Supervisory Board regarding the demerger of T-Online Hungary Ltd's access business line and its subsequent merger into Magyar Telekom Plc, as well as the merger of Emitel Ltd. into Magyar Telekom Plc.**

The Supervisory Board hereby summarizes its position regarding the demerger and subsequent merger of T-Online Hungary Ltd's access business line into Magyar Telekom Plc. as well as the merger of Emitel Ltd into Magyar Telekom Plc as follows:

The Supervisory Board reviewed the draft transformation balance sheets and draft inventories submitted by the Board of Directors. The Supervisory Board hereby states that the draft transformation balance sheets and draft inventories of the transforming companies are based on the audited balance sheets included in the annual financial statement for 2006, approved by the topmost relevant body and prepared according to the Accounting Act. The assets and liabilities were not revaluated in the transformation balance sheets, in compliance with the provisions of the Accounting Act.

The Supervisory Board fulfilled its statutory obligation and hereby declares that the draft transformation balance sheets and draft inventories provide a true and fair view of the financial and earnings position of the companies.

In the opinion of the Supervisory Board, the draft balance sheets and draft inventories meet the requirements of validity.

Due to the particularity of the ownership structure of the merging companies and to the fact that the other shareholder of Emitel Ltd. declared its wish not to take part in the legal successor companies, the Supervisory Board states that the concept of a swap rate to be identified regarding the shares is not applicable in this process of transformation.

In the context of the transformation, the Supervisory Board reviewed the written report prepared and submitted by the Boards of Directors of the transforming companies, the draft Demerger Agreement, the draft Merger Agreement and the proposed modification of the Articles of Association of Magyar Telekom as a legal successor company. In the opinion of the Supervisory Board the above-mentioned documents are reliable and in line with the legal requirements, and the written reports of the senior officers demonstrate the justification of the transformation including the legal and financial angles of the transformation.



## **Written report of the senior officers of Magyar Telekom Plc. and T-Online Internet Service Provider Co. Ltd. on the separation and merge of the Access Business Line of T-Online Internet Service Provider Co. Ltd.**

The business structure of traditional telecommunications undergoes significant changes, in particular, due to the effect of increasing convergence, which is based on the increasing migration towards IP and broadband services. As a result of technological development and changes of the regulatory environment the nature of competition has also changed dramatically. Traditional service providers have to face a strong competition in all of the segments: major competitors are active in a number of segments, offer integrated (triple play) products and show a deliberate, “predator “ attitude primarily in the broadband segment.

Therefore the incumbent operators must make significant efforts to protect their existing customer base by offering access and content in joint, attractive packages, and they also have to make benefit of the cross- and upstream sales potential by the targeted migration towards broadband. The pre-requisite of the successful and conscious migration is a common view of customer data which also makes possible a joint customer servicing which contributes to the growth of their loyalty.

While – according to the forecasts - the wireline services LoB has to face a constant and significant reduction, the demands for broadband access and broadband –based content services will continue to increase. Obviously, the focus points of the wireline LoB will shift in the directions of (i) the powerful growth of broadband access base, and (ii) provision of a wide selection of content services.

Therefore integration of wireline access areas is inevitable on the one hand and concentration of unified powers on the development of content services and new services is absolutely necessary on the other hand. As a result, a complete range of revenue and cost synergies can be applied, and special attention and proper resources can be allocated to the development of contents and services.

**The legal separation and merger of T-Online Hungary Internet Service Provider Co. Ltd.’s access business line into Magyar Telekom Plc. according to the company law allows to make benefit from the advantages which create a cost efficient group structure and ensure an optimal solution within the given regulatory framework.**

In the following we summarize the major market motivators of the merger and their implications regarding Magyar Telekom Group.

- Stagnating voice market
- Declining prices both in the wireline and broadband access markets
- Competition of the integrated service providers
- Customer servicing – customer focus as a means of increasing loyalty

In course of implementation of the integration the Group can acquire customer-level advantages intensifying the competition and raising competitiveness, which can improve the efficiency of operation as well. Advantages that can be gained this way ensure the sustainable development for Magyar Telekom Group, while simultaneously they make possible the continuous development of the largest telecom operator, implementation of further investments, contributing by that to the roll-out of Information Society.

The key elements of the benefits are provision of one-stop customer servicing, and a more efficient utilization of cross- and upstream sales potentials. From the aspect of efficiency of company operation the most significant benefit is simplification of the processes and advantages based on synergies.

Annex 4A

Accordingly, in the mid-term the Wireline Services LoB of Magyar Telekom can simplify the administration, purchase, billing and provision of technical assistance to its customers and also simplify all the transactions between the customers and wireline service provider.

As a result of gradual implementation of the harmonization, significant value creation can be realized for Magyar Telekom Group by capturing the additional revenues and by the optimization of operating cost levels and investments.

Merger by split –off of the affected companies carries the special feature that the merged company is in a 100% direct ownership of the recipient. In view of this significant condition the ratio of exchange of the shares of the merged company is non-interprettable .

The merger of T-Online Hungary Co. Ltd's Access Business Line into Magyar Telekom Plc, generates concrete business opportunities and quantifiable financial advantages while besides the clear advantages we face a manageable level of risks. Based on the preliminary calculations the joint, positive financial effect derived from the business advantage exceeds significantly the costs incurred, and the impacts of eventual risks.

Budapest, May 25, 2007.

Representative of Magyar Telekom Plc.

Representative of T-Online Hungary Co. Ltd.

.....  
Christopher Mattheisen

.....  
Thilo Kusch

signed by their own hands

.....  
György Simó

.....  
Dániel Szász

signed by their own hands

## **Written report of senior officers on the merger of Magyar Telekom Plc. and EMITEL Ltd.**

The opportunities arising from technological development, and most of all the increasing demand for broadband Internet, drive telecommunications companies to ever closer harmonization of the fixed-line business fields. Harmonization of fixed-line business fields can significantly improve operational efficiency through standardization and simplification of operational processes and structures. Furthermore, the harmonized approach does not only promote better and more efficient service provision to customers, but also significantly boosts a more cost-efficient roll-out of the broadband infrastructure.

The underlying opportunities in Magyar Telekom's shareholder value creation strategy have been (still are being) fully exploited by now, thus there are no substantial reserves in creating further shareholder value, which inevitably calls for group-level harmonization. Numerous service providers with fixed-line businesses have already realized the strategic benefits and opportunities in convergence. Efforts to harmonize their fixed-line businesses become ever more commonplace amongst European national service providers, too.

The most important of all the benefits are the widening scope of the service portfolio and more competitive value propositions (both in terms of quality and added value) perceived by customers. From the aspect of corporate efficiency, the primary positive impacts are the benefits of synergies and the opportunity to simplify the process structure.

The slowly draining capacity of growth of EMITEL could be improved by the well-known brands used by Magyar Telekom to strengthen the market positions in the boosted competition of the telecommunication sector. The inducement of the further development is hidden in the use of potential synergies in Magyar Telekom.

The merger will also improve competitive conditions, since service providers will fight for customers by increasingly competitive value propositions in the fixed-line fields. In addition to the above, the harmonization promotes the nation-wide roll-out of the broadband IP-based network infrastructure, which will serve as the basis for long-term service-based competition.

The unified Magyar Telekom can significantly simplify the way customers can do business, purchase goods, receive bills, ask for technical support and conduct any transactions with the fixed-line service providers in the mid-term.

Magyar Telekom Group's long-term competitiveness is largely dependent upon whether the Group is able to significantly rationalize its costs and improve its efficiency. Furthermore, taking into consideration that there is only limited room to increase revenues in the saturated fixed-line markets, cost reduction is of utmost importance also from the aspect of meeting owners' requirements. The merger enables cost reduction, as well as the optimization of financial and human resources through fully exploiting synergies.

As a result of gradual harmonization the Magyar Telekom Group can create value through capturing additional revenues on one hand, on the other hand optimizing operational and capital expenditure.

The merger of Emitel Telecommunications Company Ltd. into Magyar Telekom Plc. enables the company to exploit the opportunities that lie in establishing a more cost-efficient and optimal corporate structure, in compliance with statutory requirements.

Of course, due emphasis is to be put in the new structure on not jeopardizing the conditions that enable the company to meet the specific requirements of the market.

The merger between the companies involved in the transformation has the particularity that the recipient company directly holds a 99.99% share of the merged company. The owner holding the remaining share (0.01%) of the merged company (Egertel Ltd.) does not want to participate in the recipient company. For these reasons the exchange rate of the merged company's shares cannot be interpreted.

Merger of EMITEL Ltd. into Magyar Telekom Plc. will result in specific business opportunities and quantifiable financial benefits, however the risk factors concomitant with these benefits must to be managed.

Budapest, May 25, 2007

on behalf of Magyar Telekom Plc.

on behalf of EMITEL Ltd.

.....  
 Christopher Mattheisen                      Thilo Kusch  
 signed by their own hands

.....  
 Sepsey György                                      István Hegyi  
 signed by their own hands

**Settlement process to be applied with shareholders who do not wish to enter the merged company after the upstream merger of Magyar Telekom Plc. and Emitel Ltd. and of the merger by separation of T-Online Magyarország Plc.'s access business areas.**

Let us hereby inform our shareholders that on May 25, 2007, the Board of Directors of Magyar Telekom Plc. (registered seat: 1013 Budapest, Krisztina krt. 55., Registry No.: 01-10-041928), made a preliminarily decision regarding the transformation of Magyar Telekom Plc. and of T-Online Plc. (1117 Budapest, Neumann J. u. 1/b., Registry No.: 01-10-044389). The assets separated from T-Online Magyarország Ltd. will be merged together with Emitel Telecommunications Ltd. (6722 Szeged, Tisza Lajos krt. 41, registered at the Csongrád County Court as the Court of Registration on the Registry No.: Cg.: 06-10-000154) into Magyar Telekom Plc..

According to Act IV. of 2006 on Business Associations it is not compulsory for the shareholders of the merging companies (i.e. Magyar Telekom Plc., T-Online Hungary Ltd. and Emitel Telecommunications Ltd.) to remain shareholder in the merged company. Those shareholders who do not wish to enter the merged company will proportionally withdraw their assets – according to the number of their shares – from the assets of Magyar Telekom Plc.

The shareholders who wish to remain shareholders of the merged company have to take no action regarding their shares.

The shareholders who do not wish to enter the merged company will receive the proportional book value of their assets in exchange for their shares. We would like to draw the attention of the shareholders to the followings:

- The book value of the assets corresponding to one share is significantly lower than the market value of the share. The book value is 366 HUF (that is Three Hundred Sixty Six HUF) for one share, while the market value at closing of May 24, 2007 was 920 HUF.
- The shareholders who do not wish to enter the merged company will lose the ownership of their shares with the payment of above amount.

**Provision of the assets**

The provision of the assets is realized as follows: Magyar Telekom Plc. shareholders who do not wish to enter the merged company are entitled to receive 366 HUF (that is Three Hundred Sixty Six HUF) by each 100 HUF face value share, issued by Magyar Telekom Plc (ISIN: HU0000073507), as a redemption for those proportionately owned assets for which the shareholders in question submit their relevant declaration to Magyar Telekom Plc and made sure that the transfer was carried out to the below mentioned securities account.

Persons not wishing to take part as shareholders in the merged company will receive the above sum for each share within thirty (30) days upon the registry of the merger by the Court of Registry, via remittance to their bank accounts specified in the below declaration form.

## Declaration of the departing shareholders

Should you decide not to become the shareholder of the merged company you may announce this intent in two ways. On one hand you may draw up your declaration prior to the EGM - in this case it is not necessary to participate the said EGM. On the other hand you may announce your intent at the EGM in a way that you participate the meeting as a shareholder and make a written declaration at the discussion of the relevant agenda item.

Let us draw the attention of our shareholders that only those shareholders may exercise their share related rights towards the Company – i.e. only those declarations shall be deemed valid – that are made by such shareholders or by such shareholder representatives who are registered in the Share Registry of the Company. According to the provisions of the Act on Capital Markets the custodian, registered in the Share Registry as the representative thereof, may also act on behalf of the shareholder.

If you do not wish to participate the EGM you may announce that you do not wish to enter the merged company by filling in and returning the attached declaration form (Declaration, which is also to be found on the Company's internet site [www.magyartelekom.hu](http://www.magyartelekom.hu) ) for the attention of the Board of Directors of Magyar Telekom Plc. The said declaration must arrive to the below address at the latest by June 26, 2007: KELER Zrt. Részvénykönyv-vezetési Osztály 1075 Budapest Asbóth utca 9-11. Please indicate on the envelope: „Magyar Telekom átalakulási nyilatkozat” (Magyar Telekom transformation declaration).

Another precondition of making such declaration is that shareholders transfer their shares indicated in the declaration to Magyar Telekom Plc's specific securities account held at KELER Ltd. (account No.: 1145/100000) at the latest by 26<sup>th</sup> June 2007. In the notice rubric of the transfer order the securities account number shown in the declaration must be indicated.

Shareholders may also announce their intent that they do not wish to enter the merged company at the discussion of the relevant agenda item of the General Meeting. In this case such shareholders are to submit their declarations to the Board of Directors of Magyar Telekom Plc. at the EGM. Let us draw the attention of our shareholders that the precondition of validly submitting their declarations is that such shareholders have their relevant shares frozen prior to the EGM.

In this latter case, besides meeting the above precondition it is required that shareholders hand over the proxy regarding the transfer of the shares indicated in the declaration to Magyar Telekom Plc.'s specific securities account at KELER Ltd. (account No.: 1145/100000), and authorize Magyar Telekom Plc to submit the transfer proxy to the appropriate securities intermediary. The shares will be transferred to the above mentioned securities account after released by the EGM. Subsequent to the submission of their declarations the shareholders will not be able to make any order regarding the departing shares.

Should the General Meeting not decide on the transformation or if the registry of the merger at the Registry Court fails Magyar Telekom Plc. will re-transfer those shares of departing shareholders that have been transferred to the specific account at KELER Ltd. within 3 banking days to the securities account specified by such shareholders in their declarations.

Let us draw the attention of our shareholders that if a participant is represented at the EGM by a proxy, his declaration on departing the company will only be valid if the proxy instrument clearly and separately indicates such intent. The validity of such declarations will be checked by the Board of Directors.

## Annex 5

To sum up the above, if you do not wish to participate the EGM, neither wish to become a shareholder of the merged company, you must fill in and return the attached declaration form within the deadline to the above address and make sure that the transfer of shares is be carried out in compliance with the above written procedure.

Should you wish to make your declaration on being a departing shareholder of the merged company at the General Meeting there are two things to do: first you must make order to freeze your shares at the latest by June 21, 2007, second you must make your written declaration and the above detailed transfer proxy and hand them over to the Board of Directors (i.e. its representative) at the merger EGM.

Let us draw the attention of our shareholders that subsequent to the date when the Court of Registry registers the merger, the Company will decrease its subscribed capital with the face value of those shares of which their owner announced its intent to depart and carried out the necessary transfer. Regarding the departing shares Magyar Telekom Plc. will only pay the relevant asset proportion to the owners.

Should you need further guidance on the above procedures, please call the free share line of Magyar Telekom at: +36 80 38 38 38

May 29, 2007

The Board of Directors of Magyar Telekom Plc.

DECLARATION

I, the undersigned .....due to the preliminary decision on the merger of Magyar Telekom Plc., certain assets of T-Online Hungary Ltd. and Emitel Ltd. hereby announce that in possession of \_\_\_\_\_ pieces of 100 HUF face value ordinary shares, representing a total nominal value of HUF \_\_\_\_\_ and with respect to the same shares I do not wish to become the shareholder of the legal successor company, established through the merger.

My data are as follows:

Name (of the company):

Address (registered seat):

Notification address:

Mother's name:

Securities intermediary:

Securities account No.:

Please transfer my asset proportion due from Magyar Telekom Plc.'s assets 366, that is Three Hundred Sixty Six HUF that is payable for each share, to the below bank account via remittance.

Name of the bank:

Bank account No.:

With the submission of this declaration I accept the content of the announcement regarding the settlement process with shareholders who do not wish to remain shareholders in the legal successor company, established through the merger of Magyar Telekom Plc., certain assets of T-Online Hungary Ltd. and Emitel Ltd.

Date:

-----  
Signature of the shareholder

1st witness<sup>[2]</sup>

2nd witness

Signature:

Signature:

Name:

Name:

Address:

Address:

<sup>[1]</sup> In case of a legal entity the proper signature of the legal entity is required

<sup>[2]</sup> Witnesses are only required if the signatory is natural person



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Corporate Registry No.

**Magyar Telekom Távközlési Nyilvánosan Működő Részvénytársaság**  
**Draft of Pre-merger Balance Sheet as of December 31, 2006**

**Assets**

Data in HUF millions

	A tétel megnevezése	Book Value	Reclassification	Pre-merger B/S Value
<b>01.</b>	<b>A. Fixed assets</b>	<b>859 509</b>	<b>0</b>	<b>859 509</b>
02.	I. Intangible assets	223 598	0	223 598
03.	1) Capitalized value of formation/reorganization expenses			0
04.	2) Capitalized value of research and development			0
05.	3) Concessions, licenses and similar rights	39 783		39 783
06.	4) Trade-marks, patents and similar assets	19 935		19 935
07.	5) Goodwill	163 880		163 880
08.	6) Advances and prepayments on intangible assets			0
09.	7) Adjusted value of intangible assets			0
10.	II. Tangible assets	436 866	0	436 866
11.	1) Land and buildings and rights to immovables	232 976		232 976
12.	2) Plant and machinery, vehicles	174 220		174 220
13.	3) Other equipment, fixtures and fittings, vehicles	15 434		15 434
14.	4) Breeding stock			0
15.	5) Construction-in-progress	13 762		13 762
16.	6) Advance payments on construction-in-progress	474		474
17.	7) Adjusted value of tangible assets			0
18.	III. Financial investments	199 045	0	199 045
19.	1) Long-term participations in affiliated companies	177 838		177 838
20.	2) Long-term credit to affiliated companies	14 672		14 672
21.	3) Other long-term participations			0
22.	4) Long-term loan to independent companies			0
23.	5) Other long-term loans	6 535		6 535
24.	6) Long term credit securities			0
25.	7) Adjusted value of financial investments			0
<b>26.</b>	<b>B. Current assets</b>	<b>76 591</b>	<b>0</b>	<b>76 591</b>
27.	I. Inventories	7 501	0	7 501
28.	1) Raw materials and consumables	1 397		1 397
29.	2) Work in progress, intermediate and semi-finished products			0
30.	3) Animals for breeding and fattening and other livestock			0
31.	4) Finished products			0
32.	5) Goods	6 054		6 054
33.	6) Advances and prepayments	50		50
34.	II. Receivables	64 404	0	64 404
35.	1) Trade debtors	35 506		35 506
36.	2) Receivables from affiliated companies	16 754		16 754
37.	3) Receivables from other related companies	2		2
38.	4) Bills receivable			0
39.	5) Other receivables	12 142		12 142
40.	III. Securities	1 504	0	1 504
41.	1) Participations in affiliated companies			0
42.	2) Other participations			0
43.	3) Treasury stock, quotas	1 504		1 504
44.	4) Marketable credit securities			0
45.	IV. Liquid assets	3 182	0	3 182
46.	1) Cash, checks	67		67
47.	2) Bank deposits	3 115		3 115
<b>48.</b>	<b>C. Accrued and deferred assets</b>	<b>29 762</b>	<b>0</b>	<b>29 762</b>
49.	1) Accrued income	28 341		28 341
50.	2) Prepayments for costs and expenses	1 421		1 421
51.	3) Deferred expenses			0
<b>52.</b>	<b>Total assets</b>	<b>965 862</b>	<b>0</b>	<b>965 862</b>

Date Budapest, May 3, 2007

**Christopher Mattheisen**  
 Chairman and  
 Chief Executive  
 Officer, member of  
 the Board of  
 Directors

**Thilo Kusch**  
 Chief Financial  
 Officer, member of  
 the Board of  
 Directors

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Statistical No.

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Corporate Registry No.

**Magyar Telekom Távközlési Nyilvánosan Működő Részvénytársaság**  
**Draft of Pre-merger Balance Sheet as of December 31, 2006**

**Liabilities and Shareholder's Equity**

Data in HUF millions

	A tétel megnevezése	Book Value	Reclassification	Pre-merger B/S Value
53.	<b>D. Shareholders' equity</b>	<b>381 638</b>	<b>0</b>	<b>381 638</b>
54.	I. Subscribed capital	104 277		104 277
55.	including ownership shares repurchased at face value	246		246
56.	II. Subscribed capital unpaid (-)			0
57.	III. Capital reserve	54 932		54 932
58.	IV. Accumulated profit reserve	205 520	15 405	220 925
59.	V. Tied-up reserve	1 504		1 504
60.	VI. Revaluation reserve			0
61.	VII. Profit or loss for the year	15 405	-15 405	0
62.	<b>E. Provisions</b>	<b>7 977</b>	<b>0</b>	<b>7 977</b>
63.	1) Provisions for forward liabilities	7 783		7 783
64.	2) Provisions for forward expenses	166		166
65.	3) Other provisions	28		28
66.	<b>F. Liabilities</b>	<b>533 211</b>	<b>0</b>	<b>533 211</b>
67.	I. Subordinated liabilities	0	0	0
68.	1) Subordinated liabilities to affiliated undertakings			0
69.	2) Subordinated liabilities to independent undertakings			0
70.	3) Subordinated liabilities to other economic entities			0
71.	II. Long-term liabilities	212 001	0	212 001
72.	1) Long-term loans			0
73.	2) Convertible bonds			0
74.	3) Debts on issue of bonds	123		123
75.	4) Investment and development credits	18 250		18 250
76.	5) Other long-term credits			0
77.	6) Long-term liabilities to affiliated companies			0
78.	7) Long-term liabilities to other related companies	185 432		185 432
79.	8) Other long-term liabilities	8 196		8 196
80.	III. Current liabilities	<b>321 210</b>	<b>0</b>	<b>321 210</b>
81.	1) Short-term borrowings	71		71
82.	- from this convertible bonds			0
83.	2) Other short-term loans	27 374		27 374
84.	3) Advances received from customers	343		343
85.	4) Accounts payable	28 704		28 704
86.	5) Bills payable			0
87.	6) Short-term liabilities to affiliated companies	22 441		22 441
88.	7) Short-term liabilities to other related undertakings	74 089		74 089
89.	8) Other short-term liabilities	168 188		168 188
90.	<b>G. Accrued and deferred liabilities</b>	<b>43 036</b>	<b>0</b>	<b>43 036</b>
91.	1) Deferred income	7 619		7 619
92.	2) Accrued expenses	34 646		34 646
93.	3) Other deferred revenue	771		771
94.	<b>Total liabilities and Shareholder's Equity</b>	<b>965 862</b>	<b>0</b>	<b>965 862</b>

Date Budapest, May 3, 2007

PH.

  
**Christopher Mattheisen**  
 Chairman and  
 Chief Executive  
 Officer, member of  
 the Board of  
 Directors

  
**Thilo Kusch**  
 Chief Financial  
 Officer, member  
 of the Board of  
 Directors

Magyar Telekom Távközlési Nyilvánosan Működő Részvénytársaság  
Draft of After Merger Balance Sheet as of December 31, 2006

Data in HUF millions

Items	Magyar Telekom Nyrt.	EMITEL Zrt.	Assets split from T-Online	Together	Difference					After merger B/S
					1	2	3	4	5	
<b>01. A. Fixed assets</b>	<b>859 509</b>	<b>6 525</b>	<b>5 500</b>	<b>871 594</b>	<b>-10 864</b>	<b>0,000</b>	<b>0</b>	<b>-4 036,000</b>	<b>-1 820</b>	<b>854 874</b>
02. 1. Intangible assets	223 598	324	2 732	226 654						226 654
03. 1) Capitalized value of formation/reorganization expenses	0	0	0	0						0
04. 2) Capitalized value of research and development	0	0	0	0						0
05. 3) Concessions, licenses and similar rights	39 783	106	688	40 577						40 577
06. 4) Trade-marks, patents and similar assets	19 935	218	730	20 883						20 883
07. 5) Goodwill	163 880	0	1 311	165 194						165 194
08. 6) Advances and prepayments on intangible assets	0	0	0	0						0
09. 7) Adjusted value of intangible assets	0	0	0	0						0
<b>10. II. Tangible assets</b>	<b>436 866</b>	<b>6 196</b>	<b>2 758</b>	<b>445 817</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>445 817</b>
11. 1) Land and buildings and rights to immovables	232 976	4 853	104	237 933						237 933
12. 2) Plant and machinery, vehicles	174 220	1 229	912	176 361						176 361
13. 3) Other equipment, fixtures and fittings, vehicles	15 431	51	223	15 708						15 708
14. 4) Breeding stock	0	0	0	0						0
15. 5) Construction-in-progress	13 762	63	1 516	15 341						15 341
16. 6) Advance payments on construction in progress	171	0	0	171						171
17. 7) Adjusted value of tangible assets	0	0	0	0						0
18. III. Financial investments	199 015	5	73	199 793						199 793
19. 1) Long-term participations in affiliated companies	177 838	0	16	177 854						177 854
20. 2) Long term credit to affiliated companies	14 672	0	0	14 672						14 672
21. 3) Other long-term participations	0	0	0	0						0
22. 4) Long term loan to independent companies	0	0	0	0						0
23. 5) Other long-term loans	6 535	5	37	6 597						6 597
24. 6) Long term credit securities	0	0	0	0						0
25. 7) Adjusted value of financial investments	0	0	0	0						0
<b>26. B. Current assets</b>	<b>76 591</b>	<b>612</b>	<b>5 530</b>	<b>82 733</b>	<b>0,000</b>	<b>-3 402</b>	<b>-0,011516</b>	<b>0</b>	<b>-348</b>	<b>78 983</b>
27. 1. Inventories	7 501	83	77	7 661						7 661
28. 1) Raw materials and consumables	1 397	55	75	1 527						1 527
29. 2) Work in progress, intermediate and semi-finished products	0	0	0	0						0
30. 3) Animals for breeding and fattening and other livestock	0	0	0	0						0
31. 4) Finished products	0	0	0	0						0
32. 5) Goods	6 054	28	2	6 084						6 084
33. 6) Advances and prepayments	50	0	0	50						50
34. II. Receivables	64 101	518	5 447	70 369						70 369
35. 1) Trade debtors	35 506	221	2 381	38 111						38 111
36. 2) Receivables from affiliated companies	16 734	267	2 994	20 015						20 015
37. 3) Receivables from other related companies	2	0	0	2						2
38. 4) Bills receivable	0	0	0	0						0
39. 5) Other receivables	12 142	30	69	12 241						12 241
40. III. Securities	1 504	0	0	1 504						1 504
41. 1) Participations in affiliated companies	0	0	0	0						0
42. 2) Other participations	0	0	0	0						0
43. 3) Treasury stock quotas	1 504	0	0	1 504						1 504
44. 4) Marketable credit securities	0	0	0	0						0
45. IV. Liquid assets	3 082	11	6	3 099						3 099
46. 1) Cash, checks	67	1	0	68						68
47. 2) Bank deposits	3 115	10	6	3 131						3 131
<b>48. C. Accrued and deferred assets</b>	<b>29 762</b>	<b>57</b>	<b>1 300</b>	<b>31 119</b>	<b>0,000</b>	<b>-1 454</b>	<b>0,011516</b>	<b>0</b>	<b>-77</b>	<b>29 588</b>
49. 1) Accrued income	28 341	48	1 201	29 593						29 593
50. 2) Provisions for costs and expenses	1 421	0	96	1 526						1 526
51. 3) Deferred expenses	0	0	0	0						0
<b>52. Total assets</b>	<b>965 862</b>	<b>7 194</b>	<b>12 390</b>	<b>985 446</b>	<b>-10 864,000</b>	<b>-4 856,000</b>	<b>-0,011516</b>	<b>-4 036,000</b>	<b>-2 245</b>	<b>963 445</b>

Date Budapest, May 3, 2007

*Christopher Mattheisen*  
**Christopher Mattheisen**  
 Chairman and Chief Executive  
 Officer, member of the Board  
 of Directors

*Thilo Kusch*  
**Thilo Kusch**  
 Chief Financial Officer,  
 member of the Board of  
 Directors



Magyar Telekom Távközlési Nyilvánosan Működő Részvénytársaság  
Draft of After Merger Balance Sheet as of December 31, 2006

Liabilities and Shareholder's Equity

A vétel megnevezése		Magyar Telekom Nyrt.	EMITEL Zrt.	Capital & liabilities splitted from T-Online	Together	Difference 1	Difference 2	Difference 3	Difference 4	Difference 5	After merger B/S
53.	Shareholders' equity	381 638	3 881	7 010	392 229	-10 864,000	-12,000	-0,011516	-4 036,000	1 150	378 467
54.	I. Subscribed capital including ownership shares repurchased at face value	104 277	3 110	1 621	109 011	-1 624,000		-0,010000	-3 109,999		101 277
55.	II. Subscribed capital, unpaid (%)	246	0	0	246	0	0	0	0	0	246
56.	III. Capital reserve	54 932	10	4 986	59 958	0	0	0,000128	0	0	59 958
57.	IV. Accumulated profit reserve	230 925	-40	0	230 885	9 240,000	-12,000	-0,0001388	-926,010	1 150	211 857
59.	V. Paid up reserve	1 504	471	100	2 375	0	0	0	0	0	2 375
60.	VI. Revaluation reserve	0	0	0	0	0	0	0	0	0	0
61.	VII. Profit or loss for the year	0	0	0	0	0	0	0	0	0	0
62.	<b>F. Provisions</b>	<b>7 977</b>	<b>100</b>	<b>126</b>	<b>8 203</b>	<b>0,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8 203</b>
63.	1) Provisions for forward liabilities	7 783	48	126	7 957	0	0	0	0	0	7 957
64.	2) Provisions for forward expenses	166	0	0	166	0	0	0	0	0	166
65.	3) Other provisions	28	52	0	80	0	0	0	0	0	80
66.	<b>F. Liabilities</b>	<b>533 211</b>	<b>3 370</b>	<b>3 786</b>	<b>540 367</b>	<b>0,000</b>	<b>-3 529</b>	<b>0</b>	<b>0</b>	<b>-3 522</b>	<b>533 516</b>
67.	I. Subordinated liabilities	0	0	0	0	0,000	0	0	0	0	0
68.	1) Subordinated liabilities to affiliated undertakings	0	0	0	0	0	0	0	0	0	0
69.	2) Subordinated liabilities to independent undertakings	0	0	0	0	0	0	0	0	0	0
70.	3) Subordinated liabilities to other economic entities	0	0	0	0	0	0	0	0	0	0
71.	II. Long term liabilities	212 001	323	0	212 324	0,000	0	0	0	320	212 001
72.	1) Long-term loans	0	0	0	0	0	0	0	0	0	0
73.	2) Convertible bonds	0	0	0	0	0	0	0	0	0	0
74.	3) Debts on issue of bonds	123	0	0	123	0	0	0	0	0	123
75.	4) Investments and development credits	18 250	0	0	18 250	0	0	0	0	0	18 250
76.	5) Other long-term credits	0	0	0	0	0	0	0	0	0	0
77.	6) Long-term liabilities to affiliated companies	0	320	0	320	0	0	0	0	-320	0
78.	7) Long-term liabilities to other related companies	185 432	0	0	185 432	0	0	0	0	0	185 432
79.	8) Other long-term liabilities	8 196	3	0	8 199	0	0	0	0	0	8 199
80.	III. Current liabilities	321 210	3 047	3 786	328 043	0,000	-3 529	0	0	-3 002	321 512
81.	1) Short-term borrowings - from the associated banks	71	0	0	71	0	0	0	0	0	71
82.	2) Other short-term loans	27 374	0	0	27 374	0	0	0	0	0	27 374
83.	3) Advances received from customers	343	5	0	348	0	0	0	0	0	348
85.	4) Accounts payable	28 704	102	1 429	30 235	0	0	0	0	0	30 235
86.	5) Bills payable	0	0	0	0	0	0	0	0	0	0
87.	6) Short-term liabilities to affiliated companies	22 441	2 749	2 357	27 547	-3 529	-3 529	0	3 002	0	21 016
88.	7) Short-term liabilities to other related undertakings	74 089	0	0	74 089	0	0	0	0	0	74 089
89.	8) Other short-term liabilities	168 188	191	0	168 379	0	0	0	0	0	168 379
90.	<b>G. Accrued and deferred liabilities</b>	<b>43 036</b>	<b>143</b>	<b>1 468</b>	<b>44 647</b>	<b>0,000</b>	<b>-1 315,000</b>	<b>0</b>	<b>0</b>	<b>-73</b>	<b>43 259</b>
91.	1) Deferred income	7 619	26	252	7 897	-5	-5	0	0	-5	7 887
92.	2) Accrued expenses	34 646	117	1 216	35 979	-1 310	-1 310	0	0	-68	34 601
93.	3) Other deferred revenue	771	0	0	771	0	0	0	0	0	771
94.	<b>Total liabilities and Shareholder's Equity</b>	<b>965 862</b>	<b>7 194</b>	<b>12 390</b>	<b>985 446</b>	<b>-10 864,000</b>	<b>-4 856,000</b>	<b>-0,011516</b>	<b>-4 036,000</b>	<b>-2 245</b>	<b>963 445</b>

Date: Budapest, May 3, 2007.

- Difference 1: Elimination of Telekom's investment in T-Online merging assets and liabilities
- Difference 2: Elimination of mutual receivables/payables/accruals Telekom T-Online
- Difference 3: Settlement with non-participating United shareholder
- Difference 4: Elimination of Telekom's investment in Eantel
- Difference 5: Elimination of mutual receivables/payables/accruals Telekom Eantel

*Christopher Mattheisen*  
**Christopher Mattheisen**  
 Chairman and Chief Executive Officer, member of the Board of Directors

*Thilo Kusch*  
**Thilo Kusch**  
 Chief Financial Officer, member of the Board of Directors

## Demerger Agreement - Draft -

made between

**T-Online Hungary Internet Service Provider Company Limited** (1117 Budapest, Neumann J. u. 1/b, registered by the Metropolitan Court of Budapest as Registration Court under Trade Register Number Cg.: 01-10-044389, represented by: György Simó and Dániel Szász Board members), as predecessor company whose demerged assets are merged into Magyar Telekom Plc. Hereinafter the merged part of the company's assets is referred to as: **Amalgamated Company**

**[origo] Media and Communications Company Limited** (1117 Budapest, Neumann J. u. 1/b, registered by the Metropolitan Court of Budapest as Registration Court under Trade Register Number Cg.: 01-10-044389, represented by: György Simó and Dániel Szász Board members) is at the same time the successor company since the remaining part of the company will not be terminated, but continue its operations in unchanged form through amendment of its Articles of Association (hereinafter referred to as: **Remaining Company**,

and

**Magyar Telekom Telecommunications Public Limited Company** (registered offices: 1013 Budapest, Krisztina krt. 55. Trade Register Number: 01-10-041928, registered by the Metropolitan Court of Budapest as Registration Court, represented by: Christopher Mattheisen, Chairman of the Board and Thilo Kusch, member of the Board), as successor (hereinafter referred to as **Successor Company**) – hereinafter together referred to as Contracting Parties,

at the place and date below, on the following terms and conditions:

1. The Contracting Parties decided on the basis of the Successor Company's General Meeting Resolution No. [...] /2007 dated [June 29], 2007 and the Amalgamated Company's and Remaining Company's Founder's Resolution No. [...] /2007 dated [June 29], 2007 to transform the Contracting Parties according to the relevant provisions of Act IV of 2006 on Business Associations (hereinafter referred to as 'Business Associations Act'). Method of transformation: secession whereby a certain part of the corporate assets of the Amalgamated Company join the Successor Company through secession and merger. The company from which a certain part has departed will not be terminated, but continue its operations in unchanged form through amendment of its Articles of Association.
2. The Contracting Parties declare that after the separation and merger T-Online Hungary Co. Ltd., from which a certain share is departed, will continue its operations in unchanged corporate form after amendment of its Articles of Association. The separated part of assets the company will be merged into an already operating company Magyar Telekom Plc. as Successor Company and according to the rules of merger – with regard to the provisions of Section 3 of this Demerger Agreement – the Successor Company will become the general legal successor of the Amalgamated Company. The Amalgamated Company shall ensure in respect of its shares becoming invalid that the legal consequences of invalidity are applied by the Board of the Successor Company within 30 days of reception of the notice on registration.

3. The Contracting Parties provide as follows in respect of the division of assets:

3.1. Date of transformation in the balance sheet: December 31, 2006. On the basis of the draft valuation balance sheet and draft valuation inventory prepared for this date the ratios of division of assets between the two companies: Magyar Telekom Plc.'s share is 85.2%, say . eighty five point two percent and T-Online Hungary Co. Ltd.'s share is 14.8%, say fourteen point eight percent].

3.2. The rules to be applied for the division of assets is based on the division of activities between the companies and on which activity the relevant asset is related to.

3.3. Lawsuits and out-of-court cases will be divided between the Contracting Parties according to the following rules: lawsuits and out-of-court cases related to the assets to be integrated will be taken forward by the Amalgamated Company, while the lawsuits and out-of-court cases not related to separated assets will stay with the Remaining Company. The list of the lawsuits and out-of-court cases is attached as annex number 1 .

3.4. The Contracting Parties agree in respect of the division of authority licenses: the licenses and notifications related to the to be integrated assets will be owned by the Amalgamated Company, while the Remaining Company will own the licenses not related to the separated assets. The Contracting Parties agree that following authority notifications are owned by the Remaining Company, if needed the Amalgamated Company will request/submit a new license/notification:

- Data Handling notification
- NRA Communication notification about Internet service provisioning

3.5. The [origo] Media and Communications Ltd retains the following rights and obligations: the rights and obligations related to the to be integrated assets will be long to the Amalgamated Company, while the Remaining Company will retain the rights and obligations not related to the separated assets. The detailed split of rights and obligations can be found in the asset inventory from annex 2 and in the list of contracts from annex 3.

3.6. Magyar Telekom Plc. will become the general successor of T-Online Hungary Co. Ltd.'s merged share in respect of the following rights and obligations: the rights and obligations related to the to be integrated assets will be long to the Amalgamated Company, while the Remaining Company will retain the rights and obligations not related to the separated assets. The detailed split of rights and obligations can be found in the asset inventory from annex 2 and in the list of contracts from annex 3.

4. The Contracting Parties agree that [origo] Media and Communications Ltd as successor company will remain a 100% owned company limited by shares. The Remaining Company's ownership structure and corporate data remain as follows:

- 4.1. Company name: [origo] Media and Communications Company Limited
- 4.2. Trade Register Number: 01-10-044389
- 4.3. Short name: [origo] Ltd.]

- 4.4. Registered offices: 1117 Budapest, Neumann J. u.1/b.  
4.5. Core activity: 74.40 '03 Advertising  
4.6. Sole owner: Magyar Telekom Plc.

5. According to an agreement between the Contracting Parties after the secession and merger Magyar Telekom as successor company will remain a public limited company. The Successor Company's corporate data will not change, remain as follows:

- 5.1. Company name: Magyar Telekom Telecommunications Public Limited Company  
5.2. Trade Register Number: 01-10-041928  
5.3. Short name: Magyar Telekom Plc.  
5.4. Registered offices: 1013 Budapest, Krisztina krt. 55.  
5.5. Core activity: 64.20.03 Telecommunications

6. The planned date of entry into force of the transformation: September 30, 2007.
7. Magyar Telekom Plc.'s amended Articles of Association will be approved by the General Meeting: on [June 29], 2007. [origo] Media and Communications Ltd.'s amended Deed of Foundation will be approved by the Founder: on [June 29], 2007.
8. Section 6 of the successor [origo] Media and Communications Ltd.'s Deed of Foundation will be amended as follows:

„The Company is the general legal successor of T-Online Magyarország Internet Szolgáltató Zártkörűen Működő Részvénytársaság with regard to the remaining part of the assets (and with the rights and obligations connected to them) of the company according to the Demerger Agreement concluded with the Sole Owner on June 29, 2007 in the process of transformation.”

„1. Name of the Company:  
[origo] Média és Kommunikációs Zártkörűen Működő Részvénytársaság

Short name of the Company:  
[origo] Zrt.

Name of the Company in English:  
[origo] Media and Communication Private Company Limited by Shares

Short name of the Company in English:  
[origo] Ltd.”

“6. The Company's equity  
HUF 282 013 000, say two hundred and eighty-two million and thirteen thousand forints.  
The Founder agrees to take over the Company's all shares identified in Section 7.1.”

“7. The Company's shares:  
7.1. The Company's equity consists of 2 820 130, say two million eight hundred and twenty thousand one hundred thirty registered ordinary shares of HUF 100, say one hundred forints face value representing equal member's rights.”

9. The Successor Company's Articles of Association will be amended in Section 1 (The Company's data) in such a way that Section 1.8.2 includes the following wording: Magyar Telekom Telecommunications Public Limited Company will become the general successor in respect of the share of corporate assets of **T-Online Hungary Internet Service Provider Company Limited** (registered offices: 1117 Budapest, Neumann J. u 1/b.; Corporate Registry No.: 01-10-044389) secession and at the same time merged on June 29, 2007. The Successor Company's Articles of Association will be amended as follows: [...].

*(If a declaration is made that any of MT's shareholders leaves the company)*

*Sections 1.7 and 2.1 of the Articles of Association will be amended due to the decrease of registered capital as a result of shareholders not wishing to participate in the successor company and leaving the company, as follows:*

*"1.7. The Company's equity*

*The Company's equity amounts to HUF ..... (say ..... forints) consisting of HUF ..... (say ..... forints) cash and HUF 58,266,189,000, say fifty-eight billion, two hundred and sixty-six million, one hundred and eighty-nine thousand forints, non-financial contribution.*

*2.1. Shares*

*The Company's equity consists of .....Series A registered ordinary shares of HUF 100 face value."*

10. The secession and merger between the above-mentioned companies has the particularity that the merged share of assets are fully owned by the Successor Company. For this reasons the exchange rate of the shares representing the merged corporate assets cannot be interpreted.
11. Due to the particularity of the ownership structure described in Section 10 Article 279 (1) a) and c) of the Business Associations Act cannot be interpreted for this secession and merger.
12. [origo] Media and Communications Ltd Deed of Foundation does not provide for preference rights of shareholders. Transfer of the shares of the Remaining Company will be governed by the rules of the Business Associations Act. The Board and Supervisory Board members and the legal status of employees in senior management positions in the Remaining Company will remain unchanged.
13. Magyar Telekom Plc. will maintain the preference rights laid down in its Articles of Association and the detailed rules applicable to transfer of shares as they existed before the secession and merger. The Board and Supervisory Board members and the legal status of employees in senior management positions will remain unchanged.
14. The registered capital of [origo] Ltd. as successor was decreased through the secession and merger in proportion to the division of assets between the predecessor and the successor. The amount of registered capital was finalized and accordingly the Deed of Foundation was amended on [June 29], 2007 when the Founder's resolutions on the secession and merger were adopted.



15. *(Only if any shareholder departs) The registered capital of Magyar Telekom Plc. as successor was decreased in proportion to the declarations made in the secession and merger process by the persons who do not wish to participate as shareholder in the successor company. The amount of registered capital was finalized and accordingly the Articles of Association was amended on [June 29], 2007 when Magyar Telekom Plc.'s Extraordinary General Meeting deciding on the secession and merger was held.*

*Magyar Telekom Plc.'s Board will issue a Settlement Statement on the determination and delivery of the share of assets held by the members who do not wish to participate in the successor Magyar Telekom Plc. The share of assets will be delivered to the concerned members through bank transfer within 30 days of the notice of registration of transformation.*

16. Any issues not regulated in this Demerger Agreement will be governed by the provisions of Act IV of 2006 on Business Associations and of the Civil Code.
17. The Contracting Parties declare that this Demerger Agreement was approved by the senior bodies of the Contracting Parties.

This Agreement was signed by the Contracting Parties as which means their will in all.

Budapest, June 29, 2007

Budapest, June 29, 2007

.....  
**Magyar Telekom Plc.**

.....  
**T-Online Hungary Ltd.**

.....  
[origo] Ltd.

This document was drawn up and countersigned on June 29, 2007 by:

## Annex 7A

### Annexes:

1. List of lawsuits and out-of-court cases:
2. Asset inventory: to be created by the board submission deadline
3. List of contracts:

## Upstream Merger Agreement

~~-draft-~~

concluded by and between

**EMITEL Telecommunications Company Limited** (registered offices: 6722 Szeged, Tisza Lajos krt. 41., registered by the Csongrád County Court as Registration Court under Trade Register Number Cg.: 06-10-000154, represented by Dr. György Sepsey, Chairman of Board and István Hegyi, CEO), as merged company, hereinafter referred to as **Amalgamated Company**

and

**Magyar Telekom Telecommunications Public Limited Company** (registered offices: 1013 Budapest, Krisztina krt. 55., registered by the Metropolitan Court of Budapest as Registration Court under Trade Register Number Cg.: 01-10-041928, represented by: Christopher Mattheisen, Chairman of the Board and Thilo Kusch, member of the Board), as successor company (hereinafter referred to as **Successor Company**) – hereinafter together referred to as Contracting Parties,

at the place and date below, on the following terms and conditions:

1. The Contracting Parties decided on the basis of the Recipient Company's General Meeting Decision No. [.....]/2007 dated June 29, 2007 and the Amalgamated Company's General Meeting Decision No. [.....]/2007 dated June 29, 2007 on a merger of the Contracting Parties according to the relevant provisions of Act IV of 2006 on Business Associations by means of upstream merger of the Amalgamated Company into the Successor Company.
2. The Contracting Parties declare that after the merger takes place, the Amalgamated Company will be terminated with the Successor Company being the legal successor. The shares of the Amalgamated Company shall become invalid and the legal consequences of invalidity are applied by the Board of the Successor Company within 30 days of reception of the notice on registration.
3. The Contracting Parties declare that the corporate form of the Successor Company will remain public limited company.
4. According to an agreement between the Contracting Parties after the merger the Successor Company's
  - 4.1 Company name: Magyar Telekom Telecommunications Public Limited Company
  - 4.2 Trade Register Number: 01-10-041928
  - 4.3 Short name: Magyar Telekom Plc.
  - 4.4 Registered offices: 1013 Budapest, Krisztina krt. 55.
  - 4.5 Core activity: 64.20.03 Telecommunications
5. The planned date of entry into force of the transformation: September 30, 2007
6. Approval by the General Meeting of the successor company's amended Articles of Association: June 29, 2007.

7. As a result of the merger the Successor Company's Articles of Association will be amended in Section 1 (The Company's data) in such a way that Section 1.8.3 includes the following wording: Magyar Telekom Public Limited Company is the general successor of EMITEL Telecommunications Company Limited (registered offices: 6722 Szeged, Tisza Lajos krt. 41. Corporate Registry No.: 06-10-000154). The Successor Company's Articles of Association will be amended as follows: [.....].

*(If a declaration is made that any of MT's shareholders leaves the company)*

*Sections 1.7 and 2.1 of the Articles of Association will be amended due to the decrease of registered capital as a result of shareholders not wishing to participate in the successor company and leaving the company, as follows:*

*„1.7. The Company's equity*

*The Company's equity amounts to HUF ..... (say ..... forints) consisting of HUF ..... (say ..... forints) cash and HUF 58,266,189,000, say fifty-eight billion, two hundred and sixty-six million, one hundred and eighty-nine thousand forints, non-financial contribution.*

*2.1. Shares*

*The Company's equity consists of .....Series A registered ordinary shares of HUF 100 face value.*

*The Company's shares are shares produced in dematerialized form.*

*Dematerialized share means a registered share without serial number where the name of the shareholder and other data used for clear identification are shown on the securities account.”*

8. The merger between the above-mentioned companies has the particularity that the Successor Company directly holds approx. 99.99% (ratio of 310999/311000) share of the Amalgamated Company. The owner holding the remaining share (1/311000 approx. 0.01%) of the Amalgamated Company (EGERTEL Co. Ltd.) does not want to participate in the Successor Company. For this reason the registered capital of the Amalgamated Company cannot be part of the Successor Company's equity. For these reasons the exchange rate of the Amalgamated Company's shares cannot be interpreted.

In respect of settlement with EGERTEL Co. Ltd. the Board decides to send 30 days before the General Meeting deciding on the merger a written notice to the member in which the shareholder is called on to confirm by the date of the General Meeting its statement that it does not want to be a shareholder of the successor company.

Settlement with the leaving member will be carried out according to the provisions of the Business Associations Act on the basis of the ratios between the predecessor company's equity shown in the December 31, 2006 valuation balance sheet and registered capital and between the equity and balance sheet total. The amount that the leaving member will receive depends on what percentage of the merging (predecessor) company's registered capital was created through contribution of assets by the concerned shareholders. In this case – since Emitel Co. Ltd.'s equity is higher than the registered capital – the member leaving the company will receive from the predecessor company's equity the percentage calculated as the ratio of its contribution of assets to the registered capital.

According to the Business Associations Act the leaving member will receive from Emitel Co. Ltd.'s assets as a compensation for its share of assets incorporated by the shares it holds HUF [...] for each share. Since Egertel Co. Ltd. holds 1 (one) share it will receive from the assets HUF 11,516 (say eleven thousands five hundred sixteen forints). The member that does not want to participate in the successor company will receive the above amount per share within thirty (30) days of registration by the Registration Court of the merger through transfer to its bank account.

9. Due to the particularity of the ownership structure described in Section 7 and EGERTEL Co. Ltd.'s declaration on leaving Article 279 (1) a) and c) of the Business Associations Act cannot be interpreted for this merger.
10. The Successor Company will maintain the preference rights laid down in its Articles of Association and the detailed rules applicable to transfer of shares as they existed before the merger. The Board and Supervisory Board members and the legal status of employees in senior management positions will remain unchanged.
11. *(If any of MT's shareholders leaves the company.)  
In the course of the merger the registered capital of the Successor Company was reduced in proportion to the statements made by the entities which do not want to participate as shareholder in the successor company. The amount of registered capital was finalized and accordingly the Articles of Association was amended on June 29, 2007 when Magyar Telekom Plc.'s Extraordinary General Meeting deciding on the merger was held.  
  
Magyar Telekom Plc.'s Board will issue a Settlement Statement on the determination and delivery of the share of assets held by the members who do not wish to participate in the successor Magyar Telekom Plc. The share of assets will be delivered to the concerned members through bank transfer within 30 days of the notice of registration of transformation.*
12. Any issues not regulated by this Merger Agreement will be governed by the provisions of Act IV of 2006 on Business Associations and of the Civil Code.
13. The Contracting Parties declare that this Merger Agreement was approved by the senior bodies of the Contracting Parties.

After having read and mutually interpreted the undersigned Contracting Parties signed this Merger Agreement as which means their will in all.

Budapest, June 29, 2007

Budapest, June 29, 2007

.....  
Magyar Telekom Plc.  
Successor Company

.....  
EMITEL Co. Ltd.  
Amalgamated Company

This document was drawn up and countersigned on June 29, 2007 by:

**The Articles of Association of Magyar Telekom Plc. is to be amended due to the following reasons:**

1. Pursuant to Act XXVI of 2007 on abolishing the preference rights related to the share of the Hungarian State (Golden share), the General Meeting of Magyar Telekom shall cease the preference rights related to the share of the Hungarian State. The Articles of Association of Magyar Telekom have to be amended within 90 days of the Act coming into force, which occurred on April 21, 2007. An Extraordinary General Meeting should approve the amendments of Sections 2.1, 2.3, 2.4, 2.5, 2.6, 4.2, 4.5, 4.6, 6.2, 6.4, 6.11, 6.18, 11.1, 11.4 and 12 in Magyar Telekom Plc.'s Articles of Association pursuant to the Act on abolishment of priority voting share (golden share) to be granted to the state.
2. As a result of the 2006 modification of the Act on Business Associations, the Audit Committee's subordination to the Supervisory Board has become less explicit, and Section 8.7 is amended accordingly.
3. The Articles of Association set out the rules of dividend payment (in Section 4.5.). KELER Ltd is providing the service for the shareholders and they proposed the included technical changes.
4. Section 15.5. of the Articles of Association was created prior to the conclusion of the Universal Service Agreement between Magyar Telekom and the Minister of Informatics and Communication and contains interim provisions until the agreement was concluded. Annex 1 listed those obligations which are included in the Universal Service Agreement dated July 30, 2004. We propose the deletion of Section 15.5. and Annex 1.
5. In case the General Meeting at its meeting on June 29, 2007 approves (a) the separation and merge of the access business line of T-Online Ltd and (b) Emitel Ltd merge into Magyar Telekom, those mergers will have to be reflected in the Articles of Association.

Unofficial Translation of the Amended and Restated  
Articles of Association of Magyar Telekom  
Telecommunications Public Limited Company

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32.20. '03	Manufacture of industrial transmission apparatus;
40.11.'03	Production of electricity
40.30 '03	Provision of steam and hot water
45.11. '03	Demolition and wrecking of buildings, earth moving
45.21. '03	General construction of buildings and civil engineering works
45.31. '03	Installation of electrical wiring and fittings
50.10. '03	Sale of motor vehicles
51.14. '03	Agents involved in the sale of machinery, industrial equipment, ships and aircraft (except for the sale of ships and aircraft)
51.43. '03	Wholesale of electrical household appliances and radio and television goods
51.47. '03	Wholesale of other household goods
51.86. '03	Wholesale of other electronic parts
51.87. '03	Wholesale of other machinery for use in industry, trade and navigation
51.90. '03	Other wholesale
52.12. '03	Other retail sale in non-specialized stores
52.45. '03	Retail sale of electrical household appliances and radio and television goods
52.47. '03	Retail sale of books, newspapers and stationery
52.48. '03	Other retail sale in specialized stores
52.61. '03	Retail sale via mail order houses;
52.63. '03	Non-store retail sale;
52.74. '03	Repair n.e.c.
55.10. '03	Hotel services
55.23. '03	Other provision of lodgings
55.30. '03	Restaurants
55.52. '03	Catering
63.12. '03	Storage and warehousing
63.30. '03	Activities of travel agencies and tour operators
65.23. '03	Other financial intermediation n.e.c.
67.13. '03	Other financial auxiliary activities
67.20'03	Other insurance activities
70.11. '03	Development and selling real estate
70.20. '03	Letting of own property
70.31. '03	Real estate agencies
70.32. '03	Management of real estate on a fee or contract basis
71.10. '03	Renting of automobiles
71.21. '03	Renting of other land transport equipment
71.33. '03	Renting of office machinery and equipment including computers
71.34. '03	Renting of other machinery and equipment n.e.c.
71.40. '03	Renting of personal and household goods.
72.10. '03	Hardware-consultancy
72.21. '03	Issuing software
72.22. '03	Other software consultancy and supply (web page design)
72.30. '03	Data processing (on-line publication)
72.40. '03	Data base activities
72.50. '03	Maintenance and repair of office, accounting and computing machinery
72.60. '03	Other computer related activity
73.10. '03	Technical research and experimental development
74.12. '03	Accounting, book-keeping and auditing activities, tax consultancy
74.14. '03	Business and management consultancy activities
74.20. '03	Architectural and engineering activities and related technical consultancy
74.30. '03	Technical testing and analysis
74.40. '03	Advertising
74.60 '03	Investigation and security activities
74.85. '03	Secretarial and translation activities
74.86. '03	Call center activities
74.87. '03	Other business activities n.e.c.
80.42. '03	Adult and other education

## 1.7. The Company's Registered Share Capital

The registered capital of the Company is HUF 104 276 831 500 (that is One hundred and four billion two hundred and seventy-six million eight hundred and thirty-one thousand five hundred HUF), comprised of HUF 46 010 642 500 (that is forty-six billion and ten million six hundred and forty-two thousand five hundred HUF) cash contribution and HUF 58.266.189.000, that is Fifty Eight Billion Two Hundred and Sixty Six Million One Hundred and Eighty Nine thousand in-kind contributions.

## 1.8 Legal Succession

1.8.1. Magyar Telekom Telecommunications Public Limited Company is the general legal successor of T-Mobile Hungary Telecommunications Company Limited by Shares (1117 Budapest, Kaposvár u. 5-7.; Corporate Registry No.: 01-10-042361)

1.8.2. Magyar Telekom Telecommunications Public Limited Company is the general legal successor in respect of the demerged corporate assets of T-Online Hungary Internet Service Provider Private Company Limited (registered seat: 1117 Budapest, Neumann J. u 1/b.; Corporate Registry No.: 01-10-044389) that was merged into the Company on June 29, 2007.

1.8.3. Magyar Telekom Public Limited Company is the general legal successor of EMITEL Telecommunications Company Limited (registered seat: 6722 Szeged, Tisza Lajos krt. 41., Corporate Registry No.: 06-10-000154).

# 2. The Shares of the Company

## 2.1. Share Capital

The total share capital of the Company consists of (i) 1 042 768 315 registered ordinary Series "A" Shares each having a nominal value of HUF 100.

The shares of the Company are put out in a dematerialized form.

Dematerialized shares are such registered shares that do not have serial numbers and the name and other data to clearly identify their owners are contained on the securities account.

## 2.2. Series "A" Shares

The holder of each Series "A" Share shall be entitled to one vote at the General Meeting of the Company and to all such rights attributed to such shareholder by Act IV of 2006 on Business Associations (hereinafter: the "Companies Act") or these Articles.

## 2.3. The Nominal Value of Shares and the Certificate issued on the Dematerialized Share

Shares belonging to the same share type shall have the same nominal value.

The security account of the owner of dematerialized shares must include the data specified by the relevant laws:

A certificate – which does not qualify as a security - shall be issued on each type of dematerialized share and deposited in the central treasury, bearing the signatures of two members of the Board of Directors.

## 2.4. Transfer of Shares

(a) The acquisition and transfer of the dematerialized share shall only be effected through crediting or debiting the securities account. The owner of the security – unless the contrary is proved – shall be the person on whose account the security is registered. The transfer of registered or Interim Share Certificates shall be effective with respect to the Company when the name of the new owner of the shares has been entered in the Shareholders' Register.

(b) The consent of the shareholders holding at least a simple majority of the outstanding voting stock of the Company (excluding the shares the acquisition of which is subject to such approval under this section) shall be required to approve the acquisition, directly or indirectly, of the shares of the Company which, on a cumulative basis, would result in any person, or persons acting in concert (by virtue of agreement, ownership or otherwise), holding 10% or more, directly or indirectly, of the outstanding voting stock of the Company. The foregoing notwithstanding, no consent shall be required for: (i) acquisitions directly from the persons holding 10% or more of the Company's outstanding voting stock as at September 29, 1997 (Existing Shareholders), (ii) acquisitions directly from the transferees of the Existing Shareholders, (iii) acquisitions by an internationally recognised underwriter acquiring the Company's shares for the exclusive purpose of distributing such shares in a public offering, (iv) acquisitions by depositories for the Company's shares or certificates representing such shares appointed by the Company (but only (a) to the extent that the acquisition of such shares by the person or persons ultimately exercising shareholder's rights attached to the shares held by the depositories do not require the consent set forth in this Section 2.4(b) and (b) on the condition that such depository undertakes to provide the list of such persons to the Company upon request), or (v) direct or indirect sales or transfers of interest in any Existing Shareholder. No holder of any shares shall exercise any rights in respect of any shares acquired in violation of this Section and the Company shall not register such acquisition in the Shareholders' Register of the Company.

(c) In the event of transfer of shares the custodian shall notify the registrar as to the transfer within two days upon such event (i.e. transfer of shares to the securities account). If the shareholder wishes so the custodian will not announce the said data. The shareholder shall provide evidence that he acquired the shares in accordance with the conditions set forth in these Articles. In the event that the new owner of the shares provides the appropriate documents, the Company shall, within a period of fifteen (15) days, examine such documents and decide whether the new owner acquired the shares in accordance with the provisions of these Articles. If the Company establishes that the transfer occurred in violation of the Articles, it shall not register such transfer of shares. The Company shall promptly notify the new owner of its reasoned decision and the new owner shall have the right to request, within thirty (30) days of the rendering of such decision, the competent court to review the decision.

(d) Those shareholders who wish so, shall not be registered in the Shareholders' Register in addition to those who obtained the shares in violation of laws or this Articles regarding the transfer of shares.

(e) The registrar, except in case set forth in Section 2.4. (c) and (d), shall not refuse prompt registry and shall promptly delete such shareholder who wishes so.

(f) If the ownership of the shareholder ceased to exist with the transfer of shares the custodian shall notify the registrar on this fact within two working days upon such event. The registrar, based on the notification, shall promptly incorporate such changes in the Shareholders' Register.

(g) The shareholder may review the Shareholders' Register and may request a copy on parts relevant to him from the Board of Directors or from the representative thereof. Such requests shall be met within five days by the registrar. Third parties may review the Shareholders' Register as well.

## 2.5. Shareholders' Register

2.5.1. The Board of Directors of the Company through the registrar assigned by the Board according to Section 202.§ (2) of the Act, maintains a Shareholders' Register of the holders of registered shares (including holders of Interim Share Certificates or Preliminary Share Certificates) and shareholders' proxies by the class of shares, in which the name - in case of a joint representative the relevant data of the joint representative respectively - and address (seat) of each shareholder (shareholder's proxy) as well as the shareholding of each shareholder by the share series is recorded. The Company maintains a computerized Shareholders' Register.

2.5.2. The registrar, assigned by the Board of Directors of the Company, fulfils the written requests of the not-yet-registered acquirer or his representative on registering the transfer of shares in the Shareholders' Register - if it was not requested by the custodian - if the acquirer of the shares or his representative produces the securities account statement under his name that certifies the ownership of the share towards third parties at the time of its issuance and complies with the provisions of Section 2.4 of these Articles.

2.5.3. The condition of participating at the General Meeting is that the shareholder or the nominee (except proxy holders acting on the basis of the authorization of the shareholder issued in the form of a public instrument or a private document of full probative force) is registered as such in the Shareholders' Register at least six (6) working days prior to the date of the General Meeting. The registry of shareholders in the Shareholders' Registry may be at the Owner Compliance Turning Date prior to the GM or at the shareholder's individual request. Those shareholders can exercise their voting rights at the GM who are entered into the Shareholders' Registry and froze their shares up until the day of the GM. No entry in the Shareholders' Register shall be made in the period of six (6) business days prior to the General Meeting.

2.5.4. The registrar, assigned by the Board of the Company may refuse the request for registration into the Shareholders' Register by a person acquiring shares who omits to provide the supporting evidence that such a person is obliged to submit to the Company in accordance with Section 2.4 of these Articles. The registration into the Shareholders' Register based on untrue, false or misleading statements may be deleted by a reasoned resolution of the Board of Directors.

## 2.6. Interim Share Certificates

Upon registration of an increase in the capital of the Company by the Court of Registration, the Company may issue Interim Share Certificates ("ideiglenes részvény") if the amount of the contribution either undertaken to be acquired or registered by the shareholder until the shares are fully paid. The Interim Shares are securities, subject to the same rules that are applicable to shares. The transfer of Interim Shares are effected when the shareholder is registered in the Shareholders' Register. Subsequent to the full payment of the share value and the production of new shares, the Board of Directors invalidates the Interim Shares in accordance with the provisions of the Companies Act.

## 3. Payment for shares

### 3.1. Effecting Payment for Shares

Unless otherwise provided by the resolution of the General Meeting regarding an increase in the Company's capital,

a) in the case of increase of share capital by way of closed issue the subscribers for shares shall be obliged to pay at least 25% of the subscription price

b) in the case of increase of share capital by way of the public issue of new shares if the issue price of shares exceeds their face value the subscribers must fully pay the difference to the Company at subscription and provide written proof thereof, within a period of 15 days after the subscription for shares.

### 3.2. Recognition of Payment

Unless otherwise provided by the resolution of the General Meeting, cash payment for shares subscribed for shall be recognized when the total amount of the issue price has been credited to the Company's account with a bank that is registered in Hungary.

### 3.3. Contributions in Kind

Subscribers shall be obliged to transfer any asset comprising contribution in-kind to the Company or place such assets at the Company's disposal before the request for the registration of the Company is filed with the Court of Registration.

### 3.4. Recognition of Contributions in Kind

The Board of Directors shall issue a receipt in respect of any contributions in kind.

### 3.5. Delay in Payment for Shares and Contributions in Kind

Should a shareholder fail to make the contribution due to be paid to the Company as stipulated by Section 3.6, the Board of Directors shall set a 30-day deadline and call on the shareholder for compliance."

### 3.6. Full Payment for Shares

Subject to the provisions of Section 3.1., each shareholder shall be obliged to pay up the full amount of the issue price of the shares subscribed by it to the Company as per Section 3.2 and 3.2. within one year from the registration date of the capital increase by the Court of Registration, unless the General Meeting provides for a shorter period at the commencement of the subscription period.

Shareholders shall be obliged to pay up the requested amount prior to the expiration of such one year period only if the Board of Directors, acting in accordance with the provisions of these Articles, or the resolution of the General Meeting increasing the capital of the Company, calls upon the shareholders to do so by means of a public announcement. In such cases shareholders shall perform their obligations to pay up the issue price of shares within the applicable deadline set forth in such notice. Any notice issued under this paragraph shall be published by the Company in accordance with these Articles governing the publication of notices and advertisements. The stipulated period for payment shall commence upon the publication of the related notice.

Any notice issued under this paragraph shall contain a warning to shareholders of the consequences of delay in payment, non-payment or the failure to make a contribution in kind as set out in Section 3.7.

Subject to the provisions of Section 3.7, shareholder rights with respect to shares not fully paid for shall be exercised proportionately to the amount of payment made.

### 3.7. Termination of Shareholders' rights

Should any shareholder fail to observe the deadline set under Section 3.5 herein, his membership (respectively his shareholder rights on the share(s) not paid up) shall cease on the following day and if no other person assumes the obligation of paying his financial contribution, the share capital of the company shall be lowered by the General Meeting by the amount of the financial contribution.

The conditions of assuming such obligation shall be determined at the same time when adopting a General Meeting resolution on capital increase, considering the provisions of Section 11 of the Company's Articles of Association.

The defaulting shareholder is entitled to redemption of his paid up financial contribution either when his successor shareholder has paid his financial contribution to the company or after the decrease of the share capital.

## 4. Rights of Shareholders and the Means of Exercising Shareholders' Rights

### 4.1. Dividends

Whenever a dividend or interim dividend is declared by the General Meeting, shareholders shall be entitled to such dividend or interim dividend in proportion to the nominal value of their shares pursuant to Section 4.5. herein.

### 4.2. Distribution of Assets in Case of the Termination of the Company

In the event of dissolution (végelszámolás) of the Company, the assets of the Company shall be distributed, after satisfying creditors, among all of the shareholders of the Company, such distribution to occur in accordance with the ratio of the nominal value of each shareholder's shares to the total registered capital of the Company.

### 4.3. Voting Rights

Shareholders shall be entitled to voting rights attaching to their shares as described in Section 2 of these Articles.

### 4.4. Limitation of the Rights of Shareholders

Shareholders whose names have not been entered into the Shareholders' Register and shareholders who acquired their shares in violation of the restrictions in these Articles pertaining to the transfer and the acquisition of shares shall not be allowed to exercise their rights attached to such shares vis-à-vis the Company.

### 4.5. Payment of Dividends

If the Annual General Meeting establishes that the company has made profit and determines that dividends should be paid, only those shareholders or shareholder representatives shall be entitled to such dividends who are owners with respect to the Owner Compliance Turning Date and the statutory required data of which are available for the payment of dividends.

The Company pays the dividends to the shareholders from the date specified by the relevant resolution of the GM via wire transfer. The dividend payment period commences at the date specified by the resolution of the GM that decides on the approval of the report according to the Accounting Act and the use of the profit after tax, however, at least 10 working days must lapse between the first publication of the GM resolution regarding the commencement date of the dividend payment and the first day of paying the dividends.

Shareholders may claim dividends during the lapse period specified in the Civil Code (5 years). After that time their claim for dividends will lapse. Dividends not claimed by the shareholders shall be added to the capital reserve of the Company.

An interim dividend may be disbursed between the approval of two consecutive reports under the Accounting Act, if

- on the basis of the interim balance it can be stated that the Company possesses sufficient coverage to pay the interim dividend and that the sum to be paid does not exceed the profit generated since closing the books according to the last business year's annual report under the Accounting Act plus the unused profit reserve, and subsequent to the said outpayment the own capital of the share company – adjusted according to the Accounting Act – must not fall under the registered capital, and
- Shareholders undertake to return the interim dividend if later, according to the report under the Accounting Act - and pursuant to Section 223 (1) of the Act on Business Associations – the law would not allow the outpayment of such dividend.

No dividend shall be paid the Company for its own shares, at specifying the amount due to the shareholders entitled to dividends the Company does not take the dividend of own shares into account.



#### **4.6. Right to Convene the General Meeting**

The General Meeting shall be convened if shareholders representing at least five percent of the votes request the Board of Directors in writing to convene the General Meeting, stipulating the reason for and the object of their request. The Court of Registration shall convene the General Meeting if the convocation of the General Meeting is requested in compliance with the above outlined procedure and the Board of Directors fails to act within a period of 30 days or fails to convene the General Meeting within the shortest notice period required by the law or these Articles after such action.

#### **4.7. Conditions for a General Meeting resolution resulting in the delisting of shares from the stock exchange**

The General Meeting may only make a resolution resulting in the delisting of shares from the stock exchange – including the decision resulting in the delisting a series of shares as a sanction - if any shareholder previously undertakes the obligation to submit a public bid for purchasing the shares in relation to delisting, according to the Regulations of the Budapest Stock Market for Listing, Continued Trading and Disclose.

## **5. Rights to Information and Closing of the Shareholders' Register**

### **5.1. Mandatory Dissemination of Information**

In accordance with the rules of these Articles governing the publication of notices the report prepared according to the Accounting Act, the summaries of the Board and Supervisory Board reports, the summary of the submissions regarding the agenda items, the resolution proposals and the extract of the management report shall be published at least 15 days prior to the date of the GM.

### **5.2. Shareholders' Rights to Information**

Each shareholder has the right to attend the General Meeting, request information and comment on issues at the General Meeting. Holders of voting shares have the right to make proposals and to vote. The Board of Directors shall provide the necessary information to any shareholder with respect to any matter on the agenda of the General Meeting upon the request of such shareholder submitted in writing to the Board of Directors at least 8 days prior to the General Meeting. The Board of Directors may refuse to provide such information only if that would violate a substantial business interest or business secret of the Company. As part of the rights of Shareholders to information shareholders may not have access to the business books and other business documents of the Company.

### **5.3. Closing of the Shareholders' Register**

Shareholders, or shareholders' proxies shall be entitled to exercise their voting rights at any General Meeting (1) if they have been duly registered as owners of shares or shareholders' representatives in the Shareholders' Register at least 6 (six) business days prior to such General Meeting. Subsequent to closing the Shareholders' Register shareholders who blocked their shares for the General Meeting are not entitled to transfer their shares until the closing of the General Meeting.

## **6. The General Meeting of the Company**

### **6.1. Supremacy of the General Meeting**

The General Meeting is the highest decision-making body of the Company. The decisions of the General Meeting, which are referred to as resolutions, are binding upon the shareholders, the other organs and the officers of the Company.

### **6.2. Matters within the Exclusive Scope of Authority of the General Meeting**

The following matters shall be within the exclusive scope of authority of the General Meeting:

- (a) to draw up and amend these Articles, unless otherwise provided by the law;



- (b) unless otherwise provided by the law, the increase or decrease of the registered capital of the Company;
- (c) to amend the rights attached to individual series of shares;
- (d) any merger into, consolidation with another company or de-merger of the Company, or any termination, dissolution, liquidation, or transformation of the Company into another corporate form. In the process of transformation if the Board of Directors prepares the documents necessary for the transformation, the General Meeting of the Company – according to 71 (1) Section of the Companies Act - may adopt a final decision on the transformation with holding only one meeting. In this case, draft transformation asset balance- and asset inventory pertaining to the reference date specified by the Board of Directors, within the preceding six months, and approved by the auditor, shall be presented for the meeting.;
- (e) to decide on the approval of a public offer on own shares;
- (f) decision on issuing convertible or subscription right bonds, unless otherwise provided by the law;
- (g) to elect, remove and determine the remuneration of the members of the Supervisory Board, the Audit Committee and the Board of Directors;
- (h) to elect, remove and determine the remuneration of the Auditor of the Company and to define the contents of the essential elements of the contract to be concluded with the auditor;
- (i) to approve the report pursuant to the Act on Accounting, including the management report and to decide on the utilisation of after-tax earnings;
- (j) to approve any change in the Company's registered scope of activities;
- (k) subject to Section 11.2, to appoint the person(s), pursuant to Section 251 of the Companies Act, that are authorized to subscribe for shares in any private increase of the Company's capital;
- (l) decision with respect to an approval pursuant to Section 2.4 (b) of the Articles;
- (m) to approve the registering of the Company's shares on a stock exchange;
- (n) transfer, assignment, lease or the granting of permanent right to the use of, the creation of an encumbrance or security interest in a valuable right enabling the continuation of a specific activity of the Company to another business entity - i.e. rights granted in the Contract that was concluded for the purpose of providing universal electronic telecommunications services pursuant to Articles 117-118 of Act C of 2003 on electronic communications;
- (o) transfer of the total or substantial assets of the Company. For the purposes of this Section “substantial” shall mean the transfer of assets which would render the Company incapable of performing its obligations performing its universal service providing obligations as defined in the Contract regarding the provision of Universal Telecommunications Services;
- (p) to decide on measures that are capable of disturbing the relevant process in case of obtaining information on a public offer based on and in accordance with a separate Act;
- (q) decision on request to delist the Company's shares from a stock exchange (see Section 4.7.);
- (r) to evaluate the work of the members of the Board of Directors in the previous business year, decision on granting relief to the members;
- (s) decision on the payment of interim dividends, unless otherwise provided by the law;
- (t) decision on the acquisition of the Company's own shares;
- (u) decision on the exclusion of subscription preference right,
- (v) decision on any other issue that is referred to the authority of the General Meeting by the law or these Articles.

### **6.3. Passing Resolutions**

The General Meeting shall adopt resolutions by means of the casting of votes by voting shareholders in the manner stipulated by Sections 6.17. and 6.18. of these Articles.

### **6.4. Right to Convene General Meetings**

- (a) The General Meeting shall be convened by persons authorized by the Companies Act and these Articles.

(b) In addition to cases stipulated by the Companies Act, the General Meeting also shall be convened:

- (i) if the number of the members of the Board of Directors falls below six (6);
- (ii) if the number of the members of the Supervisory Board falls below six (6); and
- (iii) if the number of the members of the Audit Committee falls below three (3);
- (iv) if the auditor and the Board fails to conclude the assignment contract regarding the auditing activities within 90 days upon the date of the GM that elects the auditor.

## **6.5. Notification of the Supervisory Board on the convocation of the General Meeting**

If the General Meeting is convened by the Board of Directors, the Supervisory Board shall be informed of the items on the agenda prior to the publication of the notice of the General Meeting and the Supervisory Board may (acting within its statutory scope of activity), within eight days of being so informed, propose that further items be added to the agenda provided that it delivers to the Board draft resolutions proposed by it. The Board of Directors shall include such items in the agenda and shall publish the related notice accordingly.

## **6.6. Occurrence and Agenda of a General Meeting**

The Company shall hold a General Meeting at least once each year (the "Annual General Meeting") where the annual balance sheet of the Company shall be approved. The Annual General Meeting shall occur no later than April 30 of the year immediately subsequent to the business year in question.

In addition to the Annual General Meeting, the Company may hold extraordinary General Meetings at any time, if necessary.

## **6.7. Convocation of the General Meeting**

Notice of each General Meeting of the Company – unless otherwise provided by the Act on Business Associations - shall be published in the manner stipulated by the applicable law and these Articles for the publication of the Company's notices and advertisements 30 days prior to the date of such General Meeting. The public notice of the General Meeting of the Company shall be published by the body responsible for the convocation of the General Meeting either by law or by these Articles.

The members of the Board of Directors and the Supervisory Board as well as the Auditor of the Company shall also be notified of the convocation of any General Meeting in writing by registered mail within eight days after the publication of the announcement of such General Meeting.

## **6.8. Notice of General Meetings**

The public announcement of each General Meeting shall contain:

- (a) the name and the registered office of the Company;
- (b) the date and the venue of such General Meeting;
- (c) the items on the agenda of such General Meeting;
- (d) the place and the date of the reconvened General Meeting to be held if the first General Meeting does not have a quorum; and
- (e) the conditions for the exercise of the voting rights at such General Meeting.

## **6.9. Supplements to the agenda of a General Meeting**

Shareholders representing at least one percent of the votes may, within eight days from the publication of the Announcement on the convocation of the General Meeting, request the Board of Directors in writing to include any issue in the agenda of the General Meeting.

## **6.10. Attendance List**

The Company shall draw up an attendance list of shareholders attending the General Meeting. The attendance list shall contain the names of shareholders or their proxies or representatives, their addresses (registered offices), the number of shares of each series held by them and the number of votes that each is entitled to cast. The attendance list shall be certified by the Chairman of the General Meeting as well as the minute keeper of such meeting.

### **6.11. Quorum**

The General Meeting shall be properly constituted with a quorum if shareholders representing more than half of the shares carrying voting rights at such General Meeting are present in person or by proxy within 60 minutes of the time stipulated in the public notice convening the General Meeting. A second General Meeting convened and held within two hours from the time of the original General Meeting without a sufficient number of shares present to constitute a quorum shall have a quorum for the purposes of considering items on the agenda of the postponed General Meeting regardless of the voting rights represented at such meeting.

### **6.12. Opening of the General Meeting**

The General Meeting shall be opened by the Chairman of the Board of Directors or the person designated by the Board of Directors for such purpose and such person shall be the Chairman of the General Meeting. In the absence of such person, any shareholder may make a nomination for the Chairman of the General Meeting. Nominations shall not be discussed in detail by the General Meeting but the Chairman of the General Meeting shall be elected by simple majority vote by reference to the nominal value of shares held by those present.

### **6.13. The Chairman of the General Meeting**

The Chairman of the General Meeting:

(a) shall determine the number of shares carrying voting rights represented by shareholders attending the General Meeting and shall determine whether the General Meeting has a quorum;

(b) shall arrange for the preparation of the minutes of the General Meeting and the attendance list in accordance with the Companies Act;

(c) shall make recommendations for the minute keeper of the General Meeting, for the shareholder, or its proxy to certify the minutes, and, in the event of non-computerised voting, for the tellers. In the event of computerised voting, the Chairman of the General Meeting shall act as teller;

(d) shall have the General Meeting adopt the sequence in which items on the agenda, including items duly added to the agenda, shall be discussed;

(e) shall chair discussions in the General Meeting and shall grant speakers the right to take the floor in the order corresponding to the sequence of their application for the floor;

(f) may stipulate a time limit for contributions to the discussion;

(g) shall put issues to a vote in order to adopt resolutions;

(h) shall determine the total number of votes cast in respect of, including the number of abstentions, votes for and against, each proposed resolution or amendment;

(i) shall state the result of each vote and shall declare the resolution of the General Meeting;

(j) shall call for breaks;

(k) may propose the suspension of the General Meeting; and

(l) shall declare the General Meeting closed if each resolution on the agenda has been voted on.

### **6.14. Election of the Officials of the General Meeting**

The General Meeting shall elect its Chairman the keeper of the minutes, the person who shall certify the minutes, and, in case of non-computerised voting, the tellers.

### **6.15. Order and Discussion of Items on the Agenda**

By the vote of a simple majority of the holders of voting shares cast at the General Meeting, shareholders may change the order in which items on the agenda are discussed but may not eliminate any item from the agenda.

The General Meeting may be suspended on one occasion and it must be resumed within 30 days from the date of the General Meeting.

## 6.16. Suspended General Meeting

Stipulations in relation to the originally convened General Meeting shall continue to apply to any suspended General Meeting, provided that it shall be ascertained whether the suspended General Meeting is properly constituted with a quorum. In all other respects, the rules pertaining to the original General Meeting shall be applied, with the exception of those on the convocation of the General Meeting and the election of the officials of the General Meeting.

## 6.17. Voting Procedures

6.17.1. At the General Meeting the voting shall be computerised. The Chairman of the General Meeting may propose that some or all of the items of the agenda be voted upon in lieu of computerised voting by the show of the voting cards. The Chairman's motion shall be decided by a simple majority vote of the General Meeting.

6.17.2. At the venue of the General Meeting prior to commencement the Company shall issue a voting card or a remote-control for computerised voting (the "voting machine") to each holder of voting shares after verification that the shareholder is duly registered in the Shareholders' Register.

Voting machines or voting cards shall also be issued at the General Meeting to any shareholder in respect of newly-issued shares who has paid the subscription price in accordance with the resolution of the General Meeting and has been registered in the Shareholders' Register in connection with a capital increase approved by the General Meeting. Holders of Interim Share Certificates may exercise their voting rights only in proportion to the consideration already contributed. If any shareholder fails to meet the above conditions, such a shareholder shall not be issued a voting card or a voting machine.

6.17.3 In the event of computerised voting, the tally of the votes shall proceed electronically. Prior to the voting taking place, the General Meeting shall be advised by the Chairman or the person designated by him with respect to the technical details of the computerised voting. The shareholders shall be advised of the results of the vote by the Chairman.

6.17.4 In the event of non-computerised voting, each shareholder shall receive a voting card. Voting cards shall contain the name (business name) of the shareholder or shareholder representative address (seat), as well as the number and series of shares held by such shareholder and the votes such shareholder is entitled to cast. The voting shall proceed by the show of the voting cards.

## 6.18. Passing Resolutions

Votes for or against a proposed resolution or amendment cast in accordance with the provisions of these Articles shall be regarded as votes duly cast. Abstentions shall not be considered as votes duly cast. The General Meeting shall adopt its resolutions by a simple majority vote except for resolutions on issues listed in Section 6.2(a)-(f), (k), (m), (p), (q) and (t), which shall require at least a three-quarters majority of the votes cast. Notwithstanding anything herein to the contrary, if the General Meeting decides to override a resolution of the Board of Directors, such shareholders resolution shall be binding only if a three-quarter majority of the votes of the shareholders that are present vote in favour of such a resolution. Disadvantageous resolutions regarding rights related to a series of shares can only be made by the General Meeting if the shareholders of the affected share series give their separate consent thereto. During this, provisions related to possible limitation or exclusion of share related voting rights – including the exclusion from own shares - shall not apply.

## 6.19. Minutes of the General Meeting

6.19.1. Minutes shall be taken of the General Meeting which shall contain:

- the business name and registered seat of the Company;
- the venue and date of the General Meeting;
- the names of the Chairman of the General Meeting, the minute keeper, the shareholder certifying the minutes and the tellers;
- material events of the General Meeting and the proposals made;
- the resolution proposals, the number of votes in favour and against each resolution proposals and the number of abstentions;
- the objections of shareholders, members of the Board of Directors or Supervisory Board against a resolution if so requested by the objecting person, and all matters expressly requested by the shareholders, the Chairman of the Supervisory Board or the Auditor.

6.19.2. The minutes shall be signed by the minute keeper and the Chairman of the General Meeting and shall be certified by one shareholder present elected for such purpose.

6.19.3. Any shareholder shall have the right to request the Board of Directors to issue a copy or an extract of the minutes. Extract of the minutes of the General Meeting.

## 6.20. Attendance by Officials of the Company

The members of the Board of Directors and those of the Supervisory Board as well as the Auditor of the Company shall be invited to attend the General Meeting of the Company and shall respond to questions raised thereat by the shareholders. The above-mentioned officials of the Company shall have the right to participate in the discussions.

# 7. Board of Directors

## 7.1. Status of the Board of Directors

The Board of Directors shall be the management body of the Company and the Board of Directors shall represent the Company with regard to third parties, in court and before other authorities.

## 7.2. Members of the Board of Directors

The Board of Directors shall be comprised of a minimum of six (6), and a maximum of eleven (11) members. The members of the Board of Directors shall be elected by the General Meeting. The assignment of the members of the Board of Directors lasts for a term of three years from the date of the annual General Meeting until May, 31 of the third year subsequent to the date of the said General Meeting with the exception, that if the General Meeting in the third year is held prior to May 31 than their assignment lasts until the date thereof. Unless otherwise provided by a separate arrangement, the removal of, or failure to re-elect, a member of the Board of Directors shall not affect the employment rights of such person in respect of the Company where such member of the Board of Directors is also an employee of the Company.

## 7.3. Interim Election

If the General Meeting elects a new member of the Board of Directors as a result of an increase in the membership of the Board of Directors, or on removal or becoming incapacitated of a member of the Board of Directors, the term of office of the new member shall be identical to the original term of office of the remainder of the Board of Directors.

## 7.4. Rules of Procedure and Chairman of the Board of Directors

Subject to the provisions of applicable law and these Articles, the Board of Directors shall draw up its own Rules of Procedure.

Member of the Board of Directors shall elect the Chairman of the Board in accordance with the provisions of the Rules of Procedure of the Board of Directors. The Chairman shall perform such duties as described in the law, these Articles and the Rules of Procedure of the Board.

### 7.4.1. The Board of Directors shall:

- (a) be responsible for all matters relating to the Company's management and course of business not otherwise reserved to the General Meeting by these Articles or by the Companies Act;
- (b) cause a report including the balance sheet and the profit and loss statement of the Company to be prepared pursuant to the Act on Accounting together with the report on responsible corporate governance and submit such reports to the General Meeting with a proposal on the utilisation of after-tax earnings;
- (c) have the books of the Company, including accounting records and the Shareholders' Register, maintained in compliance with applicable regulations;
- (d) make such filings with the Court of Registration and publish such information as may be required by applicable law and these Articles;
- (e) draw up, at the end of each business year, a report for the General Meeting on the management of the Company, the assets of the Company, the financial situation of the Company and the business policy of the Company;
- (f) adopt an annual business plan which shall contain specific authorisations to management relating to the operation of the business of the Company;
- (g) have the authority to create committees of the Board consisting exclusively of Board members and to delegate part of its authority to such committees
- (h) have the authority to create committees of Board members and non-Board members, to designate the individuals who will serve on these committees, and to delegate authority to such committees;

- (i) exercise employer's rights towards the employees of the Company pursuant to the Rules on Organisation and Operation;
- (j) have the authority to initiate and approve on behalf of the Company any amendment to the contract regarding the provision of the Universal Electronic Telecommunications Services.
- (k) prepare quarterly reports for the Supervisory Board on the management financial status and the business policy of the Company;
- (l) Ensures the purchase of own shares on the basis of the authorization of the General Meeting and arranges for the alienation of the Company's own shares.
- (m) decide on such increasing of the registered capital of the Company that is allocated to its scope of authority and the related amendment of the Articles of Association
- (n) concludes the relevant contract with the auditor to carry out the relevant activities within 90 days upon making the resolution on the election of the auditor by the General Meeting.

7.4.2. Any transaction having a value of USD 100,000 or more between the Company and a controlling shareholder or its parent or subsidiary shall promptly be reported to the Board of Directors.

## 7.5. Quorum, Passing Resolutions

- (a) The quorum for meetings of the Board of Directors shall be at least six (6) Directors.
- (b) Each member of the Board of Directors shall have one vote. The rules of the voting procedure shall be described in details by the Rules of Procedure of the Board of Directors.

## 7.6. Minutes

- (a) Minutes of each meeting of the Board of Directors shall be kept, which shall contain the names of those present, the location and the date of the meeting, the principal issues raised in the course of discussion of individual items on the agenda, a transcript of the contribution of individual Directors to such discussions, the text of proposed resolutions, (if requested in advance by any such Director), the outcome of each vote and the votes cast by individual Directors, including the names of those who voted against any resolution. The exact text of resolutions adopted by the Board of Directors and any objections raised against resolutions.
- (b) The minutes shall be signed by the Chairman of the meeting of the Board of Directors as well as the keeper of the minutes. The minutes shall be certified by another participating Director. The minutes of each meeting shall be distributed to the members of the Board of Directors and the Chairman of the Supervisory Board irrespective of whether or not they attended the meeting.

## 7.7. Resignation, Death

If the resignation of a member of the Board of Directors or the death of a member results in a decrease in its membership below six (6), then the Board of Directors shall within the shortest possible time period from the occurrence of such an event convene a General Meeting. Should the Board of Directors fail to do so, the General Meeting shall be convened by the Supervisory Board.

## 7.8. Liability of Directors

The members of the Board of Directors shall act with due care as it is generally expected from persons in such positions and - unless it is otherwise provided in the Act on Business Associations - must give priority to the interest of the company. The members of the Board shall be liable towards the Company pursuant to the general provisions of the civil law in case of causing damage to the Company through breaching the laws, the Articles, the resolutions of the General Meeting and their managerial duties. The indemnification liability of the members of the Board towards the Company is joint and severable according to the provisions of the Civil Code on jointly causing damage. If the damage was caused by the resolution of the management as a body, those members are exempted from such liabilities who did not participate in the voting or voted against the resolution in question.

The members of the Board of Directors shall bear unlimited and joint liability for those damages that arise from the announcement of false data, rights or facts to the Company Register or the late announcement of the same in addition to failing to file such announcement at all.

## 8. The Supervisory Board

### 8.1. Status of the Supervisory Board

The Supervisory Board oversees the management of the Company for the General Meeting. Within its scope of authority provided by the statutes, the Supervisory Board may request information from any member of the Board of Directors or from senior officials of the Company and may examine the books and documents of the Company.

### 8.2. Members of the Supervisory Board

8.2.1. The Supervisory Board shall be comprised of 3-15 members.. The members shall be elected by the General Meeting. The assignment of the members of the Supervisory Board lasts for a term of three years from the date of the annual General Meeting until May, 31 of the third year subsequent to the date of the said General Meeting with the exception, that if the General Meeting in the third year is held prior to May 31 than their assignment lasts until the date thereof.

8.2.2. The majority of the members of the acting SB must be independent. The SB member is independent if he has no other legal relationship with the Company than his SB membership.

8.2.3. The SB member shall not be regarded as an independent member, if

- a) he is an employee or an ex-employee of the Company, in the latter case the conflict of interest exists for five years from the termination of the employment;
- b) provides advisory services or other activities as a retained advisor for the Company or its senior managers in return of remuneration;
- c) he is a shareholder of the Company who either directly or indirectly owns at least 30% of the votes or is a close relative/ common-law spouse to such person [Ptk. 685. § b);
- d) he is a close relative to a – non independent – senior manager of the Company;
- e) he is entitled to receive remuneration in case of the profitable operation of the Company or receives any other remuneration besides his fee as a SB member from the Company or an affiliated business association to the Company;
- f) he is in a legal relationship with a non-independent member of the Company in another business association on the basis of which the non-independent member has controlling or supervisory rights;
- g) he is the independent auditor of the Company or an employee / partner thereof for three years from the termination of this legal relationship;
- h) he is a senior manager in a business association where the independent Board member is the senior manager of the public company.

8.2.4. The employees' representatives in the Supervisory Board are appointed for election by the Works Council after consultation with the trade unions

8.2.5. If a new member of the Supervisory Board is elected by the General Meeting, or as a result of an increase in the membership of the Supervisory Board, or due to the removal or resignation of a member of the Supervisory Board, the term of newly elected members shall be identical to the original term of office of the remainder of the Supervisory Board.

### 8.3. Duties

The Supervisory Board shall examine every material report of business policy that is on the agenda of the General Meeting and every submission on issues within the exclusive sphere of authority of the General Meeting. The General Meeting may pass a resolution on a report pursuant to the Accounting Act and the use of the profit after income tax only upon receipt of the written report of the SB. The proposal of the Board of Directors on the payment of dividend and on the management report can only be submitted to the GM upon the receipt of the prior approval of the SB. The Chairman (Deputy Chairman), in his absence, a member of the Supervisory Board presents the report of the Supervisory Board during the discussion of the given agenda item.

### 8.4. Rules of Procedure

8.4.1. The Supervisory Board acts as a body. The SB elects a chairman (if necessary, a deputy chairman) from among its members. The Supervisory Board sets its own Rules of Procedures, which are approved by the General Meeting.

8.4.2. Meetings of the Supervisory Board may be convened by the Chairman of the Supervisory Board. Any member of the Supervisory Board may immediately call a Supervisory Board meeting, stipulating in writing the reason for and the objective of



such meeting if the Chairman of the Supervisory Board fails to fulfil such request within 8 days of receipt thereof and does not convene a meeting to a date within 30 days.

8.4.3. The Supervisory Board shall have a quorum if 2/3 (two-thirds) of its elected members are present. If the Supervisory Board is comprised of three members or if 2/3 of the members is less than 3 (three) persons, the presence of three members shall be necessary to constitute a quorum. If the number of Supervisory Board members falls below three or there is no one to convene its meeting the Board of Directors shall convoke the General Meeting to restore the proper operation of the Supervisory Board.

8.4.4. The meetings of the Supervisory Board shall be chaired by the Chairman of the Supervisory Board. The Chairman of the Supervisory Board shall appoint the keeper of the minutes and that Supervisory Board member who will certify the minutes of the meeting, will put issues to the vote, and will declare the result of votes.

8.4.5. Minutes shall be kept of each meeting of the Supervisory Board, in accordance with the provisions hereof governing the minutes of meetings of the Board of Directors.

## 8.5. Convocation of the General Meeting by the Supervisory Board

The SB may convene an extraordinary General Meeting with an agenda proposed by itself, if, in its opinion, the activities of the management infringe the Statutes, the Articles of Association or the resolutions passed by the General Meeting; or otherwise interfere with the interests of the Company or its shareholders.

## 8.6. Liabilities of Members of the Supervisory Board

The members of the Supervisory Board shall bear unlimited, joint and several liability – according to the provisions of the Civil Code regarding jointly causing damage - for all and any damage caused to the Company by non-compliance with their supervisory obligations.

## 8.7. Audit Committee

8.7.1. The GM elects a 3-5 member Audit Committee from the independent members of the SB for the same period as the membership of the relevant members in the SB. The Audit Committee shall act independently within its scope of authorities provided in the Act on Business Associations and these Articles as well as the rules of the Budapest Stock Exchange and the New York Stock Exchange and the regulations of the SEC.

8.7.2. The Chairman of the Committee is elected by the members of the Committee. Only such member can be elected to be a member who complies with the independency rules of both the rules of the SEC and the Act on Business Associations. At least one member must comply with the SEC requirements on being a financial expert.

8.7.3. If the number of the AC members falls below three the Board shall convene the GM to restore the proper operation of the body. The Audit Committee shall establish its own Rules of Procedure and its Pre-approval Policy. The Audit Committee shall inform the Supervisory Board about its activity periodically in accordance with its Rules of Procedure.

8.7.4. The Audit Committee shall, in particular:

- Be directly responsible for the oversight of the work of the independent external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
- Make proposals to the Board of Directors in relation to the election, recall and determining the remuneration of the auditor;
- Participate in the preparation of the agreement to be entered with the auditor;
- Pre-approve the audit and non-audit related services provided by the Auditor to the Company and the related fees, in order to ensure that the Auditor's independence from the Company is maintained;
- Monitor the reasonableness of audit fees and quality (e.g. staffing, experience of auditing personnel, man hours expected, timeliness);
- Monitors the enforcement of the professional requirements towards the auditor and compliance with the rules regarding conflict of interest, carries out its duties regarding the cooperation with the auditor and if necessary, propose measures to be taken by the Supervisory Board;
- Evaluate the operation of the financial reporting system and – propose necessary measures;
- Support the work of the Supervisory Board with respect to the proper supervision of the financial reporting system;
- Review and evaluate the reports prepared according to the Accounting Act and the proposals regarding the acceptance of such report and the use of the profit after tax prior to their submission to the SB;
- Review and evaluate the financial reports prepared according to International Financial Reporting Standards ("IFRS") and the US Generally Accepted Accounting Principles („US GAAP") standards, the audit report of the auditor,



especially from the point of view of the changes of accounting guidelines or practice of the IFRS and US GAAP standards as well as the accounting adjustments, profitability preconditions, etc.;

- Review and evaluate the Management Letter;
- Review and evaluate the reports to be submitted to the stock exchanges and financial authorities;
- Review and evaluate the internal audit environment, the internal control environment influencing the preparation of financial reports and the processes applied during the preparation of financial reports;
- Review and evaluate the efficiency of the internal audit function;
- Review and evaluate the internal audit workplan;
- Review and evaluate the report on the activity of the internal audit area;
- Oversee the work of the Group Compliance Director in accordance with the scope described in the Group Compliance Manual and the related directives and policies.
- Review and evaluate the first priority (A) audit reports on financial subjects;
- Review and evaluate the risk management system and the risk reports;
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- Review its tasks on a yearly basis;
- If necessary, conduct an independent internal investigation into (i) agreements of, and/or payments made by, the Company, (ii) matters that relate to the accuracy and reliability of the books and records of the Company, (iii) matters and suspects identified by the Auditor and/or the internal audit branch, and/or (iv) matters that relate to the potential liability of the Company and/or any of its employees or officers under the US Foreign Corrupt Practices Act, Sections 258/B to 258/F of the Hungarian Criminal Code or any similar legislation in any other jurisdiction, or rather the US 1934 Securities and Exchange Act or the US Sarbanes-Oxley Act;
- Within the scope of such investigation, inspect, subject to applicable data privacy laws, the books, records, contracts and documents of the company, including documents in printed and electronic form, including all emails, documents and other data found on the systems and devices of the Company, and interview employees and officers of the Company that may have information relevant to the investigation;
- If necessary, request the Board of Directors to report, subject to applicable data privacy laws, the facts and circumstances giving rise to, and the findings of, such investigation to the Auditor and to the competent law enforcement and regulatory authorities (including, without limitation, the Hungarian Financial Supervisory Authority, the US Securities and Exchange Commission, the US Department of Justice and any other authority reporting to which is necessary under applicable law or otherwise in the interests of the Company);
- Depending on the findings of such investigation (a) propose remedial actions to the Board of Directors, (b) supervise the implementation of such remedial actions, (c) request the Board of Directors to report its findings with respect to the implementation of such remedial actions to the competent law enforcement and regulatory authorities, and (d) report its findings to the Auditor;
- Complete any other tasks that the Articles of Association assign to the scope of authority of the Audit Committee.

8.7.5. The Audit Committee may, if it deems necessary for the fulfilment of its duties, engage external advisor(s). Specifically, the Audit Committee may engage outside counsel and other advisors to conduct independent investigations referred to in Section 8.7.4 above.

8.7.6. The Company shall avail the relevant financial resources for the following purposes: (a) fee of the independent external auditor whose task is to prepare or issue the audit report and to carry out other audits, revisions or authentications, (b) fee of the external advisors used by the Audit Committee and (c) normal administrative expenses of the Audit Committee. The fees and expenses in cases of Sections (b) and (c) shall be determined by the Audit Committee itself.

## 9. The Auditor

### 9.1. Election

The Annual General Meeting of the Company appoints the auditor for a specified period not exceeding two years in duration. The auditor's assignment is deemed accepted if the auditor concludes an assignment contract with the Board of Directors within 90 days upon the auditor's election. If the above deadline lapses without the any result the election of the auditor becomes void and the GM has to elect another auditor.

## 9.2. Duties of the Auditor:

(a) The Auditor shall be obliged to audit each report prepared pursuant to the Act on Accounting including the balance sheet and profit and loss statement, as well as every material report to be submitted to the General Meeting, with regard to the authenticity of data contained therein and their compliance with Hungarian statutes in force. The Auditor shall submit a report comprising its findings on such matters to the General Meeting.

(b) The Auditor shall provide all necessary professional support to the activities of the Board of Directors and the Supervisory Board.

## 9.3. The rights and the responsibilities of the Auditor

The Auditor shall have access to all information relating to the activities of the Company. In connection with the performance of its duties, the Auditor:

(a) may request information from the members of the Board of Directors, of the Supervisory Board and from the employees of the Company;

(b) may verify and examine the cash in hand, ledgers, the securities portfolio, the inventory, the contracts and the bank account of the Company;

(c) shall attend the General Meeting that discusses the report of the Company prepared according to the Accounting Act;

(d) if required, may attend the meetings of the Board of Directors and the Supervisory Board with the right to confer.

(e) shall be obliged to inform the Supervisory Board and the Audit Committee and request the Board of Directors to convene a General Meeting, if:

(i) the Auditor becomes aware that a significant decrease in the Company's assets is expected; or

(ii) the Auditor becomes aware of a fact that entails the liability of the Board of Directors or the Supervisory Board as set forth in the Companies Act.

(f) If the General Meeting is not convened or the General Meeting does not pass the resolutions required by the statutes the Auditor shall inform the Court of Registration carrying out legality supervision to this end.

## 9.4. Auditor's Conflict of Interest

The founder, shareholders, members of the Board of Directors or the Supervisory Board and their relatives (Section 685(b) of the Civil Code), their common law spouse or any employee of the Company may not be elected as Auditor at any time during their association with the Company and for a period of three years after such association or employed by the Auditor, or have ownership interests in the Auditor, during the term of their association with the Company and for a period of three years thereafter. Persons included in the register of auditors in accordance with the relevant legal regulations may be elected as an auditor. Further requirements for auditors in terms of qualifications and conduct, and conflict of interest shall be laid down in specific other legislation.

# 10. Signature on Behalf of the Company

(1) The firm shall be bound by the signature of (i) two members of the Board of Directors, or (ii) by a member of the Board of Directors and an employee of the Company authorized for this purpose by two members of the Board of Directors, or (iii) by two employees of the Company authorised for this purpose by two members the Board of Directors. Such authorized signatories shall jointly sign their full names under the stamped, hand-written, typed or printed name of the company in the same way, that such signature appears in the signature book of the Company deposited with the Court of Registration.

# 11. Increase in the Registered Capital of the Company

## 11.1. Cases

Any increase in the registered capital of the Company shall be implemented in accordance with the resolution of the General Meeting by means of a new issue of new shares either through the public offering or the private placement of shares, by the conversion of the Company's reserves in excess of the registered capital into authorised capital or through conversion of convertible bonds into shares.

The holders of the types or classes of shares which are directly affected by the capital increase, or the holders of shares which are deemed affected by the articles of association is required to vote for the increase of the share capital as a pre-condition for the general meeting resolution adopted for the increase of share capital to take effect. During this, provisions related to possible limitation or exclusion of share related voting rights – including the limitations related to own shares - shall not apply.

If the three-quarters majority can not be obtained in case of any share type the proposal on increasing the registered capital must be withdrawn from the agenda.

## 11.2. Subscription preference right

11.2.1. Where the share capital is increased by way of contribution of cash, within the company's shareholders first the holders of shares belonging to the same series of issue, and then the holders of convertible bonds and the holders of bonds with subscription rights in tandem shall be granted preferential rights – in this sequence – for the subscription of shares subject to the conditions laid down in this articles of association.

11.2.2. The Company shall inform the shareholders and the holders of convertible bonds and bonds with subscription rights concerning their options and the procedure to exercise the preferential right for the subscription of shares, including the face value or issue price of shares which may be acquired, and the first and last days of the 15 days period during which such right can be exercised.

11.2.3. Exercising the subscription or take-over preference rights can be excluded by the General Meeting – on the basis of the written submission of the Board of Directors. In this case the said submission of the Board of Directors must present the reasons of submitting the proposal on excluding subscription preference rights and the planned issuing value of the shares.

Content of the submission and its discussion:

The Board of Directors shall discuss and decide on the approval of the submission according to the rules set out in its Rules of Procedure than submits it to the General Meeting for approval.

The following must be defined in the submission:

- nominal value, pieces and series of the shares,
- in case of issuing new shares in a closed circle the declaration on undertaking the obligation to take-over of the shares, specifying the person(s) making the declaration,
- method of the increase of the registered capital,
- subscription minimum,
- draft modification of the Articles of Associations,
- issuance value of the shares and the conditions of their payment,
- in case of non-cash contributions the data related to their provision
- other significant data

## 11.3. Prohibited Subscription

Any subscription, by exercise of subscription preference rights, by a shareholder for shares of a Series which may not be held by such person according to these Articles, shall not be effective.

## 11.4. Private Placement

The General Meeting or the Board of Directors with respect to the authorizing resolution of the GM may resolve that new shares to be issued in connection with an increase in the capital of the Company may be subscribed for exclusively by persons, or shareholders stipulated by the resolution of the General Meeting or in accordance with the resolution of the Board of Directors authorising such increase in capital. If such persons or shareholders determined by the General Meeting or the Board of Directors have not subscribed for the volume of shares appropriate for the subscription minimum by the closing date of the subscription period, the capital increase shall be deemed to have failed.

## 11.5. Conversion of Capital Reserves into Registered Capital

The Company may increase its registered capital with its assets above the registered capital or a part thereof if according to the previous year's report under the Act of Accounting or the interim balance the sufficient coverage of the capital increase is available and subsequent to the capital increase the amount of registered capital does not exceed its own capital, adjusted according to the Act of Accounting. The statement on the availability of the sufficient coverage from the assets above the registered capital, the figures of the annual report and the interim balance can be applied within six months upon the turning date of the above documents.

Shares falling on the increased registered capital shall be granted to the shareholders of the share company free of charge, in proportion to the nominal value of the shares of such shareholders.

## 11.6. Conditional capital stock increase by means of converting the convertible bonds to stocks

11.6.1. The General Meeting may decide on a conditional capital increase through the issue of convertible bonds. Bond owners may apply for bonds against the conditionally increased capital in line with the resolution of the General Meeting. The applications must be forwarded in writing to the Board of Directors with a simultaneous submission of the bonds, identifying the number and face value of the stocks applied for. If the bonds were issued at an amount below the face value or issue price of the shares, simultaneously with their declaration, bond holders shall pay the difference between the face value of the bond and the face value or issue price of the share to the private limited company. Upon the provision of such statement the bond holder shall be entitled to receive share certificates.

Specific terms for issuing bonds shall be set forth in a resolution by the General Meeting.

11.6.2. The resolution of the General Meeting accepting the conditional capital increase shall specify:

- a) the method of issuing bonds (closed, public)
- b) the number and face value of the bonds to be issued, as well as the value at issue, the series of bonds and the place and time of subscription
- c) the terms under which the bonds can be converted into shares and the date
- d) maturity of the bond, terms of payment of interest and other yields
- e) procedures to be followed in the case of under or over subscription as well as the rules of allocation
- f) in case of issuing privately held bonds the persons, the number of bonds that they can subscribe and other features thereof.

## 12. Decrease of the Registered Capital of the Company

The Company is entitled to decrease its registered capital.

The prevailing rules of decreasing the registered capital are set out in Title 2 and 3 of Chapter X of the Act on Business Associations.

The validity of the resolution aiming to decrease the registered capital is subject to the separate consent of the affected series share owners, in each case with three-quarters majority of the votes cast. During this, provisions related to possible limitation or exclusion of share related voting rights – including the limitations related to own shares - shall not apply. If the three-quarters majority can not be obtained, the proposal on decreasing the registered capital must be withdrawn from the agenda.

The detailed conditions of exercising shareholder rights must be included in the resolution of the General Meeting regarding the decrease of the registered capital.

## 13. Conflict of Interest

Members of the Board of Directors and the Supervisory Board and the Auditor, as well as their close relatives defined in Section 685(b) of the Civil Code, or any business entity within which the above persons hold an interest exceeding 10%, may not hold an ownership interest exceeding 5% in, be employed by, be officers of or have any contractual arrangement with any business entity competing with the Company unless it is permitted by the law and the General Meeting grants, with a three-quarter majority voting, an appropriate waiver from the provisions of this paragraph.

Members of the Board and the Supervisory Board as well as their close relatives (Section 685 (b) of the Civil Code) may on their behalf and to their benefit conclude agreements with the Company relating to the use of public purpose telecommunications services available to anyone.

In compliance with the authorization specified in paragraph (1) of Article 25 of the Act on Business Associations, the members of the Board of Directors and of the Supervisory Board may be elected as executive officer or members of the supervisory board of businesses that pursue activities identical with those of the Company and in which the Company holds at least 25 % ownership stake and/or voting rights.

Members of the Board and the Supervisory Board as well as their close relatives (Section 685 (b) of the Civil Code) may on their behalf and to their benefit conclude agreements with the Company relating to the use of public purpose telecommunications services available to anyone. The above provisions are not affecting the rules on the matter included in the Act on Business Associations.

## 14. Indemnification of Members of the Board of Directors and the Supervisory Board

### 14.1. Indemnification

The Company shall, to the fullest extent permitted by law, indemnify any member or former member of the Board of Directors or any member or former member of the Supervisory Board who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal or administrative, by reason of the fact of his current or former position at the Company against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal proceeding, had no reasonable cause to believe his conduct was unlawful.

### 14.2. Advancing Expenses

Expenses (including reasonable attorney's fees) incurred by a member of the Board of Directors or the Supervisory Board in defending any civil, criminal or administrative action, suit or proceeding may be paid by the Company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Company pursuant to Section 13.1.

### 14.3. Insurance

The Company shall have the power to purchase and maintain insurance on behalf of any person who is or was a member of the Board of Directors or the Supervisory Board against any liability asserted against him and incurred by him in any such capacity, whether or not the Company would have the right to indemnify him against such liability under the provisions of Sections 13.1. and 13.2. or any other provisions of law.

## 15. Other Provisions

### 15.1. Financial Year

The financial year of the Company shall correspond to the calendar year.

### 15.2. Notices

Notices and advertisements of the Company shall be published in the nationwide, official journal of the Budapest Stock Exchange and in the official publication space of the Budapest Stock Exchange Closed Limited Company (i.e. home page of the Stock Exchange) and the Official Gazette ("Cégekötöny") in cases required by applicable law.

### 15.3. Interest

The Company shall not be liable for interest on the payment of dividends.

### 15.4. Modification of Law

If the provisions of the Companies Act in force at the date of the restating of these Articles, specifically Part I (General Provisions on Business Associations) and Section X of Part II (Regulations Pertaining to the Various Forms of Business Associations) are amended the review of these Articles and necessary changes shall be placed on the agenda of the General Meeting to be held immediately after the amendment of the Companies Act, to avoid any violation of the rights of shareholders as a result of the amendment of the Companies Act.

### 15.5. Miscellaneous

On the effective date of this amendment of the Articles, all prior versions of the Articles and all resolutions of the Company inconsistent with these Articles shall have no effect. References in the Articles made to Act no VI of 1988 and Act CXLIV of 1997 are repealed and replaced by the relevant provisions of Act IV of 2006."

Budapest, June 29, 2007

This consolidated version of the Articles of Association has been prepared, and the amendments to sections 1.8., 2.1., 2.4., 4.2., 4.5., 4.6., 6.2., 6.4., 6.11., 6.18., 11.1., 11.4., 12., and 15.5. countersigned, by:

.....  
Dr. Balázs Máthé  
Chief Legal Counsel