



EGYÜTT. VELED

**PRE-APPROVAL POLICY
OF THE AUDIT COMMITTEE OF
MAGYAR TELEKOM TELECOMMUNICATIONS
PUBLIC LIMITED COMPANY**



1. STATEMENT OF PRINCIPLES

Under the Act V of 2013 on the Civil Code (the “Civil Code”) and the Articles of Association of Magyar Telekom Telecommunications Public Limited Company (the “Company”) the Supervisory Board of the Company cooperates with the Company’s statutory Auditor (the „Auditor”) engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The Audit Committee supports the Supervisory Board in fulfilling this task. The Supervisory Board, with the approval of the Pre-approval Policy of the Audit Committee (the “Policy”), assigns the scope of authorities to the Audit Committee as defined in the Policy, by which it facilitates the effective fulfillment of this task.

The Audit Committee pre-approves the audit and non-audit related services provided by the Auditor to the Company and the related fees, with respect to the fees within the exclusive scope of authority of the General Meeting as set out in Rule 2 of the Policy, to ensure that the Auditor’s independence from the Company is maintained. The Audit Committee, when assessing whether or not independency of the Auditor is impaired, takes the activities of the Auditor’s entire network and its related business associations into consideration.

There are services that an Auditor may not provide, and thus cannot be pre-approved. Examples are given in Appendix “E” of the Policy. The following principles shall apply:

- An Auditor may not take on any management functions.
- An Auditor may not review his/her own work.
- An Auditor may not serve in an advocacy role for the auditing client.

All other audit-relevant and non-audit-relevant services to be performed by the Auditor for the Company are subject to the Audit Committee’s pre-approval.

The audit and non-audit services either:

- may be pre-approved without consideration of specific case-by-case services by the Audit Committee (“general pre-approval”) or
- require the specific pre-approval of the Audit Committee (“specific pre-approval”).

The Audit Committee assumes that the combination of these two approaches result in an effective and efficient procedure to pre-approve the respective services.

Appendices “A”, “B”, “C” and “D” to the Policy describe audit of the financial statements, other audit related, tax advisory and other services that received general pre-approval by the Audit Committee.

The Audit Committee may determine, for each fiscal year, the pre-approval fee level for audit of the financial statements, other audit related, tax advisory and other services.

Unless a service provided by the Auditor has received general pre-approval by the Audit Committee, it will require specific pre-approval by the Audit Committee. The commissioning of any such service that would exceed the determined pre-approval fee levels will require specific pre-approval by the Audit Committee.

The Auditor must be commissioned in writing. The Auditor cannot provide services before having signed a contract pertaining to the given service.

The Auditor shall certify to the Audit Committee that he has complied with all applicable external auditor independence rules.

2. AUDIT OF THE FINANCIAL STATEMENTS SERVICES

Audit of the financial statements services include audits of financial statements and services provided in connection with statutory duties and submissions required for regulatory authorities, including the preparation of audit reports and certificates, approvals,



domestic and international statutory audits, tax consulting, to the extent necessary for compliance with generally approved auditing standards, as well as support for the issuance and auditing of the documents to be supplied. Audit of the financial statements services also include information systems and procedural reviews and testing in order to understand and place reliance on the systems of internal control, and consulting for the management if there are any questions relating to invoicing, the preparation of the balance sheets and reporting in connection with the audits.

Regarding the annual audit service fees in connection with the audit of the stand alone financial statements of the Company prepared according to the Hungarian Accounting Rules ("HAR"), as well as of the consolidated group-level financial statements of the Company prepared according to International Financial Reporting Standards as endorsed by the European Union ("IFRS") final approval falls within the authority of the General Meeting, which relies on the proposal of the Supervisory Board. All further audit of the financial statements services to be provided for the Company or its subsidiaries are subject to the general or specific pre-approval of the Audit Committee.

The Audit Committee prepares the contract to be entered with the Auditor, monitors the execution of the audit contract, and pre-approves, if necessary any changes in terms, conditions and fees resulting from changes in the scope of the audit work (for example, significant change in Magyar Telekom Group, significant change in business or regulatory circumstances) for an unforeseeable reason, or if excess work arises for a reason attributable to the interests of the Company.

The Audit Committee has granted general pre-approval with respect to the audit of the financial statements services listed in Appendix "A". All audit of the financial statements services not listed in Appendix "A" are subject to specific pre-approval by the Audit Committee.

3. OTHER AUDIT RELATED SERVICES

Other audit related services are mainly services that are usually performed by the Auditor in connection with the audit of the annual financial statements. Other audit related services also include review of the quarterly financial statements, due diligence services pertaining to potential business acquisitions/disposals, consultations related to accounting, financial reporting or disclosure matters not classified as audit of the financial statements services, assistance with understanding and implementing new accounting and financial reporting standards, financial audits of employee benefit plans and assistance with internal control reporting requirements.

The Audit Committee has granted general pre-approval with respect to the other audit related services listed in Appendix "B". All other audit related services not listed in Appendix "B" are subject to specific pre-approval by the Audit Committee.

4. TAX ADVISORY SERVICES

The Audit Committee assumes that the Auditor can provide the Company with advice on tax issues, such as compliance with tax law, tax planning and tax advice in a narrower sense, without this impairing the Auditor's independence.

The Audit Committee will not permit the commissioning of the Auditor in connection with the provision of tax services, if the only purpose of such services is to avoid taxes or tax treatment that is not supported by tax law and related regulations.

The Audit Committee has granted general pre-approval with respect to the tax advisory services listed in Appendix "C". All tax advisory services not listed in Appendix "C" are subject to specific pre-approval by the Audit Committee.

5. OTHER SERVICES

Other services by their very nature, consist of routine and repetitive tasks and will not impair the independence of the Auditor.



The Audit Committee has granted general pre-approval for other services listed in Appendix "D". All other permitted services not listed in Appendix "D" are subject to specific pre-approval by the Audit Committee.

6. PROCEDURES

The rules of procedure of commissioning the Auditor are contained in Appendix "F". Services that can be provided by the Auditor may be commissioned exclusively after having completed Appendix "H" (Clearance Certificate). Applications to provide services that require specific pre-approval by the Audit Committee will be submitted to the Audit Committee, through the Head of the Audit Committee Secretariat in Hungarian and/or in English with the content described in Appendix "G", by the Auditor providing such services and the management of the Company or subsidiary requesting such services.

Quarterly, all consolidated companies belonging to the Magyar Telekom Group report to the Head of the Audit Committee Secretariat on the orders for the services provided by the Auditor and the fees of these services, including the services generally pre-approved to be performed by the Auditor and a detailed description of services. The Head of the Audit Committee Secretariat will report to the Audit Committee on a quarterly basis in writing about the services provided by the Auditor and their fees.

The Audit Committee has designated the Head of the Audit Committee Secretariat with the task of monitoring all services provided by the Auditor and determining whether such services comply with the Policy. The Head of the Audit Committee Secretariat will report to the Audit Committee on a quarterly basis in writing about the results of such monitoring.

The Head of the Audit Committee Secretariat will immediately report to the Chairman of the Audit Committee any breach of the Policy that comes to the attention of the Head of the Audit Committee Secretariat.

7. ADDITIONAL REQUIREMENTS

The Audit Committee takes additional steps on an annual basis to meet its responsibility to monitor the work of the Auditor and his independence. This includes reviewing a formal written statement from the Auditor delineating his relationships with the Company, and discussing with the Auditor his methods and procedures for ensuring independence.

8. ENCLOSURE

This Policy was approved by the Supervisory Board at its meeting held as of April 30, 2014 with its Resolution No. 3/8 (04 30 2014).



APPENDIX “A”

PRE-APPROVED AUDIT OF THE FINANCIAL STATEMENTS SERVICES

- 1. Statutory and voluntary audits of annual financial statements and consolidated financial statements (incl. supplementary audits, certificate for disclosure, consolidated/reporting packages from Group audits).**
- 2. Statutory audit of the risk early-warning system and risk management system.**
- 3. Audit of the dependent company report.**
- 4. Auditing services from the extension of the audit engagement by the commissioning party (“requested/agreed audit focus”).**
- 5. Audits of the internal control system (ICS), if the findings are utilized in the audit of the annual financial statements/consolidated financial statements.**
- 6. Monitoring in connection with requirements in relation to the internal control system as part of legally prescribed audits of financial statements. This includes in particular the monitoring of process optimization measures.**
- 7. Audits in relation to the use of information technology, if the findings are utilized in the audit of the annual financial statements/consolidated financial statements.**
- 8. Other audit services in connection with the audit of the financial statements.**
 - (a) Answering of accounting questions with regard to specific issues/transactions.
 - (b) Monitoring in connection with the clarification of requirements resulting from a change to existing or the introduction of new accounting requirements, recommendations and notes by national and international standard-setting bodies, such as FASB and IASB.
 - (c) Other audit procedures.
- 9. Other non-audit services necessary for issuing a certificate for the tax authorities and to be provided exclusively by the auditors.**



APPENDIX “B”

PRE-APPROVED OTHER AUDIT RELATED SERVICES

1. Review services that the Auditor performs for the purpose of being able to render an opinion on the review of the Company's consolidated financial statements. This includes, in particular:

(a) Review services of the quarterly financial statements prepared in compliance with the IFRS.

2. Formation, merger, spin-off audit; audit of the corporate agreement, audit of liquidation opening balance sheet.

3. Audits of interim balance sheets in the event of capital increases using company funds and of closing balance sheets.

4. Audit of pro-forma financial information and of additional elements of financial statements.

5. Voluntary special audits of the internal control system (if the findings are not utilized in the audit of the annual financial statements), the compliance management systems and corporate governance matters beyond the audit of the annual financial statements.

6. All kinds of company related operational audits.

7. Due diligence reviews.

8. Comfort letter.

9. Environmental audit.

10. Audits in relation to the use of information technology (if the findings are not utilized in the audit of the annual financial statements).

11. Review of the product cost calculation and IT systems supporting this to check conformity with requirements of the regulatory authority or other supervisory bodies.



12. Assurance services in relation to the reconciliation of certain figures with the accounting of third parties.

13. Miscellaneous other assurance services.



APPENDIX “C”

PRE-APPROVED TAX ADVISORY SERVICES

1. Consultation in connection with the submission of tax returns.
2. Highlighting structuring initiatives and alternatives.
3. Consulting on tax structuring matters.
4. Flagging up of existing tax legislation on certain situations.



APPENDIX “D”

PRE-APPROVED OTHER SERVICES

1. Information and suggestions for eliminating errors or gaps in the annual financial statements.
2. Consulting on accounting matters, if they are not related to the audit of the annual financial statements or compliance management matters.
3. Assessments and tests regarding existing security infrastructure controls.
4. Analysis of the working capital management process to identify weak points and show areas of improvement.
5. Consulting services and assistance in connection with the Company’s compliance with requirements stipulated by the National Media and Infocommunications Authority and other authorities.
6. Other non-audit consultation.

APPENDIX “E”

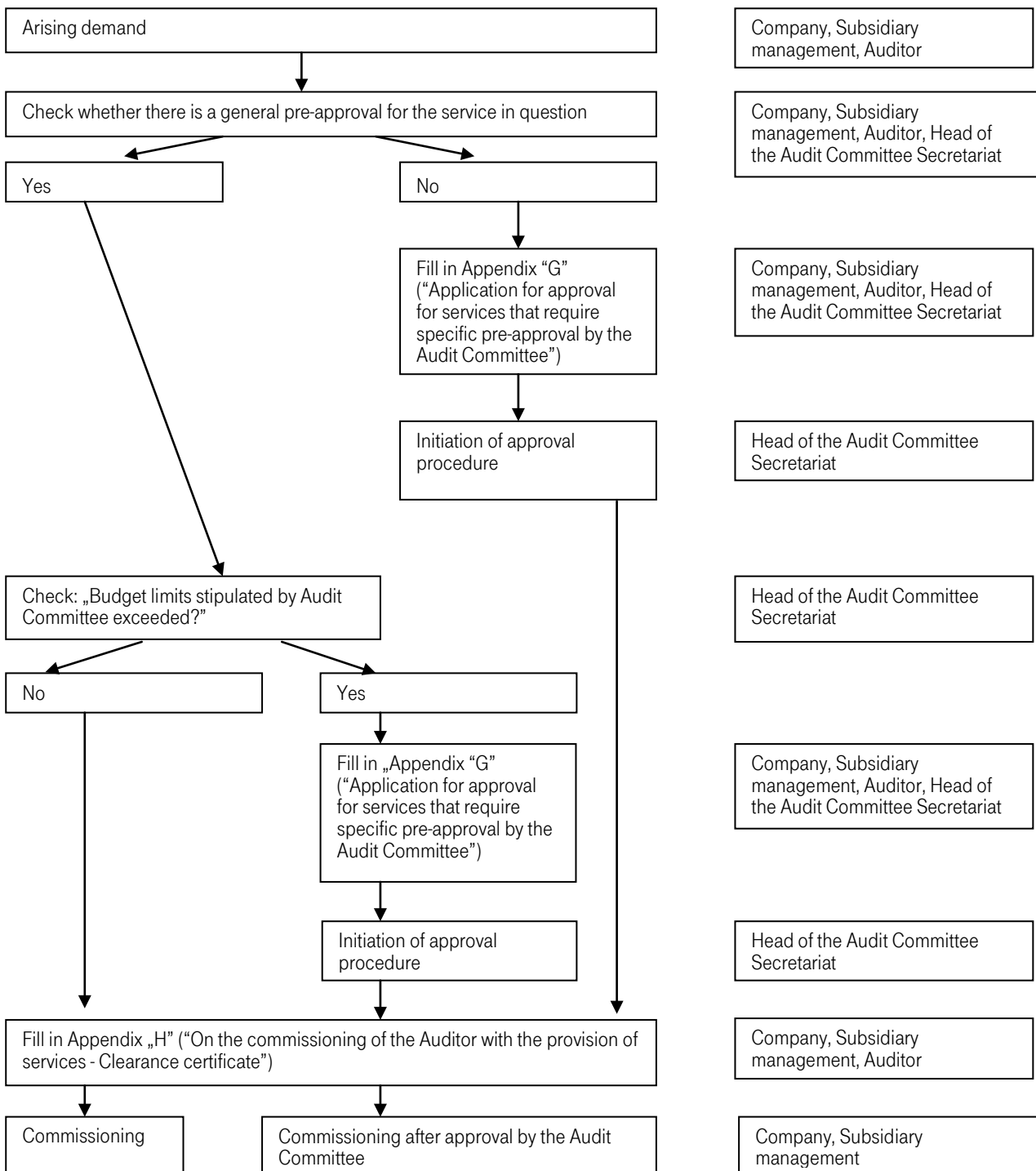
PROHIBITED SERVICES FOR THE AUDITOR

- Bookkeeping or other services related to the accounting records or financial statements of the audit client;
- Development, set-up and implementation of financial information systems;
- Estimation and valuation services, fairness opinions and reports on non-cash contributions; in particular market-valuations, confirmations of adequate valuation, purchase price allocation, property valuations, if they have a direct and not merely significant impact on financial statements to be audited by the Auditor;
- Actuarial services;
- Internal audit outsourcing services.
- Management functions;
- Services billed through performance-related fees, if they are significant for the Auditor and relate to the results of the audit of the financial statements;
- Human resources (staff selection or development);
- Broker-dealer, investment adviser or investment banking services;
- Legal services, as far as they go beyond the highlighting of structuring alternatives and impact directly and not insignificantly on annual financial statements to be audited by the Auditor;
- Non-audit services provided by specialists (preparation of an expert opinion or other similar expert statements for the Company or the legal representative of the Company, for the purposes of representing the interests of the Company in connection with legal disputes or other regulatory or administrative investigations) if such services go beyond the highlighting of structuring alternatives and impact directly and not insignificantly on annual financial statements to be audited by the Auditor;
- Tax services relating to a transaction initially recommended by the Auditor, the sole business purpose of which may be tax avoidance and the tax treatment of which may not be supported in the tax law and related regulations.

APPENDIX „F”

PROCEDURE FOR THE COMMISSIONING OF THE AUDITOR

RESPONSIBLE





APPENDIX "G"

APPLICATION FOR APPROVAL FOR SERVICES THAT REQUIRE SPECIFIC PRE-APPROVAL BY THE AUDIT COMMITTEE

Submitter of the application	
Reason for submission of the application	
Description and type of the service	
Start and end of service provision	
Agreed total fee	
Preliminaries (if relevant)	
Annexes (Draft Contract or engagement letter)	
Draft Resolution	

We hereby declare that the performance of the service named above does not impair the required independence of the Auditor that is commissioned with auditing the annual financial statements, and request specific pre-approval.

.....
Auditor
(Place/Date/Signature)

.....
Management of client
(Place/Date/Signature)

Position of the Head of the Audit Committee Secretariat	
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APPENDIX "H"

ON THE COMMISSIONING OF THE AUDITOR WITH THE PROVISION OF SERVICES

CLEARANCE CERTIFICATE

Company	
Name, type and number of service (according to Appendices "A", "B", "C" and "D" of the Policy)	
Start and end of service provision	
Agreed total fee	
Annexes (Engagement Letter)	

We hereby declare that the performance of the service named above does not impair the required independence of the Auditor that is commissioned with auditing the annual financial statements. We also declare that no services exceeding the tenor of the engagement letter will be rendered.

.....
Auditor
(Place/Date/Signature)

.....
Management of client
(Place/Date/Signature)

Position of the Head of the Audit Committee Secretariat	
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