

Self-evaluation of the work of the Board – 2010

Role, members of the Board of Directors

The Board of Directors of Magyar Telekom, as management body, represents the Company before third parties, courts and other authorities. The Board is responsible for comprehensive management of the group and for the approval of the company strategy, structure and the long-term objectives. While the Board has delegated the daily management of the Company to the Management Committee chaired by the Chief Executive Officer (who is also Chairman of the Board), it has retained certain formally defined issues within its exclusive authority.

The Board exercises its rights and fulfills its obligations as an independent body. The Board of Directors acts in compliance with its rules of procedure, the relevant regulations and the Articles of Association.

The Board of Directors of Magyar Telekom is not an operative management body. In other words, it is not involved in the daily business of the Company. It acts in all matters that do not belong to the scope of the shareholders' assembly. Among other things, it approves the Company's strategy, business plan, major organization transformation measures, outstanding transactions, makes work contracts and may relieve the CEO and the chief officers, determines their remuneration and targets, on the basis of which it evaluates the performance of the top management.

The ordinary AGM of April 7, 2010 elected the Board of Directors with eleven members for a period of three years, reelecting eight earlier Board of Directors members and electing three new Board of Directors members. The Board of Directors has two internal and nine external members.

The Board of Directors elected at its April meeting the Chairman and Vice-Chairman of the Board of Directors and the members of the Remuneration Committee.

Board meetings and information flow

In 2010 the Board of Directors met on five occasions, these sessions were attended on average by 87% of the members in person or via telephone conference. In nine cases the Board of Directors took decision through fax voting regulated by the rules of procedure.

The members of the Management Committee and senior executives of other than Board level attend certain Board meetings to answer questions and make presentations on strategic directions and the results of their business units. The members of the Board receive accurate and appropriate documentation before the Board meetings. Apart from meetings through personal attendance, the Board may take decisions through fax vote. The Chairman-CEO maintains regular communication with the Board members also outside the events discussed above, and holds informal talks with those Board members who are not involved in the daily management of the company about matters impacting the Company.

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

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

Group strategy objectives and expansion

At its December 15, 2009 session, the Board adopted the 2010-2012 strategic priorities along with the business plan, leaving unchanged the strategic priorities set for 2009-2011, but making changes in their implementation on the basis of the 2009 experiences and the changed circumstances, and also adopted the following objectives for 2010 (BIGX):

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

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

The Board continued to pay special attention to acquisition opportunities since the exploration and successful implementation of value-creating acquisition opportunities is a key strategic objective for Magyar Telekom in the medium term. In the near future MT will continue to focus on major privatization tenders to be announced in our region, while typically in Hungary the most activity is expected in the infocommunications and system integration, cable television service and media sectors.

One of the most important strategic priorities of the Company is to increase revenues by entering new business opportunities while exploiting existing core capabilities. According to the Board's decision – based on the extensive sales network – the Company is going to offer retail energy (electricity and gas) services to residential and business customers as of April 2010. Based on the evaluation of 2010 results further opportunities on the energy market will be considered.

The Board on their December 13, 2010 meeting approved the 2011-2015 Corporate Strategy and Business Plan. Compared to the previous years' 3 year strategic and business planning, corporate strategy and business plan is already established for a five-year period. Our strategic priorities (BIGX) mentioned below were established to strengthen previous years' strategic direction and to answer the challenges of the market.

1. Slow down voice churn
2. Reach competitive cost structure
3. Secure market leader position in broadband
4. Achieve market leader position on the TV market

5. Stabilize revenues

Organizational operation of the Company

To enable the Company to react more efficiently to the fast changing market and economic environment the Board of Directors decided on organizational changes concerning the governance:

- the Board of Directors created the position of Chief Marketing Officer to direct all product development, communication, market research and brand strategy activities concerning the residential market which were earlier carried out in various organizational units of the Company;
- to ensure comprehensive service provision to residential customers at high standard the Board of Directors decided to create the position of Chief Sales Officer. The CSO is responsible for sales, customer relations and provision of the logistical background for the facilities offered to customers.
- to direct the function of directing and controlling the legal, regulatory, compliance, internal audit and security areas, earlier directly reporting to the CEO, the Board of Directors created the position of Chief Legal and Corporate Affairs Officer;
- all financial activities performed by various organizational units of the Company, with the exception of T-Systems/BBU, were merged in a function directly reporting to the CFO.

The Board of Directors appointed the Chief Officers responsible for the new governance areas.

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

Compliance

The Board continuously monitored the implementation of the Corporate Compliance program also in 2010. The program contains the fundamental legal, regulatory and ethical guidelines for the business management of the Magyar Telekom Group, and also declares the commitment of the Magyar Telekom Group to the strictest ethical standards and integrity.

The Board continued to direct the Company's ongoing cooperation with the investigations of the US, Macedonian, Montenegrin and Hungarian authorities.

Dividend policy and other important decisions

The Board proposed to the AGM the payment of HUF 74/share dividend from the 2009 net earnings. The size of the dividend is in harmony with the Company's dividend policy, which pronounces that the dividend has to be determined in such a way as to keep the net Group leverage between 30 and 40 per cent.

The Board of Directors adopted at its meeting of December 13 a preliminary proposal on payment of HUF 50/share dividend for the year 2010 that is in line with the above indebtedness rate and takes into consideration the effect of the extra tax imposed on the Hungarian telecommunications sector.

The Board of Directors decided to terminate listing of the Company's American Depositary Receipts (ADRs) on the New York Stock Exchange. The primary objective of termination of listing on the stock exchange is to simplify the structure of financial reports and reduce administrative costs. The Company continues to be committed to serving its US investors and to have the key objective to comply with the strictest recommendations for responsible corporate management and to publish transparent financial reports.

The Board reviewed the 2010 financing strategy of Magyar Telekom and gave the necessary authorizations for the specific transactions.

Upon a proposal of the Board of Directors the ordinary AGM of April 7, 2010 approved again the resolutions adopted by the ordinary AGM of April 25, 2008, then repealed by the Budapest Metropolitan Court. The Board submitted to the Company's ordinary AGM the 2009 consolidated Annual Report prepared according to the International Financial Reporting Standards (IFRS) and the Annual Report of the Company prepared according to the Hungarian Accounting Rules (HAR). It also submitted to the AGM the Company's corporate governance report for the 2009 business year.

The AGM accepted the reports and the dividend payment proposal. After having evaluated the work of the Board members, the AGM granted the release for the members for the 2009 business year.

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

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

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

Aspects to be considered in assessing the Board members

Name, position of the Board member	Fitness for the position
Christopher Mattheisen Chairman-CEO of Magyar Telekom Plc.	Masters in Economics. Ten years' senior management experience with mobile operators in marketing, sales and strategic areas. Directed Magyar Telekom's fixed residential business unit for five years.
Dr. Ferri Abolhassan Member of Board of Directors of T-Systems	PhD in research and development. Ten years' senior management experience in IT and system integration.
Dr. István Földesi international business consultant	PhD in economics. Twenty years' diplomatic services and over fifteen years' experience in international business consulting. Has served two terms, twelve years, as member of the Board of Directors.
Dietmar Frings Vice President of Deutsche Telekom AG responsible for HR	University degree in business administration. More than ten years' senior management experience in HR.
Dr. Mihály Gálík Corvinus University, professor	PhD in economics. Two decades of professional experience in responsible positions in the media sector. Has been heading several university departments for more than 10 years and author of some 90 scientific publications.
Guido Kerkhoff Deutsche Telekom AG Board member for Europe	Degree in business administration. Decades of experience in management positions in financial areas.
Thilo Kusch Chief Financial Officer of Magyar Telekom Plc.	University degree (masters) in business administration and communication engineering. Over fifteen years of experience in telecommunications as management consultant, equity analyst, investor relations and CFO.
Dr. Klaus Nitschke Vice President of Deutsche Telekom AG responsible for European strategy, Magyar Telekom Group and subsidiaries in the Netherlands and the UK	University degree, PhD. Almost ten years' management experience in various functional areas of DT.
Frank Odzuck CEO, Zwack Unicum Plc.	Degree in economics. Professional experience in the position of managing director of the Hungarian subsidiaries of international corporations.

<p>Dr. Ralph Rentschler</p> <p>Financial Director of Deutsche Telekom AG, European Business Directorate, responsible for the European Region</p>	<p>PhD in economics. Obtained professional experience as manager of accounting and controlling areas in several companies and as CFO of DT's fixed net business. Member of the supervisory board or the board of several DT group subsidiaries.</p>
<p>Dr. Steffen Roehn</p> <p>Chief Information Officer of DT Group, responsible for IT in DT's integrated mass market approach</p>	<p>PhD in physics. Experience as advisor for international companies. Ten years' management experience in IT area. Member of the Supervisory Board of several DT Group subsidiaries.</p>

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