

# Extraordinary General Meeting of Magyar Telekom Telecommunications Public Limited Company

## MINUTES

Of the Extraordinary General Meeting of **Magyar Telekom Telecommunications Public Limited Company** (registered seat: 1013 Budapest, Krisztina krt. 55.), held on October 9, 2006, 11.00. a.m. at the headquarters of Magyar Telekom Nyrt. (Budapest I., Krisztina krt. 55.).

Way of organizing the General Meeting: participation in person.

Participants: as set out in the attached attendance sheet .

The Chairman of the Board of Directors of Magyar Telekom Nyrt., Mr. **Elek Straub** opens the General Meeting at 11:00 a.m.

Greets shareholders and invitees.

Announces that pursuant to the provisions of Section 6.12. of the Articles of Association, he will chair the General Meeting himself.

Informs the General Meeting that pursuant to Section 6.17.1 of the Articles of Association, votes will be cast via computer, and tallied electronically. Informs the General Meeting that he shall read out the result of voting himself, on the basis of the counted votes to appear on the computer screen.

Requests Mr. György Kató, present on behalf of LINEÁR Kft., to describe the essence and method of computer voting.

Subsequent to the informative provided by Mr. György Kató the Chairman makes known that holders of voting shares or their proxies representing 63,46 percent, altogether 660.214.051 votes out of altogether 10.040.311.656 pieces of common shares are present, therefore constitutes a quorum.

The **Chairman** states that the General Meeting has been convened in compliance with the relevant provisions of law and the provisions of the Articles of Association.

On the basis of the proxy instruments submitted to the Company, the Chairman states that proxies represent the shareholders legally. Shareholders present but not registered in the Stock Register or not holding an owner's certificate may participate at the General Meeting as observers however can not exercise the right of vote.

The Chairman requests the participants to agree to that the proceedings of the General Meeting will be recorded on tape.

In lack of any remarks or motions the Chairman puts the proposal to the vote. The voting ratio necessary for adopting this resolution is **simple majority**.

### RESOLUTION No. 1/2006 (X. 9.)

The General Meeting agrees to that the proceedings of the Meeting shall be recorded on tape.

This Resolution was adopted by the General Meeting with 643.894.677 affirmative, 0 negative votes and 10 abstentions.

The **Chairman** makes the proposal to elect Dr. Tibor Székelyhídi, Magyar Telekom Nyrt.'s Deputy Director (Head of Corporate Legal Affairs Dept.) as Keeper of the Minutes. Besides, he suggests that Dr. Reinhold Echter representative of MagyarCom Holding GmbH should authenticate the Minutes.

In lack of any remarks or motions the Chairman puts the proposal to the vote. The voting ratio necessary for adopting this resolution is **simple majority**.

**RESOLUTION No. 2/2006 (X. 9.)**

**The General Meeting elects Dr. Tibor Székelyhídi Keeper of the Minutes in addition to electing Dr. Reinhold Echter, representative of MagyarCom Holding GmbH as authenticator of the Minutes.**

This Resolution was adopted by the General Meeting with 643.894.687 affirmative, 0 negative votes and 0 abstentions.

The Chairman makes known that no motion was submitted to the Board of Directors in connection with the modification of the agenda within 8 days upon its publication, i.e. August 18, 2006 therefore it is not possible to adopt any resolutions on the issues not included in the agenda published as part of the GM Announcement. The Chairman makes known that no further agenda items can be included because not all the shareholders are present.

He proposes that the GM should approve the following order for discussing the items on the agenda:

1. Informative of the Board of Directors on the business activities and current situation of the Company and the ongoing investigation
2. Amendment of the Articles of Association of the Company
3. Amendment of the Rules of Procedure of the Supervisory Board
4. Election of the members of the Board of Directors
5. Election of the members of the Supervisory Board
6. Election of the members of the Audit Committee
7. Miscellaneous

In lack of any remarks or motions the Chairman puts the proposal to the vote. The voting ratio necessary for adopting this resolution is **simple majority**.

**RESOLUTION No. 3/2006 (X. 9.)**

**The General Meeting approves the agenda of the Meeting, in line with the resolution proposal, as follows:**

1. **Informative of the Board of Directors on the business activities and current situation of the Company and the ongoing investigation**
2. **Amendment of the Articles of Association of the Company**
3. **Amendment of the Rules of Procedure of the Supervisory Board**
4. **Election of the members of the Board of Directors**
5. **Election of the members of the Supervisory Board**

## 6. Election of the members of the Audit Committee

## 7. Miscellaneous

This Resolution was adopted by the General Meeting with 643.894.687 affirmative, 0 negative votes and 0 abstentions.

The Chairman opens the discussion of the firsts agenda item:

### 1. Informative of the Board of Directors on the business activities and current situation of the Company and the ongoing investigation

Submitter: The Board of Directors

In the name of the Board of Directors the Chairman requests Mr. Thilo Kusch, CFO of Magyar Telekom Nyrt. to inform shareholders about the business activities and current economic situation of the Company.

**Mr. Thilo Kusch** delivers his presentation and presents the main non-audited figures of the 2005 financial year as well as the results achieved by Magyar Telekom in the different segments of the telecommunications market during the first 6 months of Y2006. He briefed the shareholders on the plans of the 2006-2007 business years and the expected market tendencies. He stressed, that the performance of the Group is in line with the expectations in spite of the fact that the ongoing investigation had a negative effect on the market potential of the company. The goal is to increase efficiency. He also stressed that in spite of the postponement of the Annual General Meeting the Board – according to the non-audited financial statement of Y2005 – believes that an amount-wise similar dividend is to be paid as last year.

In the name of the Board of Directors the **Chairman** requests dr. Bálint Nagy, the PR Director of Magyar Telekom Nyrt. to inform the GM on the investigation regarding issues emerged during the audit of certain subsidiaries of the Company as well as its current status. The announcement is of an informative nature that was approved by the US legal counsel of the Company.

**Dr. Bálint Nagy** reads out the announcement of the Company on the ongoing investigation (see Exhibit No. 1 of the Minutes).

**The Chairman** takes back the floor and initiates that the agenda item be discussed and requests shareholders to ask questions and to make comments. Announces that in line with para 6.13 (f) of the Articles of Association each shareholder will have a maximum of 3 minutes to do so.

András Szombati, representative of Eclipse Zrt. asked what conditions are to be met so that the auditor issues its opinion and the pending dividend can be paid.

**Nick Kós** answered that PwC is not in a position to issue its opinion until the closing of the investigation and as far as he knows the Company does not have a statement that is approved by the Board of Directors.

**Elek Straub** made known that the investigation is still under way and until its closing the Board can not take further steps. He said he was unable to tell the date when the investigation would be closed.

**János Zelena**, shareholder, requested information on the parties with which the 4 consultancy contracts were concluded, if such information is public.

**Elek Straub** referred back to the content of the announcement read out by dr. Bálint Nagy, according to which the investigation was launched with respect to two contracts and during the course of the investigation two more contracts were also involved in the investigation. The announcement – to be published by the Company after the GM - contains specific information on their values.

**András Szombati** asked whether the management takes further steps in this matter.

**Elek Straub** informs the shareholders that during the investigation the management cooperates with all authorities and the investigators. Documents were transferred, interviews took place, a data room was set up and an extensive amount of information was transferred from the computer system of the Company. However, due to the complexity and time consuming nature of the investigation there is no final result so far. Nevertheless, no personal responsibility has been identified during the investigation.

**János Zelena** asked whether it would be more favorable to finance the Company through loans provided by Hungarian commercial banks.

**Thilo Kusch** answered that DT Group as a whole receives loans with better financial conditions.

Elek Straub made known that the entire financing of MT is not feasible due to Hungarian banking market limitations and it applies to other major companies as well. Requested Szabolcs Czente to amend his answer as the Head of the Investor Relations Department.

**Szabolcs Czente** answered that MT takes loans with a minimal margin from Deutsche Telekom, with such conditions that could not be achieved in the Hungarian market.

**Elek Straub** the Company always requests other offers as well and it is important to mention that the increase of the fix costs of the Company is not due to the change of the exchange rate but due to the increase of interest rate.

The Chairman informs the shareholders that the agenda item is of an informative nature therefore it will not be voted upon.

In lack of further questions or comments the Chairman closes the discussion of the agenda item.

## **2. Amendment of the Articles of Association of the Company**

Submitter: Board of Directors

The Chairman asks **dr. Tibor Székelyhídi** to make known the reasons of the amendment of the Articles of the Company:

Due to the organizational changes of Magyar Telekom Nyrt. the Sections regarding the sites and scope of activities of the Company have to be amended in the Articles.

The amendments were carried out in line with the provisions of Act IV. of 2006 on Business Associations (Companies Act or Gt.), entered into force on July 1, 2006, that includes material changes with respect to the operation of public limited companies. The submission contains only such mandatory modification proposals that are required by the new Act. The relevant proposals have been reviewed and approved by the SB of the Company whereas shareholders could study them from September 20, 2006 as Annex No. 1 to the GM submission (see pages: 3-26) at the customer service office of KELER Zrt., on the website of Magyar Telekom and at the place of the GM. According to the provisions of the aforementioned Act the Company must adjust its Articles at the first GM subsequent to its entry into force and submit the amended version to the Court of Registry.

The chairman asks if there are any remarks or motions.

In lack of any remarks or motions the Chairman puts the proposal to the vote. Requests shareholders to vote on all modification. The voting ratio necessary for adopting this resolution is **three-quarters majority**.

#### **RESOLUTION No. 4/2006 (X. 9.)**

**The General Meeting approves the amended and restated Articles of Association of Magyar Telekom Nyrt.**

This Resolution was adopted by the General Meeting with 630.099.872 affirmative 27.379.781 negative votes, and 2.733.739 abstentions.

### **3. Amendment of the Rules of Procedure of the Supervisory Board**

Submitter: Supervisory Board

The Chairman requests dr. László Pap to present the submission.

**dr. László Pap** makes known that in line with the amendments of the Articles it is also necessary to amend the Rules of Procedure of the SB since the new Companies Act contains provisions on the composition, operation, tasks and scope of authority of the SB. The amendment of the document – as set out in the Annex hereto – has become necessary to comply with the laws. Shareholders could preliminarily review the GM submission on the changes in Exhibit No. 2. He added that the proposal contains two main modification proposals: on the one hand the majority of the SB members must be independent and on the other hand the Audit Committee will be directly elected by the General Meeting.

In lack of any remarks or motions the Chairman puts the proposal to the vote. Requests shareholders to vote on all modification. The voting ratio necessary for adopting this resolution is **simple majority**.

#### **RESOLUTION No. 5/2006 (X. 9.)**

**The General Meeting approves the amended and restated Rules of Procedure of the Supervisory Board.**

This Resolution was adopted by the General Meeting with 629.603.680 affirmative votes, 27.877.978 negative votes, and 2.731.734 abstentions.

Prior to opening the discussion of the next Agenda item the Chairman informs the GM that the preparation of proposals for the remaining agenda items requires more time, therefore he proposes that the General Meeting be suspended at this point. He proposes that the continuation of the suspended GM with respect to the remaining agenda items is to be held on November 6, 2006 10.00 a.m. at the headquarters of Magyar Telekom Nyrt. – Budapest, 1013 Krisztina Krt. 55. – in Tölösi Conference Center.

The Chairman asks if there are further comments or motions.

Since there were no further motions the Chairman puts the proposal outside the agenda to the vote.

The voting ratio necessary for adopting this resolution is **simple majority**.

**RESOLUTION No. 6/2006 (X. 9.)**

The General Meeting suspends the discussion of further agenda items and decides to continue the suspended meeting with respect to the remaining agenda items on November 6, 2006 10.00 a.m. at the headquarters of Magyar Telekom Nyrt. – Budapest, 1013 Krisztina Krt. 55. – in Tölösi Conference Center.

This Resolution was adopted by the General Meeting with 617.515.639 affirmative votes, 3.031 negative votes, and 9.745.810 abstentions.

In lack of further comments motions the Chairman thanks the work of the shareholders and draws their attention to the fact that pursuant to Section 6.16. of the Articles the Company will not publish an announcement on the venue and place of the continuation of the GM because this information is contained in the previously approved resolution. He further draws the attention of shareholders that the registration will start at 8.30 a.m. on November 6, 2006.

The Chairman adjourned the meeting at 12.14.

Dated as above.

.....  
Elek Straub  
Chairman of the General Meeting

.....  
Dr. Tibor Székelyhídi  
Minute Keeper

.....  
Dr. Reinhold Echter  
Authenticator

Countersigned by:

.....  
Dr. Péter Dankó  
General Counsel  
In-house certificate No.:13058

As we initially disclosed in our full year 2005 results announcement on February 13, 2006, and as we have further explained in press releases on March 30, April 26, May 11, July 3 and July 27, Magyar Telekom is conducting an investigation into certain consultancy contracts, entered into by one of its subsidiaries, to determine whether these contracts were entered into in violation of company policy or any applicable law or regulation. Concerns regarding two consultancy contracts were initially raised by the Company's auditors, PricewaterhouseCoopers, due to the unusual nature of the contracts and apparent lack of justification for the contracts in the Company's books and records.

The Audit Committee initiated an internal investigation in January 2006. The Committee retained a prominent international law firm to conduct a comprehensive investigation into the two consultancy contracts initially questioned by the Company auditors, as well as into the Company's consultancy contracts and accounts more generally. The Committee has also retained a forensic accountancy firm, to assist this law firm with its review of the relevant accounting records. The investigation has been a lengthy process, and it is still ongoing. One factor in the length of the investigation has been the requirement, under Hungarian data protection law, for investigators to obtain employee consent to collect and view any documents containing personal data. In addition, in the course of the investigation, serious concerns have arisen regarding the destruction by certain employees of electronic documents obstructing the investigation.

As a result of the investigation, which has involved an extensive review of a large number of documents and intensive interviews, at least two additional consultancy contracts, entered into by Magyar Telekom with apparently inadequate documentation, have been called into question. The total amount involved in the four contracts under question is approximately HUF 1.98 billion. While the investigation is ongoing, and we cannot therefore provide you with its results, it appears that the Company's books and records do not substantiate a legitimate business purpose for these four contracts. The Company is currently considering the appropriate remedial actions. As we have previously disclosed, a number of employees of MT and its subsidiaries have been suspended as a result of evidence of document destruction, and the Company expects the Board to consider what further action should be taken including with respect to the conduct of other members of the management.

This investigation has caused the delay of the Company's AGM from its initially scheduled date of April [30], 2006. The Board of Directors has taken the view that it cannot approve the Company's 2005 financial statements until the investigation has been completed, and accordingly the audit cannot be completed. The delay in AGM approval of the Company's audited financial statements has caused the Company to miss certain regulatory filing deadlines, in particular the May 2, 2006 deadline prescribed by HFSA and Budapest Stock Exchange regulations to file audited and approved 2005 annual results with those bodies, and the June 30, 2006 deadline set by SEC regulations to file the Company's 20F annual report for 2005. The HFSA has so far fined the Company HUF 12 million and ordered the Company to prepare its annual report and to comply with its regular reporting regulations.

The Company notified the Hungarian Financial Supervisory Authority (the "HFSA"), the U.S. Securities and Exchange Commission (the "SEC") and the U.S. Department of Justice ("DOJ") of this internal investigation in its early stages, and the investigators are keeping each of these authorities informed of the progress of the investigation. The HFSA, DOJ and the SEC have initiated their own investigations, and the Company has received requests from these bodies for certain additional information and documents. The Company is in regular contact with the HFSA, DOJ and the SEC and is committed to complying fully with all requirements and requests of these and any other pertinent governmental and regulatory bodies.