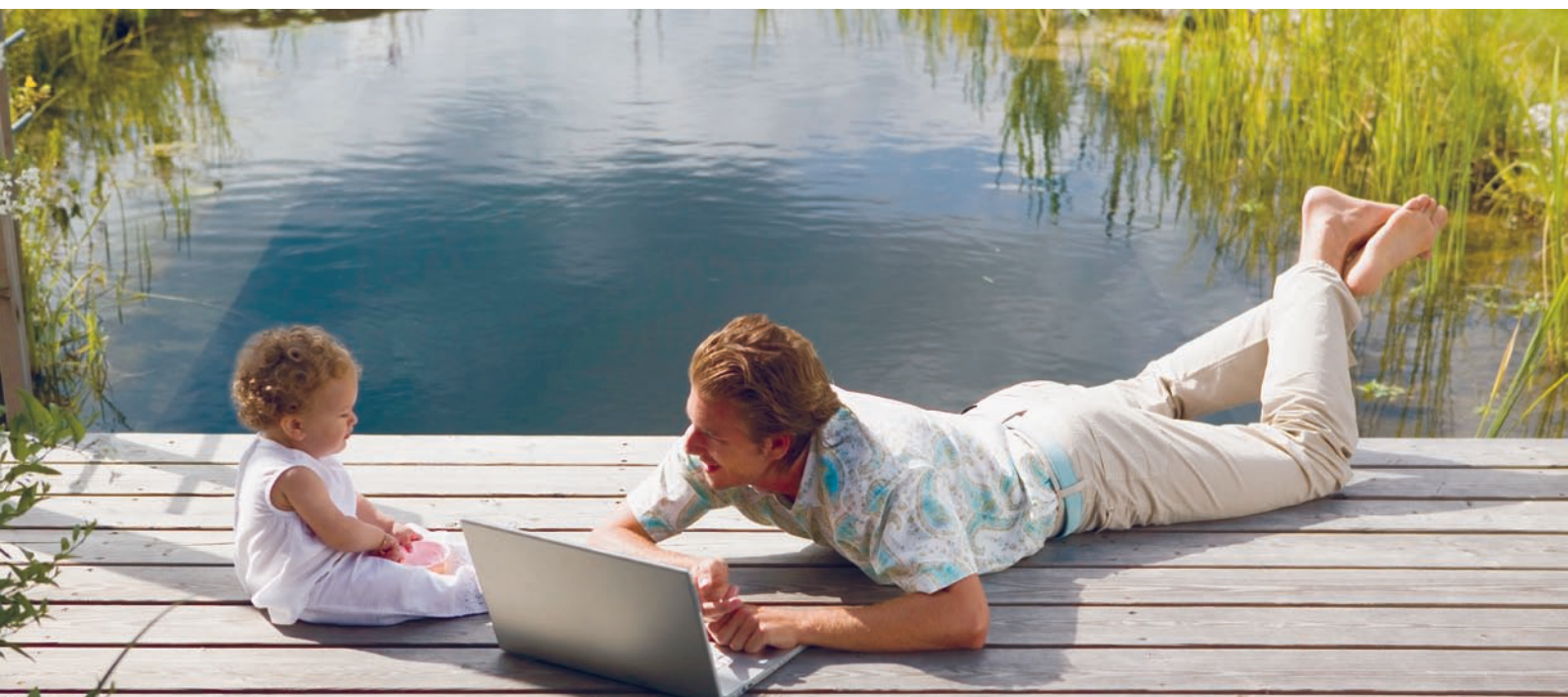




Social and Environmental Report 2005.

Table of Content

GRI Content Index	3
Introduction	5
Chairman-CEO's letter	5
The Company-Group	8
Introduction	8
Ownership structure	8
Organizational structure of the Group	9
Senior Management	9
The Group's results, key financial and summarized operation data	10
Policies, Strategies	11
T-Spirit	11
Strategy of the Group	11
Human Resources Strategy	11
Corporate Social Contributions Strategy	12
Group Environmental Policy	14
Group Environmental Strategy	14
Corporate governance	17
Management Systems	18
Quality management	18
Environmental management	18
Stakeholders	20
Market-based stakeholders	21
Non-market-based stakeholders	25
Activities in the light of the sustainable development approach	27
Information society – “Digital Bridge”	27
Public-Social aspect	30
Environmental aspect	46
Abbreviations	68
Verification	70

GRI Content Index

Vision and Strategy	
GRI sections	Page
1.1	5-6
1.2	5-6

Profil	
GRI sections	Page
Organisational Profile	
2.1	8, WEB
2.2	8-9, WEB
2.3	9, WEB
2.4	9, WEB
2.5	9, WEB
2.6	8, 22, WEB
2.7	8-10, WEB
2.8	10, 31, WEB
2.9	20-26, WEB, SR
Report Scope	
2.10	71
2.11	7
2.12	5
2.13	5-6, 7, WEB
2.14	5-6, 7, WEB
2.15	5-6, 7, 9, WEB
2.16	5-6, 7, 9, WEB
Report Profile	
2.17	5-6, 7
2.18	7, 10, 30, 46
2.19	7
2.20	5-6, 7, 11, 17, 18-19, WEB, SR
2.21	7, 70
2.22	8, 10, 12, 14, 18, 21-26, 70-71, WEB, SR

Governance Structure and Management Systems	
GRI sections	Page
Structure and Governance	
3.1	8-9, WEB
3.2	9, WEB
3.3	9, 22, WEB, SR
3.4	9, 22, WEB, SR
3.5	22, SR
3.6	9, 22, WEB
3.7	11-17, WEB, SR
3.8	17, 22, WEB, SR
Stakeholder Engagement	
3.9	20
3.10	20-26, WEB, SR
3.11	20-26, WEB, SR
3.12	20-26, WEB, SR

GRI sections	Page
Overarching Policies and Management	
3.13	7, 16, WEB
3.14	5-6, 7, 17, 21, 22, 27, 30, 40, 43-44, 65, WEB, SR
3.15	26, SR
3.16	18, 22-23, 46-49, SR
3.17	5-6, 7, 11-17, 27-29, WEB, SR
3.18	5-6, 7, 9, WEB
3.19	10, 17, 30-31, 41-45, 46-49, WEB, SR
3.20	17, 18, 29, 36, 40, WEB, SR
GRI Content Index	
4.1	II

Economic			
Core Indicator	Page	Additional Indicator	Page
Customers			
EC1	10, WEB		
EC2	9-10, 10, WEB		
Suppliers			
EC3	10, 10, WEB		
EC4	24		
Employees			
EC5	10, WEB		
Providers of Capital			
EC6	10, WEB		
EC7	10, WEB		
Public Sector			
EC8	10, WEB	EC12	41-45, WEB, SR
EC9	10, WEB		
EC10	41-45, WEB, SR		
Indirect Economic Impacts			
		EC13	5-6, 10, WEB, SR

Environmental			
Core Indicator	Page	Additional Indicator	Page
Materials			
EN1	53-54, 58-59		
EN2	53-54		
Energy			
EN3	55-59	EN17	57
EN4	55-59	EN19	60-61
Water			
EN5	62		
Biodiversity			
EN6	62-63	EN29	62-63
EN7	62-63		

Core Indicator	Page	Additional Indicator	Page
Emissions, Effluents and Waste			
EN8	60-61, 64	EN30	60-61, 64
EN9	64		
EN10	64		
EN11	66-67		
EN12	64		
EN13	64		
Suppliers			
		EN33	23-24
Products and Services			
EN14	65, WEB		
EN15	54		
Compliance			
EN16	47		
Transport			
		EN34	58-59
Overall			
		EN35	50

Social			
Core Indicator	Page	Additional Indicator	Page
Employment			
LA1	31, 33, 36-37	LA12	33-34
LA2	31, 33, 36-37		
Labour Management Relations			
LA3	34-35	LA13	34-35
LA4	31-32, 34-35		
Health and Safety			
LA5	38, FJ	LA15	38, SR
LA6	38, FJ		
LA7	38		
LA8	38		
Training and Education			
LA9	39-40, FJ	LA16	30-31, 36, 37, SR
		LA17	30-31, 36, 37, SR
Diversity and Opportunity			
LA10	30-31, 36-37		
LA11	9, 37, WEB		
Strategy and Management			
HR1	30-31, 40, SR	HR8	38
HR2	17, 23-24, WEB		
HR3	23-24		
Non-discrimination			
HR4	17, 30-31, 36, 23-24, SR		
Freedom of Assoc. & Collective Bargaining			
HR5	34-35, 40, WEB, SR		
Child Labour			
HR6	40, 23-24, SR		
Forced and Compulsory Labour			
HR7	40, WEB, SR		

Core Indicator	Page	Additional Indicator	Page
Community			
SO1	11, 12-13, 41-45, SR	SO4	5-6, 26, WEB
Bibery and Corruption			
SO2	17, 24, WEB, SR		
Political Contribution			
SO3	32, WEB	SO5	32, WEB
Competition and Pricing			
		SO7	17, 24, WEB, SR
Customer Health and Safety			
PR1	14-16, 45, WEB, SR		
Products and Services			
PR2	45, SR		
Respect for Privacy			
PR3	45, SR		

Telecommunication indicators	
Indicator	Page
Internal Operations	
Investment	
IO1	10, WEB
IO2	21, WEB, SR
Health an Safety	
IO3	38, SR
IO4	65, WEB
IO5	65, WEB
IO6	65, WEB
Infrastructure	
IO7	62-63, 65
IO8	63
Providing Access	
Access to Products and Services	
PA1	21-22, 27-29, SR
PA2	21-22, 27-29, SR
PA3	21, WEB, SR
PA4	9-10, WEB
PA5	21, WEB, SR
PA6	21, 25, WEB, SR
Access to Content	
PA7	20-21, WEB, SR
Customer relations	
PA8	65, WEB
PA9	65, WEB
PA10	21, WEB, SR
PA11	45, 48, 65, SR
Technology applications	
Resource Efficiency	
TA1	54, 60
TA2	54, 60
TA3	51-52, 53-54
TA4	53-54
TA5	22, 29

Based on the GRI (Global Reporting Initiative) 2002 Guidelines (www.globalreporting.org)

WEB: Home Page of Magyar Telekom (<http://www.magyartelekom.hu>)

SR: Magyar Telekom Sustainability Report 2004.



Introduction

Chairman-CEO's letter

Dear Reader,

It is my pleasure to present you with Magyar Telekom Group's Social and Environmental Report upon to my appointment on 5 December.

Magyar Telekom's aim is for the Company Group to provide the information and communication services meeting the requirements of the future in a way to promote the establishment of an information society supporting sustainable development. In order to reach that objective, in January 2005 the executive management of the Group approved our three-year sustainability strategy. About the first years' fulfilment of it we provide details on the following pages.

In our sustainability report published last year, we were reporting every one of the core indicators of the Global Reporting Initiative, and for the first time also the supplementary telecommunications indicators. That Report was prepared in accordance with GRI 2002 Guidelines and our Sustainability Report's achievement was that it once again earned us a second place in the Central European Environmental Reporting Award (CEERA).

In this year's Report which concerns 2005 we also strive to inform you as comprehensively as possible. This report has been prepared based on the 2002 GRI Guidelines as well, but due to the investigation in progress concerning the Financial Report, we report here solely on the social and environmental performance. By the time this letter is published, also the Financial Report will be issued, which together with this report will give a complete presentation of our performance and commitment.

The highlights of our 2005 successes bearing in mind the three pillars of sustainability are the following. Among the economic successes of the Company Group can be mentioned that despite intense competition in both fixed line and mobile segments, we preserved our leading position in the key businesses in 2005. Despite continued fixed line erosion, the productivity in this segment grew, and improved the lines per employee ratio to 484 at end-2005. The total number of broadband connections (mainly ADSL and cable) was close to 358 thousand at end-2005.

With nearly 4.2 million customers, T-Mobile Hungary retained its leading position in the Hungarian mobile market and the company as the first in Hungary started its third generation commercial UMTS mobile services in 2005 as well. Following a positive response to the rebranding of T-Mobile, we decided to introduce the "T" brand portfolio across all business areas. Another important milestone in 2005 was the decision at the end of the year to merge Magyar Telekom Rt. and T-Mobile Hungary to achieve improvements in efficiency. In line with our strategy, we capitalised on acquisition-driven growth opportunities in the region through the purchase of Telekom Montenegro and Orbitel in Bulgaria. In Macedonia, MakTel continued to stand its ground in a harsh macro-economic situation, and mobile operator MobiMak increased further its customer base in the Macedonian mobile market. More details of our economic performance are available in our Financial Report.

Our direct social impact manifests itself through our donation and sponsoring activities and human resource management. Our indirect impact is perhaps even more significant, this we make on the society through our services. The Lisbon Strategy of the European Union set the objective of establishment of the knowledge-based society. Our ambition is to contribute to the realization of that objective.

Among the achievements of our corporate contributions and sponsorship activities we have to mention that we provide our Civil (non-governmental) Tariff to 100 non-profit foundations and organizations annually selected by a competition and we continued the cooperation with WWF Hungary to save the bird population. Several initiatives have been launched in the spirit of equal opportunities and diversity including the University of All Knowledge

The Digital Bridge program on low populated settlements continued in 2005. The aim of this program is to mitigate the digital divide in towns with low infrastructure. Our colleagues visited 30 such settlements in 2005 on a voluntary basis and instructed the local residents on using the Internet.

Due to the nature of our business, our operations do not adversely affect the environment to any significant degree, however, because of our commitment and to consider our business opportunities we are paying close attention to environmental protection.

Our commitment for environmental protection first led to our signing of the Environmental Charter of the ETNO (European Public Telecommunications Network Operators' Association) already in 1998, which was replaced by a more extensive commitment, Sustainability Charter, in 2004. As a member of ETNO Sustainability Working Group, we report about our sustainability-related achievements.

In 2005, ETNO started a co-operation together with WWF on information and communication technology opportunities in climate change, where Magyar Telekom leads the project representing ETNO.

During 2005 the Environmental Management Systems changed in the way that the existing integrated ISO 9001 and ISO 14001 management systems of network management area, technical services area and telecommunications development area were extended to the whole Wireline Services area (T-Com). ISO 14001 system was also implemented at DeTe Immobilien Hungary, who manages the real estate activities since the last years' outsourcing of this area.

For the continuous communication of our strategy and achievements we developed the sustainability web page on Magyar Telekom's site. This includes our reports, several projects in the field of environment protection, results of the Digital Bridge Program, etc. We provide opportunity for open communication on sustainability issues on this site as well. Sustainable development is a long term investment also for our Company Group. For the sake of an effective operation we need to know the opinions, therefore we welcome any feedback related to our activities.

I trust that with this summary we have also given an example for the region, and on the other hand, we can launch dialogue about the future sustainability expectations, cooperation.

Yours sincerely,



Christopher Mattheisen
Chairman-Chief Executive Officer

About the Report

The Report was compiled by staff of Magyar Telekom Environmental Management and Sustainability Team based on data providing of member companies and organisations.

When preparing the Report, we made a point of following the 11 GRI guiding principles. Accordingly, the framework of our report is provided by transparency, inclusiveness and auditability. In publishing the information we made a point of completeness, relevance and sustainability context. As to the quality and reliability of the information carried by the report we can declare that they answer the principles of accuracy, neutrality and comparability. We publish the report on the Internet so that it is available to the greatest number of people interested in it and release it annually, with which we comply with the principles of clarity and timeliness.

In order to ensure the authenticity of the report we availed ourselves of the services of an independent third party. This year it was Hungarian Association for Environmentally Aware Management (KÖVET-INEM Hungária) non governmental organisation who audited the report and published statement on the reliability of the information contained therein. The relevant certificate is to be found in the „Verification” chapter.

Before this the affected managers assume responsibility for the compliance of the content of each chapter.

The information published can be grouped by the following periods and sources:

- The social data are derived from information supplied within the group and concern the calendar year.
- The environmental data cover the calendar year and are the product of the regular data supply process within the group.
- Denominations:
 - Magyar Telekom Group / Magyar Telekom / Group / Company Group : the Magyar Telekom Plc. and its member companies (both Hungarian and external)
 - Magyar Telekom Plc.: Magyar Telekom Telecommunications Plc.

At some information we referred to the web page of Magyar Telekom and data available in our last years' Sustainability Report. In those chapters or data where changes have occurred since the last report, this fact is mentioned specially.

In the structure we tried to follow the principles of the sustainability studies, so that the data of every player of the 2005 organization model are presented. We are giving the organization model of the group in the „Introduction” chapter. If the data on some company are not available or not consistent, this fact is mentioned specially. In general, the report covers three countries, namely Hungary, Macedonia and Montenegro. In all the three countries we are talking about companies of nation-wide reach. The scope of services not, but structure, and size of the group, have changed since 2004. For easier reading the 2005 data and the development are presented in the „Company group” chapter. Here, we also discuss the major changes that took place in 2005, so that our readers can follow the changes also in the light of the current organization model and the brand names.

For continuity and transparency, beside those data where we felt it important, we present not only the change over 2004, but also over the preceding years.

We welcome your feedback and opinion according to the development of the Report and our sustainability strategy as well. For the sake of this we created a dedicated mailbox: sustainability@telekom.hu



Katalin Szomolányi
Environmental management and sustainability team-leader



The Group

Introduction

We reached a major milestone, not only our company but the whole telecommunications in Hungary, since the largest ever rebranding in Hungary started on May 6, 2005. Information about Magyar Telekom Group members is available at the following site:

<http://www.magyartelekom.hu/english/aboutmagyartelekom/main.vm>

Further information about the Group's products and services are available at the company's site at the following address: <http://www.magyartelekom.hu/english/services/main.vm>, and information is supplied to partners also in customer care service offices.

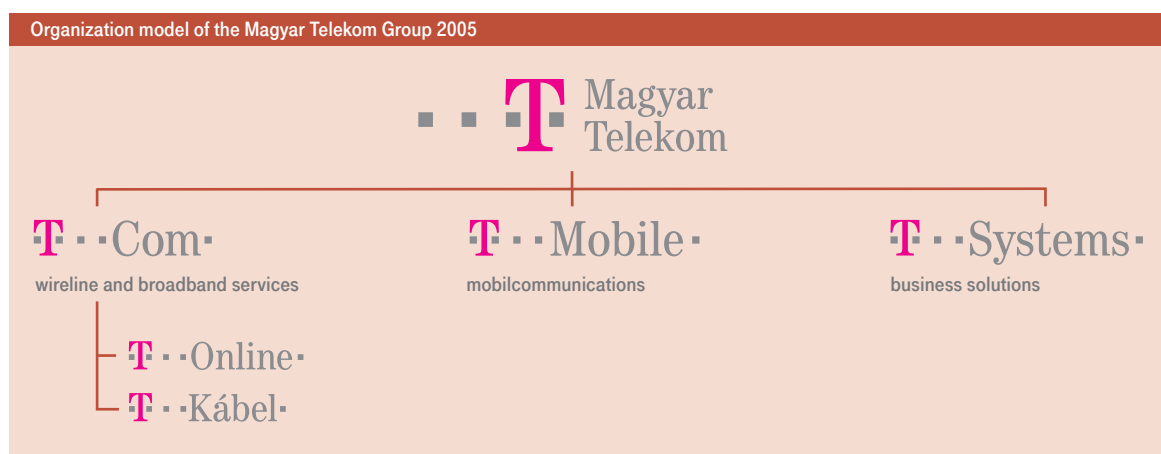
Further information about the Company's history is available at the following site: <http://www.magyartelekom.hu/english/aboutmagyartelekom/companyhistory.vm>

Group ownership structure

Detailed information about Magyar Telekom's major shareholders is available at the following site: <http://www.magyartelekom.hu/english/investorrelations/shares/ownershipstructure.vm>

The Group's organizational structure

Detailed information about Magyar Telekom's major shareholders is available at the following site:
<http://www.magyartelekom.hu/english/investorrelations/shares/ownershipstructure.vm>



(Figure, Source: <http://www.magyartelekom.hu/english/aboutmagyartelekom/companygroup.vm>)

The Group's LoBs in 2005

About Magyar Telekom Group's LoBs and their 2005 results more detailed information available at the following sites:
<http://www.magyartelekom.hu/english/investorrelations/main.vm>
<http://www.magyartelekom.hu/english/investorrelations/reports.vm>

Top management

Information about the Group's senior executives (Management Committee, Board, Supervisory Board) is available at the following site: <http://www.magyartelekom.hu/english/aboutmagyartelekom/seniorexecutives.vm>

Management Committee

Two members of the Group's Management Committee, the Chairman-Chief Executive Officer and the Chief Financial Officer, are also members of the Board.

Board and Supervisory Board

The Annual Ordinary General Meeting of the company held on April 27, 2005 increased the members of the Supervisory Board from 9 to 12 to ensure that Magyar Telekom can meet both the special requirements for the composition of Audit Committees of companies listed on the New York Stock Exchange and the Hungarian laws. The Supervisory Board members are independent of the Board.¹

¹ According to Section 1.5.2 in the Recommendation of the Budapest Stock Exchange Company Ltd. the ratio of the Board members qualifying as independent of the company is 77% of the total Board members.

According to Section 1.5.5 in the Recommendation of the Budapest Stock Exchange Company Ltd. the ratio of the Supervisory Board members qualifying as independent of the company is 66% of the total Supervisory Board members.



The Group's results, key financial and summarized operation data

The Magyar Telekom Group' operation was successful in 2005 as well. Detailed information about the Group's market results, competitive market position Group-level operating expenses, tax benefits, credits and loans in the business year 2005 is available at the following sites:

<http://www.magyartelekom.hu/english/investorrelations/main.vm>

<http://www.magyartelekom.hu/english/investorrelations/reports.vm>



Policies, Strategies

T-Spirit

The Group's vision laying down its fundamental values called T-Spirit has not changed since the publication of the previous Report, its details are available on Pages 15 and 16 of the Annual Sustainability Report 2004.

The Annual Sustainability Report 2004 is available at the following site:

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

The Group's strategy

Detailed information about the Group's strategy is available at the following sites:

<http://www.magyartelekom.hu/english/investorrelations/main.vm>

<http://www.magyartelekom.hu/english/investorrelations/reports.vm>

Human resource strategy

The Group's human resource strategy determined for 3 years has not changed since the publication of the last Report, detailed information about it is available on Page 18 of the Annual Sustainability Report 2004.

The Annual Sustainability Report 2004 is available at the following site:

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

Corporate contribution strategy

The Magyar Telekom Group's corporate culture continues to integrally encompass corporate social responsibility and charity. Due to its significant economic role the Group is responsible not only towards its customers but also to the whole society. For this reason the Group is making efforts to find ways of showing its human side through sponsoring culture and sports, donations, provision of charity services or physical work of its employees to contribute to ensuring that Hungarian people can live better and nicer, and this is naturally not without interest: it is in the interest of all of us.

The key elements and directions of corporate social responsibility have not changed since the publication of the last Report, detailed information about them is available on Page 19 of the Annual Sustainability Report 2004.

The Annual Sustainability Report 2004 is available at the following site:

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

Sponsorship

Being a key sponsor of Hungarian culture and public life the Group is ready to support events, performers and productions representing in their respective areas and genres the highest standard and contributes in a way and to the extent worthy of its economic role through its sponsorship activity to the fulfillment of social purpose initiatives.

Accordingly the music events promoted with the slogan "T-Com presents", the theater performances under the title "T-Com theater evenings", University of All Knowledge that is a highly successful joint educational initiative of Magyar Telekom Plc., T-Online and the Hungarian Academy of Science continued.

Magyar Telekom Plc. was in 2005 too the main sponsor of the only cultural radio channel in Hungary Bartók Radio.

The "T-Com Vivicittá" city runs and "T-Com Children's Island" continue to offer healthy and pleasant leisure entertainment for all age groups.

T-Mobile played in 2005 too a role in the organization of cultural, sports and social events, scientific and professional conferences, expositions, fashion shows, balls, classical and pop music concerts that is worthy of its social and economic weight.

We are making efforts in respect of all forms of sponsorship to present to the widest scope of people the possibilities of mobile communications, freedom and value creating feature of communication. T-Mobile's services such as SMS, MMS, WAP, videotelephony, broadband mobile Internet, HotSpot strengthened through numerous cooperation activities the positive image of T-Mobile as a brand and leading mobile carrier. T-Mobile was raising awareness of its corporate social responsibility by presenting in addition to the possibilities and values lying in the services also the visual marks of the brand in its sponsorship relations and at the events sponsored.

In the sponsorship of international events the focus was placed on T-Mobile's cross-border services and internationalism.

Such sponsored events include the following:

- T-Mobile Pentathlon World Cup - Budapest (title sponsor),
- T-Mobile Water Polo Women's and Men's Super Cup Final and Euroleague Gala (title sponsor)
- Ladies Central European Open (sponsor),
- Youth and Junior Flatwater Kayak-Canoe World Championships Maty-ér Szeged (main sponsor),
- World Teams Driving Championships, Show-Jumping World Cup - Kecskemét,
- Blue Ribbon Sailing Competition (largest competition in Central and Eastern Europe),
- Conference of the Academy of Science - Budapest (50 presenters, four continents, 16 countries on mobile communication), etc.

Institutional sponsorship

The institutions sponsored under institutional sponsorship included in 2005 too Magyar Telekom Symphony Orchestra, Post and Telecommunications Museum Foundation, Telephony Museum, Budapest Post Museum, Puskás Tivadar Telecommunications Polytechnic and "Telephone for the Needy" Major Public Benefit Foundation.

T-Mobile's institutional sponsorship continued the trends of the earlier year in 2005 too, more detailed information about it is available on Page 19 of the Annual Sustainability Report 2004.

The Annual Sustainability Report 2004 is available at the following site:

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

Examples of the sponsorship activity:

Telephone for the Needy

Hungarian Red Cross

Pro-Recreation Foundation (Children's Camp in Velence)

Sántha Kálmán Foundation (health care and rehabilitation foundation)

Foundation for the Healthy Embryo and Newborn

Bóbita

Budapest Early Development Center

Hungarian Maltese Charity Service, etc.

Donations

Magyar Telekom's diverse donation activity is carried out under the „Magyar Telekom Gives Back” program. This program encompasses all activities having the purpose to make our corporate social responsibility more systematized and transparent for both the donors and the needy.

On the basis of researches regularly conducted among the population – and monitoring the daily news – we are making efforts to satisfy the social needs, make initiatives to help the solution of problems and remedy shortages which are important for all of us.

The four basic pillars of the “Magyar Telekom Gives Back” program:

- donations – direct donations in cash
- charity numbers – services provided free of charge for collection of donations from the population
- charity services – telephone services provided with reduced tariff
- employees' donations – individual donations of employees (and contribution thereto), voluntary work

Magyar Telekom Gallery

The Magyar Telekom Gallery's predecessor – the Matáv Gallery – was established in October -2000 with the objective to offer a space for the exhibitions of accomplished artists and less well-known talents. Since that time exhibitions are held here five times a year. Each exhibition is presented in the entrance hall of the headquarters building for one month.



Group Environmental Policy

The Group Environmental Policy did not change in 2005, but it was prepared for the renewal in 2006.

Since January 26, 2006 – when the Group’s senior management approved the Magyar Telekom Group’s Environmental Policy – the renewed document sets the direction for the environmental activity.

The basic document was reworded due to the Group’s rebranding and increase of the weight of climate protection.

The scope and role of the document will not change, it will remain mandatory for the whole Group and each of its units, provides a framework for the thinking of the Group – and the member companies, organizations and employees constituting the Group – connected with environment protection and nature conservation issues.

The environmental policy of each organization and member company within the Group must be harmonized with the Group’s Environmental Policy.

The Policy is available at the following site:

http://www.magyartelekom.hu/english/doc/kornyezetvedelmi_politika_en.pdf

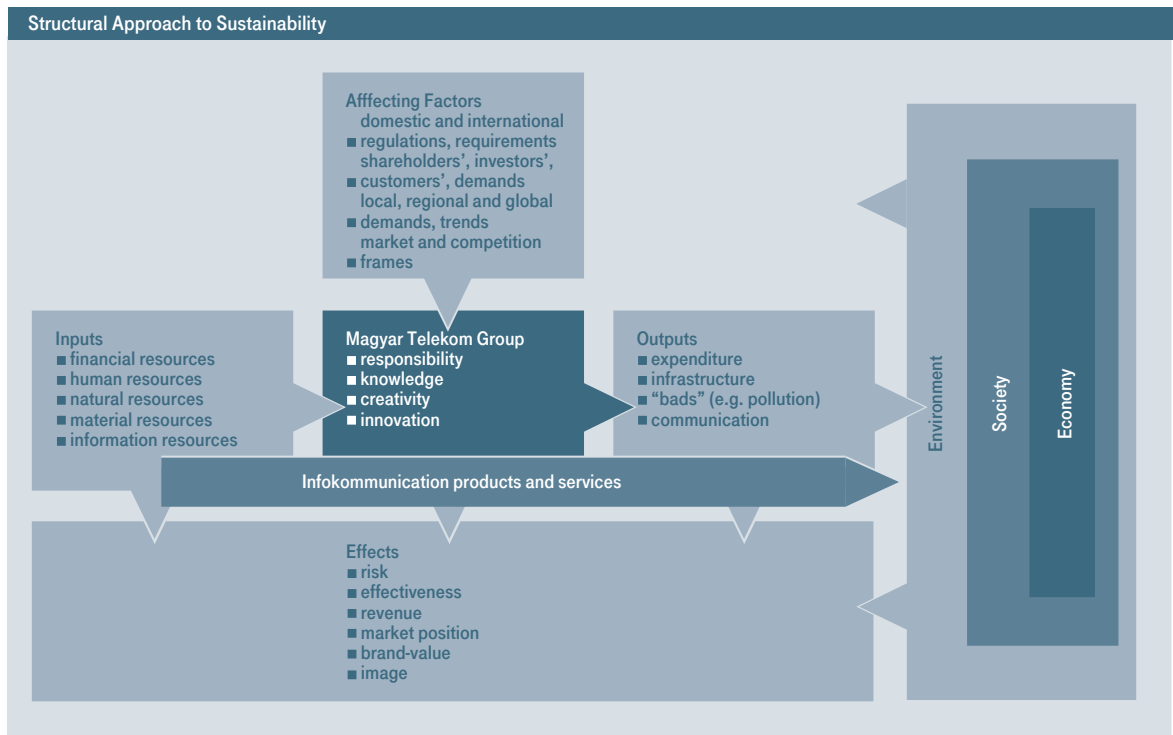
Group Sustainability Strategy

In 2005 the Group made another step in connection with sustainability: the Group Sustainability Strategy was defined and approved by the senior management. Since sustainability must mean harmonization of environmental / economic / social aspects the environmental strategy was integrated into the Group Sustainability Strategy.

The major external requirements influencing the Strategy are almost identical with those earlier laid down in the Group Environmental Strategy, namely:

- Compliance with Hungarian, EU and international regulations, laws, international agreements and recommendations (in the areas of economy, environment protection, society, employees, health and safety)
- Social requirements for saving the environment, reduction of emissions and loads, shift towards sustainable development including enhancement of cooperation with Hungarian and international organizations, implementation of support to the society, etc.
- Economic requirements – in the area of the national economy, industry and competition market – for reduction of energy consumption, provision of environment-saving services, etc.

This Figure helps see the approach of the Group to the triple pillars of environment-society-economy with its total complexity.



The Magyar Telekom Group's sustainability approach was accordingly defined around the following three principles which are interrelated and not independently implemented.

Key Points of the Magyar Telekom Group's Sustainability Strategy

1. Magyar Telekom, being the leading infocommunication service provider in Central and Eastern Europe, reached a leading position in environment protection too and is making efforts to reach a leading position in the area of sustainability too while maintaining the former.
2. With the growing use of information and communication technology, products and services and through their operation their negative social and environmental impacts are also strengthening. The Group must aim at reduction of such negative impacts.
3. Sustainable management of information and communication technology products and services and using related opportunities.

Key strategic statements and activities connected with their implementation

1. To reach a leading role in sustainability (compliance with regulatory requirements, organizational-operational responsibility, communication).

A leading role in sustainability means not only obtaining customer awareness at national and international level, but also includes integration of the sustainability principle in the core business, revision of the operation of processes and organizations, application of international guidelines and creation of new communication and cooperation activities too.

With this strategic objective the Group can become well-known with a new responsible attitude and can become attractive in the long term with perspectives with which the trust of Hungarian and European governmental and non-governmental bodies can be gained to promote development of Hungary and the region in addition to its own economic growth.

For this purpose the following activities must be carried out:

- Compliance with economic, environmental, social, employee, health and safety requirements
- Operation of Group-level environmental and sustainability coordination (use of opportunities lying in cooperation within the Group, convergence of member companies)
- Raising the awareness of employees through strengthening internal communication
- Donations, grants, sponsorship
- Operation of a Group-level communication program (publication of values and results)
- Cooperation with other European ICT service providers and organizations (exchange of experiences)

2. Reduction of negative environmental and social impacts resulting from our operations

This target group includes controlling and when possible reducing the input and output factors, such as reduction of carbon-dioxide equivalent (through reduction of non-renewable energy sources), keeping electromagnetic radiation within limits, reduction of waste, efficient management, etc.

With this strategic objective the Group's risks can be reduced, operational efficiency and customer satisfaction can be improved.

Focus points in addition to compliance with environmental laws:

- Energy rationalization, economic use of energy types, application of low-consumption equipment and technologies
- Application of environmental criteria in procurements and contracts
- Reduction of the quantity of waste generated and exploration of possibilities for reuse
- Reduction of the emission of various pollutants, compliance with limits, monitoring
- Getting to know and when possible application of the best practices
- Proactive approach to adoption of EU requirements
- Identification and management of issues impacting the society, groups and the environment to strengthen the Magyar Telekom Group's positive social image

3. Using the sustainability benefits of ICT products and services

Sustainability opportunities lying in infocommunication products and services (such as reduction of global negative environmental impact – through reduction of greenhouse gases or dematerialization; enhancement of social welfare – knowledge-based society, access to information, working opportunities, etc.; and improvement of economic efficiency) must be used in lobbying, marketing, sales and communication activities. This can be done only when products are sufficiently analyzed and control is ensured on both the input and output side. The boomerang effect of ICT must also be analyzed and communicated to ensure that customers, scientific experts, politicians and the society can avoid such boomerang effect.

With this strategic objective – when different stakeholders can be convinced – the Group's market opportunities and awareness can improve.

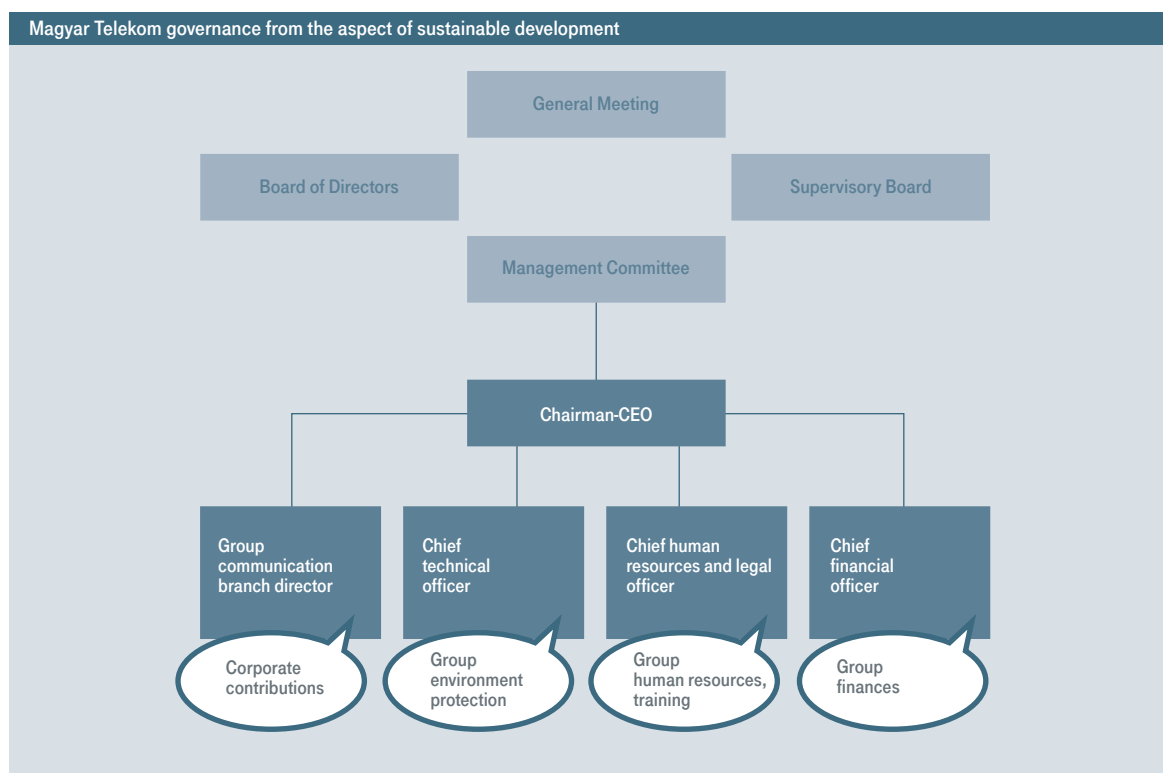
The following activities aim at implementation of the above:

- ETNO - WWF cooperation in issues concerning the ICT impact on greenhouse gases
- Product development through consideration of sustainability
- Bridging the digital gap project in small towns
- ICT support to equality of opportunities

Corporate governance

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

Group-level support to sustainability principles was implemented in 2005 with the following management.



It should be mentioned that at the time of preparing the Report the senior management assigned the Chief Officer of Wireline Services LoB with full responsibilities and powers to coordinate implementation of the Sustainability Strategy earlier approved by it under the professional direction of the Environment and Sustainability Group.

In connection with responsible corporate management the Magyar Telekom Group published its Code of Ethics that is available at the following site: http://www.magyartelekom.hu/english/doc/etikaikodex_en.pdf

The Group prepared also its Code of Conduct about which further information is available at the following site (currently only in Hungarian):
<http://www.magyartelekom.hu/rolunk/doc/mukodesikodex.pdf>



Management Systems

Quality management

Information presenting the Group's quality management is available at the following site:
<http://www.magyartelekom.hu/english/aboutmagyartelekom/qualityguarantees.vm>

Environmental Management

The Magyar Telekom Group's functional areas having the greatest environmental impact use Integrated Management Systems (in addition to ISO 9001 certification ISO 14001 Environmental Management Systems were also introduced and successfully certified).

Although the Magyar Telekom Group's core operations basically do not pollute the environment the Group shows an example of responsibility and commitment to the society also in this area.

This means that the Magyar Telekom Group's functional areas having significant environmental impact introduced ISO 14001 Environmental Management Systems. The related system construction process was closed in 2003, in 2004 the systems were operational and regular audits ensured continuous improvement of the environmental performance of functional areas.

Integrated management systems (ISO 9001 and ISO 14001) were operating in each functional area until the reorganization in 2005.

Then independent certification of the technical services area, network management area and telecommunications development area was stopped and these areas are certified in the integrated management system of the Wireline Services LoB.

Another significant change was that independent certification of the procurement area and the transportation area was stopped, both areas were integrated into the Group Framework System Integrated Management System. Additionally the Group Environmental Coordination Process is an independent process of the Wireline Services LoB's Integrated Management System which was successfully certified in 2005. Operation of the activity according to the environmental process and regular revision provides a basis for coordination of the environmental activities of the large number of member companies with different activities, application of the principles and achievement of the objectives laid down in the Group Environmental Policy and implementation of the strategy.

Out of the Group's foreign subsidiaries MobiMak in Macedonia (from September 1, 2006 T-Mobile Macedonia) is a mobile telecommunications company that obtained in 2002 ISO 9001 certification, and now also has ISO 14001 environmental management system (used for the design, development and sale of mobile communication systems and provision of services, and sale, distribution and repair of mobile terminals and accessories) which was certified in January 2004. The company is developing its quality and environmental management systems towards integrated system based operation.



Stakeholders

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

Market-based stakeholders:

- Customers, individual, groups, organizations, companies
- Shareholders, owners
- Management
- Employees (information about this issue is available in the Social Aspects section)
- Suppliers
- Other telecommunications market players
- Trade unions, employee groups (information about this issue is available in the Social Aspects section)

Non-market-based stakeholders:

- State bodies, local governments
- Industry and market associations, research cooperation groups
- Local communities
- Environment and nature

Magyar Telekom Group's stakeholders

Market-based stakeholders

Customers, individual, groups, organizations, companies
 Shareholders, owners
 Management
 Employees
 Suppliers
 Other telecommunications market players
 Trade unions, employee groups



Non-market-based stakeholders

State bodies, local governments
 Industry and market associations, research cooperation groups
 Local communities
 Environment and nature

Market-based stakeholders

Customers, individual, groups, organizations, companies

Services, Universal Electronic Communications Service

Magyar Telekom Plc. as service provider is obliged to provide (publicly available) telephone service according to its General Contract Conditions whose essential content components have not changed in 2005.

The universal service provider is entitled to subsidy from the Universal Electronic Communications Fund established for this purpose to reduce its financial burden resulting from the provision of universal service.

According to the Electronic Communications Act (Eht.) that entered into force on January 1, 2004 subsidies are granted on the basis of net avoidable costs.

Net avoidable cost based subsidy can be used for the following:

- making a subscriber register available,
- ensuring access to the telephone network:
- in potentially loss-making service areas,
- operation of public payphones,
- provision of national directory assistance service,
- discounts granted to the socially needy.

The Minister of Economy and Transportation shall decide on the basis of the statement prepared by the service providers whether the provision of universal service results in unreasonable burden for the universal service provider.

Magyar Telekom Plc. calculated in its audited cost analysis the net avoidable costs of subscriber register, directory assistance service, operation of public payphones and discount granted to the socially needy and submitted it in compliance with the June 15, 2006 deadline required by law. The Fund did not find the calculations acceptable. Magyar Telekom Plc. filed an appeal against this resolution, but the authority has not adopted yet a resolution on the appeal. Then the result of the appeal process can be changed only at court.

Further information about this issue is available on Page 25 of the Annual Sustainability Report 2004.

The Annual Sustainability Report 2004 is available at the following site:

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

Service availability

The conditions of service availability did not change in this year, they were offered in 2005 according to the earlier rules.

Further information is available on Page 26 of the Annual Sustainability Report 2004.

The Annual Sustainability Report 2004 is available at the following site:

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

Transparency of tariffs, wide availability of services

The scope of the Magyar Telekom Group's tariff package offerings was widened also in 2005 with clearly understandable offers, the Group was making efforts to ensure the widest availability of its services. Further information is available on Pages 26-27 of the Annual Sustainability Report 2004.

The Annual Sustainability Report 2004 is available at the following site:

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

Adequate information to the consumers (customers)

It should be mentioned, that due to the not full scale information to the customers, competitions law fines occur concerning Magyar Telekom. Also in 2005 were sanctions according to T-Com and T-Mobile. This fines are appealed at the court. Naturally the Company Group make improving arrangements after penalties of Competition Office (GVH). As a result of those arrangements the Company is not being imposed by fines already or the fines are lower. Besides in frame of the Sustainability strategy, which was approved in 2005, a work-program started as well. The goal of the program is the more ethical operation, and it come to an end expectedly in 2007.

Availability and collection of market information

A new feature – against the previous period – connected with availability and collection of market information in 2005 was only the integration into the system of the newly acquired area Montenegro.

Further information about this issue is available on Page 27 of the Annual Sustainability Report 2004.

The Annual Sustainability Report 2004 is available at the following site:

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

Management of legal and ethical issues of content services

Magyar Telekom's practice connected with the management of legal and ethical issues of content service did not change in 2005.

Further information about this issue is available on Page 27 of the Annual Sustainability Report 2004.

The Annual Sustainability Report 2004 is available at the following site:

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

Protection of sensible groups and Internet security

In 2005 the Magyar Telekom Group continued its activities according to the practice of earlier years to improve protection of sensible groups and Internet security.

Further information is available on Page 28 of the Annual Sustainability Report 2004.

The Annual Sustainability Report 2004 is available at the following site:

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

Shareholders, owners

The largest telecommunications service provider in Europe Deutsche Telekom is present in Hungary since the start of Magyar Telekom's privatization more than 10 years ago. As a strategic investor they have proved during this period their long-term commitment to the future of the largest telecommunications service provider in Hungary.

Identification of owners' and investors' requirements

The requirements of the company's investors are surveyed on an annual basis with questionnaires and at personal meetings, roadshows and thematic conferences.

Comparative analyses are prepared to survey the correctness of the investors' requirements and the company's strategic direction.

Further information about this issue is available on Page 29 of the Annual Sustainability Report 2004.

The Annual Sustainability Report 2004 is available at the following site:

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

Management

The principles, objectives and approaches connected with the management have not changed in the last period, further information about it is available on Page 29 of the Annual Sustainability Report 2004.

The Annual Sustainability Report 2004 is available at the following site:

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

Employees

Information about this issue is available in the Social Aspect section.

Suppliers

Procurement focused supplier relations

Magyar Telekom's procurement focused supplier relations management is performed by a centralized organization certified in an ISO 9001:2000 standard based quality framework system. Group-level coordination of supplier relations is directed by the Group Procurement Board established in 2002 and operated by the functional leaders of the key member companies, coordination is carried out by the member companies' functional organizations.

Suppliers are selected through regulated, transparent, structured and documented procurement procedures that comply with laws and ensure competition and fairness of competition. The company is making efforts to create mutually beneficial value-creating partner relations in its contracts. To ensure cost-efficient operation the company is continuously rationalizing its processes and the number of suppliers whereby a stable scope of high quality suppliers is created.

The objective aimed at with the improved efficiency of the procurement activity is

- To reduce the number of active suppliers at a higher rate than the change in the order volume:
While in 2005 the order volume dropped to 85% of the base year 2001 the number of active suppliers decreased in the same period to 53%.
- To use in a high percentage qualified suppliers for the performance of orders:
Currently more than 85% of the order value is delivered by qualified suppliers.
- To increase the number of alternative electronic procurement solutions resulting in reduced procurement time:

The ratio of electronic procurement transactions were continuously rising over the last years, currently it reaches 64% of all ordered items.

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

The supplier qualification system directly available on the Internet is a key tool of contact with the suppliers whereby the company regularly informs its suppliers about the results achieved to ensure mutual improvement.

The procurement procedures accounting for a major share of supplier contacts are implemented with integrated IT systems support. The selection process is supported by an Internet-based marketplace too (Marketline), requests of offers, delivery of orders to suppliers/confirmation is ensured by Internet-based WebEDI electronic commerce solutions with annually increasing volume.

Since 1996 each year a Supplier Conference is held for the supplier partners playing a key role in the operations where the previous year's results are mutually evaluated and procurement strategy directions and new trends are presented. To recognize the performance of the best suppliers the Supplier of the Year award is presented. Supplier satisfaction is also surveyed at the conference, its results provide important feedback to Magyar Telekom.

Current directions of improving supplier relations: electronization that ensures benefits for both parties, more in-depth use of Group-level synergies and Group-level management of key supplier relations under the management of the Group Procurement Board.

Magyar Telekom addresses environment protection as a key criterion for procurement processes. Before products are procured the supplier is required to make a statement on their environmental factors. To prevent damage when hazardous materials or products are procured the material is directly delivered from the supplier to the internal customer with the exception of justified minimum stocking and storing.

Magyar Telekom purchases materials, tangible assets and services only through regulated procedures. The suppliers' activities are evaluated every six months through postqualification, non-compliance results in termination of contract. Environmental qualification of suppliers is also performed since 2002.

Ethical conduct is important for Magyar Telekom therefore that company requires its suppliers to accept the Group Code of Ethics and comply with its requirements which are laid down also among the contractual conditions. For this reason issues connected with ethical conduct and among others respect of human rights are included among the components of qualification both in supplier and customer relations.

Magyar Telekom gives priority to payment to its partners upon the schedule laid down in contracts and agreements. A generally applicable payment condition – payment within 45 calendar days of reception of the invoice – is applied for payments to suppliers. This condition must be taken into consideration by all Magyar Telekom organizations preparing or signing a contract. This payment condition is used also in procurement contract and order forms, but naturally it can occur in particular cases that special payment conditions are used with the prior approval of the Group Treasury. Magyar Telekom monitors on a monthly basis the ratio and the value of payments received later than the due date laid down in the agreements which are on the average 2% in case of number and 2,5% in case of value of all items paid.

Other telecommunications market players

In 2005 Magyar Telekom continued its activity according to the earlier practice in the areas of partner meetings and amendments of laws.

During its operations Magyar Telekom – and all its employees – respect the rights of competitors according to the Magyar Telekom Group's Code of Ethics and reject any action restricting fair market competition.

The Group keeps in mind the requirement for clean and transparent operation and rejects any form of corruption by any market player.

Further information about this issue is available on Page 34 of the Annual Sustainability Report 2004.

The Annual Sustainability Report 2004 is available at the following site:

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

Employee interest organizations: trade unions, Works' Council

Information about this issue is available in the Social Aspect section.

Non-market-based stakeholders

State bodies, local governments

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

"The Hungarian government ordered through Government Decree No. 1031/2003. (IV. 09.) the construction of a unified digital radio telecommunications system in compliance with the Schengen Treaty requirements and the European Telecommunications Standardization Institute standard to ensure satisfaction of the radio communication needs of the emergency services and government users. The purpose of the closed radio communications system that ensures very high availability is to implement professional connections between various emergency and law enforcement bodies that enable faster, more efficient and secure performance of certain actions.

The winner of the public procurement tender invited for the construction EDR, the T-Mobile – Magyar Telekom Plc. Consortium the Professional Mobile Radio Limited Company (Pro-M Zrt.).

Planned users of EDR in Hungary: Police, Border Guard, Fire Department, Disaster Prevention Service, National Environmental, Nature Preservation and Water Management Authority, Ministry of Finance, Ministry of Justice, Prime Minister's Office, National Security Services, Ministry of Health, National Ambulance Service, Army.

Further information according to state bodies, local governments is available on Page 35 of the Annual Sustainability Report 2004.

The Annual Sustainability Report 2004 is available at the following site:

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

Industry and market associations, research cooperation groups

Conciliatory operations

According to the earlier practice Magyar Telekom's various level managers represent the company in professional organizations. The company participates in more than twenty international organizations and numerous Hungarian organizations – among others MSzT, MISZ, OMIKK, Interuniversity Telecommunications and IT Cooperation Center, Hungarian National Host.

The company obtains information about planned laws and amendments of legislation connected with telecommunications and participates at coordination meetings, the comments given by the company are coordinated and discussed by the Telecommunications Interest Reconciliation Council members to ensure that the regulation reflects the expectations of the consumer side.

Cooperation with international organizations

Practically there was no change in 2005 against the previous period in the scope and way of cooperation with international organizations.

Further information about this issue is available on Page 36 of the Annual Sustainability Report 2004.

The Annual Sustainability Report 2004 is available at the following site:

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

Contact with higher education institutions

Contact and cooperation with higher education institutions continued in 2005 according to the earlier practice.

Magyar Telekom, being a sponsor of international student organizations, participated also in 2005 as main sponsor in the "Sustainable Future" program series organized by the International Association of Students in Economics AIESEC.

Further information about this issue is available on Page 36 of the Annual Sustainability Report 2004.

The Annual Sustainability Report 2004 is available at the following site:

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

Local communities, environment and nature

The Magyar Telekom Group is paying high attention in its Sustainability Strategy and during its actions launched to implement it to getting to know and when possible satisfying the needs of local communities and the society and the environmental requirements.

In 2005 the company organized for the eighth time an Environmental Round Table for mutual discussion of results and questions. The partners who participated at the forum included the Ministry of Environment and Water Management, National Inspectorate for Environment and Nature, directorates of national parks, social organizations for protection of the environment and preservation of the nature, research institutes, etc. and the Group's representatives.

Further information about this issue is available on Page 37 of the Annual Sustainability Report 2004.

The Annual Sustainability Report 2004 is available at the following site:

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

Awards and recognition in 2005

In 2005 Magyar Telekom's activity was recognized with numerous awards. Further information about them is available at the following site: <http://sajtoszoba.magyartelekom.hu/process?action=index&lang=eng>



Activities in the Light of the Sustainable Development Approach

Information society – Digital Bridge



Digital Bridge Program

Under the term of digital gap we mean the differences of IT availability developed in our age and society between the different social groups with different opportunities to access the IT facilities (due to their geographical location, social or other aspects). “Digital Bridge” is designed to mitigate its effect and prevent development of such gap.

Today economic development requires access to information and communication technologies. Transformation of the key to social life, communication requires knowledge of new technologies and possibilities. Better communication possibilities enable interconnection of individuals and cohesion of the society.

Magyar Telekom’s initiatives in 2005 were connected with the implementation of a Hungarian broadband electronic communication strategy according to the objectives defined by the European Union.

Involvement of people and groups living in remote or small towns into the Internet – Digital Bridge

The events launched in 2004 in a trial basis continued in 2005.

As a follow-up on an earlier initiative the Magyar Telekom Group's Environmental Coordination area and the Technical Services Directorate continued in 2005 to visit small towns located in areas with low Internet penetration.

After the ten events held in 2004 in 2005 additional 30 towns – which have different facilities according to internet institution – were visited where totally 676 people had the possibility to use a computer. From Magyar Telekom 153 staff person participated at the events on voluntary basis. The feedback received from the visited areas within a few weeks of the presentations and the registered Internet access orders continue to show that hands-on presentations raised the interest for the Internet and helped in various aspects highlight the advantages of connection to the web for visitors representing various groups of the society.

The successful year of 2005 confirmed the Magyar Telekom Group's concerned areas to continue the program in 2006 and involve in the promotion and education program remote or small towns located in areas with low Internet penetration in similar numbers as in the previous year to promote wide application of the achievements of information society which are accessible to everybody.

Further information about the experience of the events is available on Magyar Telekom's Sustainability page.

<http://www.magyartelekom.hu/english/aboutmagyartelekom/sustainability/digitalbridge.vm>

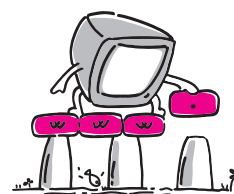
Locations of the Digital Bridge Program in 2004-2005

Program Locations – 2004

Bakonszeg
Gyöngyössolymos
Tarcsl (első alkalom)
Vajszló
Bárdudvarnok
Tiszabercel
Badacsonytomaj
Tószeg
Tarcsl (második alkalom)
Kerekegyháza

Program Locations – 2005

Buj	Ácsteszer
Lánycsók	Badacsonytördemic
Juta	Sopronkövesd
Pellérd	Csákánydoroszló
Balatonszemes	Apagy
Fényeslitke	Nyíracsd
Lesencetomaj	Cibakháza
Bököny	Tiszakürt
Lesenceistvánd	Levelek
Hejőbába	Hortobágy
Hetes	Halmaj
Göröcsöny	Bodrogkeresztúr
Zselicszentpál	Dédestapolcsány
Királyegyháza	Girincs
Bakonyszombathely	





Internet education programs

In 2005 Group member companies Magyar Telekom Plc. and T-Online continued the national free Internet education program offered to targeted social groups jointly started in 2004 to promote getting to know the Internet. The objectives of the program included among others introduction and spreading of a more developed Internet culture among the users, presentation and popularization of the possibilities offered by the Internet (e-banking, Internet buying, etc.) and presentation of the possibilities of distance learning and teleworking.

The initiative reached the target groups through various channels:

Generally accessible programs:

- Basic program for beginners and ADSL training for advanced users at the University of All Knowledge (1.5-hour presentations with 100-120 participants)
- ADSL-oriented training connected with Small Town ADSL sites

Programs offered for special target groups:

- Training for MEOSZ (National Association of Organizations of People with Impaired Mobility)
- Training for SINOSZ (National Association of the Deaf and Hard-hearing)
- Training for Roma minority people (in Budapest and at regional sites)

At the training courses held in 2005, with definitely positive feedback from the trainees, Magyar Telekom's well-trained instructors presented the use of Internet to the participants. The possibilities of home Internet usage were presented with multimedia educational material. At the end of the training courses the trainees received from the organizers a multimedia CD with 15-hour T-Online Internet access package, training material and collection of links and a diploma.

In 2005 the programs – available after registration on the Internet or through interest organizations – were held in Budapest and at regional sites with 1,620 trainees who obtained new knowledge and positive experiences in connection with the use of the Internet. Evaluation of the initiative convinced the T-Group to continue and extend the program, involve new target groups and upgrade the training material in 2006.

Public - Social Aspects

The data and information shown in this Chapter are based on Group-level data in the Magyar Telekom Group's Reports and the data contents of the systems of the Group-level human resource and communication areas. We continue to make efforts to present data with such depth that enables presentation of regional level Group data and widening the scopes of data collected by the Group-level system processes.

Human resource management and training

Milestones 2005

Headcount Efficiency And Care

As a result of headcount efficiency improvement implemented in 2005 through Magyar Telekom's medium term strategy the number of fixed lines per employee at the mother company rose by the end of 2005 to an internationally competitive level (489).

In the process of ensuring headcount efficiency great emphasis was laid on care for the employees leaving the company: the mother company used several solutions with which the number of dismissals could be significantly reduced – e.g. labor law based succession, significantly widening the possibilities of part-time working, wide application of the regime of stand-by staff.

The already proven Chance Program was used to support reemployment of employees leaving the company which supports job seeking though support to retraining and continued training and personal consulting.

Magyar Telekom For Diversity And Equality Of Opportunities

Magyar Telekom is paying attention to employees' equality of opportunities and diversity and offers partial teleworking opportunity for its employees and operates an insurance based welfare system.

Being a responsible corporate citizen in 2004 several programs were launched that speed up the process of ensuring equal opportunities in the society and the economy. About the programs which were continued also in 2005, further information available in the following parts of this chapter.

Additionally Magyar Telekom is continuously making efforts to ensure employees' equal opportunities which resulted in 2005 in obtaining a special award at the "Inclusive Workplace" competition invited by the Budapest Equality of Opportunities and Methodology Office.

At the University of All Knowledge round tables were held on diversity and free Internet courses were offered for the underprivileged.

Growing Scope Of Online – E-HR – Services

Magyar Telekom developed its electronic administration of human resources to a complex system that is unique in Hungary and is accessible via the company's intranet. In 2005 additional 10 modules were included in the internal services of the system, thus personal data can be online modified, tax return statements can be completed and registration for holiday, request of certain benefits and tracing their use can be done electronically, and with the creation of the management site managers can conveniently and automatically obtain certain data of their employees and organizations. From 2005 in addition to employees managers can also at any time access their own updated job descriptions. One of the elements used in HR evaluation of the employees, the 360-degree survey is prepared with an IT system, evaluations are completed on the intranet and Internet and analyses are also prepared in this system. In 2005 the Magyar Telekom Group participated at BMGE's and Corvinus University's job fairs and numerous universities' job fair publications with its Rajtkő (Starting Block) internship program to which 200 fresh graduate economists and engineers registered at Magyar Telekom's website. Out of them 20 fresh graduates were admitted to the company's 7-month Rajtkő internship program.

Professional Forums

The Academy Days program series launched in 2003 under the Sales Academy enables getting to know the company's life, operation, new trends and methods and research results impacting its business results. The Sales Academy Day held on a monthly basis (30 – 50 participants per occasion) and the Telekom Academy held on a quarterly basis (40 – 60 participants per occasion) enable managers and employees at Group level to collect latest information, receive answers to their questions and common thinking.

Special presentations and forums held by the functional areas enable technical people and managers responsible for interconnection to have an insight (technical conferences, Infodok presentations, presentation of customer service processes).

Multi-level Training Programs

A training program structure was developed for the employees involved in the company's customer service process in which individuals having the need to continuously develop can perform their work at higher level (junior, senior and master level). In addition to organized training independent learning and skills learned by experience can be used (open examination).

In addition to target group specific training programs cascading structure learning is used also in marketing and project management. These skills well support project-based corporate operation.

E-learning And Distance Learning

E-learning, a modern form of distance learning supported with infocommunication means, plays a key role in vocational training on the web, Magyar Telekom's participation in this form with continuously renewed initiatives and professional solutions is exemplary primarily in faster and more efficient training of its employees.

The e-learning technology is highly suitable for collection of various data and opinions with online questionnaires and their efficient evaluation (such was the security awareness survey). The training program materials and the e-learning infrastructure as a service environment are accessible on the Internet too, so from 2005 Magyar Telekom's complex e-learning solution is easily accessible for both the business sphere and private persons to offer them a competitive alternative.

Further information is available on Page 54 of the Annual Sustainability Report 2004.

The Annual Sustainability Report 2004 is available at the following site:

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

Employees

Number of the Magyar Telekom Group's employees: 12,042 (December 31, 2005), that of at the member companies with largest headcount Magyar Telekom Plc.: 5,586, the MakTel Group: 2,220, T-Mobile: 1,709, Telekom Montenegro Group: 1,132 on December 31, 2005.

In 2005 about 670 employees' work was outsourced by Magyar Telekom Plc. involving real estate, administration and information, customer care service managed operators', transportation and public payphone maintenance activities. Additionally 150 accounting staff members were relocated to a Magyar Telekom subsidiary.

The Magyar Telekom Group's human resource strategy was derived from the corporate strategy and Deutsche Telekom's HR strategy.

When the strategy was elaborated the following means reflecting the employees' expectations played a great role:

- DT Group level Employee Survey (earlier called TÜKÖR) results which were used for action plans to indirectly involve the employees in the elaboration of the strategy.
- Employee forums, intranet forums where the participants can share with the functional area their opinions and proposals connected with the human resource area.
- Internal customer satisfaction survey connected with human resource management and services that reflects respect of the T-Spirit value "Passion for our customers". Such survey was first conducted in 2000, then in 2003 and 2005.

Magyar Telekom lays great emphasis on communication with the employees, getting to know the employees' needs, strengthening their commitment and preparation of mutually beneficial developments. The company's communication activity is directed since 1995 by the Communication Director. The guide-lines for improvement and upgrading of the communication are defined in the communication strategy that is based on the Magyar Telekom Group strategy in line with the communication needs. To identify the needs the communication organization is monitoring the employees' opinions expressed on the intranet forums and analyzes the questionnaires completed after the company's communication events and the communication related results of the TÜKÖR survey that measures employee satisfaction. Additionally the possibility of expanding the channels is studied at international and Hungarian communication conferences. This is enabled both by (two-way) personal and on-line communication that ensures feedback.

(Two-way) personal communication tools that ensure feedback:

- Functional meetings with a schedule regulated at each organization individually. The starting point of such meetings is the working meeting of the company's senior executives. The information communicated at this meeting is broken down by the leaders of the organizations to their respective areas and is used to hold meetings for middle managers every week or two weeks. The information communicated at these meetings is transferred by the middle managers in each functional area to the employees.
- Employee Forum held by the senior management generally on an annual basis where any employee of the given functional area can attend, in certain cases the delegated representatives of the invited internal "customer organizations" too, and can ask technical questions from the executive holding the forum.
- The Dessert Program created as a result of the 2002 TÜKÖR survey that ensures informal dialogue between the management and the employees. The purpose of this program is to enable 3 to 4 employees, as a recognition of their performance, to talk informally with a senior executive in the form of a working breakfast/lunch. Since 2003, when the program was launched, the CEO and each Chief Officer held such meeting on one or more occasions.

Both the Employee Forum and the Dessert Program were launched as a result of the Culture Change Questionnaire and the TÜKÖR, later DT Group level employee survey developed from the former.

(Two-way) on-line communication tools that ensure feedback are the senior management and professional forums accessible on the intranet. Professional forums are anonymous so they offer exchange of opinions without registration and identification.

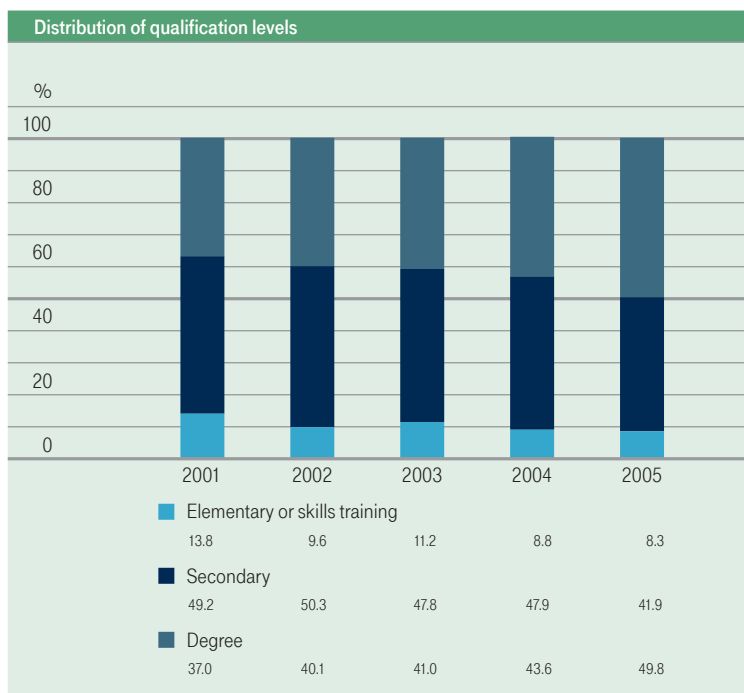
The Magyar Telekom Group's intranet – that is one of Magyar Telekom's major communication tools – creates a platform also for one-way communication.

The purpose of intranet is to provide fast and authentic information for the Group employees about the operation and structure, current tasks and results of their workplace, and to deliver news and information that can be used for their daily work.

Further channels of one-way communication:

- The major internal communication publication is Telmondó that is issued since 13 years every two weeks and is distributed since January 2002 not only to Magyar Telekom Plc. employees, but also to the member companies' employees in response to demand.
- Lotus Notes circular letters are an important communication channel.
- An important interface for professional communication are the organizations' functional sites on the intranet. Most of the organizations have an own site on the corporate intranet where their activities and services are presented.
- Kick-Off provides to the employees direct information about the strategic objectives.
- Key events aiming at cohesion of the employees are the Magyar Telekom Group Olympic Games, Magyar Telekom Group Children's Day and Magyar Telekom Group on Stage. The first two are managed by the internal PR, the latter is organized by the Human resource area each year.

The Magyar Telekom Group respects the employees' rights connected with private life, religion and political affiliation and does not influence them in any way. In accordance with its business principles and Code of Ethics the Magyar Telekom Group does not give any financial or moral support to any political party or organization and their representatives.



Employment and fair work

The Group is paying great attention to education, health and security issues connected with its employees.

In accordance with Magyar Telekom's mission and T-Spirit the ratio of highly qualified workforce increased: the ratio of employees with higher education degree is shown in the following Figure:

The scope of welfare and social benefits granted by the Group basically has not changed in 2005 against the previous year.

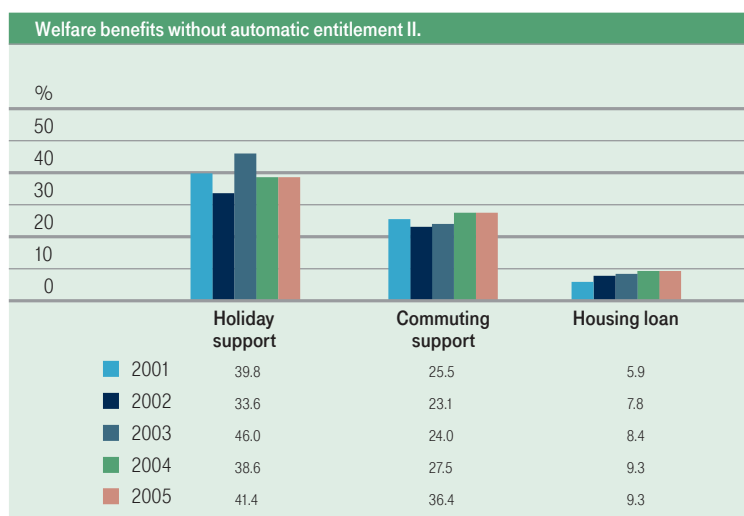
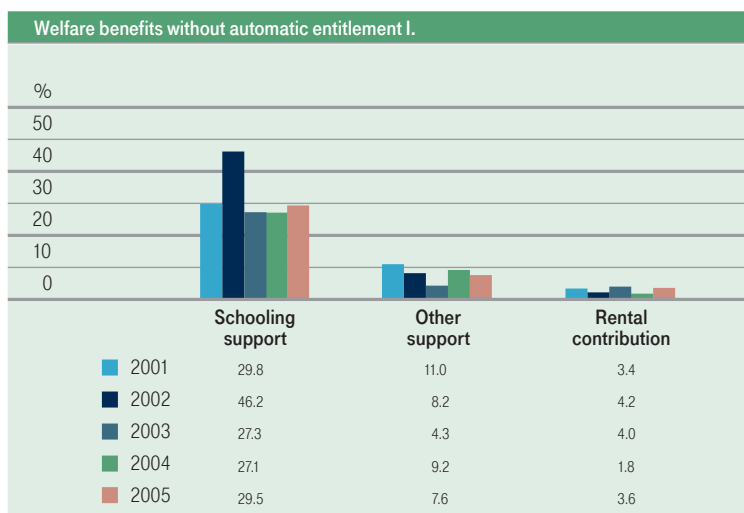
Magyar Telekom supports mass sports also within sport clubs and the Magyar Telekom Group Olympics Games held each year enables amateur athletes to compete. In 2005 totally 1,753 individual athletes and 310 teams registered for the event to compete in various disciplines.

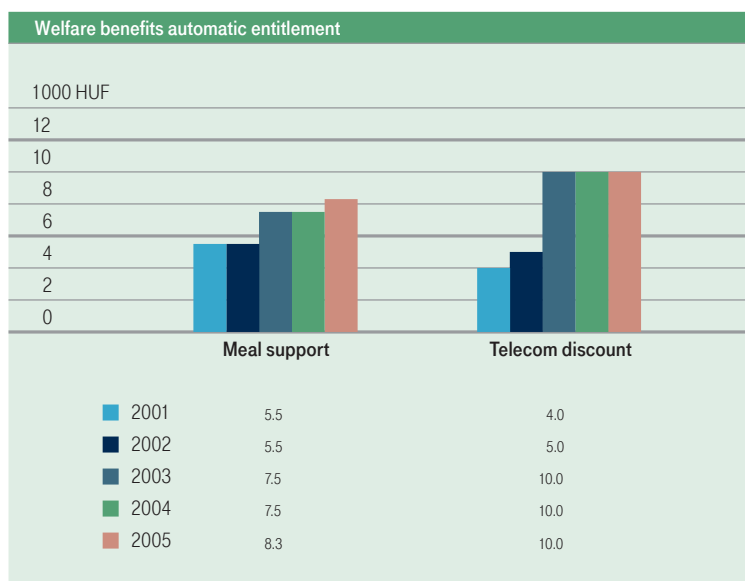
Further information is available on Page 55 of the Annual Sustainability Report 2004.

The Annual Sustainability Report 2004 is available at the following site:

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

The ratio of employees receiving social benefits not automatically granted is shown in the following two Figures:





The volume of social benefits automatically granted increased.

A large share of Magyar Telekom's employees are members of the Dimenzió Group. The following Figure shows the ratio of members to all employees broken down by Division.

The Dimenzio Group is an alliance of non-profit organisations and collateral enterprises: DIMENZIÓ Self-Help Association, DIMENZIÓ Pension Fund, DIMENZIÓ Health Fund, and Erste-Harmónia Health Fund. The solutions of this alliance are available for privates and companies even in parts or as a complex service.

Magyar Telekom contributed to the employees' payments to Dimenzió Group Divisions.

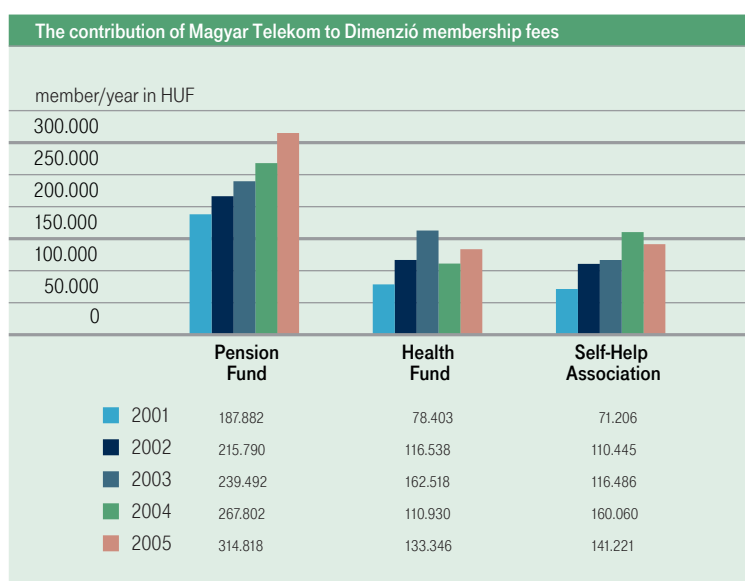
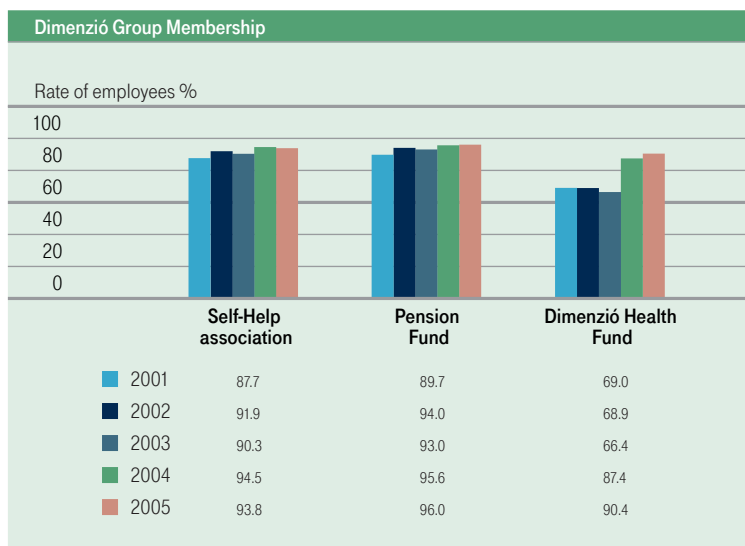
Employee interest organizations

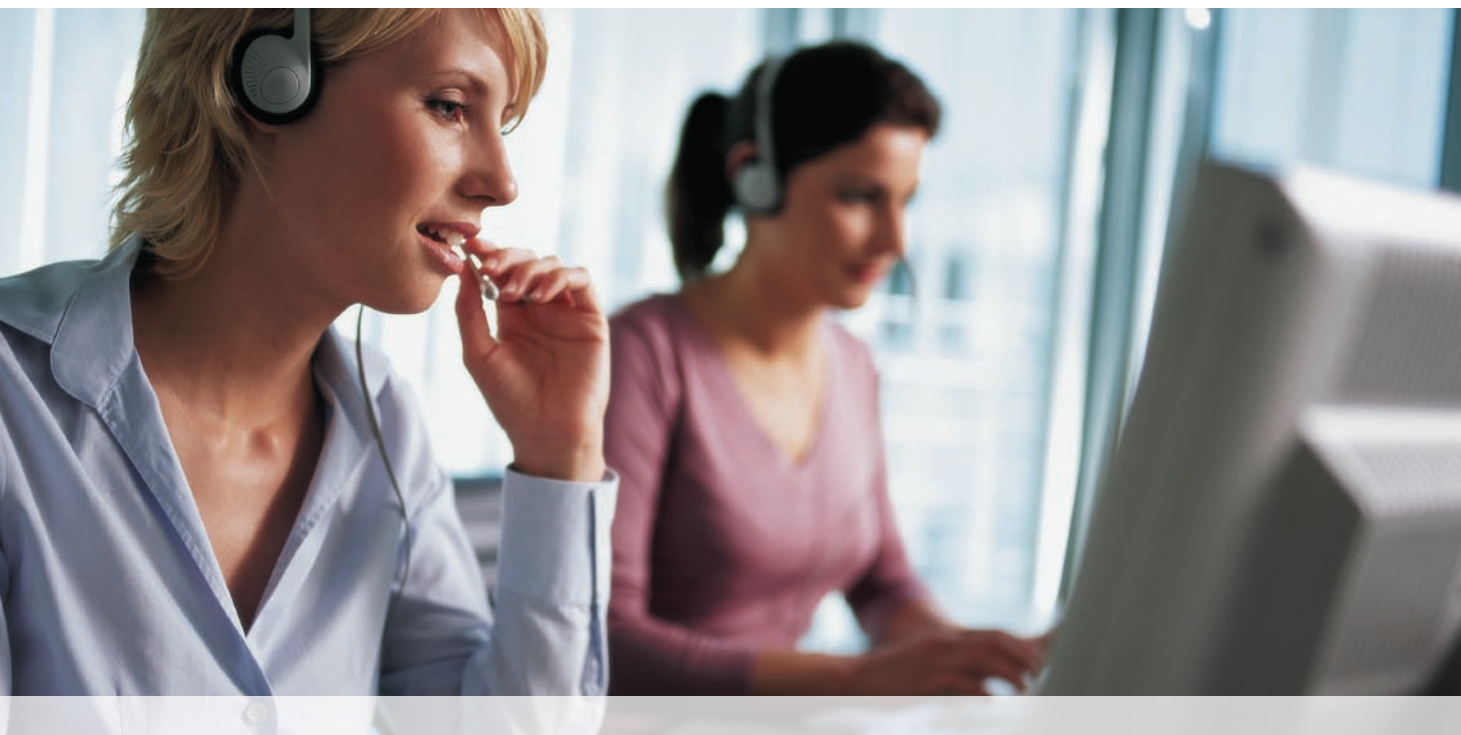
Magyar Telekom ensures according to applicable regulations the operation of trade union and Works' Council to represent the interests of the employees.

Magyar Telekom holds on an annual basis interest reconciliation meetings where the trade unions and the Central Works' Council (KÜT) representatives are involved in the elaboration of the agreement, as well as the leader in charge of the human resource and legal area and several managers from that area representing the company's senior management. The agreement includes a wage agreement, headcount plan limits, scope and volume of welfare benefits.

The employees are informed about the agreements by the internal forums (intranet, Telmondó, KÜT members). The Central Works' Council exercises the works' council licenses in the cases when a decision concerns at least two independent organizations.

Accordingly KÜT is involved in decision-making at Magyar Telekom among others on home building and buying support, distribution of holiday resort places between the organizations, change in support to meals offered at the workplace, regulation of aid granting, regulation of supply of uniform and working clothes, regulation of transportation of workers and travel to work with private car. Additionally any change in support to physical training and sports, education at the workplace, modification of contribution to travel costs, determination of the amount and regulation of CSSZDK (group service tariff discount) requires agreement with the Central Works' Council.





In 2005 Matász (Hungarian Telecommunications Industry Trade Union) and TÁVSZAK (Trade Union of Telecommunications Workers) were operating at Magyar Telekom with 2,565 working and 948 retired members. Both interest organizations are social organizations of workers in the telecommunications industry established on a voluntary basis, operating on the basis of the principle of local governments for professional interest protection and representation.

Responsibilities:

- to conclude the Collective Agreement and other contracts and agreements,
- to exercise the union rights laid down by law to achieve the objectives defined,
- to represent the totality or any larger group of the union's members towards the partner employers and other bodies,
- to contribute to interest representation issues concerning the telecommunications workers, to act jointly with all other organizations whose objectives match the interests of its members,
- to provide self-aid service to its members,
- to act against objected decisions and measures, to represent the interests of the members with the tools available to it, to consistently voice its positions at public forums.

Headcount and personnel type expenditures related planning is an annually recurring regulated process performed in the spirit of the T-Spirit "Superior Value" and documented in the quality management system.

The organizations' headcount plans are elaborated in close cooperation with the organizations, with top-down, bottom-up method in each year with the same schedule by using the results of the benchmarking project carried out jointly with MERCER (Marsh & McLennan Companies). This headcount plan is coordinated with various level interest organizations. Then the necessary personnel type expenditures plan is elaborated. Headcount and personnel type costs and the way of spending are regulated by CEO and Chief Officer directives which are coordinated with the functional areas before issuing. Then the regulations are issued taking into consideration the opinions expressed and proposals made. All these enable continuous revision and improvement of the planning process.

Distribution of employees by gender and age at Magyar Telekom Plc. (2005.12.31.)



Multi culture and equal opportunities

Magyar Telekom Plc. has been assuring the equality of chances for the employees both in the selection process and during the career spent with the company, independent of age, gender, ethnic, religious and political affiliation, sexual alignment.

The following chart sets forth the distribution of Magyar Telekom Plc. employees according to age and gender.

The following chart sets forth the distribution of staff persons with employment of definite and infinite periods.

In the case of Magyar Telekom Plc. the number of staff persons with definite employment was 68 in 2005, which - projected to the total headcount - was 1,2% representing a significant decrease compared to 2% of 2004 (279 persons), both in terms of ratio and absolute value.

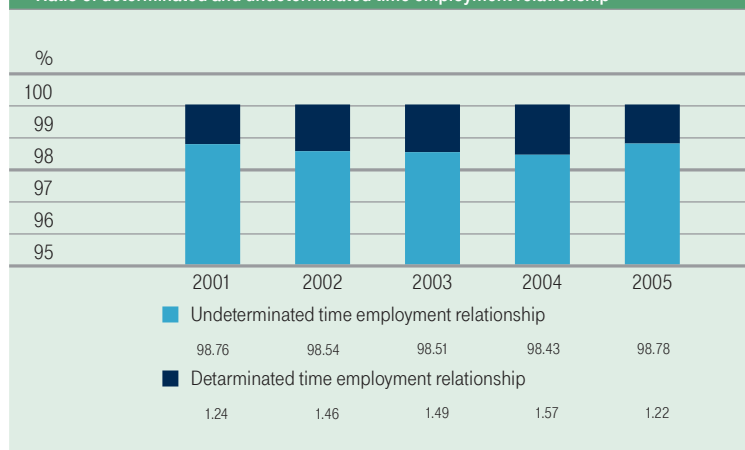
By the end of 2005 the number of fix lined per employee rose to the internationally competitive level of 489 at the mother company, as a result of the headcount efficiency improvement of over 2,000 persons in the framework of Magyar Telecom's mid-term strategy. In the process of ensuring headcount efficiency great emphasis was laid on care for the employees leaving the company: the mother company used several solutions with which the number of dismissals could be significantly reduced – e.g. labor law based succession, significantly widening the possibilities of part-time working, wide application of the regime of stand-by staff. The already proven Chance Program was used to support reemployment of employees leaving the company which supports job seeking though support to retraining and continued training and personal consulting.

At Magyar Telekom Plc. the basis for justice and equality of chances is created by the basic norms defined in the Code of Conduct published in 1997, reviewed and amended in 2004 in accordance with the SOX (Sarbanes-Oxley Act) . The employees of the Group learnt the content of the Code of Conduct on their own from the website of the Group and made a statement in writing about understanding its contents and observation of the regulations contained therein.

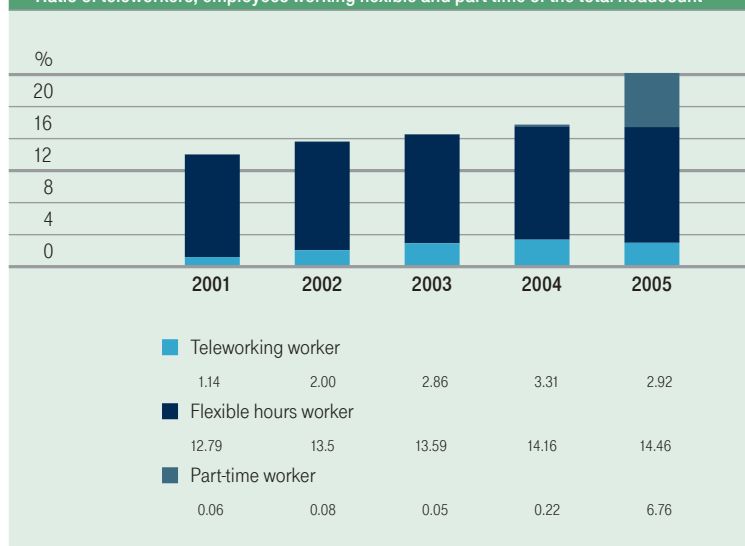
Initiatives promoting equality of chances: teleworking, part-time work, flexible working hours, stand-by staff, employment of handicapped people, support to the underprivileged (through foundations), vacation packages for children, training.

The following chart lists the results of initiatives aiming to ensure the equality of chances:

Ratio of determined and undetermined time employment relationship



Ratio of teleworkers, employees working flexible and part-time of the total headcount



“Respect” – the value of T-Spirit , the principle of equitableness is represented in our HR policy in the following:

- Welfare benefits system, wide range of benefits granted to all employees.
- Competence-based approach used in selection, performance evaluation and individual development aiming at objectivity.

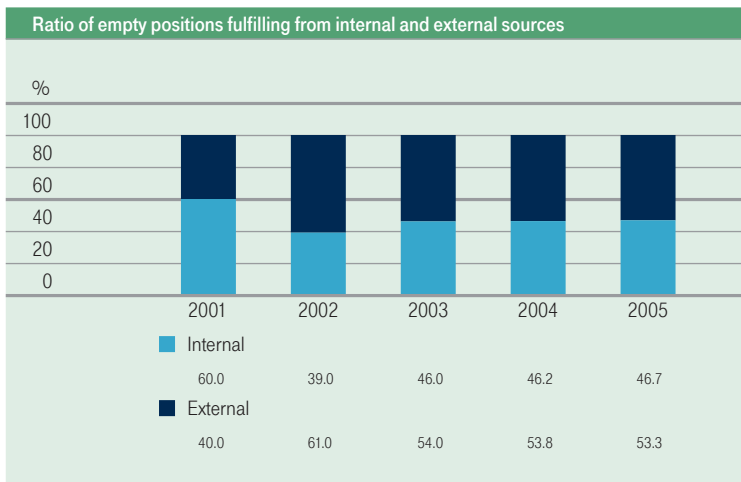
Payment of multiple of the severance pay required by law in the case of headcount reduction also aims at equity. Additionally vacant positions are filled primarily through recruitment within the company – from the areas undergoing headcount reduction – to reduce this way the number of employees to be dismissed.

Outplacement service (Chance Program) has been offered by the company since 2001 to assist employment of those dismissed from the company. Employees leaving the company can use the services that they need the most in the given situation: retraining, support in finding a new job, labor law consulting and from 2003 we offer as a new service psychological help and labor market training, too. In 2004 Magyar Telekom Group launched its self-management training, offered to those who could not find an employment in the labour market within 6 months and need additional support. From 2005 the re-employment chances of the participants of the program were supported by the Profile career compass and performance evaluation tool as well. Availability and national coverage of the service improved with the increased number of program offices and both the participation ratio and the job-finding ratio increased. Magyar Telekom Group supports diversity within company by special programs designed for people of various social position and background (extensive application of tele-working, part-time work, etc.) and naturally, devotes special attention to provision of equality of opportunities to the staff persons both in the process of selection and in everyday work.

A good example to the effort of the group is that T-Mobile Hungary employs physically handicapped persons in the call centers, improving by that their chances for finding a new employment.

At Magyar Telecom Co. Ltd. the ratio of the physically handicapped persons exceeding 67% of disability made 0,1% of the total headcount in 2005 (6 persons).

At Magyar Telekom Plc. the ratio of women at the director’s level (managers of categories S10-S14) was 11.8% (6 persons) while that of the men was 88.2% (45 persons) in 2005.



Health and safety

Our activities relating to health and safety - within that labour safety, labour safety training, management of emergency situation and labour health - were carried out in 2005 by following the practice of the former years, the details of which are contained on page 59. of the Sustainability Report 2004.

Click here to read the Sustainability Report 2004.

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

During the occupational health consulting hours and also in the health preservation program of the Dimenzió Health Insurance Fund, the doctors are happy to advise the employees on matters of health preservation (e.g. chronic diseases, acute contagious diseases, allergy, AIDS information, etc.)

Magyar Telekom support to the health preservation of its employees through Dimenzió Health Fund		
Branch of insurance	Magyar Telekom contribution	Fee paid by the insured (member)
Self-Aid	2,2%	1%
Voluntary Pension	5% +HUF 2500/member/month*	at least 1%
Life and Accident	HUF 574 per month	-
Health Fund	2%	0,5%

Rates of absence for sickness and workplace accident

According to the statistics of the Labor Safety Office, in 2003, 4.17 workplace accidents were recorded per 1000 employees and in 2004, 4.75 and in 2005 it was 3.29.

The number of sick days was 58,220 in 2001, 51,072 in 2002, 51,806 in 2003 and 47,642 in 2004 and 48,014 in 2005.

No workplace accidents resulting in death - which meets all the criteria defined for workplace accident - occurred at Magyar Telekom in 2003, 2004 or 2005.

In compliance with Article 64 of the Labor Safety Act, the Labor Safety Office duly meets its workplace accident reporting obligation and also keeps records of the accidents.

Reporting of the labour sicknesses and cases of increased exposure to risk are reported and investigated in compliance with Article 65 of the Labour Safety Act, with the involvement of the Labour Safety Office.

Education and training

In an effort to bring new knowledge into the company, Magyar Telekom has been operating the Rajtkő (Starting Block) Internship Program since 1995, under which it hires 20 new graduates each year. The Internship Program contributes to employee development through work practice with a 5-month learning phase spent at organizational units.

Since Magyar Telekom is an important player of the telecommunication sector, its managers and professionals participate in the education of the future generation by acting as external consultants to the graduates preparing their diploma. In the past four years 82 diploma works were prepared across the country under the professional supervision of Magyar Telekom officials. Between 2001 and 2003 the company granted practice opportunity in the technical areas to 136 students (on the average 45 per year), while in 2004 to 63 students, in 2005 to 51 students mainly from Budapest.

In 2005 Magyar Telekom continued operation of its earlier, successful Compass Program and Mentor Program – assisting the new entrants in understanding the technical environment – the Performance Management TM system for assessment of the knowledge and competencies of the employees and identification of the areas requiring development, the Unified Competence System (EKR) based on which the simplified job category system was established.

After identification of the areas of development the training courses can be implemented either in a traditional form of training or through participation in skills development training, e-learning that is tele-education, on the basis of the Training module, which currently offers over 110 training opportunities.

Development and learning through labour experience is based on the earlier pattern, (professional rotation, individual and team work, etc.)

We continue to apply our Szikra (Sparkle) complex ideas management system with the involvement of the employees, "Hoppá" the Special Ideas Forum, the "Product Idea Box", and like in every year since 1997, in 2005, too, we organized a Problem solving competition providing a bidding opportunity for the solution of outstanding problems affecting the entire Group.

The Ulrich Schaumann Award managed by the Foundation for Magyar Telekom's Technical Development helps implementation of the employees' innovative ideas. The Creative Award for Telecommunications was founded by Magyar Telekom Plc. for the financial reward and recognition of employees successfully contributing to innovation and creativity in telecommunications with the elaboration of implementation of new ideas, services, methods or processes. It can be granted both to individuals and teams.

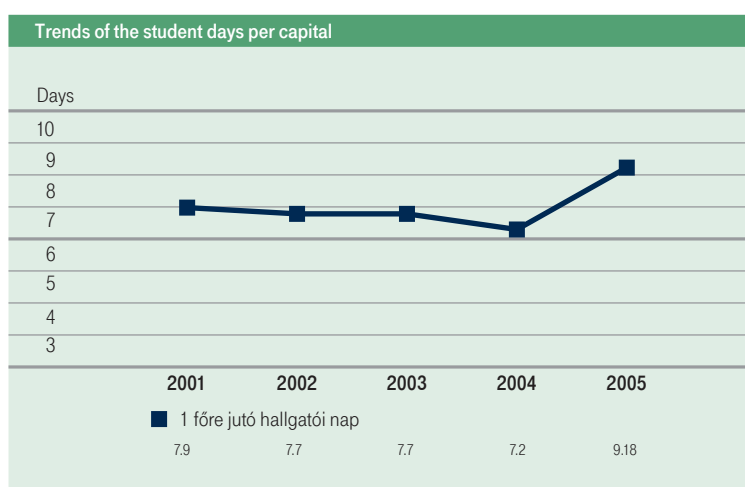
For further information about the theme see page 61. of the 2004-year Sustainability Report.

Click here to read the Sustainability Report 2004.

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

The chart of "Changes of student days per capita" sets forth the trends of student days per employee.

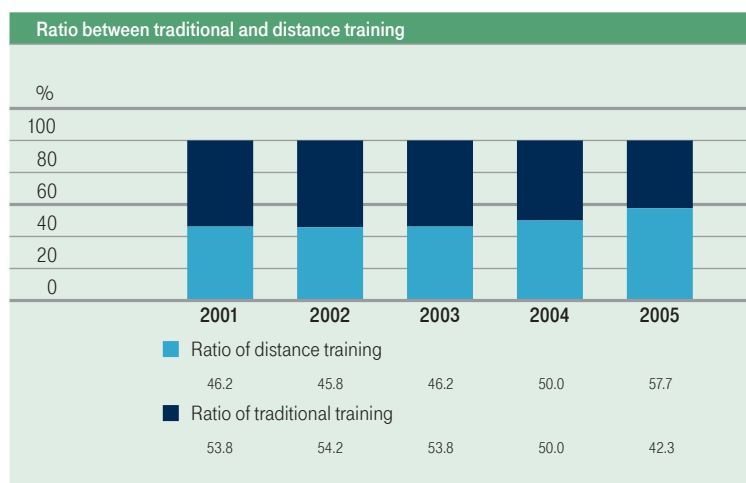
Magyar Telekom Plc. The following chart sets for the student days per capita (one student day = 6 hours), broken down to employee categories.*



Days of training per employee per employee category at Magyar Telekom		
Employee category	Student day per capita – 2004	Student day per capita – 2005
Senior manager	6.3	8.4
middle manager	6.4	8.6
workplace supervisor	4.6	9.7
staff person	6.6	6.9

* Data were calculated on the basis of monthly average headcount and the annual data is aggregated from those.

The aggregated average student days per capita data contains the student days of contractors of the company, while in the per employee statement this data is not shown.



The following figure shows the proportion of conventional and distance learning days.

To promote cooperation within and between various organizations of the Group and to improve the efficiency of team work in projects a rising number of the employees participate in team building (Figure "Ratio of employees participating in team building to total headcount"). The form of team building has changed continuously throughout the years. In 2005 the team building courses covered wide scope of activities from the classroom sessions to the adventure tours.

Human rights

Provision of Human Rights at Magyar Telekom Group were ensured in accordance with the earlier activities.

Assessment of the options for equality of chances, non-discrimination and provision of equal opportunities are among the key objectives of the HR strategy of the Magyar Telekom Group.

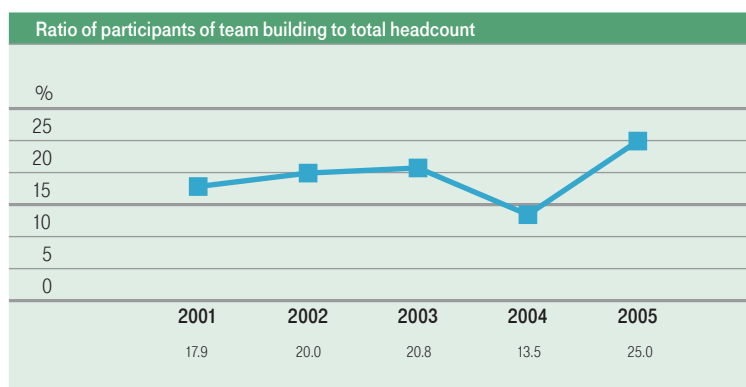
From among the nine core elements of SA 8000 (Social Accountability) standard Magyar Telekom devotes special attention to non-discrimination.

Other core elements (including children work, forced work, healthy and safe work conditions, harmonization of interests, freedom of association, discipline, worktime, bonuses, management system) are regulated in part, either in internal regulations, in the Collective Agreement, or in other documents of overall effect, - like the Code of Conduct, wage tariffs system, regulations of assistance – while other features, like child work, forced work – are not regulated and no special practice has been developed for that, as they are irrelevant to the company, and in any other terms the company is in full compliance with the regulatory requirements , the Constitution of Hungary, the Labour Code and the Universal Declaration of Human Rights.

See the details on page 63. of the Annual Sustainability Report 2004.

Click here to read the Sustainability Report 2004.

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf



Corporate contribution

We are Leading in Corporate Social Responsibility

Magyar Telekom, in addition to participating in the Hungarian cultural life as sponsor in a way worthy of its economic role, has become over the last ten years one of the major players of the non-governmental sphere, too.

In the frame of this activity Magyar Telekom Group contributed in 2005 – like in the previous years – to the operation and activities of the following organizations:

- Magyar Telekom Symphony Orchestra
- Puskás Tivadar Secondary Technical School for Telecommunications
- Post and Telecommunications Museum Foundation, Telephony Museum
- Post Museum – Budapest
- Magyar Telekom Gallery
- “Telephone for the Needy” Foundation of Major Public Benefit

See the details on page 64. of the Annual Sustainability Report 2004.

Click here to read the Sustainability Report 2004.

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

“Magyar Telekom Gives Back”

Many-folded donation activities of Magyar Telekom are performed in the frame of the “Magyar Telekom Gives Back” program. The program includes all the activities having the objective of integrate our corporate accountability into an organized, more transparent framework from the aspect of the donors and the beneficiaries as well.

Based on our research conducted among population on regular basis, - monitoring of the daily news- we aim to accommodate the needs of the society, and we are proactive in offering assistance in the problems, needs of people, which are really important for all of us.

Four pillars of the “Magyar Telekom Gives Back” program.

- financial donations, direct donations, funds
- “charity numbers” - services provided free of charge for the purpose of collecting funds by the population.
- charity services – discount rate phone services
- donations by the employees – individual donations of staff persons (supplemented) voluntary work.

The program is based on our strategy that has been developed consciously for ten years, which defines the scope of supported persons. As our major task, we aim to solve the most serious social and health problems. Solution of the problems that – according to the Hungarian statistics – are mentioned as the main reasons for early death, e.g. screening and curing of tumorous diseases, provision of the conditions for curing heart and vascular diseases.

key areas of donation include health care of children, management of social problems, and sport activities of those in underprivileged position. As we are a telecom company we assign special importance within our donation activity to the support of those living with communication difficulties due to physical disability, to initiatives aiming to bridge the “digital gap” and at last but not least, to environmental protection.

Financial donations

Decisions about the donations are made by the Board of Trustees of “Magyar Telekom Contributes” program. The decisions are published regularly in the Newsletter of “Magyar Telekom Contributes” program and they are made available on Internet as well.

On an annual level we distribute donations value 100 million HUF among funds, associations, and spend tens of millions on supporting the communication activities of the organizations.

„Charity numbers”

In the frame of the “Magyar Telekom Contributes” program the first “Charity number” – i.e. the Telekom Donation Line – was launched in 2002 as a unique initiative in Europe. The service is able to organize in a simple and transparent way the assistance for those in need. By dialing 1788 anybody can contribute with HUF 100 to a defined donation purpose to support the work of a nonprofit organization making efforts to solve social problems.

The company provides the service free of charge, by transferring the total amount of the donation to the beneficiary – i.e. without making profit on the activity, by covering the costs (VAT) and we also provide significant assistance in the campaigns to communicate fund-raising of the organization (e.g. create a TCR film, organize television and press publications, etc).



2002. Since May 2002 24 non-profit organizations have raised funds of over 170 million HUF with the help of Telekom Donation Line.

Telekom Donation Line is an enormous breakthrough - an initiative of exemplary value even under the European standards – in the Hungarian donations culture.

We managed to reach another significant breakthrough with the implementation of our 1771 donation number. In 2003 we collected 24 million HUF in four days for the Debrecen Children Clinic in a campaign similar to the Donation Line organized in cooperation with RTL television.

In May 2004 over 70 million HUF was collected in 8 days on the 1771 number –at a 200HUF “rate”- in favour of Heim Pál Children Hospital.

At Christmas 2005 a “Reality Shows” was organized on the initiative of and financed by Magyar Telekom where the viewers of Viasat3 could vote for the support of four funds (Peter Cerny Fund, Hortobágyi Madárkórház Fund, Bölcső Fund, Kis Balázs Fund – Eger) by calling the charity line 1771. The main prize of Magyar Telekom was supplemented with the call charges, and the organizations could share over HUF 16 million .

Charitable services

In March 2004 the Civil (non-governmental) Tariff Package was introduced to offer national fixed-line telecommunications service to non-profit foundations and organizations with average 30% discount. These organizations can spend the money saved thanks to this package on causes really serving the interests of the needy. The discount tariff package can be used annually by 100 non-governmental organizations selected by a competition.

We consider the operation and support of the emergency phone lines as a key task, by providing a free call option.

Donations by the employees

The Individual Donations with Added Funds means that the company adds a specified amount to the individual donations of employees feeling responsibility for the society. This enables employees sensible to the problems of the society to take a responsible decision on corporate donation (the company adds double of the donation up to HUF 25,000, the amount of the donation in the range HUF 25,000 to 100,000 and HUF 100,000 for donations over HUF 100,000).

The last three years proved that this system was successful in giving impetus to private people for charity: 2005. until December 31 almost HUF 37 million donations were given to various non-profit organizations, primarily operating in health, education, art and care for underprivileged children, with the help of the employees.

Thanks to the program operating for the fifth year the readiness of the company's employees to give donations is continuously rising.

Voluntary work

In 2005 the employees of the company participated in the construction of two bird-watching towers in two national parks in the frame of the "Care for the Bird" bird protection program. Besides the employees worked on voluntary basis in the Digital Bridge Program as well.

WWF – Magyar Telekom: "Care for the Bird"

In 2004 September a three-year cooperation was started between the Company and WWF Hungary, aiming to make joint efforts for termination of the illegal hunting and trade of protected birds. Magyar Telekom contributes with HUF 15 million donation and continuous communication to the "Take care of the bird" bird protection program.

Traditional Successes

The University of All Knowledge started its 6th semester in September 2005. A number of lectures were presented in the six semesters of the joint knowledge sharing project of Magyar Telekom Group and the Hungarian Academy of Sciences. There is an estimated 250 – 300 thousand weekly audience of the lectures on television.

The Budapest competition of Vivicitta City Run opened the 2005-year season still under the name of Matáv with the participation of over 9000 persons. In May and June six further cities hosted Vivicitta City Run, (Debrecen, Kaposvár, Kecskemét, Székesfehérvár, Szeged, Veszprém) giving impetus to thousands for the participation.

In 2005, again, one of the major cultural events of the Summer was T-Com Kaláka Folk Festival, organized for the 26th time. The festival took place in the beginning of July in the Diósgyőr castle, while the satellite programs –exhibitions, film shows –started earlier and were open by the end of Summer. Like in the previous years, in 2005, again, the cultural events hosted a number of Hungarian and international music bands and artists, and thousands of people attended the performances.

Valley of Arts Festival - T-Com is one of the main sponsors of the general arts festival attracting nearly 200 thousand visitors each year. T-Com Jazz Stage in Kapolcs was one of the most frequented sites of the 2005-year festival, where the best of Hungarian jazz art staged during the 10-day event. Among others, the Tony Lakatos Quartet, Bontovics Kati and Creative Art jazz Trio, Berki Tamás Band, Dés László, and Babos Projekt Special.

In 2005 already for the third time children and their parents were invited at early summer week-ends to the free series of events at the Magyar Telekom Children's Island. The theater, music and sports programs, funny presentations of information, creative activities attracted over 150 thousand visitors.

Friends of the Future

T-Online contributed also in 2005 to the development of training and culture and gave donations to support the work of organizations caring for people with disabilities and underprivileged children where internet offers an opportunity for a fuller life and catching up. Another of T-Online partner in aid is the Future-friendly Foundation whose voluntary workers helps young people exposed to drugs, alcohol and other addictions with community and sport programs and broadband internet access.

The Free-style computer competition has been organized for years in the frame of C3 Fund, offering an opportunity for the youth to compete in PC skills and creativity. The panel awarded prizes to the works where the young experts utilized the knowledge, skills they acquired in the most innovative, creative way, in genuine, special solutions and applications. The works submitted for the competition were assessed and rewarded according to age groups. The competitors won valuable prizes and were offered scholarships thanks to T-Online. The prize-winning works of the competition will be displayed in a large scale exhibition to be organized in December 2006 in the House of Future. C3 has done a lot in Hungary for the support, increasing awareness and development of the digital culture, new communications techniques, Internet and media arts, artistic and cultural programs, events and publications, and considers it as main task for the future as well.

Professional Cooperations

T-Online as the market leading Internet operator devotes special attention to emphasizing its expert role and communication of the strategic messages. It has been the supporter of Internet Hungary conference for years, which is a professional forum for Internet users, service providers and the IT and media experts. The themes presented in the forums and lectures of the event are selected by focusing on the aspects of real life. Market cannot get along without research data. Before presentation of the themes underlying data, figures are displayed regarding the particular area. The lecturers of the conference examine those areas of business and everyday life where Internet has become wide-spread, and exerts a strong influence on the traditional business, media, advertising and other activities.

Sports

T-Mobile is the diamond-grade main sponsor of the Hungarian Olympic team and in addition tot hat, also sponsors the best football, handball and water polo clubs. Magyar Telekom Plc. Mobile Services LoB, i.e. T-Mobile is considered the most significant sports sponsor in Hungary, where quality is the core principle of sponsorship. The extent and magnitude of the sponsoring is far beyond the normally expected level, the relationship between sports and T-Mobile has deep roots in the minds.

As a result the executives of T-Mobile hold major social and sport positions to represent the company in national and international sport organizations in sport diplomacy roles.

T-Mobile is represented in the most popular sports in Hungary, i.e. football, water polo, handball, basketball and kayak-canoe, just like in regional spots life, where most of the sponsored are among the favourite clubs of the countryside.

The sportsmen selected as donors reinforce the positive image of the company through their personal example, success and popularity.

Sponsored organizations:

- Hungarian Olympic Committee
- Hungarian National Sports Association
- Water-polo Clubs Sponsoring Association
- Hungarian Pentathlon Federation
- Hungarian Sailing Federation
- Hungarian Tennis Federation
- Hungarian Car Racing Federation
- Hungarian Kayak-Canoe Federation

Culture

Aid to the Opera House and the National Széchenyi Library play a key role in T-Mobile's cultural sponsorship that includes also help for staging productions in numerous cities in the countryside. T-Mobile's social sponsorship is managed jointly with the Maltese Charity Service.

Own events - like Connection Concert, Electronic Beats – and sponsored events – like, e.g. Internet Hungary Conference, ARC Posters Exhibition, bicycle programs. – a number of useful initiatives serve for value creation. The sponsored persons and art groups are prominent in their respective genres with long-standing popularity of several years, the historical and cultural significance of the institutions are outstanding also in international terms.

The Macedonian Group member MakTel continued also in 2005 its sponsorship strategy they defined earlier and as a major national company and responsible "citizen" sponsored sport, cultural, educational and health initiatives and events to improve the quality of customers' life. These activities included in the area of culture the Ohrid Summer Festival, "Macedonian Dance Centre, a Macedonian performance of the "Lord of the Dance" band and sponsoring the first edition of Encyclopaedia Britannica in Macedonia. In the area of sports the most significant sponsoring activity was the sponsoring of Ohrid Swimming Marathon. MakTel sponsors – among others – the e-Macedonia program to promote development of Information society in Macedonia and dissemination of "Schools on-line" program by the provision of broadband internet, and "Municipalities online" program by the development of broadband connection in cooperation with the relevant ministry.

Product liability, data security

Our activities associated with product liability in 2005 were based on the same principles as in the previous years. See the details on page 67. of the Annual Sustainability Report 2004.

Click here to read the Sustainability Report 2004.

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

Data security and information protection

Our activities performed in the area of data and information protection in 2005 relied on the same methods as in 2004.

The relevant details are contained on page 68. of the Annual Sustainability Report 2004.

Click here to read the Sustainability Report 2004.

http://www.magyartelekom.hu/english/doc/sustainability_report_2004_kicsi.pdf

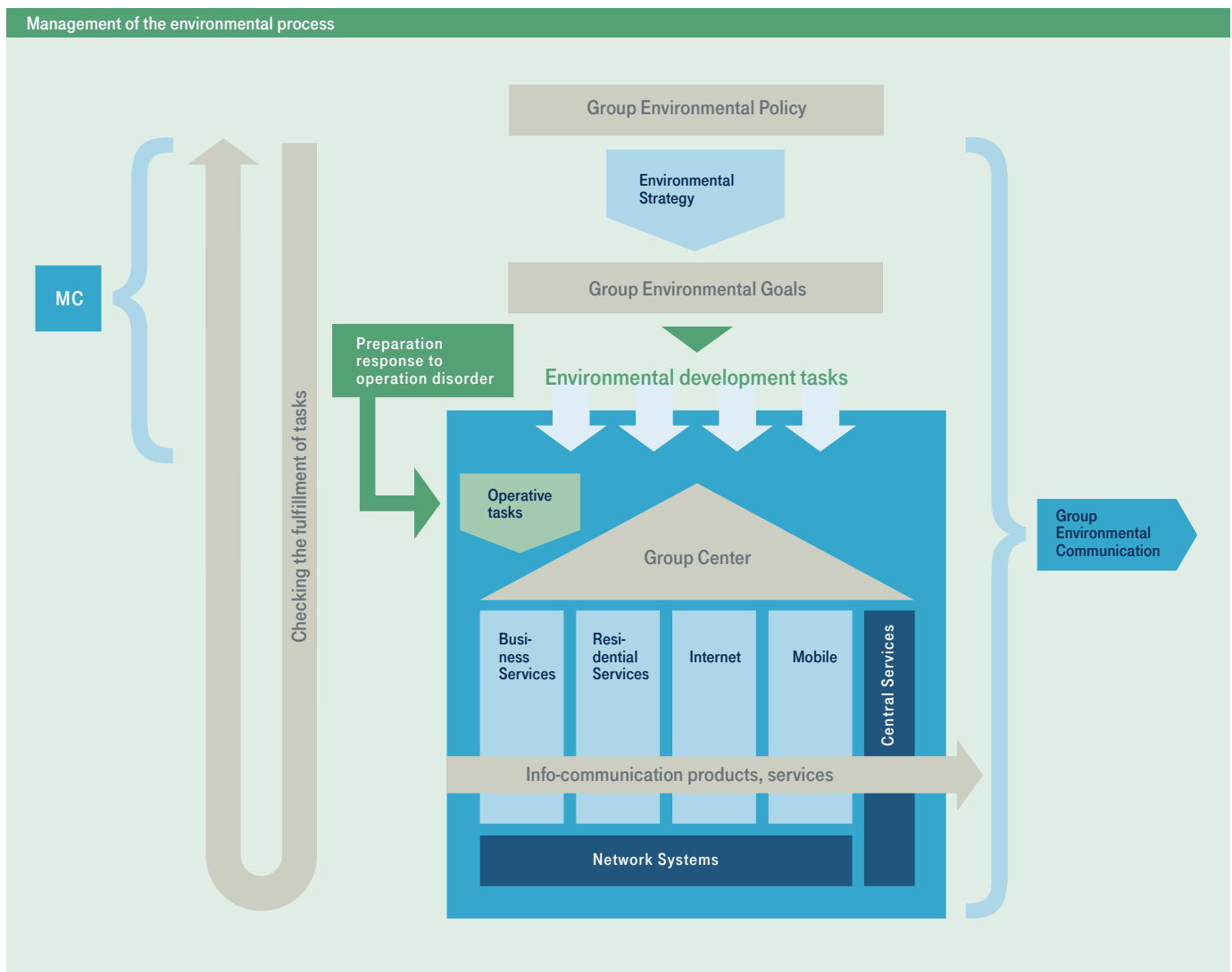
Environmental aspects

The data and information contained in this section are based on the Group level data of Reports of Magyar Telekom Group, and built on the data contents registered by the systems of group-level environmental protection areas. We provide detailed data in the future as well, to have an opportunity for regional-level presentation of the Group data, and extension of the scope of data collected by the processes of Group-level systems.

Linkage between operations and environment protection

Vertical structure of the process of environmental protection activities

According to the structure of the above figure the hierarchy of Magyar Telekom Group's environmental activities is as follows: This shows that the strategy is deduced from the environmental policy, and the environmental targets and development tasks are deduced from the regularly updated strategy.



The operative tasks are the responsibility of the relevant organizations of the Group.

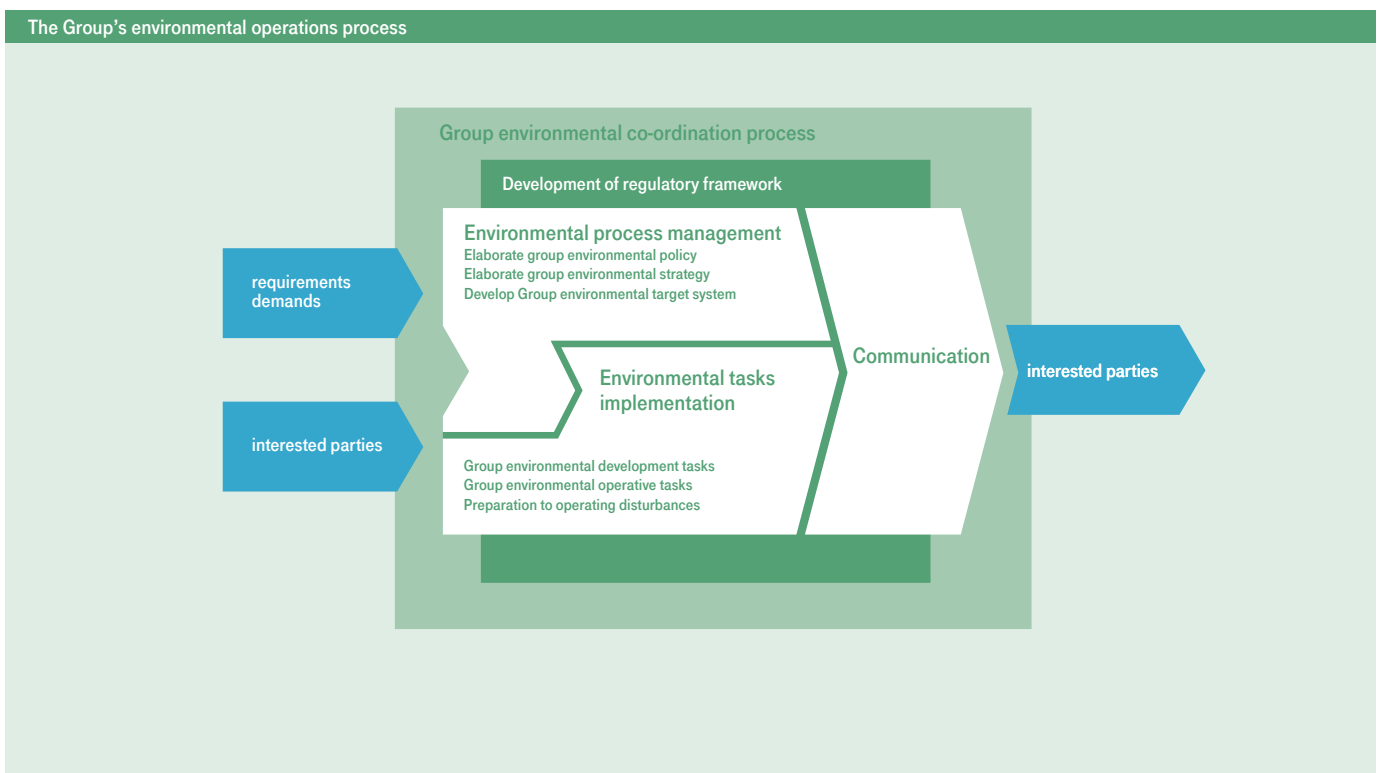
The CEO of Magyar Telekom issued a Directive with the effect of December 28, 2004 which regulated the framework for the Group's operative environmental operation. Accordingly, the organizations responsible for the implementation of operative activities, the member companies are responsible within their scope of authority for

- environmental loads generated as a result of operation, planning and performance of the tasks aiming their reduction;
- monitoring the environmental factors and major environmental impacts and positively influence their trend;
- daily monitoring of environmental regulations governing the operations , ensure compliance with them.

Communication is based on the above activity, one of its elements is the Sustainability Report published each year. The Management Committee controls all the activities on the basis of the reports received.

Group environmental coordination process, coordination of environmental protection

Group environmental coordination process – which covers the full-scale of environmental activities of Magyar Telekom Group is assigned to the Wireline Services LoB as an independent process, who acquired an ISO 901:2000 certification issued by SGS SGS (Société Générale de Surveillance SA). The relations between the sub-processes and activities of the process are outlined by the following, well-known chart:



The process stood the test of time as neither the entire process, nor the sub-processes or their operation required adjustment in 2005, naturally, with the exception of the need for updating the target system and the tasks derived from that.

Based on the environmental coordination process (which proved operable with appropriate effectiveness) the environmental activities of the Group were continued also in 2005, both on Company and Group levels.

From among the two, well-known so-called virtual organizations the Central Environmental Organization (KKSZ) is responsible within Magyar Telekom Co. Ltd. for the coordination of environmental assignments, in course of which the organization monitors accomplishment of the tasks in regular meetings held in every other month.

The Group Environmental Organization (CsKSz) manages the environmental tasks within Magyar Telekom Group, where accomplishment of the tasks is monitored in regular, quarterly meetings.

(The organizational background of the activity in 2005 was identical with the structure figuring in the previous year Sustainability report therefore we do not display it in the this year Report).

Results of the process and coordination

In 2005 the organizations, the LoBs and the member companies performed their activities in the environmental organizations set up previously, in accordance with the provisions of the Rules of Organization and Operations.

The senior managers of all the organizations and the member companies, the chief officers of the LoB-s receive regular information on the KKSz and CsKSz meetings and also on the activities performed and results achieved, to ensure that they get up-to-date information regarding the area, and provide for senior management control on continuous basis.

The top management of Magyar Telekom Group, the Management Committee is informed about the status of the Group Environmental Strategy tasks annually (or with the frequency as necessary). In 2005 fulfillment of the Environmental Strategy tasks was reported to the Management Committee on January 27, simultaneously the Group Sustainability Strategy was approved, (which incorporated the Environmental Strategy), then on September 22 the Sustainability Report 2004 was adopted.

Group Environmental Target System and its attainment

The following table sets forth the 2005-year status of implementation of the targets system broken down from the Group Sustainability Strategy incorporating the Group Environmental Strategy.

Targets / activities	Deadline	Status of implementation	Explanation
Retain the Leading Position in Central Europe			
Communication (for target groups, on the basis of communication plan)			
Publication of Annual Environmental Report	ongoing	✓	The environmental report integrates into sustainability report from 2004. Publication: Magyar Telekom website, Global Reporting Initiative website, Corporate Register website and services 13 000 persons (45% CSR experts, 12% investors, analysts, etc.) personally sent out to 638 persons CEERA 2nd place „in accordance with GRI”
Preparation of Sustainability Report	2006	✓	The deadline of sustainability reporting was brought forward from 2003, and since then we issue sustainability report every year. The 2004-year Group Sustainability Report won 2nd prize of CEERA
Organize environmental forums (both internally and externally) participation in external forums	ongoing	+	7th Environmental Round-table Discussion (30 March 2004), AISEC conference, etc.
Development of employee awareness	ongoing	+	Training through internal communication facilities
Group environmental coordination website on Internet	2005	✓	Completed. Updating is ongoing
Efficient publication of the environmental benefits of or products and the results of our environmental projects to the target groups	ongoing	+	Implemented via intranet and Internet and conferences.
Elaboration of EMF communication strategy	ongoing	✓	■ Make joint efforts with the competitors to extend social awareness and understanding of the of the society-relevant communication tasks relating the mobile technology ■ Communication tasks occurring during network construction Implementing the „Common voice” – planned for 2006 (Development of an industry level organization to provide for more efficient coordination of the above tasks)

Targets / activities	Deadline	Status of implementation	Explanation
Retain the Leading Position in Central Europe			
Organization			
Operation of Group-level environment protection coordination organization	ongoing	+	The Virtual Group Environmental Organization has quarterly meetings with the member states.
Introduction of ISO 14001 management system at	2006	↗	A decision was made in 2005 about implementation of the Environmental Management System at BCN, Emitel, T-Kábel. The integrated system audit of T-Com was implemented.
Rolling out the application of Environmental process support system (KörTe) within the Group.	2006	↗	The group members were allowed reader authorization in 2005.
International cooperation			
Acquire European awareness through ETNO	ongoing	✓	Fulfilled in 2005 to the required extent. (participation in three plenary sessions, reports, cooperation)
Support to other Central European DT Group member companies, ensuring that Magyar Telekom member companies catch up	ongoing	+	Continuous relation is maintained with the member states regarding environmental issues.
Reducing of Load on the Environment Resulting from our Operations			
Procurement			
Define environmental requirements, guidelines for the procurements	2006 ongoing	↗	In 2005 the supplier questionnaires were processed in KörTe system and with that test of the function was completed.
Waste management			
Development of complex waste management	ongoing	↗	Group-level implementation of waste management is protracted to 2006.
Reduce the amount of hazardous wastes	ongoing	+	In 2005 the reduction was not attained due to the replacement of robust technological batteries.
Reduction the paper consumption	ongoing	+	In 2005 the reduction was significant due to the dissemination of e-administration.
Implementation of replacement/substitution products	ongoing	+	Examples: electronic payroll, official e-correspondence, e-bill service
Recycling, re-collection (terminal equipment, phone book)	2006	↗	Take-back of terminal equipment is continuous at Magyar Telekom and T-Mobile.
Energy consumption			
Introduction and application of solutions that replace travel	ongoing	+	Audio- and video-conferences, continuous application of e-learning.
Implementation, monitoring of combined, renewable resources	ongoing	+	A combined solar panel and wind generator is operating in Magyarsarlós on continuous basis, its operation is monitored.
Minimizing other loads on the environment			
Renewal of oil tanks	ongoing	+	In 2005 4 tanks were covered with double wall, licensing plan for 8 tanks.
Sharing the infrastructure within the group	ongoing	+	Shared base stations, properties
Optimize the operating telecommunications network	ongoing	+	PDH-s are replaced with SDH which fits properly into ADSL program.
Use of the Benefits Offered by our Products and Services			
Implement the elaborated environmental impact analysis methods in the product development process at group level.	2006	↗	Implementation of the analysis methods has been started.
Implement info-communication systems in the field of environment protection and nature conservation.	ongoing	+	Continuous information on the possibilities to the affected persons

Legend:

- ✓ completed by deadline
- ± performance has been started, regular
- ↗ performance has been started
- performance has not been started yet

Expenditures

Environmental related expenditures of the Magyar Telekom Group in 2005 amounted to 398 million HUF

■ Opex: HUF 284 million

- Expenditures associated with operative environmental protection (waste management, examinations, metering, havaria, payments to authorities): HUF 262 million
- Training courses, communication (continued training courses, conferences, changing the minds of employees, Sustainability Report: HUF 10 million
- Operation of ISO-14001 Environmental management system HUF 4 million
- Operating costs, environmental and TQM advisory service HUF 7 million

■ Environmental investments (CAPEX- Oil tanks, reconstruction, replacement of the extinguishing systems, tools of the Digital Bridge project): HUF 115 million

The following diagram shows the distribution of the above-mentioned expenditures.



Development of environmental awareness

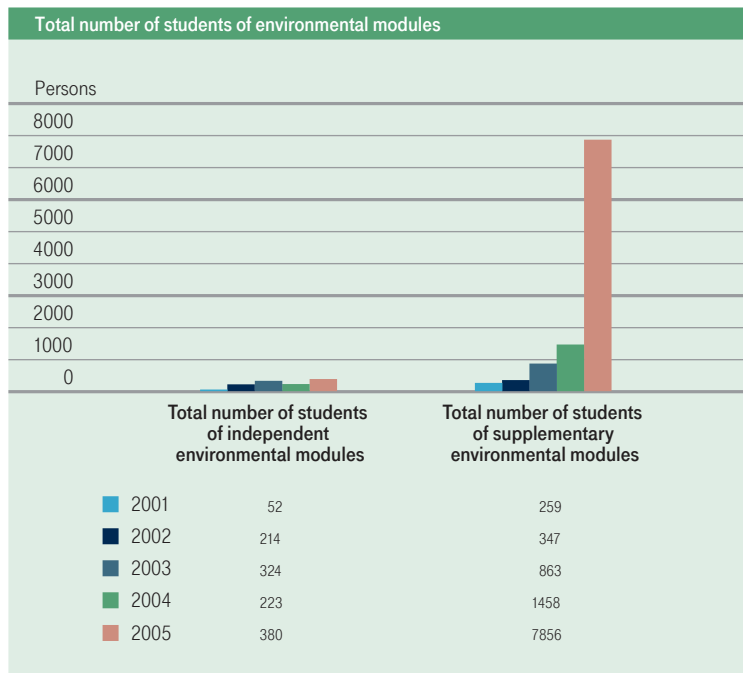
The member companies of Magyar Telekom Group place large emphasis on the environmental education and change of mind of the employees. The employees contribute significantly with their environmental awareness to the development and external image of the company, and last but not least, it can be considered as financial interest in the implementation of environmental-focused waste management.

Although the number of environmental training courses decreased by 30% compared to the last year, the number of participants in these courses increased by 70%.

The number of supplementary environmental courses linked to other courses increased by nearly 17%, the total number of trainees has increased by 438,8 % since last year.

The diagrams show that the number of supplementary courses and the headcount of trainees shows significant growth, consequently, from the aspect of participation this form of training - attached to other courses-seems more popular than the dedicated ones.

The experts of the member companies participated in a number of conferences, and in external training courses (e.g. in ISO 14001 senior auditor course).



Environmental indicator	2005	Change in % 2004/2005 (+/-)
Number of dedicated environmental courses	☹	-29.6%
Number of supplementary environmental courses	☺	+16.7%
Total number of courses	☹	-11.1%
Number of trainees at dedicated environmental courses	☺	+70.4%
Number of trainees at supplementary environmental courses	☺	+438.8%
Total number of trainees	☺	+389.9%
Paper consumption	☺	-39.6%
Paper-based telephone directories replaced with CD	☺	+1244.9%
Electricity consumption	☹	+7.3%
Relative amount of Magyar Telekom Group's electricity consumption per 1000 lines provided	☺	-11.5%
Relative amount of electricity consumption of Magyar Telekom Group as compared with the revenue	☹	+2.7%
Gas consumption	☹	-1.0%
Vehicle running capacity	☺	-5.4%
Total vehicle fuel consumption	☺	-7.9%
Total vehicle diesel oil consumption	☺	-11.6%
Vehicle unleaded petrol consumption	☺	-2.7%
Vehicle leaded petrol consumption	☺	-57.8%
Travel replaced with audio- and videoconference	☹	-29.2%
Water consumption	☹	+9.5%
Net Storey Area (NSA)	☹	-1.2%
Amount of hazardous waste	☹	+37.0%
Amount of hazardous waste recycled	☺	+50.4%
Amount of communal waste	☺	-6.1%
Amount of paper waste recycled	☺	+38.5%
Amount of telecommunications and other waste recycled	☹	-6.0%
CO ₂ emission resulting from energy and paper consumption	☹	-0.2%

Legend:

- ☺ positive change exceeding 2%
- ☹ change under 2%
- ☹ negative change exceeding 2%

Environmental indicators

The following table summarizes the environmental performance indicator figures.

Explanation

- Number of courses, number of trainees: Changes of the number of training courses are primarily due to the restructuring of the training system in 2004. Most of the training requirements related to the supplementary modules, the number of which – despite the earlier decrease – showed an increase of over 15% in 2005. An outstanding growth was experienced in the number of trainees, especially in the case of the above mentioned supplementary modules.
- Paper consumption: The decrease can be considered significant, which – in addition to the favourable effect of e-administration, that we could experience in 2004 as well – also witnessed the environmental awareness of the employees.
- Paper-based telephone directories replaced with CD: As a result of the increasing consumer demands we increasingly replaced the paper-based phone books with CD.
- Electricity consumption The growth of electric energy consumption is due to the increase of certain service areas and the number of subscribers in the particular servicing areas of the company group
- Relative value of Magyar Telekom Group's electricity consumption projected to 1000 lines. Improvement can be experienced compared to the previous years, growth of line numbers exceeded the extent of electric energy consumption.
- Relative amount of electricity consumption of Magyar Telekom Group as compared with the revenue Increase of this figure is due to the fact that the group increased the fees of its revenue generating services (in particular in the area of wireline services) to a lesser extent than the energy consumption needed to provision of the service increased.
- Gas consumption: We experienced reduction here, which – compared against the growth in 2004, is clearly a positive feature, which is due to the decreased area requirement and that newly built plants use environmental friendly central heating.
- Vehicle mileage, total vehicle fuel consumption: Vehicle mileage showed significant decrease, while fuel consumption decreased as well due to the reduction of the vehicle fleet by 3,1%
- Travel replaced with audio- and videoconference: Reduction could be experienced, which – like in the previous years – can be explained by the reduction of headcount.
- Water consumption: Water consumption showed significant growth notwithstanding the decrease in consumption of the domestic member companies. The reason is that the figures of TCG – as new data provider – are also included in the report.
- Net Storey Area (NSA): The value shows reduction, due to the decrease of headcount, and rationalization of the lands used by them,,
- Amount of hazardous waste The extent of this year growth reduced to the half of the 2004-year figure which can be considered positive.
- Amount of hazardous waste recycled Quantity of recycled waste shows significant growth due to the established and operating waste management concept. 56% of the hazardous wastes is recycled, decreasing the load on environment incurred by waste burning or placement.
- Amount of communal waste: The amount of communal wastes showed decrease which is due to that certain member companies have already launched full-scale selective waste collection while others perform the relevant tests in the frame of pilot project.
- Amount of paper waste recycled: The amount of collected waste office papers has increased significantly due to an increasing involvement of the member companies in the rationalization of the collection process, and selective collection.
- Amount of telecommunications and other waste recycled Replacement of the obsolete telecom equipment is stagnating, therefore the amount of waste materials generated has reduced as well.
- Total CO₂ emission resulting from energy and paper consumption Non-significant decrease can be experienced due to the increased electricity consumption.

Materials

As compared to the preceding years the activity of Magyar Telekom Group remained the same therefore in connection with material consumption the use of paper can be mentioned as considerable factor. Paper is utilized in the course of office work, in the publication of telephone directories and naturally when telephone bills are issued. The quantity of paper used in 2005 amounts to 7,180 tons, which is less by 40 % than in the previous year. In comparison to last year the use of recycled paper was doubled: while in 2004 this amount was 16.5 tons (in last year's report 60.9 tons was given by mistake), in 2005 32 tons recycled paper was procured. In the domain of paper consumption the trend experienced in the previous years shows a steady decline due mainly to the gaining ground of comfortable and rapid electronic administration and data supply.

Paper consumption reducing measures:

In comparison to the previous year the number of bills issued by Magyar Telekom Group decreased by 5.5%, amounting to 46,165,129 invoices.

The following base materials were used for the production of bills:

Paper: 93,773,100 sheets

Number of envelopes: 46,416,161

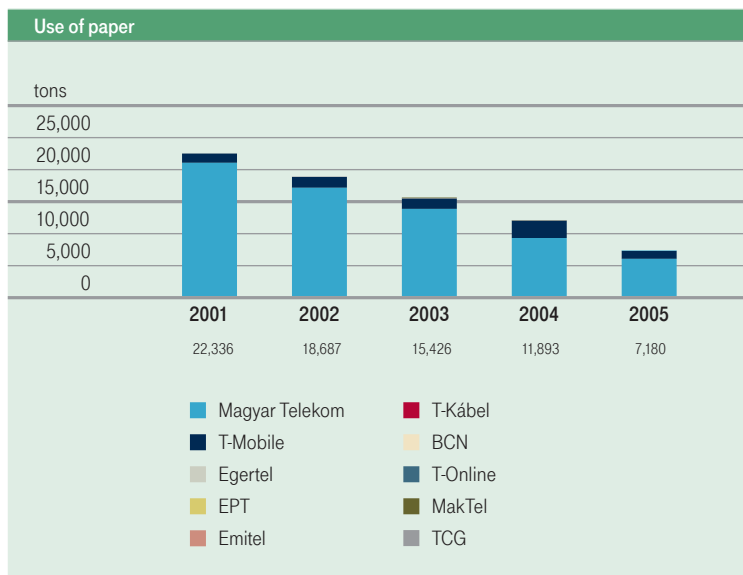
Number of foils: 762,707 (the value increased because of the new data supplier)

The Teleinvoice (Távszámla) service that is bills issued in electronic format was introduced in 2005. This method, however, is still unusual for our customers therefore this service is used by a few clients. Taking this into account we send invoices in this format only to those customers who require it. Our main objective is to persuade as many customers as possible to opt for this service, promoting thus the gradual gaining ground of this facility.

Similarly to previous years the mobile business line of Magyar Telekom Plc. makes available to its key customers the Electronic Usage Information service. Using this service invoice preview and detailed invoice (call itemization) can be downloaded via the Self-service Help Desk.

The Electronic Detailed Invoice (Call Itemization) service was provided with comprehensive functions in 2005 as well. Customers subscribing to this service can download the detailed invoice (call itemization) for a given period within a specified time interval.

In the course of procurement Magyar Telekom Group request information from the manufacturers about the devices and equipment to be installed in the telecommunications network and at the exchanges. Data relating to the technical parameters and materials of devices and equipment are processed in the Environmental Protection Planning and Records Keeping system.



Materials collected from customers

Similarly to previous years our customers may return their old and out-of-date sets to T-Pont shops. Magyar Telekom Plc. provides for the recycling of these returned sets. If we quantify it the total weight of sets returned by the customers amounts to 60,833 kg.

In 2005 the collection of returned telephone sets by T-Mobile was implemented as follows:

The specifications for collection (realized via its coordination organization) were fulfilled; in the case of mobile phones the rate of fulfillment was 109 %, amounting to 1.959 tons and nearly 26 thousand sets. As for treated waste 72.3 % rate of utilization was achieved.

Own collection from shops: 2,196 kg (calculating with 74.6 g average weight this gives close to 29 thousand sets) – this is the quantity above the mandatory collection ratio.

The collection of telephone directories from the population decreased by nearly half this year. In 2005 also Maktel and Emitel began the collection of used telephone directories.

Expressing the results in figures:

Magyar Telekom Plc.	22,415 kg
Emitel Zrt.	240 kg
Maktel	363 kg

Recycled paper was not used for the production of telephone directories in 2005 either because of technical reasons at the printing.

Solutions substituting the use of paper – telephone directories on CD

Subscriber demand for CD based telephone directories showed a dynamic increase in 2005. The fact that this year the amount of telephone directories substituted is 12 times the value relating to last year, saving thus 1,896,260 kg paper also indicates this trend. The number of telephone directories on CD issued by Magyar Telekom Plc. and Emitel Zrt. is 160,989 and 11,100 respectively.

The Internet based telephone directory on the home page of Magyar Telekom available already for years, comprising the accessibility of subscribers – including mobile phone number, e-mail and web address – can also be considered as a substitute for telephone directory on paper.

Energy

Electricity

Electricity is indispensable for the production of services offered by Magyar Telekom Group since this kind of energy provides the power supply for our equipment. In the year 2005 the electric energy consumption of the Group expressed in absolute value was 238,160 MWh (857,376 GJ), which exceeds the index of the previous year by 7%. One of the reasons for the growth is that TCG as a new data supplier also contributed 5,045 MWh (18,162 GJ) to the overall consumption of the Group; this factor in itself increased the actual data for 2004 by more than 2%. The service expansion of several member companies leading to the setting up of new base stations and sites was another reason for the higher energy consumption. The most considerable increase could be experienced at T-Kábel (33%), followed by Maktel (21%), T-Mobile (15%) and last but not least EPT (9.8%). As regards the reduction of energy consumption the achievement of BCN Rendszertárs Kft. was outstanding: they succeeded in decreasing the electric energy consumption by 16%. Their result can be explained with the rationalization of energy. Measures aiming at the rationalization of energy were taken in the frame of separate projects at Magyar Telekom Plc. (2.8% decrease) and at Emitel (4.7% reduction); though the fact that parallel with the gaining ground of mobile communications the number of fixed telephone subscribers shows a decline cannot be left out of consideration either in case of these two member companies.

As regards the relative values the energy consumption relating to thousand lines shows a decrease of 12% as compared to the stagnation experienced in 2004, while the consumption in comparison to the revenue gives an increase of 3%.³

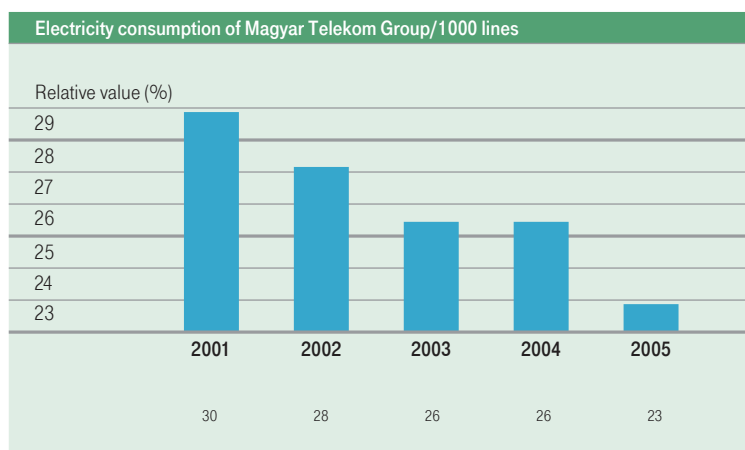
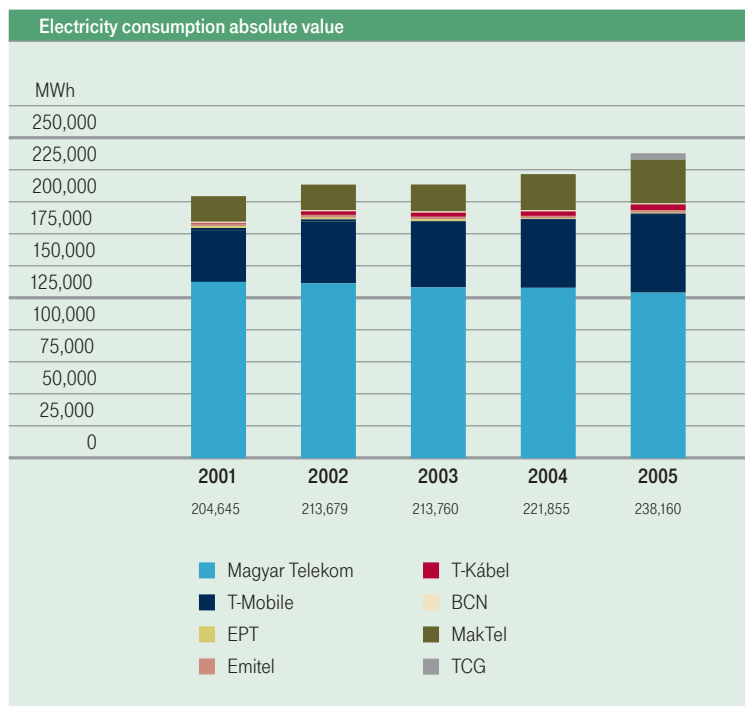
Efforts made to reduce the energy consumption at Magyar Telekom Plc.:

In the course of 2005 the following actions – included already as plan in the report of previous year – were implemented:

- Revise contracts concluded with power supply companies

In the frame of the action we entered the liberalized market; this was preceded by a long preparatory phase and a tender. The tender invitation coordinated by the Procurement Directorate covered the whole Magyar Telekom Group therefore all members of the Group may benefit from its advantages. We succeeded in concluding a contract until the end of 2006 with the power supply company having submitted the best bid as a whole. The preparation of the tender scheduled for 2007 can be expected during the autumn.

³ Only member companies where we know the extent of electric energy consumption, the number of lines provided and the value of the revenue are taken into account when calculating the relative values. Should any of these data be missing, the data relating to the given member company are left out of consideration during the calculation of the relative value.



■ **Compile location – equipment type consumption map**
The creation of a common database was initiated comprising the data of the sites as well as the data of telecommunications tools and air conditioning equipment operating there.

■ **Set (adjust) optimum room temperature**
The increase of temperature is not planned for HOST exchanges and repeater machine rooms.
In the remote subscriber units the temperature values coordinated previously and ordered in the relevant instructions have been set (winter and summer values). The expected energy consumption decrease shall appear in the figure read out from the consumption metering device and on the energy invoice to be paid.

■ **Coordinate between HLOB and the GH Real Estate Management Office** the equipment reservation (redundancy) principles of GH Real Estate Management Office (operational safety and the optimization of operating expenses, the introduction of the approved solution)

The reworking (revision) of the directives is in process.

■ **Elaborate cooperation agreement with the GH Real Estate Management Office** on issues concerning the energy rationalization specified in action plans belonging to the sphere of interest of HD.

The cooperation agreement has been worked out, the Office takes part in HD tenders as regards power supply issues communicating the special demands and contributing to the evaluation of bids.

■ **Introduce external cooling air solution, solution using ventilators of 48 V**

The application of direct free cooling is an ongoing process, installing air conditioning equipment where direct free cooling is used, taking into account the budget allocated to development and the technical possibilities. Pilot installations have been completed at 4 locations to test the 48 V aeration (through ventilation) system; the collection of data and experience is in process.

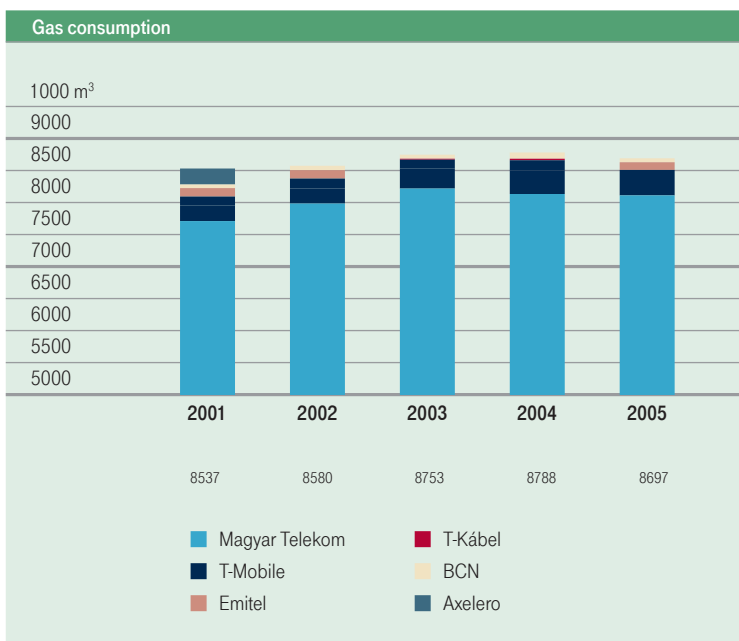
Use of fossil fuels

Members of Magyar Telekom Group use natural gas, district heating and – exclusively in the acquisition areas – fuel oil for the heating of buildings.

Natural gas consumption

The quantity of natural gas used by the Group is less by 1% than the value in the previous year, breaking the slow rising trend illustrated on the diagram.

Due to temperature optimization efforts and the application of up-to-date heating installations and thermo-regulators the gas consumption was significantly reduced by BCN (36.7%) and Emitel (26.4%) while at Magyar Telekom Plc. a small decrease can be detected (0.3%). The gas consumption of T-Mobile increased by 9.3% because of the growing number of sites. (Member companies not mentioned here perform their activities in leased office buildings where the leasing fee covers the heating expenses therefore no quantitative data are available at these sites).



District heating

From the member companies of the Group district heating service is used in case of some buildings by Magyar Telekom, T-Mobile and Maktel; from the various heating methods this can be considered as the most environmentally sound. According to the quantified utilization data the consumption increased by 26%; the reason for this growth is the application of district heating for the new headquarters of T-Mobile. The growth of T-Mobile utilization in itself is already close to 80%; the 10% growth at Maktel can be explained with the provisioning of new sites made necessary by the gaining ground of the service. As for Magyar Telekom Plc. a decrease of nearly 2% can be experienced; the explanation is the falling number of sites.

Fuel oil consumption

Only member companies on the acquisition areas – Maktel and TCG – apply this method of heating. TCG was not included yet in our previous report, this is the reason for the 12% growth of consumption. If we analyze only Maktel data taken into account in the previous year as well then the rate of increase is 4.0% which can be explained with the expanding service areas of the company.

Directly produced energy used for own purposes

The energy consumption for own purposes does not show any change as compared to 2004 therefore facts mentioned previously can be enumerated in our report.

- Diesel – operation of generators to eliminate disturbances that may possibly occur in the electric power supply.
- Operation of gas-engine – at the headquarters of Krisztina körút where in addition to the electric energy supply of the building the heating and hot-water supply are also provided this way. The produced electric energy that is not utilized for own purposes will be sold to the Electricity Company in the future too.

Renewable energy sources

In Magyarsarlós, a small settlement in county Baranya the telecommunications service is provided for the population using radio frequency telecommunications equipment. The uninterruptible power supply of this telecommunications equipment has been realized using a combined renewable energy source comprising solar cells and aeolic (fan-driven) generator.

The solar cell and the aeolic generator has been permanently operating since 1992 and 2003 respectively.

It was not only a concrete technical task we intended to solve with the installation of these facilities. Our goal was to study the applicability of renewable energy sources. For doing so we have gained very useful information, data and practical experience during the planning, installation and operation life cycle phases of the system brought into service at Magyarsarlós.

The generation of current by the combined power supply system made of solar cells and aeolic generator is not steady, it depends on the current solar radiation and wind conditions prevailing at the location of installation. In order to be able to apply this system as an autonomous power source for telecommunications equipment requiring nearly constant energy supply irrespective of seasons and time of the day we need accumulators as background storage facility. For providing uninterruptible power supply the current supply system shall be sized (scaled) in accordance with the reliability level of the service.

The relatively high costs of investment required for solar cells, aeolic generator and the accumulators of high storage capacity result in a payback period of 10 to 15 years. No matter how good solution is from technical and environmental protection aspects the use of solar cells and aeolic generator for power supply purposes, we have not envisaged further application for the time being because of the payback period exceeding 10 years.

We carry on searching for possible solutions. If the costs of investment do not decrease drastically then the only way to reduce the payback period is to sell the produced electric energy to a power supply company instead of using it directly. To be able to do so we need legal regulations and support system which make possible in the long run the takeover of produced electric energy under such conditions that the payback period can be shorter than 5 years.

Running capacity

The services provided by Magyar Telekom Group are of national coverage and the situation is the same on the acquisition areas as well therefore services are offered by Telekom Montenegro and Maktel over the whole territory of Montenegro and Macedonia respectively. The personal presence is unavoidable in the course of fault clearance and in the personal contact maintained by colleagues; we would like to replace a major part of the latter with telecommunications tools.

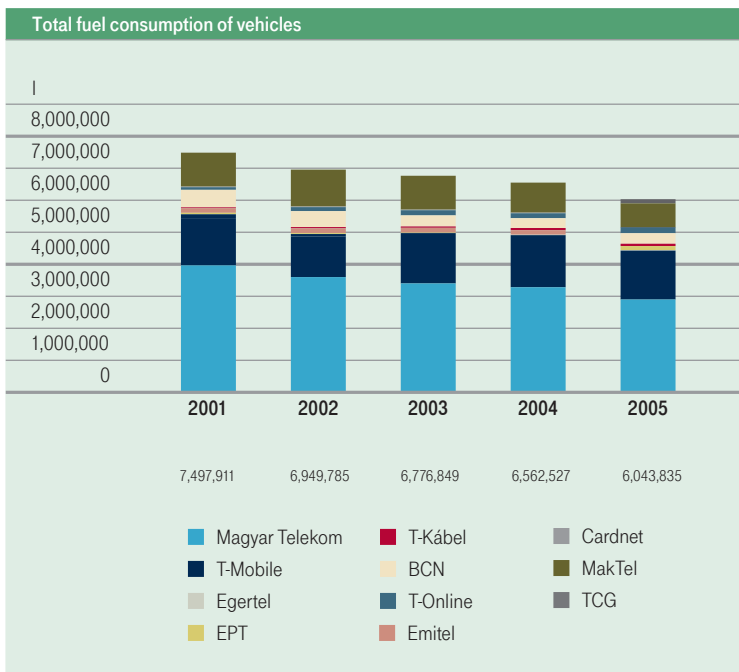
The mileage of motor vehicles used by the Group decreased by 5.4% as compared to the previous year; this trend follows the reduced utilization experienced in 2004 which can be seen well on the diagram. As for the member companies increased mileage caused by the introduction of new services can be demonstrated at BCN (63.3%), T-Online (8.2%) and T-Kábel (9.2%). In the case of other member companies we can see a decreasing trend: Magyar Telekom Plc. (-11.5%), T-Mobile (-5.2%), Emitel (-7.2 %), Cardnet (-2.3%) and Maktel (-17.3%). In comparison to 2004 the mileage at EPT did not change. As a new data supplier the mileage of Telekom Montenegro also is included this year among the data of the Group.

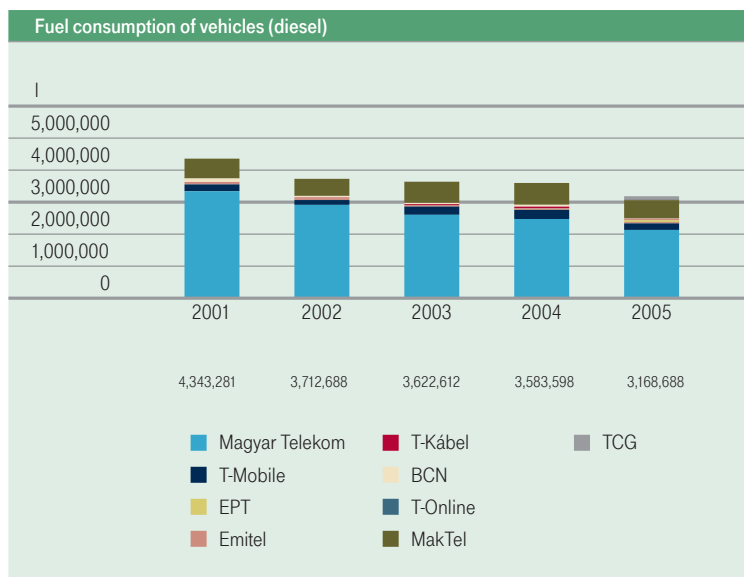
Number of vehicles

At Group level the number of cars used for operation purposes decreased by 8.4% while the quantity of cars in personal use showed a growth of 15%. On the whole, however, the amount of vehicles used by the Group was reduced by 3.1%.

Fuel consumption

The reduced mileage results inevitably in the decrease of used fuel; in the year 2004 the rate of reduction was 7.9% which covers a quantified consumption of 6,043,835 liters. The attached diagram shows well the steady decrease experienced from 2002; we would like to maintain this process in the future too.





Diesel oil consumption

Taken as a whole the consumption of diesel oil was reduced by 11.6% which is a major change as compared to the 1% decrease experienced last year. 62% of the vehicles used by the Group apply diesel as fuel.

From the member companies we can see major increase at T-Online where the consumption of diesel oil was tripled, while the consumption at T- Kábel showed a growth of 6%. At other member companies the decreasing consumption of diesel oil can be experienced: T-Mobile (-28 %), Maktel (-17.1 %), Magyar Telekom Plc. (-13.9 %), Emitel (-10.1 %), EPT (-9.5 %) and BCN (-5.4 %).

In the aggregate consumption of the Group the data of Cardnet and TCG as new data suppliers are also included. Similarly to previous years no gas oil is used by Egertel.

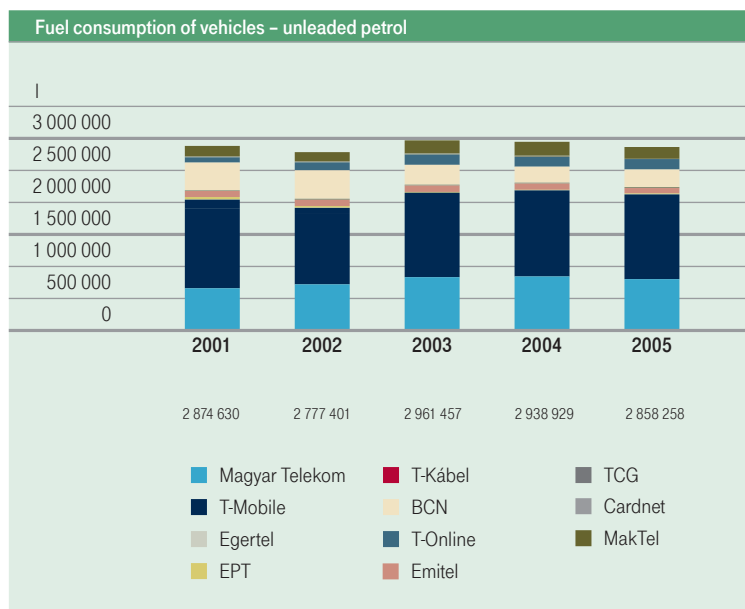
Consumption of unleaded and leaded petrol

In the area of unleaded petrol consumption the slight decrease which began in 2004 accelerated in 2005 (-2.7%); the trend is illustrated well on the diagram.

From the member companies of the Group the consumption increased at EPT (54.1%) and BCN (9.9%) where diesel vehicles were replaced by petrol-driven ones, while in case of T- Online the reason for growth (6.8%) was the expansion of services. The consumption was reduced by Magyar Telekom Plc. (-5.0%), T-Mobile (-1.4%), Egertel (-27.7%), Emitel (-11.6%), Cardnet (-81.8%) and Maktel (-14.9%).

The consumption of our new data supplier Telekom Montenegro amounting to 693 liters was taken into account in the aggregate use of the Group.

Leaded petrol in an amount of 16,889 l is used only by Telekom Montenegro. The 40,000 liters consumption of Maktel in 2004 was reduced to 0, therefore as of 2005 no leaded petrol is used any more in Macedonia by our member company.



Solutions for reducing travels

Our ambition is to reduce the use of vehicles thereby traveling so as not to generate malfunction in the operation of telecommunications facilities and enabling us to enforce the aspects of environment protection.

With this aim in view we urge on the wide range utilization of possibilities provided by telecommunications tools. The application of audio- and video conference facilities through which discussions and meeting can be held efficiently but without personal presence is at the disposal of Magyar Telekom organizations. The trend as regards the use of video conference tools shows unfortunately a decline of 29 % in the year 2005. As regards, however, the result in saving trips made unnecessary by the application of telecommunications tools was 208,650 km, the gas oil saved this way was 9,114 liters, avoiding thus the emission of 24.43 t CO₂. In the same period the petrol saved was 8,413 l resulting in the decrease of carbon-dioxide emission by 18.68 tons.

It is worthy of note that in 2005 the length of traveling replaced by other tools per one employee amounted to 37 kilometers.

Solutions to replace travel				
	2002	2003	2004	2005
Replaced km	278,921	304,976	294,742	208,650
Average consumption (l/100km)	8,8	8,3	8,6	8,4
Saved fuel (l)	24,545	25,313	25,348	17,527
Gas oil/petrol ratio	55%/45%	54%/46%	55%/45%	52%/48%
Saved gas oil (l)	13,500	13,922	13,961	9,114
Saved petrol (l)	11,045	11,391	11,423	8,413
CO ₂ equivalent (tCO ₂)	60,69	62,59	62,77	43,10

On the basis of the table we can see that the CO₂ equivalent replaced by the virtual meetings held by Magyar Telekom Plc. was 43.1 tons showing a decrease of almost 31.33% as compared to the previous year.

Teleworking

As compared to the previous year the number of those employed by Magyar Telekom Plc. in the frame of teleworking decreased by nearly 40%. The reason for the decline is that the majority of workplaces where sufficient efficiency could be achieved with teleworking as well have been closed.

Similarly to the previous year no teleworkers are employed by other member companies of the Group.

The number of those employed in flexible working hours was also reduced by more than 36% at Group level.

Distance learning (education)

Training organized in the frame of distance learning was carried on at Magyar Telekom Group in 2005; this approach can also be considered as a travel saving solution. Students participating in distance learning receive the teaching material via the internal intranet network, perform the tasks within a certain time interval and examinations are also taken using the internal intranet network. This way travels to training courses and to the venue of the examination can be saved.

Within the specified time limit the employees can decide when the given course is to be completed by them.

Carbon-dioxide indicator

Similarly to the previous years the quantity of individual energy consumptions converted to CO₂ emission was summed up in a table (applying the directives on gas indicators producing glass-house effect, published in 2000 by UNEP (United Nations Environmental Program)).

As compared to the previous year the CO₂ load which can be contributed to the consumption of electric energy, fuel and gas increased by 3.9%.

Due to the decreasing paper use of the Group the prevention of CO₂ emission resulting from this source increased by nearly 40%.

CO ₂ load due to energy consumption [tCO ₂]				
	2003	2004	2005	Change compared to the previous year [%]
Direct Energy Consumption				
Natural gas	16,772	16,839	16,664	-1,04%
Fuel (gas oil)	9,708	9,604	8,492	
Fuel (petrol)	7,002	6,613	6,382	
Fuel	16,711	16,217	14,874	-8,28%
Indirect Energy Consumption				
Electricity	77,381	80,311	86,213	7,35%
Load due to total energy consumption	110,864	113,367	117,751	3,87%

Factors and measurement units used in the calculations			
	Quantity	Conversion factor	CO ₂ conversion factor (UNEP)
Direct energy consumption			
Natural gas	m ³	9.486 kWh/m ³	0.0002020 t CO ₂ /kWh
Fuel (diesel)	L		0.00268 t CO ₂ /l
Fuel (petrol)	L		0.00222 t CO ₂ /l
Indirect energy consumption			
Electricity	MWh (kWh)		0.000362 t CO ₂ /kWh

Paper use [t]				
	2003	2004	2005	Change in comparison to the previous year [%]
New paper [t]	15,426	11,893	7,180	-39.63%
Recycled paper [t]	0	61	32	-47.36%

CO ₂ load due to paper use [tCO ₂]				
	2003	2004	2005	Change in comparison to the previous year [%]
New paper [tCO ₂]	15,089	11,633	7,023	-39.63%
Recycled paper [tCO ₂]	0	57	30	-47.37%
CO₂ load due to total paper use	15,089	11,690	7,053	-39.67%

As for the trend of summed up emission 0.2 % decrease can be demonstrated.

Summarized CO ₂ load [tCO ₂]				
	2003	2004	2005	Change in comparison to the previous year [%]
Load due to summarized energy consumption	110,864	113,367	117,751	3.87%
CO ₂ load due to summarized paper use	15,089	11,690	7,053	-39.67%
Joint load due to energy and paper consumption	125,953	125,057	124,804	-0.20%

Water consumption

The technology applied for making available the products and services did not change in the last year either therefore the water consumption at the Group serves only social purposes. As compared to the previous year the water consumption increased (by 9.5%). The reason is the growing service area of some member companies. On the other hand the increase of water consumption is due partly to our new data supplier Telekom Montenegro with its share amounting to 21 Em³ this year which was also included among this year's data.

From the member companies water consumption was reduced by Magyar Telekom Plc. (4.4%), T-Mobile (35.1%) and BCN (25.0%). The consumption increased at Maktel (23.3%) and EPT (100%). The consumption of Emitel is the same as in 2004.

The employees of Cardnet, T- Online and T-Kábel work in leased offices and the costs of their water consumption are included in the rents therefore these data cannot be given here. The water consumption of Egertel appears together with the data of Magyar Telekom Plc..

Biological diversity

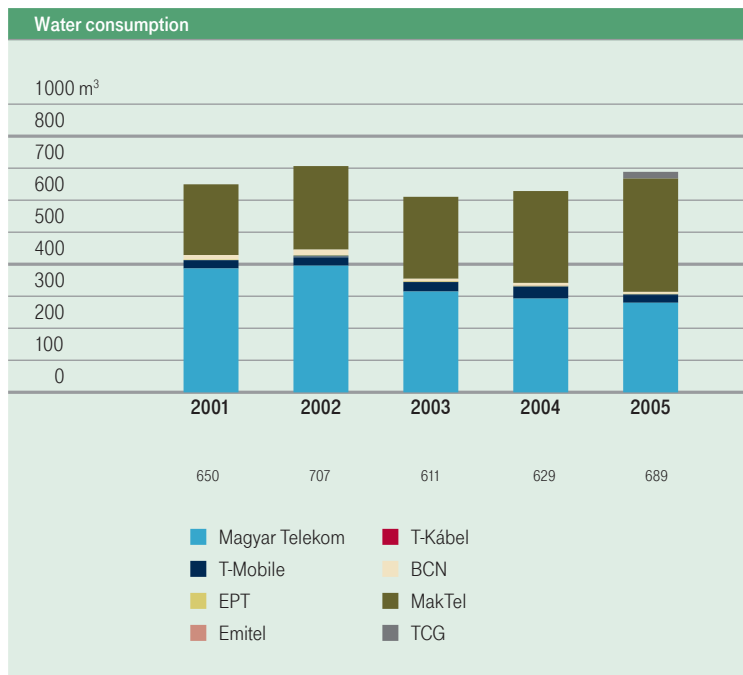
Notwithstanding the significant extent of land use the services provided by Magyar Telekom Group do not represent a great load on the environment. A part of the areas used are located within nature conservation regions and we pay great attention to the protection thereof. Prior to working at conservation areas we ask for the opinion of experts concerned and in cases where this is regulated in law we procure the required permissions from the special authorities and have an impact study made.

When looking for a location where the technical equipment needed for making the services available will be installed we pay attention to their impact on the landscape.

The following table shows the trend of land use broken down to years.

After the increase experienced in 2004 the land use of the Group decreased by 1.2% in 2005; the reason lies in the rationalization of land use.

The info-communication services of the Group may considerably improve and assist the work performed by environment protection and nature conservation experts, mainly as regards the rapid and efficient elimination and prevention of ecological disasters and cases of damage.



The Group's total site area			
Company	2003 (m ²)	2004 (m ²)	2005 (m ²)
Magyar Telekom	717,037	691,436	675,198
T-Mobile	257,711	614,048	577,280
ept		1,865	3,379
emitel	21,115	21,115	21,115
T-Kábel	3,900	4,000	4,042
BCN	12,268	12,268	11,270
T-Online	5,500	5,500	5,500
TCG			29,522
Maktel		120,295	125,771
Net Storey Area (NSA)	1,017,531	1,470,527	1,453,077

Impact on the landscape

It is the interest and target of Magyar Telekom Group to protect the status of the landscape and the environment as well as to preserve the original form and value thereof. Consequently in the course of investment projects great importance is attached to harmonizing the buildings with their surroundings. Efforts are to be made to preserve the values of landscape as well as the view of villages and towns and to avoid that the installed technical equipment become conspicuous and disturbing facilities.

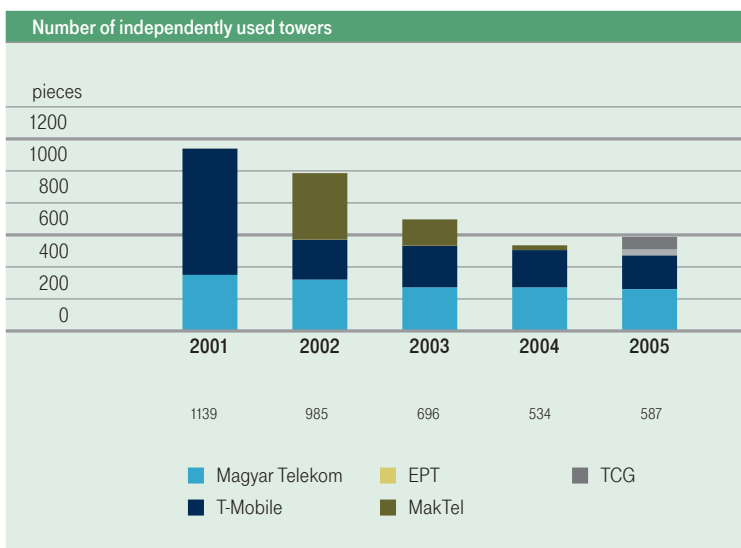
As far as the technical possibilities allow it and if it can be justified with financial reasons we prefer underground networks to aerial cable ones. This applies also to installing already operating over-ground networks below the ground.

It is an important fact that the km length of cables used in the underground network of the Group decreased by nearly 4% (102,872 km) as opposed to the stagnation experienced in the previous years; the decrease is the most conspicuous in case of metallic cables laid directly into the ground, a type that has the most considerable impact from the aspect of the environment. The length of aerial cables expressed in km shows a slight decrease, amounting to 1.4% (160,378 km).

The erection of antenna towers is indispensable for providing the availability of mobile telephone service. Similarly to previous years T-Mobile endeavors to harmonize the towers with the landscape according to financial possibilities. Our most important objective remains the bringing into service of more common towers used jointly by mobile carriers, preventing thus the major growth of the number of towers. It is promising that – although the number of towers used independently shows 10% growth at Group level – an increase of similar extent can be experienced as regards the number of jointly used towers. In both cases the growth is due to the popularity of mobile telephone service and to the growing number of subscribers. The appearance of Telekom Montenegro as new data supplier is also a factor contributing to the increase of Group data.

The base stations are also installations with significant impact on the landscape. In 2005 the number of base stations shows an increase in case of each member company. This can be explained partly with the expansion of the service and partly with the appearance of data relating to our new supplier Telekom Montenegro (146).

Although the presence of technical equipment in nature conservation areas and National Parks might be sometimes disturbing, we must not forget the importance of services made possible by such equipment. The info-communication service can be used well in cases of disaster recovery, in the rapid investigation of criminal offences as well as in education and the dissemination of knowledge.



Emissions

Air pollution

Although the range of services provided by the Group was widened, the technology itself did not change in spite of the upgrading efforts, therefore similarly to previous years no considerable atmospheric emission has to be reckoned with.

In addition to district heating service, gas boilers are used for the heating and hot-water supply of the sites. We have the atmospheric emission of our equipment regularly checked. The emission values (CO, NOx) of equipment with size regulated in the relevant law are reported to the Environment Protection Inspectorate. On the basis of the measured values the rate of emissions does not exceed the limit value specified by the Inspectorates, the impact of emissions is not significant therefore similarly to the practice of previous years they are not discussed in detail in the report.

With a view to ensure undisturbed operation the member companies of the Group apply emergency generators during the period of power failures that may occur in the network; the monthly uptime of these facilities consequently the extent of harmful substance emitted by them can be considered as low.

In the report we touch upon the application of materials destructing the stratospheric ozone layer that we have limited and/or substituted the harmful materials with environmentally sound ones in accordance with the regulations. Such materials are for example the halon used in fire-extinguishers and the freon applied in air conditioning equipment. The used technology requires the application of fire-extinguishers in extremely flammable rooms, while the air conditioning equipment ensure the optimum operating temperature for technical equipment.

In this chapter mention is to be made still about moving pollution sources –about cars. In accordance with the relevant regulation the emission of vehicles is controlled by special service stations.

Emission into the ground, surface and underground waters

Similarly to the relevant issues discussed in the reports of previous years, industrial water is applied for making available the services by neither member company of the Group therefore we need not reckon with the generation of industrial waste water; as for the social waste water, this is discharged via the sewerage of the local public utility system.

At locations where the problem of drainage is not solved at settlement level leak-proof clarifiers are applied. (At these sites the staff is present only during maintenance therefore no considerable volume of waste water is generated.)

Mention must be made of Budaörs site of Magyar Telekom Plc. where the cleaning of social waste water is implemented with activated sludge cleaning equipment. We have the operation of the equipment and the efficiency of cleaning regularly controlled by means of laboratory tests.

The fuelling of emergency diesel generators already mentioned in the previous chapter, is realized using oil tanks laid into the ground, equipped with lining and leak detector for monitoring on an ongoing basis possible leakage, according to the relevant IKM (Ministry of Industry and Commerce) Decree. With this facility the loading of the environment due to the possible leakage of the tank can be prevented. In the year 2005 Magyar Telekom Plc. completed the renewal of 4 tanks and prepared the renewal plans for 8 tanks.

In line with the regulations the analysis of the soil is also performed simultaneously with the renewal of tanks in order to establish the possible occurrence of contamination (pollution). Should the laboratory measurements prove the contamination, soil recultivation is carried out at the area affected. In 2005 no such contamination occurred at Magyar Telekom Group.

Noise- and vibration load

The technological implementation of services provided by the Group involves two potential pollution sources: outdoor air conditioning equipment and emergency diesel generators.

The equipment generate a load exceeding the permissible sound level when they fail in the course of operation. These noise impacts can be eliminated with regular maintenance and adequate sound absorption.

In our report made on the previous years we have already touched upon the fact that the air conditioning equipment are gradually replaced by up-to-date, low noise level equipment and this trend is continued in 2005 as well.

The diesel generators will be equipped with adequate sound absorption when brought into service; during the construction of this facility the noise level will be measured so as to avoid that the limit value specified for noise load be exceeded.

Electromagnetic fields

Within Magyar Telekom Group electromagnetic radiation affects primarily the mobile department (T-Mobile) that provides mobile communications service.

In 2005 the number of mobile subscribers was still increasing and the total number of subscribers exceeded 9 million. While these subscribers are served at high standard on the GSM networks in December 2004 UMTS licenses were granted to the Hungarian carriers. With these licenses in hand a new network will be constructed in the next years to offer new products and services. The new installation works and statutory regulatory issues will probably enhance the interest of communities in electromagnetic fields that will raise the importance of elaborating a corporate strategy for treatment of this issue. This strategy is on its way for approval highlighting the importance of building trust and credibility to all stakeholders and the provision of objective information.

The Hungarian limits on electromagnetic fields were determined according to the guide-lines of ICNIRP (International Commission on Non-Ionising Radiation Protection) that is based on recommendations made by most European countries and Recommendation 1999/EC/519. of the European Commission. As a result of the new Hungarian decree (63/2004. (VII.26.) ESzCsM) entered into force in August 2004 the legal situation in Hungary complies with the EU regulation on electromagnetic fields.

While T-Mobile ensures a level that is much below the limits determined according to the ICNIRP guide-lines both for handheld phones and mobile base stations, including the staff and the customers, the company is making efforts to further strengthen information and dialog with the concerned parties about this issue, as it is requested in the WHO EMF project (on electromagnetic fields) recommendations. So electromagnetic field related issues are treated in T-Mobile International's EMF policy, the "EMF Policy Recommendations" highlighting transparency, information supply, participation with relevant stakeholders and promotion of science. To support these preventive measures T-Mobile is currently approving the Group-level EMF policy as part of its own strategy. (Further information about the EMF Policy Recommendations is available on T-Mobile International's website.)

To implement this policy T-Mobile Hungary efficiently manages complaints and requests of information. For this purpose people were assigned within the education area with responsibility for management of these issues and all employees are informed about electromagnetic field related issues at the mandatory orientation training. When necessary T-Mobile's compliance with statutory limits are controlled and tested by independent testing bodies. In 2005 tests were requested in 37 cases by municipalities and 55 cases by customers and these were fulfilled and all resulted in levels well below the limit for electromagnetic fields.

Additionally in 2005 our proactive communications targeting all concerned parties were continued producing and updating information materials. To make information about SAR figures on mobile phones available these data are shown on the packaging of phones in the list of information provided by the manufacturer.

Before the installation of any base station or tower T-Mobile holds consultation and cooperates with the concerned parties. When requested a residential consultation is held with the involvement of all concerned parties to reach an agreement. Additionally T-Mobile is making efforts to minimize the impact of base stations on the landscape. For this purpose the majority (more than 80%) of T-Mobile's sites with tower are jointly used which is among the highest figures in Europe.

Finally, all T-Mobile national companies are committed to support independent research that expands our knowledge about the impacts of electromagnetic fields. For this purpose T-Mobile International sponsors, in conjunction with carriers in the United Kingdom and Germany, an international research program since 2002 with more than 20 million euro and through GSM Association with additional 6 million euro. With this T-Mobile International is one of the largest sponsor of researches worldwide.

Waste

Hazardous waste

The quantity of hazardous waste continued to rise in 2005 as well, although as opposed to the 65.6% increment experienced in 2004 this year the increase was only 37.0%; expressed in natural figures this amounts to 648 561 kg. The reasons for the growth are the major increase of mobile accumulators collected back from the population, the removal of radioactive substances from fire detectors and their transportation as hazardous waste at our new data supplier MakTel. The large-sized accumulators applied in telecommunications technology and being replaced on an ongoing basis represent a major part of the generated hazardous waste.

From the member companies the quantity of hazardous waste increased in 2005 at Magyar Telekom Plc. (21.2%) due to the replacement of technological accumulators. The hazardous waste at T-Mobile increased by more than the double of the previous value because of the higher quantity of mobile telephone accumulators collected back from the population. At BCN the replacement of accumulators led to the rise of hazardous waste quantity by 66.5%, while at T-Online the amount of toner cartridges used in printers increased by 25.0%; the total quantity of these cartridges is going to be recycled. The quantity of hazardous waste was reduced by Emitel (- 97.4%) because the upgrading of accumulators had been completed and by T-Kábel (- 94.3%) since this year no IT facilities were scrapped. The quantity of hazardous waste did not change at Cardnet.

The fact that the quantity of recycled hazardous waste grows year by year as shown on the diagram also can be considered as progress. The annual increment at the Group amounted to 50.4% thus 423 869 kg hazardous waste products have been recycled.

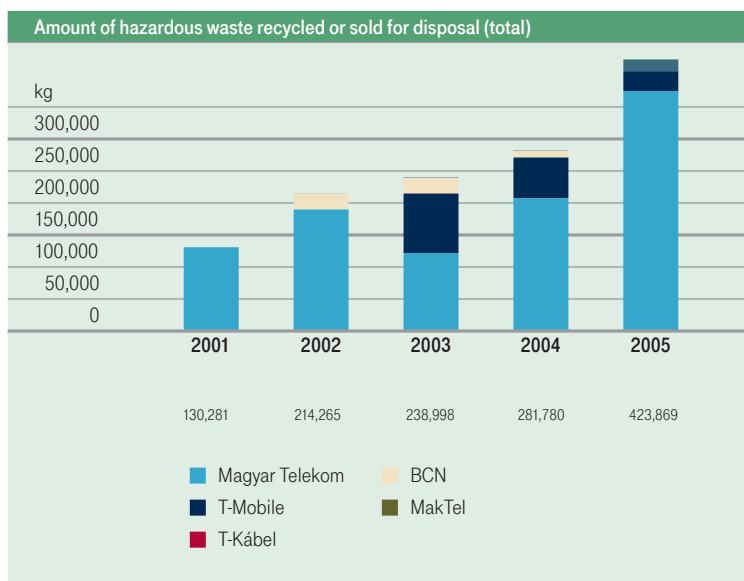
From the member companies the quantity of recycled hazardous waste was significantly increased by Magyar Telekom Plc. (81.1%), BCN (66.5%) and T-Online (25.0%). On the other hand the volume of recycled hazardous waste decreased by 51.6% at T-Mobile.

Magyar Telekom Group always transfers hazardous waste products to a licensed special company for disposal or recycling. The disposal is realized as burning or unloading depending on the type of waste.

Communal and paper waste

The quantity of communal waste at Magyar Telekom Group decreased by 6.1% which amounts to 25,802 m³ expressed in natural figures; the result is due to the introduction of selective waste-paper collection by more and more member companies.

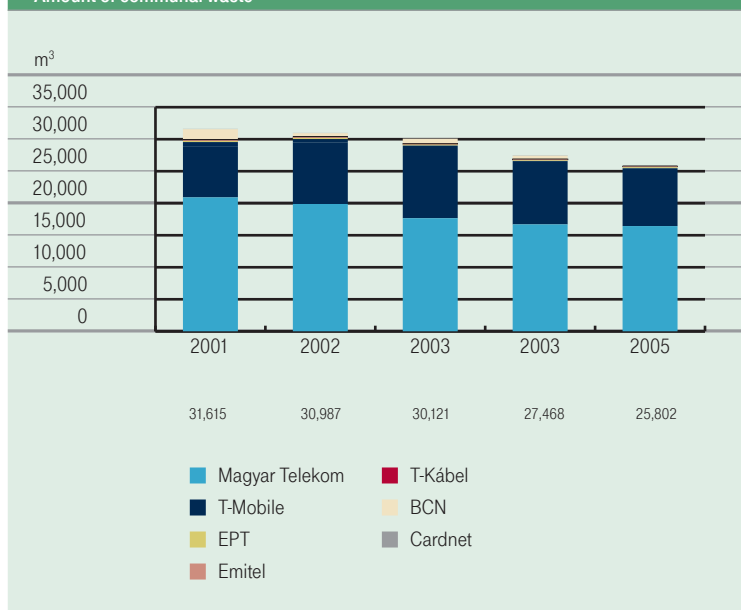
From the member companies the communal waste increased by nearly 30% at EPT; this amounts to 150m³ which cannot be considered as significant at Group level.



Selective waste collection by T-Mobile [kg]

	2003	2004	2005
Selective paper waste (excluding scrapped confidential documents), kg	24,000	38,661	27,893
Bottles collected selectively [kg]	3,945	4,895	7,700
PET bottles collected selectively [kg]	0	7,751	5,553
Plastic collected selectively [kg]	2,954	370	30
Mixed metal collected selectively [kg]	0	60	0

Amount of communal waste



The quantity of communal waste shows a downward trend at Magyar Telekom Plc. (- 1.5%) and T-Mobile (- 8.7%). In case of Emitel and Cardnet the quantity of hazardous waste did not change as compared to the previous year, and BCN did not presented data this year.

The quantitative data of other member companies cannot be given in our report since it is included in the fee paid for the leased office.

Similarly to previous years the selective waste collection was carried on with success by T-Mobile this year as well. The detailed data are shown in the following table.

The launch of selective waste collection as pilot project has been prepared by Magyar Telekom Plc.; the project will start at the beginning of 2006 at three sites of the company where the number of employees is high.

As a result of selective waste-paper collection introduced already by more and more member companies the quantity of collected paper transferred for recycling increased by 38.5%.

From the member companies the quantity of selective waste paper was increased by Magyar Telekom Plc. (440.2%), EPT (150.0%) and Emitel (45.9%). On the other hand the collected quantity decreased at T-Mobile (- 59.9 %), at T-Kábel (- 58.1%) and at Maktel (- 46.6%). The reason for the decline is the reduced utilization of paper. BCN (8,480 kg) and T-Online (5,360 kg) are also included as new data suppliers.

The disposal of communal waste – transferred in each case to a licensed public utility company – is realized in the form of burning or unloading.

Telecommunications waste

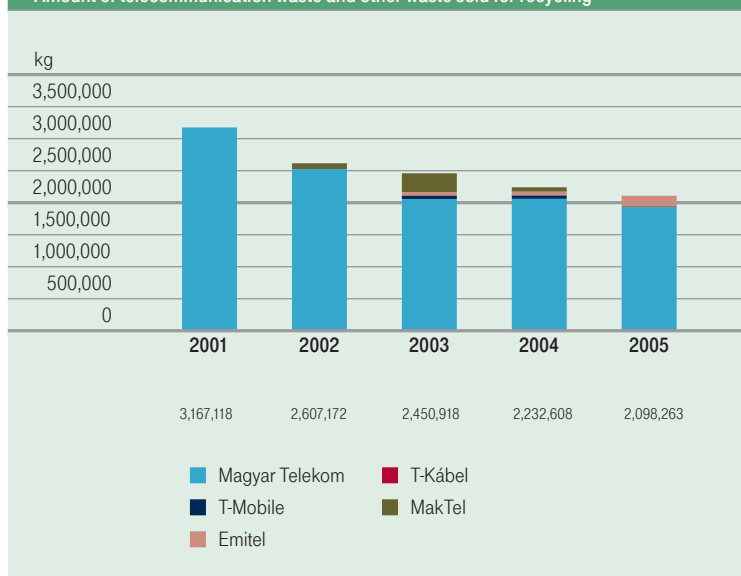
The considerable development of telecommunications and info-communication services compels Magyar Telekom Group to bring its equipment up-to-date on an ongoing basis; in the course of this process so-called telecommunications waste is generated. Our obsolete equipment are transferred to a licensed company for re-use or recycling.

The quantity of telecommunications waste generated in 2005 was 2,098,263 kg which is less by 6.0% than the value in the previous year.

From the member companies Magyar Telekom Plc. produces the largest amount of telecommunications waste with its 1,917,707 kg, the following is Maktel with 120,510 kg which carried out significant investments in 2005, after that follows Emitel and T-Mobile with 47,481 kg and 12,515 kg. The diagram demonstrates that the amount of telecommunications waste shows a steadily downward trend at Magyar Telekom Group.

The diagram shows exclusively those member companies which produce telecommunications waste. Data of Egertel, BCN, and Ept are covered by Magyar Telekom Plc's data.

Amount of telecommunication waste and other waste sold for recycling



Abbreviations

Abbreviations	
Abbreviation	Meaning
GRI	Global Reporting Initiative
EC	Economic Performance Indicators
EN	Environmental Performance Indicators
LA	Labour Practices and Decent Work
HR	Human Rights
SO	Society
PR	Product Responsibility
PA	Providing Access
IO	Internal Operations
TA	Technology Applications
AC	Assessment Center
ADSL	Asincron Digital System Line
AIESEC	Association Internationale des Etudiants en Sciences Economiques et Commerciales
AmCham	American Chamber
ÁSZF	Általános Szerződési Feltételek (General Contract Conditions)
BÉT	Budapesti Értéktőzsde (Budapest Stox Exchange)
CEERA	Central European Environmental Reporting Award
CEO	Chief Executive Officer
DC	Development Center
DECUS	DEC User Society
DG	Directorate General
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EF	Emberi Erőforrás (Human Resources)
EFQM	European Foundation for Quality Management
Eht	Elektronikus hírközlési törvény (Electronic communication act)
EKR	Egységes Kompetencia Rendszer (Complete Competency System)
EMF	Electromagnetic Fields
ENSZ	Egyesült Nemzetek Szervezete (United Nations)
ETNO	European Telecommunications Network Operators' Association
ETSI	European Telecommunications Standards Institute
EURESCOM	European Institute for Research and Strategic Studies
EWSD	Electronic Worldwide Switch Digital
GKI	Gazdaságkutató Intézet (Economic Research Institute)
GVH	Gazdasági Versenyhivatal (Economic Competition Office)
ICNIRP	International Commission on Non-Ionising Radiation Protection
ICT	Information and communication technology
IHM	Informatikai és Hírközlési Minisztérium (Information and Communication Ministry)
IKM	Ipari és Kereskedelmi Miniszter (Industry and Trade Minister)
ILO	International Labour Organization
INMS	Institute for National Measurement Standards
ISDN	Integrated Services Digital Network
ISO	International Standardization Organization
ITU	International Telecommunication Union

Abbreviations	
Abbreviation	Meaning
KKE	Kelet Közép-Európa (Eastern Central Europe)
KSH	Központi Statisztikai Hivatal (Central Statistic Office)
KÜT	Központi Üzemi Tanács (Central Organisational Council)
KvVM	Környezetvédelmi és Vízügyi Minisztérium (Ministry of Environmental Protection and Water Management)
MBA	Master of Business Administration
MC	Management Committee
MEOSZ	Mozgássérültek Egyesületeinek Országos Szövetsége (National Alliance of Associations of People with Disabilities)
MERCER	Marsh & McLennan Companies
MGYOSZ	Munkaadók és Gyáriparosok Országos Szövetsége (National Alliance of Employers and Industrials)
MHKK	Csoport környezetvédelmi koordinációs osztály (Group Environmental Co-ordination Department)
MINŐK	Magyar Internetező Nők Egyesülete (Association of Hungarian Internetusing Women)
MISZ	Magyar Innovációs Szövetség (Hungarian Innovation Alliance)
MNB	Magyar Nemzeti Bank (Hungarian National Bank)
MSzT	Magyar Szabványügyi Testület (Hungarian Standardization Body)
MTA	Magyar Tudományos Akadémia (Hungarian Scientific Academy)
MTE	Magyarországi Tartalomszolgáltatók Egyesülete (Hungarian Contentproviders' Association)
NEK	nettó elkerülhető költség (Net avoidable cost)
NGO	Non-Governmental Organizations
NHH	Nemzeti Hírközlési Hatóság (National Communication Authority)
NSA	Net Storey Area
NYSE	New York Stock Exchange
OMIKK	Országos Műszaki Információs Központ és Könyvtár (National Technical Informational Center and Library)
OPQ	Occupational Personality Questionnaire
PC	Personal Computer
PSTN	Public Switched Telephone Network
RF	Radiofrequency
SAM	Sustainable Asset Management
SAR	Specific Absorption Rate
SGS	Société Générale de Surveillance SA
SINOSZ	Siketek és Nagyothallók Országos Szövetsége (National Alliance of Deaf and Hardly Hearing People)
SOX	Sarbanes-Oxley törvény (Sarbanes – Oxley Act)
SSC	Shared Service Center
TÁVSZAK	Távközlési dolgozók szakszervezete (Union of Telecommunications Employees)
TCG	Telekom Crne Gore
TÉT	Távközlési Érdekegyeztető Tanács (Telecommunications Interestharmonising Council)
TM	Teljesítménymenedzsment (Performance Management)
UMTS	Universal Mobile Telecommunications System
UNEP	United Nations Environmental Programme
ÜB	Ügyvezető Bizottság (Management Committee)
VKI	Világgazdasági Kutatóintézet (World Economic Research Institute)
WebEDI	Web Electronic Data Interchange
WEEE	Waste of Electric and Electronic Equipment
WHO	World Health Organization

INDEPENDENT VERIFICATION

The Hungarian Association for Environmentally Aware Management (KÖVET-INEM Hungária) was commissioned by Magyar Telekom Plc. to verify the 2005 Social and Environmental Report of Magyar Telekom Group. KÖVET made a commitment as an expert, outsider and non-profit organization to verify the company's report, involving its employees.

Planning and execution of the verification process was undertaken in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

Methods and tools for verification

- » random check of data and data collection procedures;
- » interviews with the employees of the company (from top management to administrative workers)*;
- » assessment of the report content on the basis of the most important economic, environmental and social performance indicators contained in the GRI Guidelines (2002 edition);
- » comparison with other reports of the sector and from Hungary.

KÖVET publicly verifies that Magyar Telekom gave an opportunity to evaluate the report before publishing it. Changes were made in the report or will be made in the next report, based on the proposals. KÖVET accepted explanations for ill-founded proposals.

Opinion

Magyar Telekom's Social and Environmental report of 2005 is considered to be high quality among national, international and sectoral reports. The company tries to be clear, but in spite of this, the text is sometimes hard to understand, which is due to the complexity of the company group. To help this problem illustrations and diagrams make the report more reader friendly and expressive. The report would be understandable, if the images showed the activity of the company group.

It is important to highlight, that unlike last year, the report shows only the social and environmental aspects due to the protracted audit of the annual report.

As for the content, the report contains every environmental and social indicator required by GRI, and moreover the company reports on sector specific indicators, which is considered to be excellent. The report does not meet the requirement of completeness, but the company is trying to fulfil this need.

Data collection procedures are generally adequate, but not always suitable to give reliable data, owing to the size of the company group. Statements and data published in the report are in accordance with the evidence collected during our interviews and visits, or have been corrected to be in accordance.

Main recommendations for further improvement

The company should...

- » improve its data collecting procedures to increase their reliability;
- » keep credibility in the first place, when creating the report;
- » publish data about the whole group, if the report is about the company group, to stay adequate to GRI;
- » present specific indicators and objectives to show its environmental performance;
- » choose the main target group of the report, stick to essentials, and issue a briefer report in light of this;
- » consider environmentally friendly design of the report, if it is issued as a hard copy;
- » utilize the advantages of electronic format (e.g. hyperlinks), if it is issued electronically, but consider the time period of data.

By implementing the suggestions above, Magyar Telekom can keep its first position in the sector on external communication of sustainability.


Kapusy Pál
executive director


Petrik Ida
deputy director

21 December 2006, Budapest.

* Interviewees: Fehér Károlyné, Hercz Endre, Mokos Katalin, Szabó Gyula, Szomolányi Katalin, Tölösi Kriszta



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