

Self-evaluation of the work of the Board of Directors – 2011

Role, members of the Board of Directors

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

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

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

The AGM of 7 April 2010 elected the Board of Directors with eleven members for a period of three years, re-electing eight earlier Board of Directors members and electing three new Board of Directors members. In 2011 two members of the Board of Directors resigned from their position. The Board of Directors has two internal and seven external members.

The Board of Directors evaluated the independence of its members taking into the following criteria:

- lack of an important conflict of interest, incompatibility,
- there is no such
 - business,
 - family, or
 - other relationship (with the company, its controlling shareholder or the management of either)that results in a conflict of interest and therefore threatens decision-making.

Board of Directors meetings and information flow

In 2011 the Board of Directors held five meetings in accordance with its Preliminary Meeting Schedule, at which the overall rate of attendance of the members (either personally or by telephone conference) was 87%. The Board of Directors held also four extraordinary meetings with an 80% overall rate of attendance of the members (either personally or by telephone conference). The Board of Directors adopted resolutions without holding a meeting in nine cases in writing via fax voting as regulated in its Rules of Procedure.

The members of the Management Committee and senior executives of other than Board of Directors level attend certain Board of Directors meetings to answer questions and make presentations on strategic

directions and the results of their business units. The members of the Board of Directors receive accurate and appropriate documentation before the Board of Directors meetings. Apart from meetings through personal attendance, the Board of Directors may take decisions via fax voting. The Chairman-CEO maintains regular communication with the Board of Directors members also outside the events discussed above, and holds informal talks with those Board of Directors members who are not involved in the daily management of the company about matters impacting the Company.

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

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

Group strategy objectives and expansion

At its 13 December 2010 meeting, the Board of Directors adopted the 2011-2015 strategic priorities along with the business plan, and also adopted the following objectives for 2011 (BIGX):

1. Retain our customers
 - Retain customers of the highest margin (fixed voice) segments through up-sell
 - Improve customer experience through our products and services
2. Operate efficiently
 - More simple and focused operation
 - To improve the return of our investments
3. Secure broadband access leadership as basis for all future services
4. Achieve market leader position on the TV market
 - Increase TV customer volumes as means to retain high-margin voice and broadband customers
 - Increase number of services per customer
5. Innovation to support revenue stabilization
 - Reverse declining revenue trend
 - Retain customers with innovative services

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

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

The Board of Directors on its 13 December, 2011 meeting approved the 2012-2016 Corporate Strategy and Business Plan. The strategic priorities (BIGX) mentioned below were established to strengthen previous years' strategic direction and to answer the challenges of the market.

1. Slow down erosion of traditional high margin products
2. Further improve cost base
3. Secure market leader position in broadband
4. Achieve critical mass on interactive TV market
5. Restructure revenue base

Organizational operation of the Company

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

- Financial activities performed within T-Systems/BBU, were transferred to the function directly reporting to the CFO including all financial activities after in 2010 the Board of Directors decided to merge all financial activities performed by various organizational units of the Company, with the exception of T-Systems/BBU in a function directly reporting to the CFO.
- to ensure efficient operation relocated the Fleet management function from the Chief Human Resources Officer's area to the Chief Financial Officer's governance area.
- to develop the end to end acquisition procedure, relocated all the acquisition related activities from the Chief Financial Officer's governance area to the Chief Strategic and Corporate Development Officers governance area.

In accordance with the changes in the organization the Board approved the amendments of the Base Volume of the Rules of Organization and Operation of the Company.

Compliance

The Board of Directors continuously monitored the implementation of the Corporate Compliance program also in 2011. The program contains the fundamental legal, regulatory and ethical guidelines for the business management of the Magyar Telekom Group, and also declares the commitment of the Magyar Telekom Group to the strictest ethical standards and integrity.

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

The Board of Directors approved final settlements between the Company and the U.S. Department of Justice (DOJ) and the U.S. Securities and Exchange Commission (SEC), concluding the investigations of these authorities as to the Company.

Dividend policy and other important decisions

The Board of Directors proposed to the AGM the payment of HUF 50/share dividend from the 2010 net earnings.

The size of the dividend is in harmony with the Company's dividend policy, which pronounces that the dividend has to be determined in such a way as to keep the net Group leverage between 30 and 40 per cent. The amount of the dividend also takes into consideration the effect of the extra tax imposed on the Hungarian telecommunications sector.

The Board of Directors reviewed the 2011 financing strategy of Magyar Telekom and gave the necessary authorizations for the specific transactions.

The Board of Directors submitted to the Company's AGM the 2010 consolidated Annual Report prepared according to the International Financial Reporting Standards (IFRS) and the Annual Report of the Company prepared according to the Hungarian Accounting Rules (HAR). It also submitted to the AGM the Company's corporate governance and management report for the 2010 business year.

The AGM accepted the reports and the dividend payment proposal. After having evaluated the work of the Board of Directors members, the AGM granted the release for the members for the 2010 business year.

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

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

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

Aspects to be considered in assessing the Board of Directors members

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