



EGYÜTT. VELED

SUBMISSION  
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

## **REPORT OF THE SUPERVISORY BOARD**

BUDAPEST, APRIL 15, 2015



## REPORT OF THE SUPERVISORY BOARD OF MAGYAR TELEKOM PLC. FOR THE GENERAL MEETING OF THE COMPANY

In 2014, the Supervisory Board of Magyar Telekom Plc. (the "Company") has performed its work in accordance with the Articles of Association of the Company and the Rules of Procedure of the Supervisory Board, based on its accepted Working Schedule. In 2014, the Supervisory Board held meetings on 6 occasions.

The Supervisory Board kept in regular contact with the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, the Chief Legal and Corporate Affairs Officer (chief legal counsel) and the Head of the independent internal audit organization (Group Auditing Directorate) of the Company.

The Supervisory Board regularly discussed the reports on the decisions made by the Board of Directors and the Management Committee, the executive financial reports and the reports on the Magyar Telekom Group acquisition activities.

The Supervisory Board approved the 2014 Audit Plan of the independent internal audit organization (Group Auditing Directorate), requested and received regular information on the major findings of each of the audits, the measures and the status of the implementation of these measures. The questions further occurring in relation to the particular audits were adequately answered by the Head of the Group Auditing Directorate at the Supervisory Board meetings.

In 2014 the Group Auditing Directorate has completed:

- audits on the integrity of financial reports (e.g. process review of content fee settlements, discounts and credit notes given to customers),
- to improve operational processes (e.g. charging vendor penalties and compensations, One.ERP readiness, social media diagnostic, All-IP/PSTN migration) and
- to strengthen compliance and regulation (e.g. operation of control functions, audits made mandatory by the law, preventing money laundering, controls in procurement processes, advisory contracts, user access rights management).

The Group Auditing Directorate has also started over-the-plan (ad hoc) audit (on demo handsets and tariff packages) upon the request of the management to reduce the business risks raised during the year.

As a result of the audits the Group Auditing Directorate has recommended corrective measures and monitored the implementation of them at the areas concerned. The implemented measures have improved the control environment and, in addition, several efficiency improving opportunities have been identified.

The Group Auditing Directorate has also completed ICS audits to assure the effective operation and compliance of control environment. Similarly to the previous years they have also supported the work of Group Compliance Committee.

The Supervisory Board regularly reviewed the reports of the Audit Committee on its activities.

During 2014, there was no shareholder notification submitted to the Supervisory Board, and the Chairman of the Supervisory Board has had other requests regarding the operations of the Company investigated in all cases.

The Supervisory Board has not discovered anything to disapprove in the Company's activities in 2014, with regard to the Company's compliance with statutory operation.

The Supervisory Board examined the submissions to be submitted to the General Meeting, or, with respect to certain agenda items, ensured their preparation and submission to the General Meeting.



The Supervisory Board examined the report of the Board of Directors on the management of the Company, on the business operation, on the business policy and on the financial situation of the Company and Magyar Telekom Group in 2014, which the Supervisory Board acknowledged.

The Supervisory Board, with the involvement of the Audit Committee and the Statutory Auditor, examined the 2014 Consolidated Financial Statements prepared according to International Financial Reporting Standards (IFRS), to be submitted to the General Meeting by the Board of Directors, and the proposal of the Board of Directors for their approval.

In the opinion of the Supervisory Board, the Consolidated Financial Statements are in compliance with the prescriptions of the law, the Supervisory Board agrees with their content. The Supervisory Board proposes to the General Meeting for approval the 2014 Consolidated Financial Statements of the Company prepared according to International Financial Reporting Standards (IFRS) with Balance Sheet Total Assets and Profit for the year in accordance with the proposal of the Board of Directors and the Audit Committee.

The Supervisory Board, with the involvement of the Audit Committee and the Statutory Auditor, examined the 2014 standalone Annual Report prepared in accordance with the Hungarian Accounting Act (HAR) to be submitted to the General Meeting by the Board of Directors, and the proposal of the Board of Directors for their approval.

In the opinion of the Supervisory Board, the standalone Annual Report is in compliance with the prescriptions of the law, the Supervisory Board agrees with its content. The Supervisory Board proposes to the General Meeting for approval the 2014 standalone Annual Report prepared in accordance with the Hungarian Accounting Act (HAR) with Balance Sheet Total Assets and After-tax Net Income in accordance with the proposal of the Board of Directors and the Audit Committee.

The Supervisory Board, with the involvement of the Audit Committee, discussed the proposal of the Board of Directors, according to which the Company shall not pay dividend for the business year of 2014. The Supervisory Board provides prior approval to the proposal of the Board of Directors, and proposes the proposal to the General Meeting for approval.

The Supervisory Board examined the proposal of the Board of Directors to purchase ordinary Magyar Telekom shares, and acknowledged it.

The Supervisory Board examined the Corporate Governance and Management Report of the Company, and with its acknowledgement proposes it to the General Meeting for acceptance.

The Supervisory Board examined the submission of the Board of Directors on granting relief from liability to the members of the Board of Directors, and agrees that the General Meeting should grant relief from liability to the members of the Board of Directors for the business year of 2014.

The Supervisory Board examined the amendments to the Company's Articles of Association proposed by the Board of Directors, and agrees with them.

The Supervisory Board examined the amendment of the Remuneration Guidelines, and acknowledged it.

The Supervisory Board accepted its amended Rules of Procedure, and submits it to the General Meeting for approval.

The Supervisory Board accepted its proposal on the election and determination of the remuneration of the Company's Statutory Auditor, and determination of the contents of the material elements of the contract to be concluded with the Statutory Auditor, and submits it to the General Meeting.

Budapest, March 12, 2015

In representation of the Supervisory Board of Magyar Telekom Plc.:

Dr. László Pap  
Chairman of the Supervisory Board