

Pre-approval Policy
of the Audit Committee of
Magyar Telekom Telecommunications Public Limited Company

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1. Statement of Principles

Under the Act IV of 2006 on Business Associations and the Articles of Association of Magyar Telekom Telecommunications Public Limited Company (the "Company") the Audit Committee of the Company cooperates with the Company's independent external auditor (the „Auditor“) engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The Audit Committee pre-approves the audit and non-audit related services provided by the Auditor to the Company and the related fees, with respect to the fees within the exclusive scope of authority of the General Meeting as set out in Rule 2 of the Audit Committee's Pre-approval Policy (the "Policy"), to ensure that the Auditor's independence from the Company is maintained. The Audit Committee, when assessing whether or not independency of the Auditor is impaired, takes the activities of the Auditor's entire network and its related business associations into consideration.

There are services that an Auditor may not provide, and thus cannot be pre-approved. Examples are given in Appendix "E" of the Policy. The following principles shall apply:

- An Auditor may not take on any management functions.
- An Auditor may not review his/her own work.
- An Auditor may not serve in an advocacy role for the auditing client.

All other audit-relevant and non-audit-relevant services to be performed by the Auditor for the Company are subject to the Audit Committee's pre-approval.

The audit and non-audit services either:

- may be pre-approved without consideration of specific case-by-case services by the Audit Committee ("general pre-approval") or
- require the specific pre-approval of the Audit Committee ("specific pre-approval").

The Audit Committee assumes that the combination of these two approaches result in an effective and efficient procedure to pre-approve the respective services.

Appendices "A", "B", "C" and "D" to the Policy describe audit of the financial statements, other audit related, tax advisory and other services that received general pre-approval by the Audit Committee.

The Audit Committee may determine, for each fiscal year, the pre-approval fee level for audit of the financial statements, other audit related, tax advisory and other services.

Unless a service provided by the Auditor has received general pre-approval by the Audit Committee, it will require specific pre-approval by the Audit Committee. The commissioning of any such service that would exceed the determined pre-approval fee levels will require specific pre-approval by the Audit Committee.

The Auditor must be commissioned in writing. The Auditor cannot provide services before having signed a contract pertaining to the given service.

The Auditor shall certify to the Audit Committee that he has complied with all applicable external auditor independence rules.

2. Audit of the financial statements services

Audit of the financial statements services include audits of financial statements and services provided in connection with statutory duties and submissions required for regulatory authorities, including the preparation of audit reports and certificates, approvals, domestic and international statutory audits, tax consulting, to the extent necessary for

compliance with generally approved auditing standards, as well as support for the issuance and auditing of the documents to be supplied. Audit of the financial statements services also include information systems and procedural reviews and testing in order to understand and place reliance on the systems of internal control, and consulting for the management if there are any questions relating to invoicing, the preparation of the balance sheets and reporting in connection with the audits.

Regarding the annual audit service fees in connection with the audit of the stand alone financial statements of the Company prepared according to the Hungarian Accounting Rules (“HAR”), as well as of the consolidated group-level financial statements of the Company prepared according to International Financial Reporting Standards as endorsed by the European Union (“IFRS”) final approval falls within the authority of the General Meeting, which relies on the proposal of the Audit Committee. All further audit of the financial statements services to be provided for the Company or its subsidiaries are subject to the general or specific pre-approval of the Audit Committee.

The Audit Committee prepares the contract to be entered with the Auditor, monitors the execution of the audit contract, and pre-approves, if necessary any changes in terms, conditions and fees resulting from changes in the scope of the audit work (for example, significant change in Magyar Telekom Group, significant change in business or regulatory circumstances) for an unforeseeable reason, or if excess work arises for a reason attributable to the interests of the Company.

The Audit Committee has granted general pre-approval with respect to the audit of the financial statements services listed in Appendix “A”. All audit of the financial statements services not listed in Appendix “A” are subject to specific pre-approval by the Audit Committee.

3. Other audit related services

Other audit related services are mainly services that are usually performed by the Auditor in connection with the audit of the annual financial statements. Other audit related services also include review of the quarterly financial statements, due diligence services pertaining to potential business acquisitions/disposals, consultations related to accounting, financial reporting or disclosure matters not classified as audit of the financial statements services, assistance with understanding and implementing new accounting and financial reporting standards, financial audits of employee benefit plans and assistance with internal control reporting requirements.

The Audit Committee has granted general pre-approval with respect to the other audit related services listed in Appendix “B”. All other audit related services not listed in Appendix “B” are subject to specific pre-approval by the Audit Committee.

4. Tax advisory services

The Audit Committee assumes that the Auditor can provide the Company with advice on tax issues, such as compliance with tax law, tax planning and tax advice in a narrower sense, without this impairing the Auditor’s independence.

The Audit Committee will not permit the commissioning of the Auditor in connection with the provision of tax services, if the only purpose of such services is to avoid taxes or tax treatment that is not supported by tax law and related regulations.

Confidentiality agreements are only allowed for the following tax services:

- Services relating to the preparation of tax return;
- Tax provision reviews completed as part of the financial audit;
- Other services which are part of auditing of the annual financial statements.

The Audit Committee has granted general pre-approval with respect to the tax advisory services listed in Appendix “C”. All tax advisory services not listed in Appendix “C” are subject to specific pre-approval by the Audit Committee.

5. Other services

Other services by their very nature, consist of routine and repetitive tasks and will not impair the independence of the Auditor.

The Audit Committee has granted general pre-approval for other services listed in Appendix "D". All other permitted services not listed in Appendix "D" are subject to specific pre-approval by the Audit Committee.

6. Procedures

The rules of procedure of commissioning the Auditor are contained in Appendix "F". Services that can be provided by the Auditor may be commissioned exclusively after having completed Appendix "H" (Clearance Certificate). Applications to provide services that require specific pre-approval by the Audit Committee will be submitted to the Audit Committee, through the Head of the Audit Committee Secretariat in Hungarian and/or in English with the content described in Appendix "G", by the Auditor providing such services and the management of the Company or subsidiary requesting such services.

Quarterly, all consolidated companies belonging to the Magyar Telekom Group report to the Head of the Audit Committee Secretariat on the orders for the services provided by the Auditor and the fees of these services, including the services generally pre-approved to be performed by the Auditor and a detailed description of services. The Head of the Audit Committee Secretariat will report to the Audit Committee on a quarterly basis in writing about the services provided by the Auditor and their fees.

The Audit Committee has designated the Head of the Audit Committee Secretariat with the task of monitoring all services provided by the Auditor and determining whether such services comply with the Policy. The Head of the Audit Committee Secretariat will report to the Audit Committee on a quarterly basis in writing about the results of such monitoring.

The Head of the Audit Committee Secretariat will immediately report to the Chairman of the Audit Committee any breach of the Policy that comes to the attention of the Head of the Audit Committee Secretariat.

7. Additional requirements

The Audit Committee takes additional steps on an annual basis to meet its responsibility to monitor the work of the Auditor and his independence. This includes reviewing a formal written statement from the Auditor delineating his relationships with the Company, and discussing with the Auditor his methods and procedures for ensuring independence.

8. Enclosure

This Policy was approved by the Audit Committee at its meeting held as of March 5, 2012 with its Resolution No. 4/11 (03 05 2012).

Appendix “A”

Pre-Approved Audit of the Financial Statements Services

1. Annual audits and other audits for the Company, and for its subsidiaries and associated companies based on the statutory requirements of each country. In addition, audits that the Auditor is required to perform to be able to render an opinion on the audit of the Company’s consolidated financial statements. These include, in particular:

- (a) Audit of the annual financial statement prepared in compliance with the statutory requirements of the given country and the IFRS;
- (b) Auditing procedures on the proper functioning of software applications that have been installed to transfer the figures from the Company’s systems to an IFRS statement;
- (c) Auditing procedures to verify the completeness of a split of a company code or similar organizational or technical IT changes in Accounting;
- (d) Auditing procedures to determine whether the underlying processes are suitable for ensuring the complete determination of other financial obligations;
- (e) Monitoring changes in software releases to determine whether old data stock is transferred properly;
- (f) Monitoring the introduction of new software to check whether the software has a negative impact on system procedures for the preparation of financial statements, and thus to ensure that the proper preparation of financial statements by the system is not jeopardized;
- (g) Implementation of branch office audits to ensure compliance with the generally accepted principles for accounting and preparation of a balance sheet.

2. Auditing activities to confirm the design and functionality of the Company’s internal control system.

3. Consultation services for the Company’s management in the course of the audit of the annual financial statements as to the proper accounting or disclosure of transactions and events and/or the actual or potential impact of final or proposed accounting rules, standards or interpretations by the IASB, FASB or other standard-setting bodies. These include, in particular:

- (a) Checking the financial reporting of complex and difficult transactions that result in additional costs requiring separate accounting, either due to the level of difficulty or the scope.

4. Deliberations of the Auditor’s basic policy department or other specialist departments in order to reach a final assessment of a situation. These activities are always defined as being audit of the financial statements services, irrespective of whether they are charged separately, since they are required to form a final opinion on the Company’s annual financial statements.

5. Auditing procedures at companies in which the Company holds a participating interest (less than majority interest) in order to achieve the level of auditing certainty required for granting an audit certificate for the consolidated financial statements.

6. Auditing procedures carried out in connection with the annual financial statements on the Company’s information systems and internal controls. In this connection, sufficient auditing certainty must be achieved as to whether systems and integrated internal controls are suitable for confirming the statements made in the report by the Board of Directors on the Company’s internal control system.

7. Auditing procedures in connection with the audit of the annual financial statements that are required for granting an audit certificate for the consolidated financial statements. These include, in particular:

- (a) The auditing of impairment tests;
- (b) The correct implementation of a change in the presentation of the income statement (e.g. the change from total-cost accounting to cost-of-sales accounting);
- (c) Correct presentation of a reclassification/recategorization (e.g. new key to allocate expenses within the divisional structure).

Appendix “B”

Pre-Approved Other Audit Related Services

8. Reviews that the independent auditor is required to perform to be able to render an opinion on the review of the Company's consolidated financial statements. These include, in particular:

- (a) Review of the quarterly financial statements prepared in compliance with the IFRS;
- (b) Auditing procedures in order to confirm that the figures submitted to apply for public grants are in conformity with the figures of the annual or interim financial statements;
- (c) Auditing procedures to confirm that the figures submitted for participation in an invitation to tender or an official contract already awarded are in conformity with the figures of the annual or interim financial statements;
- (d) Expanded auditing procedures resulting from the status of an imminent excess of liabilities over assets and assistance in ensuring compliance with regulations of insolvency law or similar statutory regulations;
- (e) Auditing procedures to submit a certificate for evidence of use for capital investment projects subject to government subsidies.

9. Consultation services for the Company's management relating to proper accounting. These include, in particular:

- (a) Granting access to the accounting research databases and other databases of an auditing company for a fee, the sale of appropriate licenses and the sale of specialized literature.

10. Implementation of due diligence and similar services pertaining to potential business acquisitions and disposals. These include, in particular:

- (a) Auditing procedures in connection with the prepared interim financial statements of a company that is to be acquired or disposed of or other organizational units of a sub-unit;
- (b) Review of working documents of another auditing company that has already audited the annual or interim financial statements of a company to be acquired.

11. Audit services in connection with employee benefit plans.

12. Auditing procedures going beyond the originally agreed scope that are required for meeting reporting requirements under public law or internal company regulations. Above all, these also include:

- (a) Review of the product cost calculation and IT systems supporting this to check conformity with requirements of the regulatory authority or other supervisory bodies;
- (b) Certification services confirming for dealings with third parties that certain figures agree with those in accounting (e.g. commission settlement with third parties).

13. Consultations and recommendations in connection with internal control system requirements. These include, in particular:

- (a) Monitoring process optimization measures;
- (b) Auditing procedures regarding rights of access to various software applications.

14. Consultation services for the Company's management as to the proper accounting or disclosure of transactions and events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the FASB or other standard-setting bodies. These include, in particular:

- (a) Consultations and recommendations in connection with the clarification of requirements resulting from a change to existing or the introduction of new accounting requirements, recommendations and notes by national and international standard-setting bodies, such as DRSC, FASB and IASB;
- (b) The Auditor shall examine a complex and difficult transaction proposed by the Company and shall notify the Company of the consequences that the implementation of this transaction may have on the balance sheet prior to carrying out the transaction. The service billed for this assessment and consultation is other audit related service.

15. Auditing procedures that are not carried out in connection with the audit of the annual financial statements and concern the Company's information systems. These include, in particular:

(a) Auditing procedures in connection with the computing centers operated by the Company regarding the proper functioning and security of the infrastructure, systems and networks as well as applications and files installed at such centers (e.g. power supply, fire protection, contingency plans, safety concept etc.);

(b) Consulting and recommendations in connection with IT security requirements as part of the internal control system.

16. Auditing of closing balance sheets of companies that have been sold.

17. Audits and reviews of carve-out financial statements relating to acquisitions or disposals in connection with the audit of the consolidated financial statements of the Company.

18. Audits of acquired companies.

19. Auditing procedures enabling an assessment of risk management controls.

20. Expert support in the periodic submission of annual and interim financial statements to foreign authorities, the translation of annual financial statements into foreign languages and the conversion of reported amounts into foreign currencies after completion of the year-end audit or inspection of the financial statements.

Appendix “C”

Pre-Approved Tax Advisory Services

21. National tax planning and advice but not advocacy.

22. Advice on national tax compliance without serving in an advocacy role for the company.

23. International tax planning and advice without serving in an advocacy role for the company. These include, in particular:

- (a) Review of the basic features of a business model from a tax perspective;
- (b) Review of the imminent double taxation risks entailed in a specific case;
- (c) Providing opinions on how a double taxation avoidance strategy could be designed in existing cases.

24. Advice on international tax compliance without serving in an advocacy role for the company. This includes, in particular:

- (a) Research work on the different ways of handling VAT issues in various countries.

25. Inspection of and assistance in tax returns required to be submitted by the Company both on a national and international basis without serving in an advocacy role for the company.

26. Advice on the Company’s national and international tax planning and compliance with national tax regulations without serving in an advocacy role for the company. These include, in particular:

- (a) Providing tax opinions as to whether certain transaction formats are suitable for reaching the aspired goal or whether possible adjustments can be recommended that are more likely to meet tax requirements;
- (b) Support and assistance in achieving actual agreement as well as drafting advanced pricing agreements or similar agreements that are concluded between the Company and the relevant tax authorities, without direct representation of the Company in interactions with the authorities;
- (c) Assistance concerning possible tax amendments in EU accession countries after their joining the EU.

27. Assistance with tax audits, out-of-court administrative appeals etc. without serving in an advocacy role for the company vis-a-vis the authorities in charge. These include, in particular:

- (a) Providing opinions on tax issues arising in the course of the tax audit;
- (b) Providing “second opinions” to support existing lines of argumentation of the Company during a tax audit.

28. Assistance regarding the determination of transfer prices and cost allocation studies without serving in an advocacy role for the company. These include, in particular:

- (a) Analysis of existing issues regarding the problems in permanent establishments resulting from such issues and, if appropriate, definition of suitable prevention strategies;
- (b) Review as to whether the Company’s transfer pricing guideline complies with national tax regulations;
- (c) Analysis of whether amendments to national tax law on transfer pricing might entail problems regarding the Company’s existing transfer pricing guideline;
- (d) Analysis of existing transfer prices to determine whether these will stand up to a review by tax authorities;
- (e) Assistance in documenting the calculated transfer prices to ensure that documentation requirements are met for future tax audits;
- (f) Checking whether given model situations comply with national tax law from the perspective of transfer prices.

29. Tax advice on new statutory developments without serving in an advocacy role for the company. Above all, this also includes:

- (a) Assistance in compliance with principles on data access and verifiability of digital documents. In particular, the analysis as to where cases relevant for taxation are filed in the Company’s systems to which access must be ensured for the tax authorities, and assistance in stipulating the basic features of access rights for tax authority employees.

30. Assistance in the introduction of performance-related compensation schemes (particularly stock options) and their tax implications. This includes, in particular:

- (a) The provision of data on the compensation programs of similar companies;
- (b) Assistance to weigh the pros and cons of each compensation program;
- (c) Analysis of the current pay structure;
- (d) Analysis of market trends in the application of performance-related compensation schemes;
- (e) Analysis and recommendations concerning performance measurement;
- (f) Analysis and market studies on the use of performance measurements at comparable companies.

31. Tax assistance and compliance with tax regulations by the Company's foreign employees and employees sent on international assignments, without serving in an advocacy role for the company. These include, in particular:

- (a) Assistance for the employees concerned in their correspondence with local tax authorities;
- (b) Advice on tax obligations that employees on international assignments are required to observe under local tax regulations;
- (c) Assistance for employees on international assignments who are subject to a local tax authority audit;
- (d) Assistance in the calculation of tax liabilities originating in the international assignment of employees.

32. Training and seminars that serve to teach general tax basics.

Appendix “D”

Pre-Approved Other Services

33. Internal risk management consulting services that are unrelated to the audit. These include, in particular:

(a) Assessments and tests regarding existing security infrastructure controls.

34. Treasury consulting services that are unrelated to the audit. These include, in particular:

(a) Review of check-clearing and float-management practices and recommendations regarding potential areas of improvement;
(b) Analysis of the working capital management process to identify weak points and show areas of improvement.

35. Consulting and recommendations in connection with evaluation models and methods prior to an actual evaluation by a third party or the Company, without influencing the actual assessment.

36. Review of an evaluation, unrelated to the audit, performed by the Company itself or a third-party expert engaged by the Company to decide how the results of the evaluation can be used in the Company’s annual financial statements.

37. Business plan analysis and/or review, provided that the Auditor has not prepared or implemented these business plans himself.

38. Real estate management services without serving in an advocacy role for the company and without making managerial decisions. This includes, in particular:

(a) Assistance in implementation and organization of architectural competitions;
(b) Expert’s consulting services in the problematic areas of building costs, contract awarding procedures, invoicing the sequence of construction, drafting of agreements;
(c) Consulting services regarding the planning, utilization, optimization and implementation of space and workstation requirements;
(d) Consulting services in matters concerning portfolio management and real estate-related IT systems;
(e) Assistance in location advice.

39. Supporting project steering tasks within the framework of carve-outs, spin-offs and other intra-Group restructuring measures, initial public offerings, company acquisitions and disposals and other transactions, without serving in an advocacy role for the company and without making managerial decisions.

40. Analysis and review of planning procedures, provided that the Auditor did not prepare or implement these independently.

41. Training courses and seminars serving to teach general statutory, accounting or employment-law basics (e.g. according to IAS, IFRS, generally accepted accounting standards, etc.).

42. Consulting services and assistance in connection with the Company’s compliance with requirements stipulated by the National Media and Infocommunications Authority and other authorities.

43. Human resources consulting services without influencing the decision-making process of the Company’s management. These include, in particular:

(a) Provision and processing of information and external comparing data on national and international developments and trends in the field of personnel development and compensation schemes;
(b) Provision and processing of information and external comparing data on developments and trends in IT systems that support the work of Human Resources;
(c) Training and seminars that serve to teach general basics in human resources.

Appendix “E”

Prohibited services for the Auditor

- Bookkeeping or other services related to the accounting records or financial statements of the audit client;
- Financial information systems development, establishment and implementation;
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports; in particular fair market value opinions, certificates on valuableness, purchase price allocation, real estate valuations if they have a direct – and not only significant – impact on financial statements to be audited by the Auditor;
- Actuarial services;
- Internal audit outsourcing services.

These services listed above are not prohibited if it can legitimately be assumed that the results of these services will not be the subject matter of auditing procedures in the course of the audit of the financial statements of the audit client and only have an insignificant and indirect impact on the results of operations, financial position and cash flows in the financial statements to be audited.

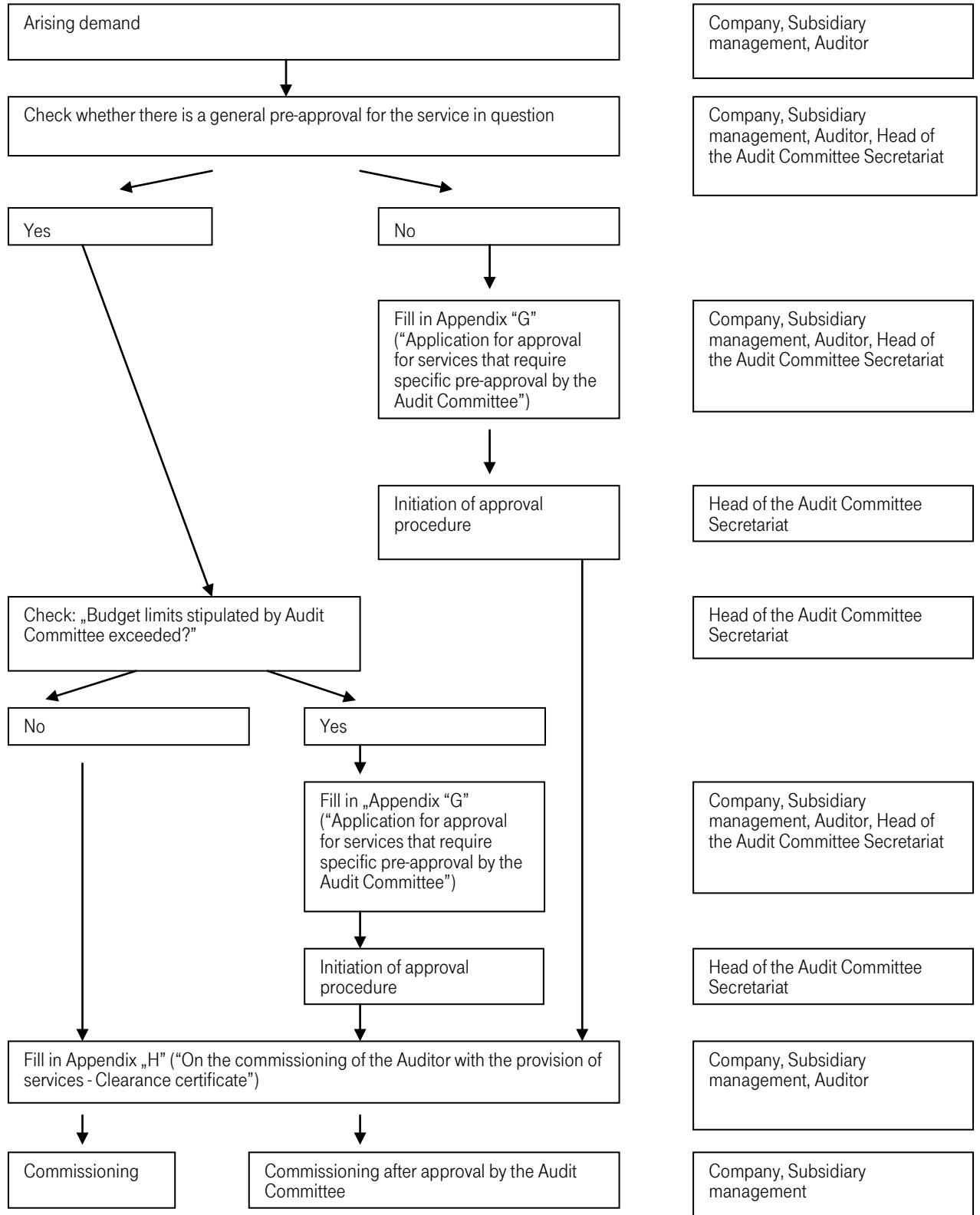
However, in this case it is necessary to obtain specific pre-approval before the provision of these services.

- Management functions;
- Services with contingent fee arrangements if they are significant for the Auditor and relate to the results of the audit of the financial statements;
- Human resources (staff selection or development);
- Broker-dealer, investment adviser or investment banking services;
- Legal services that go beyond merely pointing out alternatives for implementation and have more than a merely indirect and insignificant impact on annual financial statements to be audited by the Auditor;
- Expert services unrelated to the audit (providing an expert opinion or other expert advice for the Company or the Company's legal representative for the purpose of advocating an audit client's interest in litigation or in a regulatory or administrative proceeding or investigation) that go beyond merely pointing out alternatives for implementation and have more than a merely indirect and insignificant impact on annual financial statements to be audited by the Auditor;
- Tax services relating to a transaction initially recommended by the Auditor, the sole business purpose of which may be tax avoidance and the tax treatment of which may not be supported in the tax law and related regulations.

Appendix „F”

Procedure for the commissioning of the Auditor

Responsible



Appendix “G”

Application for approval for services that require specific pre-approval by the Audit Committee

Submitter of the application	
Reason for submission of the application	
Description and type of the service	
Start and end of service provision	
Agreed total fee	
Preliminaries (if relevant)	
Annexes (Draft Contract or engagement letter)	
Draft Resolution	

We hereby declare that the performance of the service named above does not impair the required independence of the Auditor that is commissioned with auditing the annual financial statements, and request specific pre-approval.

.....
 Auditor
 (Place/Date/Signature)

.....
 Management of client
 (Place/Date/Signature)

Position of the Head of the Audit Committee Secretariat	
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Appendix “H”

On the commissioning of the Auditor with the provision of services

Clearance certificate

Company	
Name, type and number of service (according to Appendices “A”, “B”, “C” and “D” of the Policy)	
Start and end of service provision	
Agreed total fee	
Annexes (Engagement Letter)	

We hereby declare that the performance of the service named above does not impair the required independence of the Auditor that is commissioned with auditing the annual financial statements. We also declare that no services exceeding the tenor of the engagement letter will be rendered.

.....
Auditor
(Place/Date/Signature)

.....
Management of client
(Place/Date/Signature)

Position of the Head of the Audit Committee Secretariat	
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