

Self-evaluation of the work of the Board of Directors – 2015

Role, members of the Board of Directors

The Board of Directors of Magyar Telekom Plc. (hereinafter “Magyar Telekom” or “Company”), as management body, represents the Company with regard to third parties, in court and before other authorities. The Board of Directors is responsible for comprehensive management of the group and for the approval of the group strategy, organizational structure and the medium and long-term targets of business strategy. While the Board of Directors has delegated the daily management of the Company to the Management Committee chaired by the Chief Executive Officer, it has retained certain formally defined issues within its exclusive authority.

The Board of Directors exercises its rights and performs its obligations as an independent body. The Board of Directors acts in compliance with its rules of procedure, the relevant legal 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. The Board of Directors is responsible for all matters relating to the Company's management and course of business not otherwise reserved to the General Meeting or to other corporate bodies by the Articles of Association of the Company or by the law. Among other responsibilities, it approves the Company's strategy, business plan, major organizational changes and key transactions, concludes employment agreements with and removes the Chief Executive Officer and the Chief Officers, and determines the remuneration and target tasks on the basis of which it evaluates their performance.

The Board of Directors is comprised of a minimum of six (6) and a maximum of eleven (11) members. As at December 31, 2015 the Board of Directors had eight members, with one internal (executive) and seven external (non-executive) members.

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

- lack of an important conflict of interest, or 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.

Meetings of the Board of Directors and information flow

In 2015 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 78%.

The Board of Directors adopted resolutions without holding a meeting in writing in eleven cases 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 governance areas. 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 without holding a meeting in writing. The 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's website.

Group strategy objectives

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

As a result of our strategic efforts, Magyar Telekom maintained its leading position in its Hungarian fixed voice, broadband, pay TV, mobile and ICT businesses in 2015, successfully improved customer retention and delivered strong volume figures. We have also gradually extended our network and offered capabilities proactively leveraging on various partnering models as well.

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 Hungary, the most significant acquisition activity is expected in the infocommunication and system integration and cable television service. Our ability for non-organic growth in Hungary through mergers and acquisitions is subject to the approval of, and can be limited by, the Competition Authority once the thresholds stipulated in the Competition Act are exceeded.

Besides the acquisition activities, in the spirit of focusing on our core services, considering exit from our existing non-core portfolio elements is also considered.

On the December 17, 2015 meeting the Board of Directors approved the updated 2016-2020 Group Strategy and 2016-2019 Business Plan. The 2016 strategic focuses mentioned below were established to focus previous years' strategic direction and to answer the challenges of the market.



The strategic objective in the mid-term is to become more agile, enhance efficiency, simplify the product and services portfolio, increase process automation and online customer servicing. As an integrated provider we continue to deliver a unique customer experience supported by our leading brand and best technology.

Following our strategy enables us to exploit and develop our extended customer base, improve efficiency and capture growth opportunities in an extended market of information and communications technology and related industries, which secures stable cash generation in the long run.

Organizational operation of the Company in 2015

The members of the Management Committee of the Company in 2015 were: Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer, Chief Legal and Corporate Affairs Officer, Chief Technology and IT Officer, Chief Commercial Officer Residential, Chief Commercial Officer SMB, Chief Commercial Officer Enterprise.

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

The most important issues discussed by the Board of Directors in 2015 were as follows:

- monitoring financial and non-financial KPIs;
- decisions on the bonus achievement for the members of the Management Committee in year 2014, based on recommendation of the Remuneration and Nomination Committee;
- decisions on the fine tuning of bonus targets for the members of the Management Committee for the year 2015, based on recommendation of the Remuneration and Nomination Committee;
- proposal to the General Meeting on the approval of the year 2014 financial statements, the use of the profit after tax and the dividend;
- approval of the mid-term strategy for years 2016-2020 and business planning for years 2016-2019;
- cooperation with Deutsche Telekom;
- decision on the establishment and modification of the employment contract of certain Management Committee members;
- organizational restructuring;
- M&A decisions;
- risk management of Magyar Telekom Group;
- review of the compliance program.

Compliance

The Board of Directors continuously monitored the implementation of the Corporate Compliance Program also in 2015. The Magyar Telekom Group Corporate Compliance Program has been designed to ensure that the Magyar Telekom Group conducts business with the highest level of awareness, commitment, and adherence to applicable laws and regulations and to the highest level of standards of ethical business conduct.

Other important decisions

The Board of Directors submitted the report on the management of Magyar Telekom Plc., on the business operation, on the business policy and on the financial situation of the company and Magyar Telekom Group in 2014 to the AGM.

The Board of Directors submitted to the Company's AGM the 2014 Consolidated Financial Statements prepared according to the International Financial Reporting Standards (IFRS) and the 2014 standalone Annual Report of the Company prepared according to the Hungarian Accounting Act (HAR).

In 2015 the Board of Directors proposed no dividend payment for the financial year 2014 for approval to the AGM. The proposal was in line with the Company's dividend policy.

Upon proposal by the Board of Directors the AGM gave an authorization for buying ordinary Magyar Telekom shares.

The Board of Directors submitted for approval to the General Meeting the Corporate Governance and Management Report for the business year of 2014.

After having evaluated the work of the Board of Directors' members, the AGM granted the release for the members of the Board of Directors for the 2014 business year.

The Board of Directors reviewed the proposal of the Remuneration and Nomination Committee on the amendment of the remuneration guidelines and submitted it to the AGM for approval.

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

The Board of Directors reviewed the 2015 financing strategy of Magyar Telekom Group and gave the necessary authorizations for the specific transactions.

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
<p>Kerstin Günther Chairperson of the Board of Directors, Senior Vice President Technology Europe, Deutsche Telekom AG</p>	<p>Engineer in electronics with an MBA in finance. Over twenty years of experience in telecommunications and over fifteen years of extensive international experience within the Deutsche Telekom Group on the area of wholesale, strategy, regulatory & external affairs as well as technical infrastructure.</p>
<p>Christopher Mattheisen Chief Executive Officer, Magyar Telekom Plc.</p>	<p>Masters in economics. Over 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.</p>
<p>György Mosonyi Chairman of the Supervisory Board, MOL</p>	<p>Degree in chemical engineering. Two decades of senior management experience in the petrochemical sector (Shell, MOL). Independent member of the Board of Directors.</p>
<p>Günter Mossal Vice President for Area Management, Europe, Deutsche Telekom AG</p>	<p>Degree in electrical engineering. Over ten years' senior management experience in the Deutsche Telekom Group.</p>
<p>Thilo Kusch Executive Board Member Finance, T-Systems International GmbH</p>	<p>University degree (masters) in business administration and communication engineering. Over fifteen years of experience in telecommunications as management consultant, equity analyst, investor relations, CFO and CEO.</p>
<p>Frank Odzuck Chief Executive Officer of Zwack Unicum Plc.</p>	<p>Degree in economics. Professional experience in the position of managing director of the Hungarian subsidiaries of international corporations. Independent member of the Board of Directors.</p>
<p>Dr. Mihály Patai Chairman-CEO of UniCredit Bank Hungary Zrt.</p>	<p>PhD in economics. Over two decades of senior management experience in the financial sector. Independent member of the Board of Directors.</p>
<p>Dr. Ralph Rentschler Finance Europe, Financial Director Europe, Deutsche Telekom AG</p>	<p>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.</p>