



EGYÜTT. VELED

SUBMISSION
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

REPORT OF THE SUPERVISORY BOARD

BUDAPEST, APRIL 11, 2014



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

In 2013, 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 2013, 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 2013 Audit Plan of the 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 Group Auditing Directorate at the Supervisory Board meetings.

In 2013 Group Auditing Directorate has completed audits on the integrity of financial reports (e.g. transfer pricing, accounting of investment tax credits), to improve operational processes (e.g. business sales processes, partner management, non-core service development, efficiency of PR/Communication, license and access right management) and to strengthen compliance and regulation (e.g. operation of control functions, audits made mandatory by the law, preventing money laundry, performance verification and payment approval, procurement processes, advisor contracts). Group Auditing Directorate has also made over-the-plan (ad hoc) audits upon the request of the management to reduce the business risks raised during the year.

As a result of the audits 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.

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. The Audit Committee supported the work of the Supervisory Board with respect to the proper supervision of the financial reporting system.

During 2013, 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 examined every important report on the business policy and every submission that is made on matters falling into the exclusive competence of and is on the agenda of the General Meeting.

According to the point of view of the Supervisory Board, Magyar Telekom Group, due to its firm strategy and effective costs management, maintained its favorable market position despite of the declining economic environment, and overachieved its revenue targets.

The Supervisory Board has not discovered anything to disapprove in the Company's activities in 2013, with regard to the Company's compliance with statutory operation.

The Supervisory Board, with the involvement of the Audit Committee and the independent external auditor, discussed the 2013 consolidated financial statements prescribed by the Accounting Act according to the requirements of the International Financial Reporting Standards (IFRS) as endorsed by the EU, to be submitted to the General Meeting by the Board of Directors, and the proposal of the Board of Directors for their acceptance.



In the opinion of the Supervisory Board, the above mentioned 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 2013 consolidated financial statements of the Company prepared according to the International Financial Reporting Standards (IFRS) as endorsed by the EU 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 independent external auditor, discussed the 2013 stand alone financial statements prepared in accordance with requirements of the 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 acceptance.

In the opinion of the Supervisory Board, the above mentioned 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 2013 stand alone financial statements of the Company prepared according to the Hungarian Accounting Regulations (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 2013.

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 discussed the Corporate Governance and Management Report of the Company and, with its prior approval, proposes it to the General Meeting for approval.

Budapest, March 12, 2014

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

Dr. László Pap
Chairman of the Supervisory Board