

1. CORPORATE GOVERNANCE AND RISK MANAGEMENT



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1.1. CORPORATE GOVERNANCE

The professional sphere and the investors require public companies, listed on the stock exchange to state clearly what governance model they use and how this is applied in the practice. Being a company listed on the Budapest Stock Exchange it is highly important for us to meet this requirement and the relevant statutory and stock exchange requirements. To ensure transparency of the company's management, information about Magyar Telekom's corporate governance is available on the following website: https://www.telekom.hu/about_us/investor_relations/corporate_governance

Information on annual general meetings and the resolutions adopted at them is available on the following website: https://www.telekom.hu/about_us/investor_relations/corporate_governance/general_meetings

Board of Directors

The Board of Directors is responsible for the management of the company, which acts on behalf of the company vis-à-vis third persons, and represent it in court. The competences of

the Board of Directors include decisions on all issues with regard to the management and business activities of the company that do not fall into the exclusive scope of authority of the General Meeting or any other corporate body pursuant to the Articles or the relevant laws.

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. It is the task of the Board of Directors to prepare a report to the General Meeting at the end of the financial year on the company's business activities, assets, financial standing and business policies, and a quarterly report to the Supervisory Board on the company's management, assets and business policies.

In the Articles of Association of the company the shareholders' meeting ruled that the Board of Directors has to be composed of minimum 6, maximum 11 members, whom the Annual General Meeting elects for a period of three years. The Board of Directors consisted of 10 members in 2014, with one executive and nine non-executive members. 3 members were considered independent and 7 members were not considered independent.

The Board of Directors meets at least four times a year. The Board of Directors meeting has quorum if at least the majority of the members of the Board of Directors are present. Each Board member has one vote, except if otherwise provided by applicable law. Any member of the Board of Directors may vote in favor, or against, or may abstain from voting. The Board adopts its resolutions by simple majority of votes, except if the law or the Articles of Association require majority vote.

The Board of Directors performs an annual comprehensive self-evaluation of its performance. This self-evaluation includes a review of the Board of Directors' contribution as a whole and also its individual members, and specifically review areas in which the Board of Directors believes a better contribution could be made. Its purpose is to increase the effectiveness of the Board of Directors.

The regular annual general meeting held on April 12, 2013 elected the new Board for a period of three years.

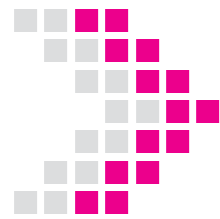
The current composition of the Board of Directors is also available on our website: https://www.telekom.hu/about_us/investor_relations/corporate_governance/board_of_directors

MEMBERS OF THE BOARD OF DIRECTORS ON DECEMBER 31, 2014

Name	Main position
Kerstin Günther	Chairperson of the Board of Directors; Senior Vice President, Technology Europe, Deutsche Telekom AG
Christopher Mattheisen	Chief Executive Officer, Magyar Telekom Plc.
Dr. Ferri Abolhassan ⁽²⁵⁾	Director of the Delivery Unit , Member of the Executive Board, T-Systems International GmbH, Deutsche Telekom AG
Thilo Kusch	Chief Financial Officer, T-Systems International GmbH
Frank Odzuck	Chief Executive Officer, Zwack Unicum Plc. (independent)
Dr. Ralph Rentschler	Finance Europe, Financial Director Europe, Deutsche Telekom AG
Günter Mossal	Vice President for Area Management, Europe, Deutsche Telekom AG
György Mosonyi	Chairman of the Supervisory Board, MOL Plc. (independent)
Dr. Mihály Patai	Chairman-CEO, UniCredit Bank Hungary Zrt. (independent)
Branka Skaramuca ⁽²⁶⁾	Senior Vice President, Human Resources Europe and Technology, Deutsche Telekom AG

(25) Resigned from his position as of February 17, 2015

(26) Resigned from her position as of April 15, 2015



Management Committee

In accordance with the company's Articles of Association and the rules of procedure of the Board of Directors, in 2000 the Board of Directors established the Management Committee with powers to pursue its activities in compliance with the annual business plan.

Magyar Telekom Plc.'s Management Committee was composed of 9 members in 2014, defined by the Board of Directors. Its members are:

- the Chief Executive Officer of the company
- the chief officers of the company

The chairman of the MC is the CEO, who is responsible for the operation of the body, in compliance with the rules of procedure.

The MC meets regularly on Tuesdays. The MC has quorum if the majority of the members is present, but the presence of the chairman, or in his absence, of the deputy chairman, is also necessary for the MC to have quorum. The MC

takes its decisions by simple majority of vote. Each MC member has one vote. In case of tie votes the vote of the chairman (the chairman of the MC or his deputy) decides.

The MC acts in the scope of authority determined by the Board of Directors. The MC takes decision in all such matters, which the laws, the Articles of Association or the rules of procedure of the Board of Directors do not refer to the exclusive authority of the Annual General Meeting, the Board of Directors or other company organ.

The MC discusses the reports on such matters which belong to the authority of the Board of Directors or the AGM, with the exception of reports made by another authorized company organ or a member of the Board of Directors.

The current composition of the Management Committee is available on our website: https://www.telekom.hu/about_us/investor_relations/corporate_governance/management_committee

Supervisory Board

The Supervisory Board (SB) supervises the management of the company in order to protect its interests. In this role it supervises the governance, management of the company, its finances, and controls compliance with the regulations and the company's Articles of Association.

The Supervisory Board shall assess all motions brought before the SB and to present its findings at the General Meeting. The AGM may only take decision on the annual report prepared according to the accounting law and the distribution of the net income in possession of the written report of the Supervisory Board.

In compliance with the Articles of Association of the company, the Supervisory Board has minimum 3, maximum 15 members, who are elected by the AGM for a term of three years.

The Central Workers' Council nominates one third of the Supervisory Board members, who represent the employees.

The Supervisory Board meeting has a quorum if two thirds of the elected members, but at least 3 members are present. In accordance with the effective laws, the majority of SB members shall be independent. A member shall be considered independent if apart from his seat on the SB and apart from any transaction conducted within the company's usual activities, aiming to satisfy the SB member's personal needs he is not holding any other office.

The regular annual general meeting held on April 12, 2013 elected the new Supervisory Board for a period of three years.

The current composition of the Supervisory Board is available on our website: https://www.telekom.hu/about_us/investor_relations/corporate_governance/supervisory_board

MEMBERS OF THE MANAGEMENT COMMITTEE ON DECEMBER 31, 2014

Name	Main position
Christopher Mattheisen	Chief Executive Officer
Unfilled position as of November 6, 2014	Chief Business Development Officer ⁽²⁷⁾
Éva Somorjai	Chief Human Resources Officer
Attila Keszég ⁽²⁸⁾	Chief Commercial Officer Residential
Balázs Máthé	Chief Legal and Corporate Affairs Officer
Péter Lakatos	Chief Commercial Officer SMB
Walter Goldenits	Chief Technology and IT Officer
Tibor Rékasi	Chief Commercial Officer Enterprise
János Szabó	Chief Financial Officer

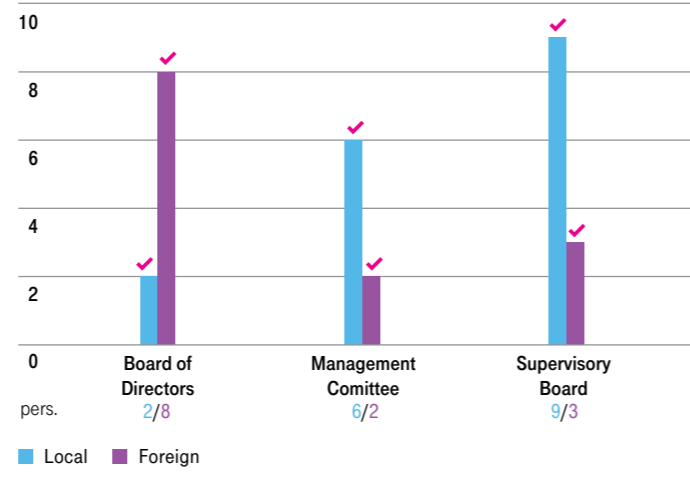
MEMBERS OF THE SUPERVISORY BOARD ON DECEMBER 31, 2014

Name	Main position
Dr. László Pap	Chairman of the Supervisory Board, Budapest University of Technology and Economics, Professor (independent)
Dr. János Illéssy	Managing Director, Lebona Kft. (independent)
Dr. Sándor Kerekes	Director of Institute of Environmental Sciences, Corvinus University Budapest (independent)
Dr. Károly Salamon	Chairman-CEO, MKB Általános Biztosító Zrt. and MKB Életbiztosító Zrt. (independent)
Dr. János Bitó	Chairman of the Thesis and Final Examination Board at Pázmány Péter Catholic University, Information Technology Faculty (independent)
Konrad Kreuzer	Member of the Supervisory Board of E.ON Hungária Zrt. (independent)
Martin Meffert	Responsible for Corporate Governance issues of Magyar Telekom, Makedonski Telekom and Crnogorski Telekom at the Group Headquarters, Deutsche Telekom AG
Attila Bujdosó	President of the Telecommunications Trade Union, Magyar Telekom Plc.
Tamás Lichnovszky	Chairman of the Central Workers' Council, Magyar Telekom Plc.
Zsoltné Varga	Quality manager, Magyar Telekom Plc.
Dr. Konrad Wetzker	Chairman, Corvinus School of Management (independent)
Éva Őz	Controlling Manager of Controlling Directorate, Chairwoman of the Workers' Council of Central Functions, Magyar Telekom Plc.

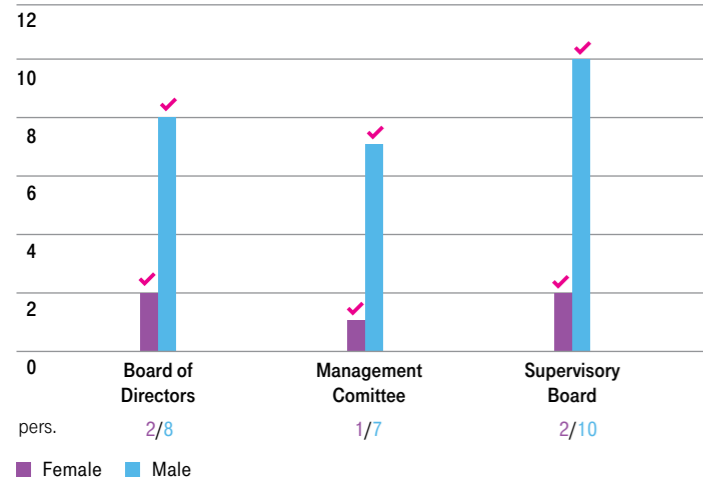
(27) Terminated as of January 1, 2015

(28) Until December 31, 2014. From January 1, 2015 he took over SVP Commercial Excellence Europe position at Deutsche Telekom Group's Headquarters

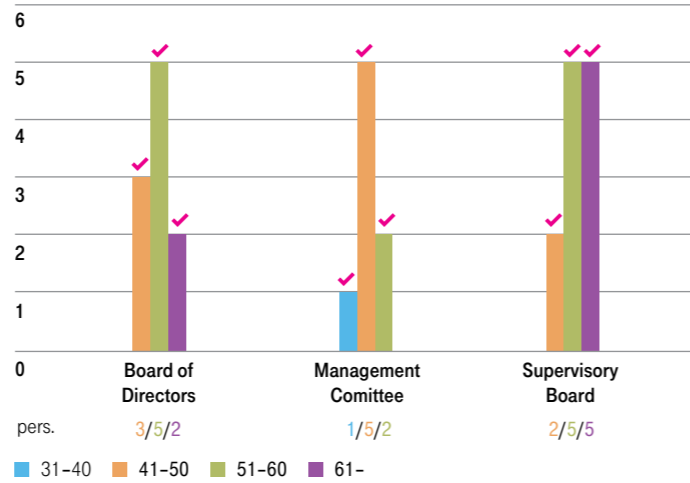
**GENDER MIX OF MAGYAR TELEKOM GROUP
MANAGEMENT BODIES BY ORIGIN IN 2014**



**GENDER MIX OF MAGYAR TELEKOM GROUP
MANAGEMENT BODIES IN 2014**



**AGE BREAKDOWN OF MAGYAR TELEKOM GROUP
MANAGEMENT BODIES IN 2014**



Audit Committee

The Audit Committee is a permanent committee, established by the General Meeting from the independent members of the Supervisory Board. The objective of the Committee is to assist the Supervisory Board (1) in supervising the financial report regime, (2) in selecting the statutory auditor, (3) in working with the statutory auditor. The Committee acts within its competence as defined in the Hungarian Civil Code, the Articles of Association and the Supervisory Board's Rules of Procedure.

The Audit Committee meets as necessary, but at least on four occasions a year. The members of the Committee are elected by the AGM of the company from the independent members of the Supervisory Board. The

Committee is composed of minimum 3, maximum 5 members. At least one member of the Committee must have a qualification in accountancy or be a qualified auditor.

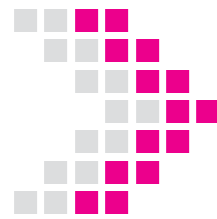
The Committee has quorum when at least 3 members are present. The Committee passes its resolutions by simple majority.

The Annual General Meeting, held on April 12, 2013, elected the new Audit Committee from the independent members of the Supervisory Board for the same period as their membership in the Supervisory Board.

The current composition of the Audit Committee is available on our website: https://www.telekom.hu/about_us/investor_relations/corporate_governance/audit_committee

MEMBERS OF THE AUDIT COMMITTEE ON DECEMBER 31, 2014

Name	Main position
Dr. János Illéssy	Chairman of the Audit Committee, Managing Director of Lebona Ltd.
Dr. László Pap	Budapest University of Technology and Economics, Professor
Dr. Sándor Kerekes	Director of Institute of Environmental Sciences, Corvinus University Budapest
Dr. Károly Salamon	Chairman-CEO, MKB Általános Biztosító Zrt. and MKB Életbiztosító Zrt.
Dr. János Bitó	Chairman of the Thesis and Final Examination Board at Pázmány Péter Catholic University, Information Technology Faculty

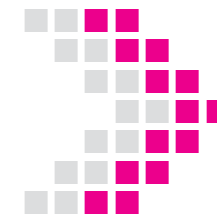


Remuneration and Nomination Committee

Magyar Telekom Telecommunications Public Limited company's Board of Directors established the Remuneration and Nomination Committee with the objective to support the company's Board of Directors in matters related to the remuneration of corporate bodies and top managers, as well as in certain nomination issues. The reason of merging remuneration and certain nomination tasks into a single committee was to make the Board's personnel decision making process more effective thus ensuring the complex management of the relevant matters.

The Committee meets according to its annual work schedule, but at least twice a year. The work schedule of the Committee has to be harmonized with the work schedule of the Board of Directors. The Remuneration and Nomination Committee of the company is composed of 3 members, elected by and from the members of the Board of Directors. The Committee has quorum if at least the majority of the members are present.

The current composition of the Remuneration and Nomination Committee is available on our website: https://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation



Incentives and evaluation of the performance of top executives

Top management decisions have a direct impact on the entire Magyar Telekom Group's activity and future priorities. Top executives (Chief Executive Officer, Chief Officers) are paid variable pay (bonus) as performance incentive. In addition to the short-term incentives, the top management is motivated through a so-called long-term Variable II (VII) bonus program.

The Remuneration and Nomination Committee of Magyar Telekom Group's Board of Directors makes proposals both for the annual targets and the evaluation of their implementation, and monitors the performance of top executives throughout the year. The Committee member, independent from the majority owner, shall provide for the representation of the minority owners' interests. Upon consideration of the proposals made by the Remuneration Committee, the Board of Directors adopts decisions regarding the targets and evaluation of top executives' performance. The Board of Directors evaluates the performance of the previous year and finalizes the targets of the current year in the first meeting of the year. In general, 55% of top executives' salary is fixed, while 45% is variable pay. In general, 55% of top executives' salary is fixed, while 45% is variable pay. The annual bonus is payable prorated to the evaluated performance of the partly collective, partly individual targets set at the beginning of the year and derived from Magyar Telekom Group's strategic targets. No bonus is payable, if performance is below a certain minimum limit, defined in advance. In case of over-achieving the targets, additional bonus is paid, the extent of which cannot exceed 50% of the bonus payable upon 100% performance.

The framework of bonus target setting (bonus amount, structure and maximal amount of additional bonus) is defined by the strategic investor's compensation guidelines (Deutsche Telekom Global Compensation Guidelines). In addition to the annual target-setting, evaluation and bonus payment used as short term incentive, we also lay emphasis on long-term performance stimulation. The Variable II long-term incentive plan was introduced in 2011 so as to stimulate the contribution of the top management to the achievement of the strategic objectives even more effectively. With the 4-year term we focus on the increase of sustainable performance. The fourth phase of the program was launched in 2014. The program is broadened and updated from 2015.

Besides, the CEO participates in a share based incentive program and is required to invest part of his annual bonus in Magyar Telekom shares. Upon the expiry of the 4-year term and if all conditions are met, another Magyar Telekom share is added to each share invested by the CEO. The program is broadened and updated from 2015.

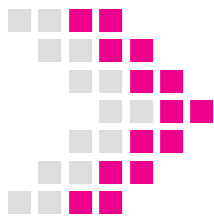
It is the competence of the General Meeting to approve the Remuneration Guidelines that sets forth the remuneration principles and components for the top management and the members of corporate bodies. Besides, as part of the Corporate Governance Report, we each year disclose the previous year's remuneration for the top management and corporate bodies in the Remuneration Statement.

Middle management and consultants responsible for the attainment of the sustainability targets receive direct incentives through the TM system.

The bonus regulation allows the withdrawal of bonus if the objectives of the Sustainability strategy are not met due to the negligence of the employee.

MEMBERS OF THE REMUNERATION AND NOMINATION COMMITTEE ON DECEMBER 31, 2014

Name	Main position
Frank Odzuck	CEO, Zwack Unicum Plc.
Dr. Ralph Rentschler	Finance Europe, Financial Director Europe, Deutsche Telekom AG
Branka Skaramuca	Senior Vice President, Human Resources Europe and Technology, Deutsche Telekom AG



1.2. RISK MANAGEMENT

It is our policy that all disclosures made by us to our security holders and the investment community be accurate and complete, and fairly present our financial condition and results of operations in all material respects. Such disclosures should be made on a timely basis as required by applicable laws, rules and regulations. To achieve these objectives, we formed the Disclosure Committee, and developed and have continuously enhanced our risk management policies.

Our risk management includes identification, assessment and evaluation of risks, development of necessary action plans, as well as monitoring of performance and results. For risk management to be effective, we must ensure that management take business decisions with full understanding of all relevant risks.

In 1999, we established a formal risk management system. This system has been operating in an integrated way with the risk management system of Deutsche Telekom since 2002.

All risks related to material internal and external operations, financial and legal compliance and certain other risks are evaluated and managed by a well-defined internal mechanism. A risk management handbook and an internal regulation on risk management were issued. A risk management course was developed for employees responsible for risk management in all organizational areas. Risk items affecting

our operations are reviewed quarterly throughout the company. All of our subsidiaries, business units, divisions and entities are obliged to identify and report their operational risks on a quarterly basis. After evaluation of these risks, results are reported to our management, to the Board of Directors, to the Audit Committee and to the Disclosure Committee.

For the sake of prompt disclosure of all risk items influencing investors' decisions, we enhanced our risk management procedures with a new element, we complemented our quarterly risk reporting system with a continuous reporting procedure which requires all of our departments and subsidiaries to report on a real-time basis any new material fact, information or risk that comes to their knowledge. Information thus submitted is monitored by the risk management area, and the CFO is notified when a new material risk or information is identified.

An internal regulation has been issued to define responsibilities of each employee in risk monitoring and management.

We established the Disclosure Committee on July 31, 2003, which supports the CEO and the CFO in fulfilling their responsibility to oversee processes designed to ensure accuracy and timeliness of our disclosures.

The risk management directive is available on the following website: https://www.telekom.hu/static/sw/download/Risk_management_guidelines_of_Magyar_Telekom_Plc._ENG_20130920.pdf

1.3. CORPORATE COMPLIANCE

Magyar Telekom Group's Code of Conduct is a summary of the corporate compliance requirements; this document sets out the common values of the Group and it is also the token of the strong position, reputation and successful future of Magyar Telekom. Everyone at Magyar Telekom Group must comply with the Code of Conduct, from staff employees to the Board members. In addition to the employees, the contracted partners of Magyar Telekom Group are also required to learn and accept these values when registering on the company's procurement site.

Magyar Telekom Group's Corporate Compliance Program has been elaborated with the aim to ensure that Magyar Telekom Group conducts its business with maximum consciousness and commitment, in accordance with relevant laws and regulations, in harmony with the strictest possible business ethics standards. To this end we have issued directives addressing the potential compliance risks, operate the procedures contained by them and provide continuous training for our employees. Clear processes are in place for the whistle-blowing, investigation, monitoring and remedy of suspected cases of non-compliance.

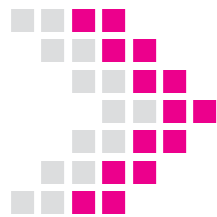
The Corporate Compliance Program is supervised by the Group Compliance Director. The Group Compliance Director reports directly to the Audit Committee, and is in direct cooperation with the Board of Directors, the Supervisory Board and the management. The centerpoint of the Compliance Program is the Code of Conduct.

Magyar Telekom Group takes the Code of Conduct and its detailed regulation seriously and consider its enforcement to be among our highest priorities, but it is also acknowledged that it is sometimes difficult to know right from wrong. That's why the employees are encouraged to initiate open communication through an internally available Ask me! portal. Complaints and comments related to issues and violations of regulations can be submitted to Magyar Telekom Group's Tell me! portal.

In 2014 MT Group Compliance received 72 incoming complaints of violation internal or external regulations. MT Group Compliance resolved 49 complaints during the year 2014, of which 25 was received before the reporting period. The complaints received and investigated are from 3 countries (Hungary, Macedonia, Montenegro).

In 2010, an external, independent party audited the Compliance program, and they issued a certificate on our compliance with the external expectations and the system itself. In 2013, we reviewed the program, involving other areas, like procurement, internal audit, HR, sales area. This audit did not only focus on the system at various areas, but also measured the operational effectiveness of the control system as well. We again met the requirements that are certified by Ernst&Young as an independent external auditor.

Throughout the registration and contracting process with suppliers Magyar Telekom operates due diligence and transparent procurement procedures, in order to ensure the integrity of the suppliers and to make responsible and economical decisions during the supplier selection. All suppliers of Magyar Telekom are required to accept the Supplier Code of Conduct of Magyar Telekom, and also an anti-corruption clause is a mandatory element of the contract.



In 2014, a total of 1597 employees were given remote training, and 91% successfully completed them. Since 2008, Magyar Telekom Group employees have completed a total of 59 495 remote-learning compliance courses.

In 2012, every employee of Magyar Telekom Group had to update his or her knowledge, and accept the Code of Conduct after an online training. In addition, the company launched online training courses at group-level on anti-corruption and employee conflict of interest for employee target groups selected through risk analysis. The company provides training, appropriate for their position for the new entrants on an ongoing basis.

In addition to the above, both the parent company and the Hungarian and international subsidiaries have given personal coaching to employees, working in areas exposed to compliance and fraud related risks, about anti-corruption attitude, screening of the contracted partners and gift regulations.

In 2014, similarly to earlier years, the organizational units and the subsidiaries of Magyar Telekom Plc. took part in the process of risk analysis. On the basis of the result of the analysis, a comprehensive audit was conducted about the potential compliance and fraud related risks, the findings of which were submitted to the company's Audit Committee.

The company verified the cases of unethical conduct reported during the year, and launched appropriate investigations, if it was considered necessary. In the cases where the action of fraud was verified, the necessary remedial actions were duly taken. Magyar Telekom discloses corruption cases and response to those cases as required by the relevant laws and regulations.



PREVENTION OF CONFLICT OF INTEREST

Deutsche Telekom Group and Magyar Telekom Group trust that the interests of their employees do not conflict with the interests of the company.

Conflict of interests resulting from other employment

Other employment means the performance of work at a place other than the primary place of employment, in the course of which

the employee submits his working capacity to a third party, regardless of the fact whether or not he receives a remuneration for it. An own enterprise is also to be considered other employment. You may not enter such other legal relationship, which conflicts with the interests of Deutsche Telekom Group and Magyar Telekom Group, especially if such relationship is prohibited by causes of competition.

Private investments

Deutsche Telekom Group and Magyar

Telekom Group are not interested in holding such ownership share in its business partners or competitors that enables it to exercise business influence on them.

Use of company property for private purposes

The use of company property for private purposes is generally not permitted, except if the given person is expressly entitled to such use, if the Collective Agreement allows it, or if the operating processes and regulations permit. (Code of Conduct-How We Work 3.3.)

1.4. REGULATORY COMPLIANCE



We always use our best efforts to ensure Magyar Telekom's compliance with the effective laws and in order to avoid any further fines and proceedings. To avoid further fines and commitments we manage conflicts with continuous personal consultation, agreements concluded with the authorities and settlement plans set out in undertakings, made in the form of declarations.

No fines were imposed on the company for violation of environment protection statutes and policies, or non-compliance with statutes or other decrees addressing fiduciary duty and manner of use of products and services in 2014. No complaint was made and no relevant procedure or investigation was launched against the company by the Equal Opportunity Authority for discriminative practices in 2014.

At the beginning of 2014, Magyar Telekom had 20, whereas and at the end of the year 12 labor suits. Magyar Telekom was defendant in all cases. In 2014 seven new labor suits were filed. A small amount (under 200 thousand HUF) was paid in one labor case following a court decision; in out-of-court settlements Magyar Telekom paid a total of 7.5 million HUF to 2 employees in 2014.

Several proceedings were initiated by the National Media and Infocommunications Authority against our company, both private person complaints and general market surveillance cases were filed in 2014. A 65 million HUF fine was imposed in general National Media and Infocommunications Authority proceedings, however, the private person complaints resulted in fines in several cases, in the total amount of 91.1 million HUF.

The Hungarian Consumer Protection Authority completed several investigations against Magyar Telekom, in 2014 the total amount of fines were 45.6 million HUF.

No fines were imposed due to anti-competitive conduct or violation of anti-trust or anti-monopoly statutes in any case launched in 2014.

In 2014, one Competition Authority procedure was filed against the company for alleged violation of the marketing communication standards, rules, in which 90 million HUF fines was imposed.

1.5. POLITICAL PRESENCE

Magyar Telekom Group is involved in shaping public politics indirectly, through its representation organizations, in such a way that the representation organizations, in compliance with the effective regulation, get opportunity to comment the regulations.

The ministries pass the relevant regulations to the representation organizations, which synthesize the opinions received from the member companies and submit a summary to the relevant ministry. Such regulation commenting procedures are implemented through the Joint Venture Association, the American Chamber of Commerce (AmCham), the German-Hungarian Chamber of Industry and Trade, the Association of IT Enterprises, the Communication Interest Conciliation Council and the Hungarian Energy Traders' Association.

We have no knowledge of any financial support to political parties, politicians or any related entities provided by Magyar Telekom Group affiliates in 2014, which is in total compliance with the detailed stipulations set forth in the Code of Conduct [3.1.1. and 3.1.4.]. http://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance http://www.telekom.hu/static/sw/download/MT_Code_of_Conduct_31March2011.pdf