

RISK MANAGEMENT GUIDELINES OF MAGYAR TELEKOM PLC.

Introduction

As Hungary's leading telecommunications and IT service provider we are subject to uncertainties and changes of the telecommunications and IT industry. To operate successfully in this continuously changing environment risks have to be systematically identified, assessed and managed.

The risk management system is not only needed from a business point of view, but as a company listed in the stock market, we are obliged to operate a risk management system and prepare a risk report to inform our investors.

Upon the establishment of our comprehensive risk management system the Company acts in line with the relevant requirements of the Budapest Stock Exchange, as well as the rules laid down in the applicable international standards.

Our Group level risk management system covers strategic, operational, financial, compliance and legal risks, which is also applicable to our consolidated companies. The objective is to identify, monitor and manage these risks in an early phase.

Risk management guidelines

It is our policy that all our disclosures our shareholders and the investment community be accurate and complete, and fairly present our financial and operational results in all material respects. Such disclosures are made on a timely basis as required by the applicable laws, rules and regulations.

To achieve these objectives, we continuously develop and regularly review the functionality and effectiveness of the elements of our risk management system. Our risk management includes identification, assessment and evaluation of risks, development of necessary action plans, as well as monitoring of performance and results.

The risk management organization and process

Magyar Telekom performs its risk management activities in accordance with the risk management guidelines developed by the Group level risk management organization and approved by the Boards of Directors.

The risk owners of the individual organizations are responsible for identifying, reporting, assessing and monitoring risks on a continuous basis, in line with the framework of the risk management process, under the governance of the central risk management organization.

Magyar Telekom's Group level risk report is regularly submitted to the Board of Directors, the Audit Committee and the Supervisory Board as well as to Deutsche Telekom's risk management organization.

During the annual planning process the management takes into account potential risks.

The established risk management standard provides a process framework:

- following the identification of risks, they are analyzed, assessed and quantified in details, then they are quantified (by estimating their probability of occurrence and potential impact) according to a predefined methodology. The assessment of risk assessment enables the management to focus more effectively on those risks that have a significant impact on the company's strategic objectives.

- following the assessment, the decision is made on the specific measures to reduce risks,
- the relevant risk owner implements, monitors and evaluates the relevant measures, and
- these steps are repeated as necessary to reflect actual developments and decisions.

For risk management to be effective, Telekom must ensure that the management takes business decisions with full understanding of all relevant risks that we support through Magyar Telekom's regular Group level risk report.

Identification, review and reporting of risks

Risk items affecting our operations are reviewed regularly throughout the Company. All of our subsidiaries and entities are obliged to identify and report their operational risks. After evaluation of these risks, results are reported to the Company's management, to the Board of Directors, to the Audit Committee and the Supervisory Board. This regular reporting ensures that the most significant risks are monitored, up-to-date risk mitigation measures are implemented and regularly monitored.

Our risk reporting system is complemented by 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 and evaluated by the risk management area and the Chief Financial Officer 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.

The risk assessment is carried out for a two-year period. This is also our forecast period. If there are significant risks beyond the forecast period, such risks are monitored on a continuous basis.

Opportunities

Besides the systematic management of risks the identification of opportunities and their strategic and financial assessment are also essential part of our annual planning process. This allows us to take these opportunities into account in our forecasts.