

Magyar Telekom Telecommunications Company Ltd.

Submission

for Magyar Telekom Ltd.'s Extraordinary General Meeting

Subject: Decision regarding the upstream merger of T-Mobile Hungary Ltd. into Magyar Telekom Ltd., adopting the relevant resolutions

Budapest, November 2005

The opportunities arising from technological development -- especially the increasing demand for broadband Internet and mobility -- drive telecommunications companies to ever closer harmonization of the fixed-line and mobile business fields. Harmonization of fixed-line and mobile business fields can significantly increase operational efficiency through standardization and simplification of operational processes and structures. Furthermore, the harmonized approach does not only promote better and more efficient service provision to customers, but -- through the optimal utilization of certain fixed-line and wireless technologies -- significantly boosts a more cost-efficient roll-out of the broadband infrastructure.

The underlying opportunities (eg: headcount reduction) in Magyar Telekom's shareholder value creation strategy have been (still are) fully exploited by now. Thus, there are no substantial reserves in creating further shareholder value, which inevitably calls for group-level harmonization. Numerous service providers with fixed-line and mobile businesses have already realized the strategic benefits and opportunities in convergence. Efforts to harmonize their fixed-line and mobile businesses become ever more commonplace amongst European national service providers, too.

Group-level harmonization support Magyar Telekom Group in exploiting the value creation opportunities in a long-term sustainable manner, with special emphasis on retaining and acquiring customers, optimizing efficiency and cost-levels, as well as exploiting opportunities of the new innovative technology.

The major market drivers and their implications behind Magyar Telekom Groups initiative regarding the upstream merger can be summarized as follows:

- Stagnating share price
- Stagnating voice market growth
- Converging price levels
- Unexploited broadband growth potential

The advantages for the Group attached to the upstream merger include benefits for customers, intensifying competition, improving competitiveness and increasing operational efficiency. The exploited advantages enable Magyar Telekom Group's sustainable operations, thus ensuring that the largest telecommunications service provider be continuously able to make further investments -- primarily aimed at broadband Internet -- contributing to the conditions of building up the Information Society.

In addition, the Group will benefit from the utilization of its tax credit on broadband investments and the tax losses of the parent company.

The most important of all the benefits are the widening scope of the service portfolio, simpler access to products and more competitive value propositions (both in terms of quality and added value) -- perceived by customers. From the aspect of corporate efficiency, the primary positive impacts are the benefits of synergies and the opportunity to simplify the process structure.

The upstream merger will also improve competitive conditions, since service providers will fight for customers by increasingly competitive value propositions in both the fixed-line and the mobile fields. In addition to the above, the harmonization promotes the nation-wide roll-out of the broadband IP-based network infrastructure, which will serve as the basis for long-term service-based competition.

The unified Magyar Telekom (fixed-line and mobile) can significantly simplify the way customers can do business, purchase goods, receive bills, ask for technical support and conduct any transactions with the fixed-line and the mobile service providers in the mid-term.

Magyar Telekom Group's long-term competitiveness is largely dependent upon whether the Group is able to significantly rationalize its costs and improve its efficiency. Furthermore, taking into consideration that there is only limited room to increase revenues in the saturated fixed-line and the mobile market, which is becoming saturated, too, cost reduction is of utmost importance from the aspect of meeting owners' requirements. The upstream merger enables cost reduction, as well as the optimization of financial and human resources through fully exploiting synergies.

As a result of gradual harmonization, Magyar Telekom Group can create value at a high scale, through capturing additional revenues on one hand, on the other hand optimizing operational and capital expenditure.

The preliminary forecasts show significant financial impact in terms of revenue increases and cost reductions. The actual impact on the following years naturally depends on the timing of the specific measures.

The legal upstream merger of T-Mobile Hungary Rt into Magyar Telekom Ltd. – as an initial step towards harmonization – enables the Company to exploit the opportunities that lie in establishing a more cost-efficient and optimal corporate structure, in compliance with statutory requirements.

Of course, due emphasis is to be put on not jeopardizing the conditions that enable the Company to meet the specific requirements of the mobile market, maintaining competitiveness, mobile-specific expertise, flexibility and the business unit's necessary high-level independence in the new structure.

There are certain specific business opportunities and quantifiable financial benefits of T-Mobile Hungary Ltd.'s upstream merger into Magyar Telekom Ltd., whereas on the other side there are manageable risk factors. Based on preliminary calculations the overall positive financial impact deriving from the business advantages will significantly surpass incurred costs or potential risks.

Resolution proposal

The shareholders agree with the intention of Magyar Telekom Ltd.'s (1013 Budapest, Krisztina krt. 55., Corporate Registry No.: 01-10-041928) unification with T-Mobile Hungary Ltd. (1117 Budapest, Kaposvár u. 5-7., Corporate Registry No.: 01-10-042361) by means of the upstream merger of T-Mobile Hungary Ltd. into Magyar Telekom Ltd.

The General Meeting calls the attention of the Board of Directors to the fact that the Company's draft balance sheet and draft inventory of assets, as well as the opening balance sheet and inventory of assets of the successor Company must be prepared by the date of the transformation, September 30, 2005.

The General Meeting identifies the following auditor to verify the draft and final balance sheets and inventories of assets, upon consideration of the stipulations in §63 (4) of the Companies Act, too.

Metrum Könyvszakértő Kft.
H-1114 Budapest
Kemenes u. 6
Corporate Registry No.: 01-09-067958

The General Meeting hereby authorizes the Board of Directors of Magyar Telekom Ltd. to conclude a contract with the independent auditor.

The shareholders hereby instruct the Board of Directors to have the balance sheets and inventories of assets verified by the Company's Supervisory Board, too.

The General Meeting draws the attention of the Board of Directors to the fact that that the draft of the upstream merger contract, the draft of the potential modifications of the legal successor company's Articles, the draft of the means to settle accounts with those who do not wish to be shareholders of the legal successor company – in compliance with statutory requirements – as well as a written report on the benefits and drawbacks of the upstream merger must be prepared and these documents must be submitted to the General Meeting.

The General Meeting resolves that the Company shall issue an announcement 30 days prior to the second General Meeting held in connection with the upstream merger, in which the shareholders are requested to state their intention – by the date of the second General Meeting – if they do not wish to remain to be shareholders of the legal successor company.

Pursuant to the General Meeting's decision, the corporate format of the Company remains unchanged (company limited by shares).