

AMENDED AND RESTATED RULES OF PROCEDURE  
OF THE SUPERVISORY BOARD OF  
MAGYAR TELEKOM PLC.

April 26, 2007

## 1. General Rules

- 1.1. The Supervisory Board (hereinafter: SB) supervises the management of the Company for the General Meeting.  
The SB carries out its activities pursuant to Act IV of 2006 on Business Associations (hereinafter: "Companies Act" or "CA"), and the Articles of Association of Magyar Telekom Nyrt. in force (hereinafter: Articles).
- 1.2. Within its scope of authority provided by the statutes the SB may request information from the Company's senior officials and employees; and may examine the books and documents of the Company. (CA Section 35 (2), Articles: Section 8.1)
- 1.3. The SB shall examine the important reports of business policy that are on the agenda of the General Meeting as well as all submissions that fall into the exclusive scope of authority of the General Meeting. The General Meeting may pass a resolution on the annual report prepared in accordance with the Act on Accounting and the use of the profit after income tax only upon receipt of the written report of the Supervisory Board, whereas the proposal of the Board of Directors on the payment of dividend and the management report can only be submitted to the GM - simultaneously with the report in accordance with the Act on Accounting - with the prior approval of the SB. (CA Section 35 (3), 220 (3), 312 (3), Articles 8.3).
- 1.4. The SB expresses its opinion regarding the selection, recall of the auditor and the content of the contract to be concluded with the auditor.

## 2. Organization of the SB

- 2.1. The SB consists of 3-15 members. (CA Section 34 (1), Articles 8.2.1.)  
The members are elected by the annual General Meeting. The assignment of the members of the Supervisory Board lasts for a term of three years from the date of the annual General Meeting until May, 31 of the third year subsequent to their election, however, if the General Meeting in the third year is held prior to May 31, than their assignment lasts until the date of the General Meeting. (Articles 8.2.1.)  
The holder of the "B" series voting preference share is entitled to nominate one (1) SB member for election as well as to initiate the member's recall. (Articles 2.3.2.1.)
- 2.2. The majority of the members of the acting SB must be independent. The SB member is independent if he has no other legal relationship with the Company than his SB membership. (CA Section 309 (2))
- 2.3. The SB member shall not be regarded as an independent member, if
  - a. he is an employee or an ex-employee of the Company, in the latter case the conflict of interest exists for five years from the termination of the employment;
  - b. provides advisory services or other activities as a retained advisor for the Company or its senior managers in return of remuneration;

- c. he is a shareholder of the Company who either directly or indirectly owns at least 30% of the votes or is a close relative/common-law spouse to such person [Civil Code, Section 685. § b);
- d. he is a close relative to a – non independent – senior manager of the Company;
- e. he is entitled to receive remuneration in case of the profitable operation of the Company or receives any other remuneration besides his fee as a SB member from the Company or an affiliated business association to the Company;
- f. he is in a legal relationship with a non-independent member of the Company in another business association on the basis of which the non-independent member has controlling or supervisory rights;
- g. he is the independent auditor of the Company or an employee/partner of the auditor within three years from the termination of this legal relationship;
- h. he is a senior manager in a business association where the independent Board member is the senior manager of the publicly operating company. (CA Section 309 (3) and 310)

- 2.4. The Works Council - after hearing the opinion of the trade union - nominates for election the employee representatives (CA Section 39 (1); Articles 8.2.4.)

At the nomination of the employee representatives of the SB, the Works Council specifies the order of nominees with taking the prevailing number of SB members into account. The members are elected by the annual General Meeting for the same period as the members of the non-employee bodies are elected.

- 2.5. SB membership terminates with:
- expiration of the assignment period;
  - recall;
  - resignation;
  - death;
  - termination of employment of the employee delegate (the employee delegate can only be recalled by the General Meeting upon the proposal of the Work Council, except if the Work Council does not meet its legal obligations to propose the recall of the delegate in spite of the existence of a cause that triggers the recall of such delegate according to the provisions of the Act. (CA Section 39 (6);
  - the occurrence of any disqualifying event set forth in the CA (the involved SB member shall inform in writing the Chairman of the SB within 15 days of the occurrence of the event);
  - in other case specified by a separate Act.

An SB member may resign at any time, but if the operation of the Company so necessitates, the resignation will only take effect on the sixtieth day from its announcement, except if the General Meeting has already /could have arranged for the selection of the new SB member. Until the resignation's entry into force the SB member

shall participate in making and realizing those decisions that can not be postponed (CA Section 36 (3) 31 (1)-(2)).

### **3. Operation of the SB**

3.1. The SB acts as a body. The SB holds its meetings as necessary but at least three (3) times per year. At its first meeting the SB elects a chairman (if necessary, a deputy chairman or deputy chairmen from among its members). The SB shall establish its own Rules of Procedure that is subject to the approval of the General Meeting (CA Section 34 (2) (4); Articles 8.4.1.).

It may assign certain supervisory tasks to any of its members, or may divide supervisory tasks among its members on a permanent basis (CA Section 35 (1)).

3.2. The Chairman of the CB convenes the SB meetings.  
Any SB member, specifying the reason and the purpose, may at any time request in writing to call a meeting, if the Chairman fails to take the necessary steps within eight (8) days upon receipt of such written request and fails to convene such meeting to be held within thirty (30) days. (Articles 8.4.2.).

3.3. Notice of the meeting shall be sent to the SB members 15 days before the date of the meeting by courier (express mail) or electronic mail (with the use of an e-mail attachment encryption program) or telefax to the address or fax number specified by the SB member concerned.

If there is no such address the notice shall be sent to the last known address or fax number of the member concerned.

The notice shall contain the agenda, venue and date of the meeting.

Discussion materials must be attached to the notice in Hungarian or English.

3.4. The SB meeting has a quorum if 2/3 of the elected members are present. If the Supervisory Board is comprised of three members or if the above mentioned 2/3 of the members is less than three persons the presence of three persons is necessary to constitute a quorum. If the number of the members of the SB falls below 3 or if there is no one to convene a meeting the Board shall convoke the General Meeting in order to restore the proper operation of the SB. (CA Section 34 (2) (5); Articles 8.4.3).

3.5. If the meeting does not have a quorum it shall be re-convened within 15 days.

3.6. SB meetings shall be chaired by the Chairman of the SB. The Chairman shall nominate the Minute Keeper and the member who authenticates the Minutes, puts issues on the vote and announces the result of the voting (Articles 8.4.4.).

3.7. In case of his absence – or if he is prevented - the Chairman shall be substituted by the Deputy Chairman, in case of lacking a Deputy Chairman, the Chairman requests a member to preside over the meeting.

3.8. The meetings are held in Hungarian and English.

Comments made in Hungarian shall be simultaneously translated into English, whereas, comments made in English shall be simultaneously translated into Hungarian.

- 3.9. The SB passes resolutions by open voting, with simple majority. In the event of a tie vote, the proposal supported by the Chairman, or, in case of his absence, the proposal supported by the Deputy Chairman shall be approved. If the Chairman (Deputy Chairman) is not present at the meeting a proposal cannot be considered approved in the event of a tie vote, and the item must be discussed again at the next meeting.
- 3.10. The members of the SB shall act in person; no representation is permitted (CA Section 34 (3)).
- 3.11. If any of the members is prevented and there is an appropriate reason, upon the decision of the Chairman (Deputy Chairman, Presiding Chairman) the meeting may be held by means of a conference call, if the communication equipment makes it possible for all members to hear each other simultaneously.  
Such participation at the meeting is to be considered as presence.
- 3.12. The SB may pass resolutions on any issue without holding a meeting if SB Members received the submission requiring a decision beforehand and 2/3 of the SB members cast their affirmative votes in writing (by fax). The general rules apply to the validity of the resolution. The resolution and its approval by the respective SB Members shall be handled according to the rules on the minutes. If any SB member requests to convoke an SB meeting, the meeting must be held.
- 3.13. At the proposal of the Chairman (Deputy Chairman-Presiding Chairman), with a two-thirds majority vote of the members present, a closed meeting may be held. Besides the SB Members only those invited for a given issue may be present at closed meetings.
- 3.14. To prepare its position on certain issues the SB may set up committees – comprised from its own members – on a permanent or an ad hoc basis. The rules of procedure of the permanent committee (rules of operation) shall be established by such committee and shall become effective upon its approval by the Supervisory Board. To prepare a position requiring special expertise the SB may commission external experts at the expense of the Company.
- 3.15. Permanent invitees to the SB meetings are:
  - the Chairman and the Deputy Chairman of the Management Committee and the member appointed by them;
  - head of the Company's internal audit unit;
  - legal counsel of the Company;
  - administrative personnel (minute keeper, interpreter).
- 3.16. Ad hoc invitees to the SB meetings:
  - the auditor of the Company if the SB initiated his hearing at the meeting, or
  - if the auditor requests to participate the SB meeting with consultation rights (CA Section 43 (2));

- expert, if his invitation is initiated by SB members to the meeting or certain agenda items of the meeting. The SB decides upon the attendance of such expert by vote at the commencement of the meeting.
- 3.17. The administrative - technical conditions required for the operation of the SB (keeping of minutes, interpretation, meeting room, tape recorder, overhead projector, etc.) will be provided and their costs will be borne by the work organization of the Company.

#### **4. Audit Committee**

- 4.1. The General Meeting elects a 3-5 member Audit Committee from the independent members of the SB for the same duration as described in Section 2.1. herein. The Audit Committee shall act within its scope of rights provided by the AC and the Articles as well as by the SB and in compliance with the rules of the Budapest Stock Exchange, the New York Stock Exchange and the SEC (CA Section 311 (1); Articles Section 8.7.1.)
- 4.2. If the number of the members of the Audit Committee falls below 3 the Board – upon the notification of the SB – shall convoke the General Meeting to restore the proper operation of the Audit Committee. The Audit Committee shall establish its own Rules of Procedure that enters into force upon its approval by the SB. (Articles Section 8.7.3.)

#### **5. Minutes**

- 5.1. Minutes of the SB meetings shall be taken in Hungarian that must be translated to English prior to its authentication. Both Minutes shall be authenticated. In case of any conflict between the Hungarian and the English version, the English version shall prevail to the extent that is permitted by the Hungarian law (Articles Section 8.4.5.)
- 5.2. The minutes shall contain:
- the venue and date of the meeting;
  - the names of the participants;
  - the agenda;
  - the names of the Chairman of the meeting, the Keeper of the Minutes and the Authenticator of the Minutes;
  - the main issues questioned during the discussion of the individual agenda items and the answers to such questions;
  - transcription of individual SB Members' contributions to the discussion, provided that the respective SB Member requests so;
  - the resolutions, the number of votes cast for and against the resolutions and the abstentions;
  - objections to the resolutions (provided the objecting SB Member requests the objection be entered into the Minutes).
- 5.3. At the request of any participant the contributions, opinions and objections shall be recorded in the minutes verbatim.
- 5.4. The minutes are signed by the Chairman and the Minute Keeper and are certified by an SB member present.

- 5.5. Following certification the minutes shall be sent in English and Hungarian to all SB members and participants and to persons who were invited to the discussion of specific agenda items. SB members may query the accuracy of the Minutes, including its translation, within fifteen (15) days upon receipt.
- 5.6. The minutes recorded at closed meetings are available exclusively to participants specified under Section point 3.13. herein.

## **6. Tasks relating to the General Meeting**

- 6.1. Members of the SB participate at the General Meeting without the right to vote. (CA Section 34 (3); Articles 6.5, 6.20.)
- 6.2. The SB convenes an extraordinary General Meeting if, in its opinion, the activities of the management
- infringe a statute, the Articles of Association or the resolutions passed by the General Meeting; or
  - offend the interests of the Company or its shareholders (CA 35 (4); Articles 8.5.)

The SB makes a proposal as to the agenda of the extraordinary General Meeting called with the aforementioned purpose.

- 6.3. The SB shall examine every important report on the business policy and every submission that is made on matters falling into the exclusive competence of the General Meeting. (CA Section 32 (3), Articles 8.5.) The General Meeting may pass a resolution on the annual report prepared in accordance with the Act on Accounting and the use of the profit after income tax only upon receipt of the written report of the Supervisory Board, whereas the proposal of the Board of Directors on the payment of dividend and the management report can only be submitted to the GM - simultaneously with the report in accordance with the Act on Accounting – with the prior approval of the SB. (CA Section 35 (3), 220 (3), 312 (3), Articles 8.3).
- 6.4. The Board of Directors shall make available to the SB its submissions to the General Meeting at least 25 days prior to the General Meeting.
- 6.5. The SB shall forward its report set forth under Section 6.3. in time to allow the publication of the main data contained in the report within fifteen (15) days prior to the General Meeting. (CA Section 304 (1); Articles 5.1.)
- 6.6. At the General Meeting, the Chairman or Deputy Chairman of the SB - or in case of his absence or prevention the SB member designated by him - verbally presents the report of the SB in full during the discussion of the given agenda item, or, if this is impossible because of the length of the report, he provides a summary of it. (Articles 8.3.)

## **7. Liability of the members of the SB**

- 7.1. The SB members – According to the provisions of the Civil Code on jointly causing damage - have an unrestricted and joint and several liability to the Company for damages caused by a breach of their supervisory obligations (CA Section 36. (4); Articles 8.6.)
- 7.2. The SB members are obliged to keep in strictest confidence the information obtained by them on the Company's business. (CA Section 36 (3) and 27 (1))

## **8. Conflict of Interest**

The members of the SB, their close relatives as defined in Section 685. (b) of the Civil Code or any business association in which these persons hold an interest of over 10 percent, may not hold a stake of over 5 percent in, may not be employed by, may not be officials of and may not enter into a contractual agreement with any business association that is a competitor of the Company, except if permitted by law and the General Meeting, with a 3/4 majority, gives exemption from the provisions of this paragraph. (Articles Section 13.)

Pursuant to the authorization, set forth in CA Section 25 (1), SB members may be elected to posts or to be Members of Supervisory Boards of such other companies that do similar activity to that of the Company, in which the Company holds at least 25% ownership and/or voting right.

Members of the Supervisory Board and their close relatives (Civil Code Section 685 (b)) may on their own behalf and to their benefit conclude agreements with the Company relating to the use of public purpose telecommunications services available to anyone (CA Section 36 (3), 25 (2)). The above rules shall not have an effect on the provisions regarding conflict of interest set forth in the Companies Act and other laws.

## **9. Indemnification of SB members**

### **9.1. Indemnification**

To the extent permitted by law the Company shall indemnify any present or former member of the Supervisory Board who was or is a party or is threatened to be a party to any threatened, pending or concluded civil, criminal or administrative procedure by reason of his above position at the Company for costs (including attorney's costs) ordered by the court, fines or amounts paid in settlement actually and reasonably incurred by him in connection with the above proceedings or suits if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal proceeding, he had no reasonable cause to believe that his conduct was unlawful. (Articles, Section 14.)

### **9.2. Advancement of costs**

The Company may reimburse the costs borne by a member of its Supervisory Board in any civil, criminal or administrative proceeding or action (including reasonable attorney's fees) to the given person prior to the conclusion of the procedure, if the SB member



undertakes to pay back the amount if it is decided that he is not entitled to indemnification by the Company as defined under paragraph 9.1.

### 9.3. Insurance

The Company has the right to take out and maintain insurance to the benefit of the current and former members of the Supervisory Board in respect of the liability borne by or imputed to them by reason of or in connection with such position, irrespective of whether or not the Company is entitled to indemnify them because of the given liability in accordance with the above 9.1. and 9.2 paragraphs of these Rules of Procedure or the statutes.

## 10. Miscellaneous

- 10.1 The Supervisory Board maintains an orientation program for new members of the Supervisory Board. The orientation program includes comprehensive information about the Company's business and operations, general information about the Supervisory Board and its committees, including a summary of members of the Supervisory Board compensation and benefits and a review of members of the Supervisory Board duties and responsibilities.
- 10.2 The Supervisory Board maintains a continuing education program for all members of the Supervisory Board. The Supervisory Board recognizes the importance of continuing education for its members and is committed to provide such education in order to improve the performance of the Supervisory Board. It is the responsibility of the Chairman of the Supervisory Board to advise the members of the Supervisory Board about their continuing education, including relevant leading-edge corporate governance issues. The members of the Supervisory Board are encouraged to participate in continuing Supervisory Board member education programs.
- 10.3. The SB approves the Internal Audit Work Plan of the Company. A report on internal audit activities must be submitted to the SB meeting on a regular basis. The SB decides in a resolution whether to accept such a report.
- 10.4. Members of the SB may not be instructed by the members of the business association or his employer with respect to their activities carried out as part of such positions. (CA Section 34 (3)).
- 10.5. The senior officials and employees of the Company are obliged, in the course of the supervisory activities of the SB, to supply all information and make the necessary documents and files available to the SB. If the above persons do not comply with their such obligation the SB shall inform the Board of Directors about such failure without delay.
- 10.6. The management of the Company provides the members of the SB the possibility of entering the official premises of the Company to facilitate fulfillment of their tasks.
- 10.7. The General Meeting may provide remuneration to the members of the SB.

- 10.8. A person elected to be a Supervisory Board member shall, within fifteen (15) days as of acceptance of his new office, inform in writing the business associations where he is already an SB member. (CA Section 36 (3) and 24 (3))
- 10.9. The employee representative Supervisory Board member shall inform – with the exception of confidential information - the community of employees on the activities of the SB through the Work's Council. (CA Section 38 (4))

## 11. Annual Evaluation of the Supervisory Board

The Supervisory Board shall perform an annual comprehensive self-evaluation of its performance. This self-evaluation should include a review of the Supervisory Board's contribution as a whole and should specifically review areas in which the Supervisory Board believes a better contribution could be made. Its purpose is to increase the effectiveness of the Supervisory Board, not to target individual Supervisory Board members. The Supervisory Board shall meet annually to discuss the results of this critical self-evaluation.

### Final clause

This Rules of Procedure was approved by the Annual General Meeting of Magyar Telekom Plc. with Resolution No. 10/2007 (IV.26.).