

## PARTNERSHIP COOPERATION AGREEMENT FOR DIGITAL HUNGARY

by and between the

*Government of Hungary* (hereinafter referred to as the “*Government*”)

represented by

Prime Minister *Viktor Orbán* (based on Gov. Resolution No. 1068/2014. (II. 19.))

and

*Magyar Telekom Telecommunications Public Limited Company* (registered seat: 1013 Budapest, Krisztina körút 55., company reg. number: Cg. 01-10-041928, hereinafter, jointly with its Hungarian affiliates, referred to as “*Telekom*”)

represented by *Kerstin Günther*, Chairperson of the Board of Directors and *Christopher Mattheisen*, Chief Executive Officer

with the accord of *Timotheus Höttges*, Chief Executive Officer of Deutsche Telekom AG,

hereinafter the Government and Telekom are referred to collectively as the “*Parties*” as follows.

## I. PREAMBLE

In view of

- (i) the Government's intention to further improve the competitiveness of the Hungarian economy and to execute its Hungarian Growth Plan;
- (ii) the importance of the telecommunication and ICT sectors for competitiveness, productivity and as a backbone for the industrial basis of Hungarian economy and also as an investment enabler in general, contributing approximately 12% to the GDP and being responsible for nearly 25% of Hungarian economic growth;
- (iii) the leading and strategic role Telekom has played in the telecommunication and ICT sectors in Hungary from the beginnings; furthermore
- (iv) Telekom's role in attracting German and other foreign direct investment to Hungary as well as maintaining and further enhancing technology transfer and know-how exchange between Hungary and Germany (being Hungary's most important economic partner),

the Government and Telekom have decided to sign this Cooperation Agreement thus establishing a Partnership for Digital Hungary (hereinafter referred to as this "Agreement").

Overall goals of this Agreement are as follows:

- (i.) to promote dialogue, characterized by mutual trust and predictability, to foster the long-term commitment of Telekom in / to Hungary;
- (ii.) to maintain Telekom's strategic role in the efforts to increase the Hungarian economy's performance, productivity and competitiveness;
- (iii.) to further improve the provision of state of the art telecommunication and related services to Hungarian citizens and companies, in an environment conducive to network investment;
- (iv.) to support the rollout of new technologies and services to meet – or even exceed – the objectives, if possible, before the relevant deadlines, of the Digital Renewal Action Plan, the National Infocommunication Strategy and the EU Digital Agenda 2020, and, as part of this, to provide the whole Hungarian population with access to high-speed broadband internet as soon as possible, with a focus on:
  - digital literacy;
  - equal opportunities and improved quality of life;
  - e-administration and e-services for all citizens and businesses;
  - productivity and competitiveness of companies through digitalization; and
  - social and economic development.

## II. Main elements of Partnership Cooperation Agreement for Digital Hungary

### 1. Investments to strengthen Hungary's competitiveness

For over twenty years, Telekom has been one of the largest investors in the Country and the most important investor in the Hungarian telecommunication market, which has been transformed from an underdeveloped system into a cutting edge industry providing most advanced, affordable world-class solutions, such as super-fast fixed optical internet access or mobile 4G/LTE based services.

In the past twenty years Telekom invested more than 1,800 billion Hungarian Forints in Hungary. Such amount is more than two and a half times of the dividends paid by Telekom to foreign shareholders in the same period.

Telekom welcomes and supports the Government's endeavors to ensure that the whole Hungarian population has access to broadband internet as well as the Government's goal that - building on and continuing the developments to date - Hungary, as a frontrunner in the European Union, should complete this target by 2018, i.e., two years before the expiry of the deadline set out in the EU Digital Agenda 2020, thereby significantly fostering Hungary's competitiveness.

The Government welcomes that Telekom, concurring with and promoting the aforementioned Government goal, plans to invest additional hundreds of billions Hungarian Forints in Hungary over the next years, and thereby significantly contributes to all Hungarian households having access to high-speed broadband internet.

The Government intends to support such network and ICT investments by

- (i) leveraging EU and State funding regarding network development;
- (ii) revising the taxation rules to foster network development;
- (iii) revising the sector-specific regulatory environment conducive to network investment;
- (iv) generally introducing and promoting public e-services.

## 2. Financial Contribution to State Budget

The Government acknowledges and welcomes Telekom's substantial contribution to the state budget and social security system. On an annual basis Telekom pays more than 140 billion Hungarian Forints in Hungary in terms of corporate taxes, value added taxes, special taxes, other taxes and social security contributions, making Telekom one of the key taxpayers in the country.

## 3. Employment

The Government acknowledges and welcomes that Telekom, as one of the largest employers of the Country with a long term strategic commitment, employs - directly and together with its affiliates indirectly - over 12,000 persons in Hungary with over one hundred thousand employees working at Telekom's vendors. Telekom's employees do not only benefit from an excellent salary level, but also their working environment, working culture, efficiency and access to education and training are well above the domestic averages.

4. Suppliers

The Government acknowledges that Telekom is a key business partner for Hungarian small and middle size enterprises, procuring goods and services from almost 3,000 Hungarian SME vendors, supporting thereby the Hungarian national economy to a great extent.

The Parties express their intent to further promote and develop cooperation with Hungarian suppliers, subject to European Union and Hungarian competition laws. Telekom's effort to incorporate Hungarian suppliers in the supply chain and to invite eligible suppliers to its tenders shall be supported and/or facilitated by the Hungarian Investment and Trade Agency (HITA).

5. Innovation

The Parties consider innovation as of key importance for long term sustainable growth. Telekom expresses its readiness to continue to launch innovative services on its networks that provide the highest level solutions to people and companies in Hungary. The Government is ready to encourage and promote this effort with all available tools.

Telekom is strongly committed to innovation and continuously develops cutting-edge, novelty services, providing customers with the highest efficiency and customer experience in various areas of their lives and businesses. In the framework of these efforts, Telekom puts special emphasis on the following service areas, amongst others.

- (i) security of homes and surrounding (towns, villages) – intelligent solutions for homes and communities in a simple, user-friendly way;
- (ii) mobile payment – innovative, convenient and secure mobile phone-based payment solutions;
- (iii) intelligent community card services – comprehensive services designed and tailored to the needs of municipalities, other institutional entities, communities and enterprises;
- (iv) energy and smart metering – cost-efficient offers, and services to households and businesses to monitor and control energy consumption in a simple and smart way;
- (v) digital books – access to a wide library of digitalized literature to spread digital literacy.

With the 'T-City' initiative, Telekom pioneers in the expansion of e-technologies and in improving digital literacy. A further roll-out of these solutions is able to strengthen the concept of the public administration as a service provider.

In addition, Telekom has established high value-added innovative shared service centers in Hungary (TV services, e-health competence center, procurement center of excellence) and plans to create further such centers to serve other Deutsche Telekom Group companies worldwide, thereby generating additional tax basis and jobs in Hungary.

## 6. Professional Education

The Government expresses its intention to make the system of education support more transparent, effective and less bureaucratic. In support of the renewal of the regulatory framework of education, the Government welcomes proposals that are in line with these efforts.

The Government welcomes Telekom's practice to train its employees in a high-tech environment and corporate culture, and thereby to increase their labor market value and their quality of life. The Government acknowledges and welcomes that Telekom spent nearly six billion Hungarian Forints during the past five years on training its employees.

Telekom expresses its intention to participate, in cooperation with the Government, in placing the Hungarian educational systems on digital grounds to meet modern requirements and improve the system's efficiency.

## 7. Telekom's Role in Public Life

The Government welcomes Telekom's active participation in the local and national public life.

As one of the major sponsors, donors and economic stakeholders in the Country, Telekom spent nearly ten billion Hungarian Forints in the past five years on the development of the Hungarian sport and culture and other important areas. Also - within the frames of its corporate responsibility (CR) program - Telekom is intensely engaged in supporting culture, education, environmental protection and working environment and by doing so hugely contributes to the sustainable development in Hungary.



## 8. Cooperation to Further Strengthen the Hungarian Business Environment

The Government invites Telekom to take an active role in reviewing Government programs and draft legislation that may have an impact on the competitiveness of Hungary, and participating in the evaluation of draft legislation having an impact on Hungarian telecommunication sector.

The Parties believe that - by strongly fostering ethical behavior in all of its business dealings, by its anti-corruption program and by applying the best corporate governance practices in its daily operations - Telekom contributes to spread ethical business behavior and corporate culture in the Country and enhancing Hungary's competitiveness in the long-term.

The Parties agree that Telekom - as one of the most important investors in Hungary - can act as a multiplier. Telekom hereby expresses its intention to, when and where appropriate, introduce and promote Hungary internationally as an attractive place to do business and invest. The Parties believe that equal treatment for all Hungarian and foreign investors will contribute significantly to achieving this goal.

## 9. Assessment of the Partnership Between the Government and Telekom

The Parties intend to set up a joint working group to regularly assess the results of their partnership and to possibly determine specific joint projects - at least once every six months - in the framework of this Agreement. The partnership shall be coordinated by the Ministry for National Economy on behalf of the Government.

10. Miscellaneous

This Agreement was prepared in two originals in Hungarian.

This Agreement reflects the parties' long-term strategic objectives and intentions for achieving a Partnership for Digital Hungary; nothing in this Agreement shall create any legally binding obligation on the Parties.

The Parties agree to make this Agreement available to the public.

Budapest, February 21, 2014

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*Orbán Viktor*

Prime Minister

On the part of the Government of Hungary

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*Kerstin Günther*

Chairperson of the Board of Directors

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*Christopher Mattheisen*, Chief Executive Officer  
On the part of Magyar Telekom Plc.

As the Chief Executive Officer of Deutsche Telekom AG, strategic majority shareholder of Magyar Telekom Nyrt., I welcome the contents of the above Agreement.

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*Timotheus Höttges*  
Chief Executive Officer

On the part of Deutsche Telekom AG