Sustainability Report 2009

Life is for sharing.

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GRI content index

GRI (Global Reporting Initiative) is an international organization the purpose of which is to provide a standard framework of guidelines and indicators for preparing sustainability reports, thus ensuring comparability and promoting transparency among companies. The following table helps the reader to find the information included in the report attached to specific GRI indicators. You can read more about the guidelines and the indicators at the following page: http://www.globalreporting.org/Home/LanguageBar/Hungarian.htm

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In accordance with GRI (Global Reporting Initiative) year 2006. guide

(www.globalreporting.org)

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Letter from the Chairman-CEO

Dear Reader,

The Magyar Telekom retained its leading sustainability role in Central Eastern Europe in 2009, too: Our corporate group was ranked 1st by the CSR 24/7 responsible corporate governance survey encompassing 4 countries of the region. In addition, for the first time since the start of our operations we were included in a sustainability index: as a member of the CEERIUS Index launched by the Vienna Stock Exchange, we are among the companies of the region performing best from the aspects of sustainability.

In 2009, Magyar Telekom continued to pursue its sustainability activities in line with our sustainability strategy despite the deepening economic and financial crisis. We are positioning Magyar Telekom as a company offering integrated mobile and fixed-line services, as a result of which, in most cases, we managed to further increase our market shares on our major markets. Due to the impact of the adverse economic trends, however, less customers subscribe to our services, even at lower prices. In order to counterbalance these unfavorable effects, we continued to streamline our organization and adopted cost decreasing measures. Some of these decisions also promote the achievement of our environmental goals, as for example the decrease of our paper and fuel consumption, lead to a decrease in our CO_2 emission into the environment, too.

We continue to consider the mitigation of climate change as a top priority task within and outside of the company alike. By using many of our services, our employees and customers can save on travel or paper consumption. Video-conferencing is increasingly widely used by our staffs, and the number of people registered as users of E-bill (electronic billing) has almost doubled. By means of our Hosting (data park) services, our corporate customers can use ICT services without procuring their own servers, which, in addition to decreasing their costs, improves the utilization levels of servers in general, thus decreasing the energy consumption per individual user, too.

Our paper consumption decreased by more than 50% in one year, which had a favorable impact on our CO_2 footprint. In 2009, it was considered a novelty that we started to use renewable energy sources in Montenegro, too, by putting into operation two self-sufficient base stations running on wind and solar energy. In the framework of the global Earth Hour, we switched off lights in our shops that were open that day, and drew our customers' attention to the problem of climate change by means of a special action. We also organized numerous bicycle events in 2009 to popularize this environment-friendly and healthy means of transportation.

In May 2009, we launched a long-term innovation and development program in the city of Szolnok. The purpose of the cooperation aimed at developing a smart city is to better adapt our IT and communication technology services to our customers' demand, and thus improve the users' quality of life. The main focus of the program, health, education, security and entertainment, also fit in well with our sustainability strategy.

Our Digital Bridge at Small Settlements Program was supplemented by a new element in 2009. In the framework of Digital Bridge Fest, my volunteer colleagues demonstrated at 2-6 locations per each event what opportunities the internet offers to inhabitants of disadvantaged settlements. What is more, the program also included talent contests, the winners of which were offered the opportunity to perform for live audiences. The Internet for Equal Opportunities (Egálnet) Program organized homepage contests for the second time in 2009, where the best homepages received awards.

For several years, the corporate group has put significant emphasis on improving its employees' satisfaction and health and on enabling them to establish their work-life balance. In 2009, we took steps towards this direction by, among other efforts, launching the career management system, widening the use of atypical forms of labor force, as well as a family support program. Our efforts received numerous recognitions in 2009: in addition to being ranked 3rd as part of the Best Employer Survey, we were granted Family-friendly Workplace, Heart-friendly Workplace and Healthy Workplace awards.

We launched an NGO Partnership Program in 2009, in the framework of which, we started to closely cooperate with and provide support to the 3 winning NGOs in the following 3 years. In addition, we wish to involve our colleagues in solving problems on a social level. In 2009, close to five hundred Telekom people participated in different volunteer projects.

In order to ensure the long-term profitability and competitiveness of the company, we are committed to the roll-out of the new generation fixed-line network and the 3rd generation mobile network, despite the unfavorable economic and financial environment. The number of our customers using the world's best[1] mobile internet network increased by more than 60% in 2009. With the roll-out of the 3G network, we expect quickly increasing customer numbers in Montenegro and Macedonia, while the sales of broadband internet services has increased in both countries. By the end of the year, we reached 170 000 households in Hungary by fiber and 370 000 by upgraded cable networks.

Besides developing our networks, we also wish to develop our content services, for the purpose of which, we launched two new thematic television channels in 2009. LifeNetwork broadcasts programs about healthy lifestyles and family life, while OzoneNetwork covers issues of environment protection and climate change, which are topics directly linked to our objectives set in the context of sustainable development.

Our goal remains to make our sustainability performance visible for our customers and employees alike.

Among our colleagues, awareness of sustainable development is excellent and continues to improve, exemplified by the fact that in 2008, 80% of the employees understood the underlying concept, and this result increased to 90% in 2009. We managed to achieve this improvement, among other things, by providing sustainability training to newly hired staff members, continuously updated sustainability news, an intranet page dedicated to sustainability and climate protection, as well as a sustainability chapter in the corporate newsletter.

We strive to further educate our customers by tradition-setting programs like Sustainability Day held for the second time in 2009. I am proud of the fact that in one year, the number of people interested in exemplary sustainability solutions, and thus attending this interactive festival-conference that I personally also find entertaining, doubled.

Even though, a significant improvement of the economic and financial environment is not expected in 2010 either, we shall continue to work for the implementation of the sustainability strategy in course of the last calendar year it encompasses, too. Our plans include utilizing green energy, further decrease of our networks' energy consumption, as well as improving the sustainability awareness of our employees and customers. We continue to seek cooperation with everyone working on solving issues of sustainable development.

Budapest, July 15, 2010.

Christopher Mattheisen
Chairman-CEO

[1] Based on the survey of ArcChart in 2009

About the report

This has been for seven consecutive years that Magyar Telekom compiles its sustainability report, thus this integrated form of presenting the corporate group's environmental, social and economic activities related to sustainable development can be considered a tradition. The main purpose of publishing this report is to make our company's operation transparent for everyone.

In 2009, we continued to pursue our sustainability activities along our current 3-year sustainability strategy, therefore, we did not change most of the report's structure. Following the introductory chapters, we present our sustainability achievements in terms of the key challenges. Due to their importance, the major topics (e.g. partnerships, corporate citizenship, responsible content provision, data privacy, secure mobile phone usage / EMF) in the chapter titled "maintaining trust and credibility" in last year's report are discussed in separate chapters this year.

This is the third year that the report has been prepared in compliance with 3rd-generation Global Reporting Initiative (GRI G+) standards. We applied the initiative's standards again at the highest A+ level.

The report covers the calendar year of 2009.

When compiling the report, we put the emphasis on the information's significance, preciseness, reliability and balanced proportions, as well as the presentation of interrelations in the context of sustainability. At the same time, we strive to provide a comprehensive overview encompassing the international subsidiaries, as well. The data included in the report are historically comparable through adjustment along the changes adopted in the group's composition. When summarizing the environmental goals, we have taken into account only the affiliates of the group in the strategy's base year (2007), which further improves comparability. At the same time, the descriptions of individual environmental factors incorporate the figures of all affiliates that provided data in the given year.

Group members from Romania, Ukraine and Bulgaria have not been included in the reporting process since their environmental, social and economic effects are considered insignificant.

The most important financial data are included in the chapter titled "About the Group", while more detailed information can be found in Magyar Telekom's Annual Report:
http://www.telekom.hu/static/sw/download/Magyar_Telekom_annual_report_2009.pdf

In order to ensure authenticity, we have had the report audited by an independent external party this year, too: B&P CSR Management. The results of the audit can be found in the "certification" chapter.

We provide data to Deutsche Telekom's CR report, too, thus, PricewaterhouseCoopers Germany also audited the energy, waste and fleet data used in the report.

The source of the data in the report are as follows:
- Financial data are from the Group's 2009 Annual Report, IFRS Report, Responsible Corporate Governance Report and external surveys.
- Data related to the society are from data sources within the Group.
- The environment protection data are from a monitorable online data provision system.

Our Sustainability Report has been prepared primarily to respond to the demand of our investors, especially responsible ones, however, it provides valuable information to all stakeholders. The full-text of the report is only published on the internet, however, upon consideration of what our customers might primarily be interested in, a shortened version is also published in a printed format, hard copies of which are available at the T-Shops and our sustainability events.

We continue to strive to think and act in cooperation with our stakeholders, therefore, we ask our readers to send their comments, ideas to fenntarthatosag@telekom.hu.

Éva Somorjai
Chief HR Officer
Senior Executive acting
on behalf of the MC in connection
with the Sustainability Strategy
of the Group

Katalin Szomolányi
Head of the Corporate
Sustainability Department
Professional Supervisor of the
Group Sustainability Strategy

I. About the Group

Magyar Telekom (www.telekom.hu) is Hungary's largest telecommunication provider.
Magyar Telekom offers its residential customers television, internet and telephony via fixed-line and mobile networks, under the T-Home and T-Mobile brands, thus, is Hungary's only „double triple-play" provider. At the same time, as a multiplatform content provider, it launched two thematic television channels in 2009, in addition to origo's internet content provision. M-Factory optimizes the internet content to mobile devices.
Under the T-Systems brand, the Group offers innovative solutions based on state-of-the-art network technologies and cost-efficient, reliable IT applications, in addition to the traditional fixed-line and mobile services.

Origo launched two thematic television channels, which address topics not covered by other players of the television market. LifeNetwork explores subject matters related to healthy lifestyles, family life and preventive healthcare, while OzoneNetwork covers issues of sustainable development, environment protection and climate change. The channels are available as part of T-Home's television service packages and through other digital and analogue cable networks, too.

Magyar Telekom is a majority owner of Makedonski Telekom, Macedonia's leading fixed-line provider and its subsidiary, the market-leader mobile service provider, T-Mobile Macedonia. Magyar Telekom also holds majority interest in Crnogorski Telekom, Montenegro's largest telecommunication service provider, which offers fixed-line, mobile and internet services to its customers.

Magyar Telekom, founded in 1991 (then called Matáv), was privatized in 1993.
The domestic and international initial public offering of Magyar Telekom shares took place in Budapest and in New York in 1997.
Magyar Telekom's majority (59.21%) owner is MagyarCom Holding GmbH, which is solely owned by Deutsche Telekom AG.
As of March 01, 2006, Magyar Telekom's registered corporate name is Magyar Telekom Telecommunications Public Limited Company, abbreviated as Magyar Telekom Plc.
The operational territory of the affiliates is Hungary, Macedonia, Montenegro, Romania, Bulgaria and the Ukraine.
The headquarters of the Group is located at Budapest (Krisztina krt. 55).

You can learn more about the Group and its foreign subsidiaries at:
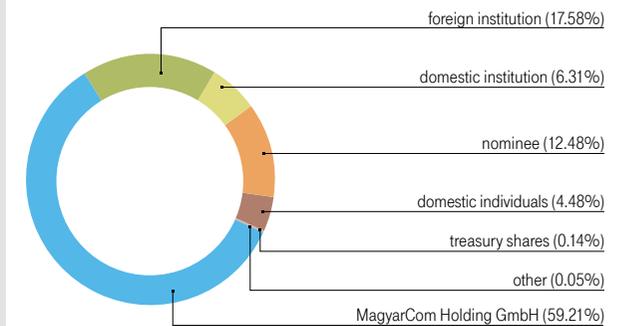http://www.telekom.hu/about_magyar_telekom/magyar_telekom_group

In 2009, the following changes took place in the structure of the Group:
· T-Kábel merged into Magyar Telekom Plc with effect from September 30, 2009.
· ISH integrated healthcare IT provider was acquired.
· Telekom New Media integrated telecommunication applications provider was acquired.

More information about the Group's products and services can be found at the Company's home page: http://www.telekom.hu/services and through the customer service.

Magyar Telekom's ownership structure in 2010-ben (according to the April 30, 2010 status of the share registry) showed the following breakdown in percentages:

Ownership structure of Magyar Telekom

- foreign institution (17.58%)
- domestic institution (6.31%)
- nominee (12.48%)
- domestic individuals (4.48%)
- treasury shares (0.14%)
- other (0.05%)
- MagyarCom Holding GmbH (59.21%)

You can read more about Magyar Telekom's ownership structure at:
http://www.telekom.hu/investor_relations/magyar_telekom_shares/ownership_structure

Magyar Telekom Group's headcount (FTE on December 31, 2009) is 10 828.

In order for the comprehensive understandability of the diagrams, one must need to see Magyar Telekom Group's structure, which changed in course of the years in question as follows:

Changes of the Group

2005	2006	2007	2008	2009
Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.
T-Mobile[2]	-	-	-	-
Egertel[3]	-	-	-	-
Emitel	Emitel[4]	-	-	-
BCN	BCN	BCN[5]	-	-
-	-	ICON[6]		
-	-	INTEGRIS[7]	-	-
-	-	IQSYS[8]	IQSYS[9]	IQSYS
-	-	KFKI-LNX[10]	KFKI[11]	KFKI
-	-	T-Systems Hungary[12]	-	-
T-Kábel	T-Kábel	T-Kábel	T-Kábel[13]	-
EPT	EPT	EPT	EPT	EPT
T-Online	T-Online[14]	-	-	-
Cardnet[15]	-	-	-	-
-	-	-	PRO-M[16]	PRO-M
-	-	-	Dataplex[17]	Dataplex
-	-	-	M Factory[18]	M Factory
-	-	-	Origo[19]	Origo
TCG[20]	TCG	TCG	TCG	TCG
MakTel[21]	MakTel	MakTel	MakTel	MakTel

You can read more about the history of the Company at:
http://www.telekom.hu/about_magyar_telekom/company_history

[2] T-Mobile continues to operatea s an independent brand within Magyar Telekom (as of 03.01.2006.)

[3] Egertel's relevant data are included among those of Magyar Telekom (It operates inan MT-owned building and on MT's network etc.)

[4] Emitel merged into Magyar Telekom's fixed-line network in 2007.

[5] BCN continues its operations as part of KFKI System Integration as of 2008.

[6] ICON provided data for the fist time in 2007, its data are included among those of BCN.

[7] INTEGRIS provided data for the first time in 2007, its data are included among those of BCN.

[8] IQSYS provided data for the first time in 2007, its data are inlcuded among those of BCN.

[9] IQSYS provided data for the first time on behalf of the former INTEGRIS in 2008, as legal successor of IQSYS and T-Systems Hungary.

[10] KFKI-LNX provided data for the first time in 2007, its data are included among those of BCN.

[11] KFKI provided data for the first time in 2008 on behalf of the former BCN, ICON and KFKI-LNX, as their legal successor.

[12] T-Systems Hungary provided data for the first time in 2007, its data are included among those of BCN.

[13] T-Kábel continues its operations within Magyar Telekom (as of 09.30.2009.)

[14] T-Online Hungary's access business merged into Magyar Telekom in 2007, while its web and content business continues its operations under the [origo] Zrt. name as an affiliate of Magyar Telekom Group.

[15] Cardnet was sold in 2006.

[16] PRO-M provided data for the first time in 2008.

[17] Dataplex provided data for the first time in 2008.

[18] Mfactory provided data for the first time in 2008.

[19] origo provided data for the first time in 2008.

[20] The data of the Montenegrin Crnogorski Telekom are under the name TCG.

[21] The data of Makedonski Telekom and T-Mobile Macedonia are under the name MakTel.

Magyar Telekom Group: summary of operating statistics

Consumer Services Business Unit (CBU)	December 31, 2008.	December 31, 2009.	Change (%)
Fixed line operations			
Voice services			
Total voice access [1]	1,921,486	1,740,619	(9.4)
Payphone	16,274	14,788	(9.1)
Total outgoing traffic (thousand minutes) [1]	3,550,076	3,135,892	(11.7)
Blended MOU (outgoing)	151	159	5.3
Blended ARPA (HUF)	3,650	3,630	(0.5)
Data products			
Retail DSL market share (estimated) [2]	54%	58%	n.a.
Cable broadband market share (estimated) [2]	18%	19%	n.a.
Number of retail DSL customers	404,878	435,558	7.6
Number of cable broadband customers	127,683	152,878	19.7
Number of fiber optic connections	0	7,247	n.a.
Total retail broadband customers	532,561	595,683	11.9
Blended broadband ARPU (HUF)	5,103	4,427	(13.2)
TV services			
Number of cable TV customers	422,936	406,841	(3.8)
Number of satellite TV customers	5,338	156,142	2,825.1
Number of IPTV customers	28,496	67,430	136.6
Total TV customers	456,770	630,413	38.0
Blended TV ARPU (HUF)	3,537	3,280	(7.3)

Consumer Services Business Unit (CBU)	December 31, 2008.	December 31, 2009.	Change (%)
Mobile operations			
Mobile penetration [3]	121.8%	117.7%	n.a.
Mobile SIM market share [2]	43.9%	43.4%	n.a.
Number of customers (RPC)	4,648,323	4,343,672	(6.6)
Postpaid share in the RPC base	29.1%	35.2%	n.a.
MOU	127	126	(0.8)
ARPU (HUF)	3,397	3,164	(6.9)
Postpaid	7,265	6,454	(11.2)
Prepaid	1,862	1,670	(10.3)
Overall churn rate	16.9%	27.5%	n.a.
Postpaid	12.1%	15.1%	n.a.
Prepaid	18.8%	33.1%	n.a.
Ratio of non-voice revenues in ARPU	15.2%	16.7%	n.a.
Average acquisition cost (SAC) per gross add (HUF)	6,813	7,680	12.7
Number of mobile broadband subscriptions	182,687	326,384	78.7
Mobile broadband market share [2]	53.4%	45.9%	n.a.
Population-based indoor 3G coverage [2]	n.a.	65.4%	n.a.

Business Services Business Unit (BBU)	December 31, 2008.	December 31, 2009.	Change (%)
Fixed line operations			
Voice services			
Business	110,389	100,172	(9.3)
Managed leased lines (Flex-Com connections)	6,037	4,745	(21.4)
ISDN channels	288,338	270,466	(6.2)
Total lines	404,764	375,383	(7.3)
Total outgoing traffic (thousand minutes)	798,157	656,372	(17.8)
MOU (outgoing)	191	178	(6.8)
ARPU (HUF)	5,457	5,162	(5.4)
Data products			
Number of leased line Internet subscribers	617	558	(9.6)
Number of retail DSL customers	31,805	32,358	1.7
Number of wholesale DSL access	196,776	161,270	(18.0)
Number of total DSL access	228,581	193,628	(15.3)
Retail DSL ARPU (HUF)	13,743	12,712	(7.5)
Mobile operations			
Number of customers (RPC)	713,469	775,912	8.8
Overall churn rate	5.8%	8.0%	n.a.
MOU	325	336	3.4
ARPU (HUF)	7,655	6,458	(15.6)
Number of mobile broadband subscriptions	81,339	102,161	25.6
Ratio of non-voice revenues in ARPU	20.2%	23.6%	n.a.
Average acquisition cost (SAC) per gross add (HUF)	9,092	8,280	(8.9)

Macedonia	December 31, 2008.	December 31, 2009.	Change (%)
Fixed line operations			
Voice services			
Fixed line penetration	20.9%	18.5%	n.a.
Total voice access	429,544	372,015	(13.4)
Payphone	1,692	1,218	(28.0)
Total outgoing traffic (thousand minutes)	1,258,294	969,538	(22.9)
Data and TV services			
Retail DSL market share (estimated)	81%	83%	n.a.
Number of retail DSL customers	81,858	109,617	33.9
Number of wholesale DSL access	17,008	18,751	10.2
Number of total DSL access	98,866	128,368	29.8
Number of dial-up customers	5,910	1,813	(69.3)
Number of leased line customers	129	228	76.7
Number of IPTV customers	1,952	14,150	624.9
Mobile operations			
Mobile penetration	110.5%	116.1%	n.a.
Market share of T-Mobile Macedonia	59.4%	56.4%	n.a.
Number of customers (RPC)	1,379,191	1,381,094	0.1
Postpaid share in the RPC base	26.2%	30.3%	n.a.
MOU	96	104	8.3
ARPU (HUF)	2,586	2,678	3.6

Montenegro	December 31, 2008.	December 31, 2009.	Change (%)
Fixed line operations			
Voice services			
Fixed line penetration	28.0%	26.3%	n.a.
Total voice access	182,235	176,890	(2.9)
Total outgoing traffic (thousand minutes)	563,139	424,544	(24.6)
Data and TV services			
Number of retail DSL customers	38,956	54,983	41.1
Number of wholesale DSL access	0	0	n.a.
Number of total DSL access	38,956	54,983	41.1
Number of dial-up customers	17,455	5,184	(70.3)
Number of leased line customers	188	191	1.6
Number of IPTV customers	17,531	29,612	68.9
Mobile operations			
Mobile penetration [4]	185.6%	208.7%	n.a.
Market share of T-Mobile Crna Gora [4]	36.1%	36.7%	n.a.
Number of customers (RPC)	506,519	531,457	4.9
Postpaid share in the RPC base	17.6%	19.6%	n.a.
MOU	105	96	(8.6)
ARPU (HUF)	2,886	2,459	(14.8)

[1] Including VoIP and VoCable.
[2] Data relates to Magyar Telekom Plc.
[3] Data relates to mobile penetration in Hungary, including customers of all three service providers.
[4] Data published by the Montenegrin Agency for Electronic Communications and Postal Services (EKIP) based on the total number of active SIM cards in the previous 3 months.

Business value produced and distributed:

Direct business value produced	2008	2009
Revenues (total revenue + share of after-tax earnings of affiliates and joint ventures)	674,397 million HUF	643,880 million HUF
Business value distributed		
Operating costs (directly revenue-related expenditure + net other operating costs)	304,358 million HUF	293,018 million HUF
Employee salaries and benefits (personnel expenditure)	100,320 million HUF	101,918 million HUF
Payments due to capital investors (paid dividend + net financial earnings)	107,360 million HUF	109,865 million HUF
Payments due to the state budget (income tax)	27,698 million HUF	21,529 million HUF
Community investments (donations, institutional patronage, volunteer work, education)*	1,256 million HUF	671 million HUF
Withheld earnings (earnings after tax + depreciation – paid dividend)	**134,661 million HUF**	**117,550 million HUF**

Note: In brackets the appropriate lines of the IFRS profit and loss statement are given (with the exception of community investments because there is no such line in the P&L statement)

Substantial financial support from the State	2007	2008	2009
Tax benefit used	355 million HUF	294 million HUF	1,137 million HUF
Deduction from tax base due to donations	180 million HUF	398 million HUF	98 million HUF
Tax gain by taxable income decrease due to R&D	12 million HUF	60 million HUF	53 million HUF

You can read more about the company's financial performance in Magyar Telekom's Annual report: http://www.telekom.hu/static/sw/download/Magyar_Telekom_annual_report_2009.pdf

II. Vision, Mission, Policies, Strategies

Vision:

As a market leading telecommunications and information technology provider the Magyar Telekom Group works for the better future of the entire society. It offers top quality, efficiency and innovative knowledge to its customers. In every respect.

Mission:

As the market leader, we uniquely bring together the needs of our customers with the latest technology, whether in communications, information or entertainment. Everything we do starts with the customer. Our goal is to turn modern communications into experience which makes a difference in people's lives. We are here to make Magyar Telekom everybody's favorite service provider.

Magyar Telekom Group's Environmental Policy

The Magyar Telekom Group, as leading infocommunications service provider of Central Europe and leading player of the Hungarian economy, is committed to preserving the nature and the environment and to improving the state of the environment. We are aware that climate change is one of the most formidable challenges of environment protection so we identified with this problem and set such goals in our programs which also serve the cause of protection of the climate. In compliance with our mission and our sustainability strategy and bearing in mind the role we intend to play in the information society, we feel responsibility for harmonizing our goals with the basic principles of sustainable development. Beyond complying with the regulations, we are making efforts both at group and member company level to meet halfway the general social and environmental expectations. Our goal is to improve our environmental performance while reducing our environmental impact. Through the development, implementation and use of our telecommunications and information technology services we give the society, our customers and also ourselves the opportunity to improve the general efficiency of the environment protection efforts. Our information and communication services carry considerable potential for the reduction of greenhouse gas emissions. By actively communicating this fact to our stakeholders we enable them to be more environment-conscious. In order to meet our commitments:
We operate a group-level environmental coordination process and implement and operate an MSZ EN ISO 14001 standard environment-centered management system at the organizations with major impact.
In our developments we take into consideration environmental aspects and social expectations alike. Environmental guidelines and considerations play a major role in our procurement and investment policies and we also expect our suppliers and subcontractors to comply with them, thus encouraging their environment-conscious development.
In the development of our services we seek to reduce the use of energy and other resources, to analyze our products from an environmental aspect and to certify and communicate their positive environmental impact.
We wish to make the protection of the environment an important cause for every employee and customer, so we regularly provide information about our environment protection activities and we also developing and operating an environmental information system.
In these environment protection activities and development efforts we cooperate with the stakeholders and release annual reports about our achievements for their information.
We share our knowledge and experiences with our partners, thus helping them implement their own programs.
The management of the Magyar Telekom Group declare that they pursue their activities in compliance with the guidelines of this environmental policy and also expect every employee to do the same.
Budapest, January 26, 2006

Corporate Strategy – We are building a new Magyar Telekom

Our strategy has been elaborated in a way to enable us to exploit the benefits of our wide customer base and existing competences, as well as significantly improve our efficiency, while capitalizing on growth opportunities. In order to pursue these goals, Magyar Telekom assumed a new, customer-focused operating model as of the beginning of 2008, and parallel to the integration of the fixed-line and mobile business units, established new management and brand structures. As a follow-up on integration, the activities pursued by the former Alternative Business and Corporate Development Business Unit and the Group Strategy Directorate were merged under the Chief Strategy and Corporate Development Officer's leadership as of September 2009, as a result of which strategy and corporate development are closely linked. The Group's integration efforts serve the improvement of service quality and efficiency based on synergies offered by joint operation.

In addition to retaining our customer base, as one of our major assets, we create new revenue sources by entering new markets, and apply new business solutions. Our mid-term goal is to strengthen our core business and the establishment of new capabilities in the context of traditional telecommunication areas, while strengthening our existing competences and market presence on mass markets of new services. We are building a new Magyar Telekom with the aim to establish the Company's mid- and long-term competitiveness in response to the negative effects of the economic crisis that burdened 2009. In the worsening economic environment, it is of utmost importance for Magyar Telekom to maintain the Company's profitability, efficiency and cash-flow generating capability.

Quality Policy

Quality Policy of Magyar Telekom Group approved in 2005 was renewed in 2009 that is available on the following webpage: http://www.telekom.hu/static/sw/download/minosegpolitika_en.pdf

Sustainability Strategy 2008–2011

Connection of sustainability with different interests
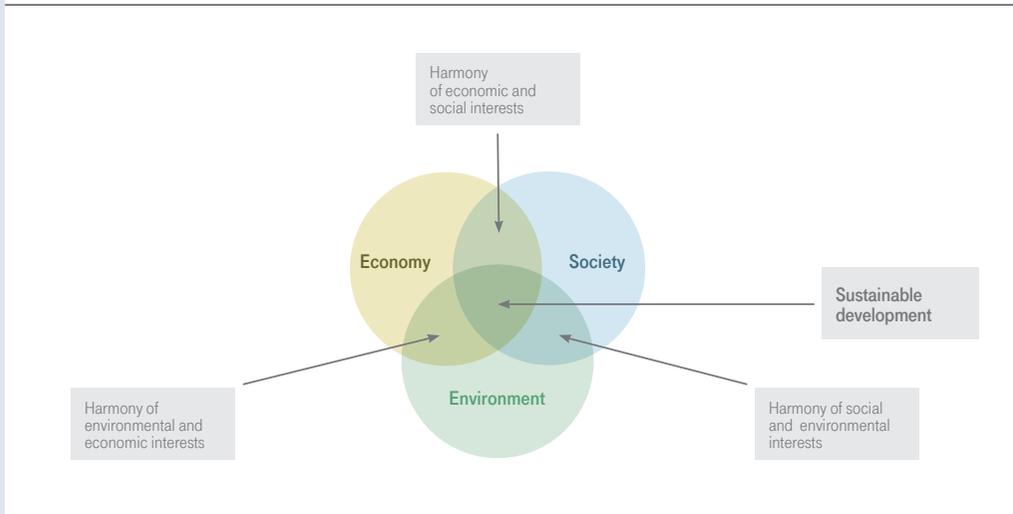
The key objective of the 2008-2011 strategy is to make the leading sustainability role achieved by Magyar Telekom so far visible for the employees and the customers, too. This objective is proposed to be reached through tasks arranged in 34 themes alongside the following key challenges:

Corporate governance and risk management

Magyar Telekom strives to maintain transparent and accountable operations, while ensuring compliance, anti-corruption and efficient risk management. Its goals include, for example, the development of its compliance systems, as well as the improvement of its environmental and social performance.

Customer relations

The Company aims to increase awareness among its customers about its efforts made in order to promote sustainable development. The relevant set of objectives include, among others, popularizing electronic product and service order placement solutions, an increasing quality of service provision to customers, as well as familiarizing customers with the Group's sustainability initiatives.

Strengthening the communication means available to society

It is important for Magyar Telekom that in addition to following technological development trends, the benefits offered by ITC solutions be available for everyone. The Group's objectives include the continuance and development of its programs aimed at eliminating the digital divide, the provision of ICT services of special relevance in the context of sustainability, as well as the communication of the sustainability effects of the products and strengthening customers' sense of responsibility.

Decreasing the environmental footprint

Telecommunication products and services, while enabling raw material and energy savings, also burden the environment. The Group aims to further decrease this burden. The key task is fighting climate change: the Company has set the target of decreasing its CO_2 emission by 10% by 2011. Magyar Telekom also wishes to help customers to decrease their emissions, while it supports them in adapting to the climate change.
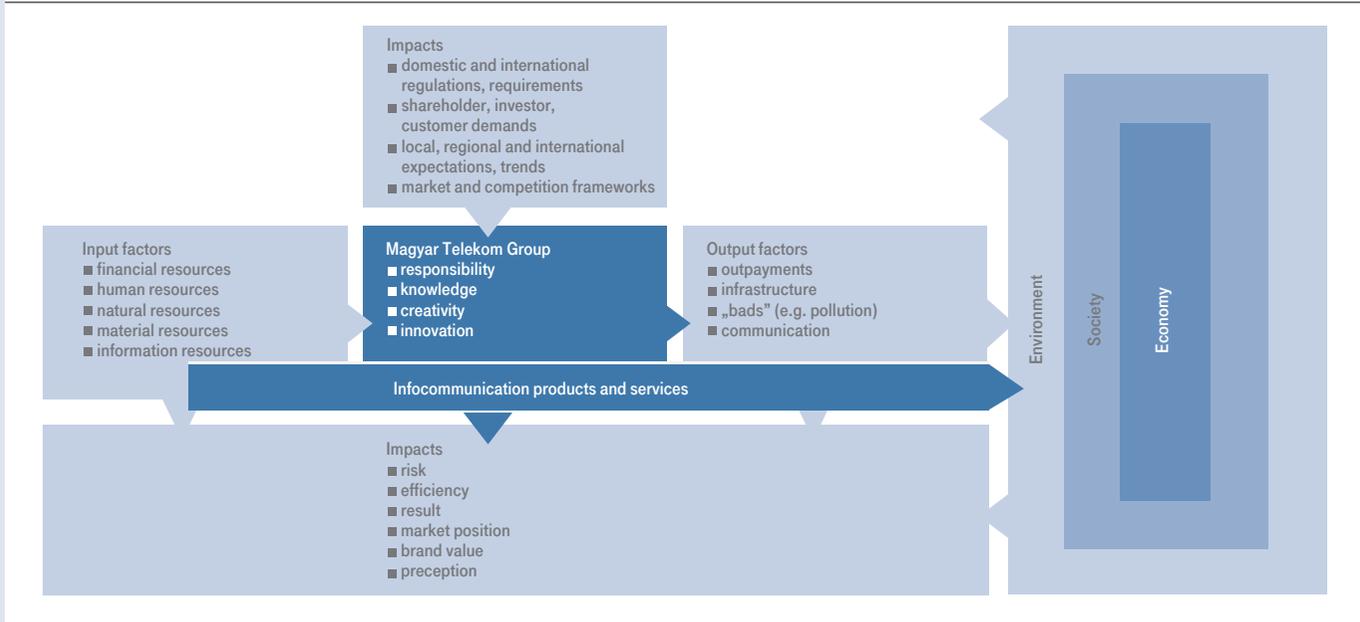
Human resources management

"Committed, professionals ready to take the initiative are the key success factor to Magyar Telekom Group's business effectiveness." (Magyar Telekom's HR Vision). In this spirit, the Group strives to further develop its human capital, attract and retain talent, as well as ensure equal opportunities and promote the establishment of work-life balance.

Maintaining trust and credibility

In order to maintain social trust, every company must conduct its business transparently and upon consideration of all stakeholders' expectations. In light of this concept, Magyar Telekom's goal, among others, is to further strengthen the protection of children from adult content, as well as to join and to start major sustainability initiatives.

At the time of compiling this Report, the senior management of the Magyar Telekom Group has given full authority and responsibility to the chief HR officer to coordinate the implementation of the Sustainability Strategy approved by the management earlier, while the Corporate Sustainability Department is responsible for professional coordination of the relevant efforts.

Structural approach of sustainability

Impacts
- domestic and international regulations, requirements
- shareholder, investor, customer demands
- local, regional and international expectations, trends
- market and competition frameworks

Input factors
- financial resources
- human resources
- natural resources
- material resources
- information resources

Magyar Telekom Group
- responsibility
- knowledge
- creativity
- innovation

Output factors
- outpayments
- infrastructure
- „bads" (e.g. pollution)
- communication

Environment · Society · Economy

Infocommunication products and services

Impacts
- risk
- efficiency
- result
- market position
- brand value
- preception

Stakeholders

The stakeholders of Magyar Telekom Group include all the groups which have an impact on achievement of the company's objectives or have a vested interest in it (Figure 46). The Company identified through reviewing its management systems and benchmark audits the scope of stakeholders and keeps continuous contact with them to ensure that their interests are taken into consideration in the course of its operations.

To find information on important issues discussed with stakeholder please read memorials of previous Sustainability Roundtables: http://www.telekom.hu/society_and_environment/events/Sustainability_Roundtable_Discussion

The 10th Sustainability Roundtable held on June 22, 2009 addressed current key topics.
The 11th Roundtable will take place on June 21, 2010, and shall focus on communication of sustainability.

HR Strategy

One of the key challenges of the sustainability strategy is HR management, thus Magyar Telekom's HR Strategy also plays an important role in achieving our sustainability objectives. The targets set as part of the HR Strategy were achieved in a pro-rated manner in 2009.

1. In the context of the 3-year efficiency improvement plan, the personnel expenditure savings achieved in 2009 were on plan.
2. In 2008, the performance management system was extended to cover all Magyar Telekom Plc employees, thus the coverage of employees by the performance management system is 100% at the mother company. Group-level roll-out is in progress.
   - A culture development project was set up, which has elaborated, and still does, measures in several work streams promoting a performance-based corporate culture.
   - A new career management system was established.

3. In 2008, the procedures and methodologies of providing succession in managerial and key positions were elaborated. In 2009, internal candidates were appointed to 63% of these jobs, which significantly exceeds the planned 50%.

4. We provide development activities to managers in the framework of the Management in Change – Change in Management (4V Program). The program consists of mandatory and optional modules with a defined mandatory number of credits to be achieved each year. The program's structure is mainly aimed at creating supportive managers and to strengthen managers' „people management" skills. The 4V program successfully continued in 2009. The objectives were achieved, and many new elements were introduced.

5. In the autumn of 2008, the Everyday Heroes employer brand campaign started, in the framework of which a new Internship Program was introduced and several measures (e.g. atypical labor force capacity pilot, canteen investment projects, improvement of the working environment, renewal of achievement recognition systems etc.) were adopted with the purpose of improving employee satisfaction. As a result of the measures, Magyar Telekom Group was ranked 4th by engineering students and 7th by economist students at the Most Desired Company Survey of 2009, significantly exceeding the targeted top 15 ranking.

6. HR customer satisfaction measurement system's structure elaborated in 2008
   Task accomplished. With the involvement of Group Strategy, the system was put into operation in 2009. The HR customer satisfaction index's respective targets for 2009 and 2010 were defined, and the target for 2009 was achieved.

Support strategy

Corporate sustainability also encompasses corporate citizenship, thus Magyar Telekom Group elaborated a new, mid-term support strategy in 2009, in which it lays down the new principles of its support activities. According to the new strategy, the company pursued a better focused support activity in 2009. Sponsorship was primarily aimed at culture and sports, while donations to NGOs focused on sustainability, preventive healthcare and popular science projects, including education.

Katalin Szomolányi

Head of Department
Corporate Sustainability Department

Katalin Szomolányi

– What do you do for sustainability stakeholder relations?
– In the context of sustainability, we can identify the following stakeholders: investors, regulators, customers, employees, communities, NGOs, suppliers and partners, as well as the future generations. As to responsible investors, the minimum requirement is to have a Sustainability Report, prepared along a set of guidelines, with the purpose of providing information of interest for the widest possible range of stakeholders. We also seek opportunities of two-way communication, like roundtable discussions, events or our Sustainability Day. Based on six years of experience with the Digital Bridge Program, in the framework of the Jövő/Menő Program, we offered the chance even for people who do not work for our company to join our volunteer work initiatives, which offer our employees the opportunity of teambuilding or just a weekend get-together.

**– How do you contribute to sustainable development when you are not at work?**
– This is a profession that can be done right only if its principles prevail in your free-time, too. When I built up the Sustainability Day, I did not rely solely upon my work contacts and I did not work on it exclusively during working hours. I attend the aforementioned volunteer work initiatives and the Digital Bridge Program events both as an organizer and as a participant, even if I have to give up my weekend free-time for that. I also write a blog and anchor a radio show on this topic, I deliver presentations per request, and I also consider it important that this credo manifest in my everyday activities: I collect waste selectively, use energy-efficient light bulbs, drive a hybrid car and usually travel by carpool. I keep an eye on Cégmérce (Corporate Critic), too, buy mostly bio food, and I even have a fair trade T-shirt. Nowadays, I experiment with a soap nut, which is the produce of a plant in India, and can be used as an environment-friendly washing powder that is soft on your skin. Since I have put it to use, I do not apply any chemical detergents, water or fabric softeners, thus, I do not burden the environment with chemicals and plastic waste.

III. Sustainability coordination

In 2009, sustainability activities were governed on Group level according to the structure below (compared to 2008, the change is that by merging the Alternative Business and Corporate Development Business Unit and the Strategy Directorate, the Strategy and Corporate Development area was established and the Compliance area was transferred to the Chairman-CEO's direct area):

Group-level coordination continues to be provided by the Group Sustainability Coordination Council.
You can read more about the details in the year-2008 Sustainability Report:
http://www.telekom.hu/static/sw/download/fenntart_jel_2008_eng.pdf.

The Group-level coordination of sustainability activities has taken the following form as of January 01, 2008
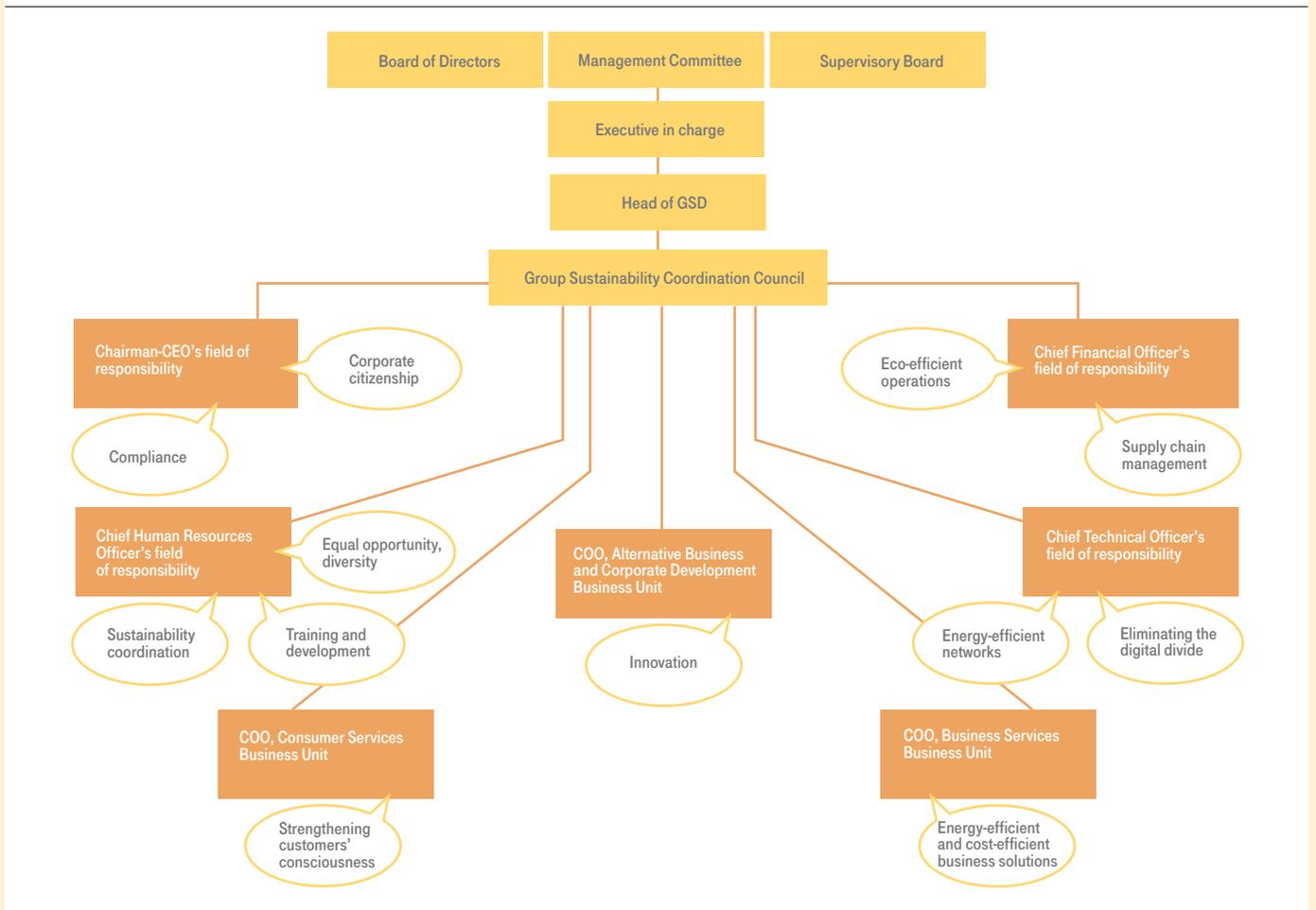
How sustainability activities are built upon each other

The hierarchy of Magyar Telekom Group's sustainability activities did not change. Accordingly, the chart below is unchanged, its detailed explanation can be found in the Sustainability Report 2008.
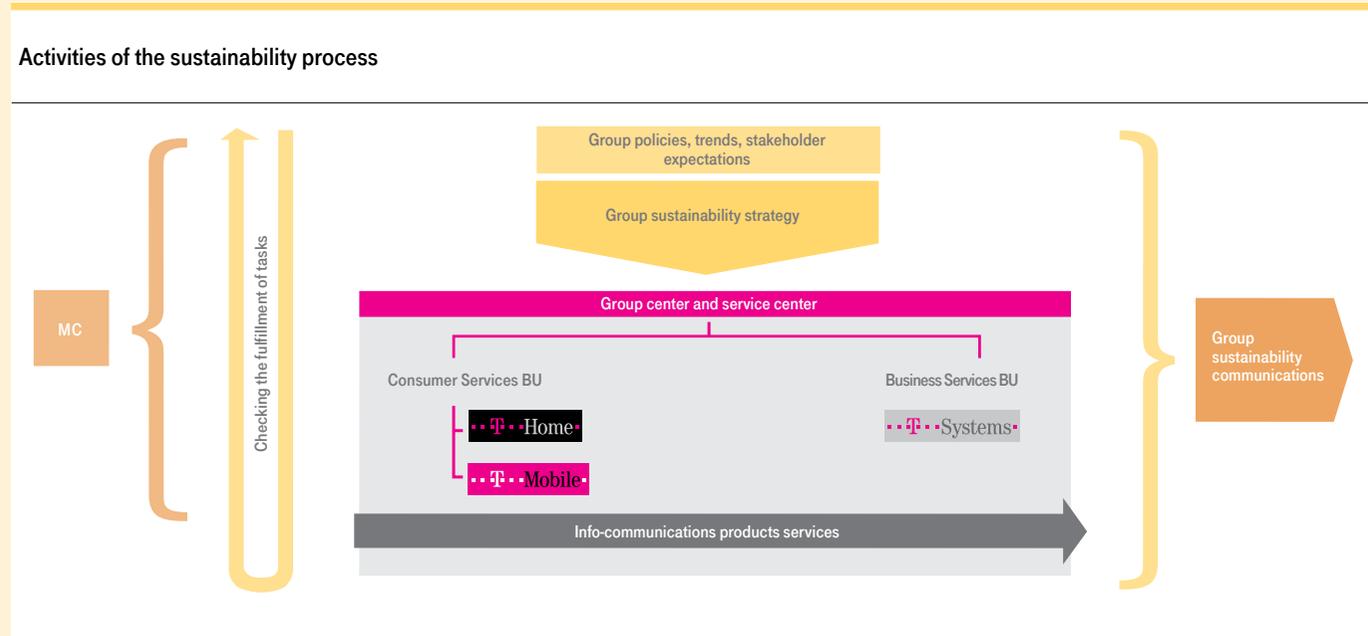
Regulation of sustainability activities, Group sustainability process, environment protection coordination

The Group sustainability coordination process encompasses all sustainability (including environment protection) activities of Magyar Telekom Group. The interrelations among the activities of the process are demonstrated by the chart below, which has already been published before.

Activities of the sustainability process

Group policies, trends, stakeholder expectations

Group sustainability strategy

MC

Checking the fulfillment of tasks

Group center and service center

Consumer Services BU

Business Services BU

· · **T** · · Home

· · **T** · · Systems

· · **T** · · Mobile

Info-communications products services

Group sustainability communications

Group sustainability processes, environmental coordination

Sustainability management process

1. Operational framework of sustainability process
   1.1. Regulations
   1.2. Determination of the guidelines, strategy
   1.3. Working groups/ Specialist teams

– demands
– requirements
– trends
– best practices

2. Process management
   2.1. Group policies
   2.2. Group sustainability targets

3. Implementation of tasks
   3.1. Development tasks
   3.2. Operative tasks
   3.3. Preparation for operation disorders

– stakeholders

4. Communication

stakeholders

1.4. Control, feedback

The Group Sustainability Coordination Council (GSCC) held regular session to monitor the accomplishment of the tasks in 2009, too.
According to the CEO's relevant directive, the accomplishment of operative environment protection tasks are the responsibility of the organizations concerned, as before.
The GSCC provides regular updates about its meetings to the top executives of the organizations and affiliates, as well as the Chief Officers in charge of the Business Units, thus enabling them to exercise top managerial control.

Magyar Telekom Group's topmost management body, the Management Committee, is informed at least once a year about the accomplishment status of the Group sustainability strategy, as well as about major sustainability activities, achievements.

Management systems

Magyar Telekom has different standard certified management systems in place at its organizations and affiliates for more than 10 years. As a result, the Company had had its quality assurance system certified according to the ISO 9001 standard in 2002, as well as its environmental system according to the ISO 14001 standard and its information security system according to the ISO 27001 standard in 2008 in an integrated manner.

With the introduction of the ISO 9001-certified quality management systems, Magyar Telekom's goal is to provide standard quality to its customers without regard to time and place and to continuously improve service quality in general. In accordance with the principles of quality management systems, the Group regularly measures, analyses its activities and continuously improves its operations and quality management system.

Upon consideration of the corporate group's vision and position assumed in the information society, Magyar Telekom considers it a strategic goal to have an information security management system and compliance with the ISO 27001 standard. In this spirit, the company regularly surveys its information assets, analyzes threats and risks attached to information security, as well as consciously strives to decrease such exposure.

In professional areas that have significant environmental impact, the Group introduced ISO 14001 environment focused management systems and had had certified since 2001. Afterwards these systems were integrated and extended to whole Magyar Telekom Plc. and to group level by involving certified subsidiaries in 2008.
The systematic operation of the systems and the exploitation of development opportunities, through periodical audits, ensure continuous improvement of the professional areas' environmental performance.

Harmonization among the environmental efforts made by the numerous subsidiaries of diverse activities, as well as the enforcement of the principles and the achievement of the goals set forth as part of the Group Environment Protection Policy and the implementation of the strategy are ensured by operation and regular review of the Group's sustainability management process along its elements determining environmental coordination.

Organizations of Magyar Telekom Group certified according to the ISO 14001 standard:

Affiliate / Organization	Certification date
Magyar Telekom Plc	November 14, 2001.
KFKI Zrt.	July 04, 2006.
IQSYS Zrt. (Budapest site)	June 29, 2006.
Dataplex Kft.	November 03, 2008.
Pro-M Zrt.	May 11, 2009.
T-Mobile Macedonia	January 08, 2004.

1. Corporate governance and risk management

1. Corporate governance and risk management

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 both on the Budapest Stock Exchange and the New York 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:
http://www.telekom.hu/investor_relations/corporate_governance
Information on general meetings is available on the following website
http://www.telekom.hu/investor_relations/corporate_governance/general_meetings

Imre Gellai
Head of Office
Chairman-CEO Office

Imre Gellai

– What do you do for Magyar Telekom to be a sustainable company?
– One of the main tasks of my field of responsibility is to support decision-making bodies in a way that they be in compliance with statutory and stock exchange regulation. By complying with the relevant rules, we can make the company's operation transparent and improve our sustainability rankings (which are partly based on corporate governance assessment). Sustainability-targeted investment funds invest into companies that meet certain sustainability requirements, i.e. whose sustainability rankings are high.
The sustainability-consciousness of our team is well demonstrated by the fact that at our latest teambuilding exercise, we volunteered to build an ornamental well at Tiszadorogma as part of the Jövő/Menő Program. We thought that if Telekom supports the program as a long-term strategic partner, we can also contribute through volunteer work to this effort.

– How do you contribute to sustainable development when you are not at work?
– I think, I'm just a tiny wheel in a huge machine and my personal contribution is so small that it cannot be translated into figures. At the same time, I am also sure that if we do not start changing individuals' attitude towards the environment and society, then the situation will constantly grow worse and worse, and we all will be accountable for that. In this spirit, I collect waste selectively, I try not to lose sight of seemingly insignificant things and teach my kids to do the same. And when the time comes that we need to join forces, like in case of the floods of the spring, I call Magyar Telekom's Donation Line, and definitely not from one of the office phones.

Board of directors

Under Hungarian law the Board of Directors is responsible for the management of the company and it takes decision in all such matters in which the shareholders do not have exclusive power of decision. The Board of Directors submits annual reports to the shareholders at the annual general meeting and quarterly reports to the Supervisory Board on the management, assets and business policy of the company.

The Articles of Association of the company approved by the shareholders' meeting rules that the Board of Directors has to be composed of minimum 6, maximum 11 members, whom the Annual General Meeting (AGM) elects for a period of three years.

The Board of Directors meets at least four times a year. The Board of Directors has quorum if at least six members are present. Each board member has one vote. The Board adopts its resolutions by simple majority vote.

Members of the Board of Directors on December 31, 2009:

Name	Main position
Christopher Mattheisen	Chairman_CEO, Magyar Telekom Plc.
István Földesi	International business consultant, Director, InnoHungary Technology Center
Wolfgang Hetlinger	International activities and services, Director in charge of Central-European issues, T-System Austria
Mihály Gálik	University professor, head of University Department Media, Marketing-communication and Telecommunication Department, Corvinus University Budapest, Financial Management Faculty
Guido Kerkhoff	Member of Deutsche Telekom AG's Board of Directors in charge of the South-East-European subsidiaries' management
Thilo Kusch	Chief Financial Officer, Magyar Telekom
Mechthilde Maier	Deutsche Telekom's Diversity Management Senior Vice President
Frank Odzuck	CEO, Zwack Unicum Plc.
Dr. Ralph Rentschler	Member of the Board of Directors, T-Com/T-Home (Deutsche Telekom AG division)
Dr. Steffen Roehn	CIO Member of Deutsche Telekom Group's Board of Directors, in charge of the IT issues related to Deutsche Telekom's integrated mass-market approach

The Annual General Meeting held on April 07, 2010 elected the new Board of Directors for 3 years.
Current members of the Board of Directors are listed at our homepage: http://www.telekom.hu/investor_relations/corporate_governance/board_of_directors

Management Committee

In compliance 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.

Members of the Management Committee on December 31, 2009:

Name	Main position
Christopher Mattheisen	Chairman-CEO
Thilo Kusch	Chief Financial Officer
István Maradi	Chief Technology and IT Officer
István Papp	Chief Officer, Business Services Business Unit
Róbert Pataki	Chief Strategy and Corporate Development Officer
Éva Somorjai	Chief Human Resources Officer
János Winkler	Chief Officer, Consumer Services Business Unit

The current members of the Management Committee are listed at our homepage: http://www.telekom.hu/investor_relations/corporate_governance/management_committee

Supervisory Board

The Supervisory Board supervises the management of the company and ensures the compliance of the company with the Hungarian statutory regulations and the company's own corporate governance regulations. The Supervisory Board studies every report to be submitted to the annual general meeting, the proposals of the Board of Directors, the financial reports and the proposal for the distribution of the net income. The Supervisory Board makes reports about these issues for the AGM that has mandate of deliberating the annual report.

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 Workers' Council appoints one third of the Supervisory Board members, in compliance with the principles on employee representation. The Supervisory Board has quorum if at least two third of the members are present.

According to law majority of the Supervisory Board is independent.

Members of the Supervisory Board on December 31, 2009:

Name	Major position
László Papp	Chairman of Supervisory Board, Professor at the Electronic Engineering Faculty of the University of Technology and Economics, Budapest
Attila Csizmadia	Senior Advisor, Finance Ministry
Konrad Kreuzer	Chairman of E.ON Hungary's Board of Directors
István Koszorú	Chairman of Magyar Telekom's Central Works Council
Martin Meffert	Country Manager, Hungary T-Home HQ, Deutsche Telekom AG
János Illéssy	Managing Director, Lebona Kft.
Sándor Kerekes	Deputy Rector of Corvinus University Budapest, Director of the University's Institute of Environmental Sciences
Mrs. Zsolt Varga	BPM Manager, Costumer Service Directorate, Consumer Services Business Unit, Magyar Telekom
György Varju	Chairman of CBU's Work Council, member of the Central Work Council

The Annual General Meeting held on April 07, 2010 elected the new Supervisory Board for 3 years.
Current members of the Supervisory Board are listed at our homepage: http://www.telekom.hu/investor_relations/corporate_governance/supervisory_board

Audit Committee

The Audit Committee is involved in the selection and appointment of the independent auditor and reviews the services provided by the external auditor. It is also the responsibility of the Audit Committee to approve the audit and non-audit services provided by the external auditor. The Audit Committee reviews the annual financial reports of Magyar Telekom, with observance of the results of the audits and the audits of the independent external auditor, the reports to be submitted to the stock exchanges and the financial authorities, as well as the reports of the internal audit. 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 among the independent members of the Supervisory Board.

Members of the Audit Committee on December 31, 2009:

Name	Main position
János Illéssy	Chairman of the Audit Committee, Managing Director, Lebona Kft.
Sándor Kerekes	Deputy Rector of Corvinus University Budapest, Director of the University's Institute of Environmental Sciences
László Pap	Professor at the Electronic Engineering Faculty of the University of Technology and Economics, Budapest

The Annual General Meeting held on April 07, 2010 elected the new Audit Committee for 3 years.
Current members of the Audit Committee are listed at our homepage: http://www.telekom.hu/investor_relations/corporate_governance/audit_committee

Remuneration Comittee

The Remuneration Committee makes proposal to the Board of Directors for the employment, dismissal, remuneration, determination and evaluation of the bonus targets of the chief executive officer and the chief officers. The Remuneration Committee meets at least three times a year. The members of the Remuneration Committee are elected from the members of the Board of Directors.

Members of the Remuneration Committee on December 31, 2009.

Name	Main position
Frank Odzuck	Chief Executive Officer, Zwack Unicum Nyrt.
Dr. Ralph Rentschler	Member of the Board of Directors, T-Com/T-Home (Deutsche Telekom AG Division)
Guido Kerkhoff	Member of Deutsche Telekom AG's Board of Directors in charge of SEE subsidiaries

Members of the Remuneration Committee were re-elected at the Board of Directors meeting held on April 21, 2010.

Incentives and evaluation of the performance of top executives

Top executives (Chief Executive Officer, Chief Officers) are paid variable pay (bonus) as performance incentive. Bonus targets are linked to the Company's performance through the Performance Management (PM) system.

On top of the short-term incentive, the interests of top management are aligned with those of the owners by means of a so-called Mid-term Incentive Plan.

The Remuneration Committee (3 members elected by Magyar Telekom's Board of Directors) makes proposals as to both the annual targets and the evaluation of their performance, as well as monitors the performance of top executives throughout the year. Upon consideration of the proposals made by the Remuneration Committee, the Board of Directors adopts decisions regarding the evaluation of top executives' performance. The Board of Directors meets four times a year – the performance of the previous year takes place at the first meeting held during the year.

55% of top executives' salary is fixed, while 45% is variable pay. The annual bonus is payable pro rated to the evaluated performance of the 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 minimal limit defined in advance. In case of over-achieving the targets, additional bonus is payable, the extent of which cannot exceed 50% of the bonus payable upon 100% performance. The framework of bonus target setting (bonus extent, structure and maximal extent of additional bonus) is defined by the strategic investor's compensation guidelines (Deutsche Telekom Global Compensation Guidelines).

In addition to the annuity-based bonus, paid as short term incentive, in 2004, a cash-equivalent management incentive plan was introduced, which includes three-year tranches starting each year, as a mid/long-term incentive for top executives.
This strictly-regulated program linked to the MTelekom share price, rewards top management on the basis of the three-year performance of success parameters defined annually. The extent of this incentive element is determined as a ratio of the annual on-target salary (base salary plus bonus payable upon 100% performance), in equal ratios for each top executive.

The last tranche of the program started as of January 01, 2009. No decision has been made yet about any continuance or replacement of the program in 2010.

Middle management and experts in charge of meeting compliance targets receive direct incentives through the PM system to achieve the said targets. At the same time the relevant policy entitles senior management to decide not to pay bonus, if certain managerial or non-managerial employees hinder or make it impossible to achieve certain targets.

1.2 Corporate compliance

Magyar Telekom Group's Corporate Compliance Program has been elaborated with the aim to ensure that Magyar Telekom Group conduct its business in full awareness of and commitment to the relevant statutes, in harmony with the strictest possible business ethical standards. In order for that, directives have been issued addressing the potential compliance risks, and the procedures therein defined are in place. The related training courses are continuously provided to employees. Clear processes for the whistle-blowing, investigation, monitoring and remedy of suspected cases of non-compliance are in place.

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 Compliance Program focuses on the Code of Conduct.

In course of 2009, 100% of both Magyar Telekom Plc's organizational units and subsidiaries took part in the process of risk analysis. As a result of the survey, a comprehensive audit was conducted about the risks of potential fraudulent acts, the findings of which were submitted to the Company's Audit Committee.

In 2009, the Company launched comprehensive online training courses on Group-level regarding document and information management, as well as handling confidential data, aimed at target groups of employees selected through risk analysis. The online training addressing basic compliance information was completed in 2009. 92% of invitees completed the course[22]. Training of newly hired colleagues is continuous.

Melinda Modok
Director,
Group Sustainability Department

Melinda Modok

– What do you do for Magyar Telekom to be a sustainable company?
– We launched a compliance program three years ago, with the purpose of making every Magyar Telekom employee committed to ethical business conduct. Telekom, as a large corporation, is a major player on the market, so it does matter what business conduct it demonstrates. We deem it important that our colleagues, be them employees or leased labor force, attend training courses to learn about the values in question. For me, sustainability also means that the company does not grow with the sole purpose of achieving better indicators and expansion rates. Business attitude should not support an unrealistic growth that is detrimental to both the environment and the society. It is important that we do not urge customers to over-consume and that we do not achieve competitive advantages by unfair conduct.
My colleagues and I strive to use as little paper as possible. We transmit materials electronically whenever possible, and as part of a teambuilding exercise, we cleaned up a hike path at Tihany by collecting the trash from its environment.

– How do you contribute to sustainable development when you are not at work?
– I recently moved into a new apartment, where I strove to have energy-efficient light bulbs installed, I got a light fixture that runs on a solar panel for the terrace, and I collect waste selectively. I also recently bought a bike, so I have already made the first step towards decreasing my pollutant emission.

On top of the above, in 2009, the Company held courses to be attended in person by members of Magyar Telekom Group's areas, at both the mother company and the Hungarian and foreign subsidiaries, exposed to the risk of fraud, addressing issues of anti-corruption and ethical business conduct. These courses are continued in 2010.

The Company has received reports about unethical conduct during the year, which have been verified and, if necessary investigated. In cases where fraud was detected, the necessary remedial actions have been taken. Magyar Telekom discloses corruption cases and response to those cases as it is required by the relevant laws and regulations. See 20F financial statements filed with the SEC.

[22] All employees of Magyar Telekom Group and those acting on behalf of it were invited to the course (13028 person)

Regulatory Compliance

In 2009, as before, no fines were imposed upon the Company pursuant to 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 2009, no complaints about discrimination were filed with the relevant authorities against Magyar Telekom Group affiliates, and no proceedings or investigations were launched in this regard.
In 2009, 4 labor-law lawsuits were launched against the Company, and one of them was won by Magyar Telekom Plc during the year. Including the proceedings rolling over from previous years, 5 lawsuits are in progress.

For comparison, in 2008, 3 lawsuits were launched and 8 reached their end, including the ones rolling over from previous years, half of which were won by the company.

The National Communication Authority imposed fines upon the Company to the total amount of HUF 146 million in 2009. In addition to several smaller fines, the Authority imposed a fine of HUF 100 million related to the penalty payment practice applied by the Company attached to fix-term contracts, and HUF 30 million related to non-compliance in the context of mobile radio telephone individual subscriber contracts.
The Company has appealed against the relevant resolutions. The proceedings have not reached an enforceable end, yet.

In 2009, HUF 51 million consumer protection fines were imposed upon Magyar Telekom Plc.
In the context of damages claims, HUF 84 million was paid. For comparison, in 2008, this amount was HUF 102 million.

No fines were imposed due to anti-competitive conduct or violation of anti-trust or anti-monopoly statutes in 2009.

A total of 5 proceedings were conducted against the Company for assumed violations of marketing communication standards and rules. In three cases, the Competition Office did not determine any violation, and one such proceeding is still under way.

The investigation by the Competition Office conducted in 2009 regarding T-Mobile's 3000 free-of-charge minutes campaign reached its end in November 2009.

The Competition Council imposed a fine of HUF 20 million to be paid by Magyar Telekom Plc, as the authority found the information advertised potentially misleading. The Company pursues its informative and advertisement activities in compliance with fair business principles, in accordance with the effective statutes and in line with the relevant advertisement market conditions. As the Company did not agree with the decision of the Office, it filed a lawsuit challenging the resolution. The proceedings have not reached an enforceable result, yet.

Regarding the campaigns advertising the Back and Forth Discounts attached to mobile and fixed-line subscriptions (in 2006 and 2007) launched in 2007, the Competition Council adopted a resolution in November 2009, and thus imposed a fine of HUF 30 million to be paid by Magyar Telekom Plc. According to the Competition Council, the information provided to consumers was potentially misleading. According to Magyar Telekom, the communication was in line with the effective statutes, thus, the Company filed a lawsuit challenging the relevant resolution. The proceedings have not reached an enforceable result, yet.

The Competition Office launched competition supervision proceedings against Magyar Telekom in 2008 regarding an alleged abuse of economic power in the context of the T-Home brand introduction. The proceedings were closed in 2009 on the grounds of lack of violation, just like the proceedings launched regarding T-Mobile's unlimited data option campaign.

Magyar Telekom Group has put rules in place to govern the following cases of conflict of interest:

1. Restriction on employment by or working for other legal entities
1.1. Employees may not be employed by or work for:
   a) any enterprise that provides public telecommunication services,
   b) any enterprise that conducts business with any affiliate of Magyar Telekom Group,
   c) any enterprise that pursues any business pursued by Magyar Telekom Plc.
1.2. Employees may not enter into any additional employment contract with Magyar Telekom Plc. for the pursuance of any other activities.
1.3. Employees may not work for Magyar Telekom Plc. under any other contract for the pursuance of a task that is part of the individual employee's job.
2. Restriction on economic interest
   Employees may not hold economic interest in any enterprise pursuing an identical business with that of Magyar Telekom Plc.
3. Restriction on other types of interest
   Employees may not participate in the preparation, consideration or performance of any contract, or conduct of any of other types of business transaction with external parties between any affiliates of Magyar Telekom Group and an enterprise in which the employee in question holds a direct or indirect interest.
4. Personal conflict of interest
   An employee may directly report to one of his/her close relatives working for the company only with the relevant HR Partner Director's specific per case approval.
5. Conflict of interest in positions
   The manager must ensure that none of his/her subordinate employees be the decision maker regarding issues that belong, under the Rules of Organization and Operation, to the individual employee, when the issue in question impacts an entity outside of Magyar Telekom Plc. (business, foundation, union, association), in which the employee holds an office (membership in boards of directors, supervisory boards, chair or membership in boards of trustees etc.).

1.3. Political presence

The Magyar Telekom Group is involved in shaing public politics through its representation organzations. This works the following way:
Under the effective regulations the representation organizations are given the possibility to comment the draft regulations. The ministries submit the proposed regulations to the representation organizations which poll the member companies, collect their opinions and relay them to the line ministry. Such commenting activities are carried out under the auspices of the Joint Venture Alliance or the Hungarian Society of International Corporations.
The Magyar Telekom Group is involved in the work of the environmental group of the Hungarian Business Leaders Forum, and also regularly comments the draft environmental regulations and law amendments submitted to it by the Joint Venture Alliance the Hungarian Society of International Corporations, the Association of Information Technology Enterprises and the Communication Council for the Reconciliation of Interests.
In Hungary, lobbying activities are regulated by law [Act XLIX of 2006 and Government Decree176/2006 (VIII. 14.) on its implementation].
The Magyar Telekom Group regulates compliance with this law in a group CEO directive.
In 2009, the corporate group did not pursue any activities subject to Act 2006/XLIX.
We have no knowledge of any financial support to political parties, politicians or any related entities provided by Magyar Telekom Group affiliates in 2009, which is in total compliance with the detailed stipulations set forth by our Code of Conduct.

1.4. Suppliers

Due to its size, Magyar Telekom Group has a significant impact upon other stakeholders in economy, thus, the scope of its responsibility cannot be limited by the boundaries of the Company. Besides, it is also important from risk management aspects that it establishes business contacts with such other companies whose economic, social and environmental performance is up to a standard. In order to ensure this, the Group manages its supplier contacts from sustainability aspects, too.

Magyar Telekom's procurement focused vendor relations management is performed by a centralized organization certified according to the ISO 9001:2000 standard. Group-level coordination of vendor relations is ensured by the Group Procurement Board, partly through the provision of centralized procurement services and partly through coordination of the member companies' functional organizations.
The suppliers are selected in compliance with the laws, in procurement procedures that ensure fair competition, transparency and structured and documented processes. In its contracts the company seeks to develop mutually advantageous, value-creating partner relations. To ensure cost-efficient operation the company is continuously rationalizing its processes and the number of vendors whereby a stable group of high quality vendors is achieved.

In order to improve the effidency of the procurement activity, the following have been identified as goals:
- The number of active suppliers should be stabilized at the level optimal for our operations. By exploiting synergies of Group-level procurement, the number of active suppliers has significantly decreased, by 15%, compared to 2008.
- Qualified suppliers should be used to a high extent: Currently, 97% of all orders placed during the year go to qualified suppliers. Compared to the values of orders, the ratio is 95%.
- The number of alternative, electronic procurement solutions, decreasing the order cycle times and the volume of documents, should increase. The volume of electronic procurement transactions has continuously increased during the recent years. Currently, it is 52% of all ordered items without the eShops. (In 2008, it was 47%).

Further electronic catalogues managed by the suppliers are incorporated into our internal order placement system. Orders thus placed are transfered to the supplier totally electronically.

In order to increase procurement efficiency, in case of small-value, operation support procurements, we continue to prefer online eShops established dedicated to Magyar Telekom.
The references, economic position, quality and environment protection capabilities are assessed in a pre-assessment system, while their contractual performance is assessed in a post-assessment system by the relevant experts, on the basis of which they are categorized (A, B, C, D). These categories are of major importance when selecting suppliers. The Company mostly procures products and services from qualified (A, B category) suppliers.
Interactive pages are available to suppliers at the homepage of the Procurement Directorate (https://www.beszerzes.magyartelekom.hu/english/main.vm), where they can register and then access directly newsletters, tender documentation, the supplier qualification system, submit some of the statements regarding procurement procedures (anti-corruption statement, Code of Conduct, Social Charter), and learn more about the Company's expectations in the context of operations and social issues.
In order to promote mutual impromvement, registered suppliers are informed monthly about their results achieved at supplier assessment.

The procurement procedures that liaison with the suppliers mostly comprise of are conducted by means of integrated IT systems. The selection process is supported by an internet-based offer request and auction tool (e-RFX), and orders are placed/confirmed also through an internet-based electronic commerce solution (WebEDI), the number of transactions through which is increasing year by year.
In an effort to prevent any damage, hazardous materials purchased are transported directly to the internal customer, with the exception of storing a minimal justifiable inventory, thus minimizing transportation time.

Magyar Telekom purchases materials, tangible assets and services exclusively by means of a regulated procedure.
As to products, there is a black list and a grey list of ingredients, meaning that products that contain any of the listed materials are banned from procurement (blacklist), or are not recommended to procure (grey list) by Magyar Telekom.

With the aim to establish a sustainable supplier chain, Magyar Telekom started to assess its top 40 suppliers by the self-assessment questionnaire elaborated by GeSI (Global e-Sustainability Initiative), which includes questions addressing, in addition to environment protection, human rights, healthy and safe workplace and business ethics. So far, 33 suppliers have been assessed.

In addition, as of December 2009, every supplier must read and accept the Group's Social Charter, which sets forth the minimal social standards of employment and job-relations.

The Company also started to renew its supplier qualification system from sustainability aspects. In 2010, the sustainability improvement of Magyar Telekom's supplier chain shall continue.

For Magyar Telekom, anti-corruption and ethical conduct are important concepts, therefore, it expects its suppliers to sign up to its anti-corruption declaration, as well as its Code of Conduct, and comply with the requirements set forth therein, which is also stipulated by their contracts. Thus, the aspects of both supplier and customer qualifications include ethical conduct and human rights.

Magyar Telekom considers it a priority to make payments to its partners in accordance with the deadlines set forth in the rescpective agreements, contracts.

Value ratio of products and services procured from local* suppliers by Magyar Telekom Group member companies with significant procurement value.

Group members**	2008	2009
Magyar Telekom Plc.	78%	74%
KFKI		50.9%
IQSYS		93.5%
Pro-M		67.2%
Makedonski Telekom		69%
T-Mobile Macedonia		56%
Crnogorski Telekom		48%

* Suppliers seated in the given country.

** Members of Magyar Telekom Group with significant procurement value.

Suppliers' Dolphin Award

In 2008, we established the Dolphin Award, which is an award dedicated to Committed, Sustainable, Innovative Generation (http://www.telekom.hu/society_and_environment/events/Dolphin_Award).

By granting the Dolphin Award, Magyar Telekom would like to promote the idea of a sustainable future and recognize effeorts made towards this purpose.

Winners of the award are selected by a board of trustees, consisting of experts, from suppliers submitting projects in the context of sustainability. The second award ceremony took pace on June 22, 2009 in the framework of the Sustainability Roundtable.

Winners of Dolphin Award in different categories

Category	Winner
Equal opportunities, anti discrimination	Proactive Management Consulting Kft.
Implemented innovation promoting sustainability	Ericsson Hungary
Investment and development promoting climate protection	Genex Enterprise and Investment Zrt.
Special Award (implemented innovation promoting sustainability)	Cisco Hungary Kft.

1.5. 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, including by-laws of the Budapest Stock Exchange and rules adopted by the U.S. Securities and Exchange Commission ("SEC"). To achieve these objectives, we formed the Disclosure Committee and developed and have continuously enhanced our risk management policy that is available: http://www.telekom.hu/static/sw/download/kockazatkezeles_en.pdf

2. Customer Relations

Customer Relations

2.1 Managing customer complaints

As in the previous years, in 2009, Customer Service of Magyar Telekom Plc. put special emphasis on the structured collection and management of customers' suggestions, comments and complaints, in compliance with the effective statutes.

In the spirit of cooperation between areas, not only did more reconciliation and joint thinking take place regarding the introduction of new products and services, but customer comments made about services already introduced were regularly fed back to the product owners, with the aim to trigger remedial actions that eliminate the causes of the complaints, decrease the number of faults, thus improving customer satisfaction.

The increase in customer demand for the new T-Home brand introduced in the autumn of 2008, impacted the number of customer complaints and their management in 2009, too. The modified product structure and the related new scheme of discounts, as well as the launch of SAT-TV, which had not been part of the service portfolio before, triggered significant interest on behalf of the existing and new customers.
The number of our customer contact points, i.e. call centers and shops, drastically increased, and response to customers' inquiries and quick fulfillment of orders placed were often problematic. The crisis also had an increasing effect on numbers of customer complaints and inquiries.

In harmony with our expanding product portfolio, we have transformed, reformed the technical fault report process: we have established a task force which is able to provide comprehensive technical solution proposals regarding any products, i.e. TV, internet and telephone, in a distance consultation format.

In order to improve our customers' satisfaction, we have put greater emphasis on expanding the scope of services available in a self-service manner, thus enabling customers not to potentially have to wait for tepehone operators. In this spirit, we introduced the e-mail automation application, as a temporary pilot, as a result of which, customers can simply and quickly get to the information sought for, through the T-Home website "inquiries" menu item, listed among the Frequently Asked Questions.

Our internal policies and data provision methods were updated according to the authorities' expectations in 2009, too.

In addition to the data represented in the chart, in case of fixed-line telephony, the number of fee complaints per 1000 subscribers was 1.5, and number of complaints about handling customers' affairs was 3.7 in 2009. In case of fixed-line internet, the number of fee complaints per 1000 subscribers was 1.2, and the number of complaints about handling customers' affairs was 17.3 in 2009.

In order to decrease the number of complaints, we continuously review our processes and strive to simplify the relevant procedures.

In addition to the direct feedback received from customers, special emphasis is put on indirect indications, received from authorities, consumer protection groups and their staffs. In 2009, the mentioned external sources have made several suggestions, in additon to monitoring our statutory compliance, to improve customer service, e.g. developing the T-Home and T-Mobile homepages, and improving the communication materials and the General Contractual Conditions.
The feasibility of the sugesstions received were always addressed by the relevant areas (Marketing, Legal, Process Regulation), and the necessary steps were taken.

Complaints by different services

Service	Number of complaints received / quality complaints per 1000 subscriber in 2007	Number of complaints received / quality complaints per 1000 subscriber in 2008	Number of complaints received / quality complaints per 1000 subscriber in 2009
Mobile services	18.8/ 4	8.29/ 2.61	8.30/ 1.3
Fixed-line telephony	5.01/ 0,05	5.15/ 0.03	201.4/ 193.3
Fixed-line internet	184.41/ 6.72	50.35/ 11.78	280.1/ 248

Remark: the blue figures are calculated in accordance with Government Decree 229/ 2008, while the previous ones are calculated in accordance with Government Decree 345/ 2004. That accounts for the significant change in case of fixed-line services.

2.2. Informing our customers

The range of Magyar Telekom Group's tariff packages expanded in 2009, too, while, in order to ensure transparency, we also simplified the portfolio to some extent.
The Group strove to simplify its propositions as much as possible and to make them available to the widest possible scope of customers.
You can read more about the services and tariff packages of Magyar Telekom Plc's Business Units at the websites below:
http://www.t-home.hu/english
http://www.t-systems.hu/start_page
http://www.t-mobile.hu/english/all_plans

Information about the services of our major subsidiaries is accessible at the websites below:
· Dataplex: http://english.dataplex.hu/engine.aspx?page=Dataplex_szolgaltatas
· EPT: http://www.ept.hu/pages/index.jsp?lang=en
· KFKI: http://www.kfkizrt.hu/portfolio
· IQSYS http://www.iqsys.hu/web/guest/iqsys
· Pro-M: http://english.pro-m.hu/engine.aspx?page=services
· origo: http://www.corp.origo.hu/portfolio.html
· Kitchen Budapest: http://www.kitchenbudapest.hu/en/products
· M-Factory: http://www.mfactory.hu/index_hun.html
· Makedonski Telekom: http://www.telekom.mk/en/?z=222
· T-Mobile Macedonia: http://www.t-mobile.com.mk/public/?id=E7B200 94336D4F37B719741ADEC78015
· Crnogorski Telekom: http://www.t-com.me/Naslovna.aspx?jezik=2, http://www.t-mobile.me/eng/postpaid.aspx

Customers can address enquiries regarding T-Mobile tariff packages and services or even request modifications any time of the day through
· the consumer customer service call center, which can be called free-of-charge by dialing 1430 from T-Mobile's Hungarian network,
· the 1777 (Domino center) number, in case they hold top-up cards,
· the WAP self-service center accessible via the t-zones portal,

· the My T-Mobile online self-service page accessible via the http://www.t-mobile.hu/english website, as well as
· the SMS self-service center, in case of certain services.

In addition to the above, the brochures and information leaflets available at the T-Pont and T-Partner shops or electronically delivered per request also support customers in making their choice.

The T-Home consumer call center is available 24 hours a day by dialing 1412. This customer service channel is responsible for helping customers using fixed line telephones, internet or television services to understand the parameters of these services, providing information as to the relevant tariffs and conditions.

There are different ranges of information available regarding different products and services, details of which can be found in the terms and conditions: http://www.telekom.hu/szolgaltatasok/aszf

2.3. Customer satisfaction

The Company conducts measurements on a quarterly basis aimed at measuring the Company's performance perceived by the customers along composite indicators incorporating satisfaction level and other components.
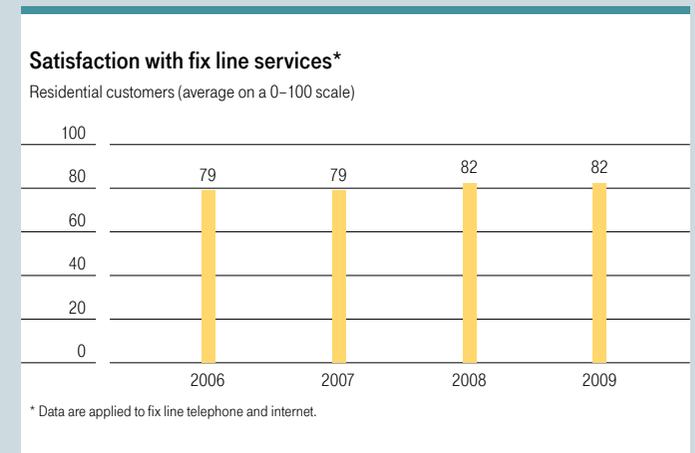Thus, one of the factors measured is satisfaction level. In addition, several satisfaction surveys might be conducted per year targeted at certain specific areas.

In course of the regular satisfaction surveys, the satisfaction of the Company's customers with the Company and the satisfaction of competitors' customers with their respective service providers are measured alike, broken down to consumer and business customer segments. The findings of the surveys serve as feedback from our customers, which is an important indicator of corporate performance in the different customer segments,

and can also be used as a basis for further analyses by means of which we can learn as much about the expectations of our customers as possible and adjust our services accordingly.

Customer satisfaction is measured by an external, independent research firm. The compilation of the questionnaires, the research itself, the adjustment and processing of the database, the preparation of analyses, studies and presentations about the findings, as well as their interpretation are the responsibility of the research firm in cooperation with the Market Research Department.
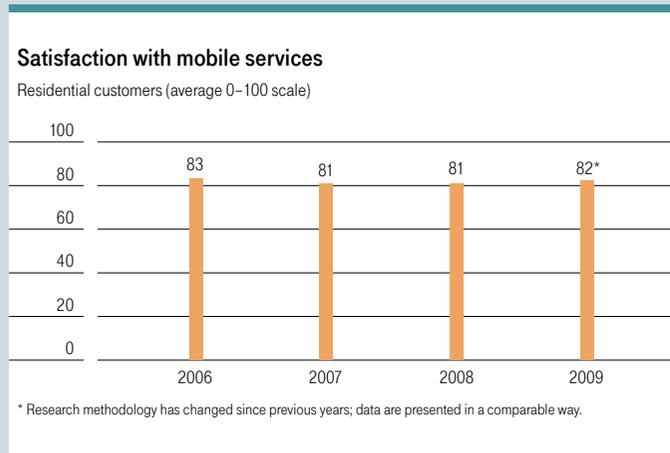The survey is conducted by eliciting answers via telephone, in the form of standard interviews, encompassing samples of the justifiable size, composition and weights. The content of the survey substantially remain the same from year to year, to ensure comparability of data, but a certain degree of adjustment is required time to time, due to the changing expectations of the Company (Group), as well as the changes of the product structure and the market. The selection of the target group, as well as the coordination and administration (definition of the goals, selection of the research firm, contracting, certification of performance) of the survey are done by the Market Research Department.

Satisfaction with fix line services*

Residential customers (average on a 0–100 scale)

* Data are applied to fix line telephone and internet.

In addition to classic satisfaction surveys, customers' satisfaction with the specific customer relations channels, i.e. call center, shops and exchange of information in writing are continuously measured.

On the basis of the analyses, top management defines action plans. The analyses are processed focusing on customer groups managed by specific organizational units, as well as on Group level. Implementation is monitored by top management and the directors in the framework of management meetings. Deficiencies, deviations identified through the analyses are addressed by the head of the unit concerned.

In 2006-2009, the level of residential consumers' satisfaction with both fixed line (telephone, internet) and mobile services was constantly high, the slight changes of the data are not significant, thus do not represent real deviations.

We measure business customer satisfaction by quantitative research, which is in line with Deutsche Telekom's internal standards and based on international methodology, annually. The research involves telephone inquiry addressed to a representative sample of our customer pool. Due to the different service environment and the services provided, fixed-line (internet, voice) and mobile business customers are surveyed separately. After processing and interpreting the findings, we prepare action plans, if needed, to improve satisfaction and loyalty of our customers in problematic segments.

In order to gain more in-depth understanding of the findings of 2009, we found it necessary to organize additional research. Thus, in the first quarter of 2010, we strive to explore the background of problematic areas identified by business customers by qualitative (interview and focus group) methods.
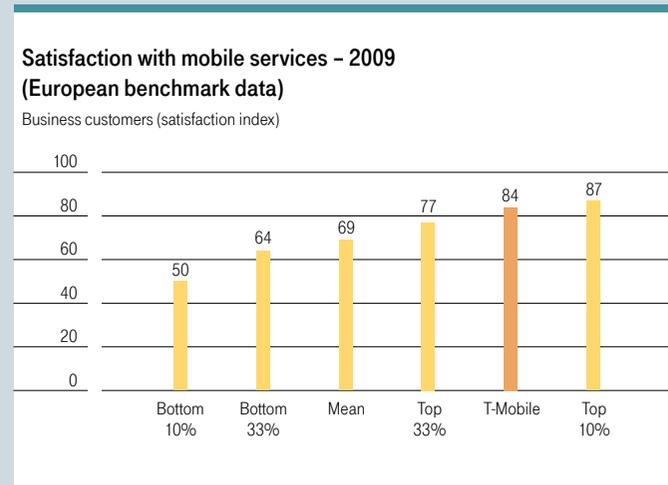
In 2009, according to business customers' opinion on mobile services, T-Mobile Hungary is still above average (69) and is among the best in Europe.

Satisfaction with fixed-line services – 2009 (European benchmark data)

Business customers (satisfaction index)

		Bottom 10%	Bottom 33%	Mean	Top 33%	Top 10%
T-Systems Total: 58	Competitors Total: 55	35	46	51	55	66
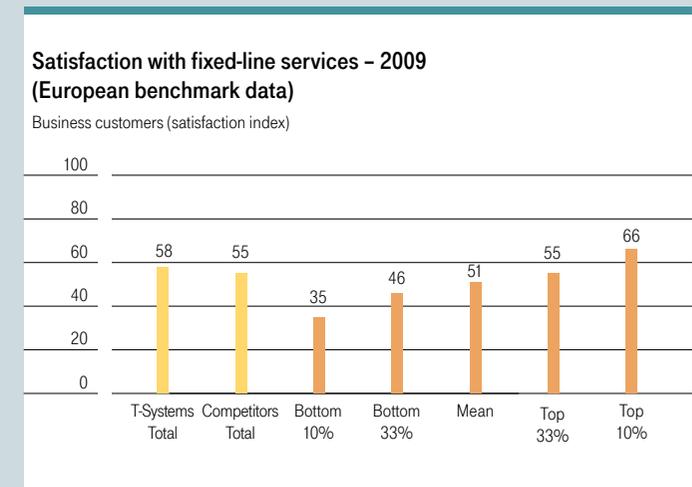
Business customers' satisfaction with fixed-line services is in line with international trends in 2009, too. The customer satisfaction index is above the European average (51) and is slightly better than the average of competitors in Hungary (55). Compared to the survey of 2008, the pool of customers targeted changed: the findings in 2009 reflected the response of every business customer, not only the ones with more than 250 employees.

Satisfaction with mobile services

Residential customers (average 0–100 scale)

2006	2007	2008	2009
83	81	81	82*

* Research methodology has changed since previous years; data are presented in a comparable way.

Satisfaction with mobile services – 2009 (European benchmark data)

Business customers (satisfaction index)

Bottom 10%	Bottom 33%	Mean	Top 33%	T-Mobile	Top 10%
50	64	69	77	84	87

Though we cannot see any significant changes in the data, certain deviations can be detected when exploring the detailed analyses, addressing smaller target groups, which are useful for our further work aimed at providing superior quality to the customers.

At the Macedonian and Montenegrin subsidiaries of the Group, the trends are clearly improving in every service area and customer segment.

Customer Satisfaction Index, T-Home Macedonia

	2007	2008	2009
T Home Macedonia Customer Satisfaction Index (TRI*M Index) Residential Customers	48	54	62
T Home Macedonia Customer Satisfaction Index (TRI*M Index) Business (CME/SOHO) Customers	52	55	61

Customer Satisfaction Index, T-Mobile Macedonia

	2007	2008	2009
T-Mobile Macedonia Customer Satisfaction Index RC (TRI*M Index)	72	89	88

Customer Satisfaction Index, T-Mobile Montenegro

	2007	2008	2009
T-Mobile Macedonia Customer Satisfaction Index RC (TRI*M Index)	71	78	75

Customer Satisfaction Index, T-Com Montenegro

	2007	2008	2009
T-Com Montenegro Customer Satisfaction Index (TRI*M Index) Residential Customers	48	78	81
T-Com Montenegro Customer Satisfaction Index (TRI*M Index) Business (CME/SOHO) Customers	57	73	91

2.4. Marketing communication

Magyar Telekom makes significant efforts to communicate its advertisements to the consumers without being deceptive. In view of the experiences of earlier advertisements and taking into consideration the guidelines of GVH (the Competition Office) the contents of advertisements undergo preliminary (internal) legal control before they are communicated to the customers, accordingly, the ads are developed by the Communications area always by assessing both business and the legal aspects. Customers are provided information via a number of different communications channels about the products and services to be advertised to ensure high accuracy information to a wide circle of customers.

3. Communication without boundaries

3. Communication without boundaries

3.1. ICT products for sustainability

Magyar Telekom assesses its products and services from sustainability aspects, too.
The assessment reveals whether the product or service in question has any favorable environmental or social impact, whether it contributes to long-term economic development and if it is benefitial for the customer.
The sustainability impact of products/services is measured in 3 dimensions, in 15 topics and through 42 questions.
According to related regulation sustainability assessment covers all products and services of the company.

Dimensions and main fields of sustainability analyses of services

Dimension	Topic
Social dimension	Protection and promotion of human health
	Access to information and education
	Pursuing freedom, happiness and development
	Creation and protection of high quality jobs and income
	Equal opportunities
Economic dimension	Protection of long term business interest, reduction of business risk
	Sustainable examples of consumption
	Real costs, fair prices
	Orientation on current needs and benefits
	Regional/global responsibility
	Competitiveness
Environmental dimension	Saving resources input
	Environmental pollution resulting from outputs
	Contribution to climate protection
	Environmentally compatible products and processes

The Company informs its customers about its most important sustainable products and their sustainability benefits, in order for them to be able to make their choice in a responsible manner You can read more about the above at http://www.telekom.hu/society_and_environment/ict_for_sustainability.

The social and natural challenges of our day and age have made it necessary that emergency and law enforcement forces standardize and improve their communication worldwide. In order to support this effort, Magyar Telekom established a Standard Digital Radio Telecommunication System. This closed radio telecommunication system of very high availability is aimed at providing professional communication among different emergency and law enforcement agencies, thus enabling quicker, more efficient and more secure response. Users of the system in Hungary are as follows: Police, Fire Department, Disaster Management, Ministry for Environment and Water Management, Customs and Finance Guard, Prison Service, National Security Services, Ambulance Service and the Defence Forces.
You can read more about the above in the year-2008 Sustainability Report: http://www.telekom.hu/static/sw/download/fenntart_jel_2008_eng.pdf

3.2. Eliminating the digital divide

Digital divide is the name used for the phenomenon, existing in today's society, of different groups of society having different chances to access information technologies (due to geographical location, social or other reasons).
By means of its program aimed at eliminating the digital divide, Magyar Telekom strives to bridge the divide and to facilitate the positive effects of information and communication technologies.
For economic development in this age, it is inevitable to access information and communication technologies, while the transformation of social relations and communication make it important for us to get familiar with new technologies and the opportunities offered by them. Thus, by better communication means, we enable contacts to be established between individuals in particular and within society in general.

Magyar Telekom for the disabled

Magyar Telekom considers it important to enable hearing and speech impaired people to communicate with their environment without limitations. For this purpose, we offer them a special service called Jelmondó (Relay).
In order to use the service, a special keyboard-equipped telephone device or a modem-equipped computer is need to be connected to the phone line. Through the device, you can contact Magyar Telekom's operator, who in turn contacts the person you wish to call. Then the operator reads out your written messages for the individual on the other end of the line and sends you written messages with his/her answer.
To initiate the contact, you need to call the 80 303 202 toll-free number. If you are not hearing or speech impaired, but wish to contact a person with such disabilities, you have to call the 80 300 200 toll-free number.
The service is not available for international calls, and nationwide local-fee numbers (06 40), toll-free (06 80) and extra-charge (06 90) numbers cannot be called through this service.

We offer a special discount tariff package to hearing impaired customers who hold identification certifying their disabilities using which they can send SMS messages at HUF 15 per message. In addition, there are two publicly unavailable large SMS packages offered to these customers (SMS 500, SMS 1000) at favorable prices.

Using our prepaid tariff package designed for the blind and visually impaired, customers can make calls at discount minute-based tariffs.

An agreement is being prepared with the National Federation of the Blind and Visually Impaired, including further discounts potentially available for relatives of our disabled customers, too.

Mobile phone for the silver generation

On December 04, 2009, T-Mobile started selling, being the first to do so among mobile providers in Hungary, the mobile set called "emporia TALKpremium", which is designed to fully comply with the expectations and lifestyle of the elderly. Its most important feature is that it is extremely simple to use. It has a large, high-contrast display with easy-to-read characters, and its keyboard consists of easy-to-use, large buttons. Control buttons are also large and emit different colors of light. You can set a very loud ringing tone and you are alerted to incoming calls by strong flashing lights on all sides of the phone. It does not have a menu. Different functions are accessed by pushing dedicated buttons. For example if you wish to write an SMS, you just push the appropriate button.
The device makes it much easier for the elderly to communicate, thus retain their roles in society even after their active working years.

Internet for Equal Opportunities (Egálnet) Program

At the end of 2006, a community portal was estaiblished with the purpose of supporting the efficient operation of organizations helping disadvantaged groups by means of exploiting the opportunities offered by the internet. 171 organizations joined (registered to participate in) the program by the end of 2009, out of which 114 launched their websites. Egálnet is a community site that enables registered organizations to use a simple program to create their own websites, as well as to keep in touch with each other. The target group of the program includes NGOs representing socially disadvantaged or disabled people, groups supporting young unemployed individuals or ones just starting their careers, schools, minorities, as well as foundations, associations addressing other social problems.
The project provides means to the target group, thus enabling them to develop their capabilities and communication, which translates into an improvement of their professional achievements.
Communities, NGOs can advertise themselves, exchange informstion with similar organizations and even collect more donations.
In 2009, Egálnet websites competed with each other for the second time. The websites were assesses along content and format criteria. The award

ceremony took place on December 07 at Magyar Telekom's Headquarter Building. Altogether 20 winners were announced. Winners of each category received laptops with accessories, and winners of special prizes got gift packages.
Details are available at the links below:
http://www.telekom.hu/society_and_environment/society/digital_bridge/egalnet
http://www.egalnet.hu/object.5ED601BC-C574-4C66-9A66-13C4B0A26730.ivy

Supporting isolated, disadvantaged settlements and groups of society

The purpose of Magyar Telekom's Digital Bridge at Small Settlements Program is to increase awreness about achievements of and opportunities offered by information and communication technologies in regions where the digital divide might appear. The program aims to provide better communication means to disadvantaged settlements of less than 3000 inhabitants, thus supporting local and regional development. In this framework, Magyar Telekom's volunteers provide customized, efficient IT training to those living at the small settlements.
127 events of this kind had been held by the end of 2009. 588 participants took part in 2009, and 268 Magyar Telekom volunteers helped them to get familiar with the internet.

In 2009, the Digital Bridge at Small Setlements Program was supplemented by a new element. Volunteers of Magyar Telekom continue to educate the inhabitants to use the internet as part of the program called Digital Bridge Fest, in addition to which a talent contest is held by Péter Novák and Kultúrpart, where the winners are offered the opportuinity to perform for a live audience and through the internet. In 2009, 6 settlements of Baranya and 4 of Nyírség hosted Digital Bridge Fest events. Videos, photos and further information are available at the link below:
http://www.telekom.hu/society_and_environment/society/digital_bridge/digital_bridge_at_small_settlements

Telekom Digitális Híd

By elaborating the Green Zone Tariff Package, which is unique in Hungary, our purpose was to help less developed regions catch up with the development of telecommunication. The tariff package offers special minute prices for calls initiated from the designated "discount zones", and since its introduction in 2000, Green Zone discounts are available at 3000 settlements, thus covering 94% of Hungary's territory. Using the Cameleon Package together with the Green Zone tariff, only HUF 600 is to be paid above the monthly subscription fee and calls can be initiated at 50% discount prices from the discount zones.

Large-scale IT development at 70 settlements of Baranya

Special T-Home discounts for more than 90 thousand inhabitants of small regions

The more than half billion forints invested in the framework of the National Development Plan's Economic Competitiveness Operative Program provides broadband internet for 36 thousand households around Pécsvárad from 2009. Magyar Telekom, as the operator of the network, offers 7% discount to new subscribers in the region on the monthly fees of T-Home DSL, Easy, Happy and Medium internet packages with one year loyalty period, which starts after the expiry of the one month free-of-charge trial period.

The owner of the network and the entity in charge of the investment project is the Pécsvárad Multipurpose Small Settlement Association, while the operator of the network, in the framework of a long-term contract, is Magyar Telekom, which is open to serve further retail internet providers through the network, subject to compliance with the tender and the effective law.

With the completion of the investment project, the inhabitants of the settlement in question are offered new opportunities and experiences by using broadband internet, which is not only entertaining in their spare time, but is also useful at work.
Due to the development implemented as part of ECOP, more than 90 thousand inhabitants of the settlement can access modern broadband IT and electronic communication services.

In the agreement concluded between Magyar Telekom and the Ministry for prolonging the GSM 900 MHz frequency licence by 15 years, the Company undertook to carry out certain developments between January 1st 2008 and December 31st 2009:

- Instead of the committed 1 005 000, 1 627 677 citizens were provided with mobile access in low-coverage regions.
- In a 2 km radius area of the Lake Balaton, instead of the committed 75%, 82.59% of mobile broadband territorial coverage was achieved.
- Instead of the committed 88%, 94.19% of population coverage was achieved at Balaton.
- Instead of the 400, 401 new base stations were built and instead of the comitted 300, 507 base stations were upgraded.
- In total, instead of HUF 20 billion, HUF 22.762 billion was spent by December 31, 2009 on developing mobile broadband infrastructure.

At the same time, further small-region development projects are under way as part of ECOP. You can read more about them at the following link: http://www.telekom.hu/rolunk/halozatfejlesztes_palyazat

Building a digital society abroad

"PC for every student" in Macedonia

Makedonski Telekom's support to the government project "PC for every student" promotes effective use of technology in classrooms accross the country. The donation consisted of installing networks for connecting all PCs in one communication network, providing increased quality of the education process. Until now, 1951 classrooms were connected in 93 schools, and installation of active equipment in the dormitories is planned for 2010. In addition, in order to provide the students with a possibility to use the advantages of the internet at the speed of light, the 2010 plan for extending the optic network also encompasses the dormitories which additionally supports our aim for extension of the access to technology.

PC-s for NGOs

Every year, Makedonski Telekom donates PC-s to many civil-society organizations, supporting the activities of marginalized groups, women and those with little or no access to technology. In 2009, computers were donated to the Association of People with Labour Disabilities of the Republic of Macedonia, the Information Technologies Development Foundation – Information Centre Kriva Palanka, Youth Association – Krusevo, Romani Topaana and others.

Development of information society in Montenegro

Being the leading broadband provider in the country, Crnogorski Telekom is responsible to be the first national partner in developing an information society. In order to enable internet to become a part of everyday lives of the majority of Montenegrin citizens, together with the Government of Montenegro, the Company initiated a project aiming to increase the level of digital literacy and internet penetration in Montenegro.

The goal of the project, which started in 2008 and is planned to last until 2012, is increasing the digital literacy, increasing the level of knowledge and using the internet, raising the general level of awareness on the importance of the Internet and promoting information culture in Montenegro. Also, one of the objectives is involvement of the marginalized groups into the information society.

In the first phase of the project, for primary and secondary school pupils 41 workshops were organized in 21 Montenegrin municipalities. About 15 000 pupils were introduced to the advantages of using the internet and to the concept of school websites.

All primary and secondary schools in Montenegro (162 primary and 46 secondary schools) got their own websites whose content was further developed by pupils and their teachers (www.mojaskola.me). Best web teams were awarded with a travel to Paris.

In the second phase of the project, the focus was on increasing the computer literacy and internet usage among senior citizens. Besides, the aim was to eliminate fear of using new technologies, prejudices and obstacles in using PCs and internet among this population group.

The Company's contribution to development of information society will remain in our strategic focus for years to come, and the company allocated EURO 1 million for this four-year project.

For the third year in a row, Crnogorski Telekom enables free internet access via ADSL to all elementary and high schools in the country. The project was implemented together with Ministry of Education and Science, and it started in 2006.

In order to further increase awareness about the importance of information technologies among the young population, and award extraordinary talent and knowledge, in 2009 Crnogorski Telekom awarded 62 elementary and high school pupils with free broadband internet. The project was implemented in cooperation with the Exam centre of Montenegro.

3.3. Service availability

Magyar Telekom grants subscribers' rights connected with service availability and fault repair on the basis of its General Contract Conditions available on the Internet and in the customer service points. In these the company guarantees compliance with the published quality targets in the service provision process in its entire service area, which compliance is controlled with tests and the methods of measuring are made public.

The company also specifies here the quality target figures of services provided, and continuously measures their fulfillment and makes publicly available the readings. Faults in the service detected by the subscribers in the course of using the service are managed, among others, in line with their rights laid down in the General Contract Conditions, according to the procedure determined for the period after the detection and registration by the company of the fault.

The General Contract Conditions are available on the following website: http://www.telekom.hu/szolgaltatasok/aszf

In order to avoid extraordinary service outages, the Group equipped all technological facilities and exchanges with backup power units. Magyar Telekom strives to ensure service continuance by means of continuously developed technological solutions, security systems and backup equipment.

As of 2009, the company started a large-scale fiber roll-out, in accordance with its long-term strategy. These fiber networks provide higher availability, due to the lack of active (energy consuming) elements, compared to the existing networks.

Annual service availability

Annual service availability (%)	2005	2006	2007	2008	2009
CTV analogue / digital	99.88	99.96	99.98	99.98	99.97/ 99.95
IPTV			98.74	99.77	99.8
Fixed-line internet (ADSL)		99.83	99.82	99.93	99.9
Mobile internet 2G/3G	99.6	99.74	99.5	99.71	99.67/ 99.5
Telephone/ VoIP/ VoCaTV	99.97	99.97	99.97	99.96	99.96/ 99.65/ 99.97
Mobile telephone 2G/ 3G	99.95	99.94	99.94	99.94	99.94/ 99.91

As of the early morning hours of December 04, 2009, large numbers of mobile subscribers of Magyar Telekom reported to the customer service centers that they had problems receiving and initiating calls.
During the morning, national and local, printed and online media, as well as radio stations and television channels kept on inquiring about the problem via fixed line telephones, emails and sometimes even through mobiles.

Magyar Telekom issued a statement informing customers about the cause of the service outage (an unexpected software fault that had happened in course of a scheduled work done during the night) and about the fact that fault repair had started during the night and the system was gradually coming back to normal status, at the same time thanking customers for their understanding and patience.
According to the report of the Technical Directorate, the cause of the outage was eliminated by 3:30 pm and only sporadic outages were possible by that time.

In order to provide up-to-date and comprehensive information to customers, MT issued another press release the same day about the fact that consequent to fault repair, service levels were restored by 3:30 pm everywhere in the country and outages were only possible sporadically. Responding to questions about the potentiality of penalty payment raised by almost every media, Magyar Telekom stated that it had reviewed its potential liabilities arising from the network outage and had determined that it was under no obligation to pay penalty.

At the same time, upon consideration of the inconvenience caused to customers, Magyar Telekom's management decided to offer 10 minutes of free-of-charge voice calls within the network to every subscriber and Domino card holder, which could be used up between 0:00 am December 24, 2009 and midnight December 31, 2009. The 10 free-of-charge minutes of voice calls within the network were provided automatically to every customer and were calculated on the basis of customers' respective tariff packages. A press release was issued about the compensation on December 07, and customers were continuously informed about it through the customer service automated messages and the homepage.

3.4. T-City, the city of the future

In May 2009 Szolnok was named T-City. The city is home to some 78,000 people, who will benefit from numerous projects designed to demonstrate the potential of state-of-the-art ICT for quality of life and enhanced community amenities in the future lab that is T-City. The cooperation between Magyar Telekom and Szolnok Local Government is a unique project in Hungary which will create impetus throughout the country.

Several project stages were completed in the future lab of Szolnok during 2009:

In an initial stage, Mobile Parking was introduced throughout the City and T-Mobile created mobile payment services in cooperation with some local pizzerias and bookshops. (The basis is the fast HSDPA mobile network, which was already available throughout Szolnok.)
With the Home Lab innovation center in Szolnok, Magyar Telekom has created a facility for testing and developing innovative products and services en route to market maturity. At Home Lab, residents and local companies are invited to incorporate their own ideas, experiences and requests into the design of new technologies.

Fall 2009 saw the launch of stage three, with initial projects in the areas of health, education, tourism and culture:
– Since September 2009, Magyar Telekom has been testing an emergency call system for elderly people living alone as one of its health projects. In case of an emergency situation, a central 24-hour clinic will be alerted, and will notify relatives and, if necessary, call a paramedic.
– The first cultural project was launched in the town's sports hall, where four IP cameras are used to relay cultural and sporting events live via the Internet. The recordings are also archived – a service that is proving particularly useful for sportsmen sportswomen and their trainers.
– Since the start of the 2009 academic year, one elementary school in Szolnok has been equipped with an entry guiding Radio Frequency Identification (RFID) technology based system: the students wear special tags which register their arrival at / leaving from school. Parents can opt to receive an automated SMS message, or track their children's entry/exit times via the Internet.
– In 2009, over 100 people in Szolnok trialed a new security system for their homes. The properties are monitored around the clock by sensors and IP cameras. In case of irregularities, the owners are notified immediately via e-mail or cell phone. They can also view images of the situation directly via the Internet and, where necessary, notify their neighbors or alert the police. The system will still operate reliably even in the event of a power failure. It is due to be launched on the Hungarian market in 2010.
The cooperation between Magyar Telekom and the city of Szolnok is a long term innovation program where the project focuses are in the field of education, culture, home security, tourism and health.

4. Reducing the environmental footprint

4. Reducing the environmental footprint

Due to its scope of activities, Magyar Telekom Group is not one of the significant polluters either on the input (raw materials, energy consumption) or the output (waste materials, emission) side. In addition to decreasing energy consumption, the Company reduces its environmental footprint on the input side by decreasing the volume of paper used or by replacing it by recycled paper. On the output side, it wishes to reduce its environmental footprint by a 10% CO_2 emission decrease (by 2011) and by selective waste collection. On top of the above, Magyar Telekom enables its customers to reduce their environmental footprints by using the Company's services, and puts emphasis on increasing awareness in this context, too.

4.1. Climate protection

Climate change is considered as one of the greatest environment protection problems of our age. As a result of warming, certain areas become subject to desertification, while others are flooded, at the same time extreme weather conditions become globally more frequent and more intensive. Melting of glaciers and the polar icecaps result in increasing sea levels, which endangers the habitat of millions, while the water supply of billions is also at stake. The growing number of climate refugees already shows the weight of this problem: millions had to leave their homes due to desertification, flooding or growing sea-levels in the recent years. Climate change also causes an accelerating pace in the extinction of plant and animal species, as many of them cannot adapt to the rapid changes. One of the strategic goals of Magyar Telekom posing the greatest challenges is climate protection and the decrease of its own and its customers' CO_2 footprint. The corporate Group set a target of reducing its CO_2 footprint by 10% by 2011[23].

Magyar Telekom is concerned in the issue of climate change from several aspects. First of all, the Company's operations incur direct and indirect greenhouse gas emissions, despite the fact that the activities pursued by the Company do not cause much pollution. These emissions are mainly

[23] Base year: 2007

due to electric power and paper consumption, heating and travel. Second, the Group provides ICT (information and communication technology) services that can replace travel and material consumption. Video and audio conferencing, TelePresence, which is a more life-like way of videoconferencing, e-bills and other electronic solutions to conduct one's affairs are all such services.

Third, through the more frequent and more intensive occurrence of extreme weather conditions, climate change has an indirect effect on the Group, as network elements are exposed to weather. In an effort to manage these risks, Magyar Telekom prepared a study of the climate change effects and their relevant financial impact, on the basis of which it has started to mount weather monitoring measurement equipment on its towers. Currently, 16 stations are equipped like that, and the inflowing data are being constantly assessed.

Climate protection campaign

In 2009, Magyar Telekom's internal climate protection campaign, aimed at increasing employees' awareness about and commitment to climate protection and make them take action against the climate change by consciously changing their work and lifestyles, was continued.

It was in this spirit that we launched an effort promoting economical driving techniques, by means of which you can not only decrease emission levels, but also save travel costs and avoid stress.
We also increase awareness among colleagues about the fact that by preferring cost-efficient solutions offered by the company, they promote climate protection goals, beyond the positive economic impact. By this, we wished to shed light on the fact that economic and environment protection goals can be harmonized.
We continued our PC Switch Off program, too, as part of the second phase of which we switch PCs and laptops left unused during the day into stand-by mode in order to thus decrease their energy consumption.

We launched a series of actions based on the book titled „100 pictures of the world worth to remember". The book is about natural phenomena that might disappear soon due to climate change, but it also offers many useful ideas as to how to take action against the climate change. In addition to popularizing these ideas, we aso describe our good practices in this context.

Bet ween 8:30 and 9:30 pm, on March 28, 2009, as part of the global Earth Hour initiative, municipalities, companies and individuals switched off lights to draw attention to climate change and the fact that all of us can take action against it.

Magyar Telekom and its offering brands, T-Mobile and T-Home, joined the initiative in 2009, as they did in 2008. During the period indicated, we switched off our advertisement lights and the lights of T-Shops and office buldings. In addition, at 18 shops still open at that time, we offered energy-efficient lightbulbs in return for used batteries and phone sets, as well as distributed leaflets on energy savings methods to customers showing up between noon and closing hour. Origo and Iwiw also joined the initiative, and blacked out the background of their screens from 8:30. An Earth Hour 2009 club was also established at Iwiw.
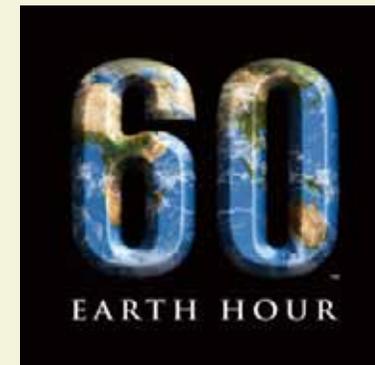
Electric power consumption

Magyar Telekom Group's electric power consumption is significant, as the technologies used to provide our services require that. It is a priority objective of the Group to decrease its consumption as far as possible by applying state-of-the.art equipment and technologies.

Consumption in 2009 was 282 GWh, which is an increase of 0.4% compared to the previous year. The slight increase is caused by the Group's continuous development and the expansion of our service portfolio. As to members of the Group, Magyar Telekom Plc's consumtion increased by 5.7%, partially caused by T-Kábel's merger and the appearance of new acquisition areas, coupled with the effect of new wireless base stations' added consumption. The consumption of MakTel significantly increased (by 10.3%) caused by the expansion of the shop network and the newly established 3G network base stations.

TCG decreased its consumption significantly (by 19.3%). This is primarily due to the decrease in consumtion by offices due to downsizing, as a result of which less buildings and air-conditioning equipment are needed.

Energy efficiency indicator presented on the chart shows data transmitted with one kWh energy.

Tendency of continous improvement is definite.

Energy efficiency indicator, Magyar Telekom Plc.

Gbit/kWh	2005	2006	2007	2008	2009
	3.339	4.699	7.430	9.834	11.883
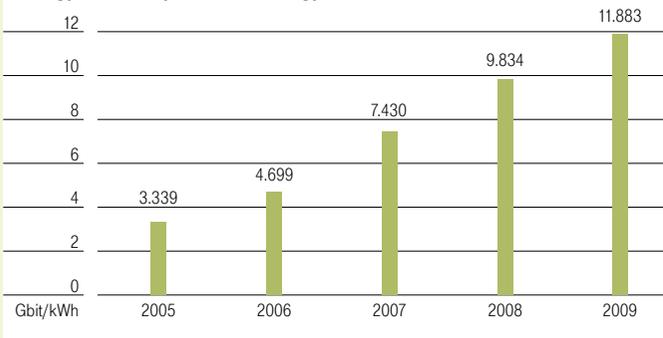
Dr. Géza Pál Nagy
Senior Infrastructure Operations Manager
Group Real Estate Services

– What do you do for Magyar Telekom to be a sustainable company?
– In this age, energy issues pose perhaps the most important sustainability challenges. As part of my work, I face issues like electricity, heating and cooling energy savings, as well as CO_2 emission decrease and renewable electricity supply. I've been working on solutions involving PEM cells for close to seven years, at last, perseverance and the establishment of a value chain lead to success. The bottom line is that the major factor is not the PEM cell in itself, but the related cooling ventilation is of importance, too, as there is no need for large batteries containing lead and sulfuric acid, less than half as much air-conditioning is required. Even though I hold an engineering doctorate, I have to continuously learn and be able to doubt measurement results, as well as even my own ideas. That is the way to boil things down to what they really are and that is the methodology by means of which I contribute to achieving the company's sustainability targets.

**– How do you contribute to sustainable development when you are not at work?**
– The study of energy as a science follows me home. I made an inventory of how much electricity, hot sanitary water and heating energy is consumed by our house. After some calculations, I have had solar collectors mounted on the roof, which do not only feed the bath tub and the sink, but the washing machine and the dishwasher, too. They even input energy into the floor heating in the autumn and the spring. I have gradually replaced almost all light bulbs by energy-efficient ones, and also bought a more sophisticated, lower-consumption and quiet computer.

Fossil fuel consumption

Magyar Telekom Group uses fossil fuels to heat offices, part of which is from direct energy sources (natural gas), the rest is indirect energy provided by long-distance heating. Heating oil is used to an insignificant extent and only by foreign subsidiaries.

Gas consumption

After last year's increase, the Group's gas consumption shows significant decrease (6.7%) caused by modernizing the heating equipment and the decrease of the number of buildings to heat.

Gas consumption, Magyar Telekom Group

th m³	2005	2006	2007	2008	2009
	8,697	8,175	7,166	8,179	7,628
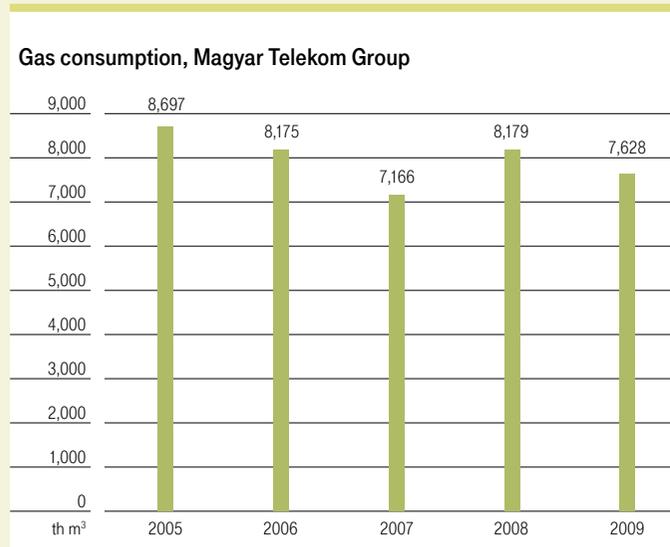
Distance heating

Magyar Telekom Group consumed 3.4% more energy for distance heating than in the previous year. This type of energy consumption is difficult to influence, as distance heating is mostly used in office buildings we rent.

Directly generated energy for our own use
The use of energy generated for the company's own purposes did not change in 2009 compared to what had been described in the sustainability reports of the previous years.

In order for us to be able to provide continuous telecommunication services, even in case of power outages, we have emergency diesel power generators in place.

We continue to use a gas engine to provide the electric power, heating and hot water at the Krisztina krt. headquarters building. The unused portion of the generated electric power is sold to the Budapest Electric Works.

Alternative and renewing energy sources

Magyar Telekom Plc has heat pumps installed at two sites in Budapest and one in Győr. The equipment, the operation of which is described in last year's sustainability report uses the residual heat generated in technological rooms for the purpose of heating sanitary water. The energy produced in the form of heat is approximately 4-5 times as much as the electric power consumed.

Magyar Telekom put into test operation a base station running on hydrogen (PEM cells) in 2008. The installation of 5 new such base stations started in 2009.
The cooling of base stations by ventillation started at 950 container stations between 2006 and 2009.

In addition to the above, solar collectors are in place at he Company's holiday home at Balatonkenese, which provides hot water for sanitary and heating purposes.
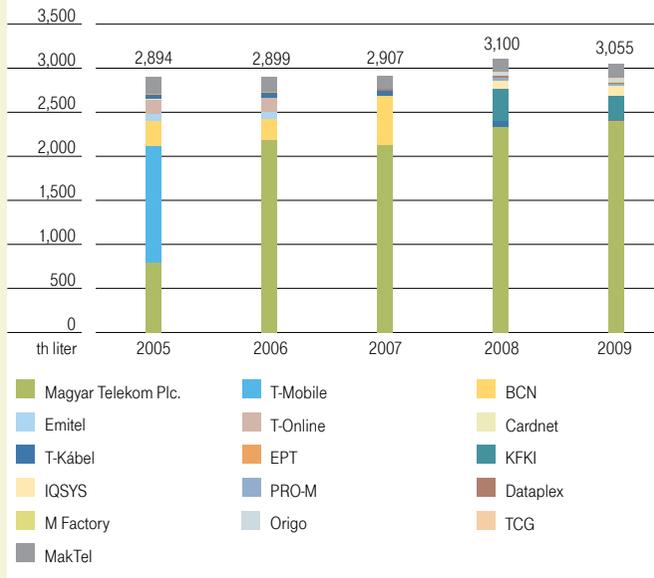
Montenegrin Telekom has recently put into operation two base stations that use renewable energy sources. These are state-of-the.art equipment that use the power of the sun and wind. The project is part of a broader company initiative to stop global warming and protect the environment.

The first base station with alternative energy sources installed in torticollis above Risan - at 1350m above sea level, and the other is located next to the highway Podgorica - Kolasin Platije in the canyon. At these locations, equipment were installed that use a combination of solar panels and wind generators.
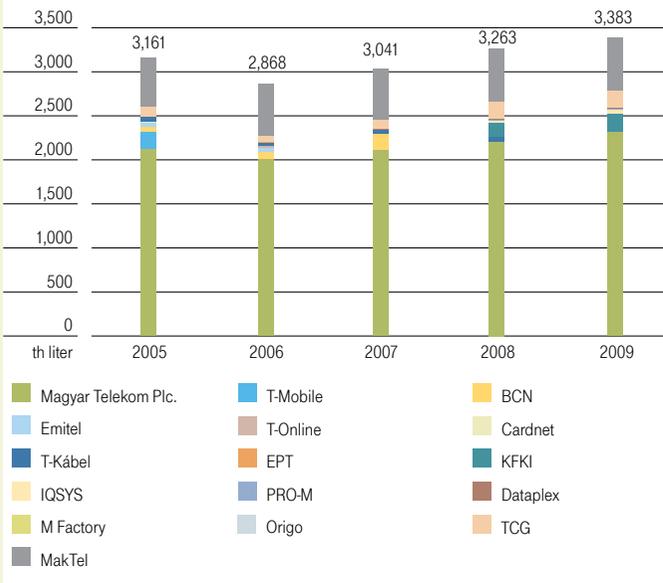
Fuel consumption

The fleet of the Group decreased by 3.1% compared to the previous year, however, milage increased significantly, by 16.8%. The increase is due to the increasing number of SAT-TV and IPTV subscribers that resulted in a growing service territory. Despite the aforementioned, total fuel consumption increased only 1% compared to last year's significant 7.5% increase. The Group's diesel consumption was 3 383 thousand liters in 2009, which is 3.7% more than in the previous year. Gasoline consumption decreased by 1.5%, which is to be considered a success in light of the previous year's increase of 7.3%.

Fuel consumption of vehicles (diesel), Magyar Telekom Group

Values: 2005: 3,161; 2006: 2,868; 2007: 3,041; 2008: 3,263; 2009: 3,383

Legend: Magyar Telekom Plc., T-Mobile, BCN, Emitel, T-Online, Cardnet, T-Kábel, EPT, KFKI, IQSYS, PRO-M, Dataplex, M Factory, Origo, TCG, MakTel

Fuel consumption of vehicles (petrol), Magyar Telekom Group

Values: 2005: 2,894; 2006: 2,899; 2007: 2,907; 2008: 3,100; 2009: 3,055

Legend: Magyar Telekom Plc., T-Mobile, BCN, Emitel, T-Online, Cardnet, T-Kábel, EPT, KFKI, IQSYS, PRO-M, Dataplex, M Factory, Origo, TCG, MakTel

Mileage

The Group's services encompass the total territories of Hungary, Macedonia and Montenegro, thus, it is inevitable to use vehicles regularly. None of the installation works and only a small portion of maintenance and repair works can be handled by remote control.

Milage increased by 16.8% compared to the previous year's, which is caused by the already mentioned increase of service territory, especially that of CTV.

Mileage performance of vehicles, Magyar Telekom Group

Values: 2005: 71,580; 2006: 67,082; 2007: 66,156; 2008: 70,022; 2009: 81,782

Legend: Magyar Telekom Plc., T-Mobile, BCN, Emitel, T-Online, Cardnet, T-Kábel, EPT, KFKI, IQSYS, PRO-M, Dataplex, M Factory, Origo, TCG, MakTel
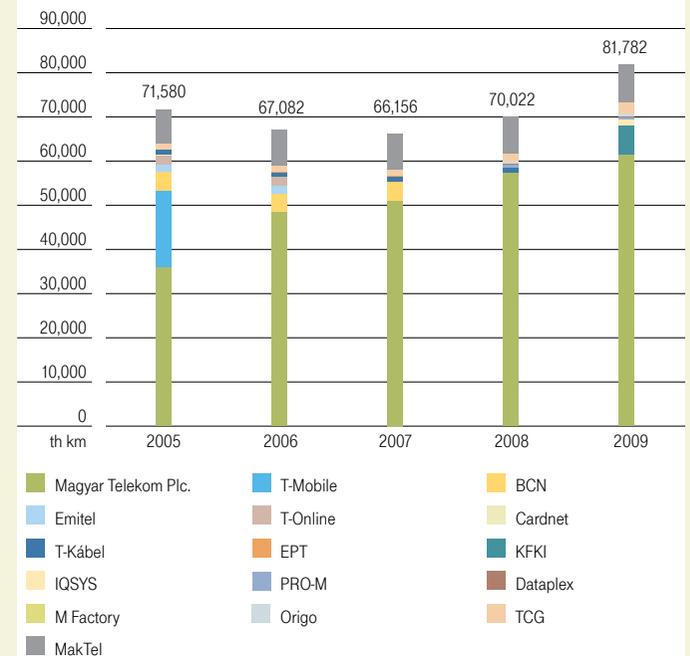
Vehicles

Magyar Telekom Group continuously modernizes its fleet. The average consumption norm of the vehicles replaced in 2009 was 8.7 liters per 100 km, while that of the vehicles that replaced them was 7.2 liters per100 km. The average CO_2 emission of the vehicles procured in 2009 is 155 g/km. It is to be highlighted that in 2009, already 54 hybrid vehicles were part of the benefit car fleet.

Number of vehicles, Magyar Telekom Group

pcs	2005	2006	2007	2008	2009
Total	3,840	3,557	3,976	4,024	3,898
Diesel cars	2,390	2,222	2,481	2,431	2,376
Cars running on petrol	1,450	1,335	1,495	1,593	1,522

■ Cars running on petrol   ■ Diesel cars

The fleet of the Group decreaed by 3.13% compared to 2008. Breakdown to fuel types:
- The number of cars running on gasoline decreased by 1.1%.
- The number of cars running on diesel decreased by 2.3%.

Breakdown to purpose:
- The number of service cars increased by 0.3%.
- The number of benefit cars decreased by 9.2%.

Travel-decreasing solutions

By audio- and video conferencing, many trips can be avoided, which leads to significant decrease in emissions. In addition, using the Telepresence service, offering life-like virtual meetings, colleagues even in different countries can sit around a virtual table, thus without having to make long flights. By saving travel time, there remains more time to spend with the families.

By means of the above services, Magyar Telekom Group made altogether 719 513 kms of travel unnecessary, which is 2.5 times more than it was in 2008. Breakdown to means of transportation:
- flights: 485 728 km
- car ride: 233 785 km

Breakdown to fuel type:
- 4 588 liters of diesel fuel was saved, which is 30% more than in the previous year.
- 3 189 liters of gasoline was saved, which is 36% more than the previous year.

Travelling distance replaced by videoconferences, Magyar Telekom Group

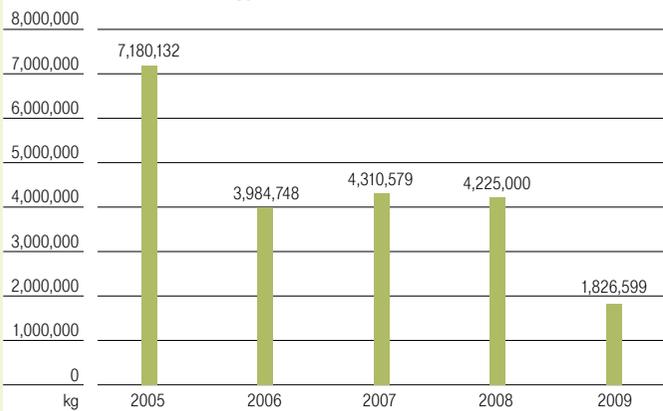| km	2005	2006	2007	2008	2009
Total	208,650	156,670	197,874	286,232	719,513
Flights				138,348	485,728
Car trips	208,650	156,670	197,874	147,884	233,785

■ Car trips   ■ Flights
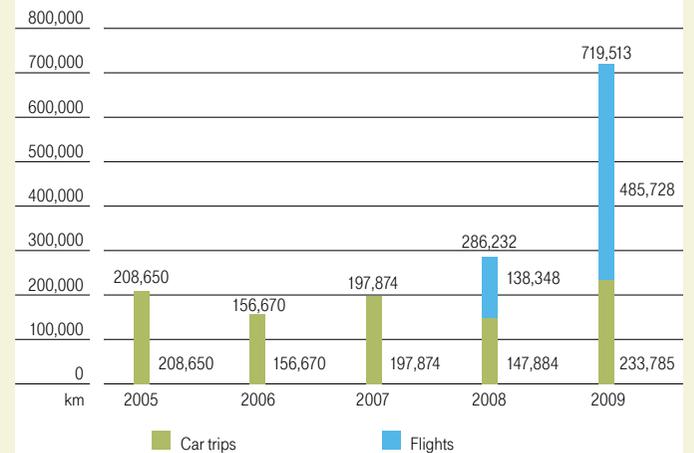
Paper consumption

Paper is the material consumed by Magyar Telekom Group to the greatest extent. It is mostly used for office purposes, but bills and directories are also printed on paper.

Magyar Telekom Group's paper consumption decreased by 56% compared to that of 2008. Among the members of the Group, the 52.13% decrease achieved by Magyar Telekom Plc, due to the contingency measures (cost reductions) was the most significant. Magyar Telekom Plc's paper consumption is close to 90% of that of the total Group. Approximately 15% of the paper consumed by the Group's employees is recycled paper.

Paper consumption, Magyar Telekom Group

Ratio of recycled paper in office paper, Magyar Telekom Group

- Office paper used by employees (printers and photocopiers)
- Recycled paper used by the employees
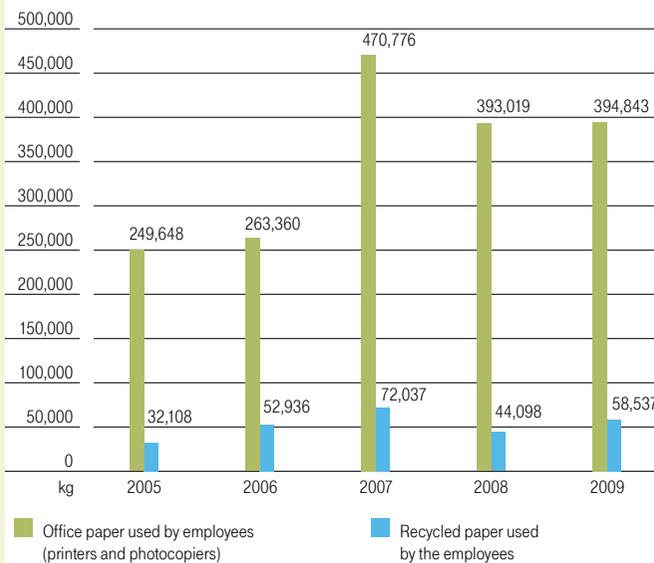
The number of e-bill users among Magyar Telekom Group's customers increased by close to 90% compared to that of the previous year. Magyar Telekom Plc sends e-bills to 60 435 customers, while MakTel does so to 3 565 customers, instead of paper-based bills.

Key customers of mobile services continue to be provided with the Electronic Charges Information service, by means of which electronic bill copies and detailed lists of calls can be downloaded through the Self-service Customer Service.

Paper replaced and CO_2 avoided by using electronic bills

- Paper replaced
- CO_2 emission avoided
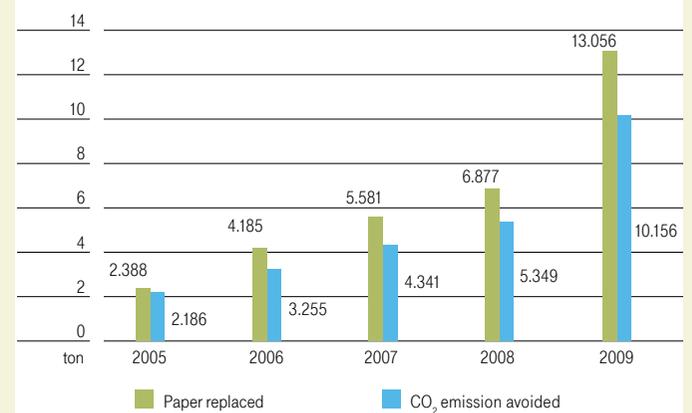
The year-2009 calendar and notebook collection, similarly to that of the previous year, is made of recycled paper. The Group also strives to procure stationery and business gifts made of environment-friendly materials.

Carbondioxide indicator

The carbondioxide footprint of different energy types are listed in the table below.
Whe converting the data, we applied CO_2 conversion factors on the basis of the recommendations of the International Energy Agency Data Services in 2007 (electric power), the UNEP guidelines (heating oil, fuel, natural gas) and data published by a major Hungarian paper production factory.

The CO_2 emission caused by the total direct energy consumption decreased by more than 1.5% compared to the previous year, while the emission caused by indirect consumption shows a slight, 0.44% increase. In total, the CO_2 emision caused by energy consumption shows a decrease of 0.1%, which is due to the fact that the types of energy that make up relatively most of the emissions show no or only slight increase.
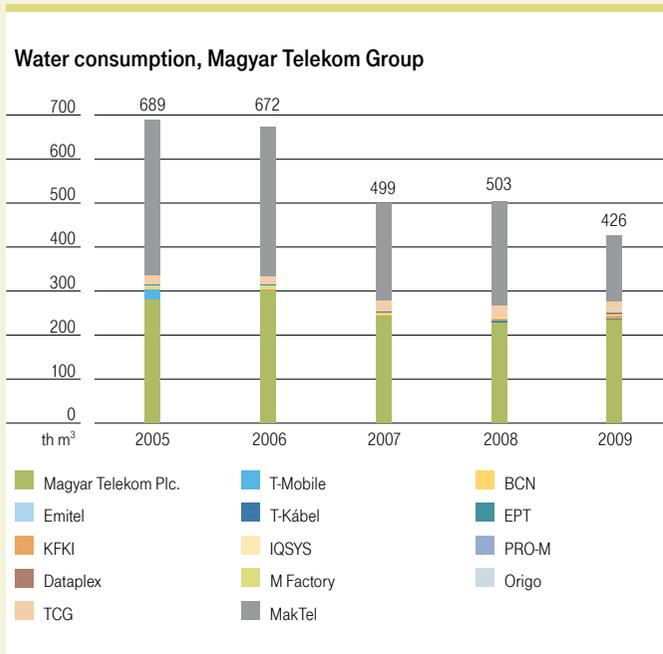
Cumulated CO_2 emission of Magyar Telekom Group
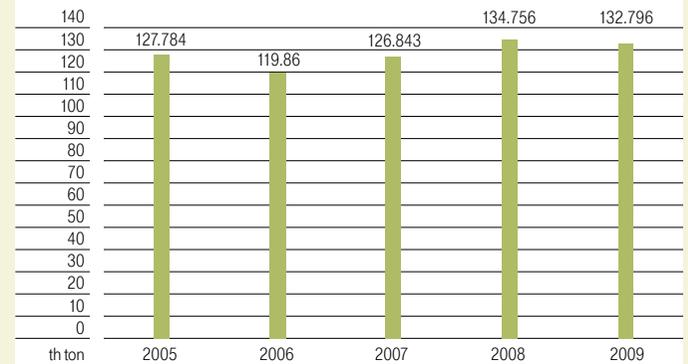
In total, it is to be considered a success that despite the growing service area and portfolio, the extent of CO_2 emission decreased, even if only slightly.

Magyar Telekom Group's Energy consumption CO_2 emission [tCO_2]

	2005	2006	2007	2008	2009	Change compared to the previous year (%)
DIRECT ENERGY CONSUMPTION						
Natural gas	16,665	15,664	13,731	15,672	14,616	-6.74
Heating oil	4,873	3,949	3,579	2,579	2,876	+11.52
Fuel (diesel)	8,471	7,686	8,150	8,745	9,066	+3.67
Fuel (gasoline)	6,462	6,452	6,454	6,882	6,782	-1.45
Fuel	14,933	14,138	14,604	15,627	15,848	+1.41
Emission by total direct energy consumption	**36,471**	**33,751**	**31,914**	**33,878**	**33,340**	**-1.59**
INDIRECT ENERGY CONSUMPTION						
Electric power	80,666	79,947	89,210	95,111	95,462	+0.37
Distance heating	4,047	3,024	2,311	2,448	2,530	+3.35
Emission by total indirect energy consumption	**84,713**	**82,971**	**91,521**	**97,559**	**97,992**	**+0.44**
Emission by total energy consumption	**121,184**	**116,722**	**123,435**	**131,437**	**131,332**	**-0.08**

CO_2 emission caused by Magyar Telekom Group's paper consumption [tCO_2]

	2005	2006	2007	2008	2009	Change compared to the previous year (%)
New paper [tCO_2]	6,571	3,100	3,354	3,287	1,421	-56.77
Recycled paper [tCO_2]	28	40	54	33	44	+33.03
Total CO_2 emission caused by paper consumption	**6,599**	**3,139**	**3,408**	**3,320**	**1,465**	**-55.88**

4.2. Water consumption

Magyar Telekom Group continues to consume water only for sanitary purposes. The Group's water consumption decreased by more than 15% in 2009, which is due to the decrease in the number of buildings (due to sales of property) and employees.

Water consumption, Magyar Telekom Group

	Magyar Telekom Plc.		T-Mobile		BCN
	Emitel		T-Kábel		EPT
	KFKI		IQSYS		PRO-M
	Dataplex		M Factory		Origo
	TCG		MakTel		

4.3. Biodiversity

Magyar Telekom Group's services encompass the country's total territory, thus cover protected natural zones, too. When conducting construction work at national parks or nature reserves, the Group always strives to proceed with extreme care, in continuous consultation with local authorities and having studies prepared about the potential effects, based on measurements. Information about natural reserves affected by networks is not available now, but a register is being developed now.

On the other hand, info-communication services largely support the work of environment protection and nature protection experts, and come especially handy when having to quickly and efficiently responde to environmental disasters.

Landscape effects

The Group considers it important to preserve the original features of the landscape and the environment to the greatest possible extent when implementing its investment projects, and ensure that its facilities fit in with the landscape as much as possible.
As in the previous years, the Company strives, subject to technical and financial conditions, to lay cables under ground and replace existing arial cables by underground networks. In 2009 majority of newly installed cables were layed under ground.

In order for us to be able to provide proper mobile services, it is inevitable to build towers and base stations. The priority is given to using towers that fit in with the landscape and be used jointly with other operators, thus decreasing the number of necessary towers. The ratio of towers used jointly by Magyar Telekom Group and other operators in 2009 was 76.3%, and in case of Magyar Telekom Plc 86.4%, which did not change compared to the pevious year.

The number of base stations on Group level increased by 14%, caused by the increase of the service area. In case of Magyar Telekom Plc, the increase is approximately 9%. The number of PRO-M's base stations did not change.

4.4. Emissions

Emissions into air

Magyar Telekom Group's activities do not directly incur any pollutant emissions into the air.
The emission of the gas furnaces used for heating and hot water supply does not reach the defined environment protection limits. They are continously maintained and monitored.

In order to ensure the continuity of telecommunication services, diesel power generators are installed at our exchanges. They run only for very limited time periods, thus their emission is insignificant.

In an effort to protect the stratospheric ozone layer, the ozone depleting substances used in some of our equipment (air-conditioners, fire fighting systems) have been replaced by environment-friendly alternatives, as prescribed by the law.

Optimal operation of vehicles is ensured by regular check-ups.

Emission into soil, surface water and ground water

The Group does not consume industrial water. Water consumption consists solely of water used for sanitary purpose and provided by the public water supply network. Consequently, no industrial waste water is generated. Sanitary waste water is dumped into the public sewage network. At sites, where public sewage networks are not in place, waste water is collected in non-leaking underground septic tanks, in compliance with the statutory requirements. These sites are unmanned exchages, visited by staff only when repair work is needed, thus, the volume of waste water generated is insignificant.

Magyar Telekom Plc's Budaörs site is an exception from the above, as it is equipped with an activated sludge sewage treatment unit. Proper operation of the unit is regularly verified by chemical and bacteriological tests conducted in compliance with the relevant statutory stipulations.

As a consequence of all the above, members of Magyar Telekom Group do not output any untreated sewage into the environment.

Noise and vibration

Two potential sources of noise are to be addressed in relation to our activities.
One is the outdoor airconditioning units, the noise of which might trigger complaints, especially in densely populated areas, due to potential technical faults. The Company strives to install low-noise airconditioning equipment and prevent unacceptable noise levels by continuous, systematic maintenance.
The other source is diesel emergency power generators. These equipment are installed inside our buildings and are muffled by soundproofing covers, by means of which the potentiality of excess noise is eliminated.

4.5. Waste

Hazardous waste

The volume of hazardous waste generated by Magyar Telekom Group decreased by 55% compared to the previous year. The volume of hazardous waste each year reflects the technological upgrade trends of the given year, as the hazardous waste gernerated by telecommunication technologies consists mostly of large, heavy batteries ued for technological power supply. In connection with ofiice activities used printing cartridges can be mentioned: In 2009 6434 pieces were used by Magyar Telekom Plc.

Close to 75% of the hazardous waste generated by the Group in 2009 was recycled.
The hazardous waste is always transferred to specialized firms licensed to manage it.

Amount of hazardous waste and recycled hazardous waste, Magyar Telekom Group
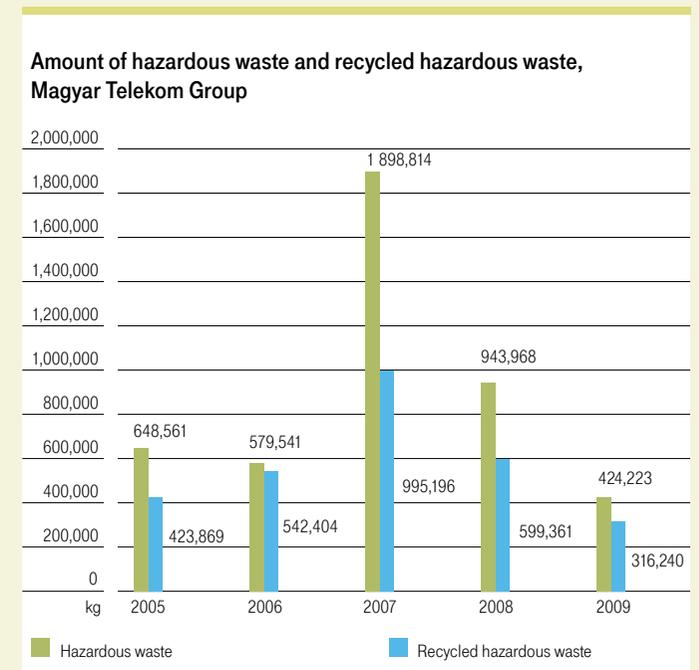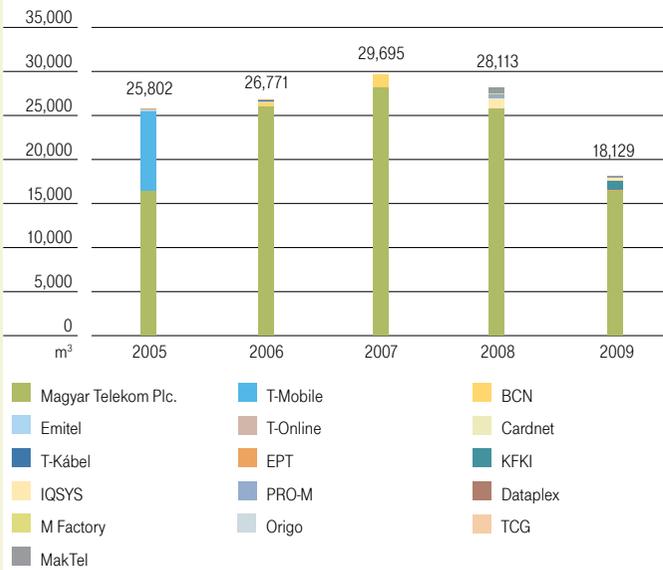
Municipal and other waste

The volume of Magyar Telekom Group's municipal and other waste decreased by more than 35% compared to 2008. The decrease is due to the decreasing headcount and an increasing ratio of selective waste management. Selective containers are available at two more sites, thus altogether at 10 office buildings (more than half of Magyar Telekom Plc employees).

The volume of waste paper deposited for recycling more than tripled compared to that of the previous year.

Amount of communal/residual* waste, Magyar Telekom Group

- Magyar Telekom Plc.
- Emitel
- T-Kábel
- IQSYS
- M Factory
- MakTel
- T-Mobile
- T-Online
- EPT
- PRO-M
- Origo
- BCN
- Cardnet
- KFKI
- Dataplex
- TCG

* From 2009 contains not only communal waste but also other residual waste that is nor technological neither hazardous waste (used furniture, waste from construction works etc.).

Telecomunication waste

Customers demand towards telecommunication services urge members of the Group to continuously develop their technologies, which calls for the replacement of their obsolete equipment and network elements. In line with previous years' practice, equipment thus replaced are sold, as telecommunication waste, to firms specialized and licenced to handle them.

The volume of the Group's telecommunication waste increased by 6% compared to the previous year. Amog the members of the Group, Magyar Telekom Plc generated 17.2% more telecommunication waste, which includes that of T-Kábel, which has implemented major developments. Magyar Telekom Plc's relevant data is close to 97% of that of the total Group.

In addition, Magyar Telekom wishes to decrease its environmental footprint by collecting back the information and communication devices it sells after their useful lifecycles. By recycling/utilizing old devices, it is possible to avid that valuable raw materials become waste, and to ensure that the need to produce them through mining is decreased (tantalum, gold, wolfram, tin). As a result, the burden on the environment attached to mining is decreased.

In 2009, Magyar Telekom Plc contracted a new partner for the task of removal of IT- and mobile-phone-related waste, therefore, the types of different waste, including mobile phones, were not registered in course of removal. As of 2010, a new process was elaborated with the aim to monitor recycled mobile phones. Accordingly, our year.2010 report will include information on the exact number of recycled mobile phones.

In 2009, 86.35% of all IT devices and mobile phones subject to product fees and collected back by Magyar Telekom were recycled through a coordinating entity.

Telecommunication waste released for recycling, Magyar Telekom Group
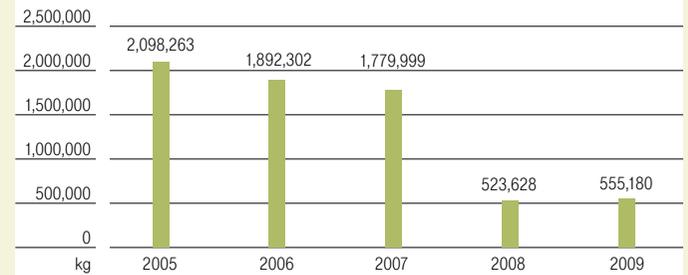
4.6. Environmental objectives and costs

When calculating the indicators, only the data of those Group members were taken into account that were part of Magyar Teekom Group in the year serving as basis for comparison. (Thus, PRO-M, Mfactory, [origo], KFKI, IQSYS are not included).
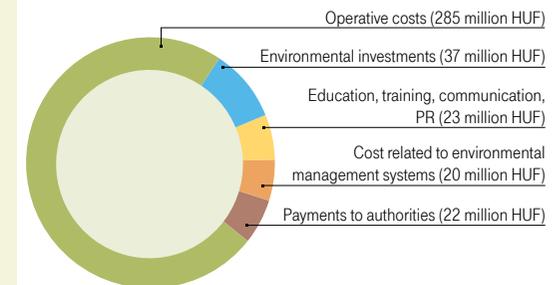
Legend:
☺ – partially achieved
☹ – partially not achieved

Pro-rated achievement of Magyar Telekom Group's environmental targets

Target area	Target 2008-2011	Pro-rated target	Partial achievement	2009 actual (December 31.)
Paper consumption	-20%	-13.33%	☺	-58%
Ratio of recycled paper	+25%	+16.67%	☺	+14.83%
Municipal waste	-20%	-13.33%	☺	-38.96%
Electric power consumption			☹	
Office	-4%	-2.67%		+7.01%
Technology	-30%	-20%		
Natural gas consumption	-5%	-3.33%	☹	+6.44%
Fleet fuel consumption			☹	
Diesel	-3%	-2%		+11.24%
Gasoline	-3%	-2%		+5.08%
Carbondioxide equivalent	-10%	-6.67%	☹	+4.69%

- Paper consumption decreased due to a more wide scope application of electronic administrative means and the cost decreasing measures of 2009.
- The volume of municipal waste significantly decreased due to the decrease of the headcount and the roll-out of selective waste management.
- Consumption of electricity increased due to new base stations.
- Natural gas consumption did not significantly change from 2008 to 2009. The increase from 2007 to 2008 was caused by the mild weather in 2007 and the colder winter of 2008.
- The increase in the fuel consumption of vehicles is caused by the increase of the service territory.

- The ratio of recycled paper is below the plan, as the cost savings measures primarily hit products made of recycled paper (like calendars).
- All the above, coupled with the increase of the company's size, service portfolio and territorial coverage, are the cause that the carbondioxide equivalent, instead of decreasing by 10% as targeted, changed to the opposite direction.
- In order to achieve the committed climate protection target, Magyar Telekom Group's Management Committee decided to procure 35 GWh of renewing energy, which is 15% of the Group's total electricity consumption. The respective contract was concluded by the relevant unit of Magyar Telekom in 2009.

Environmental expenditures in 2009, Magyar Telekom Group

Operative costs (285 million HUF)
Environmental investments (37 million HUF)
Education, training, communication, PR (23 million HUF)
Cost related to environmental management systems (20 million HUF)
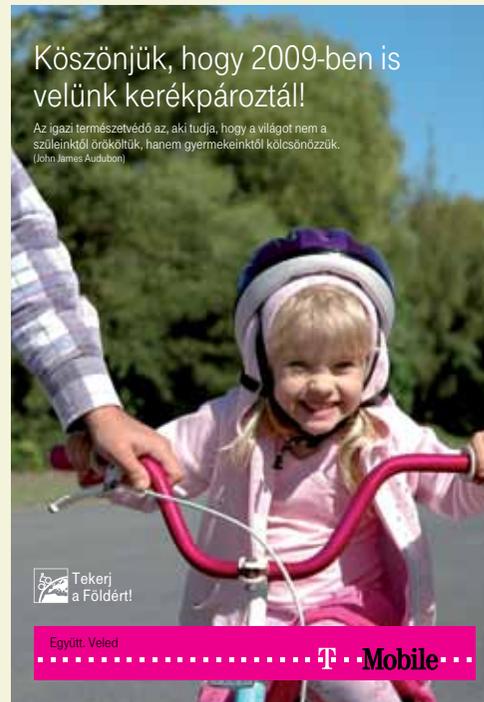Payments to authorities (22 million HUF)

4.7. T-Mobile for the cyclists

Cycling is not only a sport and an increasingly popular exercise among those pursuing healthy lifestyles, but also the best form of transportation from environment protection aspects. What is more, it is the fastest way to travel in traffic jams of large cities.

T-Mobile set the objective of promoting a healthy and sporty way of life, which helps to protect the environment, thus, the company is committed to supporting cycling. The goal is to strengthen a mentality of social responsibility, environment protection and healthy living through promoting cycling. For this purpose, we support events that give us a chance to reach those who at this point in time are merely interested in cycling, healthy lifestyles and/or environment protection.

T-Mobile cycling events in numbers:
The 4 T-Mobile Top Marathon distance in total: 798 km
Total elevation: 20,275 m
Total milage of participants: 320,000 km
By that, the participants have virtually cycled around the Earth 8 times!
Coldest race: Szilvásvárad 4C, constant rain
Hottest race: Duna Maraton 42C, hot and sunny
Number of participants at the T-Mobile cycling events: more than 10,000
Visitors, fans: 140,000
Via television, printed media and internet, more than 1,200,000 people followed the events.

Last year, T-Mobile introduced a novelty. T-Mobile's Bike Repairshop started at Szekszárd, and then provided free-of-charge servicing at several locations in Budapest, as part of which professionals took care of minor repairs in few minutes per bycicle. The „Meganta Tent on Five Legs" was set up at popular locations, including the Western Railway Station, Népliget on the occasion of the Septemberfest, the kick-off event of the Bike to Work program and the 5th Big Sports Choice event, which attratced 17 800 youths.

Köszönjük, hogy 2009-ben is velünk kerékpároztál!

Az igazi természetvédő az, aki tudja, hogy a világot nem a szüleinktől örököltük, hanem gyermekeinktől kölcsönözzük.
(John James Audubon)

Tekerj a Földért!

Együtt. Veled

·T··Mobile·

One of the major events during 2009 was the Szekszárd T-Mobile Bicycle Day held in the middle of July. Different cycling events took place at the capital of Tolna County, offering entertainment to all age groups and communities. Several hundreds of people participated at the numerous locations of the program. In addition to the hikes and physical challenge locations, we invited people to a demonstration, by which we strove to draw attention to environment protection, the importance of cycling paths and educating the young about healthy lifestyles.

Following European examples, the Ministry of Transport organized the Bike to Work programs last year again, which was supported by T-Mobile, too. 10-13 thousand people participated at each program.

We advertise the cycling events among our employees, too, by sms and e-mail news, posters and intranet articles.

Cycling is both a lifestyle and a commitment. Those who ride bicycles feel responsible for themselves and the environment at the same time.

Cycling events in 2009

Bikeexpo	Railway Museum	March 27-29
T-Mobile Bike Repairshop I.	Budapest	April 10
T-Mobile Bike Repairshop II.	Budapest	April 24
T-Mobile Bike Repairshop	Budapest, Krisztina Blvd.	May 15
TOP Marathon Press Conference	Budapest	May 25
T-Mobile Bike Repairshop	Budapest, Krisztina Blvd.	May 29
TOP Marathon/ Szilvás	Szilvásvárad	May 30-31
Balaton Bike Fest	Balatonfüred, Tihany	June 24-28
TOP Marathon, Danube	Visegrád	July 4-5
T-Mobile Bike Day Szekszárd	Szekszárd	July 8-11
T-Mobile Bike Repairshop III.	West Railway Station	July 18
T-Mobile Bike Repairshop IV.	Budapest	July 25
TOP Marathon/ Bükk	Eger	August 1-2
TOP Marathon/ Mátra	Sástó	August 29-30
T-Mobile Bike Repairshop	Septemberfest, Budapest, Népliget	September 4-5-6
T-Mobile Bike Repairshop	Bike to Work, opening event	September 14
TOP Marathon/ Award ceremony	Budapest	October 21
Wien-Budapest Supermarathon	Wien, Budapest	October 19-23
Bécs–Budapest Szupermaraton	Bécs, Budapest	October 19–23.

5. Employees

5. Employees

The quality policy of Magyar Telekom Group renewed in 2009, its HR strategy renewed in 2007, and the value-based systems in place at the company (Corporate Values, Code of Conduct, Social Charter, Diversity Policy) determine the values and management approach which the managers and non-managerial employees of the Company are expected to pursue.

The increase of business efficiency is achieved through stimulation of the performance of the employees, the development of mutual trust and respect between employer and employee, and the creation and maintenance of a working environment that ensures safe work performance and gives employees opportunity for self-fulfillment. The importance of the corporate values demands recognition and utilization of the individual and personal differences of all stakeholders (shareholders, customers, employees, suppliers). The company is adopting an approach that accepts diversity without bias or prejudice. An open and respectful corporate culture will be created in which the individual is given freedom to realize his ideas and satisfy his needs. The Diversity Policy adopted in October 2006 stresses the commitment of Magyar Telekom to consistent identification and use of the development possibilities.

To this end the group places special emphasis on the maintenance and further development of partnership with both the employees and the employee representation bodies. Magyar Telekom is committed to uphold its employees guaranteed rights[24] and to ensure a safe working environment.

In recognition of our responsible employer initiatives, the Company won a Best Employer Award: we were ranked 3rd in the large company category at the employee satisfaction survey conducted by Hewitt-Világgazdaság.

Krisztina Tölösi
Senior Expert
HR Competence Center

– What do you do for Magyar Telekom to be a sustainable company?
– A major part of HR work is around responsible employer issues, but this aspect really took a consciously official form by the issuance of the Sustainability Report. The questionnaires and the indicators help us to put our work into context and point out what is still missing. We have managed to find the answers to many issues: the Family Support Program (colloquially known as the Nursery Program) was launched, as well as the initiative aimed at summer camps. The Internship Program continues, as it is important to attract and retain young talent, and so does the Mums Program. This year it is the third time that we participate at the Civil Auction. But I also put our professional remuneration structure into this category, as it is built on fair, competence-based and anti-discriminatory principles. Magyar Telekom's film club called "Szabad az Á", which always addresses sensitive issues, is also an initiative that is mostly built on volunteerism (beyond working hours), and not only on behalf of the employees, but also the guests, who are well-known opinion leaders and are ready to do this on a volunteer basis, because they feel that we address important issues, work for a good cause and do it in the right format.

– How do you contribute to sustainable development when you are not at work?
– When we had our apartment restored two years ago, we had a condensation furnace installed, which utilizes the heat gained from the chimney. We also strive to use energy-efficient devices, light bulbs in the apartment and, of course, we collect waste selectively, accepting the related inconvenience, i.e. the fact that plastic bags full of the garbage often pile up before we get a chance to take them to the collection facility.
Our neighborhood established an association with the purpose of keeping our environment clean. The association is run by volunteers: we all volunteer to participate in the children's programs, ragweed eradication efforts, playground and sports field construction works, as well as even painting the worn toys.

[24] Guaranteed rights of employees means ensuring rights fixed in Labor Code, Magyar Telekom Social Charta and agreement of collective bargaining.

In addition to the performance indicators used in the Sustainability Report, the company also uses some special professional indicators to measure the performance of the HR area, monthly, quarterly or semi-annually. Beside the indicators, employee satisfaction surveys, ISO and internal audits also serve the purpose of controlling the processes

Furrher information is available at:
http://www.telekom.hu/static/sw/download/minosegpolitika_en.pdf
http://www.telekom.hu/static/sw/download/Social_Charter.pdf
http://www.telekom.hu/static/sw/download/Diversity_Policy.pdf
http://www.telekom.hu/static/sw/download/Magyar_Telekom_Eselyegy-enlosegi_Terv_2008_2010_en.pdf

The "Partnership for Safe Employment" document is accesible at:
http://www.ommf.gov.hu/index.php?akt_menu=225

„Committed professionals ready to take initiative are the key business success factor of Magyar Telekom Group"
Magyar Telekom's Human Resources Vision

5.1. Talent management

Magyar Telekom Group plays a decisive role in Hungary's ICT (information and communication technology) sector. In this knowledge-intensive industry, it is inevitable that the knowledge of managerial and non-managerial employees be updated, expanded and their skills be developed continuously. That is why Magyar Telekom Group puts special emphasis on the constant training and development of its employees. These training/development programs are designed and implemented on the basis of the demand communicated by the different business units and the objectives identified by the Company's training strategy covering the period of 2008-2010.

The 5 main objectives, which also support the implementation of the Company's HR strategy are as follows:
1. Establishing and strengthening a service culture
2. Repositioning the Magyar Telekom brands: T-Home, Employer Branding
3. Adopting a performance culture
4. One company – one culture
5. Knowledge retention: introducing alternative forms of development

Ratio of distance learning[25] by Magyar Telekom Group

All employees of Magyar Telekom Group are provided with training in order for them to possess up-to-date know-how necessary for their work, and the key competencies identified with their jobs.
Training plans at business unit level define the direction of development activities, professional training courses, skills and cooperation development programs, management development events and conferences of the the given year.

[25] Number of distant learning days in all learning days.

Student days per capita by Magyar Telekom Group
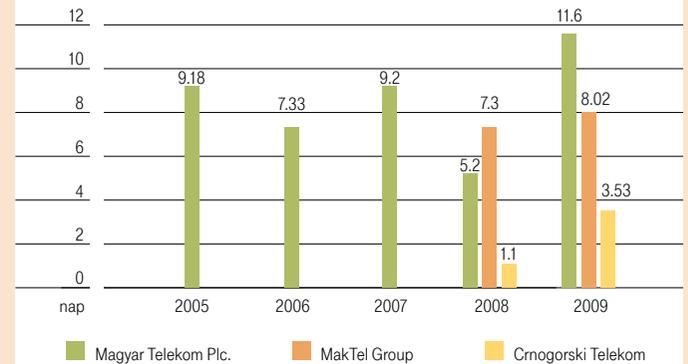
Training is based on the modern methodologies and methods currently applied in Hungary. The Company considers it important that knowedge and experience of the individual be combined into organizational knowledge. For this purpose, in addition to the traditional training methods described above, it provides a proactive and innovative development environment that inspires new ideas and their implementation in practice, as well as their efficient application by the company.

Distance learning, as a form of training and education aided by ITC solutions, plays an important role at Magyar Telekom Group. Most of the Company's training courses to be taken periodically or mandatorily are done through distance learning. The learning materials and the e-learning infrastructure are accessible through the internet, too. Distance learning is the typical form of training at the Group, when it comes to mandatory courses or ones concerning large numbers of participants.

Significant emphasis is put on individual development, that is why one of the objectives of management development is to develop managers to act as coaches. This develops the managers and their reports alike. By

means of this working method you can significantly strengthen feedback culture and empowerment.

The Company also supports its employees in their studies pursued in the framework of the state education system by concluding study contracts with them, thus providing financial subsidy and some reduction of working hours. In 2009, Magyar Telekom concluded a total of 679 contracts like that, including 20 aimed at schooling, 10 due to modifications and the remaining 649 which are connected to courses or agreements containaing mutual committements.

In an effort to inject new knowledge into the organization, the Company has put in place an internship program called Starting Block in 1995, with an average of 20 participants annually, during the past 14 years. The learning period spent at the different organizational units promotes the individuals' development through their experience gained on-the-job. We provide the program to students of academic education institutes in line with the semester structure of the given institute.

The Company offers dozens of students each year the opportunity to meet their academic work experience requirements by working for the Company, or consult the Company's experts when writing their theses.

Managers are provided with development opportunities in the framework of the Management in Change, Change in Management program series. The program's structure is designed to help managers to acquire the necessary skills to develop their people and improve their people management skills.

Both managerial succession and professional development play key roles in promotion and talent management in the the context of Magyar Telekom's HR policy. Magyar Telekom runs several talent management programs aimed at the different specific objectives. (HR Policy) In order to ensure sustainably, high performance and service quality, Magyar Telekom Group supports skills development serving the interests of both the emploees and the Company. At the same time, Magyar Telekom Group puts emphasis on and reinforces the concept that employees are personally responsible for maintaining and improving their employability.
(Social Charter, section 8)

The ratio of employees covered by the Performance Management system is 100% at the mother company. The calculation of the bonus due to any employee of Magyar Telekom Plc is based on the performance of centrally determined, as well as individual performance indicators. Subsidiaries either have their own performance evaluation systems (not all of which are eletronic) or apply the same PM system as the mother company does.
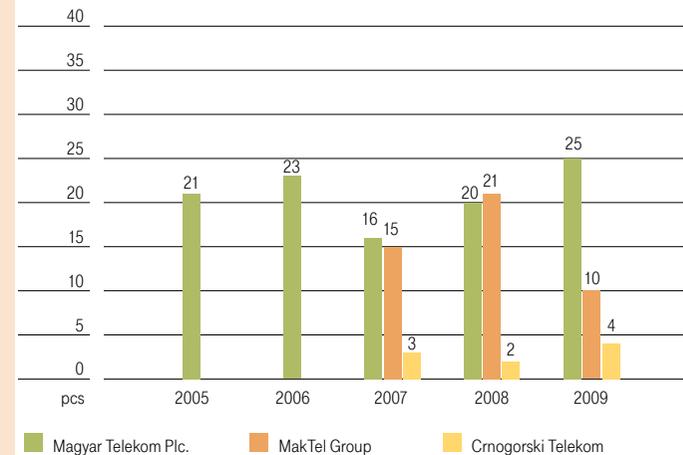
Competencies and responsibility

Two systems are in place to ensure that the persons determining the economic, environmental and social strategy of the organization (and all employees, for that matter) hold appropriate qualifications and experience: the job grading system and the competence system. (Further details are available in the Report published in 2008.)

5.2. Workplace health and safety

Magyar Telekom Plc, as an employer that considers itself to be responsible for its employees' health, puts special emphasis on safe work, the establishment of safe and healthy work environment and workplaces, even beyond the relevant statutory requirements, therefore, it continuously seeks further means to increase safety and promote preventive and procative healthcare.

Number of work accidents by Magyar Telekom Group

Work accidents per 1,000 employees

	2007	2008	2009
Magyar Telekom Plc.	2.3	3.2	3
MakTel Group	9.1	12.1	17.5
Crnogorski Telekom	3.5	2.3	4.6

pcs
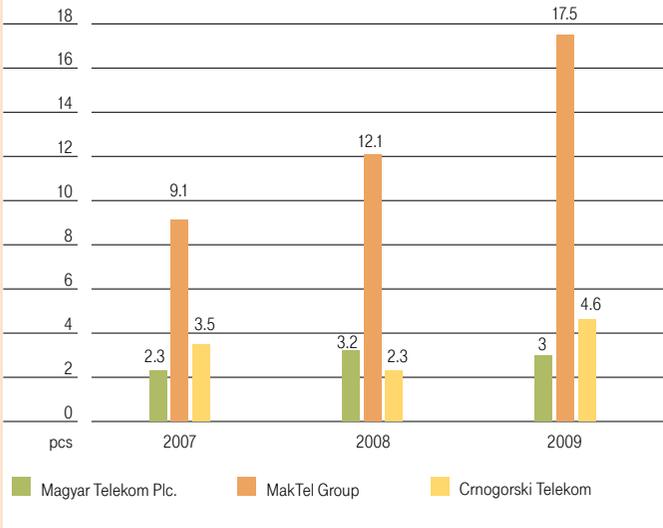
The activities pursued by Magyar Telekom employees encompass a wide range of different types of work, including work done on traditional underground and aboveground network elements, aerial towers, as well as non-technical office jobs involving working on computers, thus, it is of utmost importance that a uniform system of labor safety requirements and procedures be in place.

In order for the above, Magyar Telekom Plc's labor safety unit, the Labor Safety Office elaborated and issued, in 2008-2009, a set of directives, including the general and comprehensive Labor Safety Policy, applicable to all employees, as well as the directives that address the specific stipulations governing the most important typical activities (working with screens, working high above the ground, working in cable ducts). One of the directives addresses the safety aspects of working in electromag-

netic fields near aerials, which was prepared by the organizational unit in charge in cooperation with the Labor Safety Office. By the issuance of the directives in 2009, the set of requirements attached to labor safety now covers all relevant aspects, is in line with EU and Hungarian law and is continuously updated to remain compliant.

The integrated regulation of labor safety requirements and procedures provides a basis for safe working, however, in order to prevent accidents, the relevant knowledge must also be acquired by the employees in a sophisticated and efficient manner. For this purpose, in 2009, the Labor Safety Office made materials including labor safety information accessible by employees at its intranet site without any limitation in time or place. Those interested may find general theoretical labor safety information and materials mainly intended for experts of the subject matter. The set of labor safety training courses was supplemented by a new solution as of November 2009. Employees working in offices or the T-Shops are offered distance learning as a form of periodical labor safety training better suited to individuals' requirements.

In course of working on telecommunication networks, aerial towers or in cable ducts, it is inevatiable that different types of protective gear be worn by employees to thus prevent accidents.
In 2008 and 2009, special emphasis was put on the gear protecting employees from falling off structures. We purchased different types of protective gear for the employees in question. Previously, mandatory use of protective gear selected by the labor safety unit was part of the rutine, however, the already mentioned new policy allows employees to play active roles in ensuring their safety by selecting the gear best sutined to the specific working conditions at the location of the work to be done. Due to the introduction of the new types of gear, there is significantly less risk of employees falling off, and employees' attitude towards wearing the protective gear improved as a result of consultation with them and their active participation.

Magyar Telekom Plc's labor safety experts work in close cooperation with the labor safety agents appointed for the purpose of protecting employees' safety and health. The labor safety agents actively participate in operational labor safety tasks, too.

Magyar Telekom Plc. runs an integral system of recording workplace accidents. Statistical reports include accident data related to lost work days, in line with the national reporting requirements.
The appropriate regulation, the continuously widening range of available protective gear and the training provided to employees, as well as the technological improvements all contribute to the favorable change in accident statistics. Accidents resulting in death or dismemberment did not occur in Hungary and Macedonia in 2009 either, and in addition to having an accident ratio of less than 4 per mill in course of the previous 4 years, which is better than at peer organizations in Hungary, the relevant indicator decreased further: in 2009 was 3 per mill.
In Montenegro one fatality occurred.

In 2009, Magyar Telekom Plc. fulfilled its labor healthcare obligations in the framework of a contract concluded with DIMENZIÓ Healthcare Fund. Pursuant to the contract, DIMENZIÓ Healthcare Fund provided state-of-the-art labor healthcare services to employees at 38 facilities at 33 settlements upon consideration of employees' place of work. In summary, we can state that the explosive development characterizing telecommunication technologies impacted all aspects of our activities, including physical aptitude tests. Test foci have changed. More emphasis is put on questions addressing work and life quality. Magyar Telekom puts special emphasis on services additional to ones provided in the context of labor safety, like testing general physical status of employees, providing health-related information and consultancy.

The Labor Safety Office has prepared methodological guidelines regarding how to determine and assess the risks attached to telecommunication activities and workplaces, as well as templates for the purpose of summarizing the findings, upon consideration of the guidelines issued by OMMF and the recommended Geman WEKA methodology. Thus, it is now pos-

sible to survey and annually review the risks attached to the workplaces and activities of the employees located at different settlements across the country in a standard manner.

In 2009, the priority was given to determining the causes of stress and psycho-social disorders at customer service workplaces. Pursuant to the survey, OMFI, as an external consultant recommended ways to decrease stress at work. In 2010, one of our additonal tasks is to implement the recommendations as widely as possible.

In jobs where the biologiocal risks identified by the survey can be effectively and efficiently reduced by vaccination, Magyar Telekom provides free-of-charge vaccination with the help of physicians providing workplace medical services. As part of this effort, 290 people were vaccinated against tick-borne encephalitis in 2009.
One of the challenges last year was the prevention of a H1N1 epidemic, especially in the open-space offices. As part of the new corporate pandemic plan, the company provided its employees with vaccination against the new type of influenza. Responding to the demand, the physicians providing workplace medical services vaccinated 2 145 people against H1N1 in 2009.

Magyar Telekom continued to consider participation in nationwide healthcare initiatives important in 2009, too. The Labor Safety Office, on behalf of the employer, coordinated the participation of different branches and fields of responsibility of the company in initiatives aimed at establishing healthy workplaces. In 2009, Magyar Telekom won the Healthy Workplace Award of the American Cahmber of Commerce (AmCham) in the giant company category. We also won a Heart-friendly Workplace Award in the large company category: we were among the top 3 at the contest held by the National Heathcare Development Insititute.

Magyar Telekom firmly rejects all forms of illegal labor (Partnership, article 1).
It considers the life and physical integrity of its employees the most valuable asset of the national economy, consequently it fulfills all the basic labor safety requirements and provides safe working conditions for them that do not impair their health. (Partnership, article 2., Social Charter, section 9)
Magyar Telekom refrains from entering into contract or subcontract with such entrepreneurs who seriously breach employee rights and fail to comply with the minimum labor safety requirements. (Partnership, article 3)
The Company refrains from violating the labor rules and the minimum labor safety requirements just to reach a more advantageous position in the market competition, and refrains from using such prices which do not cover the wage and wage taxes of the employees and the costs of compliance with the labor safety requirements (e.g. appropriate tecnology, personal safety equipment). (Partnership, article 4)
The high level of safety of its employees is a key focus for Magyar Telekom, as is the observance of the requirements of providing safe working conditions for them that do not impair their health. Therefore, Magyar Telekom employs labor safety officers and a special organization is dedicated to the matters of labor safety and occupational health, as well as to the development of a labor safety strategy and targets. (Human policy, Partnership, article 7., Social Charter, section 9)

5.3. Human rights, equal opportunity

Magyar Telekom Group's Social Charter defines the principles that serve as the basis for the Company in addressing human rights in general: http://www.telekom.hu/static/sw/download/Social_Charter.pdf

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The Magyar Telekom Group recognizes and respects the cultural, social and legal diversity of the nations and societies and is committed to upholding international human rights. (Social Charter, section 1)

The Code of Conduct, renewed in 2008, also includes the principles of equal opportunity and anti-discrimination, as well as enabling employees to file complaints as described in the Code. The rules of filing and investigating complaints are described by Magyar Telekom's Code of Conduct (Annex 3.).
All Magyar Telekom employees are to read the Code and declare in writing that they are aware of and shall comply with the principles defined by it.

It is a goal of primary importance of Magyar Telekom Group to ensure an anti-discriminatory workplace and equal opportunity. In order to support and achieve that goal, the Company has been running several programs for years. In an effort to establish a system encompassing the measures and programs related to equal opportunity, and also to implement any new measures, Magyar Telekom adopted a two-year Equal Opportunity Plan in the autumn of 2008, together with the collective bargaining partners. (http://www.telekom.hu/static/sw/download/Magyar_Telekom_Eselyegy-enlosegi_Terv_2008_2010_en.pdf).

In 2009, no complaints were filed regarding any discriminatory conduct or violation of human rights via any of the channels defined either by the Equal Opportunity Plan (Equal Opportunity Agent, representatives of the collective bargaining partners) or the Code of Conduct (Magyar Telekom's

Ethics Line, email, personal filing of complaint with the Compliance Direc-
tor). We are not aware of any complaints filed against the Company with the
relevant authority (Equal Treatment Authority) either, which employees may
contact directly, and no proceedings were launched. Potential complaints
filed and decisions made against the company would trigger fines to be
paid by the Company and negative press, which can undermine the Com-
pany's public perception.

In 2009, 5 events took place at Magyar Telekom's Equal Opportunity
Film Club called „Szabad az Á". Since its launch in 2006, the club has
addressed equal opportunity issues in a total of 16 cases, topics ranging
from religious intolerance, domestic violence or the difficult situation of the
disabled and their families. The educative documentaries presented and
the accompanying discussion has an audience of about 40-60 employees
per event, either on location, or through the intranet. In 2009, the following
issues were addressed by the film club: religious intolerance (hinduism,
buddhism); domestic violence; politics in the family; immigrants in Hun-
gary; parenting disabled children.

At the end of 2008, an employees' counseling program was launched
under the name of ABIGÉL, in the framework of which HR offers the
opportunity to employees to seek help and advice in solving their private
problems. The program, which falls into the category called Employee
Assistance Program in Western Europe and the United States, is unique
among the companies of the Hungarian competitive sphere. The program
is structured in a way that employees can post their problems through the
dedicated intranet channel, even anonymously, and the answer is provided
by an internal consultants' network drawing on the diverse qualifications
and experience of the colleagues. About 12-16 problems are raised each
month and answers, suggestions are provided in 3-4 days.

The summer camp program jointly managed by Magyar Telekom and
Dimenzió Mutual Fund and advertized by the slogan „It's summer again!"
was conducted for the third time this year. The program, started in 2007,
offers discount-price summer camps for small children (ages 7-14) of
employees. In 2009, 425 Telekom kids (twice as many as in 2008) spent
time in 11 camps. The price discount ranges between 50-70%.

In November 2009, the 3rd "Telekom Mums Event", including personal
HR Customer Service, took place for employees nurturing their children
at home. 65 employees on maternity leave and 28 children attended the
program, where kids could be left under professional supervision. The
feedback received in writing about the event was very positive. The event
is part of the Telekom Mums Program aimed at enabling the young moth-
ers to learn about the changes at their workplace, keep informed about
job vacancies and receive support in returning to work.

The range of discount-price nursery and kindergarten placement offers
in the framework of the program launched in cooperation with Dimenzió
insurance Company and Mutual Fund for the benefit of Telekom employ-
ees with children aged 1-7, called "Family Support Program" continu-
ously widened. At the launch of the program in 2008, 6 nurseries and
kindergartens had been available, which increased to 18 by the end of
2009, and the number of children participating in the program doubled.
In 2009, aproximately 100 Telekom kids were placed in nurseries and
kindergartens. The rate of price discount is 66%.

Magyar Telekom won the Family-friendy Workplace Award of the Ministry
of Social Affairs and Labor in the large company category.

We continued to support the Romaster talent management program
launched by the Hungarian Business Leaders Forum (HBLF) in 2008.
The program assists talented Roma youths in the secondary school to
continue their studies in tertiary technical, business or legal education
institutions.

In December 2009, Magyar Telekom participated again in the „Civil Auc-
tion" event. Pursuant to the event, in 2010, a sensitization program shall
be implemented, in cooperation with Szempont (Point of View) Founda-
tion, aimed at familiarizing employees with the difficulties faced by (prima-
rily visually) disabled people. As part of the program, employees can get
hands-on experience about the challenges of living with visual disability.

During the spring of 2009, in cooperation with Otherness Foundation run
by the Legal Defense Bureau for National and Ethnic Minorities (NEKI), we
reviewed Magyar Telekom's recruitment and selection practice from the
aspect of compliance with anti-discrimination requirements. According to
the experts of NEKI, Magyar Telekom's recruitment and selection process
and the supporting systems are in compliance with anti-discrimination
requirements. In 2010, we plan to test the systems in practice in coopera-
tion with NEKI.

There is no specific process for human rights screening of investment
agreements, but Social Charta refers to new group members after acquisi-
tion also.

Observance of the working and resting times is a basic right and a requirement of
preservation of the health of the employees. Magyar Telekom lays special emphasis on
granting appropriate resting time to its employees, issue them the holidays they are entitled
to by law and to record working time true to reality. (Partnership, article 5., Social Charter,
section 7)
Magyar Telekom acknowledges that the right to wage is one of the most fundamental
employee rights, and applies every legal means to ensure that the wage the employees
are entitled to is paid properly and on time. (Human policy, Partnership, article 6., Social
Charter, section 6)

Freedom of association and collective bargaining

Magyar Telekom Group has acknowledged in its Social Charter the freedom of association and the right to collective bargaining. Magyar Telekom strives to maintain a dialogue and cooperation with employee representative bodies based on openness and trust. The Social Charter and the long-standing relationship between Magyar Telekom's management and the employee representative bodies are the guarantee that the relevant rights are observed. 94% of the group's employees in Hungary, 68% in Macedonia, 99% in Montenegro are in the scope of agreement by collective bargaining. Besides 540 employees in Macedonia are under the scope of the General Collective Agreement of Private economy Sector (with these employees the ratio in Macedonia is 92,6%).

Magyar Telekom is committed to promoting the enforcement of trade union rights and does not hinder the formation and operation of the employee representation bodies. Magyar Telekom is committed to seeking negotiated settlement to any labor disputes and will only resort to legal consequences if the negotiations fail to reach a result. (Partnership, article 10., Social Charter, section 2)

Child labor

In 2009, the relevant authorities did not receive any complaint regarding any member company of Magyar Telekom Group for violation of the regulations on child labor, nor was any investigation or proceeding launched on such grounds against the company. The procedure of hiring employees at Magyar Telekom ensures that all regulations and principles prohibiting child labor are fully complied with. On the basis of the data of December 31, 2009, Magyar Telekom Group did not employ any employees under the age of 18.

The Magyar Telekom Group is committed to the abolishment of exploiting child labor and guarantees that it always observes the minimum age of entering employment within Magyar Telekom Group, in compliance with the laws of the countries concerned. (Social Charter, section 4)

Forced and compulsory labor

The labor practice pursued by Magyar Telekom Group's affiliates is in line with the principles banning forced and compulsory labor, adopted as part of the international treaties. Magyar Telekom Group's affiliates comply with the statutes and decrees, banning forced labor, effective in the different countries. Magyar Telekom Group's affiliates handle the personal documentation of employees only as long as necessary in relation to their employment and determining remuneration, in compliance with the stipulations set forth in the data privacy laws of the countries concerned. No complaints were filed in 2009 with the relevant authorities against Magyar Telekom Group's affiliates in the context of forced labor. No proceedings or investigations were launched against the Company in this regard.

Magyar Telekom Group emphatically declares that it opposes any form of forced labor. (Social Charter, section 3.)

5.4. Managing changes

Regarding drafts of decisions about changes that incur organizational transformation or impact a larger group of employees, the trade union and the work council (Central Work Council) must be consulted. The collective bargaining bodies have 15 days to provide their comments. The measure in question cannot be implemented during this 15-day period. Trade unions and worker councils (Central Worker Council) must be consulted regarding decision drafts aimed at organizational changes without regard to the number of employees concerned.

If the significant organizational transformation does not impact any components of employees' employment contracts (job, place of work etc.), then a notice is to be sent out under the general obligation to cooperate, but no specific deadline is defined by either the Labor Code or the Collective Agreement. Magyar Telekom's standard practice is that employees are informed, before the changes take place, at employee forums. Individual notices are also provided to the employees before the changes take place.

The above apply to Magyar Telekom Group's affiliates seated in Hungary, to which Magyar Telekom Nyrt provides the HR services. Foreign affiliates inform their collective bargaining partners and employees in accordance with the stipulations set forth by the local statutes.
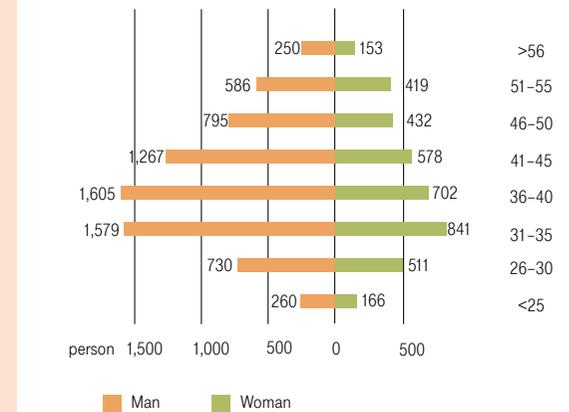
Agreement for efficiency

In September 2009, Magyar Telekom reached an agreement with the employee representative bodies regarding wage and headcount issues of 2010. The parties agreed upon a company-level performance-based bonus budget corresponding to 1.5% salary raise, which is lower than the inflation. The agreement also includes that, as part of its effort to meet the efficiency improvement expectations, Magyar Telekom shall terminate the employment of maximum 400 employees in 2010. This quota does not include those whose employment is to be terminated due to lack of potential placement after having returned from inactive status, termination of managerial employments and those who, having exhausted their stand-by status, retire exercising their right to early retirement, old-age retirement or early commencement retirement.

In addition, an agreement was reached regarding the gradual, significant decrease of the extra severance pay stipulated by the Collective Agreement by 2014.

Fluctuation by Magyar Telekom Group[26]

	2007 (Plc./Group)	2008 (Plc /Group)	2009 (Pl c /Group)
Total fluctuation	8.2%/ 10.2%	19.1%/ 18.7%	12.1%/ 10.2%
Termination initiated by employee	2.9%/ 4.2%	3.1%/ 3.9%	1.5%/ 2.2%

[26] No data is available in age and other distributions.

Program "Chance" continues

In 2009, we continued to support employees dismissed as part of downsizing in finding new employment in the framework of the outplacement program called Program "Chance". After calling a toll-free number, the colleagues in question can register to participate at different locations, following which they are provided with several services aimed at finding new employment. The program includes a 2-day labor market training course, support in active job search, financial aid to training and retraining efforts in line with labor market expectations, personal psychological and labor law counseling, as well as follow-up and monitoring on participants' potential placement. The information package compiled for the benefit of participants (called "Chance Package") improves participants' chances of successfully undergoing the change in their lives and helps them in finding proper employment. Program "Chance" has become well known among employees in course of the past years and feedback is absolutely positive. The effectiveness of the program is shown by the facts that between November 2007 and December 2009, 52% of the employees subject to downsizing registered to participate and 58% of the participants either found placement or started their own businesses. The placement ratio is probably higher than that, as feedback to us is not compulsory.

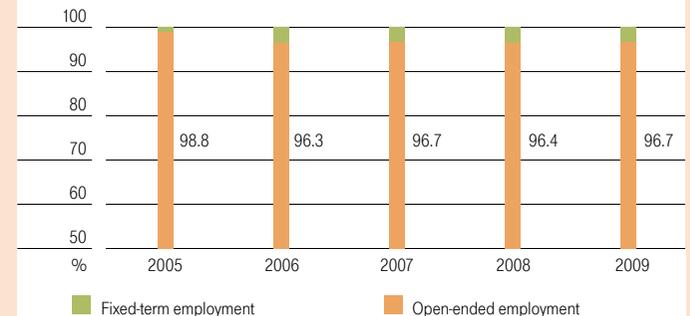# 5.5. Human resources indicators

Age distribution of employees, Magyar Telekom Group

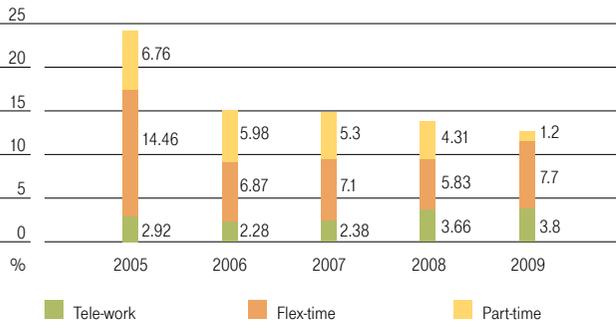**Ratio of fixed-term vs open-ended employment at Magyar Telekom Plc.**

Atypical forms of staffing at Magyar Telekom Plc.

%	2005	2006	2007	2008	2009
Tele-work	2.92	2.28	2.38	3.66	3.8
Flex-time	14.46	6.87	7.1	5.83	7.7
Part-time	6.76	5.98	5.3	4.31	1.2

■ Tele-work   ■ Flex-time   ■ Part-time

Regional breakdown of employees (%)

%	2007	2008	2009
Hungary total	73.39	73.60	74.39
Subsidiaries in Macedonia	17.82	16.65	16.2
Subsidiaries in Montenegro	7.40	8.32	8.08
Other foreign subsidiaries (Bulgaria, Romania, the Ukraine)	1.39	1.45	1.33

■ Hungary total   ■ Subsidiaries in Macedonia
■ Subsidiaries in Montenegro   ■ Other foreign subsidiaries
(Bulgaria, Romania, the Ukraine)
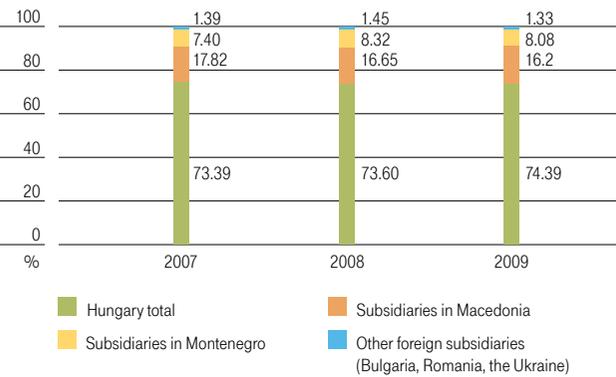
Local/ expat breakdown of Magyar Telekom Group's Board of Directors, Management Committee

person	Board of Directors	Management Committee	Supervisory Board
Locals	2	5	7
Expats	8	2	2

■ Locals   ■ Expats
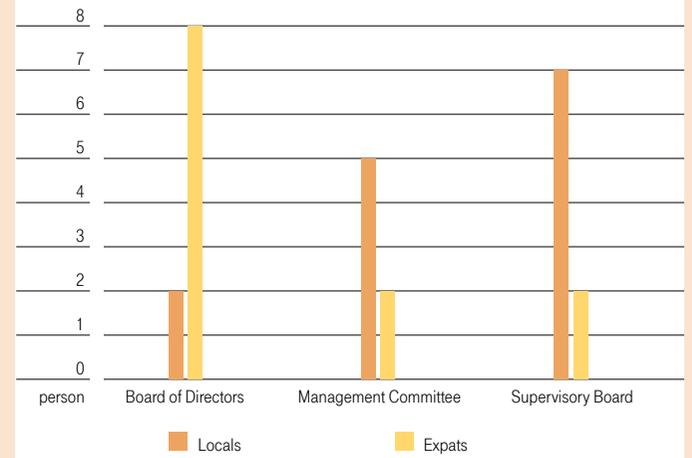
Base wage comparison by job-grades, Magyar Telekom Plc. (2009)

| %	31–37 (employees)	21–23 (experts)	15–17 (mid-management, operational management)	12–14 (strategic management)
Women	101.6	92.6	100.6	98.1
Men	100	100	100	100

■ Women   ■ Men

Remark: the Chairman-CEO's data is not included in the senior managerial figures due to his outstanding salary

Age breakdown of Magyar Telekom Group's Board of Directors, Management Committee and Supervisory Board

person	31–40	41–50	51–60	60–70
Board of Directors		6	2	2
Management Committee	2	4	1	
Supervisory Board	1	2	2	4

■ Board of Directors   ■ Management Committee   ■ Supervisory Board
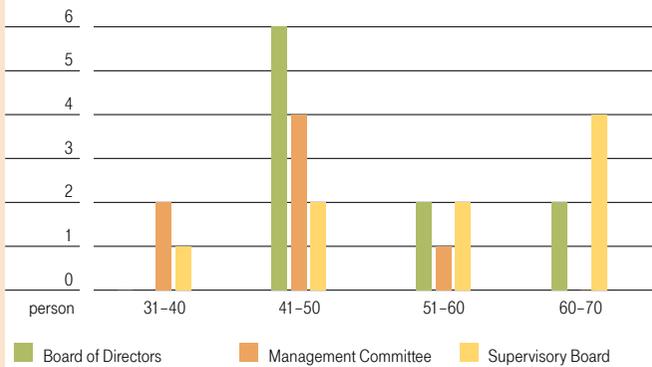
Gender Mix of Magyar Telekom Group's Board of Directors, Management Committee and Supervisory Board

person

- Man
- Woman
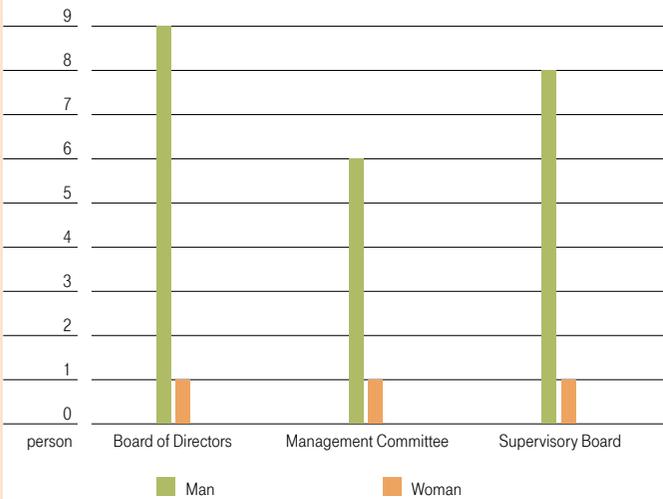
5.6. Involvement of employees

In 2009, Magyar Telekom Plc. continued the education of employees about sustainability through several channels:
- The corporate newsletter dedicated a separate chapter to sustainability, describing the Group's sustainability initiatives and programs.
- The company's internal climate protection campaign continued in 2009, drawing people's attention to threats of climate change and urging them to take action. The initiative has its own intranet site and forum.
- All employees can learn about sustainability events, publications and major information through the company's intranet site.
- Magyar Telekom Group has put great emphasis on educating employees about the environment for years. The attendance levels of environment protection courses of 2009 are shown by the enclosed chart.
- The orientation program received by newly hired colleagues includes sustainability issues since 2009.

The knowledge level of colleagues about sustainability issues is much higher than the national average. While less than 20% of the population surveyed could define the concept of sustainability, in 2008, more than 80% and in 2009, more than 90% of employees could explain what sustainable development means. More than 2/3 knew the exact defintion. The figures clearly show an improving trend.

The corporate television series addreses colleagues' environment-con-sciousness as a separate topic, too.

Number of environment protection courses

pcs

- Number of supplementary modules
- Number of independent courses
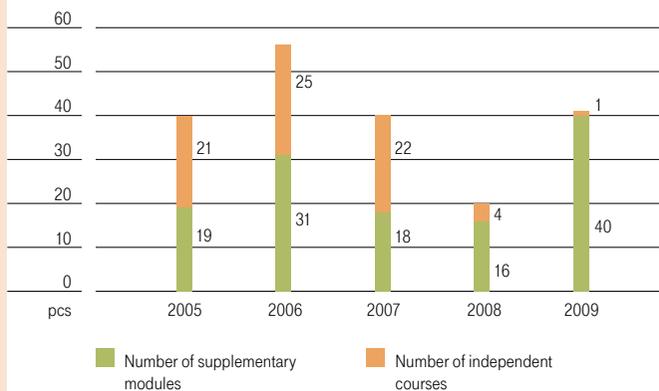
Number of participants at environment protection courses

person

- Number of participants at independent courses
- Number of participants at supplementary modules
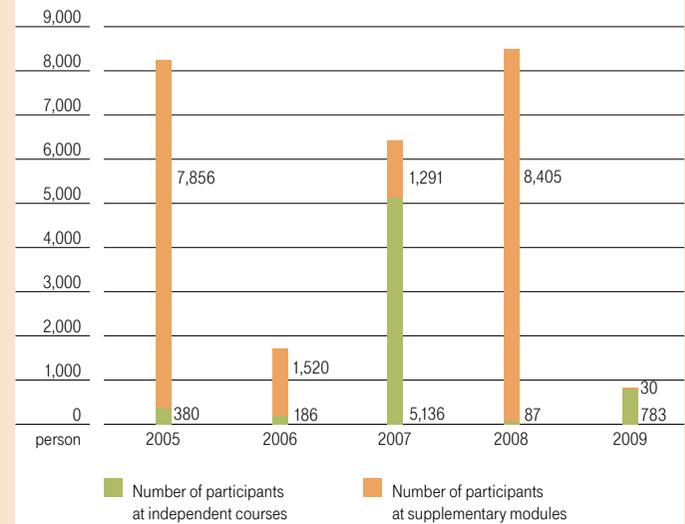
6. Investor relations

6. Investor relations

A summary presentation is developed for the senior management on the basis of assessment of investors' demands which is presented at the Management Committee (MC) meeting, then the MC submits the document to the Board of Directors where majority shareholders receive information.
Senior managers participate regularly in the meetings, road-shows, conferences organized for the investors and analysts, in the discussions they can acquire direct information about the investors' expectations and demands.

Through the subsidiary portfolio Magyar Telekom also has an ownership stake and as an owner it has to integrate the needs and interests of its co-owners into his own strategy and business policy. We learn about the needs and interests of the co-owners in the frame of portfolio management. When necessary the desk officers responsible for the portfolio (Strategy area staff) hold consultation meetings, request information and prepare Magyar Telekom's executives for higher level coordination meetings with co-owners.

In course of the dialogue conducted with investors and analysts, the following topics were touched upon:
· the company's strategy, long-term objectives, annual goals
· macro-economic environment and its impact on the company's operations
· competition in different segments, major competitors, market shares
· efficiency, measures aimed at improving it
· expansion/acquisition opportunities
· utilizing the cash-flow generated by the company (dividend policy, purchase of treasury shares)

The above mentioned themes constitute the core of the communication, the responses and assessments are the permanent elements of the investor reports. When setting up the ordinary and extraordinary announcements the contents of the reports must be developed in compliance with the requirements of the investors, by bearing in mind the regulatory requirements as well.

In addition to the reports, IR presentations are prepared, too, with the purpose of providing a comprehensive view on the company's operation, financial status and strategy, as well as to draw attention to major recent changes.

Responsible investors are more and more interested in Magyar Telekom Group each year. Responsible investors are ones who take into account environmental and social impact of companies in addition to classic financial and risk analyses.

2009 is a milestone in the Group's history, as that was the year when the Group first became part of a major investor index. The CEERIUS (Central and Eastern European Responsible Investment Universe) index launched by the Vienna Stock Exchange includes those companies of central and Eastern Europe that perform best from sustainability aspects.

On the basis of Oekom Research's responsible investment analysis, the company is ranked as a Prime investment, i.e. it is recommended for investment.

Magyar Telekom has been part of the Carbon Disclosure Project (CDP) since 2009. In the framework of this global initiative, the largest companies report their climate protection approach, the related risks and opportunities, as well as their CO_2 emission levels to the largest investors. The significance of this project is shown by the fact that in 2009, it represented investors with a total of USD 55 000 billion in assets.

7. Cooperations

7. Cooperations

7.1. Professional cooperations

Magyar Telekom's network of contacts is quite diverse, basically grouped around three categories:
· Institutes of academic education (BME, BCE, BMF, PPKTE, SZIE Győr)
· Cooperation with standardization bodies
· Participation in projects with the purpose of collecting international experience and exploit synergies

In pursuing our research and development efforts, we focus not only on the improvement of operational efficiency and the cost-conscious introduction of new services, but the applications of environment-conform technologies, too.

Magyar Telekom has been in cooperation with the Budapest University of Technology and Economics in the area of research and development, with the purpose of developing the most efficient utilization of current and future radio access and transmission technologies. As a result of the research, independent innovative development solutions and theoretical considerations play important roles in practical network design.

Integral to the mission of improving the knowledge of young people, Makedonski Telekom has established a traditional partnership with the Faculty for Electrical Engineering and Information Technology. Every year, we contribute to granting the traditional awards for the best students and support activities necessary for preparation for participation in competitions in the country and abroad. This year also, Makedonski Telekom contributed to granting the Social Entrepreneurship Student Award organized by the American Chamber of Commerce in Macedonia.

Since the Company's strategy puts emphasis on strengthening innovation, we recently started the practice of joining state-financed research and development projects (consortiums) in cooperation with our R&D partners (institutions of academic education, manufacturers, research institutions), the deliverables of which can be directly utilized in the context of our short-term and mid-term development tasks, thus enabling

us to partially rely upon both professional and financial external resources when elaborating topics important for Magyar Telekom. This model helps us to efficiently utilize our internal resources and significantly contributes to acquiring knowledge. The consortium thus established is an unincorporated form of association, based exclusively on the voluntary commitment to the achievement of a defined professional goal.

The Mobile Innovation Center pursues research and development aimed at future wireless communication technologies (3G/4G). It is an organization that has sophisticated wireless communication environment and testing systems in place to develop and test state-of-the-art mobile applications. It involves universities, industrial companies, small and medium enterprises in its work.
The main goal set by the consortium that pursues its work in the framework of the Jedlik Ányos Program is the optimization of visual signal transmission over wire and wireless info-communication networks, as well as elaborating and comparing different measurement methods aimed at measuring visual quality.

As to scientific organizations in Hungary, we actively participate in the work of the Communication and Information Technology Association and the Hungarian Association for Innovation, where we represent Magyar Telekom's points of view.

Upon Magyar Telekom's initiative and under its gestoring, at the end of 2007, the Mobility and Multimedia Platform and Cluster was established, which is a cooperation among academic education, small and middle enterprises and multinational corporations aimed at the strategic purpose of bringing together the fragemented Hungarian mobile and multimedia technology research and development capacities, thus strengthening the competitiveness of Hungary's economy.

Cooperation in developments plays an important role in the harmonization of wire and mobile network development, as well as operation and maintenance projects within DT Group (Hungary, Croatia, Slovakia, Macedonia, Montenegro and Deutsche Telekom). The primary objec-

tive is to ensure uniformity of equipment. In order to achieve that, when joint projects elaborate the DT Group-level cost-optimized networks, for example, common terminal equipment portfolios are identified, entities cooperate on the introduction of new technologies (e.g. VDSL2, GPON), existing technologies are assessed along business aspects, new-generation network concepts are aligned with the strategy. The jointly launched development projects enable us to exploit Group-level synergies, while efficiently utilizing financial and human resources and contract partners jointly. All that is also supported by the common procurement strategy framework elaborated for key technological platforms.

During the recent years, international cooperation within DT Group with the aim of exploiting Group-level synergies has been handled as being of increasing priority, especially in the contexts of adapting development results to the Hungarian market, sharing product launch experience, as well as harmonizing supplier relations and procurement processes, if business-wise justified. We continue to maintain close contacts with our strategic vendors, which makes it possible to reconcile technological roadmaps, cooperation in the development phase, obtaining information about experience on other countries' markets.

In order to learn about international experience, we continuously take part in the work of international standardization organizations (ETSI TISPAN, ITU, DSLForum, ETNO, GSM Association, UMTS forum and The Wireless Broadband Alliance) and research partnerships (EURESCOM and Broadband Forum (formerly known as DSL Forum)).

Magyar Telekom, together with several international and Hungarian education institutions (e.g. Polito, BME) and companies (e.g. France Telekom, Polish Telekom, Netvisor Kft.) participates in the NAPA-WINE (Network-Aware P2P-TV Application over Wise Networks) project supported by the European Union (FP7). Work started in February 2008 and shall last for 3 years. The project's public website is www.napa-wine.com. The research is aimed at analyzing the traffic over the currently available P2P-TV (Peer-To-Peer TV) applications, then examining their impact on the internet, on the basis of the findings.

7.2. Cooperation in environment protection and social issues

In addition to professional challenges, the Group successfully seeks cooperation to address social and environmental problems, too.

The Group is part of the Hungarian Business Leaders Forum (HBLF) in different ways:
- Equal Opportunity Workgroup
- HR Workgroup
- Environment Portection and Sustainability Workgroup

Magyar Telekom is a key sponsor of Mtd consultant community's nation-wide research in the context of equal opportunity at work.

The Group has been an active member of ETNO's (European Telecom-munications Network Operators Association) Sustainability Workgroup for years. Members support each other in solving all kinds of problems related to sustainability. In addition to the 3 meetings held each year, an internet portal also helps joint work and sharing best practices.

On September 25, 2009, it was the second time that the Sustainability Day event was organized, under coordination by Magyar Telekom and in cooperation with numerous NGOs. This unusual conference festival focused again on solutions instead of problems.
In addtition to attending a professional exhibition, participants had a chance to discuss social, environmental and economic issues at interac-tive presentations delivered by prestigious experts of the topics.The dynamic programs were made even more enjoyable by games, contests and drummers.

Not only the topic, but the event itself was "green", as it was awarded KvVM's Green festival title.
You can read more at http://www.telekom.hu/society_and_environment/events/Sustainability_Day

7.3. Charters and principles

Beyond compliance with statutory requirements, Magyar Telekom is signatory party to numerous charters and principles, thus voluntarily com-mitting to solving social and environmental problems.

In November 2007 Magyar Telekom joined the Code on Organizational Diversity and Integration initiated by the Hungarian Business Leaders' Forum and the International Labour Organization.

Member companies of the above mentioned ETNO Sustainability Work-group are all signatory parties to the ETNO Sustainability Charter, which embodies our commitment to sustainable development by providing sustainable products and services, along with environmental, social and economic responsibility. The parties are committed to continuous im-provement and sharing best practices in the following areas: awareness, regulatory compliance, R&D, procurement, accountability, cooperation, management systems, maintaining contacts with employees.

8. Corporate citizenship

8. Corporate citizenship

8.1. Sponsorship

The sponsorship pursued by the Group is primarily aimed at offering entertainment of valuable quality to its customers, but we also support high-standard professional conferences. The Group, as a major sponsor of Hungarian culture and community, is ready to support events, performers and productions that represent top quality in their respective arts, and also assumes a role proportionate to its business magnitude in sponsoring social initiatives.

The event called T-Home Children's Island was the greatest free-of-charge family program of 2009, held in Budapest, at the Hajógyári Island, offering exciting programs for children through 5 weekends. We always pay special attention to making sure that even those be able to come to the

T-Home Children's Island who otherwise could not, because they live far from the capital or their social backgrounds just do not make it possible. For this reason, in cooperation with NIOK (Nonprofit Information and Training Center) we invited applications from nonprofit organizations or institutions that deal with disadvantaged children living in the countryside. Thanks to T-Home's charitable action, a total of 250 children who live in the countryside visited the Children's Island, including some who had never crossed the border of their county.

In 2009, T-Home launched a charitable toy donation program for visitors of Children's Island, as a result of which more than 150 kilograms of toys were collected and than forwarded to the protégés of the National Association of Large Families, the winner of the tender conducted in cooperation with NIOK.

Hungary's most popular leisure-time sports events are the T-Home Vivicittá Urban Preservation Runs. In 2009, the runs took place at Budapest, Szeged and Kaposvár, and teams from primary and secondary schools could participate alike. T-Home offered HUF 100.000 worth of sports gear

vouchers at each location for the schools that sent the largest teams.

The strategic partnership of Magyar Telekom and the palace of Arts continued in 2009, too. Magyar Telekom, as a company that also takes part in financing the operations of museums, supported the exhibition titled "The other" about dicersity at the Museum of Ethnographyin in the spring of 2009.

The Company also supported the Press Photo 2008 exhibition, as well as Researchers' Night, in cooperation with Tempus Foundation. The event offered the opportunity to pupils and students of different ages to get familiar with the attractive and exciting aspects of science.

We also sponsored two whole-year conference series last year. One was the Hungarian Consumer Platform's conferences, in the framework of which, the organizers addressed consuming patterns of and approach to different layers of society.
The other was the It's Our Turn conference series, organized by the Political Sciences Insititute of the Hungarian Academy of Sciences, aiming to inform the public about EU issues prompted by the upcoming Hungarian presidency in 2011.

T-Com Montenegro is the gold sponsor of the all-national soccer team, as well as an exclusive sponsor of Buducnost, Montenegro's number one soccer team. They also pay attention to bringing up the successors: in 2009, T-Com sponsored the T-Com Children's Cup organized for primary school pupils.
T-Mobile Montenegro has been sponsoring the most successful sports club of the country, Buducnost-T-Mobile women's handball team, for the seventh year.
Among other cultural sponsorship activities of ours, the „Ex Yu" film festival, sponsored by T-Com, is to be highlighted.

Makedonski Telekom had supported the most famous and globally recognized cultural event, the Ohrid Summer Festival, which every year gathers world-famous theatre, ballet and music artists and lasts for 40 days.

The company is also a traditional sponsor of the biggest international sports event in Macedonia the Ohrid Swimming Marathon; Makedonski Telekom also supports the Small Olympic Games where 1200 students get together from all over Macedonia.

In 2009 T-Mobile Macedonia, among others, supported the Football Federation of Macedonia, the Macedonian National Water polo Team at the World Water polo Championship, the traditional and most popular Skopje Jazz Festival, and the international ethno festival – Ethno Square festival – which includes fair for traditional products and artifacts.

8.2. Institutional patronage

In line with our Corporate Citizenship Strategy, we rationalized our institutional patronage:

- Magyar Telekom Symphonic Orchestra, the main sponsor of which is our company, was renamed Concerto Budapest and adopted a new, sustainable operational model in December.
- We remained fully in charge of financing the operation of Puskás Tivadar Telecommunication High School (through the Telecommunication Training Foundation). Though we will not be able to undertake this role in the long run, we would like to maintain the school's educational quality through financing an incentive system.
- Together with the co-founder Hungarian Postal Services, we continued to finance the operation of the Telecommunication Museum Foundation and its affiliated entities (Postal Museum, Stamp Museum, Telephony Museum) in 2009, while we also audited them and elaborated a more economical operational model.

Concerto Budapest

8.3. "Magyar Telekom Contributes" Program

The Company's wide range of corporate citizenship activities are managed in the framework of the „Magyar Telekom Contributes" Program. In addition to donations, the program includes educational, knowledge transfer and high-level cooperations.

NGO Strategic Partnership Program

A major achievement of the renewed mid-term support strategy is the NGO Strategic Partnership Contest launched in July 2009.
„Magyar Telekom Contributes" Program's Board of Trustees selected three NGOs in two rounds, with whom the Company wil closely cooperate in the following three years. These organizations are Blue Point Drog Counselling and Outpatient Center Foundation, Hospital Teachers' Association and Szívlapát Foundation. The strategic partnership is for three years, includes HUF 10 million of financial support each year, thus ensuring a solid financial basis for the NGOs to pursue their programs.

Financial donations

In 2009, more than HUF 118 million was donated to programs primarily aimed at solving problems of children, education, healthcare and sustainability.

Charitable numbers

By calling 1788, anyone can donate HUF 100 to public benefit organizations working on solving social problems.

The service is free of charge, i.e. the whole amount donated is transferred, without an effort made to generate profits, and related costs (VAT) are paid by the company, and significant support is also provided to the related communication campaign of the organizations in question (e.g. public commercial film (TCR film), television and other press coverage).

The Cause – the real reality show

In 2009, with the seventh and eighth series, Magyar Telekom's charity show broadcast on TV2 reached its end. The initiative, launched and financed by the Company, presents social problems and non-governmental organizations that address them in the form of a "documentary reality show", during which the audience decide by phone voting which cause will receive Magyar Telekom's HUF 5 million donation. One episode presents four causes and four organizations. All participants win, since those ranked 2nd, 3rd and 4th by the votes get HUF 1 million each from the Company, and the revenue collected by the voting phone calls (HUF 200[27]) is transferred to the organization ranked 1st by the audience.

Charitable Services

Tariff Package for Non-governmental Organizations
This tariff package was introduced in March 2004, and serves the purpose of providing domestic wire calls with an average of 30% discount to nonprofit organizations. The organizations thus have the chance to spend the savings on their protégés. The discount tariff package is available for 100 non-governmental organizations each year, selected on the basis of their applications.

In 2009, the "Magyar Telekom Contributes" Program's Board of Trustees decided to responde to the requests of NGOs by supplemeting the NGO tariff package by the CivilNet internet tariff package by means of which the winning NGOs can use the internet without paying any start-up or monthly fees. NGOs could compete for the CivilNET package together with the NGO package. Thus, in 2009, the contest was aimed at both packages.

We put special emphasis on supporting counseling help lines by providing free-of-charge call-in capability. In 2009, this translated into close to HUF 24 million support to 11 organizations operating counseling lines.

In 2009, Makedonski Telekom donated MaxADSL packages for 36 locations of the Red Cross, for the purpose of providing better communication and active cooperation between the numerous Red Cross offices in the country.

In 2008, Makedonski Telekom started its partnership with the Civic Association "WEB Doctors" by creating a webpage, while in 2009, our employees prepared additional functional systems of the current functionalities on the WEB Doctors webpage and a software for administering/managing contents and customers. Today, this webpage is one of the most visited pages in the country.

In January 2009, the Company, as one of the main sponsors of Nonprofit Information and Training Center (NIOK) Foundation's donation portal (www.adhat.hu), donated 250 PCs to NGOs, to thus support their operations.

In May, Magyar Telekom joined the @RC initiative and invited competing drawing from children under the title of Children ARC+ addressing sustainability topics. Children were asked to draw pictures demonstrating what kind of world they would like to live in 30 years from now. The drawings were exhibited outdoors in Budapest in June, and giant replicas of the six winning drawings were mounted on firewalls across the country. The six giant frescos were inaugurated in the summer of 2009 in busy streets of Budapest, Pécs, Szombathely, Sopron and Miskolc. The firewall painting of the Telekom Donation Line was completed in October at Szeged, drawing attention to the 1788 charitable numer and the importance of donations.

The Foundation T-Mobile for Macedonia

It is a non-profit organization, founded in 2002 to support and initiate humanitarian activities and donations. Its members are volunteers from different T-Mobile Macedonia departments, and the foundation strives to contribute in various social segments, focusing primarily on children, health and humanitarian projects.
The T-Mobile for Macedonia Foundation also supports the Macedonian society by opening donation phone numbers to help individuals in need, especially for urgent medical treatments and organizations who are engaged in any type of social activity. In 2009, a total of 12.4 million denars were raised of which 9.4 million for 34 persons and 14 organizations through the company's donation phone numbers.
In addition T-Mobile employees also volunteer in environmental actions like tree planting and blood donation actions.

[27] In case of Domino (prepaid) calls, VAT is included.

8.4. Employees as corporate citizens

The Matching Donation Program is based on the concept that donation from individual employees are matched by a defined amount provided by the Company. By means of this program, the Company enables employees sensitive to social problems to make responsible decisions about the donations of the Company. (Up to HUF 15 000, the Company contributes a double amount of the individual's donation, between HUF 15 000-100 000, it provides the same amount, above HUF 100 000, it donates HUF 100 000.)

The past five years prove that this system encourage ourselves, as private citizens, to be charitable: Up to December 31 2009, different nonprofit organizations, dealing mainly with healthcare, education, disadvantaged children, received close to HUF 105 million worth of donations thanks to the charity of employees. The amount includes the donations from the employees and the contribution of the Company since 2001. The amount of employees' donations (and thus the Company's contribution, too) peaked last year with HUF 11.3 million from employees.

Csilla Márton
Senior Corporate Citizenship Manager
PR and Brand Management Department

Csilla Márton

– What do you do for Magyar Telekom to be a sustainable company?
– In my capacity as Corporate Citizenship Manager, I lay special emphasis on handing our NGO partners as equals. I seriously believe that we can cooperate in a good atmosphere only on the basis of mutual respect and appreciation, which is a precondition to efficient and creative work.
Even when I am at work, I pay attention to minor but very important things that I would expect others to keep in mind, too: I switch off my PC screen, collect waste selectively using the containers in the offices and in the corridors, print as little as possible, switch off lights when I leave, or when others do. :)

– How do you contribute to sustainable development when you are not at work?
– Of course, we collect waste selectively at home, too. (Actually, we had to designate a room, because sometimes we couldn't move from the piles of squeezed PRB bottles and brochures.) We have recently bought a composting tank to process organic waste efficiently.
We strive to educate our kids in this spirit, and there's a story to prove that we succeed: I was in a rush, and my 6-year-old son was watching me from the bathroom door. When I ran out, he called after me, "Mommy, don't waste water, turn off the tap, it is not sustainable to leave it running!"

In 2009, it was exactly 10 years ago that the Company started to organize volunteer work. In course of last year, volunteering played a more prominent role in the Company's life than in previous years. Unlike before, we organized volunteer work not only in Budapest, but at the largest sites of the Company in the countryside in cooperation with the Volunteer Center

Foundation. Employees were given the choice of working in their direct environment or at a school or kindrgarten.
In 2009, 499 employees from all the different organizational units volunteered to work at a total of 14 locations.

9. Responsible data services

9. Responsible data services

9.1. Protecting children

Today internet is a useful everyday source of information not only for the parents but also for children. Children can easily find they way in the world of tales, play, learn about the world by using Handabanda Children's Internet an initiative of T-Online. T-Online's children internet site offers edited content and protected internet access for children. The user interface is specially designed for children which facilitates simple surfing on the net, the browser is protected with a password approved by the parents which prevents access to undesirable content and allows access only to useful and interesting contents designed for children.

Interactive books for children are a novelty, by means of which kids can write their own tales, illustrate the tales by drawings, save them or even share them on the page. In course of playing, they learn to use the mouse and the keyboard.

Subscribers to Handabanda Children's Internet can also use the secure chat forum of the page, thus making sure that they talk to others of the same age group about appropriate topics.

The www.handabanda.hu site also offers free-of-charge content.

The chat rooms (iwiw, origo, T-Mobile) are also continuously monitored by undercover operators (who participate in the discussion).

In order to prevent that children access adult content, the age of the user is determined by clicking at one of the two buttons: above 18 or not (VIDEA videosharing system, T-Mobile).

Magyar Telekom continuously monitors its adult content pages to prevent the upload of prohibited pornographic materials.

In order to protect children, Magyar Telekom introduced a child lock feature with its T-Home IPTV service. Parents may lock adult content to make sure children cannot access them.

The same feature is available for our new Sat TV and T-Mobile services. In December 31st 2009 Magyar Telekom Plc. had 1372 child lock customers.

Renáta Sallay
Product Manager
Consumer Marketing Directorate

– What do you do for Magyar Telekom to be a sustainable company?
– Safe use of mobile phones by kids and teenagers was first raised as an issue two and a half years ago. Since then, we have conducted several campaigns to drawn attention to risks attached to mobile phone use and the ways to protect these age groups, what they can do about spasm and whom they can turn to, if harassed. By means of our child lock service, we enable parents to block content inappropriate for underage youth. This series of campaigns will of course not stop. We continue to cooperate with different organizations, like the Foundation for Pediatric Emergency Care, and also strive to increase awareness by publications and events.

– How do you contribute to sustainable development when you are not at work?
– We built our house in the spirit of sustainability: we applied equipment to exploit renewable energy sources, had a solar collector installed, as well as equipped the building with a special ventilation system and devices used for selective waste collection. If there is a need for nationwide cooperation and help, I always call 1749, Magyar Telekom's Donation Line.

In order to categorize content, T-Mobile elaborated an adult content cat-egprization system in line with the Code of Ethics. Content so categorized can be blocked by the use of the child lock.
In addition to the above, the recommendations and guidelines of ethics elaborated for T-Mobile information services, as well as the Code of Ethics for Value-added service Providers both underline that any content provi-sion must observe social values and human dignity.

In 2009, [origo] launched the Videa Kid video player/sharing site, which carries only content for children.

T-Mobile Macedonia is actively involved in child protection on the Internet. In order to protect its customers from content (information and photog-raphy) with child pornography available through the internet and other kind of services provided by T-Mobile, our customers are provided with the opportunity to submit this kind of content with suggestion for their blocking. The company is providing protection on technical level for blocking the content with child pornography content as well as providing 24hours contact points for reporting inappropriate content. Hotlines were established for reporting abusive content in collaboration with Macedo-nian NGOs. Technical systems of the company are enabled for blocking inappropriate content, using the service and list provided by the Internet Watch Foundation (IWF).

In 2009, Crnogorski Telekom also implemented this technical solution which relies on filtering websites flagged as child pornography.
The company also works with the local authorities in cases where child pornography is reported to call centers.
On its websites, the company also provides tips for parents and younger customers on how to protect their privacy, when using mobile phones.

9.2. Internet security

T-Home plays an active role in self-regulation initiatives, too, and intro-duced a number of solutions serving for the protection of the subscrib-ers and in a wider sense the community of internet users. For example, antivirus programs are offered to all the subscribers and freemail users, a basic, serverside anti-spam protection is offered, and a full-scale antivirus and antispam solution is provided to the subscribers of T-Online Internet Security. Additional technical solutions are applied as well – among oth-ers sender authentication – to restrict proliferation of the spasm, prevent fraud, provide information to the infected subscribers, and in extreme cases exclude them from the service. Number of subscribers using anti-virus and internet security services were over 27 thousand in December 2009.

T-Mobile also provides internet security services, enabling safer browsing through mobile internet access, which plays an important role in increas-ing internet penetration and the evolution of a digital society, for its post-paid customers (who make up most of the mobile internet subscribers).

In the autumn of 2009, upon the joint initiative of T-Home and T-Mobile, we provided free-of-charge CDs with a security software to our 45 thou-sand new internet customers.

Customers can subscribe to the different internet security services in Magyar Telekom's portfolio, while updates are available from the relevant providers (e.g. Microsoft download center).

9.3. Addressing legal and ethical issues of content provision

By now Internet has become a public utility that facilitates the exchange of various forms of knowledge, information, goods, comfort services and entertainment. With the spreading of broadband internet the pattern of using access internet undergoes change as well, customers use Internet more intensively, and more frequently to access various forms of contents.

[origo] Media and Communications Services Co. Ltd. - the subsidiary of Magyar Telekom Group which is responsible for the operation of [origo] portal – is the founding member of MTE Hungarian Content Providers' As-sociation and accepts the binding effect of the Code of Ethics of Content. The Code of Ethics is available on the MTE home page: http://www.mte.hu/eng_egyesulet.html

[origo] Media and Communication Services Plc. holds the license to grant all rights of use for [origo] databases whereby the company follows the recommendations of the Code of Content Provision to protect privacy and intellectual property and ensure conduct according to the Code of Ethics of the content providers.

Besides the commitments under the AHCP, [origo] has its own Code of Ethics, which is amended, revised periodically.

10. Data protection

10. Data protection

Magyar Telekom Plc, as an electronic communication service provider, handles traffic and billing data of its private and business customers confidentially, for the dedicated purpose of providing services properly.

The Company respects and protects the data of customers in compliance with the relevant statutes. Magyar Telekom Plc, as an electronic communication service provider, handles traffic and billing data of its private and business customers confidentially, for the dedicated purpose of providing services properly. In all phases of data management, complies with the data protection stipulations set forth in Act 1992/LXIII on Protection of Personal Data and Freedom of Public Data, Act 2003/C on Electronic Communication, as well as the executive decrees of the above acts, especially Government Decree 226/2003 (Xii. 13) on Special terms and Conditions of Data Management by Communication Service Providers, the Data Security of Communication Services and the Rules of Caller IDs and Call Forwarding.

The internal directive, in harmony with the above statutes, regulates the process of data management for specific purposes, as well as the deletion/anonymity requirements of the supporting IT applications. Magyar Telekom Plc also ensures the protection of customers' personal data, in line with the available international best practice. In this context, we take technical and organizational measures, in cooperation with other service providers, if needed, to ensure the security of the provided services. The technical and organizational measures, in light of the best practice and the costs of the measures, represent a level of security proportionate to the risks attached to the service in question. We also take the necessary measures to prevent unauthorized tapping, storage or monitoring of the communication transmitted or the related transmission data, as well as unauthorized or inadvertent access to the communication transmitted or the related transmission data (confidentiality of communication).

In addition, there are internal policies, processes and IT software in place to ensure that personal data of customers only appear in public directories upon consent by the customer.

In 2009 4 reasonable complaints arrived referring to the handling of customers' personal data.

Code of Conduct for the Protection of the Individual's Right to Privacy in the Handling of Personal Data within the Deutsche Telekom Group covers Magyar Telekom Plc. and all of its Hungarian and foreign majority subsidiaries where customers'/ employees'/ shareholders' data are handled.

In year 2009 high priority was given to Customer Data Protection by Makedonski Telekom. The focus was to indentify which persons have the access to the customer data, what type of access do they have, do they have the possibility for mass data downloads of customer data, is the access to the customer data corresponding to the job positions. All processes and customer data applications had been audited. Compliance to the Data Protection Law had been checked. Measures defined during the audits were implemented by the responsible units, increasing the level of

protection of customer data and the awareness among employees and managers. Projects for implementation of network access control, unified end point security are ongoing and expected to be implemented in year 2010.

At T-Mobile Macedonia, the internal directive – The Privacy Code of Conduct – regulates all aspects of handling the personal data of customers, employees and third parties. The Privacy Code of Conduct specifies the principles and rules as grounds for usage of personal data in the corporate processes and technical and organizational measures that the company undertakes to provide proper level of data protection. The Privacy Code of Conduct is available to customers on the corporate website. Also, direct connection with customers for exercising the rights as data subjects is provided through a dedicated e-mail account, where customers can post inquiries at any time and exercise their rights regarding their data.

At Crnogorski Telekom, data security coordinators are delegated from different business units and an inventory of customer data lists which are used in different business processes has been made. An internal auditing took place in 2009. Based on the results measures have been implemented or are ongoing according to the defined action plan.
Furthermore the company adopted a new Code of Conduct of the Protection of Personal Data. The company has also raised awareness in relation to the data protection.

You can read more at http://www.telekom.hu/data_protection

11. Safe use
of mobile phones /
Electromagnetic Fields

11. Safe use of mobile phones / Electromagnetic Fields

At the end of 2009, the number of mobile phone subscribers in Hungary was close to 12 million, in Macedonia 2.5 million and in Montenegro 1.5 million. Beyond providing high-quality services to these customers through the GSM network, in December 2004, UMTS licenses were distributed among the operators in Hungary. The roll-out of the related new, larger density networks, however, might draw communities' attention to the issue of electromagnetic fields, which may increase the significance of the Company's strategy aimed at addressing the topic.

The electromagnetic exposure limits in Hungary have been determined in line with the guidelines set by ICNIRP (International Commission on Non-Ionizing Radiation Protection), which are based on the practice applied in most European countries and Recommendation 1999/EC/519 by the European Commission. As a result of the relevant Hungarian decree adopted in August, 2004 (63/2004. (VII.26. – ESzCsM), the Hungarian legal status is compliant with the EU's regulation on electromagnetic fields.

Within Deutsche Telekom Group, issues related to electromagnetic fields are regulated as part of DT's EMF objectives, the so-called „EMF Policy Recommendations", with special emphasis on transparency, information provision, supporting and participation in research. Magyar Telekom adopted Deutsche Telekom's relevant recommendation as mandatory regulation in 2004.

A dedicated EMF workgroup has been set up by Magyar Telekom, which meets regularly and continuously monitors EMF-related developments in Hungary and abroad, and responds to EMF-related question posed by authorities, residents or employees.
Further information about T-Mobile International's "EMF Policy Recommendations" adopted by Magyar Telekom is available in English at the homepage of T-Mobile International.[28]

In the framework of this policy, Magyar Telekom efficiently addresses complaints and inquiries. Furthermore, in the framework of the Company's overall education program, each new employee learns about electromagnetic fields as part of the mandatory orientation briefing.

Mobile network, network development

Aerials of the base stations are mounted in a way that employees normally cannot stay in front of the aerials, they do not have to work in the relevant area, passage ways do not cross the areas in question. If, in extraordinary cases, people must pass or work in front of the aerials, which is typical in case of external contractors' work, like in case of renovating buildings, safety distance data are available, measurements on-location are possible, and if justifiable, the aerials are relocated temporarily or their output is reduced.

If the operation and maintenance experts who work regularly in the vicinity of the aerials detect radio radiation of an unknown source, they determine the boundaries of the safe zone by their RADMAN personal radiation detectors, thus avoiding any health risks.
In order to reduce the number of such cases, at the end of 2009, cooperation started among Antenna Hungária ZRt. and the mobile operators with the aim to define joint labor safety measures to be taken in the context of work done near aerials.

If necessary, the compliance of Magyar Telekom's mobile network with statutory limits is verified by independent measurement bodies. In 2009, more than 50 on-location non-ionization electromagnetic exposition measurements took place, all of which found the emission levels to be under the relevant limits.

Magyar Telekom reconciles and cooperates with the relevant concerned parties prior to every base station and tower construction project. If needed, residential forums are held with the participation of all concerned parties to reach an agreement. In 2009, we participated at more than 10 residential forums.

[28] http://www.telekom.com/dtag/cms/content/dt/en/585086

Communication

Despite the fact that the radiation of Magyar Telekom's handsets and mobile base stations is way below the ICNIRP emission limits, the Company considers communication to employees and customers important[29]. In this spirit, in 2009, three internal training programs were held, in the framework of which more than 100 colleagues participated at the presentations delivered by the expert of "Frédéric Joliot-Curie" National Research Institute for Radiobiology and Radiohygiene (OSSKI), VODAFONE and Magyar Telekom.

In addition to internal communication, in 2009 Magyar Telekom continued to be open to respond to any inquiries about safe use of mobile phones.
The EMF portal, established in 2006 and continuously available in 2009, as well, was developed in cooperation among the three mobile operators (http://www.emf-portal.hu). At the portal, questions can be asked regarding EMF issues, news are available about the topic and readers can access the findings of the EMF measurements the operators have had done by independent providers.
The Company also runs an other homepage (www.bazisallomas.com), where visitors can find answers to questions about the healthcare legal and technological implications of electromagnetic fields and GSM systems.

The SAR[30] values of the devices are included in the user manuals to be found in the mobile sets' boxes and are available at the T-Shops, as well. The same data are accessible at T-Mobile's webshop under the detailed descriptions of devices.

Research

Exposition of the world's population to non-ionizing electromagnetic radiation and epecromagnetic fields (EMF) have increased considerably during the recent years. As a civilized society cannot avoid the use of equipment emitting non-ionizing electromagnetic radiation, like mobile telecommunication equipment, satellite and terrestrial television and radio broadcasts, flight navigation, meteorological satellites, radio astronomy, space exploration, the exposition of the environment and the population is expected to further increase. The World Health Organization (WHO) and several other international organizations, as well as research groups explore the impact of technological development on human health.

Assumed health effects of mobile telecommunication have been explored and analized for more than twenty years. Scientific research has not so far been able to confirm that mobile telecommunication has any negative health effects on the human body.

The largest scale research undertaken so far in this context, the WHO-IARC INTERPHONE Project, is still ongoing with the involvement of 13 countries. According to WHO's plans, radio frequency radiations, like that of mobile telecommunication devices, will be categorized by IARC (International Agency for Research on Cancer) after the completion of the INTERPHONE Project, expected in 2010.

In 2009, Magyar Telekom supported the first Hungarian research on electromagnetic fields involving personal radiation detecting by more than HUF 4 million, and also contributed indirectly to independent research on health effects of mobile networks through its membership in GSM Association.

Deutsche Telekom's every national affiliate is committed to supporting independent research aimed at extending our knowledge on electromagnetic fields. For this purpose, T-Mobile International supports an international research program, since 2002, in cooperation with operators in the UK and Germany, by more than EURO 20 million, in addition to EURO 6 million provided through the GSM Association.

The above makes Deutsche Telekom Group one of the biggest supporters of research on this subject matter in global comparison.

[29] http://www.telekom.hu/society_andenvironment/society/health_and_safety
[30] SAR value (specific absorption rate) measures the magnitude of energy absorbed in the tissues.

List of abbreviations

Abbreviation	Full name
ADSL	Asymmetric Digital Subscriber Line
AmCham	American Chamber
ÁSZF	General Contract Terms
BCE	Corvinus University Budapest
BÉT	Budapest Stock Exchange (BSE)
BME	Budapest University of Technology and Economics
CD	Compact Disc
CDP	Carbon Disclosure Project
CEERIUS	Central and Eastern European Responsible Investment Universe
CEO	Chief Executive Officer
CIO	Chief Information Officer
CO_2	carbon dioxide
CR	Corporate Responsibility
CSR	Corporate Social Responsibility
CsFkT	Group Sustainability Coordination Council
DSL	Digital Subscriber Line
DT	Deutsche Telekom
EC	Economic Performance Indicators
EDR	Uniform Digital radio Communication System
EFT	Electronic Traffic Information
Eht	Act on Electronic Communications
EMF	Electromagnetic Fields
EN	Environmental Performance Indicators
e-RFX	Electronic RFX (RFX – collective name of RFI (request for information), RFP (request for proposals) and RFQ (request for quotations)
ESzCsM	Ministry of Health, Welfare and Family Affairs
ETNO	European Telecommunications Network Operators' Association
ETSI	European Telecommunications Standards Institute
EU	European Union
EURESCOM	European Institute for Research and Strategic Studies
GeSI	Global e-Sustainability Initiative
GKM	Ministry of Economy and Transport
GmbH	Gesellschaft mit beschränkter Haftung
GPON	Gigabit Passive Optical Network
GRI	Global Reporting Initiative
GSM	Global System for Mobile Communication

Abbreviation	Full name
GVH	Economic Competition Authority
GVOP	Economic Competitiveness Operative Program
HBLF	Hungarian Business Leaders Forum
HR	Human Rights Performance Indicators
HR	Human Resources
HSDPA	High-Speed Downlink Packet Access
ICNIRP	International Commission on Non-Ionizing Radiation Protection
ICT	Information and communication technology
IFRS	International Financial Reporting Standards
ILO	International Labor Organization
IO	Internal Operations
IP	Internet Protocol
IPTV	Internet Protocol TV
IR	Investor Relations
ISO	International Organization for Standardization
IT	Information Technology
ITU	International Telecommunication Union
iWiW	international who is who
IWF	Internet Watch Foundation
K+F	Research and development
KFKI	Central Physical Research Institute
Kft. (Co. Ltd)	limited liability company
KvVM	Ministry of Environmental Protection and Water Management
LA	Labour Practices and Decent Work Performance Indicators
MakTel	Makedonski Telekomunikacii
MISZ	Hungarian Innovation Association
MSZ	Hungarian Standard
MT	Magyar (Hungarian) Telekom
MTE	Hungarian Content Providers' Association
MUPBED	Multipartner European Test Beds for Research
Mvt.	Act on Labor Safety
NAPA-WINE	Network-Aware P2P-TV Application over Wise Networks
NEKI	Legal Defense Bureau for National and Ethnic Minorities
Nyrt. (Plc.)	Public limited company
P2P-TV	Peer-To-Peer TV
PA	Providing Access (to telecom products and services)

Abbreviation	Full name
PC	Personal Computer
PCOC	Privacy Code of Conduct
PEM cell	Proton Exchange Membrane cell
PPKE	Pázmány Péter Catholic University
PR	Product Responsibility Performance Indicators
PR	Public Relations
RFID	Radio-frequency Identification
SAT-TV	Satelite TV
SAR	Specific Absorption Rate
SEC	Securities and Exchange Commission
SMS	Short Message Service
SO	Social Performance Indicators
TA	Technology Applications
TCG	Telekom Crne Gore / Crnogorski Telekom / Telekom Montenegro
TCR	Public commercial film
TISPAN	TIPHON + SPAN (Telecommunications and Internet Protocol Harmonization over Networks + Services and Protocols for Advanced Networks)
TM	Performance management
UMTS	Universal Mobile Telecommunications System
UNEP	United Nations Environmental Programme
ÜB	Management Committee
VDSL	Very high bit-rate Digital Subscriber Line
VoIP	Voice over Internet Protocol
WAP	Wireless Application Protocol
WebEDI	Web Electronic Data Interchange
WHO	World Health Organization
Zrt.	Private limited company

Assurance Statement
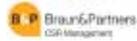
Assurance Statement

B&P Braun&Partners CSR Management has carried out an assurance process commissioned by Magyar Telekom Nyrt. (hereinafter: Magyar Telekom, the Company) as an independent third party to audit the Magyar Telekom Group's 2009 Sustainability Report (hereinafter: the Report).

Scope
The scope of assurance is to examine and confirm the relevance, credibility, completeness, and understandability of the Report, thus, increasing the stakeholders' trust in the Company.

Independence
B&P Braun&Partners CSR Management did not provide any advisory services for Magyar Telekom Group during the period of time covered by the Report which would contradict to the principle of independence necessary for the present task.

Verification Methodology
The process and methods of the audit were developed following Global Reporting Initiative (GRI) G3 Reporting Guidelines.

During the verification process we employed the following methods:
- According to the GRI G3 Reporting Guidelines, we examined whether the Report contains all the indicators that are required to attain Level "A", checked the conformance of the GRI content index, and the adherence to the GRI reporting guidelines.
- We took a random sample and reviewed the source systems and documents, to assess the credibility of the information published in the Report.
- We arranged personal interviews* with the owners of the original data and information in order to gain insight with respect to the assumptions, information, and complex calculations contained in the Report.
- We evaluated the completeness and relevance of the Report based on the analysis of public and internal documents, the operational context, and industry-specific trends and issues.
- We evaluated the structure and readability of the Report from the point of view of the reader.

Evaluation
Based on the assessment of Magyar Telekom Group's Sustainability Report, the review of background documents, and personal interviews, we make the following statements:
- The Report conforms to the preset requirements to attain GRI Level A+. We appreciate that the Report also contains information conforming to draft industry-specific indicators currently under development for the telecommunication sector.
- The Report was prepared in accordance with the GRI reporting guidelines. We evaluated the conformance with the GRI guidelines one by one (see the table below); we also made suggestions to further increase compliance.
- On the basis of the random sample of data and information sources, and personal interviews we did not find any sign that would doubt the credibility of the Report. The information published is well-established, and is supported with real initiatives and actions.
- The Report is extremely detailed, and covers the topics relevant in terms of sustainability extensively. We find it very positive that every year the Group involves more and more of its subsidiaries under the scope of the Report.
- The Report is essentially well-structured and logical; readers may easily find the information they need with the help of table of contents, tables, and references.

Proposed improvements
Based on the examination of the Report and the personal interviews, we make the following improvement proposals:
- We suggest that the approach and practices with respect to stakeholder engagement should be introduced in a more detailed and structured way, indicating also which were the important issues raised by the stakeholders. In relation to this, we also propose to cover in more detail

how the Company reacts to the expectations of stakeholders, and how the Company uses the feedbacks and suggestions of the stakeholders to improve its operations.
- To make it easier to follow the improvements in sustainability performance, and to allow comparison of performance over time, we advise the Company to present its objectives and concrete goals concerning its sustainability performance, and their achievement in a structured table format (indicating also the reasons for not achieving particular objectives) – just like in case of their environmental objectives.
- In order to provide a more comprehensive picture on the Group's sustainability performance, we suggest that the scope of the Report should include more detailed and structured introduction of its subsidiaries' sustainability performance.
- In order to have a balanced presentation of important issues we propose – based on international practices – to cover the topic of responsible content providing in more detail.
- To facilitate understanding and assessment of the information presented in the Report, we suggest that the scope of the data presented (the included subsidiaries) should be consistent throughout the Report.

Compliance to GRI guidelines

Guideline	Assessment	Result
Materiality	• The Report contains pieces of information relevant to the stakeholders; it gives an account on important issues in connection with the operation of the telecommunication sector, and on the approaches to tackle them.	
Stakeholder Engagement	• The approach and practice concerning stakeholder engagement is not detailed and clear enough. • The concerns of stakeholders, the answers given to them, and showing how their opinions were used to improve operations are not covered detailed enough.	
Sustainability Context	• The Report covers the most important topics concerning economic, social, and environmental sustainability.	
Completeness	• The Report introduces the relevant topics concerning sustainability in a detailed and extensive way. • The Report contains information on the performance of a growing number of subsidiaries.	
Balance	• The emphasis put on the various topics of the Report are proportionate to their relative importance, however more emphasis could be put on introducing the issue of responsible content providing due to international practices. • The Report describes both the positive and negative effects of the operation of the Group.	
Clarity	• The structure of the Report is transparent, understandable. • The technical expressions, acronyms, professional words are mostly provided with appropriate explanations. • The presentation of concrete goals in terms of sustainability performance and their realization is not structured enough.	
Accuracy	• The pieces of information published in the Report are altogether credible.	

Timeliness	• The Report provides information on 2009; the time elapsed until the publishing of information makes no considerable harm to the timeliness of data.	
Comparability	• The extensive use of GRI indicators makes the comparison of performance with competitors' possible. • The improvements of the Group's sustainability performance, the reasons of the changes are well-traceable in most areas. • The coverage of objectives and concrete goals, and their achievement is not structured enough (apart from one exception) which hinders the comparison of performance over time.	
Reliability	• The information published in the Report was well supported by the representatives of the relevant organizational units during the personal interviews. • The information contained in the Report is in accordance with its original sources; they appear in the same way.	

Robert Braun, Partner
B&P Braun&Partners CSR Management

Patrik Perényi, Project manager
B&P Braun&Partners CSR Management

Budapest, 16th July, 2010

*Interviewees: Katalin Szomolányi, Department Head, Corporate Sustainability Department; Gyula Murár, Office Manager, Health and Safety Office; Orsolya Németh, Senior Business Intelligence Manager; Márton Peresztegi, Investor Relations Manager; Gábor Szőcs, HR Solutions Manage; Kristóf Horváth, Sustainability Strategy Manager, Corporate Sustainability Department; Balázs Molnár: Environmental Manager (STRABAG); Gábor Pukler, Department Head, Innovation and Business Development Department; and the colleague responsible for the Program 'Abigél'.

IMPRESSUM

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