Sustainability Report 2010

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 on the following website http://www.globalreporting.org/ReportingFramework/ReportingFrameworkDownloads/

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Core		Supplementary	
Indicator	Chapter	Indicator	Chapter
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Social performance indicators

Core		Supplementary	
Indicator	Chapter	Indicator	Chapter
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HR6	5.3		
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SO2	1.3		
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		SO7	1.4
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SO8	1.4		
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PR3	2.2		
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In accordance with GRI (Global Reporting Initiative) year 2006. Guide.

(www.globalreporting.org)

Telecommunication specific indicators

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PA6	3.1, 3.5
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PA8	11
PA9	11
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Resource efficiency	
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TA5	9.2

Compliance with the principles of the UN Global Compact

On May 6, 2009 the company joined the UN Global Compact initiative and its 10 principles in the areas of human rights, labour, environment and anti-corruption. The following table shows the occurrence of information in the report relating to the principles.

Global Compact principles

	Chapter
1. support and respect the protection of internationally proclaimed human rights	1.3, 1.6, 5.2, 5.3, 10
2. make sure that they are not complicit in human rights abuses	1.3, 1.6, 5.3
3. the freedom of association and the effective recognition of the right to collective bargaining	5.3
4. the elimination of all forms of forced and compulsory labour	5.3
5. the effective abolition of child labour	5.3
6. the elimination of discrimination in respect of employment and occupation	II, 1.6, 5.3
7. support a precautionary approach to environmental challenges	II, 4.1, 4.2, 4.3, 4.5, 4.6
8. undertake initiatives to promote greater environmental responsibility	II, 4.1, 4.7, 7.2, 8.3
9. encourage the development and diffusion of environmentally friendly technologies	II, 3.1, 4.1
10. work against corruption in all its forms, including extortion and bribery	II, 1.3, 1.6

Letter from the Chairman-CEO

Dear Reader,

By demonstrating a sustainable way of operation, as well as providing sustainable services and products, Magyar Telekom has put the idea of sustainability within reach for its customers and partners for quite a long time. We are proud that upon completing our second three-year sustainability strategy in 2010 and evaluating its achievements, we can present a real success story. As a recognition of its sustainability performance in 2010, Magyar Telekom has again become part of the year-2011 CEERIUS Index, established by the Vienna Stock Exchange and listing the most sustainable companies in the Central and Eastern European region, as well as came in first again in 2010 among Hungarian companies at the CSR 24/7 Survey, addressing responsible corporate operation. In light of our commitment and achievements, it is natural that Magyar Telekom continues to support the 10 Global Compact principles regarding human rights, environment and anti-corruption, the achieved improvements in which are included in the report.

Our achievements in 2010 are especially outstanding, as the year in question was still characterized by an unfavorable economic and regulatory environment. As we stated in our Annual Report, Magyar Telekom continued to retain its leading position in 2010 in the area of domestic fixed, mobile, internet and data services. In the first half of the year, our financials had still been on a downward trend, but in the second half of the year, external market conditions started to improve, which, however, was counteracted by the special taxes imposed on certain industries, including telecommunication. We achieved our year-2010 public guidance. As we forecasted, our revenues decreased by 5.3%, our underlying EBITDA (without special items and the telecom tax) decreased by 5.5% and we cut back our capital expenditure by 10%.

Globally, the telecom industry is undergoing major changes worldwide. The economic crisis accelerated the transformation of the markets. International trends point to an integrated telecommunication, information, media and entertainment market. We are convinced that in the telecom sector, we will see a significant growth of mobility and data traffic. Our goal is to provide the best possible customer experience through our high-quality fixed and mobile networks, and we plan to invest further into developing an even better and more efficient network, as we strive to enter new business areas by exploiting our existing capabilities.

Our Climate Strategy was an organic part of our previous Sustainability Strategy 2008-2010, which was harmonized with our Business Strategy. Its successful implementation was threatened by the continuously growing size of the company, the economic difficulties and the resulting cancellation of certain investments, thus, the intervention of the Management Committee and a modification of the target values became necessary. We deemed an CO_2 emission decrease of 3-6% feasible under these circumstances. Finally, during the three years, we managed to slightly overachieve the target with a 6.65% CO_2 reduction, the main constituents of which were the procurement of 35 GWh electric power generated from renewable sources, the increasing number of hybrid cars in the company fleet, as well as pilots like the one aimed at running our base stations on PEM cells. The efforts made by our affiliates in Montenegro and Macedonia also contributed to our successful achievement of the climate targets.

We believe that in order to achieve our sustainability objectives and retain the trust of society, it is inevitable that we guarantee the company's transparency, take into account our stakeholders' opinion and involve our partners.

In 2010, the company further developed its vendor pre-qualification system, which enables all registered vendors to fill in the sustainability questionnaire and be assessed based on that. The achieved findings point out potential risks and enable us to achieve improvements in cooperation with the vendors.

To eliminate the digital divide, we continued our program called Internet for Equal Opportunity (Egálnet) offered to disadvantaged organizations, as well as the Magyar Telekom Digital Bridge at Small Settlements Program, which is aimed at providing improved communication means for disadvantaged settlements of less than 3000 inhabitants, thus promoting local and regional development. In the framework of the initiative, Magyar Telekom's volunteer professionals deliver efficient, custom-made training to the people of the villages in question. By the end of 2010, 151 such events had taken place.

The NGO Strategic Partnership Program was announced in 2009 and launched in 2010. The program offers a grant of HUF 10 million per year to and closer cooperation with the selected three NGOs. We expressed our commitment to sustainability also by dedicating one of the categories to sustainability. That is how the Jövő/Menő Program, aimed at increasing the awareness of our employees about sustainability via volunteerism on individual and corporate levels, became a part of Magyar Telekom's everyday life. In addition to the sustainability training, which is part of the orientation session offered to each new employee, a sustainability module, aimed at increasing executives' sustainability awareness, was launched as part of the company's management training.

With the aim of increasing awareness among our customers, on September 25, 2010, we organized the very popular Sustainability Day event for the third time, with Magyar Telekom as the main organizer. In addition to the exhibition dedicated to the topic, participants could discuss timely issues of sustainability in the framework of interactive presentations delivered by prestigious representatives of the relevant disciplines. In his opening statement, prof. Günter Pauli talked about the Blue Economy and sustainable innovation. As part of the environment-society-economy topic, climate change, equal opportunity and consumption were the main issues discussed, with the extra added topic of the individual's responsibility.

We consider it a priority to increase awareness about the concept of sustainability among the widest possible range of society, therefore, we launched a sustainability communication campaign titled "hello holnap!" through the Hungarian media, as of December 27, 2010. The campaign is aimed at drawing the public's attention to the importance of the topic with the help of famous singers, sportspeople and artists. We present specific examples of sustainable efforts that we can make in our everyday lives, and explain what we can do for a sustainable future.

Our new Sustainability Strategy, encompassing five years (2011-2015), has been harmonized with the strategies of other corporate divisions. Our main objective is to make sustainability part of Magyar Telekom's identity, thus providing a long-term competitive edge to the company. We wish to achieve this objective on the basis of our performance demonstrated so far, our Dow Jones Sustainability Index assessment and the principles followed during the last three years, with a more intensive communication of our commitment to our stakeholders, new and ambitious goals, best practices, as well as forceful and targeted communication.

We have identified the following priorities to be pursued in the following years, as part of the complex set of tasks set forth by our Sustainability Strategy. We consider the following as a set of key challenges. From an economic aspect, we are to increase awareness about sustainability and make Magyar Telekom more recognized in this context, as well as spend 10% of the total research and development resources on implementing social and environmental innovations. From an environmental aspect, we are to decrease the corporate group's CO_2 emission by 20% by 2015. From a social aspect, we are to establish a fully sustainable vendor chain management process, as well as increase the ratio of sustainability-promoting services and products, and inform our stakeholders about their effects.

For these achievements, I have to thank my colleagues, including the executives, who have the capability, the spirit and the commitment, as well as our stakeholders who have joined us in partnership on this trip. Our goal remains to shape the future responsibly, and I believe, our achievements so far and our future strategy provide enough challenges and potential for us to embark upon this future.

Christopher Mattheisen
Chairman-CEO

Budapest, July 21, 2011.

About the report

In 2010, Magyar Telekom has completed its second three-year Sustainability Strategy. The eights edition of the corporate group's Sustainability Report was published with the same purpose as the ones before, i.e. to present our relevant activities and achievements in an integrated context, thus making the corporate group's environmental, social and business operations related to sustainable development transparent for everyone.

In 2010, we continued our work aimed at sustainability along the effective three-year Sustainability Strategy, therefore we did not significantly change the structure of the report. Following the introductory chapters, we present our sustainability performance against the key challenges, as before. We considered it important that in addition to the achievements of 2010 we review the undertakings set forth by the strategy approved in 2008, thus they are clearly highlighted in the respective chapters.

For the fourth year, the report applies the third-generation principles of the Global Reporting Initiative (GRI G3) when presenting the corporate group's sustainability performance. In total, we continued to apply the principles on A+ level.

The report practically covers the 2010 calendar year, with an added review of the last three years' performance, due to the fact that we got to the end of the period encompassed by the strategy, as well as a summary of the objectives and tasks defined for the following such period.

When compiling the report, we focused on comprehensiveness, interrelations of sustainability aspects, comparability, precision and timeliness. The most important corporate data are included in the chapter titled "About the Group", however, we do not repeat any data related to business performance that we had already provided in previous years. Further details of our performance in 2010 and previous years can be found in Magyar Telekom's Annual Reports.

The report covers Hungary, Macedonia and Montenegro, and encompasses the corporate group's every activity. We strive to provide a comprehensive view by gradually covering foreign subsidiaries. As a result, many chapters cover an even greater part of the Group than before and there are even fewer gaps in the data provided by foreign subsidiaries, too. All affiliates of significant relevance from sustainability aspects were involved. The data published in the report are historically comparable along the structural changes of the Group.

In order to ensure authenticity, we continued to rely upon the support of an external, independent third party. The report has been audited by PricewaterhouseCoopers Auditing LLC and they certified the information contained therein being reliable. The respective certificate can be found in the "Certification" chapter.

Sources of the data included in the report:
- The economic data are from the Group's year-2010 Annual Report, IFRS Statement, Responsible Corporate Governance Report and external surveys.
- The data of social nature were compiled on the basis of data provided within the Group.
- The environmental protection data are from a process-wise transparent, online data provision system.

As in previous years, our Sustainability Report was prepared for all of our stakeholders, however, based on our experience, we continued to focus primarily on the information sought by investors, especially responsible investors, when compiling the report.

The Report also includes the statement of sustainable development in line with the principles set forth by the UN Global Compact.

The full report is available exclusively on the internet, while, upon consideration of the interest shown by our customers, a shorter version will also be published, hardcopies of which will be available at the T-Shops and our sustainability events.

We wish to continue the joint thinking process and cooperation with our stakeholders, thus, we encourage everyone to share their comments and ideas with us by writing to the sustainability@telekom.hu address.

Budapest, July 18, 2011.

Éva Somorjai
Chief HR Officer
Top executive in charge
of sustainability

Katalin Szomolányi
Head of the Corporate
Sustainability Department
directly in charge of
sustainability activities

I. About the group

Magyar Telekom (http://www.telekom.hu/main) is Hungary's largest telecommunication provider, which provides the full range of telecommunication and infocommunication (ICT) services, including fixed-line and mobile telephony, data communication and non-voice services, as well as IT and systems integration services.
The activities of Magyar Telekom cover two main business areas.
The company offers its residential customers fixed-line and mobile telecommunication services under the T-Home and T-Mobile brands.
To its business customers, Magyar Telekom offers innovative corporate services based on state-of-the-art network technologies and cost-efficient, reliable IT applications, in addition to the traditional fixed-line and mobile telecommunication services under the T-Systems brand.

Magyar Telekom is majority owner of Makedonski Telekom, Macedonia's leading fixed-line and mobile service provider and holds majority interest in Crnogorski Telekom, Montenegro's largest telecommunication service provider.
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.
Magyar Telekom's registered corporate name is Magyar Telekom Telecommunications Public Limited Company, abbreviated as Magyar Telekom Plc.
Operational territory of the group: Hungary, Macedonia, Montenegro, Romania, Bulgaria and the Ukraine.
The headquarters of the group is located in 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

You can find more information about the group's products and services on the company's home page at http://www.telekom.hu/services, or at the customer service offices.

The following table shows the major changes in the composition of the group over the five-year time horizon used in the report. The content of the table also gives guidance to the interpretation of the diagrams. In 2010 no major changes took place in the structure of the group.

Changes in the Magyar Telekom Group in the past years

2006	2007	2008	2009	2010
Magyar Telekom Plc.[1]	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.
-	-	-	-	-
-	-	-	-	-
Emitel [2]	-	-	-	-
BCN	BCN [3]	-	-	-
-	ICON [4]			
-	INTEGRIS [5]	-	-	-
-	IQSYS [6]	IQSYS [7]	IQSYS	IQSYS
-	KFKI-LNX [8]	KFKI [9]	KFKI	KFKI
-	T-Systems Hungary [10]	-	-	-
T-Kábel	T-Kábel	T-Kábel [11]	-	-
EPT	EPT	EPT	EPT	EPT
T-Online [12]	-	-	-	-
-	-	-	-	-
-	-	PRO-M [13]	PRO-M	PRO-M
-	-	Dataplex [14]	Dataplex	Dataplex
-	-	Mfactory [15]	Mfactory	Mfactory
-	-	[origo] [16]	[origo]	[origo]
TCG [17]	TCG	TCG	TCG	TCG
MakTel [18]	MakTel	MakTel	MakTel	MakTel

[1] T-Mobile, formerly an independent brand, continues to operate within the Magyar Telekom organization from March 1, 2006, while the relevant data of Egertel are quoted among Magyar Telekom's data (They operate in a building operated by Magyar Telekom and provide services on MT network, etc.)

[2] In 2007 Emitel merged into the fixed-line services business unit of Magyar Telekom

[3] From 2008 BCN operates within KFKI Rendszerintegrációs Zrt.

[4] In 2007 ICON appeared as new data provider, its data are quoted among the data of BCN

[5] In 2007 INTEGRIS appeared as new data provider, its data are quoted among the data of BCN

[6] In 2007 IQSYS appeared as new data provider, its data are quoted among the data of BCN

[7] In 2008 IQSYS appeared as new data provider, as legal successor of the former INTEGRIS, IQSYS and T-Systems Hungary

[8] In 2007 KFKI-LNX appeared as new data provider, its data are quoted among the data of BCN

[9] In 2008 KFKI appeared as new data provider, as legal successor of the former BCN, ICON and KFKI-LNX

[10] In 2007 T-Systems Hungary appeared as new data provider, its data are quoted among the data of BCN

[11] T-Kábel continues operation within the Magyar Telekom organization (from September 30, 2009)

[12] In 2007 the access activities of T-Online Hungary merged into Magyar Telekom, while its web and content provision businesses continue to operate under the name of [origo] Zrt. as member company of the Magyar Telekom Group

[13] In 2008 PRO-M appeared as new data service provider

[14] In 2008 Dataplex appeared as new data service provider
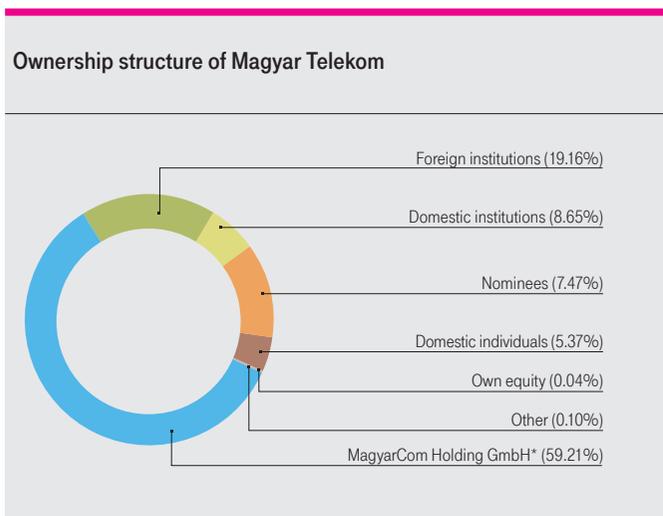
[15] In 2008 Mfactory appeared as new data service provider

[16] In 2008 [origo] appeared as new data service provider

[17] The data of Crnogorski Telekom and T-Mobile Crna Gora are quoted under the name TCG

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

In 2011, Magyar Telekom's ownership structure (according to the May 12, 2011 status of the share registry) showed the following breakdown in percentages:

Ownership structure of Magyar Telekom

- Foreign institutions (19.16%)
- Domestic institutions (8.65%)
- Nominees (7.47%)
- Domestic individuals (5.37%)
- Own equity (0.04%)
- Other (0.10%)
- MagyarCom Holding GmbH* (59.21%)

*MagyarCom Holding GmbH is owned 100% by Deutsche Telekom AG

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 (on December 31, 2010): 10 258.

Magyar Telekom Group: summary of operating statistics

Consumer Business Unit (CBU)	December 31, 2009.	December 31, 2010.	Change (%)
Fixed line operations			
Voice services [19]			
Total voice access	1,740,619	1,587,192 ✔	(8.8)
Payphone	14,788	11,897 ✔	(19.5)
Total outgoing traffic (thousand minutes)	3,135,892	2,762,690 ✔	(11.9)
Blended MOU (outgoing)	159	160 ✔	0.6
Blended ARPA (HUF)	3,630	3,427 ✔	(5.6)
Data products			
Retail DSL market share (estimated) [20]	58%	63%	n.a.
Cable broadband market share (estimated) [20]	19%	20%	n.a.
Number of retail DSL customers	435,558	462,566	6.2
Number of cable broadband customers	152,878	181,056	18.4
Number of fiber optic connections	7,247	19,109	163.7
Total retail broadband customers	595,683	662,731	11.3
Blended broadband ARPU (HUF)	4,427	3,944	(10.9)
TV services			
Number of cable TV customers	406,841	370,212	(9.0)
Number of satellite TV customers	156,142	254,188	62.8
Number of IPTV customers	67,430	124,374	84.4
Total TV customers	630,413	748,774	18.8
Blended TV ARPU (HUF)	3,280	2,949	(10.1)
Mobile operations			
Mobile penetration [21]	117.7%	120.2%	n.a.
Mobile SIM market share [20]	43.4%	43.4%	n.a.
Number of customers (RPC)	4,343,672	4,416,312	1.7
Postpaid share in the RPC base	35.2%	39.0%	n.a.

Consumer Business Unit (CBU)	December 31, 2009.	December 31, 2010.	Change (%)
MOU	126	138	9.5
ARPU (HUF)	3,164	3,239	2.4
Postpaid	6,454	5,956	(7.7)
Prepaid	1,670	1,635	(2.1)
Overall churn rate	27.5%	21.0%	n.a.
Postpaid	15.1%	15.9%	n.a.
Prepaid	33.1%	24.0%	n.a.
Ratio of non-voice revenues in ARPU	16.7%	18.6%	n.a.
Average acquisition cost (SAC) per gross add (HUF)	7,680	6,570	(14.5)
Number of mobile broadband subscriptions	326,384	488,867	49.8
Mobile broadband market share based on total number of subscriptions [20]	45.9%	47.8%	n.a.
Mobile broadband market share based on subscriptions with data transfer [20]	48.6%	43.1%	n.a.
Population-based indoor 3G coverage [20]	65.4%	65.4%	n.a.

Business Services Business Unit (BBU)	December 31, 2009.	December 31, 2010.	Change (%)
Fixed line operations			
Voice services			
Business	100,172	86,439	(13.7)
Managed leased lines (Flex-Com connections)	4,745	3,454	(27.2)
ISDN channels	270,466	236,706	(12.5)
Total lines	375,383	326,599	(13.0)
Total outgoing traffic (thousand minutes)	656,372	557,319	(15.1)
MOU (outgoing)	178	176	(1.1)
ARPU (HUF)	5,162	4,880	(5.5)

Business Services Business Unit (BBU)	December 31, 2009.	December 31, 2010.	Change (%)
Data products			
Number of leased line Internet subscribers	558	564	1.1
Number of retail DSL customers	32,358	30,192	(6.7)
Number of wholesale DSL access	161,270	130,965	(18.8)
Number of total DSL access	193,628	161,157	(16.8)
Retail DSL ARPU (HUF)	12,712	10,485	(17.5)
Mobile operations			
Number of customers (RPC)	775,912	792,106	2.1
Overall churn rate	8.0%	8.2%	n.a.
MOU	336	340	1.2
ARPU (HUF)	6,458	5,926	(8.2)
Number of mobile broadband subscriptions	102,161	135,583	32.7
Ratio of non-voice revenues in ARPU	23.6%	26.3%	n.a.
Average acquisition cost (SAC) per gross add (HUF)	8,280	6,030	(27.2)

Macedonia	December 31, 2009.	December 31, 2010.	Change (%)
Fixed line operations			
Voice services			
Fixed line penetration	18.5%	17.2%	n.a.
Total voice access	372,015	343,019	(7.8)
Payphone	1,218	889	(27.0)
Total outgoing traffic (thousand minutes)	969,538	864,662	(10.8)
Data and TV services			
Retail DSL market share (estimated)	83.0%	84.0% ✔	n.a.
Number of retail DSL customers	109,617	130,127 ✔	18.7
Number of wholesale DSL access	18,751	21,091 ✔	12.5
Number of total DSL access	128,368	151,218 ✔	17.8
Number of dial-up customers	1,813	633 ✔	(65.1)
Number of leased line customers	228	301 ✔	32.0
Number of IPTV customers	14,150	30,123 ✔	112.9
Mobile operations			
Mobile penetration	116.1%	122.8%	n.a.
Market share of T-Mobile Macedonia	56.4%	51.3%	n.a.
Number of customers (RPC)	1,381,094	1,295,285	(6.2)
Postpaid share in the RPC base	30.3%	32.3%	n.a.
MOU [22]	121	135	11.6
ARPU (HUF)	2,678	2,690	0.4

Montenegro	December 31, 2009.	December 31, 2010.	Change (%)
Fixed line operations			
Voice services			
Fixed line penetration	26.3%	26.6%	n.a.
Total voice access	176,890	171,684	(2.9)
Total outgoing traffic (thousand minutes)	424,544	369,511	(13.0)
Data and TV services			
Number of retail DSL customers	54,983	68,540	24.7
Number of wholesale DSL access	0	0	n.a.
Number of total DSL access	54,983	68,540	24.7
Number of dial-up customers	5,184	1,160	(77.6)
Number of leased line customers	191	193	1.0
Number of IPTV customers	29,612	40,042	35.2
Mobile operations			
Mobile penetration [23]	208.7%	199.5%	n.a.
Market share of T-Mobile Crna Gora [23]	36.7%	37.0%	n.a.
Number of customers (RPC)	531,457	464,039	(12.7)
Postpaid share in the RPC base	19.6%	23.7%	n.a.
MOU	96	105	9.4
ARPU (HUF)	2,459	2,430	(1.2)

[19] Including PSTN, VoIP and VoCable.
[20] Data relates to Magyar Telekom Plc.
[21] Data relates to the mobile penetration in Hungary, including customers of all three service providers.
[22] Including free minutes.
[23] 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.

Producing value for the stakeholders

	Business value produced	2008	2009	2010
	Revenues (total revenue + share of after-tax earnings of affiliates and joint ventures)	674 397 million HUF	643 880 million HUF	609 552 million HUF
Stakeholder	**Business value distributed**			
Suppliers	Operating costs (directly revenue-related expenditure + net other operating costs)	304 358 million HUF	293 018 million HUF	302 729 million HUF
Employees	Employee salaries and benefits (personnel expenditure)	100 320 million HUF	101 918 million HUF	93 884 million HUF
Investors	Payments due to capital investors (paid dividend + net financial earnings)	107 360 million HUF	109 865 million HUF	80 231 million HUF
State	Payments due to the state budget (income tax+crisis tax)	27 698 million HUF	20 958 million HUF	33 553 million HUF
Communities	Community investments (donations, institutional patronage, volunteer work, education)	1 256 million HUF	671 million HUF	476 million HUF
Total stakeholders in future	**Retained earnings (earnings after tax + depreciation – paid dividend)**	134 661 million HUF	118 121 million HUF	126 125 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	2010
Tax benefit used	355 million HUF	294 million HUF	1137 million HUF	2646 million HUF
Tax benefit on film support	-	-	-	411 million HUF
Tax benefit on wage cost of software developers	-	-	-	12 million HUF
Tax impact of taxable income decrease due to donations	180 million HUF	398 million HUF	98 million HUF	1 million HUF
Tax gain by taxable income decrease due to R&D	12 million HUF	60 million HUF	53 million HUF	72 million HUF

You can read more about the company's financial performance in the Annual Report: http://www.telekom.hu/static/sw/download/ MagyarTelekom_AnnualReport_2010.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 expertly bring together the needs of our customers with the latest technology, whether in communications, information or entertainment.
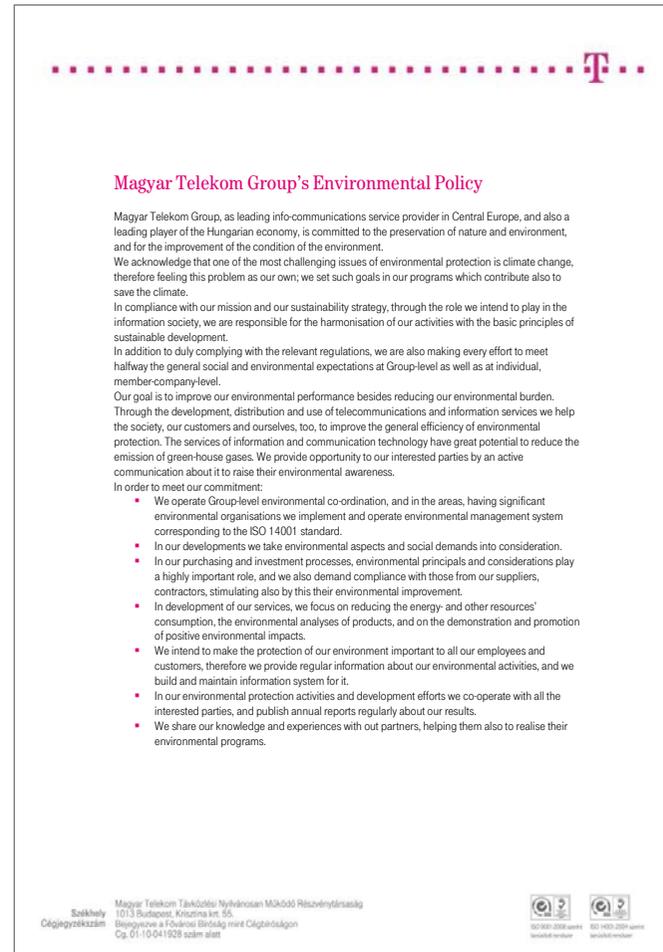Everything we do starts with the customer.
Our goal is to turn modern communications into experience which makes a difference in people's lives.
We are here to make Magyar Telekom everybody's favorite service provider.

http://www.telekom.hu/static/sw/download/Magyar_Telekom_environmental_policy.pdf

Environmental policy

Magyar Telekom Group's Environmental Policy

Magyar Telekom Group, as leading info-communications service provider in Central Europe, and also a leading player of the Hungarian economy, is committed to the preservation of nature and environment, and for the improvement of the condition of the environment.

We acknowledge that one of the most challenging issues of environmental protection is climate change, therefore feeling this problem as our own; we set such goals in our programs which contribute also to save the climate.

In compliance with our mission and our sustainability strategy, through the role we intend to play in the information society, we are responsible for the harmonisation of our activities with the basic principles of sustainable development.

In addition to duly complying with the relevant regulations, we are also making every effort to meet halfway the general social and environmental expectations at Group-level as well as at individual, member-company-level.

Our goal is to improve our environmental performance besides reducing our environmental burden. Through the development, distribution and use of telecommunications and information services we help the society, our customers and ourselves, too, to improve the general efficiency of environmental protection. The services of information and communication technology have great potential to reduce the emission of green-house gases. We provide opportunity to our interested parties by an active communication about it to raise their environmental awareness.

In order to meet our commitment:

- We operate Group-level environmental co-ordination, and in the areas, having significant environmental organisations we implement and operate environmental management system corresponding to the ISO 14001 standard.
- In our developments we take environmental aspects and social demands into consideration.
- In our purchasing and investment processes, environmental principals and considerations play a highly important role, and we also demand compliance with those from our suppliers, contractors, stimulating also by this their environmental improvement.
- In development of our services, we focus on reducing the energy- and other resources' consumption, the environmental analyses of products, and on the demonstration and promotion of positive environmental impacts.
- We intend to make the protection of our environment important to all our employees and customers, therefore we provide regular information about our environmental activities, and we build and maintain information system for it.
- In our environmental protection activities and development efforts we co-operate with all the interested parties, and publish annual reports regularly about our results.
- We share our knowledge and experiences with out partners, helping them also to realise their environmental programs.

Székhely: Magyar Telekom Távközlési Nyilvánosan Működő Részvénytársaság
1013 Budapest, Krisztina krt. 55.
Cégjegyzékszám: Bejegyezve a Fővárosi Bíróság mint Cégbíróságon
Cg. 01-10-041928 szám alatt
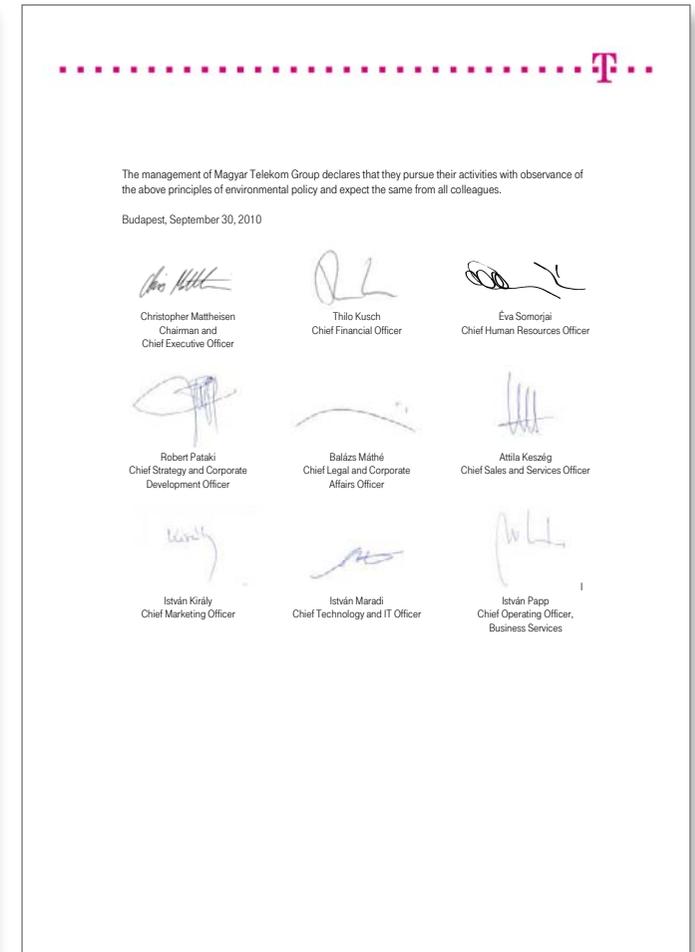
The management of Magyar Telekom Group declares that they pursue their activities with observance of the above principles of environmental policy and expect the same from all colleagues.

Budapest, September 30, 2010

Christopher Mattheisen
Chairman and
Chief Executive Officer

Thilo Kusch
Chief Financial Officer

Éva Somorjai
Chief Human Resources Officer

Robert Pataki
Chief Strategy and Corporate
Development Officer

Balázs Máthé
Chief Legal and Corporate
Affairs Officer

Attila Keszég
Chief Sales and Services Officer

István Király
Chief Marketing Officer

István Maradi
Chief Technology and IT Officer

István Papp
Chief Operating Officer,
Business Services

Corporate strategy

In order to continue our transformation to become a cost efficient inte-
grated service company in an extended market of telecommunications
and connected industries, we have set our strategic priorities as follows:

1. Slow down voice churn
· To retain customers of the highest margin segments
· To secure the biggest profit pool for the future investments

2. Reach competitive cost structure
· To reach competitive cost base
· Improve ROCE, OPEX to sales and Capex to EBITDA ratio

3. Secure market leader position in broadband
· To secure broadband access leadership as basis for all future services
· To stabilize revenue market share and increase share of high margin
  revenues

4. Achieve market leader position on the TV market
· To increase TV customer volumes as means to retain high-margin voice
  and broadband customers
· To increase number of services per customer

5. Stabilize revenues
· To transform our topline magnitude into a sustainable mix
· To reverse declining trend, thus easing pressure on cost side
· To further monetize infrastructure with highmargin revenues

Quality policy

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

Sustainability strategy

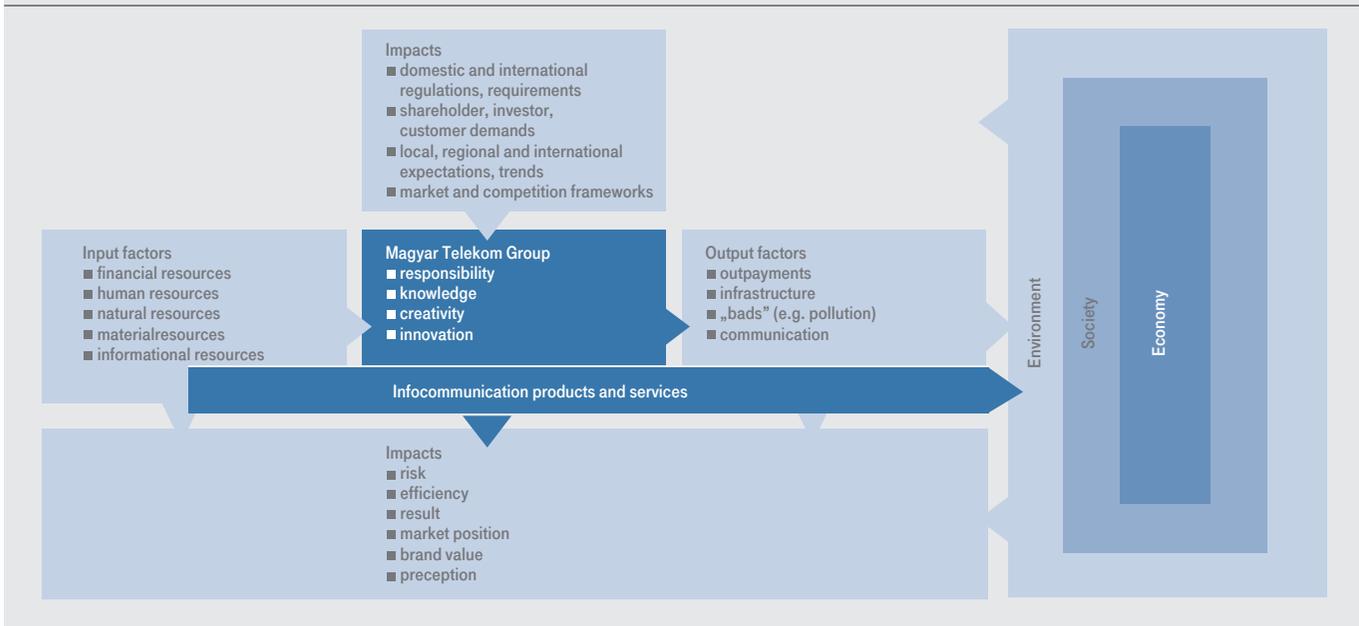**Connection of sustainability with different fields and interests**
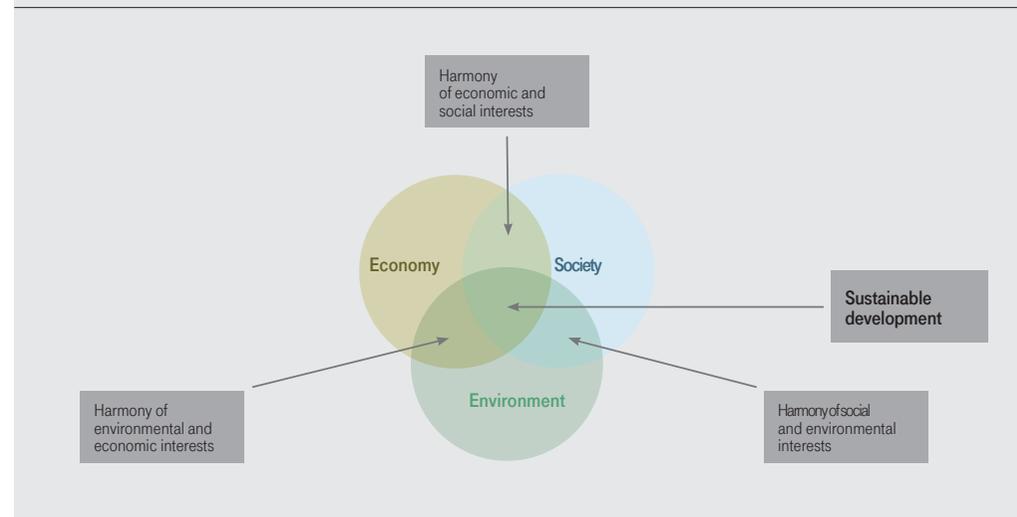
Sustainability strategy 2008-2010

The company's 3-year sustainability was closed with 2010. The key
strategic objective of 2008-2010 was: 'To make the leading sustainability
role achieved by Magyar Telekom so far visible for the employees and
the customers, too.' This was implemented 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 com-
pliance systems, as well as the improvement of environmental and social
performance of suppliers.

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
- materialresources
- informational resources

Magyar Telekom Group
- responsibility
- knowledge
- creativity
- innovation

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

Infocommunication products and services

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

Environment — Society — Economy

Customer relations
The group's aim is to make its customers also learn its efforts for sustainable development. Its relevant goals include the promotion of electronic products and services, service ordering solutions, serving the customers at ever higher standard and sharing the group's sustainability initiatives with the customers.

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.

In the strategy 34 tasks were determined, which we broke down further to sub-tasks. Overall, the tasks were 94% implemented. We took out 6 key priority tasks from the rest (which later changed to five), which the Management Committee followed with distinguished attention and monitored their implementation. The tasks, and their 2010 status:
- ICT products of special sustainability relevance
  The process to identify sustainable products and services has been elaborated and incorporated into the areas' policies. Currently we have 8 consumer and 6 business services identified, which generated close to HUF 58 billion revenues in 2010.

Digital Bridge in Szászberek

- Programs aimed at eliminating the digital divide

  The Digital Bridge at Small Settlements Program completed its 150th event by the end of 2010, out of which 54 took place during the 3 years of the strategy. The program was extended to include a talent contest lead by Péter Novák from 2009 under the name of Digital Bridge Fest. More than 170 organizations registered to be part of the Egálnet (Internet for Equal Opportunity) program by the end of 2010. Egálnet homepages compete every two years, the last contest took place in 2009. Telekom Internet Academy was run in the framework of T-City in 2010

- Communicating products' social, environmental, economic effects, strengthening customers' sense of responsibility

  The topic's communication principles and messages were formulated in 2010, the communication of „hello holnap!" (means "hello tomorrow") started on December 27. The communication foci include the goal of associating the concept of sustainability with the name of Telekom, as well as enabling customers to live their lives environment-consciously by means of using, among others, the products and services of Magyar Telekom.

- Ambitious climate strategy

  In 2008, the climate strategy set the group-level target of 10% CO_2 decrease. One difficulty one has to face in reaching that objective is the continuous growth of the company's size. The other difficulty is the spiraling effect of the economic crisis, which caused the cancellation of such investments, which would have been indispensable to matching the objective. So the Management Committee modified the target to 3-6% emission reduction by adopting a minimum climate package. Finally, the target was slightly overfulfilled at 6.65% by the end of 2010. We consider as the single greatest achievement in this field that in 2010 35 GWh of our electricity consumption was derived from renewable energy sources, the number of hybrid vehicles in our fleet grew to 55; for the power supply of our base stations we have introduced PEM cells in some places.

- Joining key sustainability initiatives, implementing new initiatives, communication

  We have been continuously measuring the initiatives and partnerships, as well as the efficiency of communication since the approval of the strategy. Our most important new initiatives: DELFIN-Award, Sustainability Day, Digital Bridge Fest, Jövő/Menő Program and hello holnap!

- Electromagnetic fields (EMF) strategy

  Magyar Telekom and the GKM (Ministry of Economy and Transport) concluded a cooperation agreement for prolonging the GSM 900 MHz frequency license by 15 years. Having complied with the promises made in the agreement (and even overfulfilling them on every point), EMF communication is already being implemented in accordance with the business interests, so from 2010 this task has been taken out of the key priority tasks.

The retention of our sustainability position is measured by the Dow Jones Sustainability Index (DJSI) and by various prizes, while the visibility of our leading role is measured by residential and employee surveys. These help establish the following:

- In the professional field, on the basis of the DJSI (in 2010, 72 points) we earned a position in the top third league in the world and also topped this position with several awards. But it is a warning sign that, although

we reached 4 DJSI points increase compared to the base year of 2007, we recorded a decrease of 6 points in comparison to the first year of the strategy (2008). Besides, in the CSR 24/7 rating we took the first place in 2009 both in Hungary and in Central Europe. In 2010 we retained our first place, but in the region the Austrian OMV company was better than us. It is also a warning sign that, although we do not know their points, another Hungarian company has also made it to the DJSI. The awards we won during the term of the strategy can be seen on the following website: http://www.telekom.hu/society_and_environment/prizes_ratings

- In the residential survey some 6-7% of the respondents name Magyar Telekom and its offered brands as leading sustainability company and products, but 90% of the respondents cannot specifically name any company. In the employee survey 18% name the company as leading player, but 60% cannot name any company at all. In view of this, we do not consider this part of the main objective implemented.

Trends influencing the new sustainability strategy

- The DJSI evaluation of the previous strategic period
- The European Union's 'Europe 2020' strategy
- The EU's 3x20 climate package that lasts until 2020
- EU recommendation for the ICT sector: 20% CO_2 reduction by 2015
- Corporate trends, e.g. Climate Groups' 30 percent initiative
- DT sustainability requirements, e.g. 30% CO_2 decrease until 2020 (2008: base year)
- Responsible investments and increase of their value
- Changing customer requirements

Sustainability strategy 2011-2015

The main objective of the new, 2011-2015 strategy is 'sustainability to become part of Magyar Telekom's identity, thus providing a competitive edge to the company in the long run.

We intend to reach that objective by relying on the basis of the accomplishments, the DJSI evaluations and the trends of the previous 3 years, with more intensive communication of commitment to our stakeholders, with new and more ambitious goals, adoption of the best practices and with forceful and well-targeted communication.

The strategy will be implemented through the tasks of 22 themes, along the following key priorities:

- Brand management: our goal is to raise awareness to the concept of sustainability and to enhance the sustainability perception of Magyar Telekom
- Innovation management: our goal is to increase innovations aimed at society and environment
- Climate strategy: our goal is to reduce the CO_2 emission of the group by 20% by 2015 (base year: 2004)
- Supplier standards: our goal is to develop a sustainable supplier chain process
- Effects of telecommunication services: our goal is to increase the ratio of sustainable products and services, and to keep our stakeholders informed.

At the time of making this report the top management of the Magyar Telekom Group gave full responsibility and authority to the Chief Human Resources Officer to coordinate the implementation of the Sustainability Strategy earlier approved by it. The Corporate Sustainability Department is responsible for the management of the implementation.

HR strategy

One of the key challenges of the Sustainability Strategy is HR management, so Magyar Telekom's HR Strategy also plays an important role in achieving our sustainability objectives. The time proportionate HR Strategy objectives were reached in 2010.

Éva Somorjai, Chief HR Officer

1. Implementation of the HR concept: The efficiency target set for 2010 under the HR concept was significantly overfulfilled; the savings involved reflect the success of the TWM system launched early 2009 to improve the efficiency of human resource management.
2. Establishment of performance-based corporate culture – the foundations of the performance-based culture were laid in 2008. 2009 and 2010 were the years of consolidation. The tools (PM, EMS and PPR) were integrated from the 2009 pilot, and since 2010 not only development and career, but also remuneration elements are linked to them.
3. The target for succession in management and key positions primarily from internal resources by the end of 2010 was set at 70%. Actual fulfillment was fulfillment 69.35% in 2010.
4. Management in Change – Change in Management – management development to increase business efficiency: the Management in Change, Change in Management -program launched for managers in 2008 continued in 2010.
5. Make Magyar Telekom the most attractive employer, be rated among the top ten most attractive employers by fresh graduates, employee satisfaction increase: the highly successful employer brand campaign called 'Everyday Heroes' continued in 2010. As a result of the measures, also in 2010 the Magyar Telekom Group was ranked among the top ten most desirable employers by university and college graduates in the Aon Hewit, AIESEC Employer Brand Survey.
6. Measurable and transparent HR contribution to the corporate objectives – introduction of HR measuring system connected to Magyar Telekom's strategic objectives: in order for HR to contribute in a measurable and transparent manner to the attainment of the corporate objectives, in 2008 we introduced the HR customer satisfaction measuring system connected to the strategic objectives of Magyar Telekom. The aim set in the system was significantly overfulfilled among the managers. The main reasons include the efficient and flexible HR support of the numerous organizational changes and, in order to enhance the business approach of the HR team, launch of experience exchange programs with the involvement of the managers of other areas and company experts.
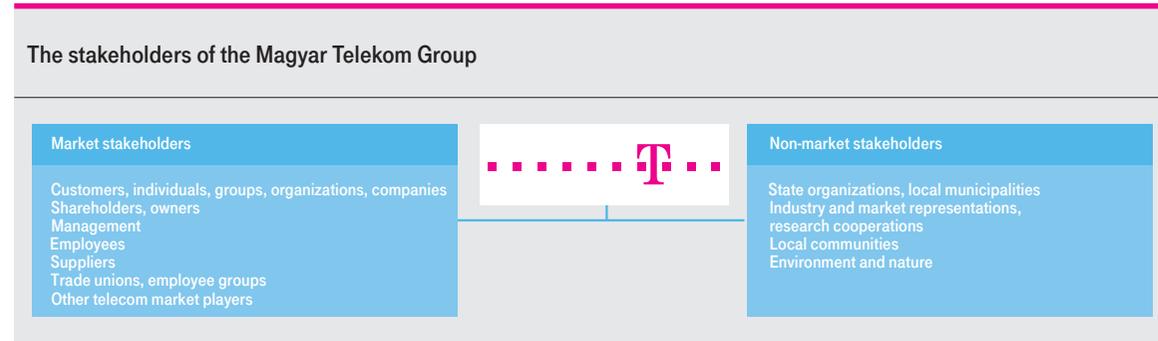
Support strategy

Corporate sustainability also involves corporate citizenship, so in 2010 the Magyar Telekom Group continued its focussed support activities in compliance with the principles laid down in the medium-term support strategy. Its primary areas of sponsoring were music and sport, while its donations to civil organizations aimed to promote sustainability, heath prevention and science diffusion, including education.

Stakeholders

The stakeholders of the Magyar Telekom Group include all those groups, which have an influence on, or hold an interest in the implementation of the objectives of the company. The company earlier identified its stakeholders through review of its management systems and making benchmark studies and keeps continuous contact with them to ensure that their interests are taken into consideration in the course of its operations.

For more information about the most important issues discussed with stakeholder please read the memorandums of previous Sustainability Roundtables: http://www.telekom.hu/society_and_environment/events/Sustainability_Roundtable_Discussion. The 11th Sustainability Roundtable was held on June 21, 2010 and focused on the communication of sustainability.

The stakeholders of the Magyar Telekom Group

Market stakeholders		Non-market stakeholders
Customers, individuals, groups, organizations, companies Shareholders, owners Management Employees Suppliers Trade unions, employee groups Other telecom market players		State organizations, local municipalities Industry and market representations, research cooperations Local communities Environment and nature

III. Sustainability coordination

In view of the organization changes the Group-level management of the sustainability activities was implemented in 2010 in the form shown on the diagram below.

Group-level coordination is continued to be implemented under the auspices of the Group Sustainability Coordination Council (GSCC). The operation described in the 2008 Sustainability Report has changed in the respect that sustainability activities are carried out at two levels, but in three separate areas:

1/a.) Strategy development level
the strategic concepts are developed in the framework of the GSCC, but separately from the strategy management activities

1/b.) Strategy management level
management, the preparation of communication and communication with the different national and international organizations are being implemented in the framework of the GSCC, but separately from strategy development

2.) Operational implementation level
the operational activities, tasks and data provision are being performed by the organizations of the different fields of operation and business units similarly to the earlier pattern.

Management of Magyar Telekom from the aspect of sustainable development, in 2010
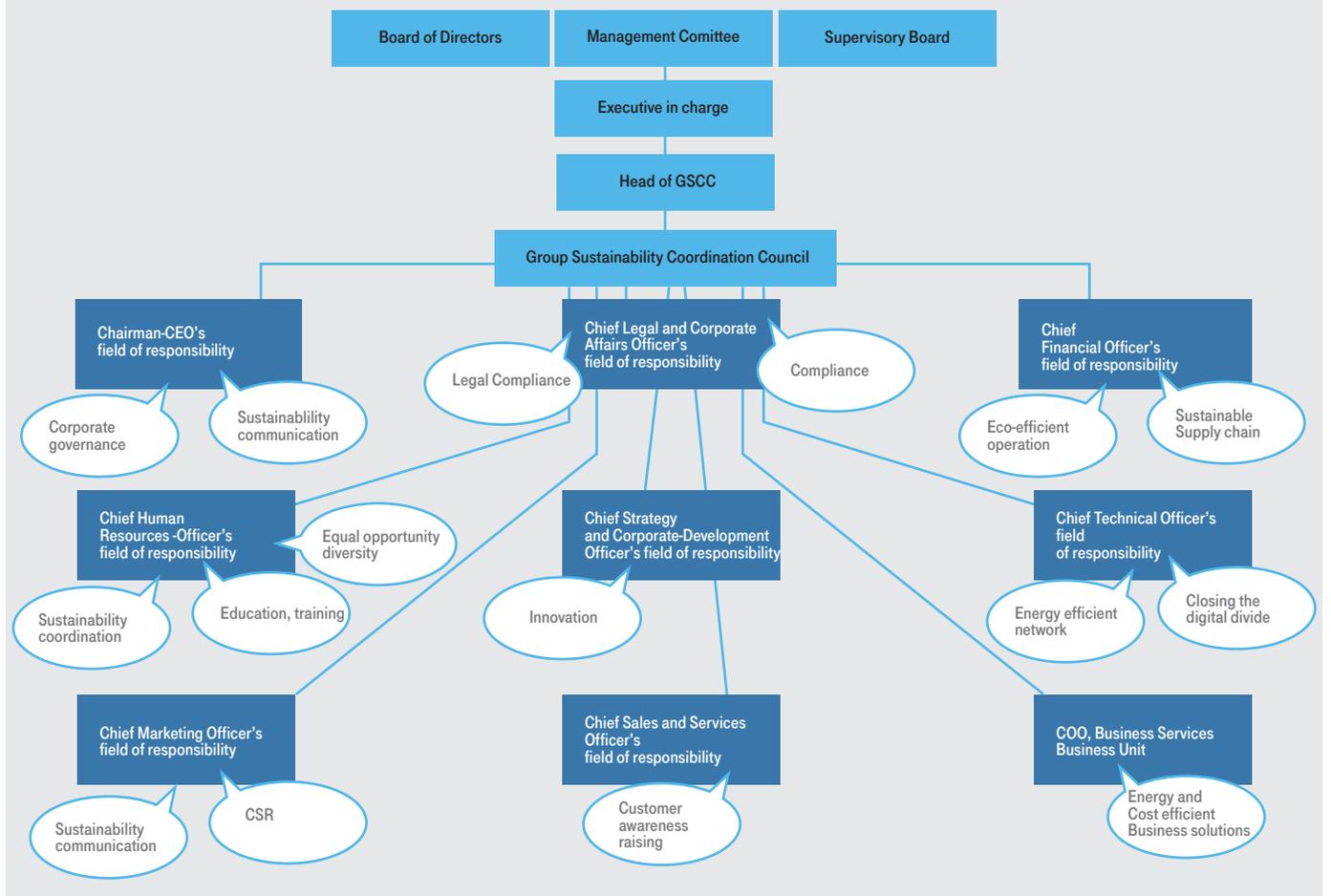
The outline of this process with internal information flow is given below:

Group-level coordination of the sustainability activity
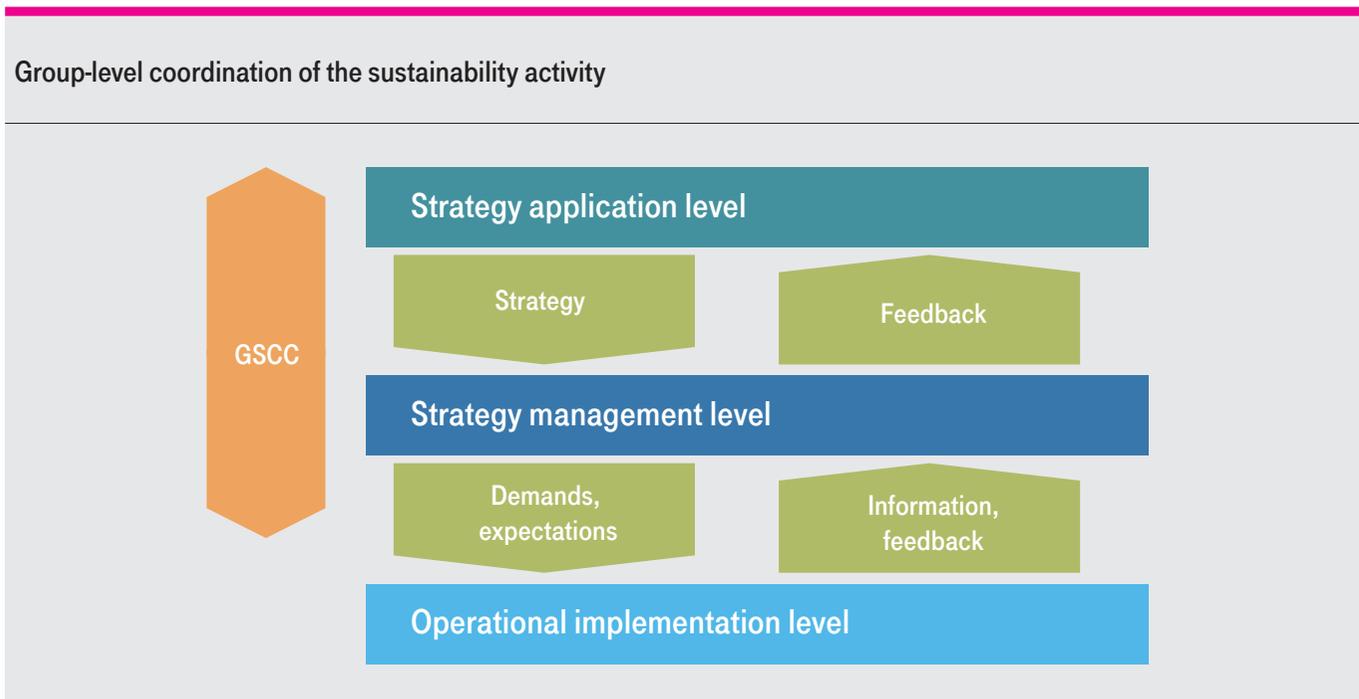
Hierarchy of sustainability activities

The hierarchy of Magyar Telekom Group's sustainability activities has not changed lately. The relevant chapters of the 2008 sustainability report apply.

Regulation of sustainability activities, Group sustainability process, environment protection coordination

The regulation of the sustainability activities of the Magyar Telekom Group and the hierarchy of the relevant processes have not changed lately. For details see the 2008 report.
The top management of the Magyar Telekom Group, the Management Committee receives at least once a year report on the implementation of the tasks of the Group Sustainability Strategy and the other ongoing significant sustainability activities, results.

Management systems

Goal in the 2008 – 2010 Sustainability Strategy
To roll-out, operate the environmental management system

The Magyar Telekom Group operates ISO 9001 quality management system and integrated to it, an ISO 14001 environmental and an ISO 27001 information security system. For more detail see the 2009 report.

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 on the Budapest 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 annual general meetings and the resolutions adopted at them is available on the following website: http://www.telekom.hu/investor_relations/corporate_governance/general_meetings

In order to simplify the structure of the financial report and reduce administration costs, with effect November 12, 2010 Magyar Telekom discontinued the NYSE listing of its deposit bonds. The company maintains the Budapest Stock Exchange listing of its shares, and continues to produce English translations of its annual reports, financial statements and investor communications.

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 meeting has quorum if at least six members are present. Each board member has one vote. The Board adopts its resolutions by simple majority of votes.

Members of the Board of Directors on December 31, 2010

Name	Main position
Christopher Mattheisen	Chairman-CEO, Magyar Telekom Plc.
Dr. István Földesi	International business consultant, Director, InnoHungary Technology Center
Dr. Ferri Abolhassan	Member of the Executive Board at T-Systems, Deutsche Telekom AG (non-executive)
Dr. 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 European subsidiaries' management (non-executive)
Thilo Kusch	Chief Financial Officer of Magyar Telekom Plc
Dr. Klaus Nitschke	Deutsche Telekom AG, Senior Vice President Strategy Europe, ICT & Area Management MT Group, TM-NL, HT (non-executive)
Frank Odzuck	CEO of Zwack Unicum Nyrt.
Dr. Ralph Rentschler	Deutsche Telekom AG, Finance Europe, Financial Director Europe (non-executive)
Dr. Steffen Roehn	Member of the Deutsche Telekom Group's CIO Board, responsible for the IT of the integrated German mass market approach of Deutsche Telekom (non-executive)
Dietmar Frings	Deutsche Telekom AG, Vice President Human Resources, Compensation & Benefits and Labor Law, (non-executive)

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 on our home page:
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, 2010

Name	Main position
Christopher Mattheisen	Chairman-CEO
Thilo Kusch	Chief Financial Officer
István Maradi	Chief Technology and IT Officer
Tibor Rékasi	Chief Operating Officer, Business Services Business Unit
Róbert Pataki	Chief Strategy and Corporate Development Officer
Éva Somorjai	Chief Human Resources Officer
Attila Keszég	Chief Sales and Services Officer
István Király	Chief Marketing Officer
Balázs Máthé	Chief Legal and Corporate Affairs Officer

Current members of the Management Committee are listed on our home page: 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 examines 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 to 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 three, maximum fifteen members, who are elected by the AGM for a term of three years. The Central Workers' Council nominates one third of the Supervisory Board members who represent the employees.

The Supervisory Board meeting has quorum if at least two thirds of the members are present.

According to law the majority of the Supervisory Board members are independent.

Members of the Supervisory Board on December 31, 2010

Name	Main position
Dr. László Pap	Chairman of the Supervisory Board, Budapest University of Technology, Professor
Dr. János Illéssy	Managing director, Lebona Ltd.
Dr. Sándor Kerekes	Deputy Rector of Corvinus University Budapest, Director of the University's Institute of Environmental Sciences
Dr. Károly Salamon	Chairman-Chief Executive Officer of MKB Általános Biztosító Zrt. (MKB General Insurance Zrt.) and MKB Életbiztosító Zrt. (MKB Life Insurance Zrt.)
Dr. János Bitó	Chairman of the Thesis and Final Examination Board at Pázmány Péter Catholic University, Information Technology Faculty
Konrad Kreuzer	Chairman of E.ON Hungary's Board of Directors
Martin Meffert	Country Manager, Hungary, T-Home HQ, Deutsche Telekom AG
György Varju	Chairman of the Central Work Council
Attila Bujdosó	President of the Telecommunications Trade Union
Tamás Lichnovszky	Senior expert, Magyar Telekom
Mrs. Zsolt Varga	Quality manager, Magyar Telekom

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 home page: 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 external auditor and reviews the services provided by the independent external auditor. The responsibilities of the Audit Committee include preliminary approval of the audit and non-audit services provided by the independent external auditor and the fees of these services.

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 financial 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, 2010

Name	Main position
Dr. János Illéssy	Chairman of the Audit Committee, Managing director, Lebona Ltd.
Dr. László Pap	Budapest University of Technology, Professor
Dr. Sándor Kerekes	Deputy Rector of Corvinus University Budapest, Director of the University's Institute of Environmental Sciences
Dr. Károly Salamon	Chairman-Chief Executive Officer of MKB Általános Biztosító Zrt. (MKB General Insurance Zrt.) and MKB Életbiztosító Zrt. (MKB Life Insurance Zrt.)

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 home page: http://www.telekom.hu/investor_relations/corporate_governance/audit_committee

Remuneration Committee

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.

Member s of the Remuneration Committee on December 31, 2010

Name	Main position
Frank Odzuck	CEO of Zwack Unicum Nyrt.
Dr. Ralph Rentschler	Deutsche Telekom AG, Finance Europe, Financial Director Europe (non-executive)
Guido Kerkhoff	Member of Deutsche Telekom AG's Board of Directors in charge of the European subsidiaries' management

The members of the Remuneration Committee were re-elected at the April 21, 2010 Board meeting.
Current members of the Remuneration Committee are listed at our home page: http://www.telekom.hu/investor_relations/corporate_governance/compensation

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In 2010 Magyar Telekom won the Best Corporate Governance Award.

The award reflects that our company is committed to the pursuit of the best practice and high-standard corporate governance. In Hungary 5 companies were nominated for the award and the jury selected Magyar Telekom. World Finance selects such companies which, despite the uncooperating economic environment, have retained an excellent standard of corporate governance and going far beyond their minimum disclosure requirements, keep in mind the best information of their investors.
The winners of the award are such companies, that have by far overfulfilled the requirements specified for international stock market presence and regulation, have ensured full transparency in their disclosures and maintain relations with the shareholders and stakeholders by pursuing the best practice in the field.
For more information about the award please visit: http://www.worldfinance.com/news/home/awards/article1095.html

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Incentives and evaluation of the performance of top executives

Goal in the 2008 – 2010 Sustainability Strategy
Independent evaluation of the performance of top managers

Top executives (Chief Executive Officer, Chief Officers) are paid variable pay (bonus) as performance incentive. Bonus targets are broken down to the other employees and set in the Performance Management (PM) system.
On top of the short-term incentive, the top management is motivated further, and their interests are aligned with those of the owners by means of a so-called Mid-term Incentive Plan (MTIP). This program is being renewed and streamlined in 2011, so as to reflect top management performances in a more elaborate manner.

The Remuneration Committee makes proposals both for the annual targets and the evaluation of their implementation, and 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 evaluation of the performance of the previous year and finalization of the targets of the current year are done in the first meeting of the year.

In general, 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 partly collective, partly 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 paid, the extent of which cannot exceed 50% of the bonus payable upon 100% performance.
The framework of bonus target setting (bonus amount, structure and maximal amount of additional bonus) is defined by the strategic investor's compensation guidelines (Deutsche Telekom Global Compensation Guidelines).

In addition to the annual target-setting, evaluation and bonus payment, used as short term incentive, we also lay emphasis on long-term performance stimulation. The incentive plan introduced in 2004 will be upgraded in 2011 so as to stimulate the contribution of the top management to the achievement of the strategic objectives even more effectively, and to focus more on sustainable performance increase by setting longer term targets.

Middle management and experts responsible for the attainment of the sustainability targets receive direct incentives through the PM system. At the same time the bonus regulation allows the withdrawal of bonus in case the objectives of the Sustainability strategy are not met due to the negligence of the employee.

1.2. Risk management

Efficient risk management is indispensable to long term financial planning and organizational flexibility, which has also been born out by the recent financial crisis.

At Magyar Telekom a special risk management directive regulates the management of risks, which is available on the following website: http://www.telekom.hu/static/sw/download/kockazatkezeles_en.pdf

1.3. Corporate compliance

Magyar Telekom Group's Corporate Compliance Program has been elaborated with the aim to ensure that Magyar Telekom Group conduct its business with maximum consciousness and commitment, in accordance with relevant laws and regulations, in harmony with the strictest possible business ethics standards. To this end we have issued directives addressing the potential compliance risks, and operate the procedures contained by them. We continuous provide training to the employees in this field. Clear processes are in place for the whistle-blowing, investigation, monitoring and remedy of suspected cases of non-compliance. 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 2010, 100% of 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 potential compliance and fraud related risks, the findings of which were submitted to the Company's Audit Committee. In 2010, the Company launched comprehensive online training courses on Group-level on insider trading and employee conflict of interest for employee target groups selected through risk analysis. During the year 13 866 employees were enrolled in courses and 94% completed them.

In 2010, the Company also held personal coaching for employees working in areas exposed to compliance and fraud related risks both in the parent company and the Hungarian and international subsidiaries, about anti-corruption attitude, screening of the contracted partners and gift regulations.

The Company verified the cases of unethical conduct reported during the year and launched appropriate investigations if it was considered necessary. In cases where fraud was detected, the necessary remedial actions were duly taken. Magyar Telekom discloses corruption cases and response to those cases as it is required by the relevant laws and regulations. For more information about these see 20F format Annual reports, issued with the SEC report.

Conflict of interest

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 conducts identical activities with Magyar Telekom or any company of the Magyar Telekom Group,
b) in other cases presenting risk of conflict of interest
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 establish or hold economic interest:
a) any enterprise that conducts identical activities with Magyar Telekom or any company of the Magyar Telekom Group,
b) in other cases presenting risk of conflict of interest
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 Magyar Telekom Plc. or any affiliate 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 company, 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.).

1.4. Regulatory compliance

Goal in the 2008 – 2010 Sustainability Strategy
To improve regulatory compliance

In 2010, as before, no fines were imposed on the Company for 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 2010, no complaints about discrimination were filed with the relevant authorities against Magyar Telekom Group member companies, and no proceedings or investigations were launched in this regard.

In 2010, 13 labor lawsuits were in progress against the Company, of these 2 were launched in 2010 and 2 were finished with final decision, which our company practically won (in one case the plaintiff withdrew from the suit, in the other case a lawsuit suspended on the plaintiff's request ceased). Also including the proceedings carried over from previous years, 11 lawsuits are in progress, because the suits outstanding at the legal successor companies are also counted here). To compare: in 2009, 4 lawsuits were launched, and together with the cases of the preceding years 2 were closed, with the company winning them.

In 2010, the National Media and Communications Authority and the National Consumer Protection Authority imposed fines upon the Company in cases launched upon individual complaints in the total amount of HUF 59 million for non-compliance or short compliance with some regulations or the provisions of the General Terms of Contract. In the past year several market surveillance procedures were also launched, but – in view of their complexity – these will probably be closed in 2011 only. Fine was paid in a single market surveillance case that started in 2009 and was closed in 2010, in the amount of HUF 19 million. HUF 36 million was paid in the

context of damage claims. To compare: this amount was HUF 84 million in 2009.

No fines were imposed due to anti-competitive conduct or violation of anti-trust or anti-monopoly statutes in any case launched in 2010.

In 2010, five competition surveillance procedures were filed against the company for alleged violation of the marketing communication standards, rules. In two cases the Competition Office (GVH) did not establish any violation, in two cases fines were levied, and in one case the proceedings are still in progress.

The GVH investigation into Magyar Telekom's '90 Golfs 90 winners' game closed in October 2010. The Competition Council obliged Magyar Telekom Plc. to pay HUF 200 million fine because, in the position of the Authority, with the game Magyar Telekom implemented unfair business conduct and misled the consumers. Magyar Telekom Plc. contested the decision at court and the procedure has not been closed with final decision yet.

Competition Authority established about the joint commercial with LG that certain communication materials may mislead the consumers, for which violation it levied HUF 6 million fine on our company.

In another market surveillance procedure started back in 2006 about telephone set campaigns the GVH decision was written down and delivered two years after taken, in September 2010, so this fine (HUF 20 million) was also paid in 2010. We contested the decision at court, this procedure is still in progress.

1.5. Political presence
The Magyar Telekom Group is involved in shaping public politics indirectly, through its representation organizations, about which you can find information in the 2009 Sustainability Report. In Hungary, lobby-

ing 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 2010, the Group did not pursue any activities subject to Act XLIX of 2006.
We have no knowledge of any financial support to political parties, politicians or any related entities provided by Magyar Telekom Group affiliates in 2010, which is in total compliance with the detailed stipulations set forth by our Code of Conduct.

1.6. Suppliers

Goal in the 2008 – 2010 Sustainability Strategy
Sustainable supplier chain management

Because of its size, the Magyar Telekom Group has significant impact on 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.
The Group-level coordination of vendor relations is ensured by the Procurement Directorate, 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.

By leveraging the synergies of group-level procurement, the number of active suppliers decreased by 7% in comparison to 2009.

The basic tool of supplier contact is the interactive internet site of the Procurement Directorate at (http://beszerzes.telekom.hu/beszerzes/portal_en), where the suppliers – after registration – can directly reach the newsletter service, the tender invitations, the supplier qualification system and can make some of the official statements required to the procurement procedures:

· Action against corruption and ethical conduct are important cornerstones for Magyar Telekom, consequently it requires its suppliers to adopts its Anti-corruption statement and the company's Code of Conduct, and to comply with the expectations specified as contract terms, too.

· Besides, every supplier must learn and accept the Social Charter of the Group, which specifies the minimum social standards of the working relations and employment conditions.

The references, financial standing, quality and environment protection capabilities of the suppliers are assessed in a prequalification system operated on the internet site of the Procurement Directorate, while the contractual performance of the suppliers is assessed in a post-qualification system on the basis of which they are categorized (A- approved and recommended, B - approved, C – may be used, D – may not be used).

In 2010, the company further developed its vendor prequalification system, which now enables registered suppliers to complete the sustainability-focused questionnaire, and also its evaluation. The results ensure the identification of risks and the possibility of joint improvement with the suppliers.

The qualification results are important factors in the supplier selection process. The company buys services and products predominantly from qualified (A and B category) suppliers.

For mutual development, we give the registered suppliers monthly reports about their results in the vendor qualification.

In order to develop a sustainable supplier chain, Magyar Telekom lays continues to treat as priority the regular evaluation of its top suppliers with the help of the detailed supplier self-evaluation questionnaire developed by GeSI (Global e-Sustainability Initiative), which, in addition to environmental queries, also contains questions concerning compliance with human rights, occupational health, security and business ethics requirements. So far 38 supplier evaluations have been completed (these suppliers accounted for 16.2% of the overall procurement value in 2010).

The procurement procedures that constitute a large part of supplier relations are implemented with the support of integrated IT systems. The selection process is supported by an internet-based RPF and auction tool (e-RFX), orders are also placed/confirmed through an internet-based electronic commerce solution (CPEx), which manages transactions growing from year to year.

These electronic solutions considerably reduce the processing time of the procurements, as well as the quantity of paper used in them.

In the past years the percentage of electronic procurement transactions has seen continuous growth, in 2010 reached 60% of all ordered items (in 2009: 52%).

Further electronic catalogues managed by the suppliers are incorporated in our internal order placement system. Orders thus placed are transferred to the supplier totally electronically. The items ordered electronically has already reached 40%. In the office stationary catalog the supplier already marks the 'green' products. When placing an order, we encourage our employees to order these products.

We ensure compliance with the statutory and corporate expectations by including sustainability (environmental) clauses in the supplier contracts.

As to products, there is a black list and a gray list of ingredients, meaning that products that contain any of the listed materials are banned from

procurement (blacklist), or are not recommended to procure (gray list) by Magyar Telekom.

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 considers it a priority to make payments to its partners in compliance with the deadlines specified in the contracts, agreements.

Despite the globalization of procurement, we continue to purchase a considerable amount of products and services from local suppliers.

Percentage value of products and services procured from local* suppliers

Member companies**	2008	2009	2010
Magyar Telekom Plc.	78%	74%	70% ✔
KFKI		51%	58%
IQSYS		93%	95%
Pro-M		67%	53%
Makedonski Telekom		69%	67%
T-Mobile Macedonia		56%	55%
Crnogorski Telekom		48%	38%

 * Suppliers with a seat in the given country.
** Member companies of Magyar Telekom Group representing high procurement value

DELFIN award to suppliers

In 2008 our company founded the DELFIN award, which in Hungarian stands for Award for a Committed, Sustainable, Innovative Generation (http://www.telekom.hu/society_and_environment/events/Dolphin_Award).

With the DELFIN award Magyar Telekom wants to promote the idea of a sustainable development and recognize efforts made towards this goal. The award is given to suppliers offering outstanding performance in the field of sustainability, on the basis of applications judged by a board of professionals.

The third award ceremony was held on June 21, 2010, in the Sustainability Roundtable.

11ᵗʰ Sustainability Roundtable Discussion

Winners of the DELFIN award by category

Category	Winner
Equal opportunity, non-discrimination	AAM Vezetői Informatikai Tanácsadó Zrt.
Innovation realized for sustainability	Fornax Műszaki és Gazdasági Tanácsadó Zrt.
Education and awareness raising	Alternate Tanácsadó Kft.
Special award (Innovation realized for sustainability)	Szigma-X Tervező és Tanácsadó Kft.

Within three years Magyar Telekom wants to extend the DELFIN award to all Hungarian enterprises, to motivate them for commitment to sustainable development and to give an example in the economic sector.

For us, DELFIN Award is particularly important for several reasons. First, because it was the first award obtained by Alternate Kft., and what is more, in the awareness raising category that is one of the priority missions of us, so it was an important feedback for us on the success of our work.

Communication of the achievements made in the field of awareness raising and sustainable development is evidently a strategic issue for Magyar Telekom too, the efforts towards this goal can be well traced in completed programs. For a group with this size it can be a major challenge to familiarize all employees with these efforts, which is a must for development of corporate culture. Magyar Telekom's managers responsible for sustainability are always ready to share their experiences with other companies, as they have proven as the professional partner of the CSR Excellence program. "It was like trying to drink from a fire hose" – said a participant after a jointly organized technical day about the multitude of programs, initiatives and good practices presented.

Katalin Urbán, Executive Director
Alternate Kft.

2. Customer relations

2. Customer relations

2.1. Managing customer complaints

The Customer Service of Magyar Telekom Plc. has always put special emphasis on the management, thorough investigation and resolution of customers' complaints and comments. Experience gained from customer interactions was consciously used for the elimination of deficiencies detected and prevention of additional complaints in 2010, too.

> **Goal in the 2008 – 2010 Sustainability Strategy**
> To harmonize and standardize CRM systems

Last year increasingly attractive, complex services and reduced price offers were continuously introduced in our portfolio offered to customers. Such offer was e.g. the Paletta package that is unique on the Hungarian telecommunications market enabling customers to use fixed-line voice, internet, TV and mobile voice services from a single service provider at significantly reduced prices. Technical implementation of this and other, similar services requires the solution of problems with complex technological and billing aspects. For this reason, to enable reduction of response times even with the increased traffic, our complaint management process was modified from May 1, 2010. The complete "end-to-end" complaint management process was reviewed, the number of contact points was minimized, process of managing billing and other complaints from acceptance to response was assigned to dedicated single fields.

To reduce the number of complaints the workflow of the Customer Service Back Office was modified. Contract amendments and customer data modifications, that can be fast completed, were separated from the management of complex tasks requiring the contribution of more than one organization. As a result of these modifications average complaint response and customer management times significantly improved in spite of the increased number of complaints received.

In 2010, one of our strategic objective was to strengthen our role on the TV market. In harmony with this objective, we made a unique offer in Hungary, IPTV service on cable network, and continued to increase the number of our SAT TV and IPTV subscribers. As a result of our growing customer base and weather-sensitive platforms the number of technical faults reported also increased. In certain periods traffic significantly increased due to external unforeseeable events. To enable managing this growth a two-level fault management model was developed at the Technical Help Desk. Level 1 includes fault location and registration to ensure faster solution, this way only more complex problems are referred for investigation to an expert group.

A new feature introduced in the fault management process is integrated SMS sending to inform customers about the status of ongoing cases. In 2010, SMS notice was given in about 70% of all fault management cases. Feedback confirmed our expectations, this form of notification was fully accepted by our customers.

Last year, too, numerous subscribers turned to various consumer protection organizations or supervisory bodies for legal protection. This way perception of our operations changed not only among our customers, but these organizations, too, made many comments and suggestions to us to improve the quality of our operations and customer service. This information input was classified, then the assigned responsible organizations took internal measures. These resulted in modification of processes and identification of tasks that can be implemented in the longer term.

We are committed to continue efforts aiming at improving the service standard and reducing complaint management times in the following years, too.

The target values of service quality indicators committed by Magyar Telekom and the actual values achieved were published pursuant to Government Decree No. 229/2008 (IX. 12.). One of such indicators is the number of complaints received per quality related complaints per 1,000 subscribers.

Further information is available on the website http://www.telekom.hu/about_magyar_telekom/principles/quality_guarantees, detailed data are available on the websites http://www.telekom.hu/static/sw/download/2010_evi_T_Mobile_szolgaltatasminosegi_mutatok.pdf and http://www.telekom.hu/static/sw/download/2010_evi_T_Home_T_Systems_szolgaltatasminosegi_mutatok.pdf.

In 2010, a special team for management of customer complaints was established in Montenegro to conduct this process faster, more efficiently, in compliance with legal requirements. As a result, response time to written complaints reduced from 15 days to 8 days. Currently complaints are managed with a proactive approach, according to predefined workflow, and the procedures used for management of complaints and requests is continuously being developed.

At Crnogorski Telekom the indicator reflecting the number of customer complaints per 1,000 subscribers was 48 for fixed-line telephone services, 7 for postpaid services and 2 for prepaid services in 2010.

In Macedonia at the T-Home unit customer complaints are collected through various communication channels (call centers, PoS, e-mail, fax, mail, social network), registered in a single IT application and distributed to the staff for complaint management. To reduce the number of customer complaints a key element in the process is to identify the cause of the complaint and to give feedback to the responsible fields and to give a clear fast response to the customer. In 2010, a new feature in the complaint management process was the customer satisfaction survey (ICCA) whose results will be used to develop a system with improved quality of customer complaint management in the following year. In 2010, total number of complaints received from customers is 12,500 which number compared to 2009 is decreased by 7%. The number of complaints per 1,000 subscribers was ✔ 28.1 for fixed-line telephone services, ✔ 13.3 for internet services and ✔ 60 for IPTV services. The reason for the higher number of complaints concerning IPTV was that this service was still relatively new (it was introduced over the last two years).

At T-Mobile Macedonia the Customer Service still centrally managed customer complaints. When a customer's request cannot be immediately solved, the problem is referred through a complaint monitoring application to the Correspondabce Group that offers solutions to customers in such cases. In 2010, the number of customer complaints per 1,000 subscribers was 9.9 (12,831 for 1,295,285 subscribers).

2.2. Informing our customers

Goal in the 2008 – 2010 Sustainability Strategy
To communicate social, environmental and economic impacts of products, to raise awareness of customers

The Magyar Telekom 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 other major affiliates is accessible at the websites below:
- Dataplex: http://www.dataplex.hu/engine.aspx?page=Dataplex_szol-galgatas
- EPT: http://www.ept.hu
- KFKI: http://www.kfkizrt.hu/front-page
- IQSYS: http://www.iqsys.hu/web/guest/tevekenysegek

- Pro-M: http://english.pro-m.hu/Engine.aspx
- [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/personal-customers.nspx
- 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 card.
Additionally, the T-Mobile website was made more consumer-friendly, among others through highlighting search keywords and developing the webshop service to enable quick, simple purchase. These services are accessible on the websites below: http://www.t-mobile.hu/english/services

2.3. Marketing communication

Goal in the 2008 – 2010 Sustainability Strategy
To improve regulatory compliance

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.

2.4. Customer satisfaction

Magyar Telekom conducts complex customer satisfaction measurements on a quarterly basis that include ongoing, detailed monitoring of the general satisfaction of customers (and at the same time the satisfaction of competitors' customers), as well as the perception of service elements that impact satisfaction (e.g. network quality, product choice, customer service, etc.). The measurements can be related in terms of both their methodology and results separately to the customers of T-Home and T-Mobile, and also can be broken down to residential and corporate customers (even can be broken down to further, more targeted customer segments, when requested).
These surveys produce a composite index reflecting customer satisfaction that enables tracing and easy interpretation of the changes over time. Detailed analysis of service elements enables detecting current perception of factors impacting customer satisfaction, identifying the fields where Magyar Telekom delivers outstanding performance, according to the customers' judgement too, and the fields where measures are needed to improve quality against earlier own performance or even against the standard of competitors.
Customer satisfaction is measured by an independent research firm with experience in market research. The compilation of the questionnaires, the data entry itself, the adjustment and processing of the database, the preparation of summary analyses and presentations about the findings, as well as their interpretation are the responsibility of the research firm in cooperation with the Research and Analysis Department.
The survey is conducted by eliciting answers via telephone and personally, in the form of standard interviews, encompassing samples of a justifiable size, composition and weights. The content of the survey questions substantially remains the same from year to year, to ensure tracing changes over time, but the methodology and the structure of the sample

is reviewed and updated from time to time, due to the changing expectations of the Company (Group), as well as the changes of the product structure and the market.

Residential customers

Like in the previous years, T-Mobile could achieve rather high level of satisfaction among its customers in 2010, too. A comparison against the benchmark data of the European mobile service sector shows that T-Mobile regularly performs above the average in this field, its customer satisfaction index measured in 4Q2010 was in the Top 10%. Evaluation of service elements showed an outstanding perception of network coverage and network quality, which are among the factors having the greatest impact on customer satisfaction. Another key finding was positive customer experiences with phone upgrade, T-Pont shops and T-Mobile's website that is reflected by very good judgment of these features.

The satisfaction index measured among T-Home customers also reflects high standard of service, the figure registered in 2010 Q4, applicable also for the earlier waves in a given year, was in the Top10% to Top 33% range of European fixed-line service sector benchmark data. According to the customers' view T-Home's strengths were among others user-friendly reliable products, availability of correct information about the same and not least attractive 3Play offers. Perception of the latter and of reliability have improved significantly since 2009. Satisfaction with the professional skills and commitment of the administrative staff was also above average, while punctuality and availability of bills is also worth mentioning.
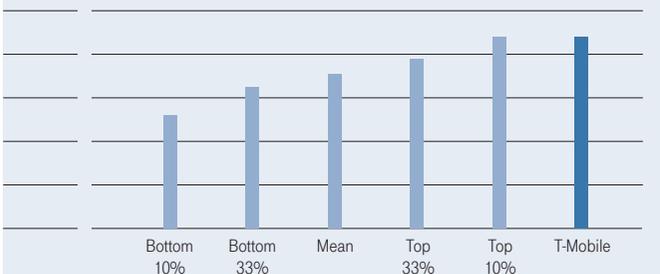
Business customers

In 2010, business customers' satisfaction with mobile services reflect that T-Mobile's performance in Hungary continued to be above the average, to stay in the top group in Europe. Results show that Magyar Telekom's major strengths were, among others, the perception of network quality and good network coverage. Another factor that is explicitly attractive and strengthens loyalty for decision-makers is that Magyar Telekom introduces year by year new products and services for business customers.

Based on the results of business satisfaction survey, the fields found to be problematic by business customers were revealed in details with qualitative (deep interview and focus group) methods in 2010. Based on the results of this survey, the given business areas could draw conclusions and make further steps to improve customer satisfaction.

Satisfaction with mobile services (residential customers)

Result of T-Mobile residential customer satisfaction survey
through comparison with European benchmark data – 2010 Q4

Bottom 10% | Bottom 33% | Mean | Top 33% | Top 10% | T-Mobile

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Satisfaction with fixed-line services (residential customers)

Result of T-Home residential customer satisfaction survey through comparison with European benchmark data – 2010 Q4

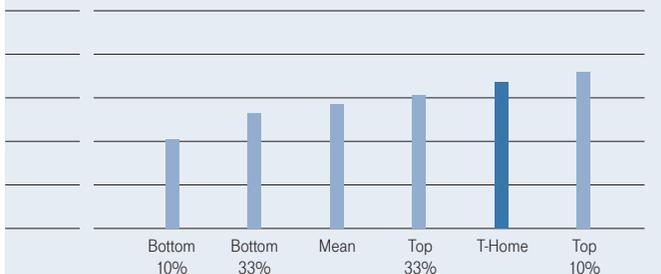Bottom 10% | Bottom 33% | Mean | Top 33% | T-Home | Top 10%

Satisfaction with mobile services (business customers)

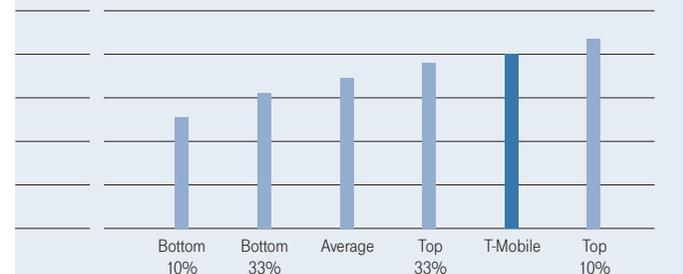Result of T-Mobile business customer satisfaction survey through comparison with European benchmark data – 2010 Q4

Bottom 10% | Bottom 33% | Average | Top 33% | T-Mobile | Top 10%

In addition to traditional general satisfaction measurement, the satis-faction of customers with given customer service channels and their performance was also continuously measured during the year. The meas-urement uses a Voice of the Customer type survey with standard ques-tionnaire and weekly and monthly reporting with standard methodology. Contacts are transaction-based, after a customer service event customers are within 24-72 hours contacted, with ongoing daily data entry.
The following customer service channels are measured: T-Mobile and T-Home IVR, residential T-Mobile call-center, business (SoHo) T-Mobile call-center, T-Home call-center and help-desk, T-Mobile and T-Home T-Pont shops, T-Mobile and T-Home partner shops, T-Mobile webshop, and T-Home provisioning, fault repair and superservice.
The objective of the measurement is to continuously monitor the quality of customer management, to obtain qualitative and quantitative informa-tion about customers' satisfaction and perceptions about our customer service.

The results of analyses are used by the senior management to define an action plan. Analyses are evaluated for each customer group managed by the given organizational units as well as for the whole group. Imple-mentation is monitored at management meetings by senior managers and directors. When deficiencies and departures are revealed through the evaluation the immediate supervisor of the business field concerned takes measures, i.e. results support operational decisions, too, among others in the fields, where more administrative staff are needed, where waiting time must be urgently reduced, where training for the administra-tive staff is needed, etc.
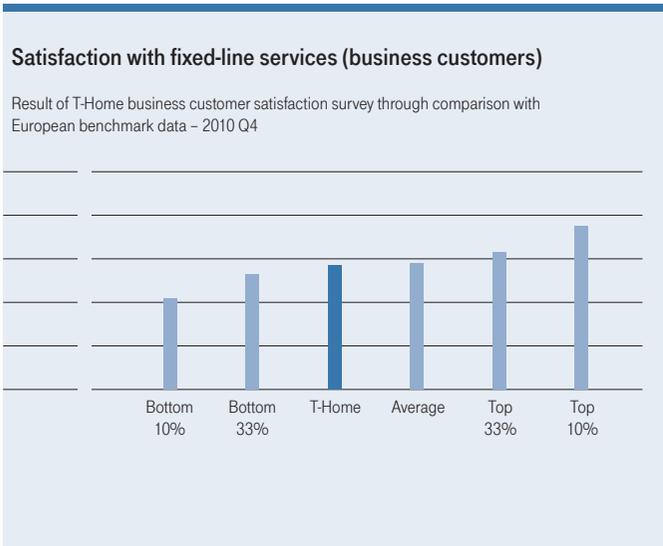
2.5. Involvement of customers

On December 27, 2010 Magyar Telekom launched a sustainability com-munication campaign called "hello holnap!" in the Hungarian media. The campaign includes celebrities making a New Year's resolution in radio, TV and on the internet about what they will do in the year to come in their daily activities to live in a more environment-conscious and sustainable way. The objective of the campaign is to show an example that everybody can change his life and environment. At the same time video and textual resolutions can be made until the end of January 2001 on the website www.helloholnap.hu. The company will award sustainable gifts for the best messages.

Magyar Telekom does not want to introduce a new brand called "hello holnap!", but launched an initiative that it hopes will grow into a move-ment. The company has been presenting the concept of sustainability to its customers and partners through its own sustainable operations, services and products for a long time. The company continues to identify its wider dissemination and support as a key task in the future, too. Under the campaign well-known singers, athletes and artists called the attention to the importance of this issue. Specific examples present how we should live, how we can experience sustainability, what we can do for a sustain-able future.

Satisfaction with fixed-line services (business customers)

Result of T-Home business customer satisfaction survey through comparison with European benchmark data – 2010 Q4

Bottom 10% | Bottom 33% | T-Home | Average | Top 33% | Top 10%

See you yesterday!

Why did not we learn from the lessons of our history? It is a tragicomical feature of our uniquely talented species that history is returning again and again to destroy in a moment what we have built up.

When a large enterprise addresses the environmental and human aspects of the future at strategic level, we should put aside haunting doubts and see the opportunity. An age can be changed only with the tools of the given period. Each of us has a place, task and responsibility in this process after having obtained in-depth information about the conflicts threatening already in the present.

It means that hello holnap! is a message that should be disseminated by all: each of us should do something allowed by its size and possibilities to jump off the carrousel of time.

Péter Novák
PartArt Group
Creative Manager
www.kulturpart.hu

Magyar Telekom's varying and diverse sustainability activities, including its corporate social responsibility, donation activities, internship program, equal opportunity initiatives will all be communicated under the name "hello holnap!". The face of the communication "hello holnap!" is Péter Novák.

Further information about "hello holnap!" and the campaign is available on the website www.helloholnap.hu.

In July and August 2010, Crnogorski Telekom launched a highly publicized marketing campaign called "Superhero". The aim of the campaign was to communicate benefits of T-Mobile's services and to link them to corporate social responsibility initiatives.

The face of the campaign was a young girl called Daniela who promotes volunteering and believes that Montenegro is full of "superheroes" to be hiding in each of us to do good deeds.

Her objective is to find superheroes and gather them for jointly making a good act, to hold an environmental action in Virpazar. (Virpazar is a small historical town near Podgorica.)

In the closing phase of the campaign about 100 people gathered to clean up, in cooperation with Crnogorski Telekom's employees, River Crmnicka and tidy up public areas in Virpazar.

Being the digital agency of Magyar Telekom, we are involved in almost all campaigns, that is why we see how much links between the Group and sustainability exist.

It was clear already before launching the initiative "hello holnap!" (means "hello tomorrow"), but this joint project offered a good opportunity to see and show in a single unit the programs earlier experienced in a somewhat fragmented way.

It is good to see when a company consciously manages an issue in accordance with its importance, and that is reflected at the level of everyday operations too. It is a pleasure to see when a company launches and supports green initiatives. These efforts are credible for me because I see week by week when they go to meetings by bike or public transport and avoid using printers, just to mention two examples.

Joint work shows an example to us too, what we would like to apply also in the practice of kirowski. That is why we thank you for your responsible thinking and acts for several reasons.
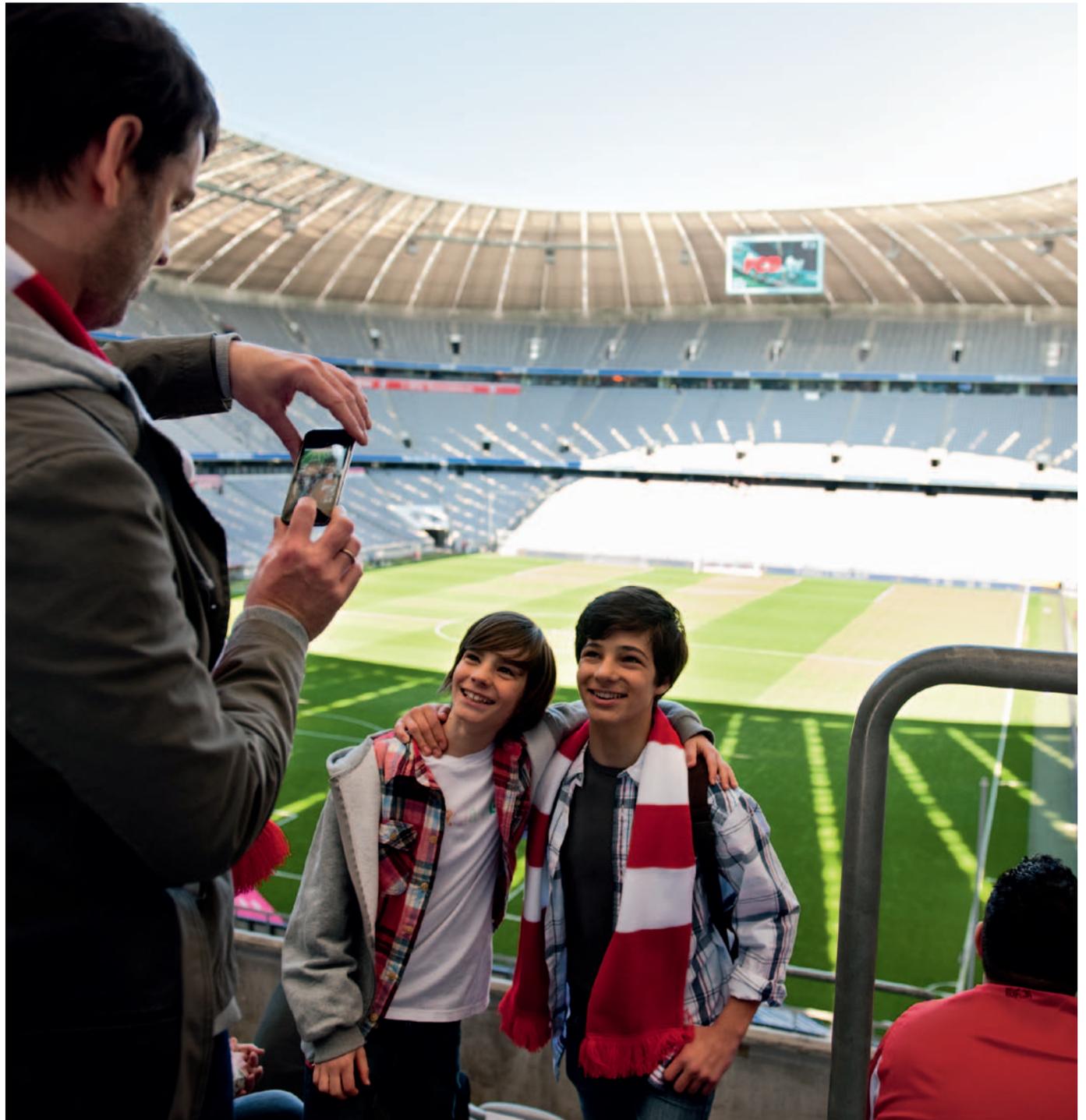
Hi yesterday, see you today, hello tomorrow!

Judit Cserni – group account director | kirowski

3. Communication without boundaries

3. Communication without boundaries

3.1. ICT products for sustainability

> **Goal in the 2008 – 2010 Sustainability Strategy**
> **Special ICT products from a sustainability aspect**

> **Goal in the 2008 – 2010 Sustainability Strategy**
> **Sustainability criteria of new product development processes**

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 beneficial for the customer. The sustainability impact of products/services is measured in 3 dimensions, in 15 topics and through 42 questions.
According to related regulations sustainability assessment covers all products and services of the company. Further information about the dimensions and topics of the sustainability assessment of services is available in the 2009 Sustainability Report.
The company informs its customers about the major sustainable products and their sustainability benefits to enable them to make responsible decisions when selecting the appropriate product or service.

The major products and services with sustainability impacts are the following:
· TelePresence conference
· Hosting (Data Park) services
· Blackberry Enterprise
· e-Procurement
· Telebilling
· Mobile internet
· Mobile purchase
· Mobile payment
· Mobile code
· Health teleconsulting service
· Compleo
· Reduced price prepaid tariff packages for the deaf and blind
· Virtualoso services
· Mobile phones for the elderly
Further information about the sustainability benefits of the above products and services is available 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 coordinate and improve their communication worldwide. In order to support this effort, Magyar Telekom constructed a Standard Digital Radio Telecommunication System (EDR). This closed radio telecommunication system with 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 EDR system in Hungary are as follows: Police, Fire Department, Disaster Management, Ministry of Environment and Water, Customs and Finance Guard, Prison Service, National Security Services, Ambulance Service and the Defense Forces.
Further information about this subject is available in the 2008 Sustainability Report: http://www.telekom.hu/static/sw/download/fenntart_jel_2008_eng.pdf

3.2. Eliminating the digital divide

> **Goal in the 2008 – 2010 Sustainability Strategy**
> **Programs for 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.

Support for the disabled
Magyar Telekom continues to provide the Jelmondó (Relay) service for its disabled customers. Further information about it is available in the 2009 Report.
Additionally, the company offers Domino discounts for the members of the National Federation of the Blind and Visually Impaired and the National Federation of the Deaf and Hearing Impaired.

Internet for Equal Opportunities (Egálnet) Program

At the end of 2006, a community portal was established with the purpose of supporting the efficient operation of organizations helping disadvantaged groups by means of exploiting the opportunities offered by the internet. Until the end of 2010, more than 170 organizations joined (registered) to participate in the program, out of which 110 launched their websites. Egalnet 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 (interest groups, NGOs), thus enabling them to develop their capabilities and communication, which translates into an improvement of their professional achievements. Communities, NGOs can advertise themselves, exchange information and experiences with similar organizations and even collect more donations. Further information is available on the following websites:

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 awareness 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 3,000

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.

Until the end of 2010, 151 events of this kind had been held. About 1,500 participants took part in 2010, and 275 Magyar Telekom volunteers helped them to get familiar with the internet.

Like in 2008, this year too the program was offered at the Festival of Arts in the Valley of Kapolcs. It included internet access offered in the Valley to visitors, thus the internet training profile was on this occasion less important.

In 2009, the Digital Bridge at Small Settlements Program was supplemented by a new element called Digital Bridge Fest. Volunteers of Magyar Telekom continue to educate the inhabitants to use the internet as part of this program. Additionally, a talent contest is held by Peter Novak and Kulturpart, where the winners are offered the opportunity to perform for a live audience and through the internet. In 2010, Digital Bridge Fest events were held on three occasions. Two were held under the Jövő/Menő Program in the Mezőcsát Micro-Region, one in Nyírség. Videos, pictures and further information about the program are available at the website below: http://www.telekom.hu/society_and_environment/society/digital_ bridge/digital_bridge_at_small_settlements

The Green Zone discount available in the Kaméleon (Chameleon) tariff package offers discount to residents of settlements in the countryside: 50% discount is offered on the minute tariffs of calls originated in the designated discount "Green Zones".

People with low income can use our Eco (http://www.t-mobile.hu/ english/all_plans/monthly_fee/eco) and Mix (http://www.t-mobile.hu/ english/all_plans/monthly_fee/mix) tariff packages. The latter offers protection against overspending.

We would like to use this opportunity to thank for the presence and work of Magyar Telekom's employees and the staff of the Szívlapát Foundation in the Mezőcsát Micro-region in Borsod-Abaúj–Zemplén County. Under the Jövő/Menő Program residents in 9 towns of this micro-region could learn about the opportunities of using the internet. Since that time pupils have been happily using the computers donated to the schools at the end of 2010.

Operators of undertakings offering leisure programs also welcomed Magyar Telekom employees. Magyar Telekom's volunteers contribute to improving the economic situation of our micro-region not only with their work and presence, but also through increasing the number of guest nights spent in the region.
Additionally, a talent contest or a volunteering day can reunite the community of residents. The new lifestyle, the message that jointly they can achieve anything encouraged the residents of a given town to establish an association to help their town.
A long-cherished plan of many people came to reality when the Local Products Shop could be opened in Mezőcsát.
In addition to painting fences and the school and landscaping the kindergarten courtyard development of human relations is also important. In the course of volunteering work people can familiarize with each other, learn from each other to become more valuable individuals.
We, the residents of the Mezőcsát Micro-Region trust that Magyar Telekom's employees will return to us as guests.

Mónika Balla – Multi-Purpose Association of Mezőcsát Micro-Region, Micro-Regional Office

Our micro-regional development projects were implemented with support from the EU, cofinancing by the European Regional Development Fund under the New Hungary Development Plan, Economic Development Operational Program.

The objective of the 6 projects implemented was to construct broadband network infrastructure with the latest technology in settlements of the Püspökladány, Berettyóújfalu, Marcali, Kisvárda, Nyírbátor and Vásárosnamény micro-regions. In addition to broadband internet service, the network constructed can offer further services with a minimal additional development, e.g. CATV, telephone, public video surveillance. As a result of the development a network covering at least 95% of the settlements has been constructed.

Free internet training was offered, as committed in the application, in each settlement. Previously an agreement was reached with the local municipalities on the venues and times of the trainings, then the courses were publicized on posters.

The following topics were presented and practiced at the trainings:
· Functioning of the internet
· Browsing on the internet, receiving mails, gathering information from the internet
· Saving money and time by using the internet
· Managing administrative cases, paying checks on the internet
· Cheap quick purchasing on the internet
Additionally, public internet access points were installed at 2 places in each region where local residents can use the free internet access offered by Magyar Telekom Plc. in the business hours.

Being the leading broadband provider in the country, Crnogorski Telekom feels responsible for being the first partner of the country in developing the information society. In order to enable internet to become a part of everyday lives of the majority of Montenegrin citizens, the Company initiated a project together with the Government of Montenegro, 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.
In the first phase of the project 15,000 elementary and secondary school pupils in 21 Montenegrin municipalities were introduced to the advantages of using the internet and to the concept of school websites. In the second phase of the project, the focus was on increasing the computer literacy and internet usage among senior citizens. The aim was to eliminate fear, prejudices and obstacles in using new technologies. As a result of the project launched in 2006 with the support of the Ministry of Education and Science Crnogorski Telekom has been offering free internet access via ADSL to all elementary and high schools in the country for already four years. The company offers free internet access also to NGOs representing disabled citizens.

Along with the urban areas, MakTel is intensively developing the network infrastructure also in suburban and rural areas. By now fixed-line network penetration has reached 80.7% of inhabited areas, that means 99.2 %- of households. The fixed-line network is complemented by T-Mobile Macedonia's GSM network that covers 99.9% of the population and 98% of the territory of the country. In Macedonia 40% of the households have broadband internet access, that means a 51% market share.
The company contributes to bridging the digital gap not only with its network development efforts, but also with its sales activity, offers devices (e.g. PC, TV) with attractive prices and conditions to contribute to widespread use of telecommunications services and IT facilities.

In cooperation with the government, Makedonski Telekom is working on offering free high-speed internet access to children, teenagers and young adults in each part of the country. In 2010, under this project the network accesses necessary thereto were built in 10 student dormitories in six cities of Macedonia.

Micro-region	Project implementation period	Amount of support obtained	Number of settlements concerned	Number participants in internet trainings
Püspökladány	11.01.2008 – 12.31.2010	HUF 12,948,000	3	n.a.
Berettyóújfalu	11.01.2008 – 12.31.2010	HUF 49,420,500	5	n.a.
Marcali	11.15.2008 – 12.31.2010	HUF 74,857,488	9	46
Kisvárda	11.15.2008 – 08.31.2010	HUF 133,126,038	9	57
Nyírbátor	11.15.2008 – 08.31.2010	HUF 123,857,814	6	56
Vásárosnamény	11.15.2008 – 09.30.2010	HUF 137,317,518	8	64

3.3. T-City, the city of the future

Goal in the 2008 – 2010 Sustainability Strategy
To follow up on technological development,
to offer new services

The T-City has been going on in Szolnok since May 2009. The city is home to some 78,000 people, who can benefit from numerous projects designed to demonstrate the potential of state-of-the-art ICT for quality of life and enhanced community amenities offered by Magyar Telekom in the experimental project that is T-City. The cooperation between the company and Szolnok is a long-term innovation program focusing on education, culture, public security, tourism and health.

In 2010, the following services and tests were introduced in the city:
IP camera transmission system
The first cultural project was launched in the city's sports hall, where four IP cameras are used to transmit cultural and sporting events live via the internet since their installation. Transmissions are also recorded, the archives can be a great help particularly for athletes and trainers. The 24-hour student contest held in the Sports Hall was also transmitted.

Student identification and access control system
Since the start of the 2009 academic year, one elementary school in Szolnok has been equipped with an access control system using Radio Frequency Identification (RFID) technology which register the arrival at / leaving from school of students with access card. Parents can opt to receive an automated SMS message, or track their children's entry/exit times via the internet. In 2010, the system was upgraded with turnstiles to increase security and with an e-meal ticket solution to enhance convenience. Further related developments are planned in the following years.

Supermarket of the Future
Supermarket of the Future Project was implemented in the Coop Szolnok Supermarket in Szandaszőlős. Magyar Telekom Plc.'s partners in the project were [origo], Laurel, Bizerba and KFKI. Devices and services meeting the demands of the 21st century, promoting conscious buyer attitude and facilitating purchase were installed in the supermarket.

ICT awareness raising initiatives
Magyar Telekom Plc. is committed to reducing the digital gap. These efforts included two free programs offered to the residents of Szolnok:
T-City Kids courses: the courses familiarize elementary school pupils with mobile telephone and internet novelties. Additionally, the T-Kids courses held four times in the spring and three times in the fall included internet security presentations held by the company for elementary and high school pupils. Magyar Telekom invited staff of the Blue Line Foundation to provide information to children about the dark sides and threats of internet, how to prevent them, what tricks can be used for safe internet access.

Internet Academy
Magyar Telekom launched Internet Academies for elderly retired residents of the city. The presentations introduced participants to internet usage and familiarized them with the basics of internet security.

The cooperation between Magyar Telekom and Szolnok Municipality is unique in Hungary which will show a good example throughout the country.

3.4. KIBU, Magyar Telekom's innovation lab

Kitchen Budapest, briefly KIBU, has been operating since May 2007 as Magyar Telekom's innovation lab. It is a multifunctional place that offers a space and tools to young researchers for free thinking and creative groupwork addressing urban spaces, mobile communication and internet. One of its basic goals is to search interconnection points between society, art, sciences and new media and give local responses valid in joint international context too with the help of engineers, artists, designers or laboratory researchers. KIBU is a lab where research, development and education play equally important role.
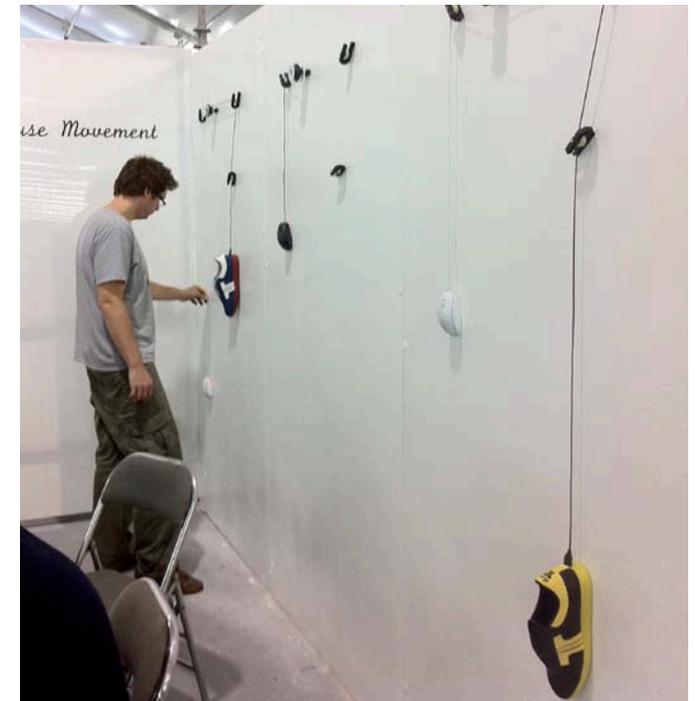
KIBU – BYMM (Beat Your Mouse Movement)

In 2010, Recycling Workshop was held at several venues to highlight that technological waste gathered at home (e-junk) and recyclable materials can be used to produce toys and useful objects. In the whole-day workshop held in Budapest Gödör Culture Center functioning ship models and a mobile city model were built jointly with visitors.
Another success in 2010 was the BYMM (Beat Your Mouse Movement) project that is a modern support tool for sustainability. It is well known that people spend much time in front of computers, including work, online activities and gaming. This leads to a lifestyle with little physical exercise and decreasing knowledge about our environment. BYMM motivates users to walk more instead of using transport means to preserve good health and better learn the environment.

3.5. 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, whose 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 the readings publicly available. Faults are managed in the dedicated subscriber process, among others, in line with their rights laid down in the General Contract Conditions, 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

Magyar Telekom is making efforts to continuously ensure availability through steadily developing new technical solutions, using security systems and backup devices.

In 2010, the company continued its large-scale optical network development project, in accordance with the new long-term strategy launched in 2009, that achieved access to 57,000 households with optical lines. Optical networks can reach higher availability because do not include active components (requiring power).

In 2010, the company started dismounting obsolete unused network components by removing almost 8,000 PCMs from the network. It reduced broadband interference to copper cables and enabled cutover from PCMs serving a single subscriber to physical pairs that resulted in more stable operation and improved availability.

The company spent under the Renewal Project almost HUF 28 million on renewal of access copper cables to improve services.

Since 2010 focus was shifting towards TV services and it was necessary to integrate cable TV processes into Magyar Telekom's processes, the Fault Management Umbrella (FMU) project was carried out to implement proactive alarm monitoring of TV services and the cable TV network. In enables quicker detection of faults resulting in increased availability.

To increase the operational safety of TV services Magyar Telekom constructed a georedundant satellite reception system for program channels in 2010. This solution eliminates interference by weather caused in the region of the central headend.

See service availability figures in 2010 below.

Service availability

Annual availability [%]	2006	2007	2008	2009	2010
Cable TV analog/digital	99.96	99.98	99.98	99.97/99.95	99.94/99.75
SatTV				99.83	99.90
IPTV		98.74	99.77	99.80	99.85
Fixed-line internet (ADSL/GPON/KábelNet)	99.83	99.82	99.93	99.90	99.90/99.96/99.72
Mobile internet (2G/3G)	99.74	99.50	99.71	99.67/99.50	99.40/99.49
Telephone/VoIP/VoCa	99.97	99.97	99.96	99.96/99.65/99.97	99.95 ✔/99.94 ✔/99.91 ✔
Mobile telephone (2G/3G)	99.94	99.94	99.94	99.94/99.91	99.93 ✔/99.88 ✔

4. Reducing the environmental footprint

4. Reducing the environmental footprint

Goal in the 2008 – 2010 Sustainability Strategy
Ambitious ecoefficiency objectives

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. (see Figure 3)
Additionally, 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.

To understand the diagrams below it is necessary to have information about the composition of the Magyar Telekom Group that was changing during the years addressed, as shown in the table in Section I. About the group.

4.1. Climate protection

Goal in the 2008 – 2010 Sustainability Strategy
Climate strategy: 10% CO_2 reduction, assessment of climate risks, leveraging the climate potential of ICT products

Climate change and its impacts are considered as one of the greatest environment protection problems of our age. As a result of global 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. These changes affect people living in the poorest areas the hardest, rising level of seas threatens the homes of hundreds of millions, while potable water supply is endangered for bil-

lions. Climate change also damages biodiversity because many species cannot adapt to the rapid changes.
One of the strategic goals of the Magyar Telekom Group posing the greatest challenges is climate protection and the decrease of its own and its customers' CO_2 footprint. The Group set the target of reducing its CO_2 footprint by 10% by 2011*.

The infocommunication sector, thus the Magyar Telekom Group, too, is affected by the problems of climate change in several respects.
On the one hand, 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. Producing its services requires using electricity and paper, operating offices and travel by its employees.
On the other hand provision of ICT (information and communication technology) services contributes to saving travels, energy and fuel, thus reducing CO_2 emission. Such services are, among others, video- and audioconference, TelePresence, Telebilling and various hosting (data park) services.
Third, the risk of climate change and extreme weather conditions effect telecommunications networks indirectly too, can cause damage in network components and endanger smooth functioning of IT services.
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 which are the most exposed to extreme weather. Currently, 16 stations are equipped like that, and the inflowing data are being constantly assessed.

* Baseline: 2007

Climate protection campaign
Like in the previous year, this year, too Magyar Telekom's internal climate protection campaign, aimed at increasing employees' awareness about and commitment to climate protection and making them take action against wasting consumption of materials and energy by consciously changing their work and lifestyles, was continued. It was supported by campaign actions providing information and advice about saving heat, energy and water.
In 2010, the TeleKocsi (Car Pool) program was introduced that is an opportunity for shared use of a company vehicle by several employees travelling to work in the same time to the same destination or direction. This way the program contributes to reducing costs, preventing CO_2 emission and handling special situations (e.g. smog alert, strike).
It was also in 2010 that the company decided to engage, in addition to car and motor couriers, also bicycle couriers that deliver mail between sites without CO_2 emission. This climate-friendly solution involves also paperless service ordering. The courier company does not use paper for the service order, but only for settlement (delivery of recorded performances with invoice) to reduce environmental footprint.

Earth Hour was started in 2007 in Sydney upon a WWF initiative, then by 2008 it had become an international movement joined also by Hungary in that year. Last year 4,000 settlements in 88 countries were involved, several hundreds of millions of people turned their lights off. In Hungary 67 settlements and one million people joined.
This year the event was held on 27 March from 20:30 to 21:30. The objective of the action is to call the attention to climate change and its risks not taken sufficiently seriously by decision-makers in the world notwithstanding the negative impacts suffered lately. The action can be joined not only by settlements and private persons, but also by companies. This way the Magyar Telekom Group also joined the action, like in 2008 and 2009, and turned off neon signs in its shops and office buildings. As a member of the Magyar Telekom Group, [origo] and iWiW also joined the initiative and appeared with black background during the action period.

Crnogorski Telekom

In 2010, the company installed GPS devices for stricter control of costs incurred by its car fleet which resulted in significant reduction of energy consumption. The active fleet includes 142 cars, kilometrage decreased by 110 km/car/month, that means a total of 187,000 km from 2009 to 2010. In addition to decrease in fuel consumption the use of tyres, batteries, lubricants, spare parts, etc. also significantly dropped.
In 2010, the following initiatives were made to improve energy efficiency:
a)   Old rectifier plants with low efficiency (η = 0.5 ÷ 0.6) were replaced by new ones with higher efficiency (η> 0.91);
b)   Insulating panels were installed in the Data Center to isolate warm and cold zones (optimizing the air-conditioning);
c)   Increasing the air-conditioned operating temperature of the Data Center from 21 °C to 23 °C that reduced the total power consumption of air-conditioning equipment by about 10%;
d)   Installation of covering the outdoor units of the Data Center air-conditioning equipment to prevent direct solar radiation;
e)   Replacing old central air conditioners with inverter split devices with significantly lower power consumption, while optimizing space;
f)   Reducing the number of heating elements (radiators) on central heating systems in CT buildings in North and Central regions, while optimizing space - this initiative has achieved savings in fuel oil by over 28% (75,000 liters) compared to 2009.;
g)   Installation of automatic delayed start for 55 diesel generators at base stations in order to save fuel - with this initiative is expected to reduce maintenance costs and reduce CO_2 emissions, up to 35% annually
h)   Installation of fans for natural ventilation of containers of base stations for more efficient cooling equipment, energy saving and to provide operation of the equipment in terms of failure of the air conditioning - BTS Bezjovo (pilot facility)
Overall energy saving based on the above mentioned measures in Technical area is 800 MWh annually

Electric power consumption

Magyar Telekom Group's electric power consumption for the provision of telecommunications services is significant due to the particularities of the technologies applied. 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.
In 2010, the Group affiliates consumed 288GWh electric power that exceeded the previous year's level by slightly more than 2%. The reason for the minor increase was ongoing development of the Group, expansion of the scope of services, growing use and popularity of infocommunication techniques and the resultant rise in the number of customers.

A breakdown by affiliate shows that consumption decreased at KFKI (by 7.7%) due to merger with IQSYS and building rationalization. More than 10% decrease was achieved by MakTel through the application of modern technologies.

To reduce energy consumption Makedonski Telekom switched off the satellite monitoring and positioning system in N. Breznica not used any longer, and the heating of 2 satellite antennas, about 5,000 PSTN/ISDN subscriber modules not used any longer and 5 VSAT and 5 SR stations.

Electricity consumption increased at Magyar Telekom Plc. by 7%, at Pro-M Zrt. by 5%, at TCG by 6% due to higher network traffic and subscriber count.
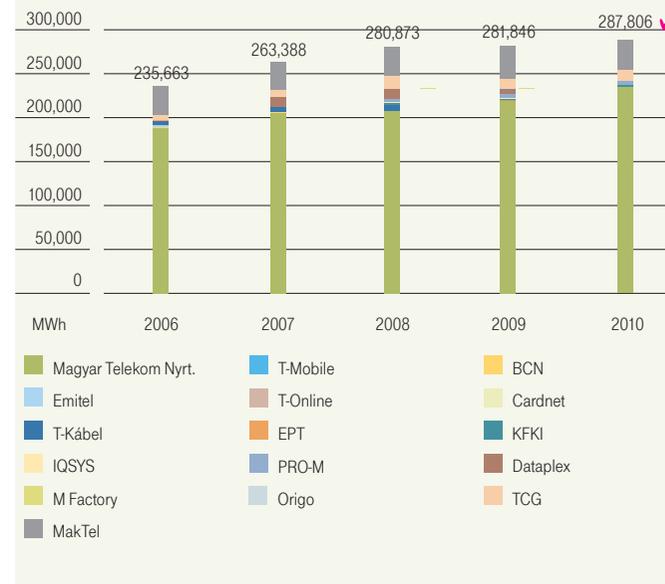Dataplex figures specified for 2010 included only the own consumption (790 MWh) unlike in the previous years when Magyar Telekom Data Park consumption was also included.

In October 2010, Dataplex Kft. was the first in Hungary to obtain BS EN 16001:2009 Energy Management System Certificate.
The BS EN 16001:2009 standard was created for the latest and best energy management practices, based on existing national standards and initiatives. This standard defined the requirements for the introduction and ongoing development of energy management systems and gives guidance for the application of the standard. A must for competitiveness is to provide quality services, including optimization of energy efficiency. With the introduction and integration into its operations of the BS16001 system Dataplex wants to show an example for other business entities in the fields of environment protection and energy consciousness.

Purchase of renewable green energy

In 2010, Magyar Telekom purchased 35 GWh renewable energy from E.ON, as part of its total energy consumption, which accounts for almost 15% of the total volume used by the company. The new 5-year strategy targets the use of 46 GWh green energy.

Electricity consumption, Magyar Telekom Group

MWh	2006	2007	2008	2009	2010
	235,663	263,388	280,873	281,846	287,806 ✓

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

Electric energy consumption slightly increased, but as it is shown also in the figure below the energy efficiency indicator reflecting energy consumption per quantity of information transmitted significantly improved versus the earlier years.
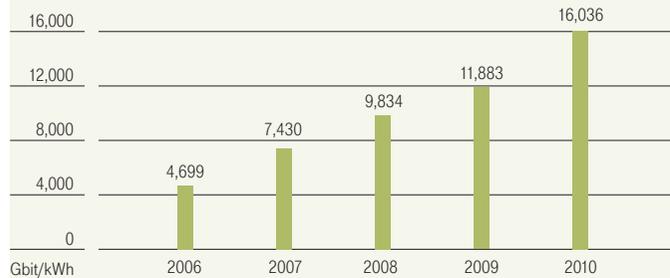
Energy efficiency indicator, Magyar Telekom Plc.
Number of bits transmitted/electric energy used

Gbit/kWh	2006	2007	2008	2009	2010
	4,699	7,430	9,834	11,883	16,036

Fossil fuel consumption
Magyar Telekom Group affiliates use fossil fuels to heat offices and produce warm water.

The greatest share of heating energy comes from direct energy sources (natural gas) or indirect energy provided by distance heating. Oil fuel, as direct energy source, is used to an insignificant extent, mainly by foreign subsidiaries.

Gas consumption
The Group's gas consumption increased by 5.2% versus the previous year. The reason for this increase was extreme winter weather and a breakdown of the gas engine operating in the Budapest headquarters of Magyar Telekom that is the largest user.

The Group was making efforts to rationalize heating systems, heating is lowered in rooms where employees do not stay. It is enabled by the partitioning of pipes. It should be mentioned that the occupation rate of buildings (primarily office buildings) was increased (keeping in mind also labor health requirements) that resulted in lower total volume of proper-

ties. Natural gas was used for heating by two affiliates, Magyar Telekom increased its consumption by 5.1%, while KFKI by 6.4%.

Distance heating
In 2010, the Group used 18,197 MWh distance heating energy, that was by more than 2% less than in the previous year.

Out of the affiliates Magyar Telekom Plc. and MakTel used distance heating energy. Companies using distance heating service made attempts to regulate their consumption by temperature regulators installed in radiators.

Fuel
In 2010, fuel was used for heating buildings only by two foreign subsidiaries. A particular feature in Macedonia and Montenegro is the preference of fuel to natural gas. Use of fuel has significantly decreased since 2006, by almost 32%.

Directly generated energy used for own purposes
Use for own purposes, as shown in the Sustainability Reports of the previous years, continued in unchanged form in 2010 too. Further information is available in the 2009 Sustainability Report.

Gas consumption, Magyar Telekom Group

th m³	2006	2007	2008	2009	2010
	8175	7166	8179	7628	8022 ✔

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

Distance heating energy consumption, Magyar Telekom Group

MWh	2006	2007	2008	2009	2010
	22,233	16,995	17,998	18,606	18,197 ✔

Magyar Telekom Nyrt. — T-Mobile — BCN
Emitel — T-Online — Cardnet
T-Kábel — EPT — KFKI
IQSYS — PRO-M — Dataplex
M Factory — Origo — TCG
MakTel
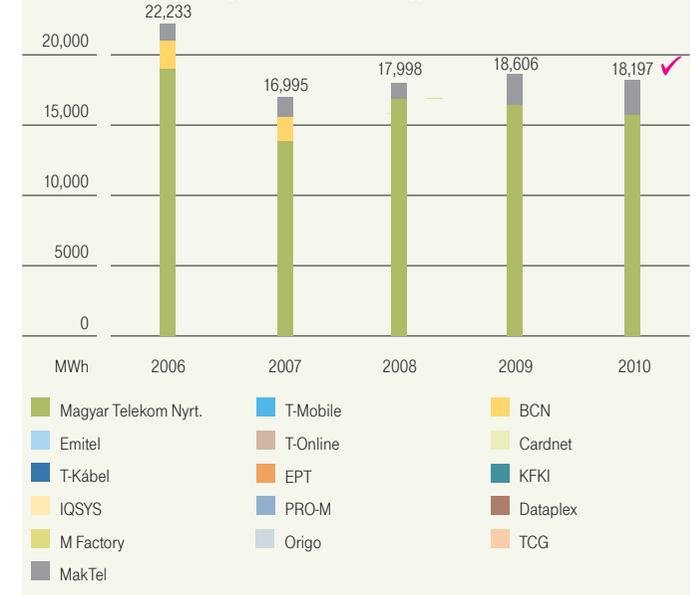
Alternative and renewable energy

Like in the previous years, Magyar Telekom Plc. used heat pumps installed at two sites in Budapest and one in Győr for the production of warm water. The energy produced in the form of heat is approximately 4-5 times as much as the electric power consumed for the operation of the heat pump.

The heat used for the production of warm water is extracted from techno-logical rooms.

PEM cell

The Company launched still in 2008 an experimental base station operating with hydrogen (PEM cell). In 2010, additional 5 stations were installed, now 10 stations operate with this technology.

Fresh air cooling system

Until 2010, cooling base stations through ventilation with fresh air has been implemented at 950 stations operating in containers. A survey was conducted on fixed-line centers, its results will be used to start application of fresh air cooling in 2011.

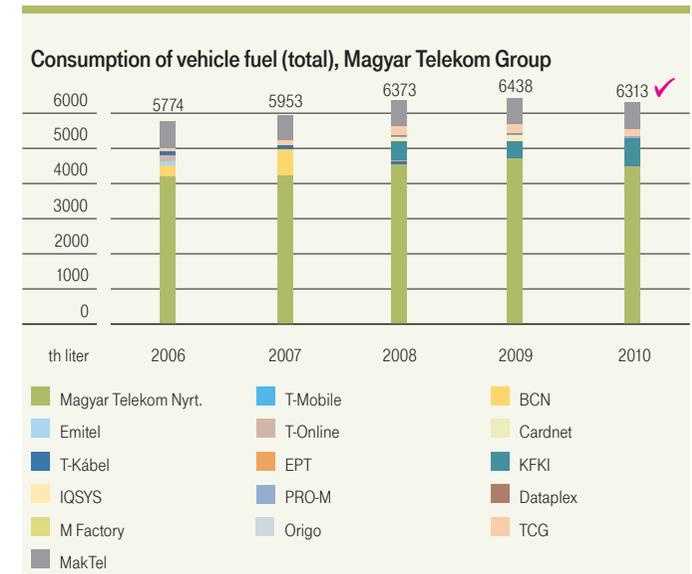## Balatonkenese – Telekom Hotel and Conference Center

A major project completed in 2010 was the new solar cell system at the Telekom Hotel that contributes to heating and production of warm water. The solar system produces warm water to save gas boiler operating hours and energy produced with natural gas. In 2010, the system produced 85,165 kWh heat.

Consumption of vehicle fuel

Magyar Telekom Group's consumption of vehicle fuel decreased by almost 2% due to saving measures ordered and vehicles with lower consumption purchased in 2010.

Consumption was cut by the following affiliates: TCG (by 7.3%), Magyar Telekom Plc. (by 4.5%) and Dataplex (by 1.7%). The reason for lower consumption of vehicle fuel was decreased kilometrage and decreased fleet size of some affiliates.

More vehicle fuel then in the previous year was used by KFKI-IQSYS (by 23.4%), by Pro-M Zrt. (by 3.3%) and by MakTel (by 1.5%). The highest rise was achieved by KFKI-IQSYS whose vehicle fleet size increased by more than 42%. The other affiliates generally increased their kilometrage.

Consumption of vehicle fuel (diesel), Magyar Telekom Group

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

Consumption of vehicle fuel (petrol), Magyar Telekom Group

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

Consumption of vehicle fuel (total), Magyar Telekom Group

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

Kilometrage

The Group provides services in the whole territory of the country, including also Macedonia and Montenegro, that requires regular use of vehicles. It is good that some operations, e.g. certain repair and maintenance works, can be performed through telemanagement. We are striving to simplify and use remote controlled solutions for connection of new lines.

Kilometrage decreased by 1.4% versus the previous year, mostly due to telemanagement.

Kilometrage, Magyar Telekom Group

th km	2006	2007	2008	2009	2010
	67 082	66 165	70 022	81 782	80 650 ✓

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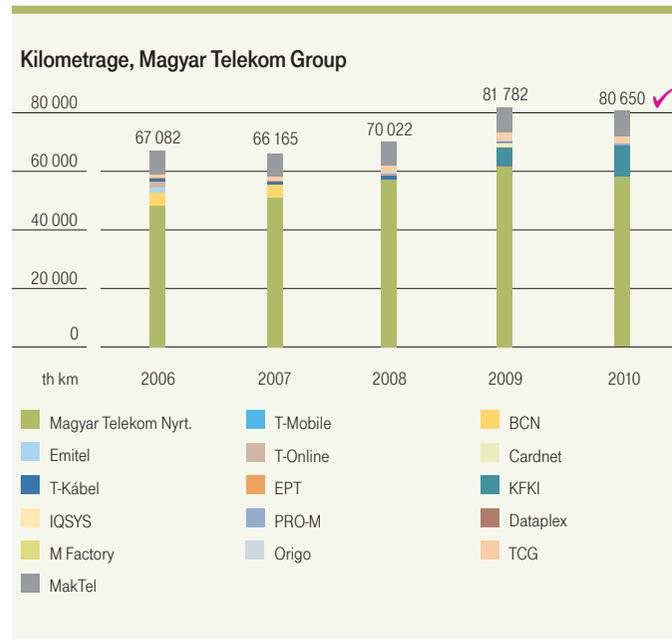
Vehicles

A key target of the Group affiliates is to have a fleet with the highest possible number of latest vehicle models with low consumption.

The average consumption norm for the vehicles replaced in 2010 was 7.9 l/100 km, while the average consumption of vehicles purchased for their replacement was 6.3 l/100 km.
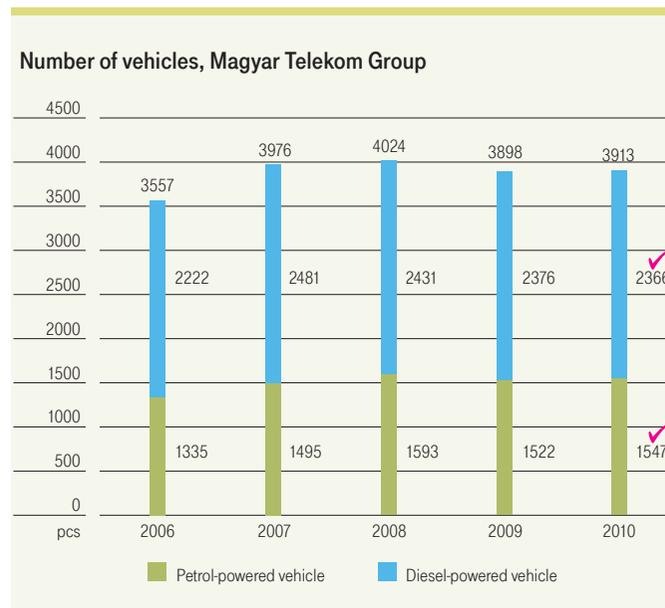
The average CO_2 emission of cars purchased in 2010 is 167g/km, that is by 7.9% more than in the previous year. The reason for the rise in CO_2 emission was the purchase of manager cars with higher power and consumption and of 4x4 vehicles, because such vehicles were not purchased on 2009.

It is very important to mention that Magyar Telekom's fleet of cars for personal use included 55 hybrid cars in 2010.

Number of vehicles, Magyar Telekom Group

pcs	2006	2007	2008	2009	2010
Diesel	2222	2481	2431	2376	2366 ✓
Petrol	1335	1495	1593	1522	1547 ✓
Total	3557	3976	4024	3898	3913

- Petrol-powered vehicle
- Diesel-powered vehicle

In 2010, Magyar Telekom Group's vehicle fleet size increased by almost 0.5%.
Vehicles with breakdown by fuel type:
Petrol-powered vehicles increased by 1.64%.
Diesel-powered vehicles decreased by 0.42%.

Vehicles with breakdown by type of use:
Vehicles used for service purposes decreased by 0.85%.
Vehicles for personal use increased by 3%.

Solutions to replace travel

The Group can replace many travels with telecommunications devices, thus save the emission of significant volume of pollutants.

Magyar Telekom installed TelePresence videoconference service in its strategic sites both within Hungary and for interconnection with international affiliates (in Macedonia and Montenegro) and with the majority owner Deutsche Telekom. The project started in 2009 when the Group could save 476,410 km flights with this service. In 2010, already 1,368,361 km international flights could be saved, thus in one year the distance saved increased by almost 900,000 km. CO_2 equivalent of this saving: in 2009: 57 tons, in 2010: 164 tons, which means 187% improvement.
In 2010, Magyar Telekom Plc. installed office communicator on all workstations to enable the staff setting up audioconference with up to 3-4 people with associated document sharing function. This solution could also save significant number of travels.
In addition to the above solutions video- and audioconference were available to the personnel, like in the previous year, in 2010 too.

By using the above services (TelePresence, office communicator, etc.), Magyar Telekom Group could save a total of 1,912,323 km travels, that is 2.7 times as much as in 2009.
Breakdown by type of travel:
· flights saved: 1,375,561 km
· car travel saved: 536,762 km
Vehicle fuel saving:
· diesel: 25,765 liters, that is more than five times higher than in 2009,
· petrol: 17,176 liters, that is similarly five times higher than in 2009.

At the end of 2010, T-Mobile Macedonia opened its new Training Center for ongoing development and training of its employees that is expected to result in decreased travels to foreign training.
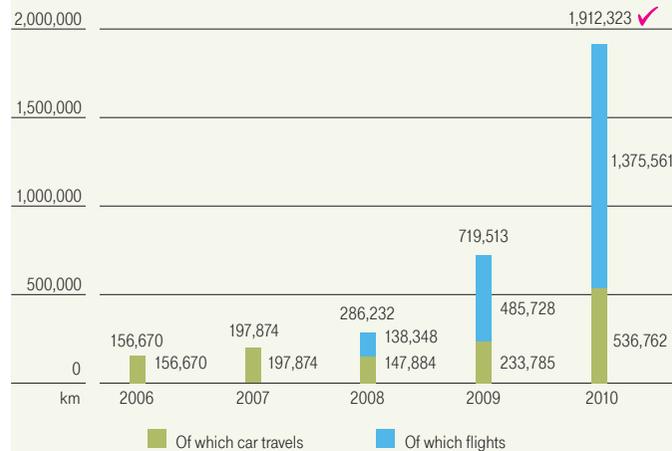
TeleKocsi (Car Pool)
TeleKocsi (Car Pool) is an interface where employees travelling at the same time to the same direction can communicate with each other for car pooling to reduce CO_2 emission. In the period of almost three quarters since its introduction more than 2,700 km unnecessary car travels could be saved.

Bicycle courier service
Since mid-2010 employees can use also bicycle courier service for sending mail between sites. This is not only the fastest solution in a city environment, but also the most environment-saving solution which all employees were encouraged to use by the company. In 2010, the distance of transport by car saved was 1,017 km with 170 kg equivalent CO_2 emission saving, while in 1Q2011 these figures were 582 km and 100 kg CO_2 emission. In less than one year 270 kg CO_2 emission was saved by bicycle couriers.

Distance of travels saved with videoconferencing, Magyar Telekom Group

km	2006	2007	2008	2009	2010
Of which flights			138,348	485,728	1,375,561
Of which car travels	156,670	197,874	147,884	233,785	536,762
Total	156,670	197,874	286,232	719,513	1,912,323 ✔

· Of which car travels · Of which flights

Paper consumption
Paper is the material consumed by Magyar Telekom Group to the greatest extent. Paper is used in the Group's offices and shops, and bills and telephone books are also printed on paper.
In 2010, the Group's paper consumption slightly increased by 0.3%, that practically means stagnation. Saving measures cut also IT developments, thus less paper-saving solutions were implemented in 2010.
Out of the affiliates only MakTel reduced its paper consumption, use by the other affiliates increased to a minor extent.

Out of the affiliates only MakTel reduced its paper consumption, use by the other affiliates increased to a minor extent.
In 2010, Crnogorski Telekom took steps for overall reduction of printing costs that lowered also paper consumption. Economic operating mode and two-side printing were set on machines enabled thereto. Additionally, the number of printing sessions was reduced by a regulation that employees whose job description does not include printing may not use printers. As a result, total printing costs (paper and toner) dropped by about 30%.

Paper consumption, Magyar Telekom Group

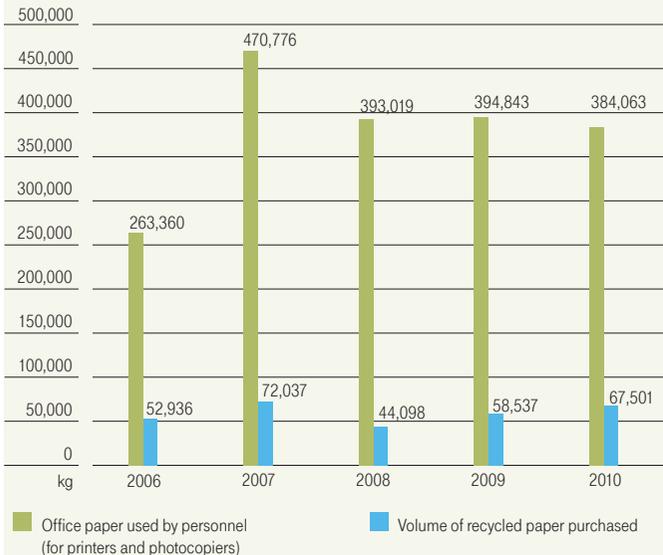| kg	2006	2007	2008	2009	2010
	3,984,748	4,310,579	4,225,000	1,826,599	1,831,770
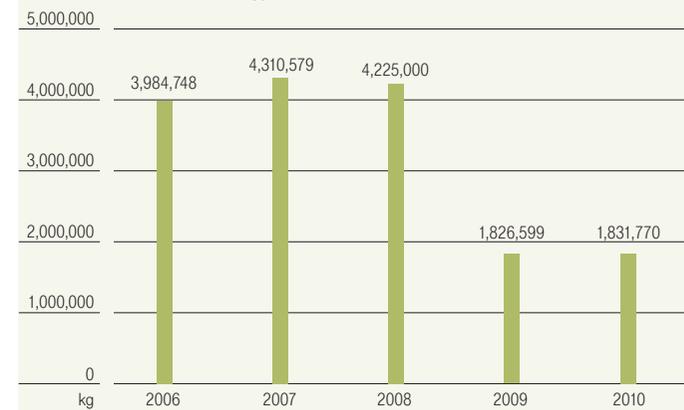
Consumption of (office) paper by the employees decreased by 2.7%, while recycled paper consumption fell also by 15.3% versus the previous year.

The Group issued more than 631,000 e-bills.
Electronic Billing Information, that enables downloading bill image and itemized call list via the Self-Service Customer Service, continues to be available for key customers using mobile service.

Magyar Telekom Group continuously requests from manufacturers and records information about the materials installed in the network.
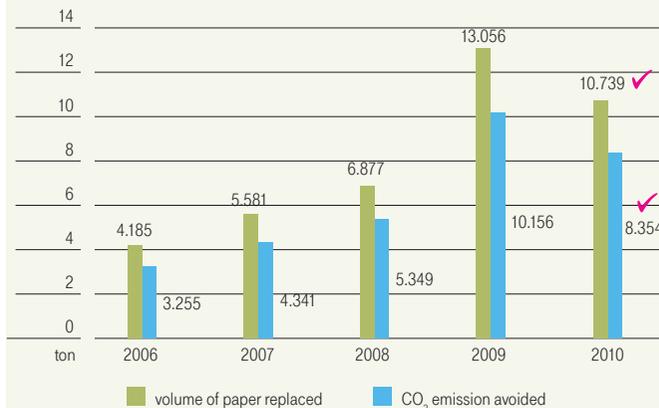
In 2010, like in the previous years, the Group was making efforts to purchase stationery and business gifts made of environment-friendly materials. When electronically ordering stationery environment-friendly products are specially marked, so employees can consciously choose green products.

At the end of March 2010, KFKI launched a printer management pilot project whereby certain multifunctional devices were equipped with a terminal. The terminal ensures that the device can be used only after identification of the user, thus each printed or photocopied page can be assigned to an individual. At the end of May the first evaluations were made with a clearly perceivable trend. The number of pages aggregated at the end of the month was clearly falling after the installation of the terminal.

Carbon-dioxide indicator

The CO_2 equivalent of the Group's energy consumption is shown in the table below.
Calculations were made with the CO_2 conversion factors defined by the International Energy Agency Data Services 2007 recommendations (electricity), UNEP's guidelines (oil fuel, vehicle fuel, natural gas) and figures published by a major Hungarian paper factory.

Total CO_2 footprint, Magyar Telekom Group

2006: 119.86; 2007: 126.843; 2008: 134.756; 2009: 132.796; 2010: 123.172 (th tons)

Share of recycled paper within office paper consumption, Magyar Telekom Group

Office paper used by personnel (for printers and photocopiers): 2006: 263,360; 2007: 470,776; 2008: 393,019; 2009: 394,843; 2010: 384,063
Volume of recycled paper purchased: 2006: 52,936; 2007: 72,037; 2008: 44,098; 2009: 58,537; 2010: 67,501 (kg)

Paper replaced and CO_2 emission avoided with e-bills, Magyar Telekom Group

volume of paper replaced: 2006: 4.185; 2007: 5.581; 2008: 6.877; 2009: 13.056; 2010: 10.739
CO_2 emission avoided: 2006: 3.255; 2007: 4.341; 2008: 5.349; 2009: 10.156; 2010: 8.354 (ton)

CO_2 footprint of the total direct energy consumption increased by almost 1% versus the previous year, while emission caused by indirect consumption fell by 10% due to the green energy used.
In total, the CO_2 footprint of energy consumption decreased by about 7.5%.

Although the CO_2 footprint of paper consumption slightly increased, the share of recycled paper was higher. It reflects that employees increasingly use recycled paper for their work.

4.2. Water consumption

Magyar Telekom Group continues to consume water only for sanitary purposes. The Group's consumption is clearly decreasing since 2008. In 2010, consumption was by 4.8% lower than in the previous year. The reason for the fall continues to be the lowering number of employees and consequently of buildings.

CO_2 footprint of energy consumption Magyar Telekom Group [tCO_2]

	2006	2007	2008	2009	2010	Change against previous year (%)
DIRECT ENERGY CONSUMPTION						
Natural gas	15,664	13,731	15,672	14,616	15,372	5.17
Oil fuel	3,949	3,579	2,579	2,876	2,702	-6.03
Vehicle fuel (diesel)	7,686	8,150	8,745	9,066	8,777	-3.19
Vehicle fuel (petrol)	6,452	6,454	6,882	6,782	6,745	-0.54
Vehicle fuel	14,138	14,604	15,627	15,848	15,521	-2.06
Total direct energy consumption footprint	33,751	31,914	33,878	33,340	33,596	0.77
INDIRECT ENERGY CONSUMPTION						
Electricity	79,947	89,210	95,111	95,462	85,626	-10.3
Distance heating	3,024	2,311	2,448	2,530	2,475	-2.20
Total indirect energy consumption footprint	82,971	91,521	97,559	97,992	88,101	-10.09
Total energy consumption footprint	**116,722**	**123,435**	**131,437**	**131,332**	**121,697**	**-7.34**

CO_2 footprint of paper consumption Magyar Telekom Group [tCO_2]

	2006	2007	2008	2009	2010	Change against previous year (%)
New paper [TcO_2]	3,100	3,354	3,287	1,421	1,425	0.28
Recycled paper [tCO_2]	40	54	33	44	51	15.31
CO_2 footprint of total paper consumption	**3,139**	**3,408**	**3,320**	**1,465**	**1,476**	**0.73**

Water consumption, Magyar Telekom Group

th m³	2006	2007	2008	2009	2010
	672	499	503	426	406 ✓

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

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 Company always strives to proceed with extreme care, in continuous consultation with local authorities and when necessary having impact analyses prepared. This practice will be maintained in the future. In some cases these studies involve measurements. The areas used are not owned or leased by the Company, but used with permits, while they are managed by National Park Directorates.

Infocommunication services largely support the work of environment protection and nature conservation professionals, and in particular enable quick and efficient response to environmental disasters.

For scientific researchers it is important to publish studies and educational materials with the state-of-the-art opportunities of the internet. The publication of tourism information and propaganda materials can draw the attention to the values of a given area.

Ecological footprint – KFKI

For the first time in Hungary KFKI's corporate ecological footprint was calculated in cooperation with Dandelion Környezetvédelmi Tanácsadó és Szolgáltató Kft. according to the methodology of an international coordinating organization Global Footprint Network. Results:

- Energy consumption accounts for almost 54% of KFKI Rendszerintegrációs Zrt.'s ecological footprint, while 27% result from transport related footprint components.
- One third of energy consumption comes from a single, although basic, function: operation of servers.
- It was found that a 20% reduction of printing papers could decrease the ecological footprint of paper products by 7%.
- In 2010, as a result of videoconference solutions almost 20,000 km travels could be saved which prevented 3 tons of carbon dioxide emission. At the same time the transport related ecological footprint of conferences was reduced to 1/180th of its original size!

KFKI Rendszerintegrációs Zrt.'s ecological footprint (Bp., Hun utca site) according to standard land usage categories, against the baseline of 2009

Land usage category	Ecological footprint component	Distribution
(GFN)	[gha]	[%]
built-up area	0.7	0.07
forest	49.8	5.17
CO_2 absorption area (CARBON FOOTPRINT)	841.9	87.49
grazing land	31.9	3.32
arable land	35.6	3.7
fishing area	2.3	0.24
Total ecological footprint	962 [gha]	100
Ecological footprint per employee	1.96 [gha/person]	-

The results of the above analysis with distribution by land usage category is shown in the figure below.

arable land 3.70%
grazing land 3.32%
fishing area 0.24%
built-up area 0.07%
CO2 absorption area (CARBON FOOTPRINT) 87.50%
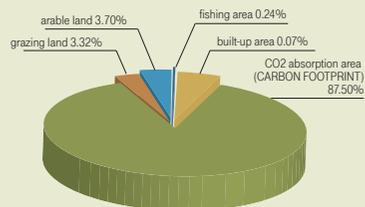
Impact on landscape

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 to ensure that its facilities fit in with the landscape as much as possible.

Provision of wireless services requires the use of antenna towers. It is important to make efforts to ensure that several service providers use jointly the same tower so that construction of less towers is required. The Group used by 16.2% (2,289) more antenna towers than in the previous year, while jointly used towers rose by 22.5%. Magyar Telekom Plc.'s jointly used towers increased by 0.6% to reach 87% of all towers.

The Group uses 5,055 base stations, that means a 6% increase, which is in proportion to the growth rate of mobile services and wireless networks installed at foreign subsidiaries, MakTel and TCG.

4.4. Emissions

Emissions into air

No change versus 2009 has taken place in this chapter. Further informa-tion is available in the 2009 Sustainability Report. http://www.telekom.hu/static/sw/download/Sustainability_report_2009_eng.pdf

Emission into soil, surface water and ground water

No change versus 2009 has taken place in this chapter. Further informa-tion is available in the 2009 Sustainability Report. http://www.telekom.hu/static/sw/download/Sustainability_report_2009_eng.pdf

Noise and vibration

No change versus 2009 has taken place in this chapter. Further informa-tion is available in the 2009 Sustainability Report. http://www.telekom.hu/static/sw/download/Sustainability_report_2009_eng.pdf
In accordance with the applicable regulation the affiliates concerned invited emission limits for equipment located near hospitals and children's institutions. The equipment operate below the required noise limit.

4.5. Waste

MakTel's 2010 waste management figures were not available for the company, so these are not included in the report.

Hazardous waste

The volume of hazardous waste generated by Magyar Telekom Group decreased by 46% compared to the previous year. The volume of hazard-ous waste greatly depends on the investment projects and replacement of equipment carried out by the Group in the given year, the volume of hazardous waste is determined mostly by replacement of large, heavy batteries used for technological power supply in the given year. In 2010, close to 75% of the hazardous waste generated by the Group was recy-cled, like in the previous years.
Hazardous waste is always delivered to specialized licensed firms.
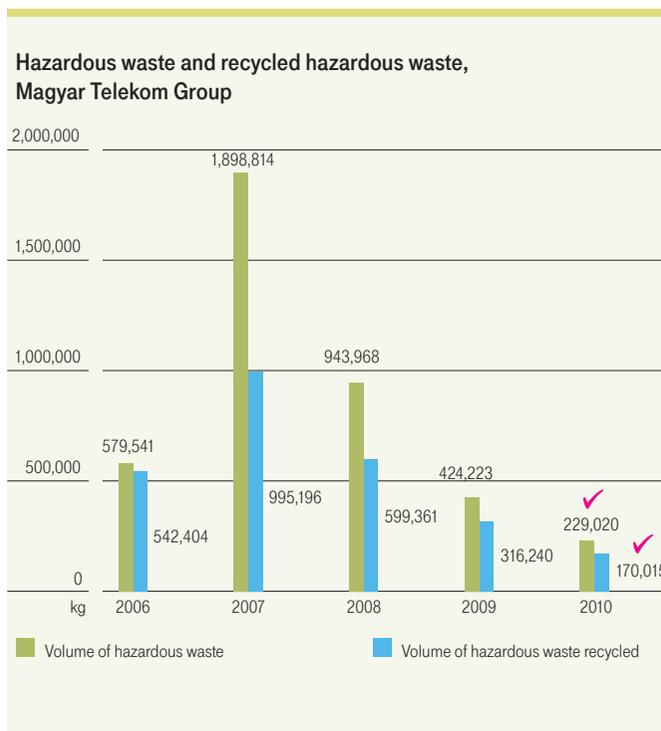
Municipal and other waste

The volume of Magyar Telekom Group's municipal and other waste decreased by more than 20% compared to 2009. The decrease is due to the decreasing headcount and an increasing ratio of selective waste collection. In 2010, selective waste collection was introduced at two ad-ditional sites, thus selective waste collection is available for employees at a total of 12 sites.
The volume of waste paper deposited for recycling decreased by 43% versus the previous year. The volume of paper waste greatly depends on the volume of confidential documents shredded in the given year.

Hazardous waste and recycled hazardous waste, Magyar Telekom Group

kg	2006	2007	2008	2009	2010
Volume of hazardous waste	579,541	1,898,814	943,968	424,223	229,020
Volume of hazardous waste recycled	542,404	995,196	599,361	316,240	170,015

■ Volume of hazardous waste   ■ Volume of hazardous waste recycled

Volume of municipal and other waste*, Magyar Telekom Group

m³	2006	2007	2008	2009	2010
	26,771	29,695	28,113	18,129	14,539

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

* Since 2009 includes in addition to municipal waste other non-telecommunications and non-hazardous waste too (scrapped furniture, construction debris, etc.)

Telecommunications waste

The fast development of telecommunications technologies forces the affiliates to make developments and replace obsolete equipment, networks and facilities. In 2010, like in the previous years, replaced equipment, being telecommunications waste, were sold to specialized licensed firms. The highest volume of telecommunications waste was generated by Magyar Telekom Plc. (more than 525 tons). Developments, in particular in the field of fixed-line services, were stagnating which resulted in a 2.4% decrease at Group level. The diagram clearly shows that the volume has been practically stagnating since 2008.

Telecommunications waste delivered for recycling, Magyar Telekom Group

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

Magyar Telekom Plc. delivers mobile phones collected back from customers to recycling to a specialized licensed firm. In 2010, the total weight of mobile phones collected back was 526 kg, that meant 5,844 phones.

In 2010, out of Magyar Telekom's IT devices subject to environmental tax purchased for stock 86.35% were recycled through a coordinating organization.

4.6. Environmental objectives and costs

Environment protection was a focus point also in the 3-year sustainability strategy now closed. The table below shows the achievement of major environmental and climate targets of the strategy. When calculating the indicators, only the data of those Group members were taken into account which were part of Magyar Telekom Group in the year serving as basis for comparison (thus, PRO-M, Mfactory, [origo], KFKI, IQSYS are not included).

Target area	Target 2008-2011 (%)	Achievement in 2010 (%) (base year: 2007)	Achievement
Electric power consumption [office] [network]	- [-4] [-30]	+7,09	no
Natural gas consumption	-5	+8,53	no
Heating oil	-	-24,49	
Distance heating	-	+19,29	
Consumption of vehicle fuel Diesel Petrol	-3 -3	+4,39 +5,75	no no
Municipal waste	-20	-87,93	yes
Paper consumption	-20	-57,84	yes
Recycled paper usage rate	25	+17,58	partial
Increasing the use of e-bill	+10	+88,11	yes
Travel replaced by videoconferencing	+20	+591,53	yes

- Electric power consumption: Consumption of electricity increased due to new base stations put into operation.
- Energy efficiency (volume of information transmitted per electric energy): During the period of the Sustainability Strategy we achieved 115.8% improvement from 7.43 Gbit/kWh in 2007 to 16.036 Gbit/kWh in 2010.
- Natural gas consumption: Natural gas consumption increased because high-power gas boilers were operating in summer too due to extreme weather conditions and a breakdown of the gas engine in the Krisztina körút building to provide cooling capacity.
- Consumption of vehicle fuel: Increase is explained by the following factors: while the number of vehicles decreased, kilometrage increased by almost 12%.

- Municipal waste: over the three-year strategic period volume significantly increased due to selective waste collection introduced at several sites and falling headcount and volume of properties at the affiliates.
- Paper consumption: The reasons for significant decrease in paper consumption were growing use of electronic administration procedures since 2007, and cost decreasing measures taken in the strategic period.
- Recycled paper usage rate: Recycled paper usage includes primarily paper used for printing, but currently many printers operate that cannot handle such sheets, thus such usage did not reach the planned level of 25% in 2010.

Environmental costs in 2010, Magyar Telekom Group

Operational costs (HUF 199 million)

Environmental investments (HUF 40 million)

Training, education, communication, PR (HUF 31 million)

Costs of environmental management systems (HUF 6 million)

Payments to authorities (HUF 26 million)

4.7. Cycling for sustainability

Over the last seven years hundreds of thousands of people were actively participating and even more people supported environment protection and healthy lifestyle at cycling events and initiatives sponsored by Magyar Telekom Plc.'s T-Mobile brand. The latter includes for already two years with unbroken popularity the free bicycle repair service, that was a much awaited event for those who enjoyed its benefits already in 2009: professionals performed minor repair, additionally delivered several presentations and educated in a playful form younger and older people in the rules of safe riding.

In addition to sponsoring competitive sports, since 2004 T-Mobile contributes to holding mass bike events in Hungary. First, some locally popular bike events were sponsored, then the company opened towards masses and became the title sponsor of the highly popular Mountain Bike Top Marathon and supported many other events in the countryside.

At the Top Marathon competition participants and accompanying family members and fans discovered the mountains of Bükk, Mátra, Visegrádi Mountains and Pilis. Additionally, successful bike days were held in Budapest, Dunaújváros and Szekszárd.

5. Employees

5. Employees

Magyar Telekom Group's values declared and required to be followed are defined in the Guiding Principles:

- **Customer experience determines our acts**
  This guiding principle highlights one of the most important factors in business, that it is not sufficient to satisfy all demands of customers, but experience should be offered. The customer's thoughts, feelings and demands and the customer experience itself should determine what and how we act. By taking on the identify of customers we can anticipate their requests and satisfy them. This applies also to treatment of internal customers.
- **Appreciation and honesty are basic values of our operations**
  This means a value that goes beyond appreciation of each other in daily work: this principle is about the appreciation of our customers, partners, suppliers and shareholders too. This requires open, honest culture and fair business attitude without which we risk success.
- **Single team – both jointly and individually**
  Our focus is on cooperation culture: our objective is that team members should openly discuss arising problems, tell their opinions, while after having made a decision all should unanimously back it. We are members of a single Telekom team wherever we work in Hungary.
- **Telekom is the best place to show your capabilities**
  Employees play an outstanding role in corporate culture too: To enable Magyar Telekom to become the best recognized service provider both within and outside the telecommunications sector, in the following year we must do our best in a fierce competition. This requires a workplace where all employees can work at their best and really show their capabilities.
- **I am a Telekom employee, you can count on me**
  Reliability: Like we can count on each other as colleagues, shareholders and customers too can count on us and Magyar Telekom. This is a must for fulfillment of our promises.

Naturally, in addition to the above guiding principles the policies, performance indicators and charts that regulate, measure, provide and ensure compliance with our operational norms also play an important

role. In addition to the performance indicators used in the Sustainability Report the company uses various technical indicators for measuring the performance of the HR field on a monthly, quarterly or half-yearly basis. Processes are controlled, in addition to indicators, also by employee satisfaction surveys, ISO-audits and internal controls.
Further information:
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_Eselyegyenlosegi_Terv_2008_2010_en.pdf
http://www.telekom.hu/static/sw/download/Magyar_Telekom_Eselyegyenlosegi_Terv_2011_2012_en.pdf
The "Partnership for Safe Employment" document is accessible at:
http://www.ommf.gov.hu/index.php?akt_menu=225

> "Committed professionals with independent initiatives are the key factor for the Magyar Telekom Group's business success."
> Magyar Telekom's HR 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 last three years.

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 given year.

Ratio of distance learning at Magyar Telekom Group

55

Training is based on the modern methodologies and methods currently applied in Hungary. The Company considers it important that knowledge 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.

Significant emphasis is put on individual development, both for managers and employees.
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 2010, Magyar Telekom concluded a total of 870 study contracts. Out of them 18 covered school training, the others were connected to courses or agreements containing mutual commitments.

Per capita student days at Magyar Telekom Group

Legend:
- Magyar Telekom Plc.
- Maktel Group
- Crnogorski Telekom Group
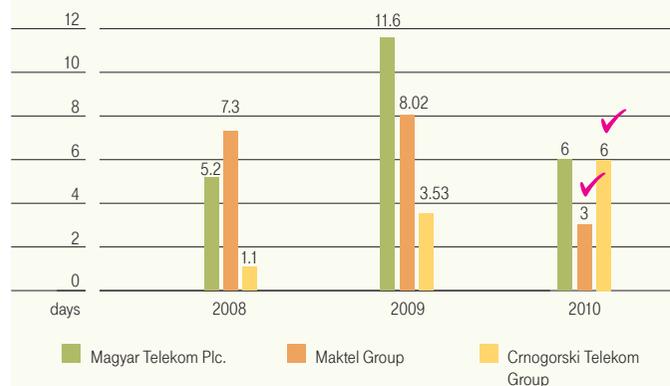
Goal in the 2008 – 2010 Sustainability Strategy
To attract and retain talents

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 several hundreds of participating fresh graduates or students over the last 16 years. Annually 30-40 students can have their mandatory work practice at the company (in 2010 the Corporate Sustainability Department offered this possibility for 1 intern and 1 student at work practice), and on the average 40 students receive consulting for their thesis. In 2010, the Corporate Sustainability Department offered 18 students consulting for writing their thesis on sustainability subjects.

Learning at the organizational units promotes employees development through working experiences.

Goal in the 2008 – 2010 Sustainability Strategy
Management development connected with the strategy

Development activities are offered to managers under the program Managers in Change, Change in Managers. The program structure targets strengthening of the "people management" function of managers.

Magyar Telekom's human policy gives special emphasis to both management succession and professional development in the field of promotion and talent management. For this purpose Magyar Telekom operates various talent management programs, depending on the objective. (Human Policy)

The Magyar Telekom Group supports capability development that serve the interests of both the employees and the company in order to achieve high level of performance and service quality. At the same time Magyar Telekom Group emphasizes and strengthens the personal responsibility of employees in maintaining and improving their level of employability. (Social Charter, Section 8)

The ratio of employees covered by the Performance Management system is 100% at the parent 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.
The majority of the subsidiaries apply the same PM system as the parent company does, or have their own performance assessment system.
The PM system assesses the professional performance delivered by the assessed employees and their personal attitude and potential.

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

In 2010, too, Magyar Telekom achieved its defined goals in the fields of health and safety at high standard: 2010 was the last year of a three-year program that, after the development of technological regulations over the preceding years, placed special emphasis on examining and improving working circumstances and conditions.

In the technological fields labor safety regulation of processes has been completed, the functioning of regulations is continuously controlled, experiences are good. After the period of practicing that follows the selection and purchase of new individual protection equipment the employees perform their work in accordance with requirements, are aware of the mandatory protection components and use the required protection equipment.

In 2010, complete publication of relevant technological regulations enabled the elaboration of a risk assessment methodology for base stations and tower structures. Risk assessment is the starting point for selection of safety equipment and defining the necessary measures which can be substantial and appropriate in all respects only when health hazards of several hundred base stations and towers with different materials and structures are assessed and reviewed according to standardized criteria.

In 2010 too, Magyar Telekom treated with priority within the HS activity the widening of labor safety knowledge, in some cases through development of new training and education structure or methodology. This included modernization and upgrading of the knowledge with online accessibility that can sufficiently support working.

Health protection and development, that determines also the development trend of the following years, was a priority task in 2010. Major modification was made in the labor healthcare: In order to increase the efficiency of service and better serve employees Magyar Telekom established through the Labor Safety Office direct working relations and reporting processes with the labor healthcare service providers. At the same time medical consulting rooms were renovated and new modern medical devices were purchased.

Since individual risk assessment shows that our employees working on networks are exposed to diseases disseminated by ticks, Magyar Telekom provided vaccination against encephalitis caused by ticks for more than 900 employees. In 2010, it was necessary to provide vaccination for 603 employees to maintain their protection, which included purchase and transport of the vaccine.

Magyar Telekom established lifesaving points at 15 sites with high number of personnel (6 outside Budapest) where new semi-automatic defibrillators were placed. Appropriately trained first aid personnel, who are not qualified doctors, can safely and efficiently operate manual defibrillators, thus non-professional first aid personnel too can highly

increase the chance of survival in the case of sudden heart attack. The company offered a basic resuscitation and first aid course involving the handling of defibrillators for about 140 people.

In 2010, jobs and activities involving the use of screen were reviewed in terms of exposure time and classification, and other potential risks were surveyed and assessed. The survey was conducted with the involvement of an expert of the National Labor and Occupational Health Institute and covered about 800 jobs. The results of on-site examinations, surveys and personal interviews were used to modify jobs involving the use of screen and job groups were identified where psychic stress should also be addressed, in addition to working with screen, as a major risk factor (e.g. T-Point shop customer service employees). The survey pointed out that stress tolerance should be measured in the case of jobs with risk of

Accidents at work at Magyar Telekom Group
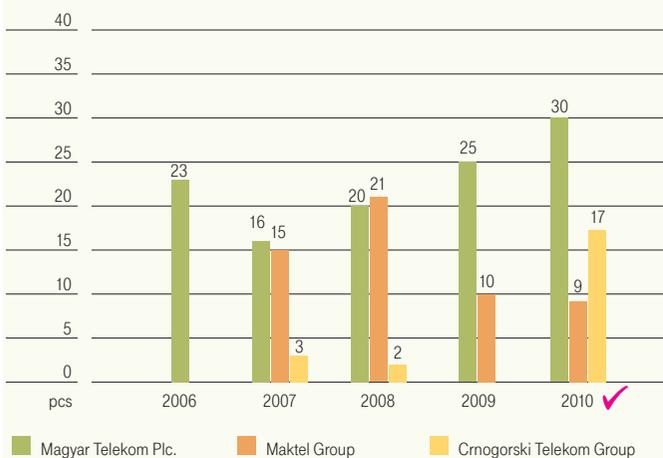
Accidents per 1,000 employees
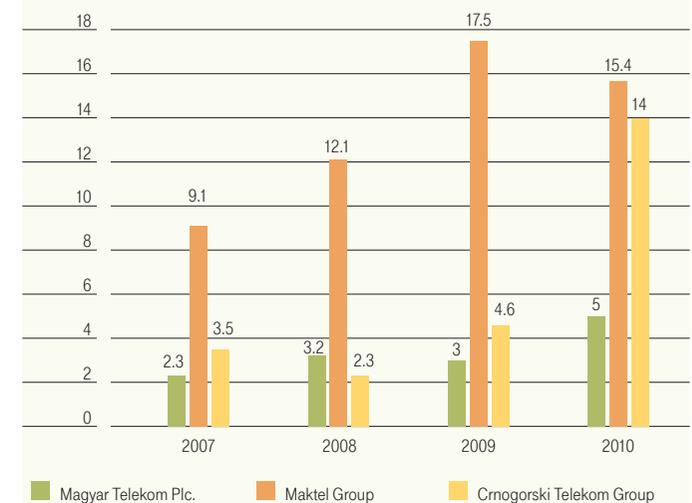
increased psychic stress, which could be followed by stress management training and stress releasing sessions.

No serious or fatal accident occurred at Magyar Telekom last year either. The rate of accidents at work involving injury with more than 3 days off work was 4,4 per 1,000 employees. Although the number of accidents at work increased versus the previous years, the number of related sick leave days increased at a lower rate because a high share of accidents involved light injury with short off-work period. The typical nature of accidents is reflected by the fact that out of the 35 accidents occurred 20 involved walking or driving, and only 4 were connected with technological working process. The 2 accidents with the most serious injury were traffic accidents, the sick leave days connected with these two cases accounted for one third of all sick leave days.

Notwithstanding the above, we want to lower the rate of accidents at work involving injury more than 3 days off work to below 3,5 accidents per 1,000 employees by 2015.

In 2010, emergency situations occurred at several points of Hungary: flood, inland water and red sludge disaster. Injuries and illnesses caused by various risk sources, e.g. supporting structures tilted due to soaking soil, risk of epidemic in flooded areas, or the chemical and physical impacts of red sludge, required preventive measures. The objective of extraordinary labor safety trainings held was to make employees aware of potential risks and damages. The Labor Safety Office offered specific vaccination against epidemic. People working in the areas contaminated by red sludge were provided with appropriate individual protection equipment.

The changes launched in 2010 enable Magyar Telekom to move forward in the field of labor safety and health protection, including health maintenance and development, and to develop its new health and safety policy in 2011.

In 2010, a wider scope of health screening was provided (breast cancer, osteoporosis, allergy and lung screening). By using the experience gained with risk assessment procedures, Magyar Telekom set the objective that 60% of its employees should by 2015 participate in screening according to individual needs, condition and health plan, and 30% of the employees exposed to risks should participate in screening of limbs. Problems detected at screening of limbs could be solved, among others, with the help of movement therapy provided in fitness rooms managed by Magyar Telekom.

Blood donation has been regularly organized for Magyar Telekom employees at 5 sites in Budapest and 3 sites outside Budapest. The established system is efficiently functioning, cooperation with blood donation managing organizations is excellent. Magyar Telekom considers it a priority to continue supporting blood donation, that is why the number of blood donors at the events organized by it will be increased by 10% by 2015. Data collection and data supply related to blood donation, and partly also the organization of the events, is the responsibility of the labor safety unit.

The company provided insurance services, based on joint risk-taking by the employee and the employer, through the Dimenzió Insurance Association. The life, pension and health insurance and self-aid benefits are paid to any employee registering for membership in the association.

To promote healthy lifestyle and team spirit each year sports events are organized for Makedonski Telekom and T-Mobile Macedonia employees where participants can compete in football, basketball table tennis and other games.

Crnogorski Telekom annually allocates EUR 150,000 for health development, recreation and sports activities and equipment. This amount is distributed by a committee of 4 members (2 members each represent the employer and the trade union).

- Health care: about 7.5%
- Health of employees' children: about 14% (''Doktorica Mica'' the pediatrist that employees' children up to the age of 15 years can consult with health problems)
- Support in the case of accident: about 15% (to support the needy)
- Sports and recreation events: about 22.5% (in 2009 about 250 employees participated and competed (football, basketball...)
- Health screening: about 10% (female employees can use gynecological screening services at reduced price).
- Regular recreation: about 30% (fitness room, aerobic, football, basketball...)
- Health rehabilitation: about 1%.

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 society and 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)

Magyar Telekom 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 technology, personal safety equipment). (Partnership, Article 4)

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 opportunities

Magyar Telekom Group's Social Charter and the Equal Opportunities Plan define 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, http://www.telekom.hu/static/sw/download/Magyar_Telekom_Eselyegyenlosegi_Terv_2011_2012_en.pdf

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)

Magyar Telekom's Code of Conduct, that also includes the principles of equal opportunity and anti-discrimination, enables employees to file complaints: employees may file complaints when they experience any breach of these principles in employment.

The rules of filing and investigating complaints are described by Magyar Telekom Group's Code of Conduct that all Magyar Telekom employees are required to read. All employees have to declare in writing that they are aware of and shall comply with it.

It is a goal of primary importance of Magyar Telekom Group to ensure an anti-discriminatory workplace and equal opportunities. The Company was among the first in the business sector to adopt since 2008 a two-year Equal Opportunity Plan in cooperation with the collective bargaining partners. The project of the action plan defined in the 2011-2012 Equal Opportunity Plan approved in December 2010 is to promote the highest possible level of equal opportunities in employment for the target groups

defined therein. http://www.telekom.hu/static/sw/download/Magyar_Telekom_Eselyegyenlosegi_Terv_2011_2012_en.pdf

The "Tell it – ethics line" provided by Magyar Telekom, operated by the compliance area, did not receive any complaint for discrimination or infringement of human rights by the employer in 2010. In 2010, one employee requested the relevant authority (Equal Treatment Authority, where employees may directly file complaints) to launch a procedure against her former employer with the allegation that Magyar Telekom Plc. terminated her employment in 2008 with reference to collective redundancy due to her planned maternity. The authority rejected the request with its resolution dated January 3, 2011 due to its unfounded nature and established that no causal relationship between the termination of employment and the planned maternity can be found. In the case of a condemnation the company would have to pay a fine and reckon with negative press coverage that would have deteriorated its public perception.

In 2010, Magyar Telekom's Equal Opportunities Film Club continued, in renewed form, with its Season 5. In addition to documentaries, feature films related to this subject were also on the program. The following subjects were addressed in the film projected at the 5 occasions held in 2010: 1. Racism (Romper Stomper); 2. Corruption (The Enron Scandal); 3. Drug addiction (Benedek Fliegauf - Dealer); 4. Equal opportunities for women (Erin Brockovich); 5. Helpless children (Ferenc Moldoványi – Other planet). The attitude-shaping films and discussions in the film club were followed each time personally and via intranet transmission by 30-60 employees (depending interest in the given subject).

MakTel and Crnogorski Telekom are also fully committed to equal opportunities.

We are particularly proud that the targeted 30% rate of female managers to be achieved by all Group affiliates by 2015 is already now overfulfilled by Crnogorski Telekom with its current 42% level. This rate exactly reflects the percentage of female employees at Crnogorski Telekom.

Telekom Mums Event

Increasing popularity of "Family Support Program"

The range of discount-price nursery and kindergarten placement offers called Family Support Program continued to widen in 2010. In 2010, the number of institutions offering this service increased to 19, while the utilization rate of places available grew to a much higher extent. At the end of 2010, the number of supported children reached 134. The utilization rate of the places offered in this program increased, with continuously rising capacity, from the initial 50-55% to 70%.

The discount offered for nursery service is 66%, that is a great help for Magyar Telekom families considering the average service price that is around HUF 60.000.

The reduced-price summer camp program jointly offered by Magyar Telekom and the Dimenzió Insurance and Self-Aid Fund with the slogan "Summer is round the corner" was announced for the fourth time in 2010. The program offers summer camp with 50-70% price reduction for 7–14-year-old children of employees, even in 2 turns. The 21 camps offered in the program were used for reduced-price vacation by 432 Magyar Telekom children. Related questionnaires show that satisfaction with the camps and the program exceeded 90%.

On June 14, 2010 the 4th Telekom Mums Event was held, where employees on maternity leave were informed about current events of the company and received responses to their questions from HR managers. During the event kids could be left under professional supervision. The event was part of the Telekom Mums Program aimed at enabling the young mothers to learn about the changes at their workplace, keep informed about job vacancies and receive support in returning to work.

In December 2010, the "Children-Friendly Office" program was launched with the EUR 10,000 fund obtained at a call for applications invited by DT. It includes the furnishing of an office at 6 sites (both in and outside Budapest), already completed or currently under way, where employees can bring their children when they do not find other solution for their supervision. The children-friendly office enables parents working in administrative jobs to perform their duties in an environment where their children can keep themselves occupied with children's furniture and games.

In 2010, 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. The supported students were admitted to higher education and started their higher education studies under the program.

In 2010, a series of sensibilization programs were launched within the company with three very successful events. The "Have you already tried it in darkness?" event held in June 2010 gave an insight into the world of the vision impaired to Magyar Telekom employees, the "Have you already tried it with children's heart?" event held in December 2010 was a special Advent fair offering for sale the works of mentally handicapped children supported by the Bárka Foundation, and finally the "Have you already tried it in silence?" event held on December 15, 2010 gave an insight into the world of the hearing impaired with an unusual dinner.

To ensure equal opportunities, from 2010 applicants with disabilities using Magyar Telekom's electronic recruitment interface (http://www.telekom.hu/career) can, on a voluntary base, register their disability and request relevant help in the selection process.

On September 1, 2010 Magyar Telekom introduced additional leave days for rehabilitation offered to employees with altered working ability or disability. It aims at granting extra time for recreation for employees being in a difficult situation due to their health condition.

> Observance of working and resting times is a basic right and a requirement of preservation of health of employees. Magyar Telekom lays special emphasis on granting appropriate resting times 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 the wage the employees are entitled to is paid properly and on time. (Human Policy; Partnership, Article 6; Social Charter, Section 6)

Child labor

Since January 2010, in order to detect child labor Magyar Telekom Plc. continuously monitors the number of employees below the age of 18 years. Data supplied from the SAP HR system show that during 2010 Magyar Telekom Plc. did not have any employee below the age of 18 years.

> 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

Detailed information about this subject is available in the 2009 Sustainability Report.

No complaints were filed in 2010 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)

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 dialog 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. About 94% of the Group's employees in Hungary, 68% in Macedonia and 99% in Montenegro are

in the scope of agreement by collective bargaining. Additionally, 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 employee representative bodies. Magyar Telekom is committed to seeking negotiated settlement to any labor dispute and will only resort to legal consequences if the negotiations fail to reach a result.
(Partnership, Article 10; Social Charter, Section 2)

5.4. Managing changes

Magyar Telekom has a long tradition of liaison with employee representative bodies. Employee representative bodies are treated as partners in the operation of the Company.
Currently 2 trade unions have employee representative bodies at Magyar Telekom, additionally a Workers Council is operating with two-level liaison.
Central decisions concerning the whole company when the employee representative bodies need to be consulted are discussed with the Central Workers Council and the representatives delegated by the trade unions either at a combined consultation (Interest Reconciliation Council) or separately, depending on the nature of the matter to be discussed. Central communication is managed both verbally (negotiation) and in writing. The CHRO and the HR Management Director are responsible for central liaison with the employee representative bodies.
Collective bargaining matters concerning a given management area are discussed locally too with the representatives of the trade unions and the local workers council. The HR Partner Directors of the management area are responsible for liaison with local employee representative bodies.
At Magyar Telekom liaison with the employee representative bodies, that is negotiation or written communication, is the exclusive right and responsibility of the HR area. This can ensure that rights are exercised in

full compliance with the regulations of the Labor Code and the collective bargaining agreements. On the other hand, it can remove the difficulties of treating the employee representative bodies from the business areas. Naturally, when necessary the executives of the business areas are also actively involved in the process, but under the cooperation of the HR area.

Regarding drafts of decisions about changes that incur organizational transformation or impact a larger group of employees, the trade union and the workers council (Central Workers 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 workers councils (Central Workers 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 under the general obligation to cooperate, but no specific deadline is defined by either the Labor Code or the Collective Bargaining Agreement. Individual notices are also provided to the employees before the changes take place.
Foreign affiliates inform their collective bargaining partners and employees in accordance with the stipulations set forth by the local statutes.

In October 2010, Magyar Telekom reached an agreement with the employee representative bodies regarding wage and headcount issues of 2011. The parties agreed upon a company-level wage increase of 4% effective July 1, 2011. Employees with a calculated average wage exceeding HUF 1 million receive 2% wage increase. Wage increase depends on the Company's performance in 2011, will be financed either through EBITDA overperformance or, when it is not achieved, through reduction of employee bonus payments.
The agreement with the employee representative bodies set forth that in order to meet the efficiency improvement requirements Magyar Telekom plans to dismiss 300 employees in 2011. This quota does not include

termination of manager contracts and job cuts through retirement and those whose employment is terminated due to lack of potential placement after having returned from inactive status.
In order to minimize the redundancies in 2011 an agreement was also reached on the implementation of central TWM reduction measures and modification of fringe benefits justified by changes in taxation laws.

Fluctuation at the Magyar Telekom Group*

	2007 (Plc./ Group)	2008 (Plc./ Group)	2009 (Plc./ Group)	2010 (Plc./ Group)
Total fluctuation	8.2%/ 10.2%	19.1%/ 18.7%	12.1%/ 10.2%	10.0%/ 8.9%
Termination initiated by employee	2.9%/ 4.2%	3.1%/ 3.9%	1.5%/ 2.2%	1.5%/ 1.6%

*Data with breakdown by age and other factors are not available.

Program "Chance" continues

Program "Chance" continued in 2010 too. We continued to support employees dismissed through collective redundancy in finding new employment under the program Chance in 2010, too.
In this program employees dismissed can, after registration in the program, use various services that support finding new employment. The services offered under the program include two-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 consulting, as well as follow-up and monitoring participants' potential placement. The information package for the benefit of participants (Chance Package) improves participants' chances of successfully undergoing the change in their lives and helps them in finding proper employment.

5.5. Human resource indicators

Age distribution of employees, Magyar Telekom Group, December 31, 2010 ✔

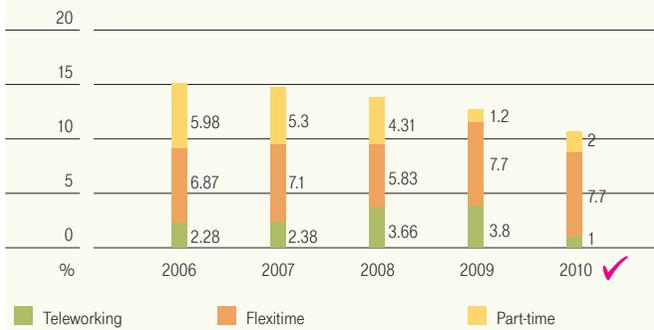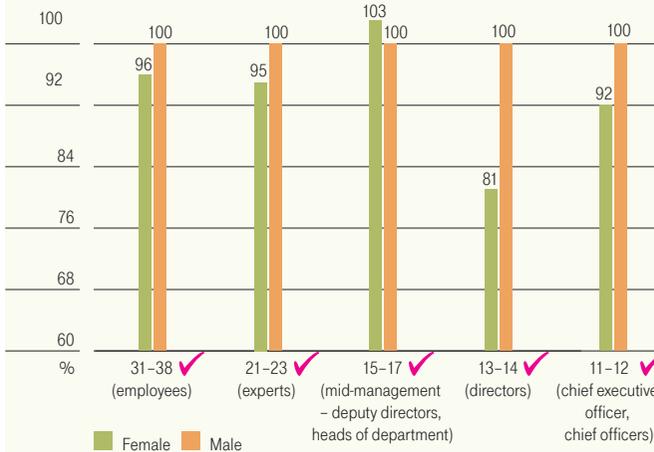|	Male	Female	Age group
	306	193	>56
	571	351	51–55
	825	390	46–50
	1345	560	41–45
	1596	806	36–40
	1127	660	31–35
	583	369	26–30
	182	98	<25

person 1500 1000 500 0 500

■ Male ■ Female

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

%	2006	2007	2008	2009	2010
Open-ended employment	96.3	96.7	96.4	96.7	96.5

■ Fixed-term employment   ■ Open-ended employment
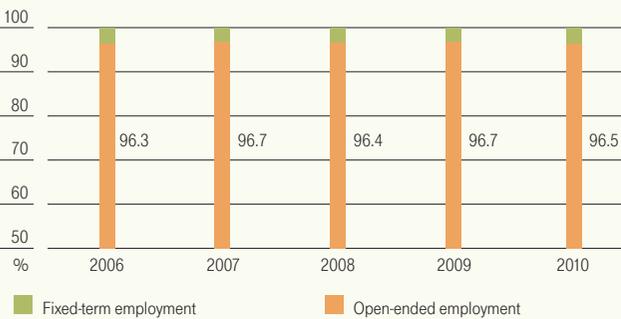
Atypical forms of staffing at Magyar Telekom Plc. in percentage of total headcount

%	2006	2007	2008	2009	2010
Part-time	5.98	5.3	4.31	1.2	2
Flexitime	6.87	7.1	5.83	7.7	7.7
Teleworking	2.28	2.38	3.66	3.8	1

■ Teleworking   ■ Flexitime   ■ Part-time ✔

Base wage comparison by job-grades and gender – Magyar Telekom Plc. 2010

%	31–38 (employees)	21–23 (experts)	15–17 (mid-management – deputy directors, heads of department)	13–14 (directors)	11–12 (chief executive officer, chief officers)
Female	96	95	103	81	92
Male	100	100	100	100	100

■ Female   ■ Male

Distribution of employees by region, %

%	2007	2008	2009	2010
Other foreign subsidiaries (Bulgaria, Romania, Ukraine)	1.39	1.45	1.33	0
Subsidiaries in Montenegro	7.40	8.32	8.08	8.40
Subsidiaries in Macedonia	17.82	16.65	16.2	17.30
Hungary total	73.39	73.60	74.39	74

■ Hungary total   ■ Subsidiaries in Macedonia
■ Subsidiaries in Montenegro   ■ Other foreign subsidiaries (Bulgaria, Romania, Ukraine)

Age breakdown of Magyar Telekom Group management bodies in 2010

person	31–40	41–50	51–60	61–
Board of Directors		6	3	2
Management Committee	2	7		
Supervisory Board		4	2	5

■ Board of Directors   ■ Management Committee   ■ Supervisory Board

Local/expat breakdown of Magyar Telekom Group management bodies in 2010

person — Board of Directors — Management Committee — Supervisory Board

■ Local ■ Expat

Gender mix of Magyar Telekom Group management bodies in 2010

person — Board of Directors — Management Committee — Supervisory Board

■ Male ■ Female

Kindergarten renovation in Gelej – Telekom voluntary team building
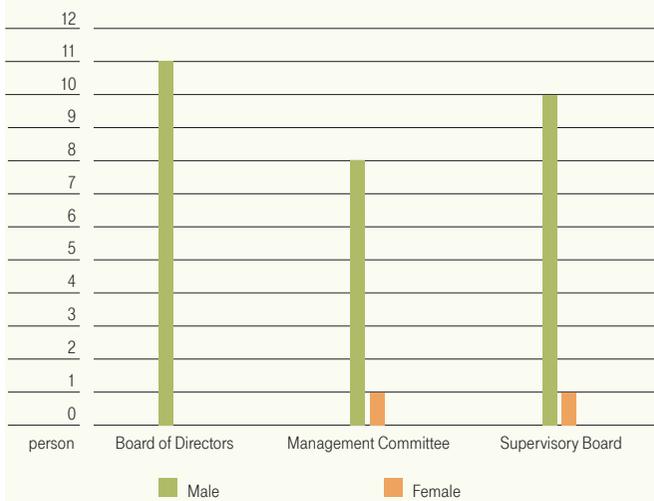
5.6. Involvement of employees

In 2010, Magyar Telekom Plc. continued education of employees about sustainability through several channels:

- The company's internal climate protection campaign continued to draw people's attention to threats of climate change 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 and weekly newsletters.
- Magyar Telekom Group has put great emphasis on shaping the consciousness and educating employees about the environment for years.

- The orientation program received by newly hired colleagues includes sustainability issues since 2009.
- In 2010, the company launched a sustainability module within the management training for sustainability orientation of managers.
- Voluntary programs (Jövő/Menő and Digital Bridge) were organized to increase social sensibility of employees. Voluntary works provided
  ✔ HUF 5.9 million contribution to the society.

The knowledge level of colleagues about sustainability issues is much higher than the national average. While in 2010 a survey among the population found that 26% of the respondents have heard about the term sustainability, this ratio was 95% among our employees, and 74% of the employees could explain what sustainability means. A compari-

son to earlier years (82% of our employees have heard about sustainability in 2008, while more than 93% in 2009, and 63% could define the concept of sustainable development in 2008, while 70% in 2009) shows a clearly improving trend.

The corporate television series addressed colleagues' environment-consciousness as a separate topic, too.

6. Investor relations

6. Investor relations

Goal in the 2008 – 2010 Sustainability Strategy
To provide sustainability information

Personal meeting is the best way of maintaining investor relations and assessing investor requirements. If an investor or analyst incurs the demand for personal meeting, there are two options available: Either travel to the headquarters of Magyar Telekom and meet personally with the company management and/or the investor relations staff, or take advantage of meeting the representatives of Magyar Telekom when they visit the particular city with a road show or conference. The management and investor relations staff of Magyar Telekom spend some 25-30 days with various road-shows and conferences in the major financial centers, where most of the fund managers and analysts can be found. On annual level the number of investor and analyst meetings is somewhere between 200-250 which creates an opportunity for annual meetings with the majority of the actual and potential investors.

The home page of Magyar Telekom assigns special attention to satisfying the investors' demands for information. Under the menu item of investor relations small shareholders will find up-to-date information relating to the corporate strategy, the financial standing, the Annual General Meetings, dividend payments and will also find all the information they need to contact the Company. Small shareholders may contact the Investor Relations area with their questions anytime. The e-mail address and phone number of the area can be accessed at the website, questions sent by e-mail will be answered by the staff persons of the area within 24 hours.

The demands of the company's investors are assessed annually through questionnaires, too. An external analyst company is assigned with the drafting of the perception study that surveys the investors' requirements and expectations with a detailed list of questions and representative samples. The Investor Relations area will prepare and submit a summary presentation to the Management Committee meeting. The Management Committee will report to the Board of Directors about the document, to provide majority shareholders with information regarding the opinion of minority shareholders.

Magyar Telekom continues to be the target of responsible investor assessments. Those investors are considered responsible investors that also take into consideration the environmental and social performance of the Company along with the customary financial and risk analyses.

In 2010 Magyar Telekom was again listed among the CEERIUS (Central and Eastern European Responsible Investment Universe) Index companies of the Vienna Stock Exchange, which rates those Central- and Eastern European companies that offer outstanding sustainability performance.

Based on the responsible investor analysis of Oekom Research Magyar Telekom is ranked as a Prime company, recommended for investment.

After 2009 Magyar Telekom participated in the Carbon Disclosure Project (CDP) also in 2010. In the frame of this worldwide initiative the biggest companies report to the largest investors (with an asset value of USD 71 thousand billion in 2010) about their climate protection approach, the associated risks, opportunities and their CO_2 emission.

7. Cooperation

7. Cooperation

7.1. Professional cooperation

Magyar Telekom, as the decisive player of the national telecommunications market is linked with numerous bonds to the neighboring areas of the domestic telecommunications industry, to the standardization bodies and to higher education. Its international activities are featured primarily by internal cooperation within the DT group, in addition to that it also participates in a number of projects aiming to learn international experiences and exploit the synergy opportunities.

The relations with the higher education institutions look back on a history of several decades, the Higher Education Dialogue launched in 2009 integrated the existing cooperation schemes into a unified framework. The option of strategic partnership is open to all the institutions of higher education, so far the BME, BCE, SZIE Győr, ELTE, the Óbuda University, CEU-CEU BS, the Debrecen University, PTE and the Szolnok College have joined this initiative. Research and development are key areas of strategic partnership focusing on increasing efficiency in operation, cost-efficient implementation of new services, along with the introduction of new technologies, which are more in harmony with the environment.
Magyar Telekom has been maintaining long-term, research and development cooperation with the Budapest University of Technology and Economics (BME). Innovative solutions and concepts elaborated in the area of development have played significant role in practical network planning, both in wireline and in mobile network areas.
KFKI organized a course of several weeks where lectures of the "KFKI Academy" were given in the Schönherz Student Hostel of the Budapest Technical University.

Makedonski Telekom – member of the Telekom Group – has established a tradition-creating partnership with the Faculty for Electrical Engineering and Information Technology. Each year they contribute to granting the traditional awards for the best students and support activities of preparation for participation in competitions domestically and abroad. In 2010, too, Makedonski Telekom contributed to granting the Social Entrepreneurship Student Award organized by the American Chamber of Commerce in Macedonia.

On Magyar Telekom's initiative and under its sponsorship, 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 fragmented Hungarian mobile and multimedia technology research and development capacities, thus strengthening the competitiveness of Hungary's economy. 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.

Development cooperation within the DT Group is given increasing importance within the international activity.
The Company regularly takes part in the activity of international standardization organizations (ETSI TISPAN, ETNO R&D WG, UMTS Forum) and in research associations for the purpose of gaining international experience.

OASE (Optical Access Seamless Evolution) project was launched in January 2010 with a period of 3 years. The objective of the project is to define common European criteria for the new generation optical networks, survey and assessment of system architectures and system technologies, overview of the tools and methods relating to technology focused cost optimization, elaboration of the related models.

In Hungary AIESEC has been operating for years in close cooperation with Magyar Telekom. Common objectives, and commitment towards certain themes create the cornerstones for cooperation. In the recent years cooperation has been extended to a wide scope of activities, starting from employer brand-building, through training of the young people, up to the reinforcement of importance of sustainability focus. We made efforts throughout the year to identify such events, programs, where we can achieve our common goals. It was a pleasure to work with Magyar Telekom in the entire year. It is a dynamic and active team, full of with genuine ideas and solution focus. It did not take too long to understand what it means: "You can count on me, I work for Telekom"

Bálint Vértesi - AIESEC

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 scenarios:
· Equal Opportunity Workgroup
· HR Workgroup
· Environment Protection and Sustainability Workgroup
· Partnership and Volunteering Workgroup

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

Katalin Szomolányi, Péter Novák
– Sustainability Day 3

On September 25, 2010 the Sustainability Day event was organized for the third time in the coordination of Magyar Telekom and in cooperation with KultúrPart (Culture Beach) and several civil organizations. This event focused also on solutions rather than problems.
In addition to attending an exhibition, participants had the opportunity to discuss social, environmental and economic issues at interactive presentations delivered by prestigious experts of the topics. The opening lecture was given by prof. Günter Pauli about Blue Economy and sustainable innovation. Within the triple focus of environment, society and economy the themes covered climate changes, equal opportunities and the issue of consumption where an additional topic, individual responsibility was also covered in the discussions. The dynamic programs were made even more enjoyable by games, contests and drummers.

Sustainability Day 3

In 2010 the organizers included in the events of the day Mezőcsát, a micro-region in particularly disadvantageous position through the so-called Jövő/Menő program. At the end of the day a collector fabricated of beer cans by the members of the community was presented to the mayor of Tiszadorogma.
In the frame of the Sustainability Day Magyar Telekom invited competition in three categories, i.e. film, music and creative arts where several competition works were submitted. Each participant could "like" exhibitors and works of the Sustainability Day with three stickers. The best works were awarded prizes at the end of the day on the basis of votes.
Detailed data are available on the website:
http://www.fenntarthatonap.info/

Crnogorski Telekom is member of the UN Global Compact initiative's Coordination Committee. On the day of launching the initiative (10 December 2010) the CEO officially signed an expression of interest in becoming the member of the UN Global Compact.


It has been two years in August 2011 that I first met with the sustainability programs of Magyar Telekom. When reading the call I realized that I found the kind of activity that was missing from my life before. I was full of desire for adventure, and joined the world of volunteers with curiosity. I wanted to make good without any reward. I wanted to find some useful pastime, instead of watching TV or sitting in front my computer. I was a bit anxious about the reception, but when I received the confirmation in e-mail I detected kindness in the message. I felt this kindness throughout the program. The first event I could take part was the Digital Bridge organized in the Mezőcsát micro-region, where both old and young people could learn about computers and the world of Internet. The volunteers, - who were my peers – and the organizers considered me as a partner from the very beginning, i.e. right from my arrival. I never felt as "subordinate". It was fantastic to help others. Perhaps this was the background of my decision at the end of the day: I must stay here forever. It was not too long before I learnt about Jövő/Menő program where I have been participating actively ever since then. We return to Mezőcsát from time to time: we collected garbage on the banks of Tisza, painted the fence in a kindergarten, and helped wherever we could. In the events of the talent scout programme we invited the population to learn about Internet. In the frame of the program we visited festivals as well. Over 800 participants of festivals completed tour Sustainability tests last summer. We welcomed all the interested attendants in our "Stand" in the events of Sustainability Day, and this year we had an opportunity to show to the university students why should they take care of their environment in "Green session" or "Green holiday" organized by Jövő/Menő. Some of my mates from the University also took part in the programme and by now I am proud to tell that we found new volunteers. Obviously, I can not summarize in this short paper all the details of my experiences I gained since I joined the team of volunteers. Nevertheless, if someone asks me why I spend my time with these things, I answer with a smile: come and join us, and you will see how good it is to do for the world, for yourself, and for people around us ..." Now I see the word differently. I lean out for a handkerchief, at home collect the garbage selectively ,disconnect electricity before I go for a longer excursion, and glad to go to the garden to water the tomatoes, or buy breakfast for the homeless just for the sake of being good. Still, I would not say I am "sustainable": we have to learn sustainability lifelong, and I know for sure, where I can learn it from: Magyar Telekom and Jövő/Menő program remain my teachers forever.
Thank you.

Zsófi Zatureczki – Jövő/Menő Volunteer

8. Corporate responsibility
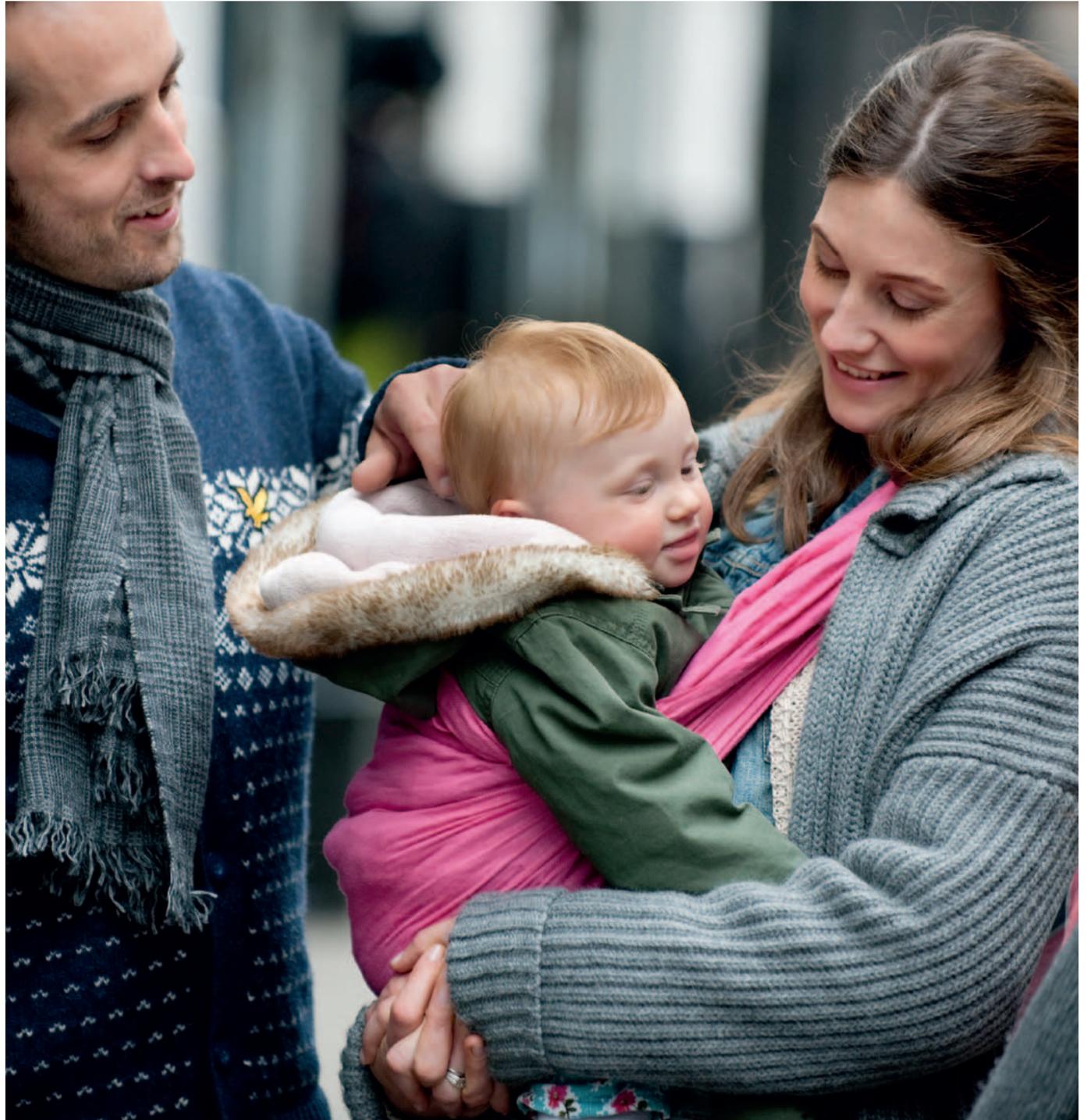
8. Corporate responsibility

Goal in the 2008 – 2010 Sustainability Strategy
Corporate citizenship, philanthropy

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 life, 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 widest-reach free family program of 2010, held in Budapest, on Hajógyári Island and offering exciting programs for children through 4 weekends. We always aim to help also such children come to the T-Home Children's Island who could not make it otherwise, because they live far from the capital or their social background just does not make it possible. So we joined forces with the SOS Children's Village Hungary Foundation to bring children from the country villages to the T-Home Children's Island for some extra fun outing. A special T-Home bus carried groups of children to Hajógyári Island and back to their home after the event. Thanks to T-Home's charitable action, some 250 children who live in the countryside visited the Children's Island, including some who never crossed the border of their county previously.

In 2010, T-Home launched a charitable toy donation program for visitors of Children's Island, as a result of which more than 300 kilograms of toys were collected and sent to the protégés of the nonprofit organizations selected jointly with the Nonprofit Information and Education Center. The toys donated by the visitors of Children's Island were distributed among Ágota Foundation, the Association of Former Chil-

dren under State Care, the Happy Childhood Foundation the National Association of Big Families, and the Student Hostel of Homok.

The T-Home Vivicittá running races in protection of the cities are Hungary's most popular amateur sport events. In 2010, the runs took place in Budapest, Szeged and Kaposvár, and teams from primary and secondary schools could also participate. T-Home offered HUF 100 000 worth of sports equipment vouchers at each location for the schools that sent the largest teams. In 2010 over 2500 schoolchildren ran the distance.

Magyar Telekom supported the Valley of Arts Festival as communications partner. In addition to providing free broadband internet access Magyar Telekom contributed to keeping the air of the Valley clean with free bicycle rental.

The strategic partnership of Magyar Telekom and the Palace of Arts continued in 2010, too. We tightened the bonds of the three-year strategic partnership even further.

A number of significant themes were covered in propagation of scientific results, which is also a key focus of the company's social responsibility efforts.
· The most significant element is Encompass, a joint science diffusion undertaking with the Hungarian Academy of Science (MTA). The new series called ME2.0 could be started after lengthy process of coordination.
· We made efforts towards reinforcement of this area by seeking cooperation with the local organizers of TEDx conferences, where the first event we supported as main sponsor was TEDxYouth Budapest in November.
· The Company also supported the Researchers' Night, in cooperation with Tempus Foundation. The event offered the opportunity to students of different ages to learn the attractive and exciting sides of science. This year, as part of our support, we furnished a complete gallery at the site, at Millenáris, in the House of the Future, where we

displayed our own projects related to the topic. Among others we invited KIBU, KFKI and [origo] to the event.

We also sponsored two whole-year conference series last year. One was the Hungarian Consumer Platform, in the framework of which the organizers addressed with thematic program the consuming patterns of and approach to different layers of society.
The other supported event was the conference series called 'It's Our Turn', organized by the Institute for Political Science of the Hungarian Academy, which aimed to inform the public about EU issues prompted by the upcoming Hungarian presidency in 2011.

In 2010 Makedonski Telekom and T-Mobile Macedonia sponsored the following events:
· Vevcani Carnival (a cultural event of great traditions of the country, which is broadcast live by several television companies)
· Skopje Summer Festival (a 40-day series of cultural events of outstanding importance)
· Skopje Jazz Festival (a highly popular event in the region)
· Bob Dylan concert
· Kaliopi concert and album (Kaliopi is a famous pop diva of the Balkans)
· Kayak Slalom IKAS 2010
· Ohrid Swimming Marathon (the biggest sports event in the country)
· Swimming Federation of Macedonia (supporting participation of the Macedonian National Water Polo team in the 2010 European Championship)
Sports occupy special place in the sponsoring strategy of Crnogorski Telekom. T-Com is the gold sponsor of the number one football team of Montenegro and also sponsor of the Montenegrin Premier Football League. Besides, the Company continued sponsoring the T-Com Kids Cup of elementary school children.

T-Mobile Montenegro has, traditionally, for the eight year in a row, been the sponsor of Women's Handball Club Buducnost T-Mobile, one of the most successful sports clubs of the country.

8.2. Institutional Patronage

In line with our Corporate Citizenship Strategy adopted in 2009, we have made efforts to rationalize our donations provided in the frame of institutional patronage, close some of them and convert into sponsoring.

- In compliance with the adopted strategy, on our request the Telecommunication Training Foundation, which is responsible for financing the Puskás Tivadar Telecommunications High School, initiated that the high school be transferred to the local government for operation. So, at the end of 2010 a period of nearly 2 decades was closed.
- Together with the co-founder Magyar Posta, we continued to finance the operation of the Telecommunication Museum Foundation and its affiliated entities (Postal Museum, Stamp Museum, Telephony Museum) in 2010, too, while we also continued negotiations towards a sustainable operational model.
- 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. Our two-year sponsoring agreement valid till the end of 2011 provides the orchestra with significant financial background while involvement of further resources is also essential. In June 2010 we organized a joint charity concert with the Orchestra and with the Palace of Arts - our strategic partner - with the title Hungarian Fantasy, where several million forints were donated to those suffering losses due to the flood

In 2010 The T-Mobile for Macedonia Foundation supported the fundraising campaigns of two civil organizations Pozitivo and Samosvest. Provision of direct support is a new feature in the history of the Foundation, which aims to improve the quality of life for Macedonians through development of the health care services. In addition to that it offers a good opportunity to reinforce cooperation between the Foundation operating as a business enterprise, and the non-governmental sector. In 2010 Makedonski Telekom and T-Mobile Macedonia continued cooperation with the Chamber of Commerce, aiming organization of conferences on the development of IT industry and reinforcement of international cooperation.

Crnogorski Telekom' social responsibility initiatives are targeted at the development of the education and young people, the information society, culture and arts, environmental protection and human rights, democracy and civil society. In addition to the strategic partnership Crnogorski Telekom is running cooperation with a number of civil organizations representing disabled people and aiming the development of the society.

8.3. Donation

Magyar Telekom continued its 'Magyar Telekom Contributes' donation program till the end of 2010, whereby the Board of Trustees evaluated quarterly the donation applications submitted from time to time. At the end of 2010 the Company launched its 'hello holnap!' initiative with the purpose of bringing the numerous and diverse sustainability activities under a common umbrella program on the one hand, and of launching a social education program, on the other.
In line with this objective the preparation for a new operation of the Board of Trustees was started in 2010, where the donation activities and other sustainability activities were integrated in the hello holnap! initiative.

NGO strategic partnership

The NGO Strategic Partnership Program announced in 2009 and launched in 2010 provides support of HUF 10 million to the selected NGO for a three-year period and offers close, high level and also instructive cooperation opportunity to all the parities involved.

Selected partner organizations are:
- **Blue Point Drug Counseling and Outpatient Center Foundation**

We support the three-stage prevention program of the foundation. The primary level of the program is the Health School, in which foundation staff contact secondary school students to communicate the concepts of awareness, usefulness and discipline in the frame of discussions aiming to shape the views of the students. Thanks to the support the program has been rolled out country-wide.
The second stage is kannabiszpont.hu, which offers online assistance to cannabis users enabling them to log their consumption and giving them anonymous counseling. kannabiszpont.hu can be accessed via smartphone applications, as well. Stage three pursues the objective of the digital integration of intravenous drug users.
In addition to the commitments undertaken in the program we also cooperate successfully in events, running the objective of transfer of knowledge, education (e.g. AIESEC workshops, civil conferences).

One of the major benefits of our partnership is that ongoing personal communication assists common presence and communication in other scenarios beyond directly supported programs. As Magyar Telekom is an outstanding sponsor of VOLT and Balaton Sound Festivals as well, Blue Point had an opportunity in both events for displaying its services offering safer ways of entertainment. We participated as partners in professional conferences, in our self-organized programs, and even project ideas of submitting common applications were raised.
A key message of the cooperation is that Magyar Telekom – as leading telecommunications company – largely contributes to an open, and honest social discussion of drug consumption. Cooperation implemented as partnership reaches beyond the scope of financial support, so when in January 2011 the national drug policy forum organized by the four largest professional umbrella organizations took place at the headquarters of Magyar Telekom, we considered it as an achievement affecting the entire profession.

Erika Barna – Blue Point

· **Hospital Trainers' Association**

The association – supported by Magyar Telekom - provides assistance to children suffering from chronic– primarily tumor – diseases in nine hospitals countrywide (in Budapest, Debrecen, Miskolc, Pécs, Szeged and Szombathely). Education plays paramount role in the improvement of the psychical condition of the patients, ongoing communication with the class-mates, teachers is crucial.

Our support provided to Hospital Trainers is not limited to financial donations, we do our utmost to assist the work of the hospital trainers with our IT, ITC and web2.0 tools and knowledge.

Our expert colleagues have designed in the frame of cooperation the corporate identity of the association, developed its web page and provided social media training to the members of the association.

· **Szívlapát Foundation**

The Jövő/Menő program of Szívlapát Foundation covers all the objectives which reflect the sustainability principles of the Company. The program has set the objective of promoting sustainable development objectives of the micro-regions in disadvantageous position, where the first venue was the Mezőcsát micro region.

Márk Katona – Jövő/Menő coordinator

Our objective is to draw up a master project which can also be used in other micro-regions of the country. The program launched a number of workshops, including. Media school, Energizing workshop and Domestic Products workshop, as well as a number of volunteer programs. For updated information about the initiatives implemented in the Mezőcsát micro-region visit www.jovomeno.org.

Starting from 2010 the Hospital trainers' Association will be one of the strategic partners of Magyar Telekom for a period of three years. This cooperation is of outstanding importance to us. Financial support is essential for us – just like for any other NGO, -as with this support we are able to provide direct assistance to children suffering from cancerous diseases, and their trainers in the eight children' oncology centers countrywide and in other areas as well. We provide laptops, mobilenet access, books, school books paramount to learning, and also provide lots of colorful tool for creative work and playing.

Nevertheless, friendships, experiences gained during the programme are even more important to all of us. The unlimited support we receive from the Telekom staff is fantastic: opportunities for making our work known to people, have their understanding and appreciation regarding existence of our work – all these with the understanding support of professionals. In 2010 we had an opportunity to take part in the Sustainability Day in the category of social sustainability. In spring 2011 we had an opportunity to introduce ourselves in a civil conference organized at the Budapest Headquarters of Magyar Telekom. In June Magyar Telekom organized a fundraising event at Children' Island for the benefit of our organization. We also had opportunities for several printed and electronic press coverage. Beyond the financial support we receive from time to time we also enjoy the moral support of the responsible professionals working for Magyar Telekom. Within this three year programme we live the great days of the Hungarian hospital training, which is no exaggeration. We are to write history. Together with you.

Krisztina Kocsis – Hospital Trainers' Association

Financial donations

In 2010 on the basis of the decision of the Board of Trustees of Magyar Telekom Contributes program some HUF 134 million was donated to programs primarily aimed at solving problems of children, education, healthcare and sustainability.

 Based on the decision of the top management, through the Hungarian Red Cross Magyar Telekom provided support of HUF 60 million to the

victims of the floods of last year and also provided 200 prepaid Domino card sets for the rescue works.

T-Mobile for Macedonia Foundation is a volunteer organization founded by T-Mobile Macedonia in 2002. Its membership comprises volunteers of the Company, and from this year on also from the entire Makedonski Telekom Group. In 2010, the Foundation continued to pursue the objective of improving the level of health care services provided to Macedonian citizens. In 2010 the Foundation donated an artificial ventilation machine worth EUR 32 000 to the State Intensive Care Clinic in Skopje and also spent EUR 16 000 towards the refurbishment of the children's ward in the University Clinic for Infective Diseases in Skopje, with which it contributed to development of high standard medical services.

Since its founding in 2002 the Foundation has been organizing the Humanitarian Christmas Caravan; in December 2010 the Foundation distributed 900 Christmas presents (chocolate and toys) among children in institutions, economically deprived children and children with special needs.

Makedonski Telekom and T-Mobile Macedonia contributed with donations to the reconstruction of the Skopje Zoo, which effort also contributed to raising the standard of education of Macedonian children and youth.

In December 2010 Crnogorski Telekom donated EUR 25 000 to the Montenegrin Red Cross as prompt support to the disaster recovery and assistance efforts of the flood victims. The company also started a donation line giving customers the opportunity to make donations for this purpose.

1749 – Helpline

Unfortunately, several natural disasters occurred in 2010 which called for launching the 1749 Helpline operated jointly by several service providers.

Thanks to the efficient and flexible cooperation of exemplary value the infocommunications companies several hundred million forints were

collected to aid the victims of the Haiti disaster, the floods in Hungary and the red mud spill in Kolontár and Devecser.

By a consensus decision the partner operators agreed to pay VAT on prepaid calls, so the full amount of HUF 200 was credited on each call to the beneficiaries.

1788 - Telekom Donation line

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 communication campaigns of the organizations in question mounted in the collection period (e.g. public commercial film (TCR film), television and other press coverage).

Beneficiaries of the program in 2010:

- Debrecen University, Special Medical and Emergency Group Association, – for improvement of health care services provided to people living in the scattered localities in the North Plain area
- Magyar Telekom made HUF 4.5 million extraordinary donation to the Association for the Haiti disaster to aid the construction of a hospital in the region hit by the disaster.
- Dévény Anna Foundation – for the rehabilitation and early development of children born in a state of oxygen deficiency
- Horse-rider Academy Sports Club Association – to provide horse therapy for children living in families in need
- BLISS Foundation – for supporting the complex rehabilitation of children and young people with the most serious disabilities of motion and communication.
- Vocational Training and Employment Assistance Foundation – for supporting career-starters in starting a job, through the program titled "Find people – train them – launch them to work"

* Domino (prepaid) calls contain VAT

- Hungarian Foundation for Pediatric Emergency Care – for supporting the quality improvement of the emergency services provided to children in Hungary

Those who need an urgent surgery or medical treatment in Macedonia, the fundraising efforts of social projects and civil organizations use T-Mobile special donation line as the most active channel of donations, where T-Mobile customers can contribute directly to the humanitarian efforts. In 2010 more than EUR 150 000 was raised through over 60 donation lines.

Civil – and CivilNet Tariff packages

The Company launched its Civil tariff package service in March 2004. Civil Tariff Package provides 500 minutes of free calls without monthly fee and connection fee in the domestic wireline network. The tariffs of usage exceeding 500 minutes contain an average of 30% discount on the traffic fee compared to the basic package. In 2009 – responding to the demands of the NGOs - Magyar Telekom extended its Civil tariff package service to internet access as well by launching its CivilNet tariff package, which provides internet access service without connection fee and monthly fee to public benefit organizations selected in competition. Applications can be submitted for the CivilNet tariff package jointly with the Civil tariff package. In the frame of the service package, in 2010 the Company provided discount schemes altogether to 37 organizations with an overall value of HUF 3 672 000.

Counseling line service

The Company puts special emphasis on supporting counseling help lines by providing free calling possibility. In 2010, this translated into close to HUF 12.5 million support to 11 organizations operating counseling lines.

In 2010 Magyar Telekom also participated in the negotiations aiming at the provision of integrated European phone numbers to member organizations of the Hungarian Help Line Services Association.

8.4. Employees as Corporate Citizens

The Matched Individual Donations 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 own donation, between HUF 15 000-100 000, it provides the same amount, above HUF 100 000, it donates HUF 100 000.)

The experiences of the past years prove that this system encourages us, private citizens, to be charitable: Up to December 31 2010, different nonprofit organizations, dealing mainly with healthcare, education, disadvantaged children, received close to HUF 125 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 amounted to HUF 9.9 million in 2010.

In 2010, ✔ 154 employees of Magyar Telekom participated in volunteer work organized by the Company. Altogether 28 events were organized, 23 of them in the frame of the Digital Bridge in Small Localities program, 4 within Jövő/Menő Program, and one was organized jointly with the Óbuda University. Volunteer days totaled at ✔ 331 within the program, which equals about HUF 5.9 million volunteer donations by the company. In the Jövő/Menő program not only the employees, but also third party volunteers could participate.

T-Mobile for Macedonia – a volunteer foundation – organized volunteers' month in November 2010 in order to reinforce the spirit of volunteering within the Company. The campaign carried a tradition-creating spirit where office furniture was presented with volunteer involvement to six public benefit institutions, including the SOS Children's Village in Skopje and the "11 Oktomvri" Children's Home. Besides transporting and moving the cupboards, desks and chairs the volunteers had an opportunity to spend some time with the children and with the employees of the beneficiary organizations.

9. Responsible content services

9. Responsible content services

9.1. Protecting children

Magyar Telekom Group has adopted a number of measures to provide for safe usage of information and info-communications technologies.

The chat rooms (iwiw, [origo], T-Mobile) that can be accessed by children are 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 video sharing system, T-Mobile). Magyar Telekom continuously monitors its adult content pages to prevent uploading 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 the Digital CableTV, Sat TV and T-Mobile services.

For the purpose of promoting this free service leaflets were distributed about child lock in the event of T-Home Children Island, an own event of Magyar Telekom (5-27 June, 2010) and Magyar Telekom initiated close cooperation with the Hungarian Foundation for Pediatric Emergency Care. As a result the following activities were implemented:
- Informative material about the Child Lock service elaborated by three mobile operators was included in the lectures given to children and their parents by the International Foundation for Pediatric Emergency Care.
- Magyar Telekom was present with a truck in the Safer Internet day organized at the end of May by International Foundation for Pediatric Emergency Care where brochures were distributed

- Lectures and children's' workshops were organized for the secondary and primary school children in Szolnok about safe usage of info-communication facilities, which accompanied the programs of International Foundation for Pediatric Emergency Care and T-City Program of Magyar Telekom.
- Magyar Telekom also gave a lecture in the Internet Conference organized by International Foundation for Pediatric Emergency Care on 21-22 September 2010. The title of the lecture was 'What info-communications operators do for the protection of our children?' In the frame of the lecture Magyar Telekom informed about the measures and actions taken in the various service areas towards the security of children.

In 2010 [origo] continued to make available contents exclusively for minors under its Videa Kid video player/sharing site. The front page of [origo] displays a dedicated coverage to parents which contains a detailed description of safe internet usage opportunities, software applications (tales browser, network filters, protecting programs, etc) assisting the parents in understanding the operation of the child protection facilities.

Pursuant to the new Media Act [origo] as a press product, and the so-called on-demand media services operated by Origo Zrt. will be obliged to apply child lock when publishing adult contents. The details of child lock will be coordinated with the related department of the National Communications Authority.

9.2. 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 spread of broadband internet the pattern of using 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 responsible for the operation of the [origo] portal – is the founding member of MTE Hungarian Content Providers' Association 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 of the [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.

Makedonski Telekom is connected with a number of activities to the provision of content services via various channels including IPTV and WEB. The contents delivered to the customers are in part self-produced, (primarily the web contents) in part they come from content producers (in case of web and IPTV contents). Macedoski Telekom concludes agreements for any content produced by third party directly with the content producer or distributor, with observance of the legal and regulatory requirements, including the required licenses. Makedonski Telekom ensures full compliance with the relevant ethical principles in the acquisition, production of content and in provision of content service and provides services of outstanding ethical standard.

Crnogorski Telekom currently performs its content acquisition as exclusive procurement, where it has extended substantially its international cooperation in 2010 in an effort to minimize the eventual legal and ethical risks. It has been involved in the DT program aiming to implement procurement from prominent content provides so as to reduce the relevant legal risks. The content acquisition talks managed by DT carry smaller ethical risk than direct negotiations.

10. Data protection

10. Data protection

Similarly to the previous years, the 2010-year data protection objectives of Magyar Telekom include a data protection practice which is in full compliance with the privacy regulations and with the best practice of data management specified by the data protection commissioner.

As in 2010, we received calls from the Data Protection Commissioner's Office , which the data protection group of Magyar Telekom investigated in each case and reported the findings to the Data Protection Commissioner. In 2010 altogether 27 complaints were made about personal data management where the Data Protection Commissioner's Office requested an investigation, of these 7 complaints were verified. Based on the results of the investigation we reviewed our processes and made the necessary adjustments.

An internal regulation has been completed on the particular IT requirements relating to protection of personal subscriber data, designed to efficiently ensure compliance with the regulations on the protection and security of personal data of the subscribers. Since early 2010 a regularly updated data protection portal is available on the intranet to ensure full compliance with the data protection requirements for the organizational units of Magyar Telekom.

Magyar Telekom has launched the Network Access Control (NAC) system on its entire network for the protection of network and control of the equipment connected to the network. NAC will prevent connection of unknown, illegal or infected tools to the network.

For further information on the theme visit the following website: http://www.telekom.hu/data_protection

In 2010 high priority was given to data protection at Makedonski Telekom, including protection of customer, business and employee data. In accordance with this objective, the follow-up audit of customer data protection was performed at T-Mobile Macedonia. (According to the plans such audit will be performed at Makedonski Telekom in 2011.) The purpose of the follow-up audit of customer data protection is to check the user account management, roles and privileges, application access controls, mass data lists, logging and monitoring. The audits of business data protection checked access of IT administrators, compliance with the internal regulations and existence of the preventive and detective mechanisms. Survey of the data protection provisions related to the management of employee and manager personal data was performed in the frame of a data protection audit where survey of compliance with the internal rules, laws and regulations was conducted by taking into consideration the experiences of Deutsche Telekom and Magyar Telekom. The measures taken as result of the audit - including limitation of mass data accesses and downloads, and network access controls – were implemented. The full disk encryption project is in progress, its closing is expected in the first quarter of 2011. In addition to the above actions the Group Security Directorate

conducted risk audits to identify security gaps at Makedonski Telekom and T-Mobile Macedonia. Over 50 platforms, databases, O/S servers and applications were scanned in 2010. Based on the outcomes of the scans, the recommendations were given to the system administrators for closing the security gaps. As a result of the process the level of data protection increased, and awareness of data protection increased among the employees.

Crnogorski Telekom has its Data Protection Policy and Code of Conduct, which are in full compliance with the provisions of the related regulations. The Rules Book of Data Protection has been adopted recently, and the Agency of Data Protection has also commenced its operation in cooperation with the related authorities towards the implementation and monitoring of the regulations. Application of the new act on security of information specifies new tasks and obligation for the company, not only in respect of the protection of personal data but also for protection of any data displayed in the IT system.

11. Safe use of mobile phones, electromagnetic fields

11. Safe use of mobile phones, electromagnetic fields

At the end of 2010, the number of mobile phone subscribers in Hungary reached 12 million, in Macedonia 2.1 million and in Montenegro 1.2 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, high density networks, however, might draw communities' attention towards 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 situation 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.

To support these initiatives a dedicated 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 questions posed by authorities, residents or employees. Further information about T-Mobile International's "EMF Policy Recommendations" adopted by Magyar Telekom is available in English on the website of T-Mobile International.*

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 is educated in question concerning electromagnetic fields as part of the mandatory orientation briefing.

T-Mobile Macedonia launched the EMF Regulation in the first quarter of 2010. The Regulation lays down the principles of responsible use of mobile communications technologies, by which the company commits toward increased transparency, information and involvement. The Company has set up an Internal EMF Team for addressing problems concerning several areas, which aims to internal cross departmental communication of EMF, science & research, risk communication, regulations and legal aspects, management of complaints and enquires. Based on the request of EMF the employees of T-Mobile Macedonia were trained in 2010. The company does not consider the information relating to electromagnetic fields as competitive issues, therefore they initiated cooperation with the mobile operators. The goal is to set up a working group for implementation of the measures and production of information materials. The Memorandum for cooperation is expected to be signed in 2011.

Mobile network, network development

Antennas in the base stations are mounted in a way that employees normally cannot stay in front of them, 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 antennas, 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 antennas are relocated temporarily or their output is reduced.

If the Magyar Telekom employees who perform work in the vicinity of antennas 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 risk.

If necessary, the compliance of Magyar Telekom's mobile network with statutory limits is verified by independent measurement bodies. In 2010, more than 40 on-location non-ionization electromagnetic exposition measurements took place, all of which found the emission levels to be under the relevant limits.

Magyar Telekom coordinates and cooperates with the concerned parties prior to the construction of each base station and tower. If needed, citizens' forums are held with the participation of all concerned parties to reach an agreement.

Communication

Despite the fact that the radiation of Magyar Telekom's handsets and mobile base stations is well below the ICNIRP emission limits, the Company considers communication to employees and customers important**.
In this spirit, in 2010 two internal training programs were held, in the framework of which some 50 colleagues participated in the presentations delivered by the expert of the Frédéric Joliot-Curie National Research Institute for Radiobiology and Radiohygiene (OSSKI), Vodafone and Magyar Telekom.

In addition to internal communication, in 2010 Magyar Telekom continued to be open to respond to any inquiries about safe use of mobile phones.

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* http://www.telekom.com/dtag/cms/content/dt/en/585086

** http://www.telekom.hu/society_andenvironment/society/health_and_safety

The EMF portal, established in 2006 and continuously available in 2010, as well, was developed in cooperation by three mobile operators (http://www.emf-portal.hu). On this 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 Internet page (www.bazisallomas. com), where visitors can find answers to questions about the healthcare legal and technological implications of electromagnetic fields and GSM systems.

The SAR30 values* of the devices are included in the user manuals in the mobile set 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

Exposure of the world's population to non-ionizing electromagnetic radiation and electromagnetic fields (EMF) has increased considerably during the recent years. Since 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 exposure of the environment and the population is expected to increase further in the future. 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 studied and analyzed for more than twenty years. So far scientific research has not confirmed any negative health impact of mobile telecommunication on the human body.

The largest scale research undertaken in this field so far, the WHOIARC INTERPHONE Project, is still ongoing with the involvement of 13 countries. According to WHO's plans, radio frequency radiation, 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 2011.

In 2010, Magyar Telekom supported the Hungarian research on electromagnetic fields involving personal exposure metering with more than HUF 6 million (in 2009: HUF 4 million), which research activity continues in 2011, as well. through its membership in the GSM Association. Magyar Telekom contributes also indirectly to independent research on the health impacts of mobile networks.

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, in cooperation with operators in the UK and Germany, has been supporting an international research program since 2002 with more than EUR 20 million, in addition to the EUR 6 million provided through the GSM Association.

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

* 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
AG	Aktiengesellschaft (Company limited by shares)
ÁFA	Value Added Tax
ÁSZF	General Contract Terms
BBU	Business Services Business Unit
BCE	Corvinus University Budapest
BME	Budapest University of Technology and Economics
BYMM	Beet Your Mouse Movement
CBU	Consumer Services Business Unit
CEERIUS	Central and Eastern European Responsible Investment Universe
CEU	Central European University
CEU BS	Central European University Business School
CDP	Carbon Disclosure Project
CIO	Chief Information Officer
CSR	Corporate Social Responsibility
CO_2	Carbon dioxide
CSFKT	Group Sustainability Coordination Council
DELFIN-award	Award for a Committed, Sustainable, Innovative Generation
DJSI	Dow Jones Sustainability Index
DSL	Digital Subscriber Line
DT	Deutsche Telekom
EC	Economic Performance Indicators
EBIDTA	Earnings Before Dividend, Tax and Amortization
EBH	Equal Treatment Authority
EDR	Unified Digital Radio Communication System
EFT	Electronic Traffic Information
ELTE	Eötvös Loránd University
EMF	Electromagnetic Fields
EN	European Norm
EN	Environmental Performance Indicators
ENSZ	United Nations
e-RFX	Electronic RFX (RFX – collective name of RFI (request for information), RFP, (request for proposals) and RFQ (request for quotations)

Abbreviation	Full name
ESzCsM	Ministry of Health, Welfare and Family Affairs
ETNO	European Telecommunications Network Operators' Association
ETSI	European Telecommunications Standards Institute
EU	European Union
GC	Global Compact
GeSI	Global e-Sustainability Initiative
GFN	Global Footprint Network
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
GVH	Hungarian Competition Authority
GWh	Gigawatt-hour
HBLF	Hungarian Business Leaders Forum
HR	Human Rights Performance Indicators
HR	Human Resources
ICNIRP	International Commission on Non-Ionizing Radiation Protection
ICT	Information and communication technology
IFRS	International Financial Reporting Standards
IO	Internal Operations
IP	Internet Protocol
IPTV	Internet Protocol TV
ISDN	Integrated Services Digital Network
ISO	International Organization for Standardization
IT	Information Technology
iWiW	international who is who
IWF	Internet Watch Foundation
IVR	Interactive Voice Response
JB	Remuneration Committee
K+F	Research and Development
KFKI	Central Physical Research Institute
KIBU	Kitchen Budapest
Kft.	Limited liability company

Abbreviation	Full name
KMR	Career management system
KTV	Cable TV
kWh	Kilowatt hour
LA	Labour Practices and Decent Work Performance Indicators
MakTel	Makedonski Telekomunikacii
MKB	Magyar Külkereskedelmi Bank (Hungarian Foreign Trade Bank)
MT	Magyar Telekom
MTA	Hungarian Academy of Sciences
MTE	Hungarian Content Providers' Association
MTIP	Mid-term incentive plan
MWh	Megawatt- hour
NMHH	National Media and Communication Authority
Nyrt. (Plc.)	Public limited company
OASE	Optical Access Seamless Evolution
OMFI	National Labour Hygiene and Labour Health Institute
OSSKI	"Frédéric Joliot-Curie" National Research Institute for Radiobiology and Radiohygiene
PA	Providing Access (Access to telecommunications products and services)
PCM	Pulse Code Modulation
PEM cella	Proton Exchange Membrane cell
PoS	Point of sale
PPR	Performance Planning and Review
Q4	Quarter 4
PR	Product Responsibility Performance Indicators
PSTN	Public Switched Telephone Network
PTE	University of Pécs
RFID	Radio-frequency Identification
SAR	Specific Absorption Rate
SAT-TV	Satellite TV
SEC	U.S. Securities and Exchange Commission
SIM	Subscriber Identity Module
SMS	Short Message Service
SO	Social Performance
SZIE	Szent István University

Abbreviation	Full name
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
TWM	Total Workforce Management
UMTS	Universal Mobile Telecommunications System
UNEP	United Nations Environmental Programme
ÜB	Management Committee
VoCable	Voice over Cable TV
VoCa	Voice over Cable TV
VoIP	Voice over Internet Protocol
VSAT	Very Small Aperture Transmission
WHO	World Health Organization
WWF	World Wildlife Fund
Zrt.	Private limited company

Assurance Statement

INDEPENDENT ASSURANCE REPORT

INDEPENDENT ASSURANCE REPORT

To the Management of Magyar Telekom Nyrt.

This report is produced in accordance with the terms of our Contract dated 6th July 2011 for the purpose of reporting to Magyar Telekom Nyrt. (the "Company") in connection with 2010 Sustainability Report.

Management's Responsibility

The Management of Magyar Telekom Nyrt. is responsible for the preparation of the Sustainability Report in accordance with the GRI criteria as set out in Sustainability Reporting Guidelines of Global Reporting Initiative G3 version A+ criteria ("GRI criteria").

This responsibility includes the selection and application of appropriate methods to prepare the Sustainability Report and the use of assumptions and estimates for individual Sustainability disclosures which are reasonable in the circumstances.

Description of the Subject Matter and Identification of the Criteria

PricewaterhouseCoopers Könyvvizsgáló Kft. has been engaged to perform a limited assurance engagement on selected information and data of the 2010 Sustainability Report for the calendar year 2010 prepared by the Management of Magyar Telekom Nyrt.

Our Responsibility

Our responsibility is to report on "2010 Sustainability Report" based on our work performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Information" ("ISAE 3000"). This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether the key facts and figures included in the 2010 Sustainability Report complies, in all material aspects, with the GRI criteria.

Summary of the work performed

Within the scope of our work we performed, among others, the following procedures:

- Inquiries of the management as well as personnel of the central unit responsible for the reporting of sustainability information and the preparation of the Sustainability Report;
- Examination of the relevant documentation regarding the appropriateness of the relevant processes for gathering and analyzing the information marked with the check symbol ("✓") in the Sustainability Report;
- Analytical review of selected sustainability details;
- Conduction of site visits, investigating site specific inquiries and evidences;

- Performing sample testing for the accuracy of the information marked with the check symbol ("✓"), for example by inspecting internal documents, contracts and invoices/reports from external service providers.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the key facts and figures included in the 2010 Sustainability Report has not been prepared, in all material aspects, in accordance with the GRI criteria.

Manfred Krawietz

Partner

PricewaterhouseCoopers Könyvvizsgáló Kft.

Budapest, 12nd August 2011.

IMPRESSUM

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