

Self-evaluation of the work of the Board of Directors – 2017

Role, members of the Board of Directors

The Board of Directors of Magyar Telekom Plc. (hereinafter “Magyar Telekom” or “Company”), as management body, represents the Company with regard to third parties, in court and before other authorities. The Board of Directors is responsible for comprehensive management of the group and for the approval of the group strategy, organizational structure and the medium and long-term targets of business strategy. While the Board of Directors has delegated the daily management of the Company to the Management Committee chaired by the Chief Executive Officer, it has retained certain formally defined issues within its exclusive authority.

The Board of Directors exercises its rights and performs its obligations as an independent body. The Board of Directors acts in compliance with its rules of procedure, the relevant legal regulations and the Articles of Association.

The Board of Directors of Magyar Telekom is not an operative management body. In other words, it is not involved in the daily business of the Company. The Board of Directors is responsible for all matters relating to the Company's management and course of business not otherwise reserved to the General Meeting or to other corporate bodies by the Articles of Association of the Company or by the law. Among other responsibilities, it approves the Company's strategy, business plan, major organizational changes and key transactions, concludes employment agreements with and removes the Chief Executive Officer and the Chief Officers, and determines the remuneration and target tasks on the basis of which it evaluates their performance.

The Board of Directors is comprised of a minimum of six (6) and a maximum of eleven (11) members. On December 31, 2017, the Board of Directors had eight members, with one internal (executive) and seven external (non-executive) members.

The Board of Directors evaluated the independence of its members taking into the following criteria:

- lack of an important conflict of interest, or incompatibility,
- there is no such
 - business,
 - family, or
 - other relationship (with the Company, its controlling shareholder or the management of either) that results in a conflict of interest and therefore threatens decision-making.

Meetings of the Board of Directors and information flow

In 2017, the Board of Directors held five meetings in accordance with its Preliminary Meeting Schedule, and an extraordinary meeting at which the overall rate of attendance of the members (either personally or by telephone conference) was 79%.

Furthermore, the Board of Directors adopted resolutions without holding a meeting in writing in eight cases as regulated in its Rules of Procedure.

The members of the Management Committee and senior executives of other than Board of Directors level attend certain Board of Directors meetings to answer questions and make presentations on strategic directions and the results of their governance areas. The members of the Board of Directors receive accurate and appropriate documentation before the Board of Directors meetings. Apart from meetings

through personal attendance, the Board of Directors may take decisions without holding a meeting in writing. The Chief Executive Officer maintains regular communication with the Board of Directors members also outside the events discussed above, and holds informal talks with those Board of Directors members who are not involved in the daily management of the company about matters impacting the Company.

In accordance with the relevant law, the Articles of Association and the Rules of Procedure of the Board of Directors and the Supervisory Board, the Board of Directors has furnished quarterly reports to the Supervisory Board on the management, financial status and business policy of the Company.

Information about decisions of the Board of Directors relevant to the investors was published on an ongoing basis on the Company's website and the Budapest Stock Exchange's website.

Group strategy objectives

The Board of Directors and the management have developed close and constructive working relations for the implementation of the strategic objectives.

Because of our focused strategic efforts, Magyar Telekom maintained its leading position in its Hungarian fixed voice, broadband, pay TV, mobile and ICT businesses in 2017, successfully improved customer retention and delivered strong volume figures. We built a world class 4G mobile network and massively improved our fixed line HSI coverage in the past years.

On the December 15, 2017 meeting the Board of Directors approved the 2018-2021 Business Plan. The 2018 strategic focuses mentioned below were established to focus previous years' strategic direction and to answer the challenges of the market.

Based on our improved network capabilities we aim to provide services to all segment and customer on voice, TV broadband and IT markets. The strategic objective in the mid-term is to become more agile, enhance efficiency, simplify the product and services portfolio, increase process automation and online customer servicing. As an integrated provider, we continue to deliver a unique customer experience supported by our leading brand and best technology.

While anticipating new competencies required by the changing customer behaviour, technological advances and new business models Magyar Telekom aims to exploit abilities to become a leader in all digital services around the home for both customers and third parties. We continue to identify and leverage new business opportunities in e-health, IoT and cloud services.

Following our strategy enables us to exploit and develop our extended customer base, improve efficiency and capture growth opportunities in an extended market of information and communications technology and related industries, which secures stable cash generation in the long run.

The Board of Directors continued to pay special attention to acquisition opportunities since the exploration and successful implementation of value-creating acquisition opportunities is a key strategic objective for Magyar Telekom in the medium term. In Hungary, the most significant acquisition activity is expected in the info communication, system integration and cable television service. Our ability for non-organic growth in Hungary through mergers and acquisitions is subject to the approval of, and can be limited by, the Competition Authority.

Organizational operation of the Company in 2017

The members of the Management Committee of the Company in 2017 were: Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer, Chief Legal and Corporate Affairs Officer, Chief Technology and IT Officer, Chief Commercial Officer Residential, Chief Commercial Officer SMB¹, Chief Commercial Officer Enterprise.

The most important issues discussed by the Board of Directors in 2017 were as follows:

- monitoring financial and non-financial KPIs;
- decisions on the bonus achievement for the members of the Management Committee in year 2016, based on recommendation of the Remuneration and Nomination Committee;
- decisions on the fine tuning of bonus targets for the members of the Management Committee for the year 2017, based on recommendation of the Remuneration and Nomination Committee;
- proposal to the General Meeting on the approval of the year 2016 financial statements, the use of the profit after tax and the dividend;
- business planning for years 2018-2021;
- cooperation with Deutsche Telekom;
- decision on filling Management Committee member vacant positions and decision on the termination and modification of the employment contract of certain Management Committee members;
- Organizational changes;
- M&A decisions;
- risk management of Magyar Telekom Group;
- review of the compliance program.

Compliance

The Board of Directors continuously monitored the implementation of the Corporate Compliance Program also in 2017. The Magyar Telekom Group Corporate Compliance Program has been designed to ensure that the Magyar Telekom Group conducts business with the highest level of awareness, commitment, and adherence to applicable laws and regulations and to the highest level of standards of ethical business.

¹ Position terminated as of November 1, 2017.

Other important decisions

The Board of Directors submitted the report on the management of Magyar Telekom Plc., on the business operation, on the business policy and on the financial situation of the company and Magyar Telekom Group in 2016 to the Annual General Meeting (“AGM”).

The Board of Directors submitted to the Company’s AGM the 2016 Consolidated Financial Statements prepared according to the International Financial Reporting Standards (IFRS) and the 2016 standalone Annual Report of the Company prepared according to the Hungarian Accounting Act (HAR).

In 2017, the Board of Directors proposed to pay a dividend of HUF 25 per ordinary share for the profit after tax earned in 2016 for approval to the AGM.

In 2017, the Board of Directors informed the AGM on the purchase of treasury shares following the AGM in 2016, and upon proposal by the Board of Directors the AGM gave authorization to purchase ordinary Magyar Telekom shares.

The Board of Directors also submitted for approval to the General Meeting the Corporate Governance and Management Report for the business year of 2016.

After having evaluated the work of the Board of Directors’ members, the AGM granted the release for the members of the Board of Directors for the 2016 business year.

The Board of Directors with the agreement of the Remuneration and Nomination Committee proposed the nominees to be elected by the General Meeting as members of the Board of Directors.

The Board of Directors submitted to the AGM the proposed amendments of the Articles of Association.

The Board of Directors reviewed the 2017 financing strategy of Magyar Telekom Group and gave the necessary authorizations for the specific transactions.

The Board of Directors amended its Rules of Procedure necessitated by the developments during the year and approved the amendment of the Rules of Procedure of the Management Committee.

Aspects to be considered in assessing the Board of Directors members

Name, position of the Board of Directors member	Fitness for the position
<p>Dr. Robert Hauber Chairman of the Board of Directors of Magyar Telekom Nyrt., Senior Vice President Finance & Performance Management Europe, Deutsche Telekom AG</p>	<p>Master and doctoral degree in business administration. Over ten years of experience as a senior finance executive.</p>
<p>Christopher Mattheisen Chief Executive Officer, Magyar Telekom Plc.</p>	<p>Masters in economics. Over ten years' senior management experience with mobile operators in marketing, sales and strategic areas. Directed Magyar Telekom's fixed residential business unit for five years.</p>
<p>Guido Menzel Senior Vice President Technology Europe, Deutsche Telekom AG</p>	<p>Degree in Computer Science. Senior management experience in sales and network management in the last three decades.</p>
<p>György Mosonyi Chairman of the Supervisory Board, MOL</p>	<p>Degree in chemical engineering. Two decades of senior management experience in the petrochemical sector (Shell, MOL). Independent member of the Board of Directors.</p>
<p>Ralf Nejedl Senior Vice President B2B Europe, Deutsche Telekom AG</p>	<p>University degree in business administration. Over fifteen years of experience in telecommunications in various management positions.</p>
<p>Mardia Niehaus Senior Vice President International Carrier Sales and Solutions, Deutsche Telekom AG</p>	<p>Master degree in clinical psychology and bachelor degrees in social science and clinical psychology. Over fifteen years of experience in various management positions and different fields.</p>
<p>Frank Odzuck Chief Executive Officer of Zwack Unicum Plc.</p>	<p>Degree in economics. Professional experience in the position of managing director of the Hungarian subsidiaries of international corporations. Independent member of the Board of Directors.</p>
<p>Dr. Mihály Patai Chairman-CEO of UniCredit Bank Hungary Zrt.</p>	<p>PhD in economics. Over two decades of senior management experience in the financial sector. Independent member of the Board of Directors.</p>