

# Sustainability Report 2007

Life is for sharing.

In accordance with GRI G3 Guidelines



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|---|-----------------|------------|---------|
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| Telecommunications specific indicators                    |                    |
|---|--------------------|
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| PA4   | 1.6, 3.1           |
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| Indicator   | Chapter            |
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| <b>Access to telecommunications products and services</b> |                    |
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| PA6   | 3.2                |
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| PA7   | 2.8                |
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| PA9   | 2.7                |
| PA10  | 1.14               |
| PA11  | 2.1, 3.0           |
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| TA2   | 2.1, 3.0           |
| TA3   | 2.1                |
| TA4   | 2.1                |
| TA5   | 2.8                |

# Chairman-CEO's letter



Dear Reader,

Sustainable operation is getting more and more important for us from year to year. More and more of our employees come into contact with the term sustainability, so as to contribute to its better environmental and social performance alongside the successful long-term business performance of the company. We are determined to strengthen the awareness of our employees even more in the future, so that sustainability will permeate every dimension of the organization.

On the other hand, we also wish to make our customers aware of our achievements, and the sustainability benefits of our services.

As Hungary's market leading telecommunications and information technology provider we consider it our mission to work for the better future of the society. In the future we will continue to focus on excellent quality, efficiency, on the development of new, innovative services and on value-creating acquisitions.

We intend to ensure the long-term profitability of the group with a committed staff, by building mutual trust between employer and employee and creating a healthy environment that stimulates the individual for self-fulfillment. We will also continue to support the communities in which the group operates by giving financial support, services and voluntary work. In an effort to gradually reduce the environmental impact of our operations we are implementing energy rationalization and saving measures, while we also reduce the ecological footprint of our customers (and also our employees) through our services which save travel and paper. In the next three years we intend to contribute to the protection of the climate by reducing our CO<sub>2</sub> emission by 10%.

2007 brought major changes in the life of the group. With the development of a new organization model we simplified the operating processes and made the group more customer-focused. The elimination of overlapping activities also involved staff downsizing which, however, laid the foundations of the long-term competitiveness and sustainable operation of the organization.

We have managed to retain our leading position in our most important markets. The revenues of the group increased by 1%, while EBITDA without one-time costs increased by 3%. The number of our broadband subscribers grew by 25%, and we also saw the numbers of our IPTV subscribers grow rapidly. The number of ADSL lines almost trebled in Macedonia, and more than doubled in Montenegro.

In an effort to raise awareness of equal opportunity we continued the "No Tres..." film club in 2007 and also made it available on the Internet. By way of a new initiative, in 2007 we launched the Romaster program which provides financial and mentoring assistance and training for disadvantaged Roma youths. Our efforts to ensure equal opportunity at the place of work were rewarded by the "Corporate Ambassador of Diverse and Integrating Employment Best Practice" of the International Labor Organization (ILO) in November 2007.

One of the biggest problems of the information society is that often the people most in need are unable to access the information and communication technologies (ICT) because of the absence of the appropriate infrastructure or knowledge. Through its activities our company intends to play a prominent role in bridging this gap. In 2007 the Digital Bridge on Small Settlements Program reached the 96th event of bringing ICT, especially the benefits of the Internet, closer to the people living in these localities. The Egálnet initiative also continued in 2007 with the joining of new organizations. The aim of this program is to help the efforts of the civil organizations assisting disadvantaged groups by improving their online communication. Our ongoing Internet training programs are also designed to promote the elimination of digital illiteracy.

Climate change is one of the most burning problems of our age. Magyar Telekom plays an active role in climate protection and in adjusting to the changes. Over the past three years we reduced our CO<sub>2</sub> emission by 6% through energy rationalization developments, electronic service solutions replacing paper use and reduction of fuel and natural gas consumption.

In 2007 we completed our first three-year sustainability strategy whose principal goal was to achieve the leading sustainability role in Central Europe. Several prizes, awards and recognition provide evidence that we have reached that goal. These include the first place in the Accountability Rating in 2006 and 2007, the Business Ethics award in 2007, the Company Gauge (1st place / T-Mobile) and the Dow Jones Sustainability Index rating. I am proud of publishing the first report in Hungary which is in accordance (level A+) with the Global Reporting Initiative's third generation guidelines (GRI G3).

In future, we would like to raise more awareness of the notion of sustainable development and more specifically, the sustainable activities of our company, and also to see more and more people take advantage of the benefits of ICT in creating a healthier environment and society. We would also like to have our colleagues and customers share these efforts. With the present sustainability report we wish to show a good example and also encourage every reader to support us on the road of sustainable development with their comments and ideas.

Budapest, September 10, 2008

Sincere regards,



Christopher Mattheisen  
Chairman-Chief Executive Officer



# About the Report



The previous 3-year sustainability strategy of the company was completed in 2007. As evidenced by several ratings and awards, Magyar Telekom achieved leading sustainability role in Central Europe. However, much more important than the awards are the numerous accomplished tasks which have taken us this far and about which we wish to report here. Consequently, this report is a little different from the previous ones because, beside the achievements of 2007, it also presents the results and the most important initiatives of the past three years.

The report has also been structured accordingly: we summed up in three chapters the major tasks and results of the three major directions. We highlighted the tasks undertaken in the previous strategy in the relevant parts so that it will be perfectly clear for the Reader what we have undertaken and what we have accomplished.

But the Report is not confined to past events only: we also present the strategy of the coming 3 years, underlining the key challenges and the responses of the company.

The Report has been compiled in compliance with the GRI G3 guidelines and it presents the sustainability performance of the group by using more input than ever before. On the whole, the principles have been applied at level A+.

When disclosing information we focussed on completeness, significance, presentation of the changes over time and putting them in a sustainability context, specially highlighting the key challenges of the future. When presenting our business performance, we did not quote the figures already reported in the previous years, we rather sought to give a comprehensive picture of the contribution to the long-term economic development of the group in countries of operation. The Reader will find more detailed information about the business performance in the annual report.

In a geographic sense the report covers Hungary, Macedonia and Montenegro, and in terms of content, it discusses the service activities of the group. Group coverage improved over last year in the respect of the personnel situation, but we intend to improve further this area, focusing on the data provision processes of the international subsidiaries. Not included in the Report are the data of those member companies whose activities do not have measurable sustainability impact, nor those new acquisitions whose data are currently being processed for sustainability impact. If justified, the new member companies will also be featured in the 2008 report in compliance with the new strategy. When reading this Report and evaluating the results, you should also take into consideration the changes in the structure of the group. In this respect the 2006 integration of T-Mobile in Magyar Telekom Plc. deserves special mention. Figures used in the report are based on group level data if not indicated differently.

When preparing the Report we aimed at disclosure of information where quality and reliability is ensured through compliance with the guidance on accuracy, balance and comparability. We hope and trust that with the annual publication, acting according to the requirements for clarity and timeliness, we make available such facts and data on the Group which help answer questions raised and find necessary information. We again used the services of an independent external agency to testify the authenticity of this Report. This year KÖVET Association for Sustainable Development audited the Report and made a declaration on credibility of the information contained. The relevant certificate is shown in the Certification chapter.

Classification of data shown in the Report (by period and source):

- Economic data on the financial year 2007 (which coincides with the calendar year) were taken from the Annual Report
- social data were taken from the data supply within the Group
- environment related data were taken from the process of regular data supply within the Group

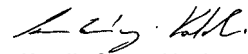
The leaders of the organizations supplying the data assumed liability for the accuracy of data shown in the Report.

We publish the annual Sustainability Report for the information of all – external and internal – stakeholders, but following the practice of previous years it focuses on the information need of investors. In the spirit of dematerialization we publish this Report on the Internet in the first place this year too but, based on the experiences of the past years, on the request of the stakeholders the Report is also made available on paper in a limited number of copies (400 copies).

Sustainability is our shared cause, so we request and encourage everyone to let us have your comments and ideas at the following e-mail address: [fenntarthatosag@telekom.hu](mailto:fenntarthatosag@telekom.hu)



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



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



# Sustainability in the operating processes



In order for a company to operate in a sustainable manner it is not enough to make some showcase social and environmental initiatives. Sustainability must permeate the entire organization, it must be present in every operating process.

Magyar Telekom does not intend to disguise the problems it encounters in the course of its operation with some showcase initiatives, but rather to operate with observance of the social, environmental and long-term economic interests and thus meet the problems halfway. The company has reached this objective by embedding the sustainability approach in the core business, in the processes and organizations, by applying the international guidelines and by setting new communications and cooperation directions. The concrete tasks, commitments and their fulfillment are described in the appropriate subchapters (Our commitments).

## 1.1 About the group

Magyar Telekom ([www.telekom.hu](http://www.telekom.hu)) is Hungary's largest telecommunications service provider. Magyar Telekom provides a wide range of telephone, data transmission, value-added, information and systems integration services and it is also Hungary's leading mobile carrier and Internet service provider. Magyar Telekom is majority shareholder of MakTel, the leading wireline provider of Macedonia and its subsidiary, the market leader T-Mobile Macedonia. Telekom Montenegro has majority share of Crnogorski Telekom, the biggest telecommunications operator of Montenegro that offers fixed, mobile and Internet services to its customers. Magyar Telekom, founded in 1991 (under the name of Matáv) was privatized in 1993. In 1997 the shares of Magyar Telekom were introduced at the Budapest and the New York stock exchanges. The majority shareholder of Magyar Telekom (59.21%) is MagyarCom Holding GmbH, which is owned exclusively by Deutsche Telekom AG. Since March 1, 2006 the registered company name of Magyar Telekom has been Magyar Telekom Telecommunications Public Limited Company, and its short name Magyar Telekom Plc.

Company's area of operation: Hungary, Macedonia, Montenegro, Romania, Bulgaria and Ukraine. The headquarters of the Group is located in Budapest (Krisztina krt. 55).

On June 29, 2007, Magyar Telekom's Extraordinary General Meeting approved the merger of Magyar Telekom Plc., Emitel Zrt. and the internet access business line of T-Online Magyarország Zrt. (T-Online), both of which were 100% subsidiaries of Magyar Telekom Plc. The remaining business lines of T-Online continued as a separate legal entity under the company name "[origo] Zrt.". The merger was registered by the Hungarian Court of Registration as of September 30, 2007.

The acquisition of a 100% stake in MobilPress was succeeded on January 25, 2007.

Mobil Press is one of the major Hungarian mobile content providers and manages, among others, the t-zones portal.

The Hungarian and international subsidiaries of the group are presented on the following website: <http://www.magyartelekom.hu/english/aboutmagyartelekom/companygroup.vm>

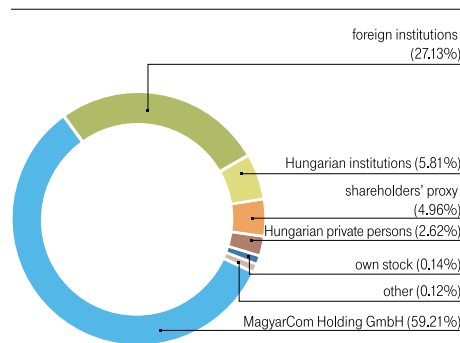
Further information about the Group's products and services are available on the company's website: <http://www.magyartelekom.hu/english/services/main.vm>, and information is supplied to partners also in customer care service offices.

Further information about the Company's history is available on the following website: <http://www.magyartelekom.hu/english/aboutmagyartelekom/companyhistory.vm>

Magyar Telekom's ownership structure by percentage in 2007 (as shown in the company's Share Register on May 20, 2007)<sup>1</sup>:

<sup>1</sup> When comparing the figure with previous years change in structuring has to be considered

## Group ownership structure



Information about Magyar Telekom's shareholders is available on the following website:  
<http://www.magyartelekom.hu/english/investorrelations/shares/ownershipstructure.vm>

The number of Magyar Telekom Group employees (reduced headcount figures as of December 31, 2007) is 11,723, and the number of employees of Magyar Telekom Plc. is 7,008.

## New corporate governance and organization structure

On September 25, 2007 the Board of Directors of Magyar Telekom took decision to change the governance and organization structure of the Company in order to raise the standard of services, improve cost efficiency and to exploit new, innovative service and business opportunities. The decision on the change of the organization model is yet another step towards the development of a more customer-focussed and efficient operating structure. The perpetual development and innovation taking place in the telecommunications industry, the changing customer requirements, the convergence of the industries and the dynamism of the market demand that focus shift from technology to the requirements of the different customer segments. Consequently, the new governance structure of Magyar Telekom essentially determines the operating model of the Group on the basis of customer segments. The new governance structure developed in order to reach the strategic objectives and resting on customer segments, was implemented with effect January 1, 2008. The restructuring is essential for the company to stand its ground in the ever sharpening competition. With these decisions the long-term competitiveness of the Group can be ensured, and this serves the interests of the customers, employees and shareholders alike.

## Magyar Telekom Group: summary of operating statistics

| T-Com segment                                  | December 31, 2006 | December 31, 2007 | Change (%) |
|--|-------------------|-------------------|------------|
| <b>Hungarian fixed line operations</b>         |                   |                   |            |
| Fixed line penetration <sup>(1)</sup>          | 30.6%             | 28.8%             | n.a.       |
| <b>Number of closing lines<sup>(1)</sup></b>   |                   |                   |            |
| Residential                                    | 1,901,398         | 1,778,444         | (6.5)      |
| Business                                       | 171,866           | 162,795           | (5.3)      |
| Payphone                                       | 20,515            | 19,458            | (5.2)      |
| ISDN channels                                  | 315,942           | 303,998           | (3.8)      |
| Total lines                                    | 2,409,721         | 2,264,695         | (6.0)      |
| <b>Data products</b>                           |                   |                   |            |
| ADSL connections                               | 512,810           | 613,051           | 19.5       |
| Number of Internet subscribers                 |                   |                   |            |
| Dial-up  | 31,401            | 16,357            | (47.9)     |
| Leased line                                    | 656               | 652               | (0.6)      |
| DSL  | 336,181           | 398,265           | 18.5       |
| W-LAN  | 1,175             | 598               | (49.1)     |
| CATV   | 57,587            | 89,853            | 56.0       |
| Total Internet subscribers                     | 427,000           | 505,725           | 18.4       |
| Market share in the dial-up market (estimated) | 39%               | 33%               | n.a.       |
| Cable television customers                     | 414,286           | 418,517           | 1.0        |
| Total broadband Internet access                | 572,228           | 716,714           | 25.2       |
| <b>Macedonian fixed line operations</b>        |                   |                   |            |
| Macedonian fixed line penetration              | 23.9%             | 22.4%             | n.a.       |
| <b>Number of closing lines</b>                 |                   |                   |            |
| Residential                                    | 430,082           | 404,925           | (5.8)      |
| Business                                       | 42,780            | 40,954            | (4.3)      |
| Payphone                                       | 2,087             | 2,015             | (3.4)      |
| ISDN channels                                  | 42,200            | 44,482            | 5.4        |
| Total Macedonian lines                         | 517,149           | 492,376           | (4.8)      |
| <b>Data products</b>                           |                   |                   |            |
| ADSL connections                               | 16,462            | 48,214            | 192.9      |
| Number of Internet subscribers                 |                   |                   |            |
| Dial-up  | 109,096           | 153,535           | 40.7       |
| Leased line                                    | 141               | 149               | 5.7        |
| DSL  | 16,462            | 48,214            | 192.9      |
| Total Internet subscribers                     | 125,699           | 201,898           | 60.6       |
| Market share in the dial-up market (estimated) | 94%               | 93%               | n.a.       |
| <b>Montenegrin fixed line operations</b>       |                   |                   |            |
| Montenegrin fixed line penetration             | 31.4%             | 30.6%             | n.a.       |
| <b>Number of closing lines</b>                 |                   |                   |            |
| PSTN lines                                     | 173,248           | 168,062           | (3.0)      |
| ISDN channels                                  | 21,288            | 21,906            | 2.9        |
| Total Montenegrin lines                        | 194,536           | 189,968           | (2.3)      |
| <b>Data products</b>                           |                   |                   |            |
| ADSL connections                               | 6,639             | 14,428            | 117.3      |
| Number of Internet subscribers                 |                   |                   |            |
| Dial-up  | 25,669            | 28,401            | 10.6       |
| Leased line                                    | 121               | 146               | 20.7       |
| DSL  | 6,639             | 14,428            | 117.3      |
| Total Internet subscribers                     | 32,429            | 42,975            | 32.5       |
| Market share in the dial-up market (estimated) | 98%               | 98%               | n.a.       |

| <b>T-Mobile segment</b>                            | <b>December 31, 2006</b> | <b>December 31, 2007</b> | <b>Change (%)</b> |
|--|--------------------------|--------------------------|-------------------|
| <b>Hungarian mobile operation</b>                  |                          |                          |                   |
| Mobile penetration                                 | 99.0%                    | 109.7%                   | n.a.              |
| Market share of T-Mobile Hungary                   | 44.5%                    | 44.0%                    | n.a.              |
| Number of customers (RPC)                          | 4,431,136                | 4,853,492                | 9.5               |
| Postpaid share in the RPC base                     | 34.9%                    | 37.0%                    | n.a.              |
| MOU (Minutes of Usage per User/Month)              | 142                      | 149                      | 4.9               |
| ARPU (Average Traffic Revenue per User/Month, HUF) | 4,800                    | 4,542                    | (5.4)             |
| Postpaid ARPU (HUF)                                | 9,849                    | 8,635                    | (12.3)            |
| Prepaid ARPU (HUF)                                 | 2,300                    | 2,205                    | (4.1)             |
| Enhanced services within ARPU (HUF)                | 667                      | 679                      | 1.8               |
| Average acquisition cost (SAC) per customer (HUF)  | 6,234                    | 6,554                    | 5.1               |
| <b>Macedonian mobile operations</b>                |                          |                          |                   |
| Macedonian mobile penetration                      | 68.3%                    | 93.3%                    | n.a.              |
| Market share of T-Mobile Macedonia                 | 66.5%                    | 62.3%                    | n.a.              |
| Number of customers (RPC)                          | 944,530                  | 1,212,539                | 28.4              |
| Postpaid share in the RPC base                     | 18.8%                    | 23.2%                    | n.a.              |
| MOU  | 72                       | 90                       | 25.0              |
| ARPU (HUF)   | 3,206                    | 3,054                    | (4.7)             |
| <b>Montenegrin mobile operations</b>               |                          |                          |                   |
| Montenegrin mobile penetration <sup>(1)</sup>      | 103.8%                   | 168.7%                   | n.a.              |
| Market share of T-Mobile Crna Gora <sup>(2)</sup>  | 42.3%                    | 33.8%                    | n.a.              |
| Number of customers (RPC) <sup>(3)</sup>           | 331,616                  | 408,941                  | 23.3              |
| Postpaid share in the RPC base                     | 14.6%                    | 18.0%                    | n.a.              |
| MOU  | 127                      | 120                      | (5.5)             |
| ARPU (HUF)   | 3,858                    | 3,252                    | (15.7)            |

| <b>T-Systems segment</b>                                   | <b>December 31, 2006</b> | <b>December 31, 2007</b> | <b>Change (%)</b> |
|--|--------------------------|--------------------------|-------------------|
| <b>Number of closing lines</b>                             |                          |                          |                   |
| Business   | 64,768                   | 60,259                   | (7.0)             |
| Managed leased lines (Flex-Com connections) <sup>(1)</sup> | 9,165                    | 7,710                    | (15.9)            |
| ISDN channels  | 169,348                  | 166,748                  | (1.5)             |
| Total lines  | 243,281                  | 234,717                  | (3.5)             |

<sup>(1)</sup> Magyar Telekom Plc. and Emitel (from October 1, 2007 Emitel merged with Magyar Telekom Plc.)

<sup>(2)</sup> Data published by the Montenegrin Telecommunications Agency based on the total number of active SIM cards in the previous three months.

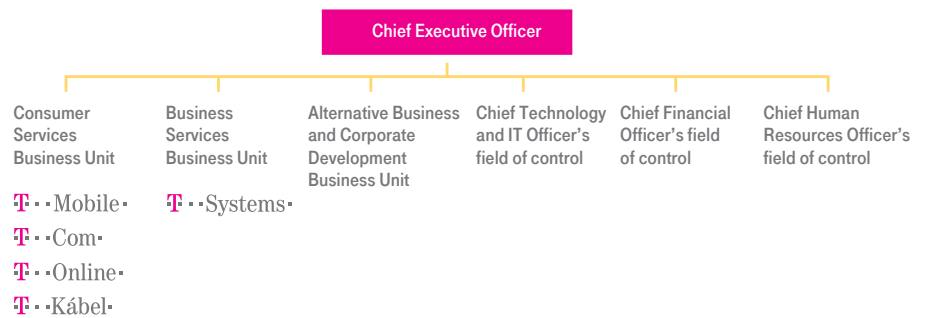
<sup>(3)</sup> In October 2006, prepaid voucher lifecycle was extended from 3 to 11 months in Montenegro, resulting in increase in the number of prepaid RPC.



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## Magyar Telekom operating model from January 1, 2008

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### Core activities of the business units from 2008

The Consumer Services Business Unit comprises the entire marketing, sales and customer care activities of the mobile and fixed residential products.

The Business Services Business Unit provides mobile and fixed telecommunications, infocommunications and systems integration services also comprising marketing, sales and customer care activities, for the key business partners (large enterprises) and for the small- and medium-size business partners.

The Alternative Services and Corporate Development Business Unit is responsible for content, media and other non-access services, for the development of new business opportunities and for the coordination of the innovation activities. The media and content provision activities of T-Online Hungary have also been moved to this area.

The mobile and fixed network management and development activities have been added to the new IT area.

## Senior management about sustainability



### János Winkler

#### Chief Operating Officer Consumer Services Business Unit

„Sustainability is nothing else but our short- and long-term efforts to turn our world into a better place to live in. Being telco providers we have a key responsibility in providing state-of-the art solutions at increasingly favourable prices for an increasing number of people to enable them to communicate freely. All that connects them with others. If looking at this from a sustainability perspective, it means that distance belongs to the past as, e.g. the internet, e-mail, SMS or even the video-telephone may save time and energy. Our customers may, by some simple movements, go about their business, obtain information, knowledge and access entertainment without the need to undertake the inconvenience of time and energy consuming travels. Thus they may save energy and money. We, service providers, provide for people an immediate access to communities from home or anywhere they are. Possessing these tools we may reduce pollution of the physical environment, help eliminate the digital divide and improve the quality of life. Therefore we have to support every program using which we can help people to understand and become aware of these new possibilities, along with programs through which we can directly contribute to strengthening environmentally conscious living, like, for example, the wide-ranging promotion of the use of bicycles in transport.”



### István Papp

#### Chief Operating Officer Business Services Business Unit

The Corporate Services Business Unit offers info-communication solutions which, amidst the fast changes of the business environment, help small and large companies alike to stand their own in business life.

We provide complete freedom to our partners through the integration of telecommunications and IT. On the one hand, we provide for our customers' mobility needs, and the freedom of communication wherever they are through accessing the broad-band internet, on the other hand, we render redundant the need to travel through introducing TelePresence, our innovative product aimed at supporting team work and collaboration. Responsible attitude, in addition to environmentally conscious product development and innovation, translates for us into fair market behaviour and ethical conduct, in the spirit of which we serve our customers. While working, we always bear in mind that it is not only Magyar Telekom, but all of us who are responsible for acting in the spirit of sustainability in all our life, and that we must draw our partners' attention to the importance of thinking responsibly!



### György Simó

#### Chief Operating Officer Alternative Businesses and Corporate Development Business Unit

Activities pursued by Magyar Telekom in the fields of innovation and company development are driven by the conviction that we do help, through IT expansion, to connect individuals and that our endeavours will enable small communities, which live far from each other, meet and keep in touch on a day-to-day basis. Our efforts are also about providing people with the tools whereby they can remain within the communities in our accelerating societies. We do hope that we shall thus be able to contribute to forging an increasingly cohesive society.

Diversity has become an essential component of the life of societies, to which people can connect through various info-communication means; we are trying to adapt to the society's need for information and entertainment by editing informative and colourful contents for computers, mobile telephones and TV screens and satisfying such needs with the most varied types of content. The use of online information technologies means we shall have to travel less and our everyday life becomes increasingly comfortable as we can witness and participate in any event or conference even from a distance, not in the least reducing this way the emission of harmful gases caused by travelling or the use of paper, copiers and printers.

We do hope that we can thus intensively contribute to enabling individuals to exercise their right to access information and, thereby, to bringing about the knowledge-society in which we can all live better.



## István Maradi

### Chief Technology and IT Officer

The actions we are going to implement through our new sustainability strategy will really contribute to the protection of our natural resources. We shall globally introduce the automatic switch-off of computers remotely, outside the office hours, as why should they consume energy if we do not work on them. It may appear to be just a drop in the ocean, yet its combined effect results in substantial energy saving.

Our TelePresence equipment is a video-conferencing solution whereby lifelike discussions can be organised and thus environment can be saved from pollution caused by travelling. By modernizing our centres, consolidating our network platforms and data centres and using advanced air-conditioning solutions in our engine rooms we adapt to our climate protection agenda.

I remember it as being one of my personal experiences when I participated in one of the events organised within the Digital Bridge program. Apart from internet training at Piricse, which is a small village in Szabolcs County, we also donated second-hand PCs to the local school trust. When I saw the happy faces and enthusiasm of children I realised more than ever before the responsibility Magyar Telekom must be able to undertake in bringing about Hungary's digital society and in the dissemination of digital literacy. I do consider it to be very important that our customers should know not only our magenta, but also our green side!



## Kusch Thilo

### Chief Financial Officer, Deputy Chairman of the Management Committee

Sustainability is assuming an increasingly major role in the life of business and finance as well. I frequently experience when meeting analysts and investors that company sustainability issues play a major role in the decision-making of the players of the financial and capital markets. By today the majority of smaller or larger companies listed in the stock exchange have their own sustainability strategy. Top executives not only support these issues, but become increasingly proactive in addressing topics related to environmental protection and society at large.

On the other hand it is becoming increasingly clear that the community of investors also expects that strategies are articulated positively and clearly. Companies that are unable to live up to this increasingly manifest requirement will be treated less favourably by investors.

Being a leader of finances, therefore, I think that we can be successful in the long run and build a successful company if, apart from exclusive profitability considerations we also keep an eye on longer term sustainability criteria.



## Éva Somorjai

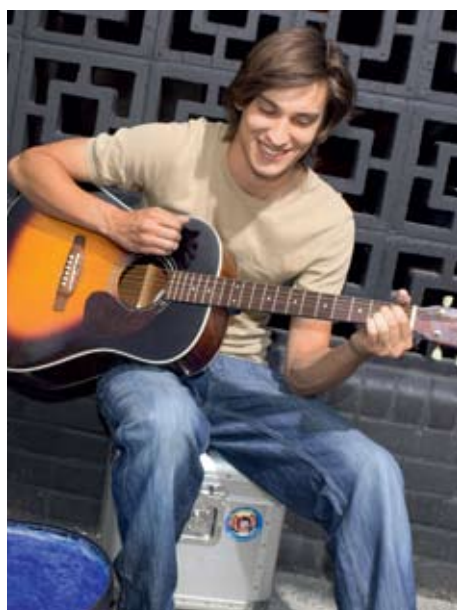
### Chief Human Resources Officer

If considering it from the aspect of human resource management, sustainability carries two important meanings for me. On the one hand, health, security, well-being, satisfaction of employees along with their drive and innovation, which are all indispensable for the company's long-term success. I am convinced that talents in the future, when selecting their workplace, will in Hungary also take into consideration the extent to which their would-be employer is conscious of the future, the society at large and our environment. On the other hand, our employees' involvement and support are prerequisites for the implementation of our sustainability initiatives. Our company may only take advantage of the possibilities inherent in sustainable development if helped by its motivated, well-informed and committed employees. And this latter translates into substantial human capital for Magyar Telekom. Being a leader responsible for our company's sustainability it is also important for me that I can share, through my network of contacts, our responsible attitude, experiences and results with other companies and thus contribute to increasing the awareness of companies of their responsibility both in Hungary and abroad.

## 1.2 Key economic data

Given its scope of activities, the group is future-oriented, flexible, innovative and contributes to improving the competitiveness of its operation environment. With its ICT services that follow (and also continuously further develop) the latest technologies, it promotes long-term and sustainable economic growth in every service area. Magyar Telekom makes ongoing infrastructure development efforts in order to promote the competitiveness and wellbeing of its operation environment. For more detail on the economic performance of the company please read the Annual Report.: [http://www.magyartelekom.hu/docs/2007\\_annualreport.pdf](http://www.magyartelekom.hu/docs/2007_annualreport.pdf)

In table nr. 1 the company presents the way it creates welfare for its stakeholders: which part of the produced economic value goes to employees, investors, the state and communities it operates in. Comparing the aggregations in table nr. 2 with the row „Payments into the state budget” in table nr. 1 one can get information on monetary movements between the company and the state.



|  |                            |
|--|----------------------------|
| <b>Direct economic value produced</b>  |                            |
| Revenues (overall revenue +share of associates' after-tax income)                      | 677,595 million HUF        |
| <b>Divided economic value</b>  |                            |
| Operating costs (payments from overall revenue+net other operating costs)              | 312,578 million HUF        |
| Employee wages and benefits (employee-related costs)                                   | 120,176 million HUF        |
| Payments to shareholders (dividend paid+net interest cost)                             | 107,021 million HUF        |
| Payments into the state budget (profit tax)  | 26,221 million HUF         |
| Community investments (donations, institutional patronage, voluntary work, education)* | 1,448 million HUF          |
| <b>Retained profit (after-tax income+depreciation-dividend paid)</b>                   | <b>111,599 million HUF</b> |

Table 1. Direct economic value produced

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)

\* Does not contain broadband investments in the small regions

|   |                 |
|---|-----------------|
| <b>Substantial financial support from the State</b> |                 |
| tax benefit used in 2007                            | 355 million HUF |
| Deduction from tax base due to donations in 2007    | 180 million HUF |
| financial support settled in 2007                   | 12 million HUF  |

Table 2. Substantial financial support from the State

## 1.3 Vision, environmental policy, strategies

### Vision

As 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.

### Environmental policy

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#### Magyar Telekom Group's Environmental Policy

The Magyar Telekom Group, as leading infocommunications service provider of Central Europe and leading player of the Hungarian economy, is committed to preserving the nature and the environment and to improving the state of the environment. We are aware that climate change is one of the most formidable challenges of environment protection so we identified with this problem and set such goals in our programs which also serve the cause of protection of the climate. In compliance with our mission and our sustainability strategy and bearing in mind the role we intend to play in the information society, we feel responsibility for harmonizing our goals with the basic principles of sustainable development. Beyond complying with the regulations, we are making efforts both at group and member company level to meet halfway the general social and environmental expectations. Our goal is to improve our environmental performance while reducing our environmental impact. Through the development, implementation and use of our telecommunications and information technology services we give the society, our customers and also ourselves the opportunity to improve the general efficiency of the environment protection efforts. Our information and communication services carry considerable potential for the reduction of greenhouse gas emissions. By actively communicating this fact to our stakeholders we enable them to be more environment-conscious. In order to meet our commitments:

We operate a group-level environmental coordination process and implement and operate an MSZ EN ISO 14001 standard environment-centered management system at the organizations with major impact.

In our developments we take into consideration environmental aspects and social expectations alike.

Environmental guidelines and considerations play a major role in our procurement and investment policies and we also expect our suppliers and subcontractors to comply with them, thus encouraging their environment-conscious development.

In the development of our services we seek to reduce the use of energy and other resources, to analyze our products from an environmental aspect and to certify and communicate their positive environmental impact.

We wish to make the protection of the environment an important cause for every employee and customer, so we regularly provide information about our environment protection activities and we also developing and operating an environmental information system.

In these environment protection activities and development efforts we cooperate with the stakeholders and release annual reports about our achievements for their information.

We share our knowledge and experiences with our partners, thus helping them implement their own programs.

The management of the Magyar Telekom Group declare that they pursue their activities in compliance with the guidelines of this environmental policy and also expect every employee to do the same.

Budapest, January 26, 2006

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Éva Kisgyörgy: Tiny joys of life

## Magyar Telekom's strategy

For Magyar Telekom 2007 was the year of big changes and the laying of the foundations of the future. One of the objectives set by the renewed management is that we have to firmly unite our forces. We have to build a simpler and more efficient organization better adjusted to the needs of the customers, so as to lay the foundations of the success of the coming years and maintain the performance of Magyar Telekom at high level. We have set three strategic priorities:

**Excellence** – strengthen customer orientation and significantly improve the quality of our services with focus on broadband products and by developing packages matching to the utmost the requirements of the customers.

**Efficiency increase** – improve and simplify the operating processes, leverage synergies between, and enhance the integrated operation of the business units. As a result, reduce operating costs, improve headcount efficiency and exploit new, integrated revenue opportunities.

**Capture growth opportunities** – target new business areas and expand in the field of content services, and in domestic and international markets.

For more detail on the strategy please refer to the Magyar Telekom Business Report at: [http://www.magyartelekom.hu/docs/2007\\_annualreport.pdf](http://www.magyartelekom.hu/docs/2007_annualreport.pdf)

## HR strategy

2007 brought significant changes both in the organization structure and top management of Magyar Telekom Plc.; among other things the person of the chief HR officer also changed. The personnel changes have brought with them new management style and a different approach of the business challenges. The new medium-term strategy of Magyar Telekom Plc. was developed in 2007, setting new focuses and strategic objectives for the HR area of the Company. The new goals include cost-efficiency, labor management and employer image boosting objectives alike. The six key strategic objectives of Magyar Telekom for the period 2008-2010 are given below:

- Implementation of the HR concept: to reach 24.9 billion HUF EBITDA surplus through optimization of the personnel costs by 2010.
- Development of a performance-based corporate culture: in 2008 we will lay the foundations of the performance-based culture.
- Replacement of the management and other key positions primarily from internal sources: we will reach by the end of 2010 that 70% of the management and key positions are replaced from internal sources.
- Leader in change – change in leader: we develop our managers in order to boost business efficiency.
- Make Magyar Telekom a more attractive employer: by 2010 we will reach that university graduates list Magyar Telekom among the first ten most attractive employers. Our goal is to improve the satisfaction of our employees.
- Measurable and transparent HR contribution to the corporate goals: In 2008 we will implement an HR indicator system to measure the attainment of the strategic goals of Magyar Telekom.

The realization of the HR strategy will be enabled by the implementation of the key strategic tasks broken down to annual level. The management of the HR area regularly (quarterly) reviews the implementation of the tasks. The majority of the strategic objectives are supported by specific area indicators which are also measured regularly (monthly, quarterly). One of the departments of the HR area is responsible for measuring the area indicators and intervening to promote implementation if necessary.

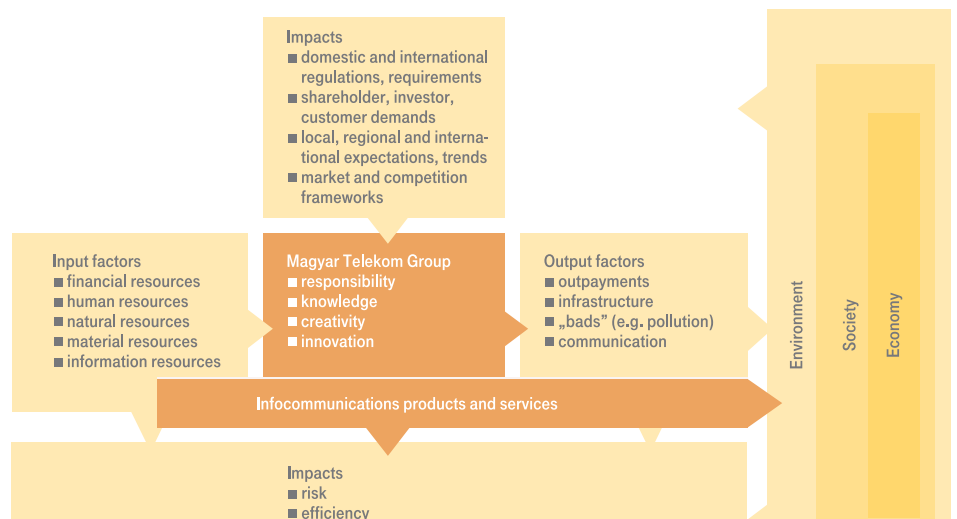
## Sustainability approach and strategy

For the Magyar Telekom Group sustainability means realization of the connection of environment-society-economy and pursuing positive activities in that medium is a long-term strategic principle. „Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (UN’s Our Common Future report, 1987). This can be implemented in practice if we harmonize the interests of the economy, society and the environment.

Having realized the importance of sustainable development – as well as the fact that it is essential for the business activities of the future – the Magyar Telekom Group assumes commitment, responsibility to pursue its operations, corporate governance and other activities in this spirit in Hungary and in every other country where it is present through any form of business involvement or cooperation. This not only implies potential future business success for the group, but through its role in the region and the services provided it also carries significant positive impact for the society, the environment and the economy.

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## Structural approach of sustainability



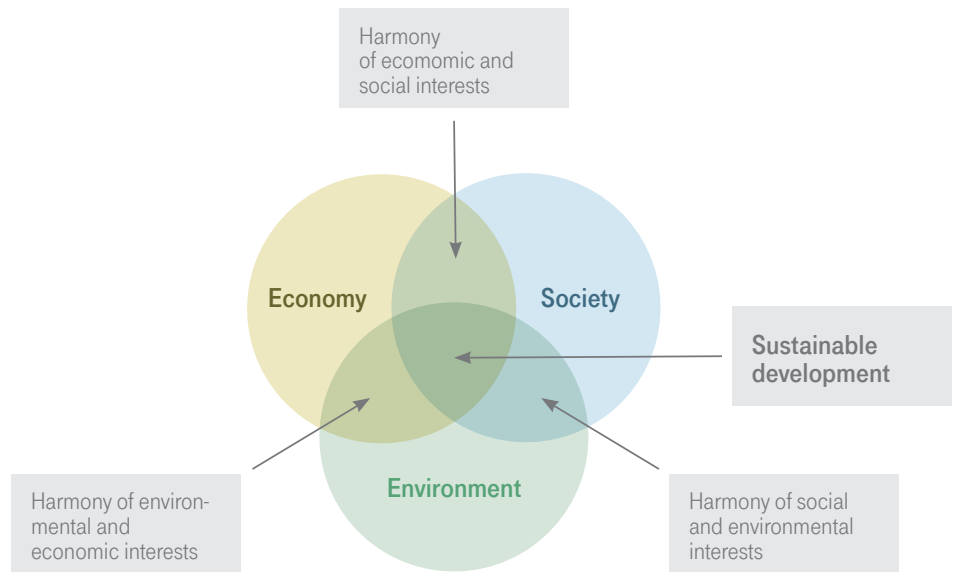
The above figure is meant to demonstrate the relationship of the group with the triple pillar of environment-society-economy, in its full complexity. The sustainability approach of the Magyar Telekom Group has been developed accordingly, to center around the following three guidelines, which are closely connected and are not implemented separately.

## Sustainability values

Inside the three dimensions of sustainability the following values characterize the sustainability tasks:

### Economic dimension

- Company, fairness, transparency
- Vision, innovation
- Employees, team, dynamism
- Customer



**Social dimension**

- Democracy, information society
- Future generations, sustainable society
- Diversity, social solidarity, quality of life
- Partnership, talent, creativity

**Environmental dimension**

- Earth
- Livable, healthy environment
- Nature, biological diversity
- Natural resources

**Sustainability strategy 2005-2008**

**The Magyar Telekom Group as leading info-communications provider has reached leading role in Central Europe also in the field of environment protection and, while maintaining that role, it seeks to achieve leading position in the field of sustainability too.** The leading role in sustainability comprises the embedding of the sustainability approach in the core business, in the processes and organizations, the application of the international guidelines and the setting of new communications and cooperation directions, as well.

**Parallel with the growing use of the information and communications technologies (through the operation of the technologies) their negative social and environmental impacts may also intensify. The Group seeks to reduce these negative impacts.** This target group includes the control of the input and the output factors and their reduction as possible and necessary, such as reduction of the carbon dioxide emission (through less use of non-renewable energy sources), reduction of electromagnetic radiation and waste, efficient management of the resources, etc.

**Management of the information and communications products from a sustainability aspect and utilization of the related possibilities.** The sustainability opportunities lying in infocommunication products and services (such as reduction of global negative environmental impact – through reduction of the emission of greenhouse gases or dematerialization; enhancement of social welfare – knowledge-based society, access to information, working opportunities, etc.; and improvement of economic efficiency) must be emphasized to promote their broad use. For this end we have to develop those processes which help analyze the products and ensure control on both the input and output sides.

The embedding of sustainability in the core business, the operating processes can be characterized with the following results, among others: Diversity Policy, Social Charter, Equal Opportunity Film Club, Romaster Program, sustainable supplier chain management, active involvement in the ETNO Sustainability Working Group, publication of annual sustainability reports, climate protection campaign, sustainability column in the “Enter” company magazine, annual sustainability talks, professional cooperations, etc.

The efforts aimed at reducing the negative environmental and social impacts of our operations have produced the following results: reduction of the CO<sub>2</sub> emission at group level, implementation of various energy rationalization solutions (e.g. free-air cooling of base stations), waste recycling, collection of spent batteries, use of hybrid cars, communication of the effects of the electromagnetic fields, reduction of paper use, programs designed to close the digital gap, etc.



The results of managing the infocommunications products from a sustainability aspect include the joint ETNO-WWF publication of the material entitled „Climate protection with light speed” , addition of sustainability aspects to the product development process and managing proposals for sustainable products. The ETNO-WWF publication may also have contributed to the May 13 communication of the European Commission which said that the Commission would promote the use of the ICT to make the economy more energy-efficient. Viviane Reding, EU commissioner for information society and media, said that “this is a situation where everyone wins, because the ICT enhances the competitiveness of the EU industry, while also leading the way in the struggle against the climate change.”

In addition to the above achievements, various prizes and awards also evidence that we have reached leading role in the region. Some of the most important are: Accountability Rating Hungary 1st place in 2006 and 2007, DT Diversity Award, Business Ethics Award, Diverse and Integrating Employer Best Practice Ambassador – ILO award, Company Gauge evaluation and Dow Jones Sustainability Index evaluation.

## Factors influencing the development of the new strategy

Various factors were taken into consideration in the development of the new strategy.

Firstly, Hungarian and international regulations like the National Climate Change Strategy, the EU climate protection plan, the National Strategy of Sustainable Development, the EU Sustainable Development Strategy and the renewed Lisbon Strategy.

Secondly, we took into consideration the requirements of the stakeholders of the group. These include, among others, the responsible shareholders (that also watch for the environmental and social performance of the company not only for its classical financial indicators) and the public organizations that also voiced their opinion about the company’s performance at the 9th Round Table discussion for example. When developing its sustainability strategy the company also took into consideration the focal global and domestic problems and trends such as the climate change, closing the digital gap, different social problems, as well as the industry trends and best practices.

## Sustainability strategy 2008-2011

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

## Corporate governance and risk management

Magyar Telekom seeks to implement transparent and accountable operation, while ensuring compliance, anti-corruption practices and efficient risk management. Its goals include further development of the compliance system and improvement of the environmental and social evaluation of the supplier environment.

## Customer relations

The group wants its customers also to learn its efforts aimed at sustainable development. The goals include development and promotion of the electronic service and product ordering solutions and measuring of the perception of the company’s sustainability performance.

## Improving of the communication opportunities of the society

Besides keeping abreast of the advance of technology, Magyar Telekom considers it an important goal to promote everyone’s access of the benefits offered by the infocommunications technology. The goals of the group include continuation and expansion of the program of closing the digital gap,

the provision of special ICT services to promote sustainability, to communicate the sustainability impacts of its products and to raise the awareness of the customers.

### Reduction of the environmental load

Although the telecommunications products and services help save raw materials and energy, they also have environmental impact. The goal of the group is to reach further substantial reduction in this impact. The struggle against the climate change is a priority task: the company has set the goal of reducing its CO<sub>2</sub> emission by 10% by 2011. Magyar Telekom is determined also to help its customers reduce their emission by offering them assistance in compliance.

### Human resource management

"Committed professionals with independent initiatives are the key factor for the Magyar Telekom Group's business success." (Magyar Telekom human resources vision). Consequently, the group makes consistent efforts to constantly develop its human capital, attract and retain new talent, to ensure equal opportunity and to help its employees find the balance between job and family.

### Maintaining trust and credibility

In order to maintain social trust the company must operate transparently and with observance of the expectations of the stakeholders. Bearing this in mind Magyar Telekom is determined to step up communication on the effects of electromagnetic fields, further improve the protection of children from adult content and join the important sustainability initiatives or start such initiatives, respectively. At the time of compiling this Report, the senior management of the Magyar Telekom Group has given full authority and responsibility to the chief HR officer to coordinate the implementation of the Sustainability Strategy approved by the management earlier, while the Corporate Sustainability Department is responsible for professional coordination of the relevant efforts.

Sustainable development is not a one-man challenge, it concerns everyone personally. So we encourage everybody to make proposals, submit their opinion or question so that we can jointly improve our future possibilities.

## We undertook to develop sponsoring principles with a sustainability dimension

### Corporate support strategy

Corporate social responsibility and charity continue to be an integral part of the corporate culture of the Magyar Telekom Group. As an important economic player, the group owes responsibility not only to its customers but the entire society. It is therefore in constant pursuit of ways to show its human face, to contribute – by supporting sport and culture, making monetary donations or offering charitable services or even the work of its own employees – to making the society live a better and nicer life.

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Magyar Telekom has three categories of support: institutional patronage, donation and sponsorship.

Institutional patronage means the long-term financing, essentially through non-profit organizations, of the cultural, sport, education and other institutions founded and/or maintained by the company. Donation means one-time charitable support to foundations, associations for some public benefit. Sponsorship has communication purpose, and is usually targeted at some event or project which involves mutual benefits for the sponsored and the sponsoring parties.

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The donation strategy of Magyar Telekom is aimed primarily at solving the most serious social or health problems. Priority is given to the support of programs designed to improve the health and welfare situation of children, and also to programs for combating the number one causes of premature death: the screening and treatment of tumors and ensuring the conditions of treatment of heart and vascular disorders. Key donation areas are also the telephone helpline services, nature protection and the programs aimed at closing the digital gap.

The sponsoring activity of the group is aimed at giving high-quality and valuable entertainment opportunities to its customers, but it also often plays a role in the organization of prestigious industry conferences. The group, being a major sponsor of the Hungarian cultural and public life scene, often backs such performers or productions that represent the highest standard in their respective areas and it takes a part worthy of its economic role in the implementation of initiatives serving some public purpose or benefit.

**T-Mobile** seeks at every form of support to make the broadest publicity for mobile communication possibilities and to present the freedom and value-creating dimension of communications. Several T-Mobile services, such as the SMS, MMS, WAP, video telephone, broadband mobile Internet, HotSpot have contributed to boosting the image of T-Mobile as the leading mobile brand in a number of cooperation projects. Beyond the opportunities and values carried by the services, T-Mobile also raised awareness of its corporate social responsibility by displaying the visual identity of the brand at the events it sponsored.

## 1.4 Corporate governance

The professional sphere and the investors require public companies listed on the stock exchange to state clearly what governance model they use and how this is applied in the practice. Being a company listed both on the Budapest Stock Exchange and the New York Stock Exchange it is highly important for us to meet this requirement and the relevant statutory and stock exchange requirements. To ensure transparency of the company's management information about Magyar Telekom's corporate governance is available on the following website: <http://www.magyartelekom.hu/english/investorrelations/corporategovernance/main.vm>

In the context of corporate government in 2007 the Magyar Telekom Group updated its Code of Conduct and Code of Ethics, these are available on the following website: [http://www.magyartelekom.hu/docs/Code\\_of\\_Ethics.pdf](http://www.magyartelekom.hu/docs/Code_of_Ethics.pdf)

The Code of Conduct and Code of Ethics, which comply with the amended US Securities and Stock Exchange Act of 1934, are applicable to every body, organization, board member and employee, advisor, agent, representative, supplier and other business partner of the Magyar Telekom Group. On January 8, 2007 the group introduced the Financial Code of Ethics, which is applicable to the financial and the business leaders, and is available at the following website: [http://www.magyartelekom.hu/docs/Financial\\_Code\\_of\\_Ethics.pdf](http://www.magyartelekom.hu/docs/Financial_Code_of_Ethics.pdf)

The Code of Conduct of the Magyar Telekom Group entered into force in May 2006 with the approval of the Management Committee. This document lays down the ethical and legal standards of the everyday operation of the group. The code is based on the prevailing legal regulations and describes the principles that determine the correct behavior of the employees from a moral and legal aspect and in compliance with the values that have guided the activities of the group also so far. With the introduction of the Code of Conduct the Deutsche Telekom Group, and the Magyar Telekom Group as part of it, make a commitment to compliance with transparent mandatory rules in all countries where they operate by making efforts to be a reliable and calculable partner for everybody with whom they maintain relations including customers, business partners and employees. The Code of Conduct

is available on the website of the Magyar Telekom Group at: [http://www.magyartelekom.hu/docs/Code\\_of\\_Conduct\\_en.pdf](http://www.magyartelekom.hu/docs/Code_of_Conduct_en.pdf)

## 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 AGM elects for a period of three years. According to the stipulations of the Statutes, one of the present members has been appointed by shareholder B, six members by MagyarCom and one member has been elected by the AGM on the recommendation of the other shareholders of the company.

The Board of Directors meets at least four times a year. The Board of Directors has quorum if at least six members are present. Each board member has one vote. The Board adopts its resolutions by simple majority vote. Three members of the Board are independent and 5 do not hold management position (outside the independent members). The chairman of the Board of Directors holds management position (chairman-CEO).

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"The Board of Directors, acting on behalf of the shareholders, ensures that the activities of Magyar Telekom comply with the interests of the shareholders in whichever part of the world they may be." As leading body of Magyar Telekom, we fulfill our mandate of trust and our conduct complies in every respect with the following values:

- accounting obligation towards the shareholders,
- openness for thorough investigation on the part of the shareholders,
- transparency of every decision taken,
- fair, open but also efficient, timely and proper debates.

By having accepted membership in the Board of Directors of Magyar Telekom, we committed ourselves that we will not spare time or effort in order to earn the trust of those who invested in the future of this company.

Statement of the Board of Directors

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## Members of the Board of Directors as of April 25, 2008

| Name                   | Principal occupation   |
|------------------------|--|
| Christopher Mattheisen | Chairman and Chief Executive Officer, Magyar Telekom                                   |
| Thilo Kusch            | Chief Financial Officer of Magyar Telekom  |
| Dr. István Földesi     | International business consultant  |
| Dr. Mihály Gálík       | Professor and Head of the Marketing and Media Department of the Corvinus University    |
| Michael Günther        | Member of the Board of T-Mobile International responsible for Joint Venture Management |
| Lothar A. Harings      | Chief Human Resources Officer and Member of the Board of Management                    |
| Frank Odzuck           | of T-Mobile International  |
| Dr. Ralph Rentschler   | CEO of Zwack Unicum Nyrt.  |
| Gregor Stücheli        | Member of the Management Board of T-Com  |
| Gregor Stücheli        | Member and Delegate of the board and CEO of T-Systems Switzerland                      |

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## 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 as of April 25, 2008

| Name                   | Principal occupation  |
|------------------------|---|
| Christopher Mattheisen | Chairman and Chief Executive Officer                                      |
| Thilo Kusch            | Chief Financial Officer   |
| István Maradi          | Chief Technology and IT Officer   |
| István Papp            | Chief Operating Officer, Business Services LoB                            |
| György Simó            | Chief Operating Officer, Alternative Businesses and Corporate Development |
| Éva Somorjai           | Chief Human Resources Officer   |
| János Winkler          | Chief Operating Officer, Consumer Services BU                             |

## Supervisory Board

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

In compliance with the Articles of Association of the company, the Supervisory Board has minimum 3, maximum 15 members, who are elected by the AGM for a term of three years. The Workers' Council appoints one third of the Supervisory Board members, in compliance with the principles on employee representation. The Supervisory Board has quorum if at least eight members are present. The company's AGM held on April 27, 2005 raised the number of the members of the Supervisory Board to 12 from the former 9, in order for Magyar Telekom to be able to comply with the special requirements for the Audit Committees of the companies listed on the New York Stock Exchange, as well as the relevant provisions of the Hungarian regulations. Nine of the Supervisory Board members are independent.

### Members of the Supervisory Board as of April 25, 2008

| Name               | Principal occupation   |
|--------------------|--|
| Jutta Burke        | Corporate Country Manager responsible for Hungary, Macedonia and Montenegro, Deutsche Telekom AG |
| Attila Csizmadia   | Ministry of Finance, Chief Counsellor  |
| Dr. Ádám Farkas    | Chief Executive Officer, member of the Board, Allianz Bank Zrt. (Allianz Group), Budapest        |
| Dr. János Illéssy  |  |
| Dr. Sándor Kerekes | Director of Institute of Environmental Sciences Corvinus University Budapest                     |
| István Koszorú     | Chairman of Magyar Telekom's Central Workers' Council  |
| Konrad Kreuzer     | Chairman of the Board of Directors E.On Hungary  |
| Dr. László Pap *   | Budapest University of Technology, Professor   |
| Mrs. Zsolt Varga   | Bpm manager, Customer Care Directorate, Magyar Telekom   |
| György Varju       | Chairman of the Workers' Council at Technical Services, member of the Central Workers's Council  |
| Péter Vermes       | Advisor, Chief Human Resources Officer's field, Magyar Telekom                                   |

\*Chairman of the Supervisory Board

## Audit Committee

The Audit Committee is involved in the selection and appointment of the independent auditor and reviews the services provided by the external auditor. It is also the responsibility of the Audit Committee to approve the audit and non-audit services provided by the external auditor. The Audit Committee reviews the annual financial reports of Magyar Telekom, with observance of the results of the audits and the audits of the independent external auditor, the reports to be submitted to the stock exchanges and the financial authorities, as well as the reports of the internal audit. The Audit Committee meets as necessary, but at least on four occasions a year. The members of the Committee are elected by the AGM of the company from among the independent members of the Supervisory Board.

### Members of the Audit Committee as of April 25, 2008

| Name               | Principal occupation  |
|--------------------|---|
| Dr. Ádám Farkas*   | Chief Executive Officer, member of the Board, Allianz Bank Ltd. (Allianz Group), Budapest |
| Dr. János Illéssy  |   |
| Dr. Sándor Kerekes | Director of Institute of Environmental Sciences, Corvinus University Budapest             |
| Dr. László Pap     | Budapest University of Technology, Professor  |

\*Chairman of the 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.

### Members of the Remuneration Committee as of April 25, 2008

|                      |
|----------------------|
| Michael Günther      |
| Frank Odzuck         |
| Dr. Ralph Rentschler |

## Performance incentives for the executive management and their evaluation

The remuneration of the executive managers is tied to the performance of the organization through a management incentive program and the Performance Management System (TM).

The annual target bonus is usually 45% of the wage, which may be paid in measure of fulfillment of the individual targets broken down from the strategic objectives of the Magyar Telekom Group. If the targets are overfulfilled, extra bonus will be paid. The structure of the bonus and the maximum amount of the extra bonus are determined by the Remuneration Guidelines of the strategic investor.

The cash-based management incentive program introduced in 2004 rewards performance on the basis of strict success parameters determined annually and tied to the performance of the share prices of Magyar Telekom. The program was set to be launched annually for five years, which means that the last package was launched in 2008. The bonus has been determined as a percentage of the annual target income (basic wage + bonus payable on 100% performance), equally for all members of the Management Committee.

In the respect of the top managers (CEO, chief officers, heads of business unit, heads and deputy heads of the divisions) the Remuneration Committee (comprised of three members) makes proposal for the annual targets, the evaluation of their fulfillment and monitors the performance of the top executives during the year. The Board of Directors takes decision on the evaluation of the performance of the top executives on the basis of the proposals of the Remuneration Committee.

Through the Performance Management System (TM) the implementation of the sustainability objectives is connected with the remuneration of the top managers who influence the fulfillment of the tasks. In case of non-fulfillment of the targets the bonus of the managers is reduced.

## Corporate compliance

The Magyar Telekom Group has developed its Corporate Compliance Program with observance of the strictest ethical rules and commitment to integrity, and on the basis of the culture of trust and sincerity.

The aim of the Corporate Compliance Program of the Magyar Telekom Group launched in June 2007 is to ensure that the Magyar Telekom Group pursues its activities in the most conscious manner, providing the best training, with the greatest commitment and with utmost compliance with all the applicable laws and regulations. Given our presence on the Budapest and the New York stock exchanges, this includes compliance with the Hungarian and the United States regulations, and with the regulations of those Central and East European countries where the Magyar Telekom Group is present with its services. The corporate compliance program is supervised by the Group Compliance Director. The compliance director reports directly to the Audit Committee and also directly cooperates with the Board of Directors, the Supervisory Board and the management. The focal elements of the Compliance Program are the Code of Conduct and the Code of Ethics. A compliance culture can be developed if every employee is committed to getting involved in the implementation of the compliance tasks.

To reach this goal, such guidelines and processes have been put in place which address the potential risks of compliance; these ensure appropriate training, channels to report suspected fraud, investigate and monitor them and mechanisms to take such further steps as may be necessary.

In 2007 risk analysis was implemented with 100% involvement of the Magyar Telekom Plc. organizations and subsidiaries. On the basis of the findings a comprehensive audit was implemented into the risks of the frauds, the findings of which were submitted to the Audit Committee.

In 2007 the Company provided Internet-based fraud training to its employees and all those agents who acted on behalf of Magyar Telekom Plc. By the end of 2007, 76% of the invited employees completed the course, which continues in 2008.

Also personal training was organized in 2007 for the senior executives of the Magyar Telekom Group about anti-corruption practices and an ethical business conduct.

Zsolt Nagy:  
Cranes flying together



## Incompatibility

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The Magyar Telekom Group regulates the following incompatibility situations:

1. Employees may not enter into employment or other legal relationship having the purpose of work performance with other providers of public telecommunications services.
  2. Employees may only enter into or maintain employment or other legal relationship having the purpose of work performance in exceptional cases, in the express interest of Magyar Telekom Plc. and with the prior consent of their manager, if:
    - such employment were entered into with an employer pursuing identical activities with Magyar Telekom Plc.,
    - such work contract were entered into with an employer which maintains business partnership with Magyar Telekom Plc., except for the case where the employer only uses the customary business activities of Magyar Telekom Plc.,
    - the employment were targeted at such activity which Magyar Telekom Plc. pursues as part of its business,
    - the employment were targeted at activities affecting the facilities of Magyar Telekom Plc. (underground, overground network, exchanges) (e.g design).
  3. Employee may not enter into employment relationship with Magyar Telekom Plc. for the purpose of doing any other activity.
  4. Above a certain job category, the employees may not hold business interest in any other business pursuing identical activities with Magyar Telekom Plc., except for the publicly traded shares.
  5. Employees may not be involved in the preparation, evaluation or implementation of such contract, or in the administration of other business relations with external partners, which contract has been entered into between Magyar Telekom Plc. and such business, in which the employees have either direct or indirect involvement (through a relative or personal relationship).
  6. The employment of next of kin in direct sub- or superordination is only permitted with the special approval of the HR manager, provided that this situation does not jeopardize the interests of the company.
  7. The manager must ensure that his subordinate does not take decision in such issues which fall into his scope of authority according to the Rules of Organization and Operation (SZMSZ) but which concern an organization (company, association, foundation, society) outside Magyar Telekom Plc., of which this employee is an officer (chairman or member of the board, supervisory board, board of trustees).
- 

## Involvement in public politics

The Magyar Telekom Group is involved in sharing public politics through its representation organizations. This works the following way:

Under the effective regulations the representation organizations are given the possibility to comment the draft regulations. The ministries submit the proposed regulations to the representation organizations which poll the member companies, collect their opinions and relay them to the line ministry. Such commenting activities are carried out under the auspices of the Joint Venture Alliance or the Hungarian Society of International Corporations.

The Magyar Telekom Group is involved in the work of the environmental group of the Hungarian Business Leaders Forum, and also regularly comments the draft environmental regulations and law amendments submitted to it by the Joint Venture Alliance and the Hungarian Society of International Corporations.

In Hungary, lobbying activities are regulated by law [Act XLIX of 2006 and Government Decree No. 176/2006 (VIII. 14.) on its implementation].

The Magyar Telekom Group regulates compliance with this law in a group CEO directive.

In 2007 the group did not pursue such activities which fall under Act XLIX of 2006.

## Management systems

The Magyar Telekom has obtained such group-level ISO 9001:2000 certificate that consists of 17 independently certified sub-systems and the Framework that comprises them.

The aim of the Magyar Telekom Group with the introduction of the ISO 9001:2000 quality management systems is to offer to its customers standard quality everywhere and any time and to continuously improve the quality of its services. In accordance with the basic principles of the quality management systems, the group regularly measures and analyzes its operations and continuously improves its quality management system.



## We undertook to implement the ISO 14001 environment-centered management system at member companies of significant environmental impact

In view of the vision of the Magyar Telekom Group and its place in the information society, it considers the implementation and operation of the information security management system a strategic objective.

By the end of 2008, Magyar Telekom Plc. and its major Hungarian subsidiaries will have implemented and certified their systems on the basis of the ISO 27001 standard.

Although, it is generally known that the core activities of the Magyar Telekom Group are essentially not environment polluting, the group feels necessary to show an example in corporate social responsibility and commitment also in this area.

Consequently, it has introduced the ISO 14001 environment-centered management system in those areas which can be considered to have major environmental impact.

The systematic operation of the systems, the exploitation of the development possibilities – through the periodic audits – ensure continuous improvement of the environmental performance of the affected areas.

Operation of the group sustainability management process in compliance with the decisive elements of environmental coordination and its regular review make it possible to coordinate the environmental activities of the numerous subsidiaries pursuing different activities, and to reach the goals laid down in the Group Environmental Policy, to implement the strategy.

Magyar Telekom Group organizations having ISO 14001 certification:

| Member company/organization             | Date of certification |
|---|-----------------------|
| Magyar Telekom Plc. fixed line services | January 17, 2003      |
| Magyar Telekom Plc. mobile services     | November 14, 2001     |
| T-Kábel Magyarország Ltd.               | December 8, 2006      |
| KFKI                                    | July 4, 2006          |
| IQSYS Budapest site                     | June 29, 2006         |
| T-Mobile Macedonia                      | January 8, 2004       |

According to the decision of Magyar Telekom Group senior management environmental managementsystems on the field of fix line and mobile services will be integrated and extended to whole Magyar Telekom Plc..

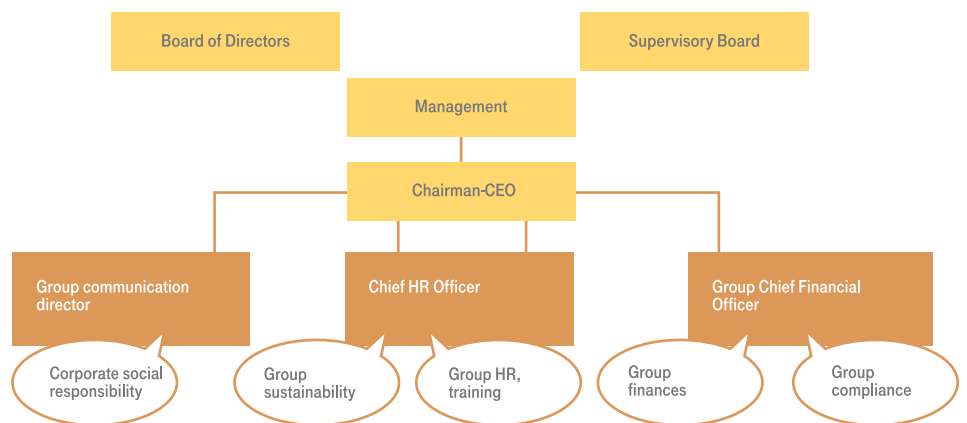
### 1.5 Sustainability coordination

In view of the complexity of corporate sustainability, it is seen particularly important to have its efficient and smooth group-level communication. Sustainability tasks need to be implemented in the most different areas of corporate operation, and this often requires the close cooperation of the areas. The group wants to comply with the complex tasks through the cooperation of the sustainability officers. This helps ensure that the different sustainability tasks are addressed by the most competent areas and are coordinated properly. Since the environmental strategy, and the implementation of its tasks, have been integrated in the frameworks of the sustainability strategy, after the restructuring of the organization the environmental and sustainability coordination activities that used to operate separately, were integrated in a common virtual organization.

Since January 1, 2008 the group-level support of the sustainability principles and the distribution of the relevant responsibilities follow the pattern shown below:

## We undertook to create a sustainability coordination organization

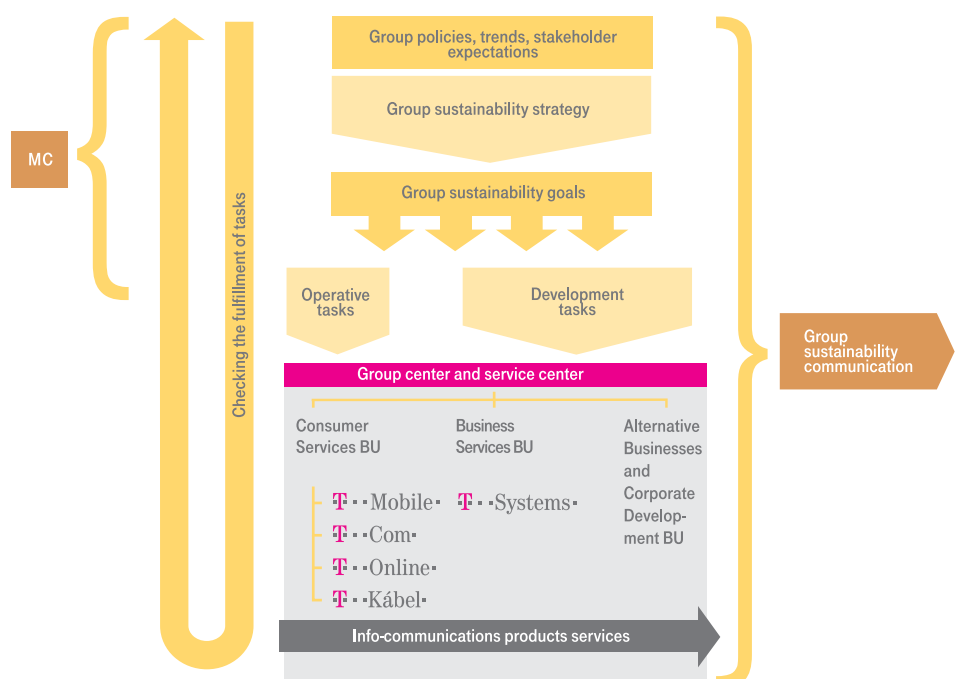
### Management of MagyarTelekom from a sustainability aspect



### Hierarchy of the activities of the sustainability process

The following figure shows the hierarchy of the sustainability activities of the Magyar Telekom Group: the sustainability strategy is determined with observance of the different group policies, domestic and international trends (climate protection, electromagnetic fields, responsible content service etc.) and stakeholder expectations (coming from roundtable discussions, sustainability forums and email messages), and the goals and the tasks, regularly updated, are derived from the strategy.

### Activities of the sustainability process



Communication rests on the results of the above activities, and the Sustainability Report issued annually in an important element of this communication.

The Management Committee controls all relevant activities on the basis of the reports received.

### Group sustainability coordination process, environmental coordination

The group sustainability coordination process comprises all the sustainability activities of the Magyar Telekom Group (including also the environmental activities).

The linkage between the subprocesses and activities of the process are demonstrated by the following figure.

## Sustainability management process



The sustainability activities of the group are managed according to the above process (an analog process has proved to operate successfully in environmental coordination).

As the forum of coordination of the environmental activities and controlling their implementation the Group Environmental Council (GEC) continued to operate in 2007, with quarterly meetings.

In compliance with the earlier practice, the organizations of the affected organizations of the group are responsible for the implementation of the operative tasks of environmental protection, which the CEO of the company declared in a directive issued on October 13, 2006.

The number one managers of the organizations and the member companies and the chief officers of the business units regularly receive information about the meetings of the Environmental Coordination Council, so as to be updated on the relevant issues and be able to ensure the appropriate management control.

The top executive body of the Magyar Telekom Group, the Management Committee receives annual reports on the fulfillment of the tasks of the group sustainability strategy and about the major sustainability activities and results.

In order to strengthen the environmental approach and integrate our environmental strategy in our sustainability strategy, from 2008 the activity of the GEC continues under the auspices of the Sustainability Coordination Council.

## 1.6 Regulatory compliance

### We undertook to comply with the requirements of the regulators

Magyar Telekom attaches key importance to compliance with the regulatory requirements in all walks of the economy, the environment and the society. Naturally, this does not mean that the compliance of the company is confined to compliance with the laws, rather regulatory compliance means a stable basis on which rest the voluntarily assumed standards and the various internal and external initiatives taken in the interest of sustainable development.

Based on this principle, the regulatory compliance of the Magyar Telekom group showed the following picture in 2007:

In 2007, there was no instance of violation of environmental laws or regulations, or non-compliance with the laws and regulations on product and service use and safety.

There was no case of violation of the competition rules or the anti-trust and anti-monopoly regulations. The Authority instituted investigation into the installation of ADSL service and the T-minutes, but not even competition surveillance procedure was launched against the Company because the Authority did not find sufficient ground for such procedures.

In 2007 the competent authorities did not receive any complaint for the member companies of the Magyar Telekom Group for discrimination, nor was any investigation or procedure launched on such grounds against the company. No such complaint was received in the internal complaint system either in 2007.

4 labor lawsuits were launched against the company in 2007. Considering litigations started previous years as well 6 lawsuits were ended, all of which were won by the company.

The National Communications Authority issued 5.7 million HUF penalty on the company.

The company received 70,000 HUF consumer protection penalty in 2007. In relation to compensation of the customers 1,647,720 HUF was paid.

The Competition Council issued 80 million penalty on Magyar Telekom Plc. for the use of certain statements in the 2006 campaign of the "Kaméleon" tariff package. The Company challenged the decision of the Competition Authority in court but adjusted the 2007 campaign of the tariff package in compliance of the decision of the Authority. The Authority also investigated the 2007 campaign and the procedure was closed with the assumption of responsibility.

The Competition Authority issued 100 million penalty on Magyar Telekom Plc. in the context of the 2006 campaign of the "Domino Aktiv" tariff package on the ground that the communication of the tariff package was misleading for the users. The Company disagreed with the position of the Authority and challenged the decision in court.

The Competition Authority held special investigation into the ADSL campaigns of T-Online. The procedure was still ongoing in 2007. In the context of the 2007 ADSL campaigns the Competition Authority issued 75 million HUF penalty on Magyar Telekom Plc. on the ground that the communication of the bandwidth was suitable for misleading the users. The Company did not agree with the position of the Competition Authority, so it continues its information and advertising activities in compliance with the principle of fair business practice and the advertising market characteristics of the given activity. (Magyar Telekom received the relevant decision in January 2008 and also paid the penalty in 2008.)



In the context of the summer and autumn 2006 ADSL campaigns the Competition Authority issued 7 million HUF penalty on T-Online Hungary (of which Magyar Telekom Plc. is legal successor) 7 million HUF. The Authority said the communication of the trial month was misleading in the advertisement. Magyar Telekom argued that the communication of T-Online was in compliance with the effective regulations, consequently it intended to challenge the decision of the Competition Authority in court. (Magyar Telekom received the relevant decision in 2008 and also paid the penalty in 2008.) The Competition Authority launched investigation against T-Online Hungary over the 2006 and 2007 T-Home TV campaigns. The Authority assumed that the communication of T-Online did not make the consumers sufficiently aware of the fact that T-Home TV may only be ordered with the T-Online ADSL service. The Authority established in the investigation that no law was violated, and terminated the procedure.

## Universal service provider

Magyar Telekom as a service provider is obliged to provide (publicly available) telephone service according to its General Contract Conditions whose essential components have not changed. The universal service provider is entitled to subsidy from the Universal Electronic Communications Fund established for this purpose to reduce its financial burden resulting from the provision of universal service. According to the Act on Electronic Communications (Eht.) that entered into force on January 1, 2004 subsidies are granted on the basis of net avoidable costs.

Net avoidable cost based subsidy can be used for the following:

- making available subscriber register,
- access to telephone network in potentially loss-making areas,
- operation of public payphones,
- provision of national directory assistance service,
- discounts granted to the socially needy.

The Minister of Economy and Transport decides on the basis of the statement prepared by the service providers whether the provision of the universal service results in unreasonable burden for the universal service provider.

Magyar Telekom calculated in its audited cost analysis the net avoidable costs of the subscriber register, directory assistance service, operation of public payphones and discount granted to the socially needy and submitted it in compliance with the June 15, 2007 deadline required by law. The Fund rejected Magyar Telekom's request for subsidy in its resolution dated July 31, 2007.

The General Contract Conditions are available on the following website:

<http://www.magyartelekom.hu/szolgaltatasok/aszf/fooldal.vm>

## Service availability

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

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

The General Contract Conditions are available on the following website: <http://www.magyartelekom.hu/szolgaltatasok/aszf/fooldal.vm>

<http://t-mobile.hu/egyeni/ugyfelszolgalat/uzletszabalyzat/>

<http://www.t-online.hu/ugyfelkozpont/20050604altalanos.html>

In order to avoid technical failures and system breakdowns the group uses backup power supply in all technical objects and exchanges. Magyar Telekom seeks to ensure continuous availability of its services by permanently developing its technical solutions and safety systems.

In 2007 the project dealing with the technical conditions of the technology change addressed the preparations of the introduction of the NGN technology. Based on researches and studies they are preparing the availability of the entire service range in the service area of the company, for which purpose they have developed proposals in several versions.

## 1.7 Employer's responsibility

The quality policy of the Magyar Telekom Group adopted in 2005, its HR strategy renewed in 2007 and the value-based systems in place at the company (T-Spirit values, Code of Conduct, Code of Ethics, Social Charter, Diversity Policy) determine those values and management approach which the managers of the company (from the highest to the lowest one) are expected to pursue.

The increase of business efficiency is achieved through stimulation of the performance of the employees, the development of mutual trust and respect between employer and employee, and the creation and maintenance of such working environment which ensures safe work performance and gives employees opportunity for self-fulfillment. The importance of the corporate values demands recognition and utilization of the individual and personal differences of all stakeholders (shareholders, customers, employees, suppliers). The company is adopting an approach that accepts diversity without bias or prejudice. An open and respectful corporate culture will be created in which the individual is given freedom to realize his ideas and satisfy his needs. The Diversity Policy adopted in October 2006 stresses the commitment of Magyar Telekom to consistent identification and use of the development possibilities. The pursuit and observance of the Diversity Policy helps fill with life the corporate vision and values, to the benefit of both the individuals and the Magyar Telekom Group. To this end the group places special emphasis on the maintenance and further development of partnership with both the employees and the employee representations. Magyar Telekom is committed to granting its employees the rights they are entitled and to ensuring a safe working environment. In declaration of these principles, in September 2006 it joined the program launched by the Ministry of Welfare and Labour under the title "Partnership for the Safety of Employment".

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

Bernadett Pesti: Team work



## Key principles of the company's labor law practice

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"Committed professionals with independent initiatives are the key factor for the Magyar Telekom Group's business success."

Human resource vision of the Magyar Telekom Group

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- Magyar Telekom firmly rejects all forms of black labor (Partnership, article 1).
  - It considers the life and physical integrity of its employees the most valuable asset of the national economy, consequently it fulfills all the basic labor safety requirements and provides safe working conditions for them that do not impair their health. (Partnership, article 2., Social Charter, section 9)
  - Magyar Telekom refrains from entering into contract or subcontract with such entrepreneurs who seriously breach employee rights and fail to comply with the minimum labor safety requirements. (Partnership, article 3)
  - Refrain from violating the labor rules and the minimum labor safety requirements just to reach a more advantageous position in the market competition, refrain and 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)
  - Observance of the working and resting times is a basic right and a requirement of preservation of the health of the employees. Magyar Telekom lays special emphasis on granting appropriate resting time to its employees, issue them the holidays they are entitled to by law and to record working time true to reality. (Partnership, article 5., Social Charter, section 7)
  - Magyar Telekom acknowledges that the right to wage is one of the most fundamental employee rights, and uses every legal tool to ensure that the wage the employees are entitled to is paid properly and on time. (Human policy, Partnership, article 6., Social Charter, section 6)
  - The high level of safety of its employees is 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)
  - Magyar Telekom is committed to promoting the enforcement of trade union rights and does not hinder the formation and operation of the employee representations. Magyar Telekom is committed to seeking negotiated settlement to any labor disputes and will only resort to legal consequences if the negotiations fail to reach a result. (Partnership, article 10., Social Charter, section 2)
  - The Magyar Telekom Group emphatically pronounces that it opposes all forms of forced labor. (Social Charter, section 3)
  - The Magyar Telekom Group is committed to the abolishment of exploiting child labor and guarantees that it always observes the minimum age of entering employment within the Magyar Telekom Group, in compliance with the laws of the affected countries. (Social Charter, section 4)
  - Ensuring equal opportunity and non-discrimination are key focus of the Human Resource Strategy of the Magyar Telekom Group. Among the nine basic elements of the SA8000 (Social Accountability) standard the Magyar Telekom Group devotes special attention to non-discrimination. (Human policy)
  - The Magyar Telekom Group rejects all forms of discrimination at the place of work, and explicitly supports the enforcement of equal opportunity and diversity among its employees, by properly taking into consideration the cultural and legal specificities. (Human policy, Social Charter, section 5)
  - Magyar Telekom is committed to not tolerating any form of direct or indirect discrimination or harassment. Consequently every employee, managers and staff employees alike, must refrain from such behavior or conduct which may have discriminating or harassing effect on others. Violation of this rule may entail measures specified by the Code of Labor. (Diversity Policy)
  - The Magyar Telekom Group recognizes and respects the cultural, social and legal diversity of the nations and societies and is committed to defending the international human rights. (Social Charter, section 1)
  - Manager replacement and the professional development of the employees play key role in the fields of promotion and talent management in Magyar Telekom's human resource policy. Depending on the target, Magyar Telekom operates several talent management programs. (Human policy)
  - In order to ensure lasting high performance and service quality, the Magyar Telekom Group encourages skill development which serves the interests of both the employees and the company. At the same time the Magyar Telekom Group emphasizes and confirms the personal responsibility of the employees in maintaining their employment and improving its quality. (Social Charter, section 8)
  - The diversity concept of the company recognizes, appreciates and takes into consideration and making use of the individual diversity of the stakeholders. An unbiased thinking, which appreciates diversity, means the basic approach of the company towards the individual character of others.. Taking into consideration all stakeholders means the attitude with which the company consciously involves the most diverse persons in the work and decision processes of the group.
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Further information:

[http://www.magyartelekom.hu/docs/minosegpolitika\\_en.pdf](http://www.magyartelekom.hu/docs/minosegpolitika_en.pdf)

[http://www.magyartelekom.hu/docs/Social\\_Charter.pdf](http://www.magyartelekom.hu/docs/Social_Charter.pdf)

[http://www.magyartelekom.hu/docs/Diversity\\_Policy.pdf](http://www.magyartelekom.hu/docs/Diversity_Policy.pdf)

The document entitled „Partnership for the Safety of Employment” is available at

[http://www.ommf.gov.hu/index.php?akt\\_menu=225](http://www.ommf.gov.hu/index.php?akt_menu=225)

## Competences, responsibility

Two systems are in place to ensure that the person determining the economic, environmental and social strategy of the organization (and all employees, for that matter) hold appropriate qualifications and experience:

One of them is the uniform group-level job classification system, which makes the system of job categories more transparent and links the jobs to activities rather than to organizations. The basic element of this system is the job description of each position, which contains all those information, requirements and responsibilities the person filling the position must comply with.

The other is the group-level uniform competence system which contains all the key, general and manager competences expected from the employees of Magyar Telekom in any given job position.

The key competencies are such competences which every Magyar Telekom employee must possess.

**General competencies:** competencies which can be expected from Magyar Telekom employees (optionally, depending on the job position), in addition to the key competences.

**Management competencies:** competencies that can be expected from every manager of Magyar Telekom.

Since the two systems are connected, the basic expectations (education, language proficiency, professional experiences, expected competencies) required for filling a position are determined at the level of the job position.

Selection is started on the basis of these competence requirements, and the search profile is also developed on this basis. This process ensures that such person will get into the given position, who possesses all the necessary professional experience, knowledge and the appropriate competences for filling that position.



## Change management

The draft of any decision on major change in the operation of the organization must be coordinated with the trade unions and the workers' council. The representation organizations have 15 days to comment this draft. The measure may not be implemented within these 15 days.

If the major change in the operation of the organization does not affect the elements of the work contract of the employees (job position, place of work performance, etc.), the employer's notification on the change is communicated to the employees as part of the general cooperation obligation, but neither the Labor Code, nor the Collective Agreement specify any concrete deadline for such measure. According to the general practice of Magyar Telekom, the employees are informed about the upcoming changes at the employee forums. The individual employer's notifications about the changes are also usually delivered before the changes take effect. In the case of the international subsidiaries both the employee representations and the employees are notified in compliance with the relevant regulations of the given country.

### **Agreement for headcount efficiency**

In 2007 Magyar Telekom implemented several integration steps in an effort to streamline the operating structure of the group, make its organization leaner and its processes simpler. In October 2007 Magyar Telekom agreed with the employee representation organizations on the implementation and schedule of the 2008 downsizing measures. The downsizing is expected to reduce the overall headcount of the group by 15% by the end of 2008, compared to the state of end of June 2007. The majority of the dismissal measures was implemented by the last working day of 2007. As a result of the measure changing the operating model, a more customer-focussed and efficient structure has emerged, with 38% fewer organization units. The agreement with the employee representation organizations contains 5.5% wage increase by March 2008 for the employees who remain on the company payroll. As the balance of the savings realized through the downsizing and the wage increase, the company expects to reach 5% decrease in expenditures in 2008.

### **Again Chance for re-employment**

In 2007-2008 we continue to promote the re-employment of the employees leaving the company in the framework of the Chance (Esély) headcount management and care program. We run Chance offices in four locations in Budapest and 5 in the country. Between October 2007 and the end of the year labor market trainings were given to the employees registered in the program offices. Financial consulting was a new and highly successful component of the trainings. The services provided by the include the support of active job search, provision of training and retraining to improve the employee's chances in the labor market, personal psychological and labor law consulting and after-care of the participants, monitoring their new employment. The information package compiled for the program participants is designed to give the leaving employees chance to successfully change careers, and to move on to find the most appropriate new job. The Chance program has, over the years, become very popular with the participants, and their feedback is clearly positive. Evidence of the success of the program is that between 2003 and 2007, 74% of the affected employees used some service of the program package and 52% of the participants successfully found a new job.

## Basic data on the employees

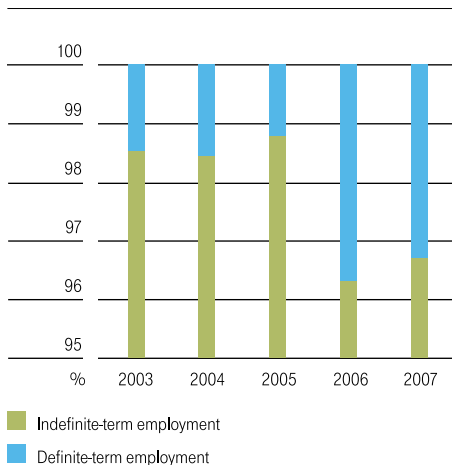
| Percentage of men and women |         |
|-----------------------------|---------|
| Magyar Telekom Group        | 65%-35% |
| Magyar Telekom Plc.         | 66%-34% |

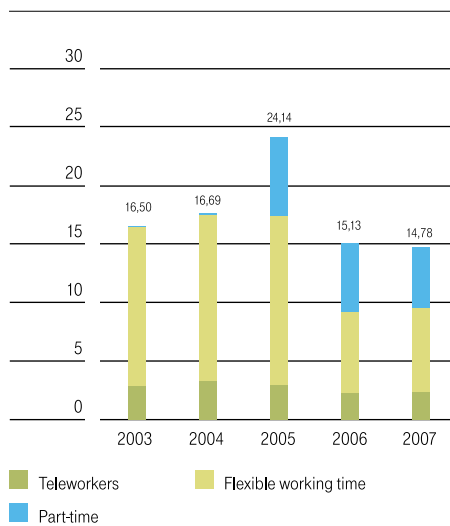
| Average age          |            |
|----------------------|------------|
| Magyar Telekom Group | 39.5 years |
| Magyar Telekom Plc.  | 39.7 years |

According to the general practice followed by the parent company, all employees of Magyar Telekom regardless of the type of their employment (part-time, teleworking, etc.) are entitled to equal and equitable benefits specified in the Collective Agreement.

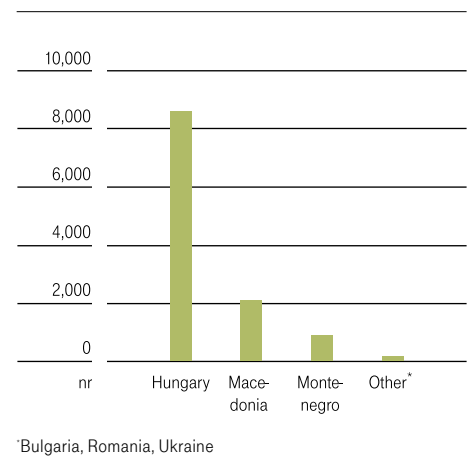
### Definite and indefinite-term employment at Magyar Telekom Plc.



### Percentage of teleworkers, part-time and flexible-hour workers



### Regional distribution of the employees

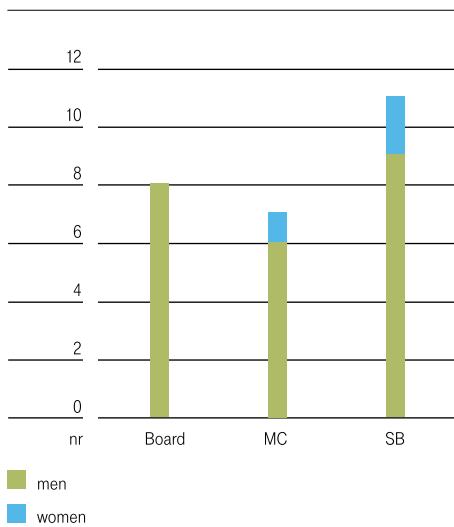


| Total number of employee turnover in 2007 |                      |
|---|----------------------|
| Magyar Telekom Group                      | 10.2% (1,265 people) |
| Magyar Telekom Plc.                       | 8.2% (579 people)    |

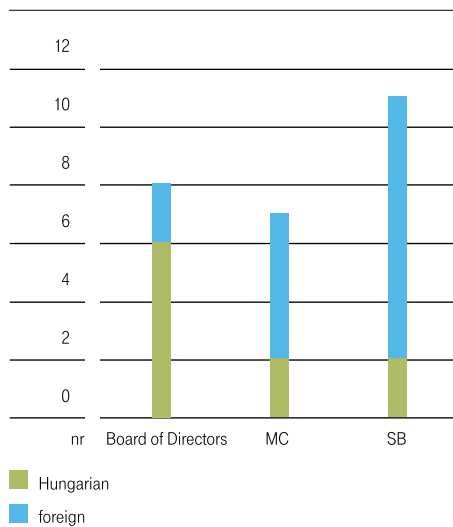
  

| Out of this leaving employment initiated by the employees (so-called detrimental fluctuation) in 2007 |                   |
|---|-------------------|
| Magyar Telekom Group  | 4.2% (523 people) |
| Magyar Telekom Plc.   | 2.9% (209 people) |

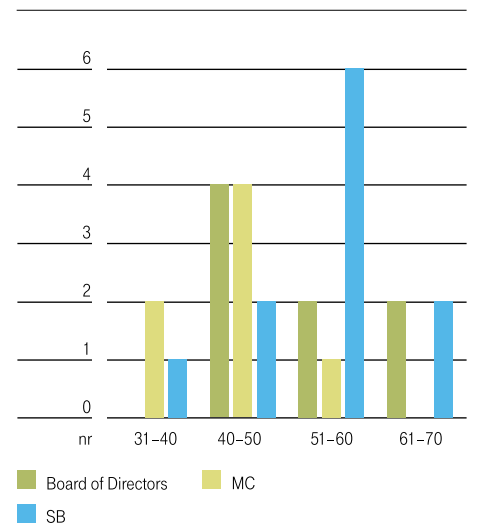
Members of the Board of Directors, Management Committee and the Supervisory Board of the Magyar Telekom Group by gender



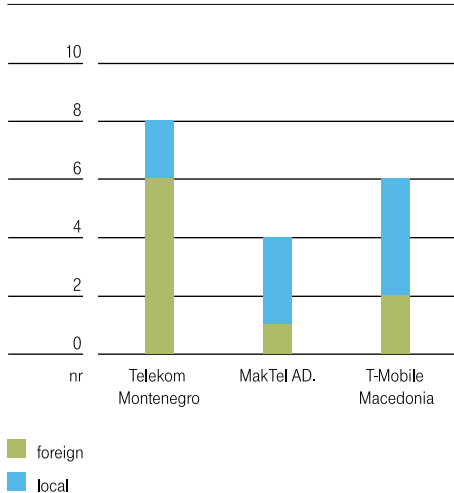
Members of the Board, Management Committee and the Supervisory Board of the MT Group by country of origin



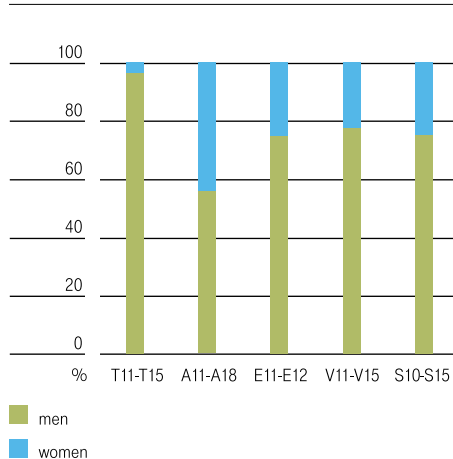
Members of the Board, Management Committee and the Supervisory Board of the MT Group by age



Executive managers of the foreign subsidiaries by country of origin

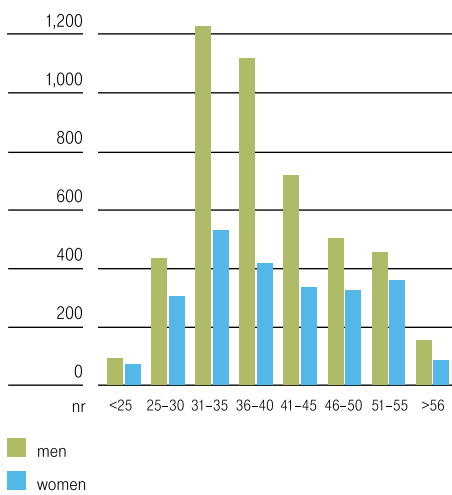


Gender division of the employees by wage category

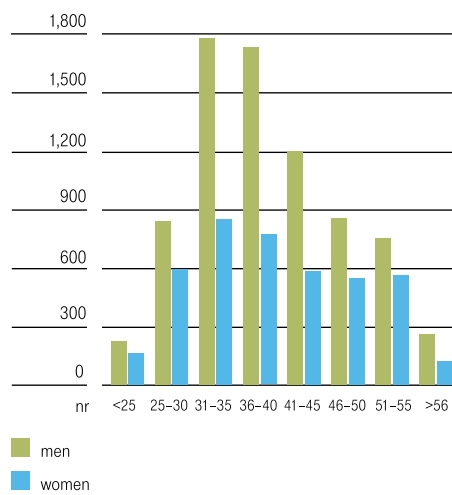


Legend:  
 Wage categories  
 T11-T15: technicians, skilled workers  
 A11-A18: staff employees  
 E11-E12: professionals  
 V11-V15: mid-managers, line managers  
 S10-S15: strategic managers, key mid-managers

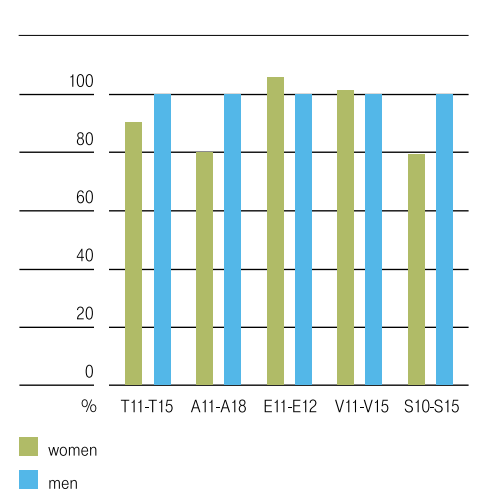
### Magyar Telekom Plc. “age tree” (Dec. 31, 2007)



### Magyar Telekom Group “age tree” (Dec. 31, 2007)



### Base salary of women as a percentage of that of men<sup>2</sup>



<sup>2</sup>Differences are due to shifts in the predetermined frames (bands)



### Occupational health and safety

High level of safety of its employees is a key focus for Magyar Telekom therefore, beyond compliance with the relevant regulations, it has also joined voluntarily several programs in this area. The parent company operates a dedicated labor safety organizational unit and lays special emphasis on compliance with the labor safety and occupational health regulations of the given country at its international subsidiaries too.

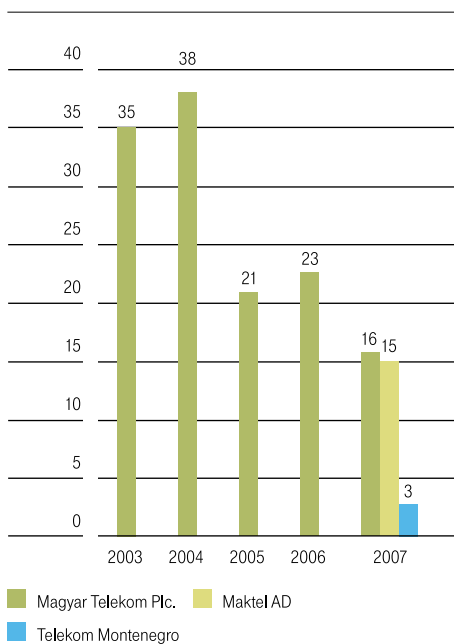
At the parent company the representatives delegated by the Workers' Council perform the tasks of the employee representation in the field of labor safety. As part of their tasks they are involved in the development of the working conditions of the employees, in the labor safety controls and in the investigation of workplace accidents involving the loss of working days.

On behalf of the employer, the Labor Safety Office coordinates the involvement of the different branches and areas in those nation-wide programs which are designed to promote the development of a healthy work environment, such qualification for the Healthy Workplace Certificate or meeting the criteria of the Health-friendly Employer program. By maintaining close contact with the employees the labor safety officers provide efficient help in this work.

Magyar Telekom agrees with the theoretical objectives of the Partnership program invited by the National Work Safety and Labor Inspectorate, and participates in the practical implementation of the objectives. As participant of the Program it lays great emphasis on compliance with the statutory regulations on employment, so the group ensures compliance with the relevant standards both in Hungary and at international level. The interest representation organizations provide support to these efforts.

Magyar Telekom Plc. runs an integral system of recording workplace accidents. Accident data constitute an important input for the indicators developed in compliance with the national reporting system, according to which workplace accidents involving the loss of more than three working days are included in the statistical reporting system.

## Number of work accidents



The technological changes have entailed the decrease of workplace accidents, a welcome process that did not break in 2007 either. In the past three years there were less than 4 per mill minor accidents at the company, which is better than the indicator of the peer organizations of the industry. It deserves special mention that there was no fatal accident or serious injury involving the loss of a limb in 2007 either.

| Accidents per 1,000 employees |                |
|-------------------------------|----------------|
| Magyar Telekom Plc.           | 2.28‰ = 0.228% |
| MakTel AD.                    | 9.08‰ = 0.9%   |
| Telekom Montenegro            | 3.45‰ = 0.345% |

| Number of working days lost in 2007 |          |
|-------------------------------------|----------|
| (Magyar Telekom Plc.)               | 691 days |

In order to provide safe working conditions for the employees that do not impair their health, on the basis of an agreement with the Workers' Council and the trade unions Magyar Telekom Plc. has integrated the rules of work safety in the Labor Safety Regulations. The regulations provide clear guidance in the respect of the obligations and the benefits, both for employer and employee. But in addition to deriving guidance from them, compliance with the regulations is compulsory for both sides.

The safety of the work processes, accident-free work performance and healthy conditions of work are guaranteed by the technological instructions and the relevant labor safety regulations. The requirements of the technological instructions and descriptions comply with the relevant EU and Hungarian regulations and follow their changes. Updating the rules of doing work in elevated places, and within that determining the labor safety conditions of doing work on the support structures of small- and medium-voltage systems, was a key task of 2007. The maintenance works of the telecommunications equipment installed on the power grid demand special attention from the workers as the danger of suffering electric shock is much higher when somebody is working on a 20,000 V power grid, and the place of work is also high above ground.

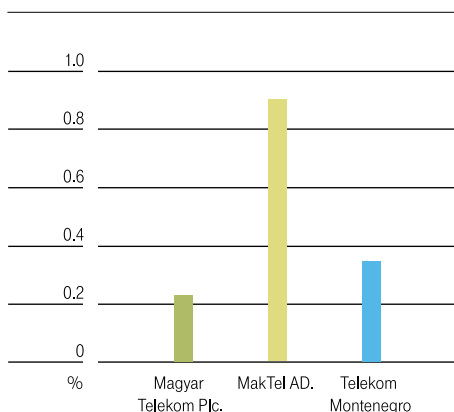
These circumstances justified that the maintenance staff be given comprehensive labor safety training in 2007, which also comprised practical and health-first aid modules.

The Labor Safety Office works in close cooperation with DIMENZIO Health Fund, which provides occupational health services on the employer's request and in compliance with the statutory regulations. The medical fitness tests required for the various jobs are regulated in writing, participation in them is basic requirement. The employer expressly encourages the use of other services exceeding the framework of occupational health services, such as medical status check-ups, health consulting, advice in healthy eating, development of a model diet, medical preventive screening, etc. Programs designed to stop smoking or quit drinking, drug use and consulting in social matters are also encouraged and supported. The company organizes annual events aimed at promoting a healthy lifestyle and giving assistance, for example the Dimenzio Green Days, the Magyar Telekom Olympic Games, national running races, blood donation programs (in 2007, 21 blood donation programs were held in various Magyar Telekom sites).

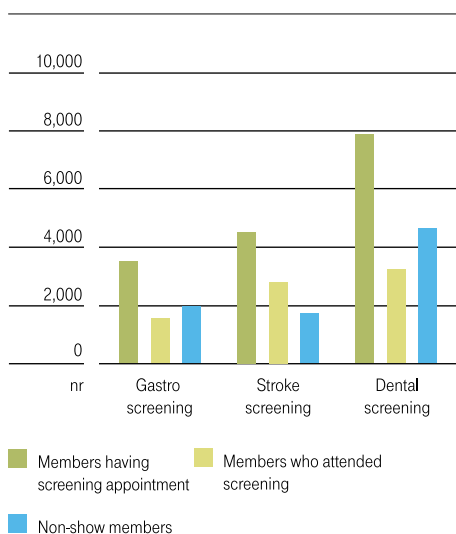
The company also offers insurance services based on the shared risks of company and employee through the DIMENZIÓ Insurance Association. The life, pension, health insurance and self-aid benefits are available to all those employees who register for membership in the association.

In 2007 Dimenzio organized mole screening on 25 occasions in Budapest and on 11 occasions in the country.

## Work accidents per 1,000 employees



## Medical screening in 2007



## Training and education

The Magyar Telekom Group lays special emphasis on the continuous training and development of its employees. The company offers a broad spectrum of programs from the various skill development courses through language education to high-level professional training. Distance learning, as a form of the training, education activity supported by infocommunications tools plays an important role at the Magyar Telekom Group, and at Magyar Telekom Plc. in particular.

The Company implements the majority of its periodic or compulsory training courses through distance learning. The materials of the training programs and the e-learning infrastructure as service environment are available on the Internet, so the complex e-learning solution of Magyar Telekom offers a competitive alternative for the business sphere and individuals alike.

| The percentage of distance learning |        |
|-------------------------------------|--------|
| at Magyar Telekom Plc.              | 55.6%  |
| at MAKTEL AD                        | 11.25% |
| Montenegro                          | 0%     |

The Company also supports the learning of its employees in the regular public education system by giving them financial support and working time reduction.

In an effort to bring new knowledge into the company, Magyar Telekom has been operating the Rajtkő (Starting Block) trainee program since 1995, under which it hires in average 20 new graduates yearly. The five-month period spent at the organizational units contributes to employee development through practical experience.

The company also provides opportunity for dozens of graduating university and college students to spend practice at the company or consult Magyar Telekom officials in writing their thesis.

The elaboration of the training strategy covering the years 2008-2010 began in 2007; it promotes the implementation of the HR strategy objectives through the implementation of five focal goals. These goals are:

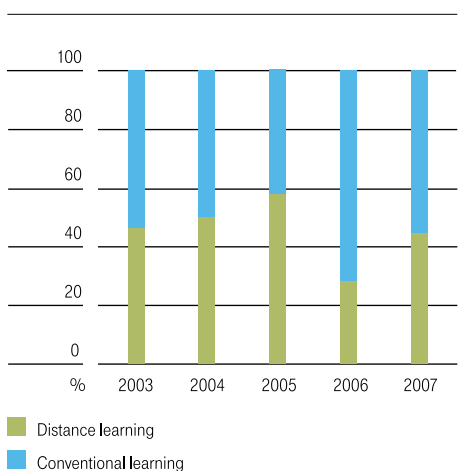
1. To develop and strengthen the service provider attitude
2. To reposition the Magyar Telekom 'brand': T-Home, Employer Branding
3. Change to performance culture
4. One company – one culture
5. Knowledge retention: implement alternative forms of development

In the spring of 2007 a so-called operation development program was launched for the employees of the HR area, which consisted of 3 elements:

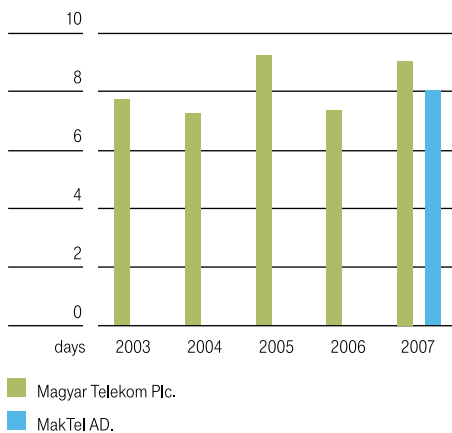
- lectures in HR knowledge (Labour Law, HR strategy and planning)
- Self-organizing knowledge-sharing – employees give lectures to employees on the best practice followed by them in certain areas Experience and knowledge sharing between the employees of the HR area
- "Which way is telecommunications going?" – series of lectures on the development of the telecommunications industry, its trends, business insight for HR staff.

The explicit purpose of the above programs was to give the employees of the HR area such knowledge, which will help them understand the demands of their internal customers and perform their activities in a more efficient and business-focussed manner.

## Conventional and distance learning



## Per capita student days



Every employee of Magyar Telekom receives training appropriate for their job and responsibility level. The principal goal of our training program is to raise awareness and expand practical knowledge. Our company has developed a training structure in which the various training modules built on one another ensure that the employees are trained in line with the requirements of their area so that they can perform their tasks at ever higher level.

The company offers for its employees target group-specific training in the technologies and methods they work with.

Depending on the goal, special development programs are offered for the executive target group.

The development and training programs are implemented in the following forms:

- traditional front education in-house or in open training programs
- skill development training
- e-learning

Equipped with a comprehensive telecommunications knowledge and competences, employees having outstanding talent can prepare for various professional careers with the help of our Rajtkő Trainee Program and Talent Management Program.

In 2007, 73.2% of the employees of the parent company were involved in the regular performance management (TM) system implemented by the HR area.

## 1.8 Human rights

In October 2006 the Management Committee adopted the Social Charter of the Magyar Telekom Group, which was prepared on the lines of the Social Charter of the Deutsche Telekom Group (elaborated on the basis of the relevant ILO conventions and OECD guidelines) and which declares those basic principles that determine the management's approach to human rights. The document is available at the following website: [http://www.magyartelekom.hu/docs/Social\\_Charter.pdf](http://www.magyartelekom.hu/docs/Social_Charter.pdf)

In March 2007 Magyar Telekom updated and expanded its earlier Code of Ethics and issued the new document under the name of Code of Conduct and Ethics. The Code lays down the principles of equal opportunity and non-discrimination and provides escalation opportunity for employee complaints through the channels specified in the Code. The procedure of reporting and investigating complaints is described in the of Code of Conduct and Ethics of the Magyar Telekom Group. (Annexes B and C)

Each Magyar Telekom employee is required to declare in writing that they have read and learnt the principles laid down in the Code and agree to comply with them.

Magyar Telekom's performance in terms of compliance with the human rights requirements is measured by the number of complaints received through the channels specified in the Code of Conduct and Ethics, and by the number of complaints made against our company at the competent authority. In 2007, no complaint was received for discrimination or human rights violation through the channels specified in the Code of Conduct and Ethics or on the internal complaint reporting forums (Magyar Telekom ethics line, e-mail, personal complaints at the Compliance Director). Nor has the competent authority (Equal Treatment Authority), which takes complaints directly from the employees, received any complaint for the company. In case of complaint and penalty decision the company must reckon with a fine and negative press coverage, which can also impair its public perception.

According to the provisions of the Code of Conduct and Ethics, the Group HR director and the Group Compliance Director are responsible for compliance with the human rights requirements.

Magyar Telekom operates a compliance organization which, in cooperation with the HR area, monitors and supervises, among other things, the Company's compliance with the human rights, equal opportunities and non-discrimination activities.

## We undertook to implement non-discrimination regulation at the group.

Annex B of the Code of Conduct and Ethics regulates the treatment of complaints concerning the guidelines and codes of the Magyar Telekom Group, as well as the procedure of investigating these complaints from the point of making them to closing the investigation.

At the end of the investigation the Group Compliance Director closes it and takes the necessary actions or initiates such actions.

The Group Compliance Director makes quarterly reports to the Audit Committee about the events of the period.

### Freedom of association and collective bargaining

The Magyar Telekom Group has acknowledged in its Social Charter the freedom of association and the right to collective bargaining. In the spirit of openness and trust based on social dialogue, the Magyar Telekom Group declares support for cooperation with the legitimate representation of the employees and for striking a balance between interests. The respect of these rights is guaranteed by the Social Charter and the long-standing relationship of the management of Magyar Telekom and the employee representation organizations. 87,2% of the group's employees are under in the scope of agreement by collective bargaining.

### Child labor

In the Social Charter the Magyar Telekom Group pronounces its commitment to the abolishment of exploiting child labor and guarantees that it always observes the minimum age of entering employment within the Magyar Telekom Group, in compliance with the laws of the affected countries. In 2007 the competent authorities did not receive any complaint for the member companies of the Magyar Telekom Group for violation of the regulations on child labor, nor was any investigation or procedure launched on such grounds against the company. The procedure of hiring employees at Magyar Telekom ensures that all regulations and principles prohibiting child labor are fully complied with.

### Forced and compulsory labor

The Magyar Telekom Group emphatically pronounces in the Social Charter that it opposes all forms of forced labor. The member companies of the Magyar Telekom Group comply with the rules and regulations prohibiting forced labor of the country where they operate. In 2007 the competent authorities did not receive any complaint for the member companies of the Magyar Telekom Group for violation of the regulations on forced labor, nor was any investigation or procedure launched on such grounds against the company.

### Equal opportunity

Ensuring equal opportunity and non-discrimination are key focus of the Magyar Telekom Group. Among the nine basic elements of the SA8000 (Social Accountability) standard it devotes special attention to non-discrimination. In the respect of the other basic elements (such as child labor, forced labor, freedom of association, collective bargaining) the company's practice follows the laws of Hungary and the country of operation of the member company. (Constitution, labor regulations, Universal Declaration of Human Rights, relevant laws and regulations of the affected country).

The parent company (Magyar Telekom Plc.) launched several initiatives in 2007 and joined several pioneer efforts in the field of enforcement of equal opportunity.

Those unable to attend personally, could follow the events of the Equal Opportunity Film Club also on the intranet from March 2007. The film club launched in 2006 sponsors the showing of documentaries discussing the problems of disadvantaged people. After the showings the participants discuss the story and also have the opportunity to engage in the discussion the authors of the film via online chat. The summer camp programs are highly popular with our employees who have at small children. In 2007, too, over a hundred children of our employees attended summer camps.

In August, we organized a meeting for stay-at-home Telekom moms because we realized that it is good if young mothers are kept abreast of the changes at the company also while away from their job raising their small children. In the framework of this program we gave the young mothers the



Éva Kisgyörgy: Master and disciple



opportunity to talk with human resource and other experts about the benefits they are entitled to on child-care allowance and about their re-integration to work. In order to promote their re-integration, we launched a so-called re-orientation program which updates young mothers on the changes that took place at the company during their absence, and gives them other useful information. In November 2007 Magyar Telekom received praise from the International Labor Organization for its activities to ensure equal opportunity at the place of work. Our integrating work practice has earned the "Corporate Ambassador of Diverse and Integrating Employment Best Practice" award from the international organization. ILO selected the awardees in an open competition, presenting their strategy and practice in ensuring equal opportunities in a publication entitled "For an integrating and diverse corporate community – good examples from Hungarian companies". Simultaneously Magyar Telekom has joined the Code on Organizational Diversity and Integration initiated by the Hungarian Business Leaders' Forum, expressing also by this means its commitment to complying with the norms of business ethics.

The Hungarian Business Leaders Forum (HBLF) announced the Romaster talent fostering program in February 2007. Romaster assists talented Roma youths in the secondary school to continue their studies in tertiary technical, business or legal education institutions. Magyar Telekom was among the first among the corporate sponsors to join this pioneer initiative. The Romaster program rests on three pillars. The first is the provision of grants to finance the studies of the students. The second, most important pillar, is the mentor whom the companies involved in the program appoint not only to coach the participants in matters connected with the chosen profession, but also help them solve their personal and social problems. The third pillar is the possibility to gain hands-on experience at the companies, with the prospect of employment after graduation. The students to benefit from the above supports until graduation are selected through application.

In order to create corporate sensitivity to equal opportunities we continued „No Tres..” film club in which the employees can get acquainted with the problems of different target groups, and can empathize with them through different films and discussions.

Each employee of the group required to declare in writing that they have read and learnt the Code of Conduct and Ethics through which they also learn and accept the Social Charter and the Diversity Policy and thus the human rights approach and policy of the group.

## 1.9. Vendors

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

The following objectives have been set to improve the efficiency of the procurement activity:

- reduce the number of active vendors to reach an optimum number required for the operation. As a result of the centralization of member company procurements, in the third quarter some of the vendors that used to deliver for the member companies were taken over by the parent company, which raised the number of active vendors. The vendors will be required to utilize the existing synergies, which also implies possible rationalization of the number of vendors.

- Use in a high percentage qualified vendors for the performance of orders:  
Currently 97% of the annual number of orders and more than 95% of the order value is delivered by qualified vendors.
- To increase the number of alternative electronic procurement solutions resulting in reduced procurement lead times:  
The ratio of electronic procurement transactions was continuously rising over the past years, and has reached 61% of all ordered items by now.  
In an effort to increase procurement efficiency, small-value, operation-support procurements are made through the dedicated Magyar Telekom online Internet webshops (eShops).

Vendors' references, financial position, quality and environment related capabilities are assessed in a prequalification system, contractual performance is assessed in a postqualification system and on the basis of the results vendors are classified in categories (A, B, C, D). Qualification results are key factors in the vendor selection process. The company procures products and services primarily from qualified (category A and B) vendors.

The Procurement Directorate's website (<https://www.beszerzes.magyartelekom.hu/english/main.vm>) offers interactive pages for vendors where after registration they can directly access newsletters, calls for bids, the vendor qualification system and make some of their official statements (FCPA statement, Code of Conduct and Ethics) connected with procurement tenders, as well as obtain information about the company's requirements for ethical conduct, operations and social matters. Registered vendors are informed monthly about their results achieved in the vendor qualification process to ensure mutual development.

The procurement procedures accounting for a major share of vendor contacts are implemented with integrated IT systems support. The selection process is supported by an Internet-based call for bids and auction tool (e-RFX), an Internet-based electronic commerce solution (WebEDI) is used for delivery to vendors / confirmation of orders, the number of transactions is rising year by year.

Since 1996 each year a Vendor Conference is held for the vendor partners playing a key role in the operations where the previous year's results are mutually evaluated and procurement strategy directions and new trends are presented. To recognize the performance of the best vendors the "Vendor of the Year" award is presented. Vendor satisfaction is also surveyed at the conference, its results provide important feedback to Magyar Telekom.

Current directions of improving vendor relations: electronization that ensures benefits for both parties, more in-depth use of group-level synergies and group-level management of key vendor relations under the management of the Group Procurement Board.

Magyar Telekom addresses environment protection as a key criterion for procurement processes. Before products are procured the vendor is required to make a statement on their environmental factors. To prevent damage when hazardous materials or products are procured the material is directly delivered from the vendor to the internal customer with the exception of justified minimum stocking and storing.

Magyar Telekom purchases materials, tangible assets and services only through regulated procedures. Environmental qualification of vendors and products is also performed since 2002. In the case of products there is a black list of basic materials which means that those products which contain the blacklisted materials, may not be procured by Magyar Telekom.

A new process has been launched at vendor qualification which evaluates the company not only for environmental compliance, but also by social, human rights and employee aspects. These aspects have been elaborated by the international GeSI (Global e-Sustainability Initiative), its implementation is currently in progress and the top 37 vendors are being screened according to them.

## We undertook to supplement our vendor qualification regime with human rights, equal opportunity etc. criteria

An ethical conduct and taking action against corruption are important considerations for Magyar Telekom, consequently it expects its vendors to make an FCPA (Foreign Corrupt Practices Act) statement and also to comply with the Code of Conduct and Ethics of the company, which is also a contract condition. For this reason issues connected with ethical conduct and among others respect of human rights are included among the components of qualification both in vendor and customer relations.

Magyar Telekom gives priority to payment to its partners upon the schedule laid down in contracts and agreements. A generally applicable payment condition – payment within 45 calendar days of reception of the invoice – is applied for payments to vendors. This condition must be taken into consideration by all Magyar Telekom organizations preparing or signing a contract. This payment condition is used also in procurement contracts and order forms, but naturally it can occur in particular cases that differing special payment conditions are used.

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Percentage of products and services procured from local\* vendors by Magyar Telekom Plc.: 84%  
Percentage of the number of products and services procured from local\* vendors by Magyar Telekom Plc.: 96%

\*Vendors with registered offices in Hungary

Although not applied across-the-board, the principle of making procurements from local or regional suppliers is being observed as a professional or commercial criterion in the specific procurement processes: The supplier is familiar with the local conditions, local transport is more cost efficient and involves less fuel consumption, the local supplier has the appropriate licenses, connections.

Our present contracts do not contain a clause on human rights. We have started to review our vendors according to the GeSi criteria mentioned earlier here. So far we have not encountered any human rights problems with our selected vendors in our procurement practice. The group informs its partners about its relevant expectations in the Code of Conduct and Ethics and in the Employment Charter which are available on the website of the Procurement Directorate.

### DELFIN Award to vendors

The responsibility of our company goes beyond the company borders, so in a pioneer initiative in the Hungarian telecommunications sector, Magyar Telekom uses its own example as incentive for its vendors to follow a sustainable development path. In addition, those vendors that fulfill the sustainability criteria, represent smaller risk for the company (scandals, penalty, boycott, etc.) For this purpose, in 2008 our company founded the DELFIN Award (Hungarian acronym for Award for a Committed, Sustainable and Innovative Generation).

With the DELFIN Award Magyar Telekom recognizes the efforts aimed at promoting the idea of sustainable growth and the activities carried out to reach this goal.

The award is given to vendors who play an outstanding role in sustainability, on the basis of application works which are evaluated by a panel of colleagues with practical experience.

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The first DELFIN Awards have been given to the following vendors:

- **Jánosik és Társai Ltd. received it for sustainable corporate culture.**
  - **Triad Ltd. won it in the category of implementation of creative and sustainable ideas and products,** for the electronic bill.
  - **CoreComm SI Ltd. won the award in the sustainable innovation category for the storage and use of kinetic energy (fly-wheel).**
  - **INFODOK Ltd. won the award for support of equal opportunity and promotion of non-discrimination inside and outside the company.**
  - **Thermo Ltd.** won the award in the category of environment protection projects and the protection of the climate for the design and implementation of heating systems powered by renewable energy.
  - **Special award was given to Inter-Metalex Ltd.** for awareness raising and education of environment-friendly technologies (waste management).
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## We undertook to join the key sustainability initiatives

### 1.10. Cooperation

#### Charters, basic principles

In addition to compliance with the statutory regulations, Magyar Telekom has signed several charters and adopted voluntarily the relevant basic principles to express, also in this way, its sensitivity for the social and environmental problems and its commitment to act for resolving them.

1. In November 2007 Magyar Telekom joined the Code on Organizational Diversity and Integration initiated by the Hungarian Business Leaders' Forum and the International Labour Organization.
2. Magyar Telekom was involved in the work of the Human Resource Innovation Forum organized by the Public Benefit Services Company of Budapest in the framework of the Integrating Budapest Project. Based on the round table discussions entitled "Career starters as efficient workforce", the company shared its practical experiences in employing young people in their first job for the publication of the Public Benefit Services Company of Budapest on this issue.
3. The company also contributed to the ILO report "For an integrating and diverse corporate community – good examples from Hungarian companies" by sharing its corporate practice. For this contribution and in recognition of the practice of the company in this field ILO gave Magyar Telekom the "Corporate Ambassador of Diverse and Integrating Employment Best Practice" certificate.
4. Magyar Telekom was also among the first companies to join the Romaster Program launched by the Hungarian Business Leaders' Forum in the autumn of 2007 to assist disadvantaged the secondary education of Roma youths not only by granting them scholarships, but also by involving them in a mentoring network and giving them such knowledge which will improve their chances of admission to tertiary education, obtaining a degree and a good job later on. This is one of the first initiatives where the players of the business sphere (IBM, Raiffeisen Bank, Holcim, Magyar Telekom, etc.) are joining forces to help cure an urgent and delicate social problem without the involvement of the public agencies.
5. The ETNO Sustainability Charter embodies the commitment of the members to the provision of sustainable products and services by assuming environmental, social and economic responsibility for their activities. The signatories are committed to continuous development and the sharing of the best practices in the following areas: awareness raising, regulatory compliance, R+D, procurement, accountability, cooperation, management systems, employee relations.

#### Some important environment and social cooperation schemes

Several examples stand in evidence that the group spares neither time nor energy when it comes to cooperation for the solution of social and environmental problems.

- American Chamber of Commerce: Christopher Mattheisen, Chairman-CEO of Magyar Telekom is chairman of the Environment Protection Committee
- Hungarian Business Leaders Forum (HBLF)
  - Equal Opportunity Working Group,
  - HR Working Group,
  - Environmental and Sustainability Working Group.
- National Human Policy Association
- ETNO (European Telecommunications Network Operators' Association) Sustainability Working Group



## Industry cooperation, membership in organizations

### International

1. EURESCOM (European Institute for Research and Strategic Studies in Telecommunications): the company entered into a 4-year agreement in 2006 (valid till December 31, 2009). The EURESCOM project also generates revenue for the company.
2. DSL Forum: a consortium of 200 leading service providers, equipment manufactures and non-profit organizations. The aim of the international cooperation is to elaborate guidelines, recommendations for the development and reliable operation of DSL (digital subscriber loop) systems. The results are used directly in the elaboration of ITU recommendations and ETSI regulations. Magyar Telekom currently holds "Principal Member" membership and is active participant of the standardization work conducted under the auspices of the DSL Forum.
3. ITU-T (International Telecommunications Union): the standards developed by the organization ensure worldwide compatibility of the telecommunications networks and services.
4. ETSI (European Telecommunications Standards Institute): DT-level membership, DT pays the majority of the membership fee.
5. EU project: Magyar Telekom is responsible for the traffic metering and testing of the network cooperation of the P2P IPTV applications and their IP network impact under the NAPA-WINE (Network-Aware P2P-TV Application over Wise Networks) project, develops relevant guidelines and supports network planning. . The project closes in 2011. Other Hungarian consortium members involved in the project: BME HT and Netvisor.
6. Procurement Synergies (formerly Technology Board) project in cooperation with DT:
  - implements transparent technical development at T-Com and affiliates
  - by identifying synergies in technical development, develops the relevant indicators in order to support the decisions on the implementation of joint DT-level projects
  - makes recommendations for the leaders of the technical areas.
7. ETNO Research-Development Working Group  
The Magyar Telekom Group is member of ETNO, it is involved in the work of its working groups with full consulting rights. One of the goals of involvement in the R+D activities is to learn the development efforts and projects of the other European telecommunications providers and identify eventual cooperation opportunities. This working group is also responsible for the harmonization of the projects launched under the EU research and development programs (FP7 Framework Program launched in February 2007), and for proposing concrete themes and commenting them. The goals of participation also include preparation of international technical network cooperation schemes, university cooperation schemes and EU network development applications.

### Domestic

1. HTE (Scientific Association for Infocommunications): Magyar Telekom is involved in the work of almost all of its chapters.
2. MISZ (Hungarian Innovation Association): Magyar Telekom has been its member since 1996 and has been regularly submitting applications for the Grand Prize of Innovation since 1997.
3. Hungarian National Host Association: Mission of the association:
  - Promoting the spread of telecommunication infrastructure of the information society in Hungary
  - Contributing to the domestic companies' similar European Union projects; supporting the Hungarian participation in these projects
  - By sharing opinion contribution to the evolution of a liberalized telecommunication market in order to enforce a telecommunication regulatory model that is based on equal opportunities.

4. MSZT (Hungarian Standards Body): Magyar Telekom is a founding member. Officials of the company sit on several technical committees, prepare international standards, actively participate in the work of national program and technical committees, and through the body, they are also involved in the work of the European Committee for Electrotechnical Standardization (CENELEC).

5. Budapest Chamber of Engineers: membership

6. EOQ (European Organisation for Quality) Hungarian National Committee: organizes, coordinates and promotes the quality-related activities of its members.

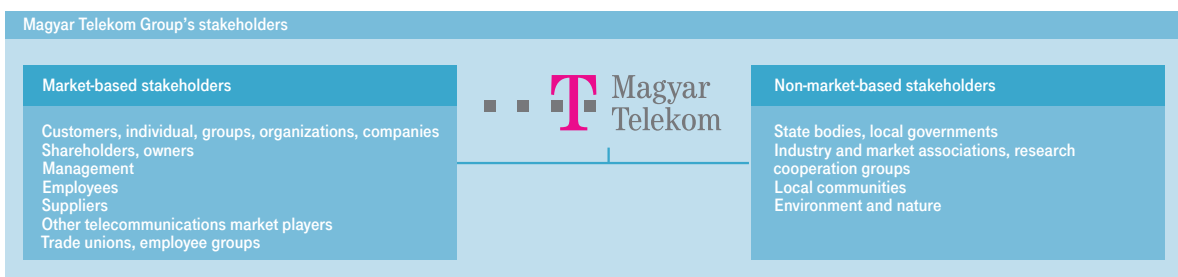
## 1.11. Stakeholders

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



## We undertook to organize sustainability forums primarily based on environmental aspects

The Environmental Round Table organized annually with the participation of the representatives of our stakeholders contribute to the attainment of this objective. In 2007 the Forum was organized in line with our sustainability strategy as a Sustainability Round Table with an extended scope of participants. The list of participants and further information are available at: <http://www.magyartelekom.hu/rolunk/fenntarthatosag/esemenyek.vm>



We undertook to develop a Sustainability site within the website of Magyar Telekom

It is important for Magyar Telekom to make its customers aware of the efforts the Company makes for sustainable development, therefore - in addition to the Sustainability Report published annually - the Company also publishes sustainability information on the Sustainability site within the Magyar Telekom website. Naturally, communication is reciprocal, comments, ideas relating to improvement sustainability of operation are welcome.

We undertook to provide sustainability information to the stakeholders

The efforts of Magyar Telekom in the areas of environmental and corporate social responsibility and its 10-year uninterrupted development called for the attention of several responsible investors (go to the Investors section) and universities, research institutions dealing with sustainability/CSR. The Company always provides them with full coverage of up-to-date information.

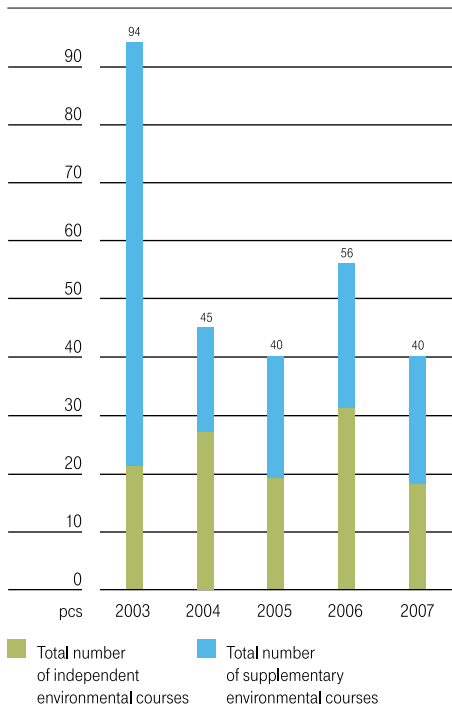
## 1.12 Employees' involvement

Sustainability efforts of the company will not bring success without contribution of the employees: Particular sustainability-related assignments cover various areas of the company, and accomplishment of these tasks requires understanding of their significance by the employees, and identification with the concept of sustainable development. The company has made the following efforts to reach this objective:

We undertook to involve the employees in the sustainability processes and increase their awareness



## Training courses



- All the employees of the company are provided information on sustainability –related events, publications on the Intranet site of the Company under the title of Sustainability.
- An internal climate protection campaign launched in October 2007 serves for raising the awareness of the employees which calls the attention to the risks of climate change and stimulates related actions. A special Intranet site and forum is devoted to the campaign. See the details under Climate protection.
- A separate column was set up in the internal magazine of the Group to publish recent information relating to sustainability and in particular the sustainability activity of the Company.
- The “Selective waste collection” campaign of Magyar Telekom called the attention of the employees to the importance of selective waste collection and conscious purchasing. On the opening day of the campaign the employees received a refrigerator magnet carrying the campaign logo which calls the attention to the significance of selective waste collection in the kitchen where majority of the wastes is produced. In the frame of the campaign the Company created an internal home page to provide useful advises to the colleagues, where they also can make their questions relating to the topic.
- Magyar Telekom has assigned significant emphasis to raising environmental awareness and environmental education of the employees. Altogether 40 environmental courses were organized in 2007, the number of employees participating in the training was 6,427. The training was conducted in the frame of independent environmental courses (18 courses with the participation of 5,136 employees) or as modules built in other training projects (22 courses with the participation of 1,291 employees).

## 1.13. Investors, shareholders

The methods used for communication with the investors and assessment of the investors' requirements include personal meetings, road-shows or thematic conferences organized by international investment banks and analysts.

The experts of the Company spend 25-30 days a year with attending various road-shows, conferences in the most prominent financial centers, where the most significant fund managers are present. 200-250 investor and analyst forums are organized each year which create an opportunity for meeting with the majority of actual and potential investors.

The needs of the corporate investors are assessed with annual by a questionnaire based polling. An external analyst company was assigned to draw up the so-called perception study to assess investors' requirements and expectations with a detailed list of questions and by representative sampling.

The best method for assessing the opinions of minority shareholders is personal interviews, with a view to their low participation rates in the Shareholders' Meeting.

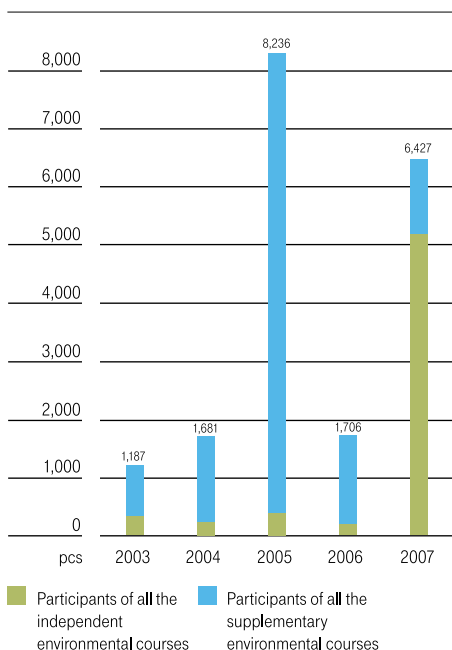
A summary presentation is developed for the senior management on the basis of assessment of investors' demands which is presented at the Management Committee (MC) meeting, then the MC submits the document to the Board of Directors where majority shareholders receive information.

Senior managers participate regularly in the meetings, road-shows, conferences organized for the investors and analysts, in the discussions they can acquire direct information about the investors' expectations and demands.

Through the subsidiary portfolio Magyar Telekom also has an ownership stake and as an owner it has to integrate the needs and interests of its co-owners into his own strategy and business policy. We learn about the needs and interests of the co-owners in the frame of portfolio management.

When necessary the desk officers responsible for the portfolio (Strategy area staff) hold consultation meetings, request information and prepare Magyar Telekom's executives for higher level coordination meetings with co-owners.

## Participants of the training courses





The following themes are put in the focus of the negotiations with the investors and analysts :

- the strategy, long-term objectives, annual goals of the Company,
- competition trends in the particular segments, key competitors, market stakes,
- efficiency levels, measurements aiming to raise efficiency,
- expansion opportunities,
- consumption of the cash-flow produced by the company.

The above mentioned themes constitute the core of the communication, the responses and assessments are the permanent elements of the investor reports. When setting up the ordinary and extraordinary announcements the contents of the reports must be developed in compliance with the requirements of the investors, by bearing in mind the regulatory requirements as well. In addition to the reports an IR presentation is prepared as well to give an overall picture of operation, financial status, strategy of the Company and call the attention to the recent changes.

Besides the conventional investors Magyar Telekom Group wants to satisfy the needs and requirements of responsible investors as well. Accordingly, the Group – based on its sustainability strategy – makes efforts to implement an increasingly sustainable operation and accommodate to the requirements and expectations of the responsible investors identified in the questionnaires. It was the first time in 2007 that Magyar Telekom was assessed from the aspect of suitability for inclusion in the Dow Jones Sustainability Index (DJSI). Magyar Telekom's score was close to the limit defined for inclusion, and although this year the company did not manage to reach the limit, it has set the target of becoming part of the index through constant improvement of our sustainability performance.

## 1.14. Customer relations

Long-term satisfaction of the customers with the services and related information provided by Magyar Telekom are key issues for the company. The company wants to reach the first objective through its quality services and a wide selection of tariff packages offered at favorable rates, and the second one by the provision of detailed and accurate information.

### Management of Customer Complaints

Magyar Telekom Group must pay distinguished attention to provide key treatment to the signals, claims and complaints received from customers. The principal aim is to reduce the number of complaints, to rectify as a top priority any emerging faults, and to provide feedback of the experiences thus accumulating to the processes or units concerned.

Such customer feedback received are continuously analysed to result in corrective measures.

In accordance with the provisions of Government Decree No. 345/2004. (XII.22) claims and complaints are collected in a structured manner.

The various professional areas are actively engaged in the rollout of products and services, in the process of which fault and complaint management is also specified and subsequently feedback is provided on the experiences to the product owner. The product owner is to find a solution jointly with the organisation concerned, whereby the root of the complaint may be eliminated and customer satisfaction may be enhanced.

Analysing the past two years there has been a noticeable decline of 46% in complaints regarding telephone service, 29% regarding quality and 37% regarding bills. Accordingly the overall number of justified complaints has also dropped, however to a somewhat more modest extent than the former ones. After the reorganisation of the company in 2008 several measures have been introduced to have universal processes set up whereby our customers may enjoy an increasingly higher level service. The same have involved the management of customer feedback.

Within the Consumer Services Business Unit a due diligence has been implemented into the service processes used so far, and an analysis has been conducted into the various meeting points of the customers with the company. In the result of the analysis a project has been set up to improve

customer experience. We ensure the achievement of the expected target through addressing and solving the major issues clustered around customer expectations.

Apart from the customer feedback received directly from customers, customer feedback received indirectly – through authorities, agencies protecting customer interests or our employees – is also of a major significance. The above-mentioned organisations examine not only legal compliance but also the extent to which customers' interests prevail and put forward several suggestions towards the improvement of our service processes and communication to customers. The various non-governmental agencies engaged in consumer protection communicate to us customer requirements regarding various areas (e.g. need for technical improvement, more user-friendly access to a particular service, possible improvements in handling customer complaints). The suggestions received are communicated to the relevant professional areas (marketing, law, process control, etc.) where the ways how such suggestions can be translated into practice are examined.

Our employees also join the efforts indirectly: an invitation for competition announced to employees in May was specifically focusing on ideas aimed at the improvement of the company's service and support processes and generating favourable changes for customers. In addition, a communication channel has been put into place for associates, through which any employee may provide ideas or critical remarks in writing or accompanied by a photo. Our employees may also monitor continuously the actual status of the ideas they have submitted.

## Customer satisfaction

The Company conducts quarterly surveys of customer satisfaction. In the frame of customer satisfaction assessment satisfaction of the company's own customers with the company, and satisfaction of the competitors with their own operator are evaluated separately for residential and the business customers based on a number of various aspects. The results of the survey are significant indicators of corporate performance in the particular customer segment and serve as a basis of understanding the needs of the customers and also underpin our efforts to satisfy customer demands on the highest level.

Customer satisfaction survey is conducted by an independent research institute to ensure objectivity of the research. Drafting of the questionnaires used for the survey, implementation of the survey, cleaning and processing of the database created, development of summary analyses, studies, presentation of the results received, interpretation of the results are performed by the market research company in cooperation with the Market Research Department.

The survey is made in the form of standard telephone interviews by using a samples of reasonable size, layers and weigh. The contents of the survey remain basically unchanged from year to year to make possible the monitoring and analysis of the data while adjustments can be implemented subject to changes of internal corporate (Group) needs and changes of the organization, product line, market trends. Selection of the customer segment based on which the survey of customer satisfaction is conducted, coordination and administrative tasks associated with the survey (defining the goal of the survey, selection of the research institute, contracting, performance verification ) are performed by the Market research department.

Customer satisfaction with the customer service channels, i.e. call centers, personal services (brand shops) and mail-based customer service – is measured on continuous basis. We make telephone interviews to learn our customers' opinion, interviews are conducted and evaluation is made by an independent market research company.

Based on the results of the analyses the senior management defines an action plan. Evaluation of the analyses is made on company level, on the level of the directorates and on group level. Monitoring of implementation is made by the senior managers and the directors in the frame of management meetings. The head of the affected business area takes actions to sort out the deficiencies and departures revealed in course of the evaluation.

Satisfaction of customers (residential) and small business clients constantly increased in 2007 with the fix line services of the company (fix line telephone, internet). As far as satisfaction with mobile services is concerned T-Mobile was market leader in 2007 with permanently high satisfaction. Satisfaction with IPTV was significantly higher than that only of voice or internet based services.

Satisfaction of business customers (T-Systems) also increased in 2007. General opinion about the company is very good<sup>3</sup>.

## Information

The offer of the Magyar Telekom tariff packages was extended in 2007 as well. The Group made efforts to increase transparency of the offers and provide for their wide scale availability.

Information about the tariff packages offered by Magyar Telekom's LoBs is available at the following websites:

<http://www.t-com.hu/english/residential/tariffpackages/main.vm>

<http://www.t-online.hu/ugyfeloizlas/20050531dokumentumtar.html>

<http://t-systems.magyartelekom.hu>

[http://www.t-mobile.hu/english/\\_tariffs/](http://www.t-mobile.hu/english/_tariffs/)

A detailed information is available in 24 hours of the day on the T-Mobile tariff packages, and the tariff packages and services can also be adjusted subject to the subscription type used.

- on the free call center number 1430 available from the T-Mobile network or in the Domino Center 1777.
- at the WAP self-service call-center accessible at the t-zone portal set as the main page on the mobile phone sets purchased at T-Mobile
- free, self-service Internet customer service that can be accessed at [www.t-mobile.hu](http://www.t-mobile.hu) and
- the particular services can be ordered or cancelled through the self service SMS customer service center being extended year by year.

In addition to that, information is provide on the tariff packages and services in the T-Pont-s and Partner shops or electronic leaflets and information are sent out on request.

Residential customer service (call center) provides live information on all tariffs on the phone number 1412.

Tariff package calculator is a special, customer friendly solution which assists in selecting the suitable tariff package according to the telephone usage habits of the customer. You have to answer a few simple questions. The calculator has been modified in the frame of Web 2.0 project.

In addition to that a Net package offerings program has been developed according to the analogy of tariff package calculator, by which the customer can select from among the Net packages on the basis of his/her internet usage habits.

The scope of information to be specified for the products and services is different for every product and service which is regulated in detail in the Code of Practice.

<http://www.magyartelekom.hu/szolgalatasok/aszf/fooldal.vm>

<http://t-mobile.hu/egyeni/ugyfelszolgalat/uzletszabalyzat/>

## Marketing Communications

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 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.

<sup>3</sup> Numerical, comparable result including results of previous years can not be indicated due to changes in the measurement methodology.

## 1.15. Corporate Citizenship

Magyar Telekom, in addition to sponsoring the Hungarian cultural life in a way worthy of its economic role, has, over the past ten years, become one of the major sponsors of the non-governmental sphere, too. The company supported different groups of the society in a value of 1.448 billion HUF in 2007<sup>4</sup>. In 2007, similarly to the previous years, the Magyar Telekom Group contributed to the operation and activities of the following organizations:

- Magyar Telekom Symphony Orchestra
- Puskás Tivadar Secondary Technical School for Telecommunications
- Post and Telecommunications Museum Foundation, Telephony Museum
- Post Museum – Budapest
- Magyar Telekom Gallery
- “Telephone for the Needy” Foundation of Major Public Benefit

The Magyar Telekom Gallery's predecessor – Matáv Gallery – was established in October 2000 with the objective to offer a space for the exhibitions of accomplished artists and less well-known talents. Since that time exhibitions are held here five times a year. Each exhibition is presented in the entrance hall of the headquarters building for one month.

For more detail visit:

<http://www.magyartelekom.hu/english/contributions/patronage.vm>

### Magyar Telekom Gives Back

Magyar Telekom implements extensive donation activity in the framework of the Magyar Telekom Gives Back program.

We identify social needs through regular opinion research and by monitoring daily news so as to be able to initiate offering targeted assistance and solution to the problems and needs of concern for us all.

The four pillars of the “Magyar Telekom Gives Back” program are:

- donations – direct donations in cash
- charitable numbers – telephone services provided free of charge for the collection of donations from the citizens
- charitable services – telephone services provided with reduced tariff
- employee donations – individual donations of the employees (and their supplementation by the company), voluntary work

#### Monetary donations

The decisions on awarding the donations are taken by the Board of Trustees of the “Magyar Telekom Gives Back” program. The Company regularly publishes these decisions in the Newsletter of the “Magyar Telekom Gives Back” program and on the Internet.

(<http://www.magyartelekom.hu/english/contributions/contributes/main.vm>)

Magyar Telekom distributes over 100 million forints annually among foundations and associations and also donate tens of millions of forints to support the communication activities of the organizations.

#### Charitable numbers

In the frame of “Magyar Telekom Gives Back” program the Company launched Telekom Donation Line Service called “Charitable Numbers “ in 2002 as a unique initiative in Europe, which offers simple and transparent assistance to people in need. By dialing 1788 anyone can donate 100 HUF for the advertised charitable purpose, which supports the work of a public benefit organization working towards the solution of burning social problems.

The Company provides this service free of charge, transferring to the beneficiary the full donated amount, so it does not generate any revenue and even pays the costs (VAT) and also offers great help

<sup>4</sup> This value does not include sponsorships

to the organizations for the communication campaign in the collection period (e.g. production of the social purpose TCR film, organization of television and other press presence). Since the launch of the program by the end of 2007, 32 non-profit organizations received a total of over 220 million HUF through the Telekom Donation Line.

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**2007-year donations through the Telekom Donation Line:**

1. January-February The light of my Eyes Fund for Sick Children  
result: Donation of 7,664,716 HUF from the customers
  2. March-April: A Speck of attention Fund  
result: Donation of 3,782,750 HUF from the customers
  3. May-June: Natural Healing Fund  
result: 2,501,900 HUF donation
  4. July-August Heart and Hand Fund for Children living with Special Education Needs  
result: 3,359,484 HUF donation
  5. September-October: Salva Vita Fund  
result: 3,191,050 HUF donation
  6. November – December: Magic Torch Fund  
result: 5,619,883 HUF donation
- 

**The Cause – a real-life reality show**

The Cause is a charitable program of Magyar Telekom. This “documentary reality show” has been initiated and financed by the company to present social problems and the work of those civil organizations that strive to solve them. Television spectators may vote to whom to donate the 5 million HUF offered by Magyar Telekom. Four goals, four organizations are presented in a series. Everyone wins, as for those who finish in the second-fourth place the company donates 1 million HUF: The winner organization takes all the money collected from the 200 HUF<sup>5</sup> per call votes of the TV viewers. The Cause continues in 2008 as well, nearly 100 million HUF has been donated to-date to people in need in the civil sphere

**Charitable services Civil Tariff Package**

The Civil Tariff Package was launched in March 2004 to offer national fixed-line telecommunications service to non-profit organizations at an average discount of 30%. These organizations can spend the money saved thanks to this package on causes really serving the interests of the needy. The discount tariff package can be used annually by 100 non-governmental organizations selected in a competition. Subsidizing the operation of telephone emergency services by the provision of free calls is considered as a key task. In 2007 it provided support of over 26 million HUF to the 41 organizations operating the emergency line.

**Donations of the employees**

The Supplemented Individual Donations program means that the company adds a specified amount to the individual donations of employees feeling responsibility for the society. This enables employees sensitive to the problems of the society to take a responsible decision on corporate donation (the company adds double of the individual donation up to HUF 25,000, identical amount of the donation in the range 25,000 -100,000 HUF and 100,000 HUF to individual donations exceeding 100,000 HUF). The past three years have proved that this system successfully stimulates the employees as private individuals to act charitably: by December 31, 2007, thanks to the contributions of our employees almost 68 million HUF donations were given to various non-profit organizations, primarily operating in health, education, art and care for underprivileged children. This is the cumulated amount that has been raised since 2001 from employee donations supplemented by the Company. Employee donations have shown an increase during the past three year (and also the contribution of the Company) the donations of employees amount to 5-6 million HUF each year. Thanks to the program operating for the seventh year the readiness of the employees to give donations is growing continuously.

<sup>5</sup> VAT is included in the case of Domino (prepaid) calls.

## Successes with tradition

Magyar Telekom contributed to the realization of several significant cultural and public events also in 2007. The Company is proud of giving its name as the support of a number of outstanding classical and light music events, family celebrations, leisure activities.

A classical university course has come to an end with its tenth semester. In June 2007 the University of Omniscience was finished in its present form with the last lecture of its tenth semester. As an outstanding unparalleled collaboration of exemplary value between Magyar Telekom and the Academy of Sciences the scientific programs, lectures were launched five years before. More than 160 scientists, researchers presented their lectures during the 10 semesters, the contents of which were delivered to an average of 300-500 individuals each week through personal participation, regular TV programs and the professional home page. This series of lectures has been the most successful initiative of the history of Hungarian science which brought science closer to ordinary people.

The Szeged competition of Vivicitta series opened the running season in April 2007, which was followed by three more competitions in April and May: Budapest, Kaposvár, Eger hosted Vivicitta runs, with the participation of thousands of people.

In 2007 again, a major cultural event of the Summer period, T-Com Kaláka Festival was organized for the 28th time. The festival took place early July in the Diósgyőr castle, with accompanying cultural events and programs (exhibitions, film shows) which were started before the festival and will be open to the visitors by the end of the Summer. Similarly to the previous years, in 2007 again, the series of events hosted a number of outstanding Hungarian and foreign music bands and individual performers who played before large audiences. For the sixth time in 2007 children and their parents were invited to diverse free entertaining programs at early summer weekends on the T-Com Children's Island. The stage performances, music and sport programs, quiz games and creative entertainment attracted over 250 thousand visitors.

Magyar Telekom was present as main sponsor in the Valley of Arts the largest all-arts Summer festival. The concerts of T-Com World Music Stage and the Ray painting exhibition in the Öcs Stone mine were among the most frequented episodes of the festival. In 2007 for the first time Magyar Telekom facilitated movement between the festival sites by free bicycle lending. The company's current sponsorship programs and further information about the "Magyar Telekom Gives Back" program are available at the following website:  
<http://www.magyartelekom.hu/english/contributions/main.vm>

## Environment, town space and arts

Magyar Telekom is committed to give more colour to the town space of city Budapest. Along with the Ray Painting organized each year, the Company supported an initiative aiming to give more colour to the streets. It invited a joint street art competition with Lát-Kép non-profit Association where young artists were provided an opportunity to give artistic appearance to four gray switching cabinets of Magyar Telekom. As a result of the success of the initiative, in July the street art gallery of Lát-Kép Association and Magyar Telekom was supplemented with six more switching cabinets of artistic layout. Sparks Gallery invited an arts competition in April 2007 with the support of Magyar Telekom on giving artistic appearance to the green and yellow street recycle bins. By directing the attention to the street recycle bins we had the objective to support environmental protection aspects and increase cleanness of the city. The recycle bins designed by young artists were exhibited in Budapest and Kapolcs in the Valley of Arts. In August 2008 the open-air exhibition ARC (FACE) was organized with the contribution of Magyar Telekom. As a spectacular program of the exhibition a singer spent three weeks on top of a 8-meter pole while he maintained intensive communication with the world by using T-Mobile mobile internet. The traditional Christmas Ray-painting exhibition of Magyar Telekom, m.város (another.city) displayed a 12 thousand square meter, giant picture projected to the building of the Hungarian Academy of Sciences in December 2007. Magyar Telekom launched its Christmas Ray painting project in 2001, accompanied by various programs and events which has been the country's largest event of this kind

ever since. The visitors could see the Limelight Ray Painting exhibition with historic content in Pécs on the walls of Barbakán Bastion with the support of Magyar Telekom.

As a new feature in 2007, the Company advertised its thematic competition focusing on protection and conservation of our physical and living environment. Nearly 18 million HUF was distributed in the frame of the competition. Out of the bids submitted in the competition special attention was given to the white stork protection program of the Hungarian institution of Ornithology which was sponsored by the company by 7 million HUF. Significant support was given to the Hortobágy wild horse reservation of WWF Hungary Fund for the development of a web camera system with the value of 2,750 thousand HUF.

The foundation of Hermann Otto Museum in Miskolc received a donation of 2 million HUF beyond the thematic framework of the competition, the Company contributes with this fund to the conservation of the 8 million year-old bald-cypress tribes discovered in Bükk mountains.

### Employees assuming corporate social responsibility

In 2007 the employees of Magyar Telekom participated in a number of initiatives involving voluntary work to prove their personal commitment towards corporate social responsibility. Voluntary work is well known to Magyar Telekom employees as since 1999 they have been continuously participating in the construction of playgrounds and bird-watching stations. In June the volunteers of Magyar Telekom – besides a donation of 4 million HUF by the Company – contributed with their own work to the re-building of the training centre of the Ócsa Bird Observatory Association which had burnt down in January. Also in June a corporate responsibility training was organized with the contribution of the Kurt Levi Fund - which also operated as a team-building training - in a pensioners' house at the Northern region of Balaton. Elderly people living in the Pensioners' house participated in the program. Successful accomplishment of the task required both the dynamism of the young Telekom employees and practical experience of elderly people.

In October the Magyar Telekom managers and employees cleaned and re-built the Horváth-kert (Horváth Garden) in Budapest.

### Health Care

Cisco Hungary and T-Systems supported the hospital development project launched on February 15, 2007 with an IT system worth 120 million HUF. In the frame of the project they launched advanced IT solutions and services in both buildings of Bethesda Children's hospital operating with 171 beds. Starting from this Summer the health care services will be improved and efficiency of operation increased - among others - by the installation of new wireline and wireless networks, new PC-s and printers, advanced clinical software applications, electronic routing and registration system, an RFID system used for the localization of high value health care devices, remote control system, video conference system, and a number of other technical novelties.

### T-Mobile and the Sports

T-Mobile Hungary is Diamond Sponsor of the Hungarian Olympic team, a committed supporter of the bicycle sport, and it sponsors the best handball and water polo clubs as well. The Mobile Services Line of Business of Magyar Telekom Plc, i.e. T-Mobile, counts as the biggest Hungarian sport sponsor, awarding support on the grounds of quality. The magnitude and extent of sponsorship provided stretches far beyond the average expected level. The relation between sports and T-Mobile has become common knowledge by now.

As a result, the executives of T-Mobile hold major public and sport positions to represent the company in national and international sport organizations in sport diplomacy roles.

In Hungary T-Mobile is represented in the most popular sports (including water polo, kayak –canoe, handball, basketball) on regional levels as well, where most of the sponsored teams are the favorable teams of the particular regional center ( e.g. MKB Veszprém or Szeged Pick).

T-Mobile also supports the Blue Ribbon Balaton Sailing Competition organized annually.

The athletes selected for sponsorship enhance the company's image with their personal example, successes and popularity.

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#### Supported organizations and sports persons:

- Hungarian Olympic Committee
- Hungarian Kayak-Canoe Federation
- Hungarian Sailing Federation
- Domino-Honvéd Kayak –Canoe Federation
- Domino-Honvéd Water polo Team
- Natasa Janics
- Zsuzsanna Vörös
- László Cseh
- Gábor Balogh

By sponsoring international events, we also emphasize T-Mobile's cross-border services and its international dimensions.

Such sponsorships include, among others:

- Kayak-Canoe World Cup, Szeged
- Short track Swimming European Championship, Debrecen

### T-Mobile and the Community

T-Mobile bears in mind the importance of preservation and leveraging the values of the communities where it is present as service provider. In emergency situations, at times of disaster it takes an active role in helping people survive the effects by giving them state-of-the-art communication solutions. In the spirit of these goals in 2007 the company made donations to assist the work of the Tölösi Péter Foundation, the Foundation for Children with Leukemia and Tumor. As communications partner it assisted the work of the following organizations by providing them with services and equipment:

- "Intenzív" (ca: "healthy heart") Foundation
- Hungarian Maltese Charitable Service
- International Child Rescue Service
- National Accident Prevention Committee
- "Against Cancer, for Man" Foundation
- Hungarian Academy of Sciences
- Palace of Arts

### T-Online

T-Online, as the market leading Internet service provider, lays exceptionally great weight on stressing its expert role and conveying its strategic messages. For years it has been main sponsor of the Internet Hungary trade conferences, these prominent gatherings of Internet users and service providers, as well as IT and media professionals.

### Makedonski Telekom

In the field of culture Maktel sponsored the Summer Festival in Ohrid, Strumica Carnival, Esmá Redzepova Teodosievska's concert and also sponsored the first Macedonian publication of Encyclopaedia Britannica. In the area of sports the Company played a significant role in sponsoring the Swimming Marathon in Ohrid. The company supported the local government of City Gostivar by contributing to the landscaping work of the city park. MakTel -in cooperation with other organizations - launched a campaign in November 2007 for the cleaning and reforestation of Vodno hill. In addition to the above, the company contributes to playground building and reconstruction all over Macedonia.

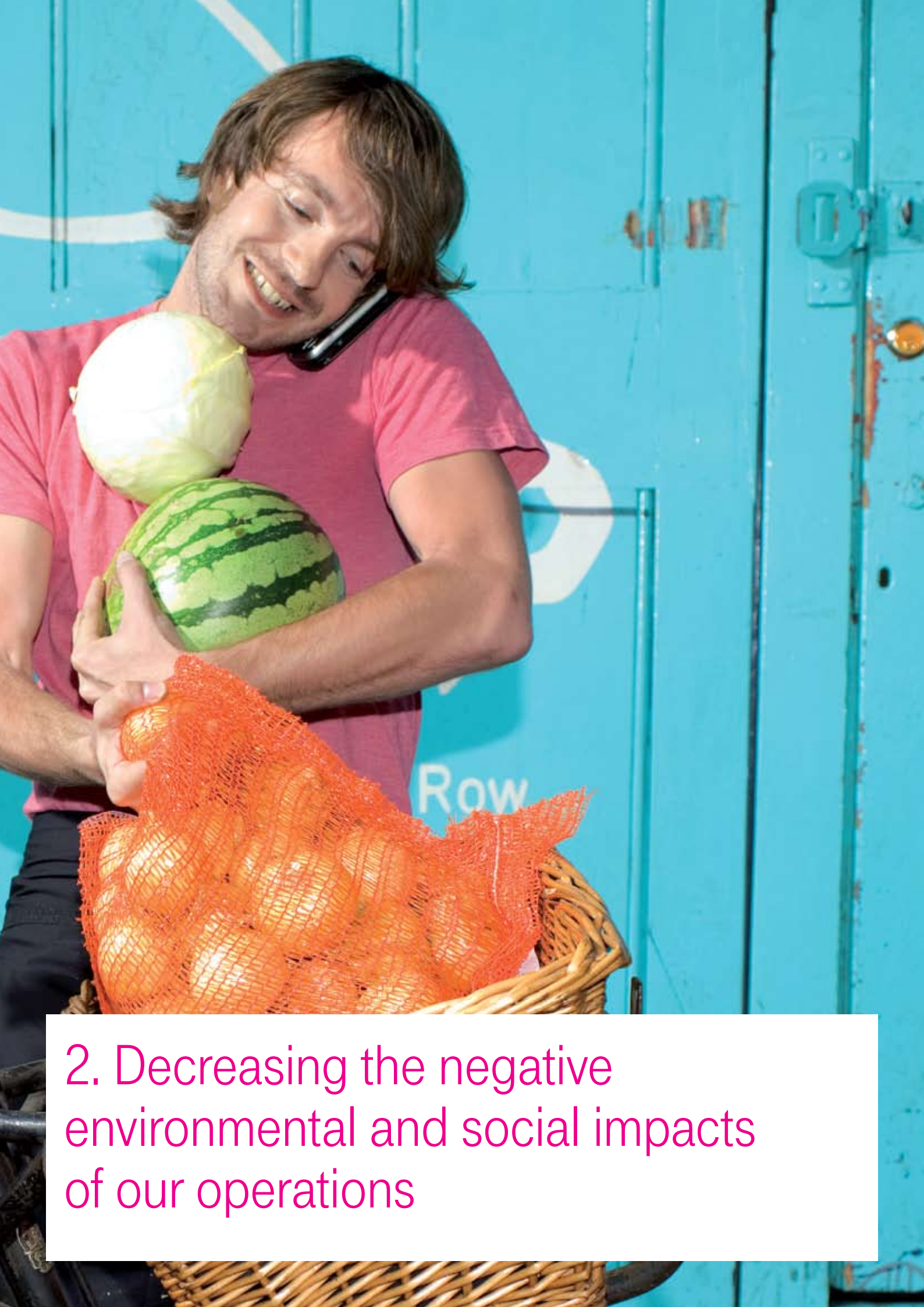
### Crnogorski Telekom

Corporate social responsibility plays a significant role in the business strategy of the Montenegro subsidiary, within that special emphasis is assigned to the sponsorship of culture, education, health and sports. In the area of culture FIAT (Festival of International Alternative Theatre) is a major target of sponsoring, which is one of the most prominent events of the Montenegro cultural life, and Montenegro Contemporary Arts Centre and the Podgorica Photo Saloon are also targets of sponsorship. In the field of health care the company provided support of 85 thousand euro in 2007 to a number of health care institutions for infrastructure development. The company plays a significant role in sports sponsorship, in particular, among others it is the Golden Grade sponsor of the Montenegro Olympic Team, and it is also the sponsor of a prominent sports club, Budućnost's basketball team and women's handball team.



Turtle





2. Decreasing the negative environmental and social impacts of our operations

Although the group makes efforts to reach sustainable operation in accordance with the first section, as a natural consequence of its activities it might exert certain negative social and environmental impacts. Simultaneously with the proliferation of information, communications technology (i.e. operation of the technologies) negative social and environmental impacts may increase as well. Sustainability efforts of Magyar Telekom focus on mitigation of these effects. Although the Group – as an info-communications operator – is not among the major contaminators, at the same time it uses energy for the operation of networks, offices, shops, transportation, wastes and CO<sub>2</sub> are generated during the operation. From social aspects the fear associated with electromagnetic spaces and the threats of content service must be examined by the Group. Magyar Telekom aims to control these input and output conditions. The concrete tasks, engagements and their accomplishment are set forth here under the particular subsections similarly to section 1.

## 2.1 Climate protection

By now hardly anyone can debate the fact of temperature increase as a consequence of human activity. As a consequence of global warm-up certain areas turn into desert, while others get under water, extreme weather conditions occur more frequently and with higher intensity. These changes – besides the damage caused to bio-diversity – hit in particular the population of the poorest regions. Magyar Telekom- as a responsible company - committed itself to stop climate change, protect nature and support people in need with all the means available to the company.

Magyar Telekom is affected by climate change from various aspects. On the one hand, it burdens the environment through its operation by direct or indirect emission of greenhouse gases although – in view of the nature of its activities – the company is not among the heaviest contaminators. These include electricity consumption, paper consumption, heating and transportation.

On the other hand, the Group delivers ICT (Info-Communications Technology) services which can substitute transportation and reduce consumption of materials. These services include video- and audio conferences, TelePresence – which is a real-life version of video conference –, e-bill and a number of other solutions for electronic administration.

Nevertheless, climate change also affects the Group through extreme weather conditions of increasing intensity which is representing an increased risk for the particular network elements. To challenge the risk Magyar Telekom started to install meteorological instruments on the towers.

Climate protection is a key assignment within the Group sustainability strategy, which set the target of 10% reduction of CO<sub>2</sub> emission by 2011. While focusing on its own emission the Group also devotes attention to the climate protection opportunities of its customers and accommodation to the changes.

## Climate protection campaign

Contribution of the employees is absolutely necessary for reduction of CO<sub>2</sub> emission of the Group. So as to increase awareness and identification with the climate change problems for all the employees we launched a climate protection campaign on October 10, 2007 on the World Day of mitigating the effect of natural disasters. On this day small children met the employees with tree seeds in three plants of the Company. The slogan of the day: "And what do you leave for the future?" On the next day the NGO-s – including Greenpeace, WWF Hungary, HUMUSZ- met the employees in a so-called climate room when they went to have lunch or coffee. Here the employees had an opportunity for individual discussions with the experts regarding the issues of climate protection. In the afternoon the film of Al Gore, "An inconvenient truth" was projected, then followed a discussion with the participation of the above mentioned NGO representatives. Those, who could not attend the meeting could see the film on intranet and contribute to the discussion through the chat-wall.

A special internal climate protection home page was created for the campaign to keep the employees informed on continuous basis.

As a result of the campaign our employees are expected to devote more attention to the climate focused lifestyle even outside their workplace, and increase climate awareness also in their environment.

The campaign will be continued in 2008 as well, with campaigns like, e.g. „PC Shutdown” (switch off the PC-s for the night ), Earth Hour and other campaigns.



Magyar Telekom  
a klímavédelemért

The Group organized external events, too, to call the attention to climate change. On September 22, the Car Free Day the climate protection tent of Magyar Telekom was deployed in the T-Mobile Bike street where the problem of climate change was presented in the form of games, competitions and a message wall.



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### T-Mobile for the bicycle sport

Besides the objective of safe cycling T-Mobile also set the objective of popularizing healthy and sporty life and environmental protection through cycling, therefore the company is committed to support bicycle sport. Objective: increase corporate social responsibility, environmental protection, mass sports and healthy life through bicycle sports.

"T-Mobile Bicycle Loafer" program was organized in the frame of the Sziget Sportvarázs (Island Sports Magic) ( June 15-16-17, 2007) where various tasks had to be accomplished with bicycle and besides the lessons on safe traffic the attendants could also learn about the nature and sports through the various entertaining competitions.

Following the example of other European countries the Ministry of Transport launched its "Bike to work" campaign in Budapest, which was sponsored also by T-Mobile. Those who wanted to participate in the program had to register and bike to work at least four times between September 1 and 14.

In the frame of the European Mobility Week T-Mobile set up the T-Mobile Bicycle Street on the Car Free Day at Andrassy road in the heart of Budapest from September 16 through 22, where various programs, events were organized to encourage cycling: Safe Cycling rules route, spinning, trial demonstrations, velocipede show were organized, cycle repair shop, bike borrowing shops were operated to encourage the participants and also the employees of the company to demonstrate as one team for the importance of environmental protection.

**T-Mobile Smart Mobility (T-Mobile for safe cycling)** program is a school education program: the representatives of the company visit schools and call the attention of children in the frame of a lecture on safe cycling, healthy life and environmental protection. The purpose of the initiative is to encourage safe cycling, environmental awareness and environmental focused lifestyle. Competitions are organized for children at the sites, "Safe cycling" tracks, games, etc. help children to understand the rules of safe cycling on the roads.

**Cycling is a lifestyle and a commitment as well. Those who cycle, feel responsibility for their own health and also for the environment.**

The in-house posters designed to increase environmental awareness of the employees carried this message.

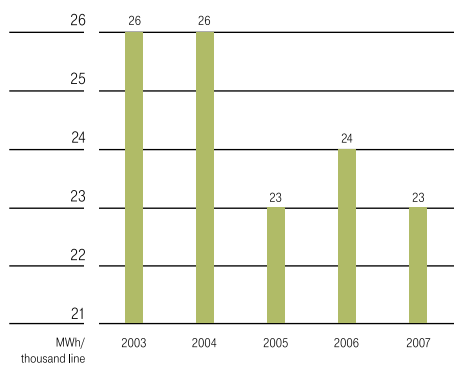
A TV magazine of 8 parts is broadcasted on Sport1 and Sport2 channels with the support of T-Mobile to encourage cycling and healthy life. ([www.xtrame.hu](http://www.xtrame.hu))

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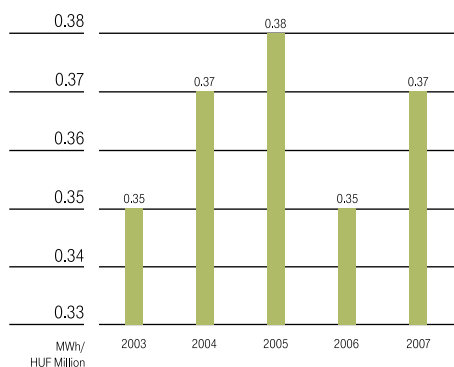


## We undertook to initiate energy rationalization development

### Electricity consumption (relative figure related to line numbers)



### Electricity consumption (relative figures related to revenues)



### Energy consumption

#### Electric energy

Telecom services consume significant amount of electric energy, therefore Magyar Telekom Group makes all the reasonable efforts to use advanced equipment of low energy consumption. Notwithstanding the above the electric energy consumption of the Group shows slow increase above the previous years. Compared to 2006 the increase was 7% which is more than 17,000 MWh. The reason for excessive energy consumption is extensive growth of the mobile and cable TV market in Hungary.

#### Free air cooling for the base stations

Installation of the energy saving cooling systems developed in 2006 continued in 2007 as well, so by the end of the year these systems were put into operation at 1,021 container stations. The technical novelty which is the patent of Magyar Telekom is designed to reduce radically the energy consumption of the network, and increase safety of network operation. The target equipment are air conditioners used for cooling the base stations by using direct free cooling technology. By reducing the operating period of the air conditioners by 40-75% the Company managed to achieve significant energy saving. See the details of development in the 2006-year Sustainability Report: [http://www.magyartelekom.hu/english/doc/sustainability\\_report\\_2006.pdf](http://www.magyartelekom.hu/english/doc/sustainability_report_2006.pdf)

From among the international subsidiaries the number of wireline subscribers nearly doubled at TCG, therefore their energy consumption also showed a 40% increase.

At MakTel energy saving switches were installed due to development, as a result of which a 4% reduction of the electricity consumption was achieved.

In terms of relative figures the overall energy consumption projected to all lines reduced by 4% while its revenue-related value increased by 6% as compared to year 2006.

#### Fossil fuel consumption

Magyar Telekom Group uses fossil energy for heating the buildings. Majority of the buildings is equipped with gas heating, remote heating is applied in a very tiny portion of buildings. (Magyar Telekom Plc., BCN, Maktel)

Fuel oil is consumed only by the international subsidiaries, and it shows a decreasing tendency in terms of the amount of fuel consumed. A 9% reduction is experienced compared to the previous year.

#### Gas consumption

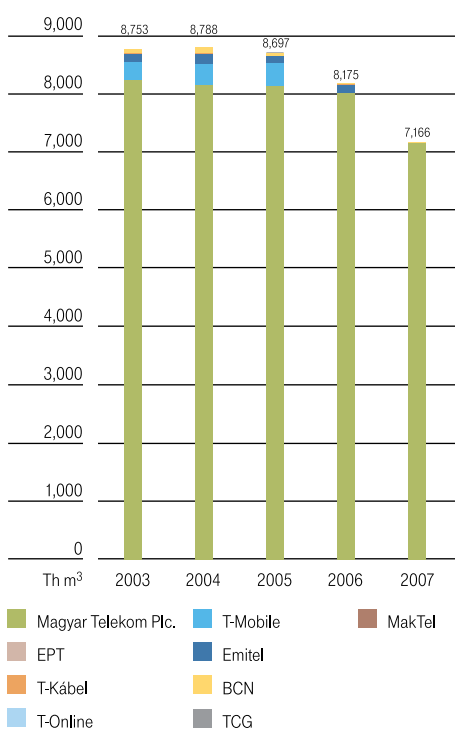
Gas consumption of the Magyar Telekom Group shows a constant reduction which is clearly reflected by the chart. A 12.3% reduction was experienced compared to 2006, which is due to the permanent modernization of the boilers and the sales of office buildings. In detail: Magyar Telekom Plc (since the restructuring it also contains the data of Emitel, EPT, and T-Mobile which used to be independent companies earlier) reduced more than 10% its gas consumption, which means 862,000 m<sup>3</sup> gas saved. T-Kábel reduced its consumption by nearly 30% , BCN by over 27%, respectively. (The subsidiaries not included in the detailed list operate in rented office buildings, therefore their heating costs are accounted in the rental.)

#### Remote heating

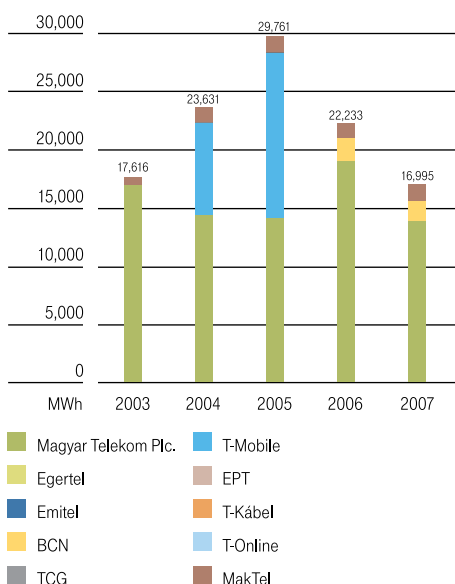
From among the member companies of Magyar Telekom Group Magyar Telekom Plc, BCN, and Maktel use remote heating in certain buildings. Group-level consumption reduced by nearly 24% as the new office building of T-Mobile is equipped with a modern gas boiler.

As the breakdown to member companies shows Magyar Telekom Plc reduced its remote heating consumption. by 27%, BCN by 12%. The consumption of Maktel increased by 16% .

## Gas consumption



## Energy consumption of remote heating



### Directly produced energy used for own purposes

The consumption for own purpose does not show any change compared to the Sustainability Reports of the past years.

The Group operated diesel generators to ensure uninterrupted operation of telecom services in case of eventual outages of the power supply.

In the headquarters at Krisztina Krt. the electricity, heating and hot water supply is provided by a gas engine. Surplus electricity produced by the Company is sold to the Budapest Electric Works.

### Renewing and alternative energy sources

In Magyarsarlós the energy supply of the remote unit providing telecom services to the population of the locality has been supplied by a solar battery unit since 1992, and since 2003 a wind generator has been operating next to it.

Due to the long payback period (10-15 years) the company group does not plan to deploy further renewing energy resources.

The vehicle fleet of Magyar Telekom is supplemented with hybrid cars. As from Autumn 2007 the managers of the company can select hybrid cars as company car. As these vehicles represent higher price category part of the difference is covered by the company, part of it by the Telecom manager. Hybrids can be considered popular as 31 managers selected it by May 2008. Christopher Mattheisen chairman CEO of the company was the first to request a hybrid car.

As from January 2008 a heat pump will be operated in two plants. The equipment uses technological waste heat for heating and hot water supply which prevents loss of the costly heating energy, and no natural gas is needed for heating. We will report about the experiences of alternative energy utilization in the 2008 report.

## Travel

### Mileage performance of motor vehicles

The servicing area of Magyar Telekom covers the whole territory of the country therefore usage of vehicles is unavoidable. Although majority of fault repair can be performed by remote control, in certain cases personal presence is necessary. International subsidiaries are in similar situation.

The Group decreased the mileage performance of its vehicles by more than 1 percent as compared with the previous year, representing a saving of 925 thousand km on vehicle usage.

The following member companies increased their mileage performance:

Magyar Telekom Plc. by 5%, which can be explained with the fact that since the reorganization this figure contains the mileage performance of Emitel, T-Mobile and T-Online as well. Ept increased its mileage performance by 21% while BCN by 1% over 2006.

T-Kábel decreased its mileage performance by nearly 3% and Maktel by nearly 2%.

Number of vehicles:

The number of vehicles increased by nearly 12% at Magyar Telekom Group. As a result of acquisition ICON, Integris, IQSYS KFKI-LNX and TSH were integrated into the Company Group and they are considered as new data providers.

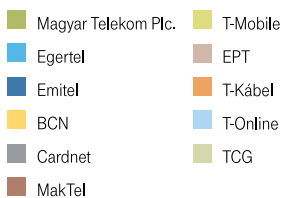
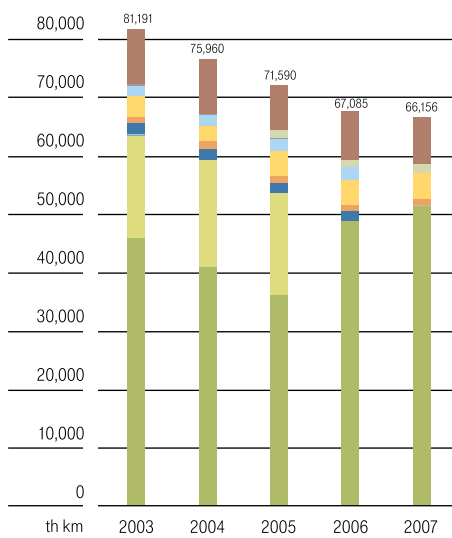
Distribution by type of fuel:

- Number of motor vehicles of petrol operation – nearly 11% growth
- Number of vehicles of diesel oil operation – shows 12% growth

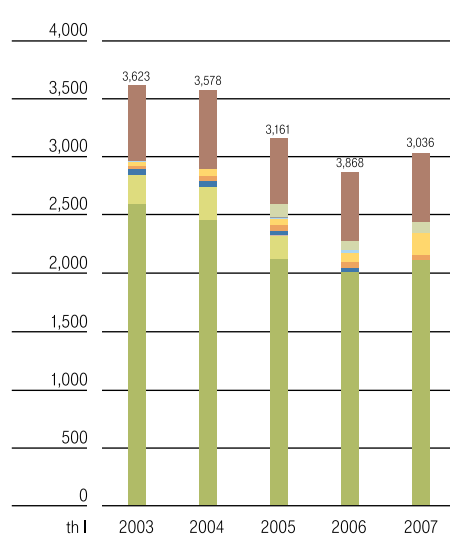
Distribution by utilization:

- Number of vehicles used in operation – 11% growth
- Number of vehicles used for private purpose -14% growth

## Mileage performance of motor vehicles



## Total fuel consumption of vehicles (gasoline)



### Fuel consumption

Due to the growth in the number of vehicles and increase of their mileage performance fuel consumption showed a 3% growth above the 2006 level. Here we have to mention that consumption of the new data provider companies (ICON, Integris, IQSYS, KFKI-LNX and TSH) also contributed to overall consumption growth. If the data of the member companies providing information in 2006 were compared with 2007 a 8% reduction would be reached.

### Gasoline consumption

Group-level gasoline consumption showed a 6% increase. In the breakdown to member companies Magyar Telekom Plc. increased its consumption by 5% (the data also contain Ept, Emitel, T-Mobile, T-Online data which used to be independent companies), T-Kábel increased its consumption by 2%, BCN by more than 5%. TCG by 33% which is due to the expansion of the servicing area. Maktel maintained its consumption at the earlier level.

As from 2006 the following can be considered as new data providers with the following diesel oil consumption: ICON 17,512 l, Integris 3,500 l, IQSYS 11,266 l, KFKI-LNX 55,184 l, TSH 6,671 l.

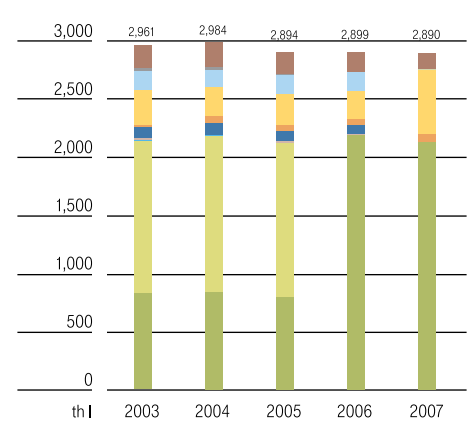
### Petrol consumption

Unleaded petrol consumption of the Magyar Telekom Group reduced by nearly 0.5% despite the growth of vehicles mileage performance and the increasing number of vehicles of gasoline operation. From among the member companies T-Kábel increased its consumption by 8% which is due to the growth of coverage of the T-Kábel servicing area.

Magyar Telekom Plc. decreased its consumption by nearly 3% despite the fact that the amount of vehicles of gasoline operation increased by 16%. Maktel achieved a 19% reduction which can be explained with the 3% decrease of gasoline vehicles and a nearly 2% decrease of the total vehicle fleet.

The consumption of BCN stagnated. The following are to be taken into consideration as new data providers, whose consumptions are as follows: ICON 32,234 l, Integris 13,950 l, IQSYS 25,262 l, KFKI-LNX 189,535 l, TSH 59,425 l.

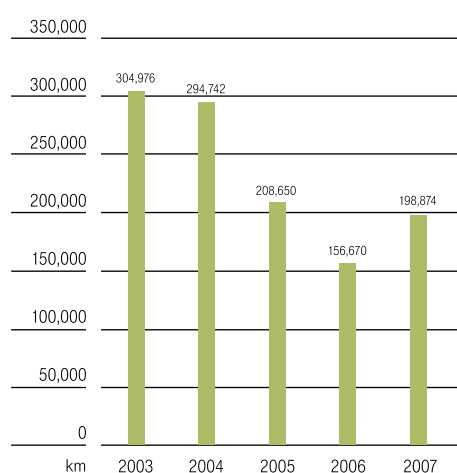
## Fuel consumption of vehicles (unleaded petrol)





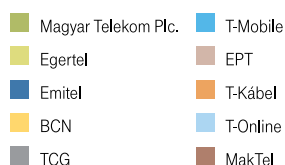
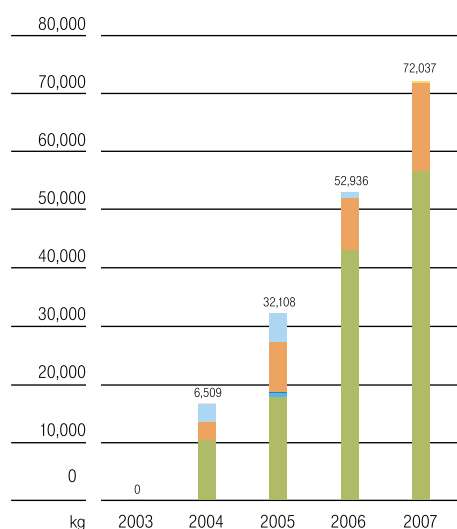
We undertook to increase replacement of travels by means of info-communications.

## Travel distances replaced by videoconference<sup>6</sup>



<sup>6</sup> Replaced domestic travels

## Recycled paper consumption



## Leaded petrol

From among the members companies of Magyar Telekom Group TCG is the only company to use leaded petrol. The consumption shows dramatic decrease, which means a nearly 36% reduction over the least year.

## Travel replacement solutions

### Audio and video conferences

By using the opportunities offered by telecommunications traveling becomes unnecessary and can be eliminated, which can prevent emission of harmful materials. Audio and video conferences are among these applications.

The table suggests that the awareness campaign launched last year among the employees was successful and we managed to increase the replaced mileages by over 26% which prevented the emission of 42 tons of CO<sub>2</sub>.

|   | 2003    | 2004    | 2005    | 2006    | 2007    |
|---|---------|---------|---------|---------|---------|
| Replaced mileage                              | 304,976 | 294,742 | 208,650 | 156,670 | 197,874 |
| Average consumption (l/100 km)                | 8.3     | 8.6     | 8.4     | 8.6     | 8.3     |
| Fuel saving (l)                               | 25,313  | 25,348  | 17,527  | 13,474  | 16,424  |
| Ratio of diesel oil/petrol (%)                | 54/46   | 55/45   | 52/48   | 48/52   | 50/50   |
| Diesel oil saving (l)                         | 13,922  | 13,961  | 9,114   | 6,468   | 11,333  |
| Petrol saving (l)                             | 11,391  | 11,423  | 8,413   | 7,006   | 5,091   |
| CO <sub>2</sub> indicator (tCO <sub>2</sub> ) | 62.59   | 62.77   | 43.10   | 32.89   | 41.67   |

Tale 3. Savings achieved by video conference

## Teleworking

Magyar Telekom Plc. employs 167 staff persons in teleworking, which makes travels and fuel consumption unnecessary, and also eliminates CO<sub>2</sub> emission for both the employee and the environment.

## Distance learning

Magyar Telekom Group traditionally provides the majority of its employee training programs in the form of distance learning. The employees participating in distance learning are made available the training materials on intranet which they have to complete within a specified time frame. The employees can decide themselves when they complete the course within the given time frame.

The company did not conduct research on the rebound effects but we assume that no such effect occurs in the case of distance learning and e-bills (no one tends to pay more or learns more in the traditional billing or education scheme).

## Paper consumption

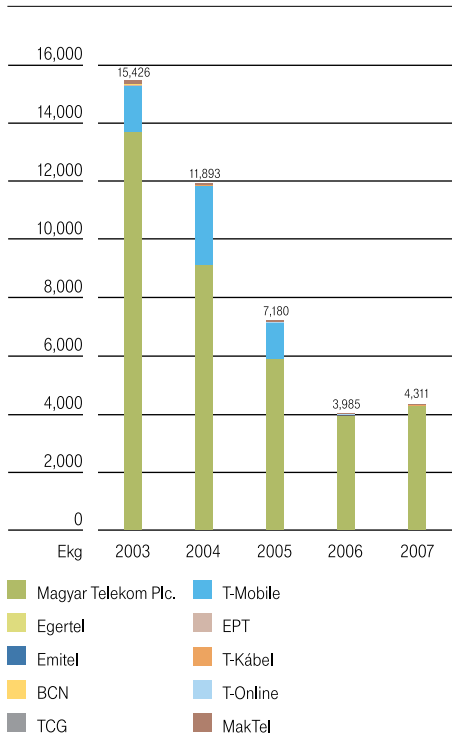
Paper consumption can be considered the most significant material consumption of the Magyar Telekom Group. Paper consumption occurs mostly in connection with the office activities, while significant amount of paper is used for issuance of the invoices and phone book publishing as well. Total paper consumption of Magyar Telekom Group shows an increase of over 8% which is due to the increasing amount of advertising materials used in 2007.

The amount of paper consumed by the employees in 2007 in course of office activities including printing and copying was 470,776 kg.

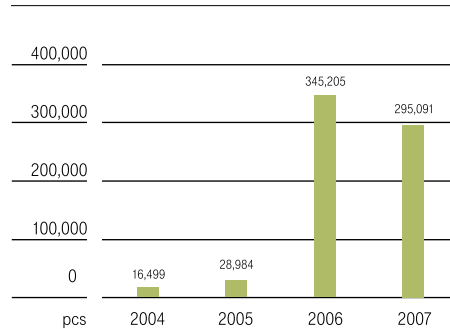
The amount of used and recycled paper increased by 36% which includes the consumption of ICON as new data provider. Compared to the last year T-Kábel nearly doubled its recycled paper consumption.

## We undertook to reduce our paper consumption

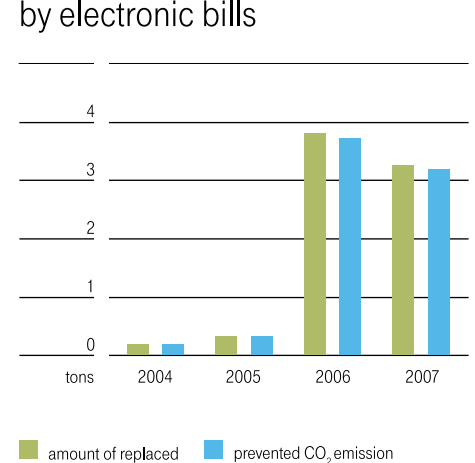
### Paper consumption



### Amount of electronic bills



### CO<sub>2</sub> emission prevented by electronic bills



In 2007 Magyar Telekom Group issued ca 2% less invoices than in the past year, the material consumption of which is as follows:

Paper: 101,387,718 sheets  
Envelop: 54,283,949  
Foins: 690,559

We continue to provide our Electronic Traffic Information (EFT) service to our key customers using mobile services, by which the invoice format and calls detailing can be downloaded in the self-service customer care centers.

Magyar Telekom requests continuous information from the manufacturers, which is registered in the Environmental Planning and Registration system.

Similarly to the previous year Magyar Telekom Plc. performs re-collection of the telephone books in cooperation with Magyar Telefonkönyv Társaság (the Hungarian Phone Book Society) and Magyar Posta (Hungarian Post) on contractual basis, but the related statistics are not available to us. From among the member companies Maktel re-collected phone books amounting to 180 kg. in 2007.

The company Group elaborated two different solutions for the reduction of the amount of paper used for phone books:

One of them is the CD book which is published by Magyar Telekom Plc. In 2007 315,680 pcs were issued, 6% more than in the previous year.

Another solution is electronic phone book which can be accessed on the home page of Magyar Telekom. It contains the publicly available mobile phone number, e-mail and web address of the customer.

The environmental friendly material consumption of Magyar Telekom Group can be characterized primarily by the above mentioned recycled paper consumption. The 2007-year calendars and diaries are made of recycled paper, just like in the previous year. The Group plans to purchase stationary and small gifts made of environmental friendly materials.



Mrs. Fülöp Judit Vieder: Siamese

## Carbon-dioxide indicator

The following table sets forth the quantities of various energy types consumed by the Magyar Telekom Group in terms of their CO<sub>2</sub> emission based on the principles of UNEP (United Nations Environmental Programme) published in 2000 on greenhouse gas indicators.

| Energy consumption<br>CO <sub>2</sub> load [tCO <sub>2</sub> ] |         |         |         |         | Change<br>compared<br>to the<br>previous<br>year (%) |
|--|---------|---------|---------|---------|--|
|  | 2004    | 2005    | 2006    | 2007    |  |
| <b>Direct energy consumption</b>                               |         |         |         |         |  |
| Natural gas  | 16,839  | 16,664  | 15,664  | 13,731  | -12%   |
| Fuel (diesel oil)  | 9,604   | 8,492   | 7,685   | 8,137   |  |
| Fuel (petrol)  | 6,613   | 6,382   | 6,451   | 6,426   |  |
| Fuel   | 16,217  | 14,874  | 14,136  | 14,563  | +3%  |
| Total direct energy consumption load                           | 33,056  | 31,538  | 29,800  | 28,294  | -5%  |
| <b>Indirect energy consumption</b>                             |         |         |         |         |  |
| Electric energy  | 80,311  | 86,213  | 85,446  | 91,683  | +7%  |
| Total energy consumption load                                  | 113,452 | 117,810 | 115,246 | 119,977 | +4%  |

Table 4. CO<sub>2</sub> load of energy consumption

Compared to the previous years the CO<sub>2</sub> emission due to direct energy consumption decreased by 5% while the CO<sub>2</sub> emission due to indirect energy consumption showed a 7% growth. All in all, the CO<sub>2</sub> emission caused by energy consumption was 4% more than in 2006. The reason behind the growth is increasing utilization of electric energy ( see the rationale in the section Electric Energy)

| Paper consumption CO <sub>2</sub> load [tCO <sub>2</sub> ] |        |       |       |       | Change<br>compared to<br>the previous<br>year (%) |
|--|--------|-------|-------|-------|---|
|  | 2004   | 2005  | 2006  | 2007  |   |
| Newpaper [tCO <sub>2</sub> ]                               | 11,633 | 7,023 | 3,897 | 4,216 | +8%   |
| Recycled paper [tCO <sub>2</sub> ]                         | 57     | 30    | 49    | 68    | +39%  |
| CO <sub>2</sub> load of the total paper consumption        | 11,690 | 7,053 | 3,946 | 4,284 | +9%   |

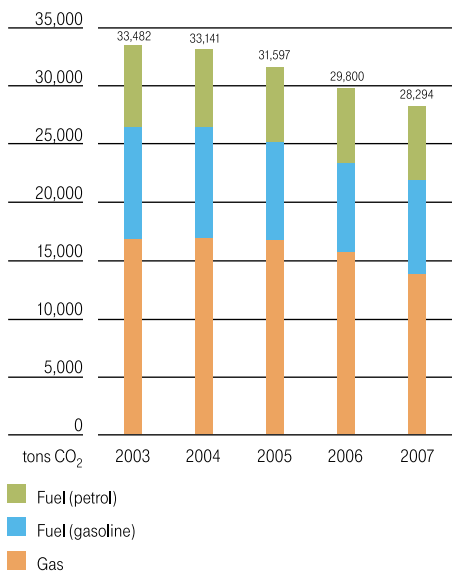
Table 5. CO<sub>2</sub> load of paper consumption

The CO<sub>2</sub> emission caused by the paper consumption increased by nearly 9% compared to the previous year, following the significant reduction of the earlier period.

| Cumulated CO <sub>2</sub> load [tCO <sub>2</sub> ] |         |         |         |         | Change<br>compared to<br>the previous<br>year (%) |
|--|---------|---------|---------|---------|---|
|  | 2004    | 2005    | 2006    | 2007    |   |
| Load of the total energy consumption               | 113,452 | 117,810 | 115,246 | 119,977 | +4%   |
| CO <sub>2</sub> load of total paper consumption    | 11,690  | 7,053   | 3,946   | 4,284   | +9%   |
| Overall load of energy and<br>paper consumption    | 125,142 | 124,863 | 119,192 | 124,261 | +4%   |

Table 5/a. Cumulated CO<sub>2</sub> load

## Carbon dioxide load (direct energy consumption)



The total CO<sub>2</sub> emission contains the emission of the companies acquired after 2004 as well. The increase can be explained with the increasing size of the Group. If we disregard the emission of the newly acquired subsidiaries the CO<sub>2</sub> load remained unchanged ( as far as time-based comparison can be made) which information is available under Environmental indexes and costs.

## 2.2. Water consumption

Water is consumed at Magyar Telekom exclusively for social purposes, just like in the previous years. Construction of the new office building of T-Mobile was completed in 2006, and the substantial water consumption associated with the construction work stopped, accordingly, the consumption dropped by 26% in 2007. From among the member companies it was only TCG whose consumption increased, the rest of the member companies showed a decreasing trend. The chart sets forth the dramatic decrease of usage which started in 2005.

## 2.3. Emission

### Air pollution

The services provided by Magyar Telekom Group do not result in significant direct emission of polluting materials.

For the sake of completeness we have to mention the following:

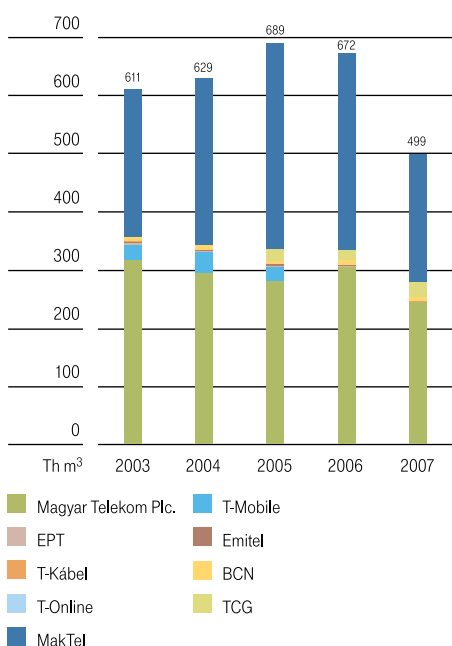
Emission of the gas boilers used for the heating and hot water production at the plants is subject to annual review. Emission figures of the boilers – the performance of which is in compliance with the related regulations – are reported to the Environmental Inspectorates on regular basis. Thanks to the permanent investments we can state that in 2007 reconstruction of the boilers was not necessary, the company operates modern engines of low emission for the purpose of heating the building, and provision of hot water for social purposes.

To ensure safety of operation of the telecom services Magyar Telekom Group operates diesel emergency generators the operating time of which does not exceed 50 hours per month, therefore the emission of the engines is non-significant, and according to the regulations in force the reporting obligation is not extended to them.

It is important to mention the materials that spoil stratospheric ozone layer, the consumption of which is restricted in compliance with the regulations in force, they were replaced with environmental friendly materials. These materials include halone used in the fire extinguishing equipment of the technological rooms increasingly exposed to fire risk and freon used in the air conditioning equipment providing for the optimal operating temperature for the operation of technical equipment.

This area includes operation of linear point sources (vehicles) as well. Emission of polluting materials by the vehicles is controlled by the transportation units of the organizations in compliance with the regulations on emission of pollutants.

## Water consumption



## We undertook to reduce soil pollution

### Soil, surface and underground water pollution

The Group does not use industrial water, its water consumption is limited to the social water consumption of employees, water is gained from the public water network. Consequently, no industrial sewage is generated, social sewage is conveyed through the public sewage network. Where this solution is not available due to the lack of sewage system leakage-free clarifying tanks are applied. All of these plants are unattended remote units where maintenance staff is present only occasionally during the period of repair, therefore the amount of sewage generated is non-significant.

Magyar Telekom Plc. can be considered an exception. At the Budaörs site an active sludge sewage treatment plant is operated. Proper operation of the equipment is controlled regularly by the company in compliance with the relevant regulations, when water chemistry and bacteriological tests are conducted.

In line with the above, Magyar Telekom Group does not burden the environment with non-purified sewage.

The fuel supply of the emergency generators of diesel operation mentioned in the above chapter is stored in underground tanks.

The fuel tanks laid in the ground represent a potential source of risk for the soil and underground waters. The safe operation of the tanks is regulated by an IKM (Ministry of Industry, Trade and Tourism) decree according to which the tanks must have double wall and must be equipped with leakage indicator which provision was met by the Group by deadline.

### Noise and vibration load

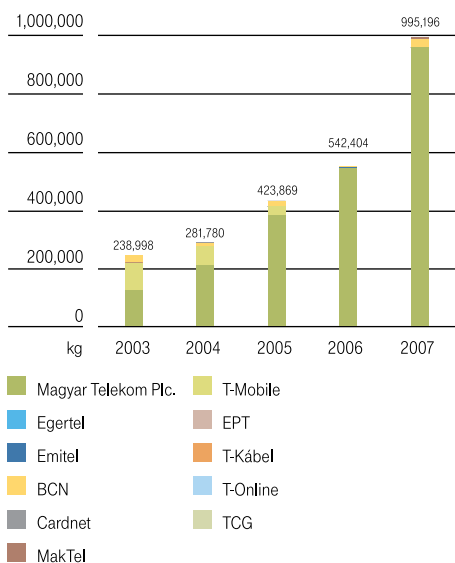
We have to consider two potential noise sources in connection with our services.

One of them is the noise effect of outdoor air conditioning equipment which can give rise to complaints in the case of faulty operation, especially in the densely populated areas. The company aims to install air conditioning equipment of low noise emission and prevent occurrence of harmful noise pollution by regular, systematic maintenance.

Another potential noise source is the operation of diesel generators for emergency power supply. These equipment are installed in indoor premises with sound isolation which prevents occurrence of excessive, disturbing noise effect.

## We undertook to increase recycling

### Recycled hazardous wastes



## 2.4. Wastes

### Hazardous wastes

Hazardous wastes are generated year by year at Magyar Telekom due to its activity, which is released for disposal to companies holding appropriate license.

The amount of hazardous wastes released for disposal shows significant growth on the Group level compared to the previous year: it amounted to 1,898,814 kg. The reason of the growth is that a great amount of the soil contaminated with oil was replaced, and significant amount of technological batteries and electronic equipment were scrapped. Another factor of the growth is that the hazardous wastes of the new data providers – ICON, IQSYS, KFKI-LNX – are also included in the statistics.

52% of the hazardous wastes produced by Magyar Telekom Group is recycled. In the case of Magyar Telekom Plc. this amount shows significant drop as compared to the previous year, due to the soil replacement. Hazardous wastes produced by BCN, ICON, IQSYS, KFKI-LNX are transferred in full for recycling.

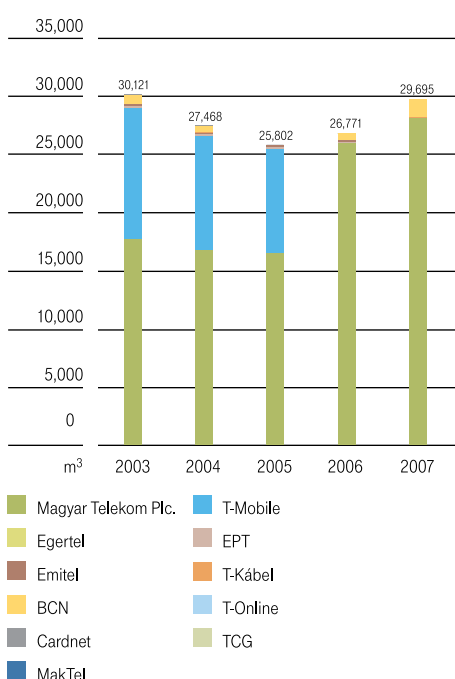
### Communal and paper wastes

Due to the everyday activities of the employees the Group produces communal waste the amount of which depends on the headcounts of employees, but selective waste collection – which is encouraged by the company - has a favorable impact.

The amount of communal waste produced by Magyar Telekom Group increased by nearly 11% compared with the 2006 figures. One of the reasons for the growth is emergence of the new data providers, like ICON, IQSYS, KFKI-LNX.

Another reason for the increase of communal waste is that the new building of T-Mobile was completed and 300 employees moved to the building from rented offices, whose communal wastes now figure in the statistics, while earlier this cost item was included the rental paid for the offices.

### Communal wastes



The communal wastes produced by Magyar Telekom are always transferred for treatment to public service providers, in compliance with the terms of contract.

Since 2007 6 plants of Magyar Telekom Plc. implemented full scale selective collection of wastes (in 2006 only 3 plants had selective waste collection) that is available for 46% of all employees. As a result of selective collection of office wastes nearly 217,000 kg of communal waste is recycled.

Paper waste is produced by Magyar Telekom in connection with the office activities and packaging. The amount of paper wastes transferred for recycling increased by over 16% from 2006 to 2007. One of the reasons for the increase is the inclusion of new data provider entities - like ICON (893 kg), IQSYS (884 kg) and KFKI-LNX (884 kg) while the other reason is the overall increase of the total paper consumption of the company (which includes packaging materials and the paper materials used for any other purpose). Maktel Group transferred the collected paper wastes to the Local Government free of charge, the amount of which was not documented, therefore it is not included in the statistics, either.

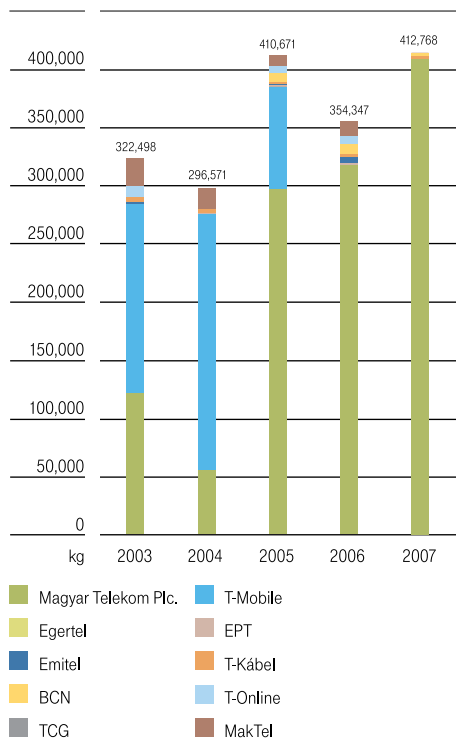
### Telecommunication wastes

Rapid development of telecom technologies encourages the member companies to implement technical development and they are compelled to replace their obsolete equipment, networks and facilities. In accordance with the practice of the previous years the replaced equipment are transferred to licensed companies for sale.

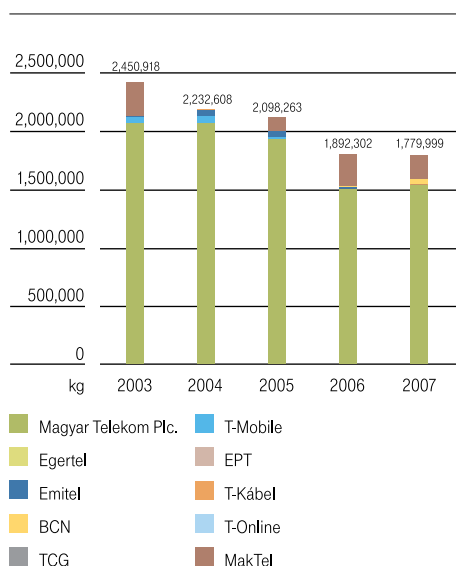
The biggest amount of telecommunication waste is produced by Magyar Telekom Ltd. ( more than 1,525 tons) . Development is stagnating, in particular in the area of wireline services, which resulted in a 6% decrease of the amounts on group level. As it is shown in the chart, a slow, linear decrease has been experienced since 2002.

## We undertook to reduce our energy consumption and CO<sub>2</sub> indicator

### Paper wastes released for recycling



### Telecom and other wastes released for recycling



In the area of telecommunication ICON (1,199 kg), IQSYS (1,884kg), and KFKI-LNX (2,640kg) can be considered as new data providers.

In line with the practice of the previous years our customers tend to return their mobile or wireline telephone sets to the T-Pont-s for recycling. T-mobile "rewards" it by allowing discount on the new telephone set. Amounts of the phone set collected by the member companies in 2007:

| Amounts of the phone set collected by the member companies in 2007: |                   |
|---|-------------------|
| Magyar Telekom Plc.   | 58,490 kg         |
| ICON  | 1,199 kg          |
| BCN   | 38,251 kg         |
| IQSYS   | 1,884 kg          |
| KFKI-LNX  | 2,640 kg          |
| <b>Total</b>  | <b>102,464 kg</b> |

Table 6. Telephone sets collected from the subscribers

## 2.5. Environmental indexes and costs

Quantified Environmental Goals of Magyar Telekom Group by 2008 (Base: 2004)

Legend:

- 😊 – positive change exceeding 2% of the target value
- 😐 – change under 2% of the target value
- 😞 – negative change exceeding 2% of the target value

| Target area                         | Target value | Change | 2007 actual (December 31) |
|-------------------------------------|--------------|--------|---------------------------|
| Paper consumption:                  | -10%         | 😊      | -64%                      |
| Ratio of recycled paper consumption | +25%         | 😐      | +17%                      |
| Communal waste                      | -20%         | 😞      | +5%                       |
| Electric energy consumption,        |              |        |                           |
| Group                               | 0%           | 😐      | +8%                       |
| Magyar Telekom Plc.                 | -4,65%       | 😐      | -4,5%                     |
| Natural gas consumption             | -10%         | 😐      | -19%                      |
| Vehicles' mileage performance       | -3%          | 😊      | -17%                      |
| Vehicles' fuel consumption          |              |        |                           |
| Diesel oil                          | -5%          | 😊      | -24%                      |
| Petrol                              | 0%           | 😊      | -14%                      |
| Carbon-dioxide indicator            | -2%          | 😊      | -6%                       |
| Water consumption                   | -3%          | 😊      | -27%                      |

Table 7. Environmental indexes – targets and facts

**Paper consumption:** Due to the development of e-administration from 2004 through 2007 the paper consumption decreased by 64% during the period.

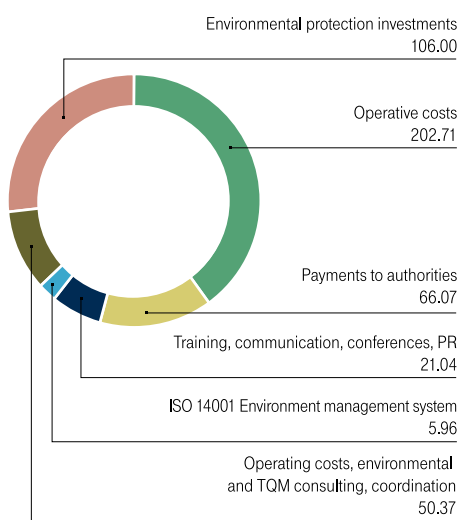
**Ratio of recycled paper consumption:** We did not manage to reach the planned 25% ratio as replacement of the office equipment with new ones able to process recycled paper – was not realized in all of the offices.

**Amount of communal wastes:** Selective waste collection was not realized to full extent due to financial reasons, while replacement of the rented office building to an own property did not figure among the 2004 objectives (in the case of a rented office waste removal costs are included in the rental).

## We undertook to reduce the negative impact on bio-diversity

### Environmental related expenditures

452.15 Million HUF



#### Electricity consumption

**Group:** On Group level an 8% growth was experienced instead of the planned stagnation which is due to increase of the particular services – mobile, cable TV – in terms of area and number of customers as well.

**Magyar Telekom Plc.** The Company is slightly behind the plan, by 0.15% as at the time of setting the goal T-Mobile operated as a subsidiary.

**Natural gas consumption** We over-fulfilled the plan due to the continuous reconstruction of the boilers.

**Vehicles mileage performance:** Mileage performance of vehicles showed a significant decrease as the fault repair of advanced telecom technology can be remote-controlled.

#### Fuel consumption of motor vehicles

**Diesel oil:** Mileage performance of the vehicles showed a proportionate reduction with diesel oil consumption.

**Petrol:** Mileage performance of the vehicles showed a proportionate reduction with petrol consumption.

**Carbon-dioxide indicator:** Considerable decrease is experienced thanks to the rationalization of energy consumption and the performance improvement of the vehicles.

**Water consumption:** As Magyar Telekom Group uses water only for social purposes, water consumption shows significant decrease due to rationalization of the buildings.

## 2.6. Bio-diversity

Magyar Telekom Group covers with its services the entire territory of the country, so they are extended to the protected nature conservation areas as well. In course of work performed in National Parks, nature conservation areas the Company makes all the reasonable efforts to act with due care, coordinates with the local authorities, makes the necessary impact analyses which in certain cases must be based on metering results.

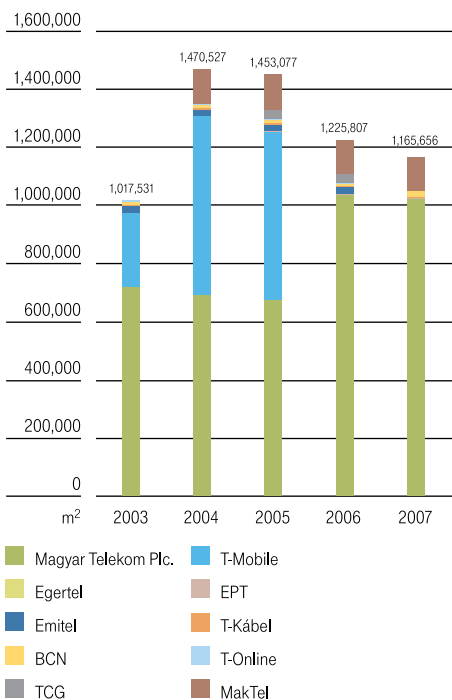


Sándor Barna: Flower sex



## We undertook to optimize our landscape and city-space impact

### Net storey area (NSA)



As the company also has lined facilities, it is possible that line bedding works temporarily separate populations of living creatures. This is the reason why we are very cautious when planning lined facilities and networks.

Info-communications services largely support the activities of environmental and nature conservation experts, in particular they make possible quick and efficient actions in the case of environmental damages.

It is important for scientific researchers to publish articles and scientific information in course of which they can rely on advanced internet techniques. Publication of tourism education and propaganda materials can direct the attention to the values of a particular area.

#### Land usage

Land usage of Magyar Telekom shows a gradually decreasing tendency as compared to the previous years as the Group has the objective of more efficient land utilization in its activities. As the telecom technologies of substantial area requirement have been replaced large properties became idle and were sold away.

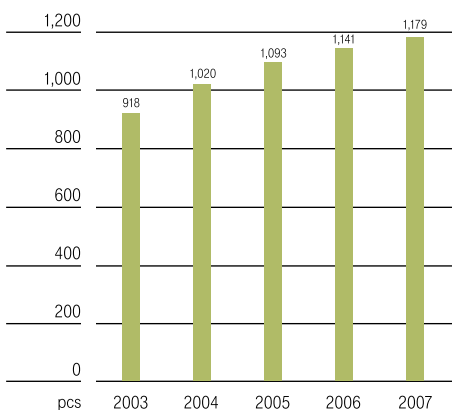
The net area used by Magyar Telekom has decreased by nearly 5% since 2006.

#### Impact on the landscape

The Group assigns special importance to the aspect of conservation of landscape and original environment in its investments and integrates the buildings and structures to the picture of the particular region. In line with the practice of the previous years the Company – as far as its technical and financial means make it possible- continues to make efforts to install underground cable network or replace the present aerial cables with underground ones to prevent load on the landscape.

Provision of wireless services requires the usage of antenna towers. Deployment of the antenna towers integrated to the landscape, which we started in 2004 – will be continued this year as well, subject to our financial means. One of the key objectives is to ensure that the towers are shared by more than one operators, therefore fewer towers need to be installed. 85.1% of the total amount is shared by Magyar Telekom Group members which is 0.2% higher than in the previous year.

### Shared towers



The number of base stations shows a 21% increase on Group level, which is proportionate with the growth rate of the wireless networks provisioned by mobile operators and Maktel the international subsidiary.

Telecommunications network makes the infrastructure basis for the wireline services of Magyar Telekom. In 2007 the Group possessed a terrestrial cable network of 153,840 km representing a 30% reduction compared to the previous year. Among the member companies Maktel reduced its terrestrial network substantially, by 5%.

The length of the underground network is 99,393 km which also decreased by 2% over the previous year. Due to the increasing demand for Internet and cable television services the length of underground optical cables shows significant, 16% increase among the various cable types.

The Company elaborated a new technological solution for the installation of VDSL2 equipment. As a result of the 2007-year development and preparations the equipment can be deployed in an underground facility with a new technology without air conditioning equipment. Although the need for hermetic closing increases the cost of investment significantly, substantial amount of electricity can be saved, while this solution can have significant favorable impact on the landscape as well. With the implementation we can meet the requirements of certain local governments as stakeholders. Several companies show interest for the new technology.

The technological area has set up a project for releasing the areas of idle, unused technical facilities. In 2007 recommendations were made for releasing an area of 3,305 square meters and a further area of 5,352 square meters is subject to survey. The released areas are normally idle office and technical buildings, RLL containers with the surrounding land. Estimated savings on electricity due to release of areas amount to 493 MWh (for the containers only). The survey will be continued.

## We undertook to observe the limit values set for electro-magnetic fields and implement regulation to protect the employees

### 2.7. Safe mobile usage / electro-magnetic fields

In 2007 the number of mobile subscribers increased further and by now the number of Hungarian subscribers exceeds 11 million. While these subscribers are serviced in high quality on the GSM networks, in December 2004 UMTS licenses were distributed among the Hungarian carriers. As a consequence a new 3G network was built the coverage of which will increase further in the years to come. The new installation works and statutory-regulatory issues will probably raise the interest of communities in electromagnetic fields which will increase the importance of the related corporate strategy.

The Hungarian limit values of electromagnetic fields were determined according to the guidelines of ICNIRP (International Commission on Non-Ionizing Radiation Protection) based on the practices of most European countries and Recommendation 1999/EC/519. of the European Commission. As a result of the Hungarian regulation (63/2004. (VII.26.) ESzCsM) that entered into force in August 2004 the legal situation in Hungary complies with the EU regulation on electromagnetic fields.

As in the case of base station antennas no staff person can stay in the vicinity of the antennas, we made sure in the construction that no work needs to be carried out in this region and paths do not cross this area, either. In case passing before the antenna becomes necessary in an exceptional case or work needs to be performed there, which typically occurs in connection with subcontractor activities, e.g. in connection with the refurbishing of the building - the chart of security distances is made available to the staff persons, and as far as necessary, on-spot metering can be made, or the antennas are relocated or operate with reduced capacity as it may be necessary.

The operating staff persons performing regular work in the vicinity of the antennas are provided RADMAN personal radiation indicator and in case radio frequency radiation of unknown origin is indicated they can define the border of the safe zone and prevent any risk to their health.

## We undertook to elaborate a communication strategy regarding electromagnetic spaces

Although the limits set by Magyar Telekom for terminal equipment and base stations relating to the employees and the customers are far below the limits determined by the ICNIRP guidelines the company makes continuous efforts to provide information and maintain dialog with all stakeholders about this issue as it is set forth in the recommendations of the WHO EMF project (on electromagnetic fields). Issues relating to the electromagnetic space are covered in T-Mobile International's EMF policy, the "EMF Policy Recommendations" highlighting transparency, information supply, support and participation in research.

To support these preventive measures the approval of Group-level EMF policy of Magyar Telekom is currently underway as part of the corporate strategy. (For more information on the EMF Policy Recommendations" visit T-Mobile International's site.)

[http://ghs-internet.telekom.de/dtag/cms/contentblob/TMOI/en/347082/blobBinary/t\\_mobile\\_emf\\_policy.pdf;jsessionid=34B2BDE89E158A8D743BA499D9ADF1BA](http://ghs-internet.telekom.de/dtag/cms/contentblob/TMOI/en/347082/blobBinary/t_mobile_emf_policy.pdf;jsessionid=34B2BDE89E158A8D743BA499D9ADF1BA)

To implement this policy the complaints and requests for information are managed efficiently by Magyar Telekom. The company set up projects in the area of general training and education to manage these issues and all employees are informed about the questions of electromagnetic space in the frame of mandatory orientation training. Compliance of T-Mobile with the statutory value limits is audited and verified by independent measurement bodies as it may be necessary. In 2007 seventy four site metering of non-ionizing electromagnetic exposition were performed at Magyar Telekom, the values were always lower than the limits defined for electromagnetic space.

In addition, pro-active communication targeting all the interested parties continued in 2007 when new information booklets were published and the old ones were updated.

In 2006 we worked close with two other mobile operators and developed a jointly operated EMF portal for the purpose of information (<http://www.emf-portal.hu>), where people can make questions relating to the EMF topics, read the breaking news and check the results of the EMF metering in Hungary. The EMF portal will be updated in 2008 to provide even more information.

So as to provide information on the SAR values relating to mobile phone sets the manufacturer's leaflet accompanying the product contains these data.

The company operates another home page ([www.bazisallomas.com](http://www.bazisallomas.com)), where the visitors can get answers to the legal, health, technological questions relating to electromagnetic spaces and GSM.

Before the installation of a base station or tower Magyar Telekom consults and cooperates with the stakeholders. Where it is requested, subscriber forums are organized with the involvement of all stakeholders in order to obtain their consent. In addition to that Magyar Telekom makes efforts to minimize the negative impact of base stations on the landscape, therefore over 80% of the plants with towers are shared, which is one of the highest values in Europe.

Finally, all the national T-Mobile companies are committed to support independent research that extends our knowledge about the impacts of electromagnetic space. For this purpose T-Mobile International, in cooperation with carriers in the United Kingdom and Germany has been sponsoring an international research program since 2002 with more than 20 million Euro, and GSM Association contributes to the project with 6 million Euro.

With this amount T-Mobile International is one of the largest sponsors of these researches worldwide.



Gábor Cserjési: Bale occupiers

## 2.8. Responsible Content Service

### Protection of Sensitive Groups

Magyar Telekom Group has taken various measures to protect children.

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

In 2007 the Company continued development of the Children Internet site and Axer browser.

The chatrooms are continuously monitored with the involvement of hidden operators (participating in chatting) (iwiw, origo, T-Mobile). To determine the age of users two options are offered before using adult content services: visitors over, or under 18 (VIDEA video sharing system, T-Mobile).

T-Online is permanently monitoring its pages with adult contents to stop uploading the forbidden pornography contents.

Magyar Telekom has launched its children lock for its T-Home IPTV service. Parents can lock out the children from adult contents by using a code.

T-Mobile classifies adult content services in various categories.

Ethical recommendations and guidelines for the providers of T-Mobile information service and the Code of Ethics of the Premium rate Services emphasize that all the content services and advertisements are required to respect social values and human dignity.

## Internet security

Certain dial-up software have occurred recently which access the internet by dialing premium rate or international phone numbers – often without the knowledge of the user. The telephone service providers are not responsible for the existence of dial-up programs giving way to fraud, but Magyar Telekom – being a committed supporter of internet proliferation – takes joint actions with the NETUsers Internet Association (NETÉRT) against the dial-up programs.

As a first step of protection the customers are provided appropriate information. A free internet course is offered at the website of the company to assist beginners where the attention is called to the threat of the dial-up programs. Magyar Telekom provides an opportunity to its customer for consulting Internet experts. Magyar Telekom warned its subscribers about this danger in Hírmondó, a newsletter attached to the telephone bill. In addition to that the members of Magyar Telekom Group addressed this issue in various forums and news programs.

Magyar Telekom monitors the volume of national and international traffic on continuous basis. If the traffic to a particular phone number shows sudden, dramatic increase, Magyar Telekom contacts the foreign telecommunications operator through its partnership relations. In case the particular phone number is proven to be used for fraudulent dial-up programs Magyar Telekom bans automatic connection to the given telephone number, but the telephone number can still be called by the assistance of operator

Magyar Telekom offers two means of call control to its subscribers. Both can be applied for all the calls or for certain calls types, numbering fields (e.g. premium rate, satellite, international or long-distance calls). Call control is one of the simplest means of protection against dial-up programs; two different types are available : password-based (which can be ordered from the service provider) and permanent call restrictions. These services can be ordered from Magyar Telekom's call center, on the internet (by e-mail or chat at Internet customer service of Magyar Telekom) or personally in any T-Pont shops.

Most of us have already encountered with dozens of unsolicited offers received with our e-mails: according to the estimations nearly 60-70% of all the e-mails sent worldwide are spams which cause damage of several hundred million dollars to internet service providers and cause lots of inconvenience to the customers . Large variety of the spams makes protection against them rather difficult – although this is the common interest of internet service providers and users.

T-Online plays an active role in self-regulation initiatives, too, and introduced a number of solutions serving for the protection of the subscribers and in a wider sense the community of internet users. For example, antivirus programs are offered to all the subscribers and freemail users, a basic, serverside anti-spam protection is offered, and a full-scale antivirus and antispam solution is provided to the subscribers of T-Online Internet Security. Additional technical solutions are applied as well – among others sender authentication – to restrict proliferation of the spasm, prevent fraud, provide information to the infected subscribers, and in extreme cases exclude them from the service.

## Legal and ethical issues of content services

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

[origo] Media and Communications Services Co. Ltd. - the subsidiary of Magyar Telekom Group which is responsible for the operation of [origo] portal – is the founding member of MTE Hungarian Content Providers' 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/mss01/alpha?do=4&st=4&pg=46&m95\\_doc=264&m84\\_act=2](http://www.mte.hu/mss01/alpha?do=4&st=4&pg=46&m95_doc=264&m84_act=2)

The Hungarian Content Providers' Association (MTE) is a self-regulating body established in 2001 by the Hungarian internet content providers – including Index and [origo] – to ensure that content providers contribute with coordinated professional position statements and with self-regulation to development of the Internet market in Hungary.


MTE's objective is to provide an institutional framework for professional debates on regulation of Internet content services, to implement and actively use the techniques of Internet self-regulation. In addition to that MFE considers its task to elaborate and bring to the wide public the rules and code of ethics of internet content provision, to develop unified norms, implement clear and traceable rules in the activities for the domestic content provider and publisher workshops. The Association has to represent the content providers in the coordination with various state organs, contribute to the development of Internet culture and make Internet safer and more customer-friendly.

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

## Data Protection

Magyar Telekom Plc. respects and protects the personal data of users contacting the website of the Company. Data protection is extended to records, usage, transfer, data security and information. Further information on the theme are available on the home page of the Company. <http://www.magyartelekom.hu/english/dataprotection.vm#>





### 3. Utilizing the sustainability advantages of ICT products and services



We undertook to establish an ETNO-WWF cooperation on the effect of ICT on greenhouse gases to convince political decision-makers.

Magyar Telekom not only assumes responsibility for its operation and the environmental and financial effects of its activities but also lives with the environmental, social and economic opportunities offered by sustainability. By using info-communications technology (ICT) we can produce and deliver products and services which contribute to sustainable development. On the one hand, by using ICT services the company is able to reduce greenhouse gas emission, (by replacing the travels, dematerialization) which we detailed under the Climate Protection section . On the other hand, access to the info-communications technology assists the backward areas to catch up in financial terms by providing free access to information, extending the training and education opportunities, it increases the overall welfare of the society and in an emergency situation it allows for fast and efficient coordination to prevent and mitigate losses. The concrete tasks, engagements and their accomplishment are set forth hereunder in the particular subsections similarly to the previous, two sections.

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**Climate protection with the speed of light**

ETNO-WWF cooperation is a good example of the role that the ICT sector can play in the area of climate protection, in which Magyar Telekom plays a leading role. As a result of cooperation the document of "Climate protection with the speed of light" was created which sets forth to the political decision-makers how a dramatic drop of 50 million tons of CO<sub>2</sub> emission can be reached annually in Europe.

This publication could contribute to the statement of the European Commission of May 13 on facilitating application of the new info-communications technology (ICT) to increase efficiency of energy usage in the economy. Viviane Reding EU Commissionaire for information society and media affairs wrote: "this is a situation that can result in "win-win" as ICT is increasing competitiveness of the industry in the European Union while it is also leading the fight against climate change".

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## 3.1 Product Development in the spirit of sustainability

We undertook to supplement our product development processes with sustainability criteria.

Magyar Telekom has launched an advanced sustainability analysis of the products/services. In 2007 107 products were evaluated, out of which 13 products were given positive rating in terms of sustainability. In the case of products/services which had a positive impact the company started communication which is expected to be reinforced in the frame of the new strategy in 2008. To-date we did not have negative evaluation.

Civil tariff package and different broad band developments are good examples for services with positive effect. The sustainability effects of the products/ services are evaluated in 3 dimenzions, 15 categories based on 42 questions.

We undertook to collect product recommendations in the spirit of sustainability.

There is a number of various opportunities for using the benefits of ICT sustainability, identification of which requires the contribution of all the Telekom people. By the end of 2007 several ideas relating to sustainability were placed in the ideas collecting box of the company, two of which were realized, and 9 more ideas can be realized today or at a later stage. Naturally, the ideas submitted from outside the company are welcome, too.

The following section details infrastructural developments of the company and the sustainability contributions realized through the initiatives to bridge the digital gap.

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

Table 8. Dimensions and main fields of sustainability analyses of services

## 3.2 TETRA emergency system

The new social and environmental challenges encountered by the developing and globalizing societies necessitated coordination and improvement of the communications activities of law enforcement and emergency services throughout the world. Terrorism, organized crime, rising number of violent acts, law enforcement in war zones, risks of flood, inland water, hurricane, earthquake, avalanche, landslide, the increasing number of volcano eruptions, nuclear disasters, fires, mass disasters and their growing intensity urge the nations to provide efficient, fast and secure solutions for disaster and emergency situations.

The Hungarian government ordered through Government Decree No. 1031/2003. (IV. 09.) the construction of a unified digital radio telecommunications system in compliance with the Schengen Treaty requirements and the European Telecommunications Standardization Institute standard to ensure satisfaction of the radio communication needs of the emergency services and government users. The purpose of the closed radio communications system that ensures very high availability is to implement professional connections between various emergency and law enforcement bodies that enable faster, more efficient and secure performance of certain actions. (Users of EDR system in Hungary: Police, Fire Department, Disaster Prevention Service, National Environmental, Nature Preservation and Water Management Authority, Ministry of Finance, Ministry of Justice, Prime Minister's Office, National Security Services, Ministry of Health, National Ambulance Service, Army).

The winner of the tender invited on EDR system implementation was Pro-M Zrt. (Pro M Professional Mobile Radio Co.Ltd) a company established in December 2005 by the consortium of T-Mobile and Magyar Telekom Plc. that put into operation the network of nation-wide coverage in December 2006, one month before the deadline stipulated in the contract.

## We undertook to further increase broadband Internet access for the dissemination of information society

With the fully fledged system Europe's most modern and most extensive emergency radio network was implemented in Hungary, which provides not less than 94% coverage in the area of Hungary 273 base stations were constructed in the area of the country by early 2008, and 5 mobile base stations are operated the system is suitable for the access control of 42 thousand terminal equipment (this amount is not provided in full by the winner of the tender) more than 35 thousand users have registered on the network.

99.9% of annual availability is provided nation-wide, Downtime: maximum 8 hours/year.

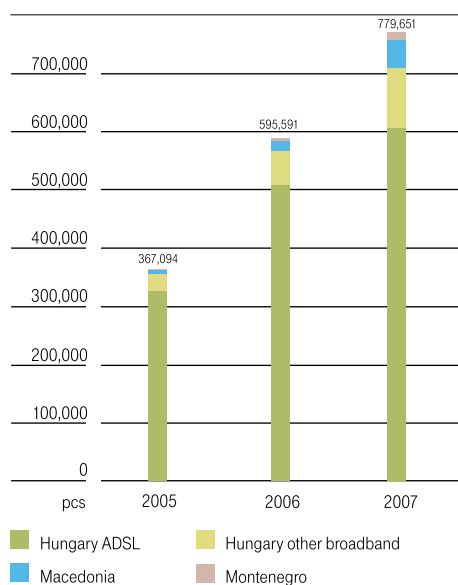
Contract term: 10 years.

The Prime Minister's Office assigned an external independent expert to perform the technical acceptance and quality management of the Budapest and national system of EDR service, the tests of which were completed successfully. In May 2008 Pro-M obtained certificates of compliance with the MS EN ISO 9001:2001 and MSZ ISO/IEC 27001:2006 standards.

Pro-M contributes to the activity of the users with a number of useful services. One of the key services is Pro-Mobil GPS. A significant feature of the system is that all the EDR equipment with GPS function can be displayed on a unified map surface which provides standard communication for the users by allowing for fast, targeted commanding, accurate information and cooperation between the particular organs.

### 3.3 Powerful steps for proliferation of broadband communications

#### Total number of broadband connections



Magyar Telekom builds broadband communications -- both with fixed line and wireless access - for its customers in all the markets where the company has a presence. By the end of 2007 the number of broadband accesses increased to 717 thousand. The Company supported proliferation of broadband communication with a number of measurements also in 2007. In the frame of continuous raise of the standard of services the bandwidth of ADSL Internet was increased repeatedly free of charge, so internet access became four times faster. The advantages of broadband can be experienced in the increasingly popular multimedia applications (e.g. video, music). Following a significant development in March 2007 wholesale ADSL without telephone service was launched which is made available to the customers through the Internet operators. So even those who do not have a telephone subscription can access broadband internet. As from August 2007 the Symmetric DSL service is available providing equal upload and download bandwidth to small and medium companies by the Internet service provider partners. In September 2007 broadband infrastructure development projects were launched with the contribution of Magyar Telekom in 9 small regions of the country in the frame of the Economic Competitiveness Operative Program (GVOP) of the National Development Plan of the Government. In the first half of 2008 advanced broadband IT and electronic communications services will be available in 120 mall localities where broadband internet infrastructure was not available before. The network is operated by Magyar Telekom which played a significant role also in financing the development. The mobile concession agreement of Magyar Telekom on 900 MHz frequency usage expiring in November 2007 was extended for another seven and half-year period in a contract with the Ministry of Economy and Transportation.

At the end of 2007 T-Mobile maintained its market position in the area of mobile broadband (3G/HSDPA) internet service with a coverage extended to 118 cities and 53% of the population.

### 3.4 New services on new generation networks: NGN, VDSL, HDTV

Extension of the services based on internet technology and broadband has become an integral part of Magyar Telekom's business strategy. Development of advanced broadband infrastructure is a basic precondition of expansion in the direction of the new convergent services and emerging markets. As it was announced in 2007 Magyar Telekom is the first company to develop its new generation IP network in Hungary with the application of innovative Cisco tools. Implementation of IP NGN (Next Generation Network) opens up an opportunity for servicing applications beyond Internet, renewal of telecom infrastructure, development of new integrated media and value added services. In the area of broadband Internet Hungary is the first in the region to implement such development projects. It was announced in December 2007 that Magyar Telekom's network was the first to receive HDTV broadcast in Hungary. A test project was launched in Budapest on the development of VDSL2+ technology which creates the technical background for the service, after the construction of fiber optics based network of broadband service had been started in Summer 2007. Appearance of the VDSL2+ technology is a revolutionary progress in broadband communications as the present bandwidth available to the customers will be multiplied ( minimum download bandwidth: 25 Mb/s and upload bandwidth: 1.5 Mb/s). HDTV is a service offering high resolution digital broadcast which provides much higher quality than the traditional service and offers further comfort functions as well. According to the plans the new service can be implemented in 2008.

### 3.5. Digital inclusion

Digital gap means the gap between the possibilities of various strata to access information (caused by differing geographic location, social or other differences). The Digital Bridge aims at reduction of its impact or hindering its creation.

Magyar Telekom makes efforts in line with its commitment to sustainable development to eliminate the negative consequences of spreading the use of information and communication technology and promote positive impacts. Today economic development requires access to information and communication technologies. Transformation of communication, that is the key to social life, requires knowledge and usage of new technologies and possibilities.

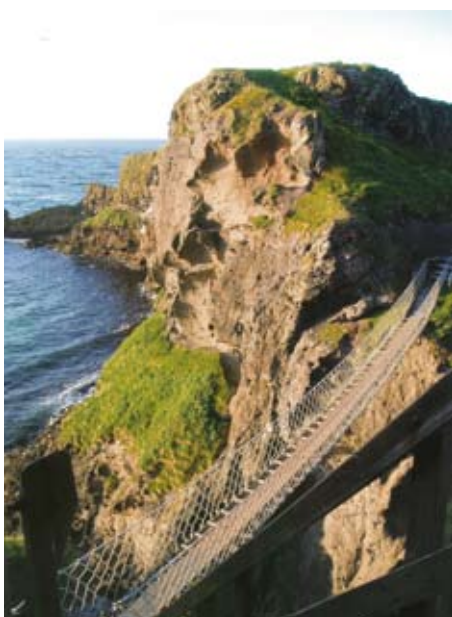
Construction of the Digital Bridge interconnects certain strata of the society, which are underdeveloped and isolated for social reasons or due to their geographic location, with the information society and thereby creates equal opportunity for achieving higher standard of life through access to information. Without reaching a helping hand to these strata the society would split resulting in isolation and division.

#### Magyar Telekom for the Disabled

Magyar Telekom provided significant financial support to development of the Dramatized Electronic Editing and Voice Book (DEX) a software application designed for blind or visually impaired persons. The "IT for visually impaired" Fund launched its development by using the research of the Telecom and Media Informatics Department of the Budapest University of Technology and Economics to facilitate usage of Internet and other digital media for the blind and visually impaired individuals. The software reads the text appearing on the screen with the help of a voice synthesizer, which allows access to the Hungarian Electronic Library for blind and visually impaired individuals. The software is able to edit and store the program which makes access to the information easier, and results in apparent improvement of the quality of life. The free software can be downloaded from [HYPERLINK "http://www.infoalap.hu" www.infoalap.hu.](http://www.infoalap.hu)

The company also supported development of another software application by the Information Technology Department of Pázmány Péter Catholic University. The software application titled John makes television an ultimate experience for people of defective hearing even in the lack of subtitling

Eszter Varga: Giants Causeway



## We undertook to provide ICT support to the equal opportunity non-governmental organizations

and lip-reading. The application displays a simulated face on the screen based on the voices of the TV program and the viewers can read from the lip independent from the language of the program. Currently the software undergoes tests, the development is continuous.

The Company has tested the videoconference as well, as a means of supporting communications of people of defective hearing.

The Group has set up a prepaid package of extremely favorable SMS rates for those customers who can underline their hearing impairment with documents.

Voice call charges are slightly higher than average while the SMS rates are discount ones (15 HUF).

Two big SMS packages were developed specially for these customers.

- SMS 500: at 1,500 HUF
- SMS 1000: at 2,500 HUF

In addition to that Domino Net 80 service is offered at a discount of 1,000 HUF against an interim fee of 990 HUF.

Prepaid packages designed for blind and visually impaired people offer discount rates of 30 HUF/min within the network in every period. Call charges of further calls: 50 HUF/minute.

In 2007 Magyar Telekom provided donation worth nearly 20 million HUF to support initiatives of integration of disabled individuals. (Fund for Full Value Life –Kaposvár: donation of 2.5 million HUF to underprivileged children to support purchase of hearing equipment, donation of 5 million HUF to the Hungarian Federation of the Blind and Partially Sighted spent on the training of blind man's dogs.

### Internet for Equal Opportunity (Egálnet) Program

At the end of 2006 we established a community portal with the objective to support operation of organizations dealing with various underprivileged groups by using the opportunities offered by Internet. By the end of 2007 126 organizations joined (registered) the program, 91 of the. activated their home pages. Egálnet.hu is a community site where registered organizations can establish and keep contacts with each other. Organizations not having an own website can create it with a simple program. Organizations having own website can also join the community site.

The target groups of the program are communities with social disadvantage or disability and non-governmental organizations representing their interests and supporting them: unemployed young people, schools, groups supporting fresh graduates, minority communities and other foundations and associations created to solve social problems.

The project is used as a tool for the target group – interest communities, non-governmental organizations – with which they can develop themselves and their communication capabilities to promote their personal and professional development. We enable communities and non-governmental organizations to improve their awareness, exchange information and experience with organizations of similar interests and thereby collect more donations.

Further information is available on the following websites:

HYPERLINK "<http://www.magyartelekom.hu/english/aboutmagyartelekom/sustainability/digitalbridge.vm>" <http://www.magyartelekom.hu/english/aboutmagyartelekom/sustainability/digitalbridge.vm>

HYPERLINK "<http://www.egálnet.hu/object.5ED601BC-C574-4C66-9A66-13C4B0A26730.ivy>" <http://www.egálnet.hu/object.5ED601BC-C574-4C66-9A66-13C4B0A26730.ivy>



In the frame of the program in 2007 the Company invited a competition on home page development. The program motivated the registered organizations to get deeper insight into the arts of home page development and also improved the quality of the design. The jury advertised winners in 10 categories on the basis of the aspects of content and design. The winners took over 10 PC-s with monitor and printer in the frame of a celebration in November 2007 when they presented their home pages.

## We undertook to launch projects for the bridging the digital gap in small localities

### ICT Training

As from August 2007 Magyar Telekom continued its free internet training program launched three years ago under the title of Internet Academy. The program had the purpose of proliferation of PC and internet usage, increase awareness of its opportunities, strengthen the Information society and terminate digital illiteracy. The attendants of the weekly lectures held to beginners and advanced Internet users, young and old individuals received leaflets and a CD to assist their Internet usage.

Another program of Telekom Internet Academy includes invitation of a tender for delivery of free Internet courses. Free Internet lectures were given to beginners at the sites made available by the winners of the tender, i.e. local governments, churches, non-profit organizations who had the right for defining the scope of the participants.

The program contained two different types of training projects:

Free lectures of two hours for large masses (100-200 attendants per occasion)

Three-day training in small groups (15 persons) provided at cost price.

The program operates successfully: In 2007 12,000 people participated in the training. In 2008 the Company plans to invite 25,000 individuals to the program.

The "Learn, Grandma!" program is designed for beginners above 55 years, for whom free Internet courses are organized in libraries, cultural centers and community houses.

Magyar Telekom makes available the trainers and training materials, and as far as necessary, the PC-s free of charge for the whole period of the training course.



In the frame of the "Netrekész" (Ready for Net) Program advertised by the Ministry of Economy and Transport in 2007 non-governmental organizations can apply for financing of infrastructural development and proliferation of digital culture. From among the donors Magyar Telekom supports the program with the highest value -64 million HUF - and the state supplements it with the same amount.



In the frame of the program of Digital Bridge for Small Localities training is provided in small isolated localities which is detailed in the following section.

### Digital inclusion of isolated, underprivileged areas and social groups

The objective of Magyar Telekom's Digital Bridge builders is to present the results and opportunities of information and communication technologies in the areas where there is a digital difference that can grow to a gap. The program aims at enabling underdeveloped, underprivileged small towns with less than 3,000 inhabitants to bridge communications gap and promote local and regional development. In the frame of the program the voluntary professional team of Magyar Telekom offers efficient customized training and IT courses for people living in villages.

As many as 96 events were organized by the end of 2007.

In 2007 1,117 people visited the event and 233 Magyar Telekom employees helped them to find their way on the net. Competitions organized in the sessions to support training and learning in playful form brought a great success.

Children, adults and elderly people participating in the program welcomed this opportunity, their opinions and comments are available on Magyar Telekom's Sustainability website under the relevant documents: HYPERLINK "<http://www.magyartelekom.hu/english/aboutmagyartelekom/sustainability/digitalbridge.vm>" <http://www.magyartelekom.hu/english/aboutmagyartelekom/sustainability/digitalbridge.vm>

The Company donated 10 used PCs being in good operating condition to the most underprivileged villages to assist them to bridge the digital gap.

As a result of giving information and practical guidance the Company obtained a great number of new subscribers in the target areas.

In many cases the mayors of the towns requested us to repeat the event. The program will continue in 2008 as well. In the future the training program will be designed in accordance with the changing demands based on technological development.

T-Mobile's Fixed Internet service aims at improvement of internet coverage in rural areas. The objective was to cover 200 areas where the T-Group does not plan to introduce broadband service. W-LAN technology meant the cheapest alternative both for customers and service providers. The service was officially introduced on April 1, 2006.

Use of the service does not require GSM subscription, the necessary devices are installed and controlled by the service provider when requested. In comparison to other internet service providers its tariffs are in the lower middle category. Currently 120 areas are covered with W-LAN and T-Mobile boasts with 1,300 Internet Fix subscribers. In 2007 the Company increased its capacity in the areas, where it is justified by the demands.

Extension of the 900 MHz mobile concession agreement mentioned in the above also serves for the development of under-supplied areas.

Key aspects of the commitment:

1. Implementation of broadband mobile development with the value of 20 billion HUF + VAT (at current price) in the regions of low penetration
  2. Provide access to broadband mobile network for 1 million potential new subscribers in the regions of low coverage
  3. Reach a 88% penetration among the population and 75% coverage of the villages in the Balaton region.
- Magyar Telekom plans to fulfill these commitments by the connection of 400 new base stations and extension of 300 existing base stations.

As the supporter of **Login** initiative Magyar Telekom assists young Romany to get Internet access and supports their training and education, creates opportunities to work and develops their communities through the opportunities offered by Internet.

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#### **MobilOtthon Premium**

Customers to whom wire line services are not available for any reason, or they are not willing to pay several thousand HUF as monthly wireline subscription may select MobilOtthon Premium tariff package at a monthly fee of 450 HUF, where the call charge is 7.50 HUF/minute in fixed line direction. The tariff package offers an option within the network at 1,200 HUF/month where T-Mobile numbers can be called at a rate of 23 HUF instead of the basic rate of 46 HUF. Furthermore an SMS package is also connected to the tariff package at a monthly fee of 288 HUF where SMS can be sent at 9.60 HUF within the network.

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#### **ZöldZóna (Green Zone) Tariff Package**

The package contains discount rates in the territory of the country except for large cities and their outskirts. The service covers about 94% of the country. One of the options of the Kaméleon (Chameleon) package is ZöldZóna (Green Zone) scheme. That is, against an extra fee of 500 HUF 50% discount is allowed on the calls initiated from the discount areas.

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#### **Macedonia**

Makedonski Telekom sponsors among others the e-Macedonia program to boost the information society in Macedonia, the "Schools On Line" program by providing broadband internet connections and the "Municipalities Online" and "Hospitals Online" programs by installing free broadband connections in cooperation with the competent ministries, local governments and hospitals.

#### **Montenegro**

2007. In February 2007 Crnogorski Telekom presented IT equipment to 6 child-care and social institutions with the value of 30,000 Euro.

In addition to that the Company provides ADSL service to primary, secondary and special schools. At the moment 133 schools enjoy the opportunities of broadband Internet.

## List of abbreviations

### Abbreviation Full name

|                 |   |
|-----------------|---|
| AC              | Assessment Center   |
| ADSL            | Asymmetric Digital Subscriber Line  |
| AIDS            | Acquired Immune Deficiency Syndrome   |
| AIIESEC         | Association Internationale des Etudiants en Sciences Economiques et Commerciales  |
| AmCham          | American Chamber  |
| ÁSZF            | General Contract Terms  |
| BÉT             | Budapest Stock Exchange (BSE)   |
| BME             | Budapest University of Technology and Economics   |
| BMGE            | Budapest University of Technology and Economics   |
| CD              | Compact Disc  |
| CEERA           | Central European Environmental Reporting Award  |
| CEO             | Chief Executive Officer   |
| CEU             | Central European University   |
| CMCS            | Center for Media & Communications Studies   |
| CO              | carbon monoxide   |
| CO <sub>2</sub> | carbon dioxide  |
| CsFkT           | Group Sustainability Coordination Council   |
| CsKkT           | Group Environmental Coordination Council  |
| CsSzDK          | Group service fee discount  |
| DC              | Development Center  |
| DG              | Directorate General   |
| DSL             | Digital Subscriber Line   |
| DT              | Deutsche Telekom  |
| DTIF            | Deutsche Telekom International Finance  |
| EB              | European Championship   |
| EBITDA          | Earnings Before Interest, Taxes, Depreciation and Amortization  |
| EC              | Economic Performance Indicators   |
| EDR             | Uniform Digital radio Communication System  |
| EF              | Human resource (HR)   |
| EFQM            | European Foundation for Quality Management  |
| EFT             | Electronic Traffic Information  |
| EHR             | Electronic Call Listings  |
| Eht             | Act on Electronic Communications  |
| EIU             | Economist Intelligence Unit   |
| EKR             | Uniform Competence System   |
| ELTE            | Eötvös Loránd University  |
| EMF             | Electromagnetic Fields  |
| EN              | Environmental Performance Indicators  |
| ENSZ            | United Nations Organization   |
| e-RFX           | Electronic RFX (RFX – collective name of RFI (request for information), RFP (request for proposals) and RFQ (request for quotations)) |
| ESzCsM          | Ministry of Health, Welfare and Family Affairs  |
| ÉT              | Interest conciliation talks   |
| ETIK            | Inter-University Telecommunication and Information Center   |
| ETNO            | European Telecommunications Network Operators' Association  |
| ETSI            | European Telecommunications Standards Institute   |
| EU              | European Union  |
| EÜ              | health  |
| EURESCOM        | European Institute for Research and Strategic Studies   |



|                 |   |
|-----------------|---|
| EWSD            | Electronic Worldwide Switch Digital                           |
| GDP             | Gross Domestic Product  |
| GKI             | Economic Research Institute                                   |
| GmbH            | Gesellschaft mit beschränkter Haftung                         |
| GPON            | Gigabit Passive Optical Network                               |
| GRI             | Global Reporting Initiative                                   |
| GSM             | Global System for Mobile Communication                        |
| GVH             | Economic Competition Authority                                |
| GVOP            | Economic Competitiveness Operative Program                    |
| GYED            | child-care fee  |
| GYES            | child-care allowance  |
| HDSL            | High-bit-rate Digital Subscriber Line                         |
| HotSpot         | public, wireless Internet access point (wifi)                 |
| HP              | Hewlett-Packard   |
| 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                   |
| IHM             | Ministry of IT and Communications                             |
| IKM             | Ministry of Industry and Trade                                |
| ILO             | International Labor Organization                              |
| IO              | Internal Operations   |
| IP              | Internet Protocol   |
| IPTV            | Internet Protocol TV  |
| ISDN            | Integrated Services Digital Network                           |
| ISO             | International Organization for Standardization                |
| ITU             | International Telecommunication Union                         |
| iWiW            | international who is who                                      |
| K+F             | Research and development                                      |
| KFKI            | Central Physical Research Institute                           |
| Kft. ( Co. Ltd) | limited liability company                                     |
| Kht.            | public benefit company  |
| KKE             | Central and Eastern Europe                                    |
| KSH             | Central Statistical Office                                    |
| KTI             | Training and Knowledge Management Directorate                 |
| KÜT             | Central Workers Council                                       |
| KvVM            | Ministry of Environmental Protection and Water Management     |
| LA              | Labour Practices and Decent Work Performance Indicators       |
| MakTel          | Makedonski Telekomunikacii                                    |
| MATÁSZ          | Hungarian Telecom Industry Union                              |
| MATMF           | Magyar Telekom Quality Management Process Description         |
| MBA             | Master of Business Administration                             |
| MC              | Management Committee  |
| MEOSZ           | National Federation of Disabled Associations                  |
| MERCER          | Marsh & McLennan Companies                                    |
| MGYOSZ          | National Association of Employers and Industrialists          |
| MINŐK           | Hungarian Association of Internet Using Women                 |
| MISZ            | Hungarian Innovation Association                              |
| MMS             | Multimedia Message Service                                    |
| MNB             | National Bank of Hungary                                      |
| MOKK            | Media Education and Research Center                           |

|         |  |
|---------|--|
| Monet   | currently T-Mobile Crna Gora   |
| MSzT    | Hungarian Standards Body   |
| MTA     | Hungarian Academy of Sciences  |
| MTE     | Hungarian Content Providers' Association                             |
| MUPBED  | Multipartner European Test Beds for Research                         |
| Mvt.    | Act on Labor Safety  |
| NEK     | net avoidable cost   |
| NETÉRT  | NETUsers' Interest Representation Society                            |
| NGN     | Next Generation Network  |
| NGO     | Non-Governmental Organizations                                       |
| NHH     | National Communications Authority                                    |
| NKFP    | National research and development programs                           |
| NOx     | Nitrogen-oxides  |
| NSA     | Net Storey Area  |
| Nyrt.   | Public limited company   |
| NYSE    | New York Stock Exchange  |
| OECD    | Organization for Economic Cooperation and Development                |
| OMIKK   | National Technical Information Center and Library                    |
| OPQ     | Occupational Personality Questionnaire                               |
| PA      | Providing Access (to telecom products and services)                  |
| PC      | Personal Computer  |
| PPKE    | Pázmány Péter Catholic University                                    |
| PPR     | Performance and Potential Review                                     |
| PR      | Product Responsibility Performance Indicators                        |
| PR      | Public Relations   |
| PSTN    | Public Switched Telephone Network                                    |
| PWC     | PricewaterhouseCoopers   |
| RF      | radio frequency  |
| RIO     | Reference Interconnection Offer                                      |
| RT      | Company limited by shares  |
| SA      | Social Accountability  |
| SAM     | Sustainable Asset Management   |
| SAP     | Systems Applications and Products in Data Processing                 |
| SAR     | Specific Absorption Rate   |
| SGS     | Société Générale de Surveillance SA                                  |
| SHDSL   | Single pair High-speed Digital Subscriber Line                       |
| SINOSZ  | National Association of the Deaf and Hearing Impaired                |
| SMS     | Short Message Service  |
| SO      | Social Performance Indicators  |
| SOX     | Sarbanes-Oxley (act)   |
| SPAN    | Services and Protocols for Advanced Networks                         |
| TA      | Technology Applications  |
| TÁVSZAK | Union of Telecom Workers   |
| TCG     | Telekom Crne Gore / Crnogorski Telekom / Telekom Montenegro          |
| TÉT     | Telecommunications Conciliatory Council                              |
| TIPHON  | Telecommunications and Internet Protocol Harmonization over Networks |
| TISPAN  | TIPHON + SPAN  |
| TM      | Performance management   |
| TMH     | T-Mobile Hungary   |
| ÜB      | Management Committee   |
| UMTS    | Universal Mobile Telecommunications System                           |
| UNEP    | United Nations Environmental Programme                               |

|        |  |
|--------|--|
| VB     | World Championship                           |
| VDSL   | Very high bit-rate Digital Subscriber Line   |
| VFCS   | Company sustainability group                 |
| VK     | World Cup                                    |
| VKI    | World Economic Research Institute            |
| WAP    | Wireless Application Protocol                |
| WebEDI | Web Electronic Data Interchange              |
| WEEE   | Waste of Electrical and Electronic Equipment |
| WHO    | World Health Organization                    |
| W-LAN  | Wireless Local Area Network                  |
| WWF    | World Wildlife Fund                          |
| Zrt.   | Private limited company                      |



## INDEPENDENT VERIFICATION

KÖVET Association for Sustainable Economies was commissioned by Magyar Telekom Plc. to verify the 2007 Sustainability Report of Magyar Telekom Group. KÖVET made a commitment as an expert, independent, non-profit organization to verify the company's report, involving its employees.

Planning and execution of the verification process was undertaken in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

### Methods and tools for verification

- » random check of data and data collection procedures;
- » interviews with the employees of the company (from top management to administrative employees)\*;
- » assessment of the report content on the basis of GRI G3 indicators;
- » comparison with other reports of the sector and from Hungary;
- » suggestions from KÖVET and stakeholders of the company based on the Stakeholder Forum held on 27 August 2008\*\*.

KÖVET publicly verifies that Magyar Telekom gave an opportunity to evaluate the report before publishing. Changes were made in the report, or will be made in the next report based on the proposals. KÖVET accepted explanations for ill-founded proposals.

### Opinion

Magyar Telekom's 2007 Sustainability Report is considered to be of high quality among national, international and sectoral reports. Magyar Telekom is still outstanding in the Hungarian telecommunication sector.

As far as we know, this report is the first in Hungary to reach the level of A+ according to GRI G3 Guidelines. Excellence is shown in the company presentation of additional and sector specific indicators over and above core GRI indicators.

It is outstanding that top company managers declare their commitments toward sustainable development in the report.

Regarding content, the report shows the main economic, environmental and social aspect of the company. The data presented in the recent reports contain more and more details on daughter companies operating abroad.

Data collection procedures are adequate; the data presented in the report is correct. Data collection in daughter companies is under continuous development.

Statements and data published in the report are in accordance with the evidence collected during our interviews and visits.

### Sustainability Evaluation of Magyar Telekom

Magyar Telekom, as part of an international company, operates in many companies and at many sites. This makes it more like a global company. The management of the company group is based on centralized principles; local interests are helped through the funding of particular developments that are not part of core business.

The company implements a number of voluntary environmental programmes that go beyond legislative compliance in order to minimize negative environmental impacts. The company is a leader in communicating and spreading environmental

good practice. However it is important to emphasize that electronic equipment associated with information technology has a short lifecycle, and continually accelerating technological developments promote a non-sustainable level of consumption.

Magyar Telekom strives to retain its employees, and tries to nominate existing employees to top managerial posts. The social importance of the company is the result of a large number of employees, an international presence, and wide use of its services. Increasing internal awareness of sustainability issues is a very important part of social responsibility, and external communication helps in raising social acceptance.

### Main recommendations for further improvement

The company should...

- » primarily focus on the impacts and credibility of its operations when creating reports;
- » continue describing its sustainability performance through the use of target-setting and fulfilment;
- » publish available data relevant to sustainability issues that are so far missing from this report;
- » continue disseminating information on employees to national and international group members;
- » raise the awareness of employees through greening workplaces;
- » make efforts to involve actively its daughter companies in achieving greater sustainability performance.

By implementing the suggestions above, Magyar Telekom can maintain its first place in its sector on the external communication of sustainability, and go further down the road towards sustainable development.

BODROGHÉLYI Csaba  
executive director

PETRIK Ida  
deputy director

Budapest, 10<sup>th</sup> September, 2008

\* Interviewees: Cuffári Richárd (employee interview), Frosina Geceva Kocova (Macedonia), Gázmár Domán (employee interview), Heinrich Tibor (procurement), Kapitány Zoltán (brand management and communication), Kissé Mónika (employee interview), Kocsis Attila (technical strategy and economical department), Németh Mónika (national and EU communal programmes), Dr. Papp Agnes (legal department), Pörnya Gábor (quality management), Pukler Gábor (innovation and business development), Sölyom Balázs (employee interview), Somorjai Éva (group HR), Szomolányi Katalin (group sustainability strategy), Szócs Gábor (group HR), Visontai-Tóth Mária Sára (employee interview), Weyer Balázs (consent providing), Zsuppánné Vörös Tünde (residential services)

\*\*Forum participants: Barna Erika (K&K Pont Drug Consultancy and Drug Ambulance Foundation), Bodroghelyi Csaba (KÖVET), Csepő Béla (Ánosk és Társai Ltd.), Dr. Elmarré Norbert (National Association for Consumer Protection), Dr. Gellér Zita (Ministry of Environment and Water), Gulyás Emese (Association of Conscious Consumers), Halmavánszki Rita (KÖVET), Kőrödy Judit (INFOOOK Ltd.), Slyuch Andriás (National Communications Authority), Szende Károly (Bethesda Children's Hospital of Hungarian Reformed Church), Vilei László (INFOOOK Ltd.)

### KÖVET verifies the sustainability – economic, environmental and social – performance of Magyar Telekom Plc. as follows

| Sustainability Ranking of Organizations | points | Local Economic Role   | Environmental Impacts   | Social Responsibility  |
|---|--------|---|---|--|
| Sustaining                              | 22-25  | Economically <b>outstanding</b> , a "jackpot" for all stakeholders, based on its independence and exemplary role in the local economy           | Environmentally <b>exemplary</b> , establishes values, its activity and products improve conditions of the environment and health standards in the system | Socially <b>pioneering</b> , a "jackpot" for all workers and stakeholders (not only financially), extraordinary help for the local community |
| Public-spirited                         | 18-21  | Economically <b>exemplary</b> , with excellent products and beneficial role in the market, economically strengthens the local community         | Environmentally <b>good</b> , overcomes with regulations, aims to minimise environmental load   | Socially <b>good</b> , its activity and products are beneficial for all stakeholders, makes significant efforts for local community          |
| Compliant                               | 13-17  | Economically <b>appropriate</b> , only owners make profit, not an ally body in the local community  | Environmentally <b>appropriate</b> , but not exemplary, strong efforts to comply with regulation, but not to minimize the environmental load              | Socially <b>acceptable</b> , makes strong efforts to do good for people, but its situation (basic activity, size) raises question marks      |
| Self-interested                         | 8-12   | Economically <b>viable in the short term</b> , but its activity is unjust, creates faceless products, disproportionately few people make profit | Environmentally <b>irresponsible</b> , activity and products unnecessarily burden the natural environment and human health                                | Socially <b>irresponsible</b> , impairs workers and customers, contributes to social conflicts and injustice                                 |
| Destructive                             | 4-7    | Economically <b>not acceptable</b> , or completely <b>non-viable</b> , destroys the local economy or illegal activity                           | Environmentally <b>hazardous and illegal</b> , severely detrimental for human health and natural ecosystems   | Socially <b>not acceptable</b> , <b>exploitive</b> , its activity and products are destructive for people, trouble maker blow-in             |

## IMPRESSUM

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### **Published photos:**

Among others photos of „In harmony” photo competition of Magyar Telekom and DTSE Pécs photo club have been published in the report:

- Bernadett Pesti: Team work
- Eszter Varga: Giants Ceuseway
- Éva Kisgyörgy: Master and disciple; Tiny joys of life
- Mrs. Fülöp Judit Vieder: Siamese
- Gábor Cserjési: Bale occupiers
- Sándor Barna: Flower sex
- Zsolt Nagy: Cranes flying together

### **Contact, further information**

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Information relating to sustainability: <http://www.magyartelekom.hu/rolunk/fenntarthatosag/fooldal.vm>

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