



RISK MANAGEMENT GUIDELINES OF MAGYAR TELEKOM PLC.

Introduction

As Hungary's leading telecommunications provider, Magyar Telekom is subject to uncertainties and changes of the telecommunications and IT industry. To operate successfully in this continuously changing environment risks have to be systematically identified, assessed and managed. Risk management system is not only needed from a business point of view, but as a company listed in the stock market, Magyar Telekom is obliged to operate a risk management system and prepare a risk report to inform its investors.

Upon the establishment of the comprehensive risk management system the Company acts in line with the relevant requirements of the Budapest Stock Exchange, as well as the rules laid down in the applicable international standards.

The Group level risk management system covers strategic, operational, financial, compliance and legal risks, which is also applicable to the consolidated subsidiaries of the Company. The objective is to identify, monitor and manage these risks in an early phase.

Risk management guidelines

It is Magyar Telekom Plc.'s policy that disclosures to its shareholders and market participants should give an accurate and complete picture of Magyar Telekom Group and fairly present the financial and operational results of the Company in all material respects. Such disclosures are made on a timely basis as required by the applicable laws, rules and regulations.

The risk management organization and process

To meet these objectives, the Company continuously improves and regularly reviews the functionality and effectiveness of the elements of its risk management system. The risk management of Magyar Telekom includes identification, assessment and evaluation of risks, development of necessary action plans, as well as monitoring of performance and results.

Magyar Telekom performs its risk management activities in accordance with the risk management guidelines developed by the Group level risk management organization and approved by the Board of Directors.

The risk owners of the individual organizations are responsible for identifying, reporting, assessing and monitoring risks on a continuous basis, in line with the framework of the risk management process, under the governance of the central risk management organization.

During the annual planning process the management takes into account potential risks.

The established risk management standard provides a process framework:

- The identification of risks through the involvement of all organizations.
- Following the identification of risks, they are analyzed, assessed and quantified in details (by estimating their probability of occurrence and potential impact) according to a predefined methodology. Risk assessment allows management to focus more effectively on those risks that have significant impact on the Group's strategic objectives.
- A decision is then taken on the specific course of action to be taken to reduce the risks.
- The relevant risk owner implements, monitors, and evaluates the relevant actions.

These steps are repeated as necessary to reflect current developments and decisions.



To operate the risk management system effectively, Magyar Telekom needs to ensure that management makes business decisions based on knowledge of all relevant risks, supported by regular Magyar Telekom Group-wide risk reporting. At the same time, risks related to the business plans are continuously assessed and managed and considered in the risk management process.

Risk factors that impact the operations of Magyar Telekom are reviewed regularly. All the subsidiaries and organisations are required to identify and report the risks to their operations.

Once these risks have been evaluated, the results are communicated to the Board of Directors, the Audit Committee and Deutsche Telekom's Risk management area in form of a group-level risk report. This regular reporting ensures that the most significant risks are monitored, that up-to-date risk mitigation measures are in place and that they are regularly followed up.

Risk items affecting the operations of the Company are reviewed regularly and proactively throughout the Group. In this context, all the organisations and subsidiaries must immediately report any new facts, information or risks that come to their attention that meet the criteria for mandatory reporting. The risk management function evaluates the information communicated and notifies the Chief Financial Officer if significant new risks or information emerge. Responsibilities of employees on monitoring and managing risks are governed by internal regulations.

The risk assessment is carried out for a three-year period by Magyar Telekom Group. If there are significant risks beyond the forecast period, such risks are monitored on a continuous basis.

Besides the systematic management of risks the identification of opportunities and their strategic and financial assessment are also essential part of the annual planning process of Magyar Telekom Group. This allows the Company to take these opportunities into account in its forecasts.