

A low-angle shot from the deck of a sailboat. A person with long brown hair, wearing a grey hoodie and teal shorts, is seen from behind, looking up at the bright sun. The sun is positioned between the person and the camera, creating a lens flare effect. The sailboat's rigging, including ropes and a blue cover, is visible in the foreground and to the right. The sky is a clear, pale blue with some light clouds.

Sustainability Report 2011

Life is for sharing.



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GRI content index

GRI (Global Reporting Initiative) is an international organization the purpose of which is to provide a standard framework of guidelines and indicators for preparing sustainability reports, thus ensuring comparability and promoting transparency among companies. The following table helps the reader to find the information included in the report attached to specific GRI indicators. You can read more about the guidelines and the indicators on the following website <https://www.globalreporting.org/resourcelibrary/G3-Guidelines-Incl-Technical-Protocol.pdf>

GRI content index

Report elements in core and additional indicator categories

GRI section	Chapter
Strategy and analysis	
1.1	Letter from the Chairman-CEO
1.2	II, III, V
Organizational profile	
2.1	I
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2.4	I
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2.8	I
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2.10	Letter from the Chairman-CEO
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4.2	1.1
4.3	Not relevant
4.4	5.3, 6
4.5	1.1
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4.11	1.2, 1.6, 4.1
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4.14	V
4.15	II, III, V
4.16	V, 1.6, 5.6, 6
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Economic performance indicators			
Core		Supplementary	
Indicator	Chapter	Indicator	Chapter
Economic performance			
EC1	I		
EC2	4.1		
EC3	5.2		
EC4	I		
Market presence			
EC6	1.6		
EC7	5.5		
Indirect economic impact			
EC8	3.2, 8		

Environmental performance indicators			
Core		Supplementary	
Indicator	Chapter	Indicator	Chapter
Materials			
EN1	4.1		
EN2	4.1		
Energy			
EN3	4.1	EN5	4.1
EN4	4.1	EN6	4.1
		EN7	4.1
Water			
EN8	4.2		
Biodiversity			
EN11	4.3		
EN12	4.3	EN14	4.3
Emissions, effluents and waste			
EN16	4.1	EN18	4.1
EN17	4.1		
EN19	4.1, 4.4		
EN20	4.4		
EN21	4.4		
EN22	4.5	EN24	4.5
EN23	4.4, 4.5		

Environmental performance indicators			
Core		Supplementary	
Indicator	Chapter	Indicator	Chapter
Products and services			
EN26	3.1, 4.1, 4.4		
EN27	4.5		
Compliance			
EN28	1.4		
Transport			
		EN29	4.1
Overall			
		EN30	4.6

Social performance indicators			
Core		Supplementary	
Indicator	Chapter	Indicator	Chapter
Employment			
LA1	1, 5.5		
LA2	5.4		
Labor/ management relations			
LA4	5.3		
LA5	5.4		
Occupational health and safety			
LA7	5.2		
LA8	5.2		
Training and education			
LA10	5.1	LA11	5.1
		LA12	5.1
Diversity and equal opportunity			
LA13	1.1, 5.5		
LA14	5.5		
Investment and procurement practices			
HR1	1.6	HR3	5.3
HR2	1.6		

Social performance indicators			
Core		Supplementary	
Indicator	Chapter	Indicator	Chapter
Non-discrimination			
HR4	5.3		
Freedom of association and collective bargaining			
HR5	5.3		
Child labor			
HR6	5.3		
Forced and compulsory labor			
HR7	5.3		
Security practices			
Indigenous rights			
Community			
SO1	3.2		
Corruption			
SO2	1.3		
SO3	1.3		
SO4	1.3		
Public policy			
SO5	1.5	SO6	1.5
Anti-competitive behavior			
		SO7	1.4
Compliance			
SO8	1.4		
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PR1	3.1, 9.1, 9.2, 11		
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PR3	2.2		
		PR5	2.4
Marketing communication			
PR6	2.3	PR7	1.4
Customer privacy			
PR8	10		
Compliance			
PR9	1.4		

Telecommunication specific indicators	
Indicator	Chapter
Internal operation	
Investments	
IO1	1, 3.2
IO2	Not relevant
Health and safety	
IO3	5.2, 11
IO4	11
IO5	11
IO6	11
Infrastructure	
IO7	4.3, 11
IO8	4.3
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Access to telecommunication products and services	
PA1	3.2
PA2	3.2
PA3	3.5
PA4	1, 3.5, 11
PA5	3.2
PA6	3.1, 3.5
Access to content	
PA7	9
Customer relations	
PA8	11
PA9	11
PA10	2.2
PA11	3.1, 3.3, 4.1, 7
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Resource efficiency	
TA1	3.1, 4.1
TA2	3.1, 3.3, 4.1
TA3	4.1
TA4	4.1
TA5	7.1, 9.2

Compliance with the principles of the UN Global Compact

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

Global Compact principles	Chapter
1. support and respect the protection of internationally proclaimed human rights	1.3, 1.6, 5.2, 5.3, 10
2. make sure that they are not complicit in human rights abuses	1.3, 1.6, 5.3
3. the freedom of association and the effective recognition of the right to collective bargaining	5.3
4. the elimination of all forms of forced and compulsory labour	5.3
5. the effective abolition of child labour	5.3
6. the elimination of discrimination in respect of employment and occupation	II, III, 1.6, 5.3
7. support a precautionary approach to environmental challenges	II, III, 4
8. undertake initiatives to promote greater environmental responsibility	II, III, 4.1, 7.2, 8.3, 8.4
9. encourage the development and diffusion of environmentally friendly technologies	II, III, 3.1, 4.1
10. work against corruption in all its forms, including extortion and bribery	II, 1.3, 1.6

Letter from the Chairman-CEO

Dear Reader,

Magyar Telekom, as one of Hungary's innovative companies, is proud to pioneer in such a forward-looking area as sustainability. We make every possible step within our power to ensure that we work according to this spirit, as well as to share with others as much of our experience, ideas and plans as we can. We do this despite the difficulties posed by the fact that our economic environment has been worsening for years, which does not weaken our commitment to a more livable future, responsible lifestyles and sustainability.

The Company achieved its business objectives better than expected in 2011: revenues decreased by 2% instead of the forecasted 3-5%, while churn also decreased, which may be attributed to several factors, including the sales of bundled service (2Play, 3Play customers), the explosive increase of smart phones and related mobile broadband services, as well as the performance of non-core activities (energy, e-health, financial and insurance products). As a forward looking solution, we launched the commercial LTE service on January 01, 2012, thus being the first in Hungary to do so, which will be available in the whole territory of Budapest by the end of 2012.

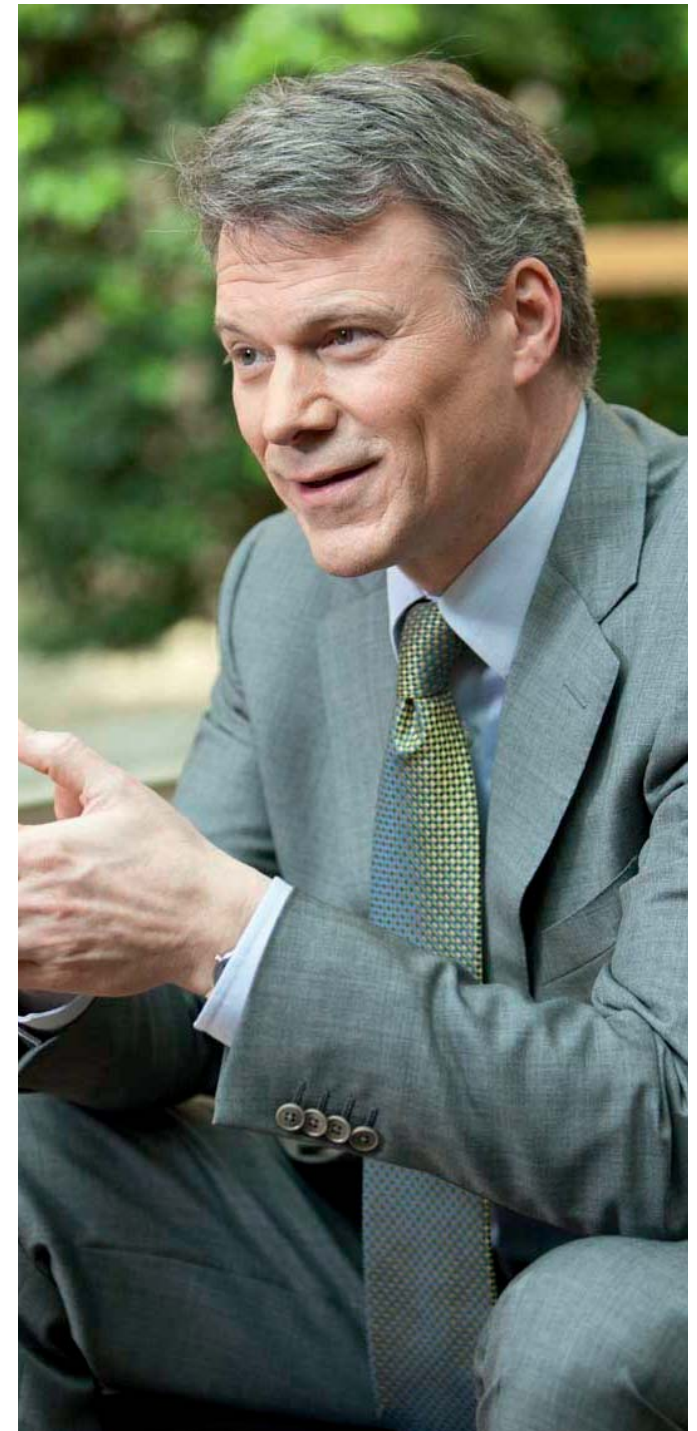
2011 was also the first year of Magyar Telekom's third Sustainability Strategy, which encompasses the years 2011-2015, and as such contained many new features compared to the periods covered by the previous two three-year strategies. The main objective set forth by the current Sustainability Strategy, which covers a longer, five-year period and has been elaborated in harmony with other divisional strategies of the company, is to make sustainability an integral part of Magyar Telekom's identity to thus provide the company a competitive edge in the long run. Our Hungarian and foreign affiliates take active part in the implementation of our Sustainability Strategy, too. Our main goals: increasing awareness about the concept of sustainability and Magyar Telekom's recognition in the context of sustainability, implementing innovative social and environmental

initiatives financed from 10% of our total research and development budget, decreasing the Group's CO2 emission by 20% by the end of 2015, establishing a comprehensive sustainable supply chain management process, as well as increasing the ratio of services and products of sustainable nature and informing all stakeholders impacted by them.

The implementation of the objectives set forth by our Sustainability Strategy started in 2011. As a result of our climate protection efforts, the Group's carbon-dioxide emission decreased by 5.64% compared to that of the previous year. Out of Magyar Telekom Plc.'s total electricity consumption, 23% (51 GWh) is from renewing energy sources, and a research and development project was started at one of our base stations with the aim to utilize wind and solar power. We have added further hybrid cars and 2 electric ones to our car fleet. Our company also strives to work with responsible suppliers. Therefore we conducted sustainability audits at our 12 most significant suppliers in 2011.

When discussing the most important initiatives of last year, we must highlight corporate volunteerism, which further intensified. Close to four hundred employees donated approximately HUF 20 million on a voluntary basis for the benefit of society. Volunteer work was conducted as part of the "Jövő/Menő" Program, the Digital Bridge at Small Settlements Program and Charitable Teambuilding Exercises.

Sustainability Day, which was organized for the fourth time by Magyar Telekom, proved to be very popular once more. The panel discussions, held as part of the festival conference that attracted three thousand visitors, addressed the three pillars of sustainability, i.e. society, economy and environment protection. Participants and prestigious experts of the subjects discussed poverty, responsible communication and water management, as well as volunteer work prompted by the fact that 2011 was the European Year of Volunteering. Beyond the above, participants were invited to take part at creative programs and concerts.



Our sustainability achievements also manifested in prizes and other forms of recognition in 2011. At the contest of projects held as part of the European Year of Volunteering – 2011 Program, which invited projects aimed to improve the employment chances of people facing barriers to work, the project launched by Magyar Telekom and its NGO partner “Szívlapát” Foundation in 2010, “Jövő/Menő” won the Employee Volunteering Award both in the large company and the new entrant categories.

StamfordGlobal, organizing the liaison among international HR teams, recognized our company’s commitment to environment-conscious HR practices and to decreasing our employees’ ecological footprint by awarding us the European HCM Excellence Award in the Green HR category.

In 2011, it was the third time that Magyar Telekom became part of the CEERIUS (Central and Eastern European Responsible Investment Universe) Index, established by the Vienna Stock Exchange in 2009 and listing the companies in the Central and Eastern European region that demonstrate the best performance from sustainability, i.e. environmental, social and economic aspects.

At the same time, we were selected to be the most responsible among the largest Hungarian companies at the CSR 24/7 Survey, and came in second at the Business World for the Environment contest organized by the Hungarian Business Leaders’ Forum (HBLF).

In light of our commitment and achievements, it is natural that Magyar Telekom continues to support the 10 Global Compact principles regarding human rights, environment and anti-corruption, the achieved improvements in which are included in the report.

The greatest challenge ahead of us in the near future is to step up to the next level, while continuing to pursue the implementation of the sustainability objectives set forth for the five-year period according to the highest standards even under the current economic conditions. Based on the experience gained in the past decade, we believe that our responsible conduct and sustainability performance will contribute to our success in turning around the business trends.



Christopher Mattheisen
Chairman-CEO

Budapest, August 13, 2012.

About the report

By publishing the 9th edition of its Sustainability Report, Magyar Telekom strives again to present its sustainability activities and the related achievements in an integrated format, while making the Group's environmental, social and business operations transparent for everyone.

In 2011, we pursued our sustainability activities according to our third Sustainability Strategy, encompassing the period of 2011–2015. Beyond the shifts of focus in the introductory chapters, the structure of the document remained unchanged compared to that of the previous years, as we continue to present our sustainability performance against key challenges.

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



The report covers the 2011 calendar year, with some references to future tasks due to the fact that the objectives set forth by the strategy encompass 5 years.

When compiling the report, we focused on comprehensiveness, precision, comparability, timeliness and the interrelations of sustainability aspects. The most important business data are included in the chapter

titled "About the Group", however, we do not repeat any data related to business performance that we had already provided in previous years. Further details of our performance in 2011 and previous years can be found in Magyar Telekom's Annual Reports.

The report covers Hungary, Macedonia and Montenegro, and encompasses the corporate group's every activity. We strive to provide a comprehensive view by gradually covering foreign subsidiaries. As a result, many chapters cover an even greater part of the Group than before and there are even fewer gaps in the data provided by Hungarian and foreign subsidiaries, too. All affiliates of significant relevance from sustainability aspects, including newly acquired ones, were involved in the collection of data. The data published in the report are historically comparable along the structural changes of the Group, details of which are discussed by Chapter 1.

In order to ensure authenticity, we continued to rely upon the support of an external, independent third party. The report has been audited by PricewaterhouseCoopers Auditing LLC and they certified the information contained therein being reliable. The respective certificate can be found in the "Certification" chapter. The certified data and information are marked with a ✓ symbol in the report. We also contributed data to Deutsche Telekom's CR Report, in course of the auditing of which the German PricewaterhouseCoopers entity also checked the validity of the energy, waste and car fleet data provided.

Sources of the data included in the report:

- The business data are from the Group's year-2011 Annual Report and external surveys.
- The data of social nature were collected within the Group with the support of an online reporting tool.
- The environmental protection data are from a process-wise transparent, online data provision system.

Our Sustainability Report was compiled in a way to contain information primarily relevant for our investors, especially responsible investors, however it is also to constitute an information source for all stakeholders. The full report is available exclusively on the internet.

The Report complies with the principles set forth by the UN Global Compact, and includes the statement of sustainable development, too.



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

Budapest, August 2, 2012.

Éva Somorjai
Chief HR Officer
Top executive in charge
of sustainability

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

I. About the Group

Magyar Telekom (www.telekom.hu/main) is Hungary's largest telecommunication provider, which provides the full range of telecommunication and infocommunication (ICT) services, including fixed-line and mobile telephony, data communication and non-voice services, as well as IT and systems integration services.

The activities of the Magyar Telekom Group cover three main business areas:

- fixed-line and mobile telecommunication services to residential, small- and medium-sized business customers (under the T-Home, T-Mobile and Telekom brands)
- and corporate business services to the key business customers (under the T-Systems brand)

Magyar Telekom's employer and HR activities, business and investor relations, legal and corporate affairs, sustainability and corporate social responsibility, innovation and business development and technical and network development activities go under the corporate T brand.

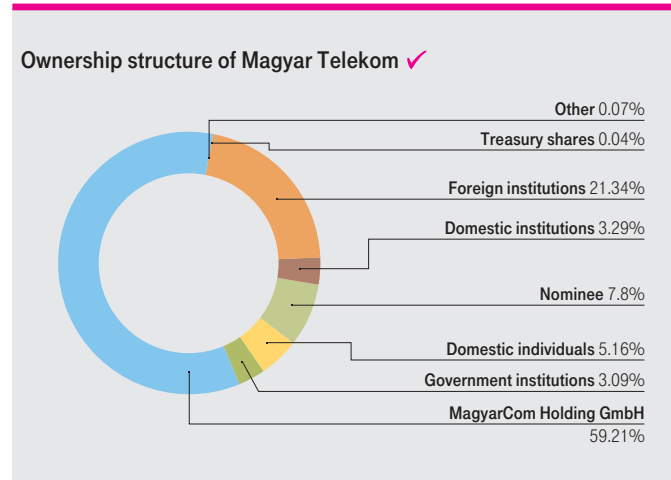
The governance structure of Magyar Telekom built on functional units determines the operating model of the Group. Chief officers, reporting to the chairman-CEO, run the functional units (financial, human resources, business services, marketing, sales and services, strategy and corporate development, technology, legal and corporate affairs).

The national member companies of the Magyar Telekom Group manage the infocommunications, content, media and other, non-access services provided under different brand names.

The international member companies of the Group operate as alternative telecommunications providers in the markets of the Southeast European region. Magyar Telekom is majority owner of Makedonski Telekom, Macedonia's biggest fixed and mobile operator, and also holds majority share in Crnogorski Telekom, Montenegro's biggest telecom provider.

The national and foreign members of the Group are described at: http://www.telekom.hu/about_magyar_telekom/magyar_telekom_group

Magyar Telekom, founded in 1991 (under the name of Matáv) was privatized in 1993. The domestic and international initial public offering of Magyar Telekom shares took place in Budapest and in New York in 1997. The majority shareholder of Magyar Telekom (59.21%) is MagyarCom Holding GmbH, which is owned exclusively by Deutsche Telekom AG.



Based on the company's share register as of May 15, 2012. MagyarCom Holding GmbH is 100% owned by Deutsche Telekom.

http://www.telekom.hu/investor_relations/magyar_telekom_shares/ownership_structure

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 are located in Budapest (I., Krisztina krt 55).

Magyar Telekom Group's headcount (on December 31, 2011): 10 111 ✓.

You can find more information about the Group's products and services on the Company's home page at: <http://www.telekom.hu/services>, or our partners can also inquire at our customer service offices.



The following table shows the major changes in the composition of the Group over the five-year time horizon used in the report. The content of the table also gives guidance to the interpretation of the diagrams.

Major changes in the composition of the Magyar Telekom Group ✓

2007	2008	2009	2010	2011
Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.
BCN ¹	-	-	-	-
ICON ²	-	-	-	-
INTEGRIS ³	-	-	-	-
IQSYS ⁴	IQSYS ⁵	IQSYS	IQSYS	IQSYS
KFKI-LNX ⁶	-	-	-	-
T-Systems Hungary ⁷	-	-	-	-
-	KFKI ⁸	KFKI	KFKI	KFKI
T-Kábel	T-Kábel	T-Kábel ⁹	-	-
EPT	EPT	EPT	EPT ¹⁰	-
-	Pro-M ¹¹	Pro-M	Pro-M	Pro-M
-	Dataplex ¹²	Dataplex	Dataplex	Dataplex
-	MFactory ¹³	MFactory	MFactory ¹⁴	-
-	Origo	Origo ¹⁵	Origo	Origo
-	-	-	-	ISH Informatika ¹⁶
-	-	-	-	Daten-Kontor ¹⁷
-	-	-	-	Budakalász Kábel TV ¹⁸
TCG ¹⁹	TCG	TCG	TCG	TCG
MakTel ²⁰	MakTel	MakTel	MakTel	MakTel

- 1 From 2008 BCN has been working as part of KFKI Rendszerintegrációs Zrt.
- 2 In 2007 ICON appeared as a new data provider, its data were listed among BCN data
- 3 In 2007 INTEGRIS appeared as a new data provider, its data were listed among BCN data
- 4 In 2007 IQSYS appeared as a new data provider, its data were listed among BCN data
- 5 In 2008 a new data provider appeared under the name of IQSYS as legal successor of the former INTEGRIS, IQSYS and T-Systems Hungary companies
- 6 In 2007 KFKI-LNX appeared as a new data provider, its data were listed among BCN data
- 7 In 2007 T-Systems Hungary appeared as a new data provider, its data were listed among BCN data
- 8 In 2008 a new data provider appeared under the name of KFKI as the legal successor of the former BCN, ICON and KFKI-LNX companies
- 9 T-Kábel merged into Magyar Telekom (with effect 09.30.2009)
- 10 EPT merged into KFKI (with effect 09.30, 2010)
- 11 In 2008 Pro-M appeared as a new data provider
- 12 In 2008 Dataplex appeared as a new data provider
- 13 In 2008 MFactory appeared as a new data provider
- 14 MFactory merged into Origo (with effect 07.31,2010)
- 15 in 2008 Origo appeared as new data provider
- 16 In 2011 ISH Informatika appeared as new data provider
- 17 In 2011 Daten-Kontor appeared as new data provider
- 18 In 2011 Budakalász Kábel TV appeared as new data provider
- 19 The data of Crnogorski Telekom and T-Mobile Crna Gora are quoted under the name of TCG
- 20 The data of Makedonski Telekom AD and the former T-Mobile Macedonia AD are quoted under the name MakTel



Key operating statistics of Magyar Telekom Group

Telekom Hungary	Dec 31, 2010	Dec 31, 2011	% change
Fixed line operations ✓			
Voice services			
Total voice access	1.688.405	1.604.035	(5.0)
Total outgoing traffic (thousand minutes)	2.860.882	3.049.192	6.6
Blended MOU (outgoing) ¹	144	166	15.3
Blended ARPA (HUF) ¹	3518	3138	(10.8)
Data products			
Retail DSL market share (estimated) (%) ²	63	64	n. a.
Cable broadband market share (estimated) (%) ²	20	22	n. a.
Number of retail DSL customers	476.923	499.923	4.8
Number of cable broadband customers	181.056	212.631	17.4
Number of fiber optic connections	19.109	31.611	65.4
Total retail broadband customers	677.088	744.165	9.9
Blended broadband ARPU (HUF)	4243	3950	(6.9)
Number of wholesale DSL access	130.965	107.215	(18.1)
TV services			
Number of cable TV customers	370.212	289.693	(21.7)
Number of satellite TV customers	254.188	281.312	10.7
Number of IPTV customers	124.374	226.385	82.0
Total TV customers	748.774	797.390	6.5
Blended TV ARPU (HUF)	2949	3048	3.4

¹ Including PSTN, VoIP and VoCable.

² Data relates to Magyar Telekom Plc.

Telekom Hungary	Dec 31, 2010	Dec 31, 2011	% change
Mobile operations ✓			
Mobile penetration (%) ³	120.2	117.3	n. a.
Mobile SIM market share (%) ²	43.4	45.0	n. a.
Number of customers (RPC)	4.779.227	4.817.296	0.8
Postpaid share in the RPC base (%)	43.6	46.2	n. a.
MOU ⁴	154	161	4.5
ARPU (HUF)	3.492	3.393	(2.8)
Postpaid	6.071	5.695	(6.2)
Prepaid	1.635	1.535	(6.1)
Overall churn rate (%)	20.2	19.5	n. a.
Postpaid (%)	14.9	14.5	n. a.
Prepaid (%)	24.0	23.6	n. a.
Ratio of non-voice revenues in ARPU (%)	18.8	21.0	n. a.
Average acquisition cost (SAC) per gross add (HUF)	6.616	6.449	(2.5)
Number of mobile broadband subscriptions	568.060	971.469	71.0
Mobile broadband market share based on total number of subscriptions (%) ²	47.8	48.7	n. a.
Mobile broadband market share based on traffic generating subscribers (%) ²	48.6	47.7	n. a.
Population-based indoor 3G coverage (%) ²	65.4	66.0	n. a.

² Data relates to Magyar Telekom Plc.

³ Data relates to the mobile penetration in Hungary, including customers of all three service providers.

⁴ Restated.

T-Systems Hungary	Dec 31, 2010	Dec 31, 2011	% change
Fixed line operations ✓			
Voice services			
Business	43.795	42.137	(3.8)
Managed leased lines (Flex-Com connections)	3.454	2.360	(31.7)
ISDN-csatornák	141.342	135.246	(4.3)
Total lines	188.591	179.743	(4.7)
Total outgoing traffic (thousand minutes)	331.189	282.873	(14.6)
MOU (outgoing)	206	188	(8.6)
ARPU (HUF)	4.983	4.578	(8.1)
Data products			
Number of retail broadband access	14.543	15.561	7.0
Retail DSL ARPU (HUF)	9.393	8.339	(11.2)
Mobile operations ✓			
Number of customers (RPC)	429.191	447.930	4.4
Overall churn rate (%)	4.4	6.3	n. a.
MOU	289	288	(0.3)
ARPU (HUF)	5.354	4.918	(8.1)
Ratio of non-voice revenues in ARPU (%)	33.1	35.6	n. a.
Average acquisition cost (SAC) per gross add (HUF)	3.537	5,66	46.1
Number of mobile broadband subscriptions	56.390	77.045	36.6

Macedonia	Dec 31, 2010	Dec 31, 2011	% change
Fixed line operations ✓			
Voice services			
Fixed line penetration (%)	17.2	15.9	n. a.
Total voice access	343.019	311.240	(9.3)
Total outgoing traffic (thousand minutes)	864.662	811.824	(6.1)
Data and TV services			
Retail DSL market share (estimated) (%)	84	83	n. a.
Number of retail DSL customers	130.127	137.563	5.7
Number of wholesale DSL access	21.091	23.847	13.1
Number of total DSL access	151.218	161.410	6.7
Number of IPTV customers	30.123	40.129	33.2
Mobile operations ✓			
Mobile penetration (%)	122.8	122.8	n. a.
Market share of T-Mobile Macedonia (%)	51.3	50.0	n. a.
Number of customers (RPC)	1.295.285	1.265.243	(2.3)
Postpaid share in the RPC base (%)	32.3	32.0	n. a.
MOU	135	142	5.2
ARPU (HUF)	2.690	2.533	(5.8)

Montenegro	Dec 31, 2010	Dec 31, 2011	% change
Fixed line operations ✓			
Voice services			
Fixed line penetration (%)	26.6	26.4	n. a.
Total voice access	171.684	168.361	(1.9)
Total outgoing traffic (thousand minutes)	369.511	332.934	(9.9)
Data and TV services			
Retail DSL market share (estimated) (%)	86	85	n. a.
Number of DSL access	68.540	78.164	14.0
Number of IPTV customers	40.042	48.834	22.0
Mobile operations ✓			
Mobile penetration (%) ⁵	199.5	186.9	n. a.
Market share of T-Mobile Crna Gora (%) ⁵	37.0	34.7	n. a.
Number of customers (RPC) ⁵	457.813	401.958	(12.2)
Postpaid share in the RPC base (%)	33.4	32.3	n. a.
MOU	105	117	11.4
ARPU (HUF)	2.430	2.521	3.7

⁵ Data published by the Montenegrin Agency for Electronic Communications and Postal Services (EKIP).



Producing value for the stakeholders

Business value produced		2009	2010	2011
	Revenues (total revenue + share of after-tax earnings of affiliates and joint ventures)	643 880 million HUF	609 552 ✓ million HUF	597 629 ✓ million HUF
Stakeholder	Business value distributed			
Suppliers	Operating costs (directly revenue-related expenditure + net other operating costs)	293 018 million HUF	302 729 ✓ million HUF	309 712 ✓ million HUF
Employees	Employee salaries and benefits (personnel expenditure)	101 918 million HUF	93 884 ✓ million HUF	91 823 ✓ million HUF
Investors	Payments due to capital investors (paid dividend + net financial earnings)	109 865 million HUF	80 231 ✓ million HUF	84 579 ✓ million HUF
State	Payments due to the state budget (income tax+crisis tax)	20 958 million HUF	33 553 ✓ million HUF	52 888 ✓ million HUF
Communities	Community investments (donations, institutional patronage, volunteer work, education)	671 million HUF	476 ✓ million HUF	372 ✓ million HUF
Total stakeholders in future	Retained earnings (earnings after tax + depreciation – paid dividend)	118 121 million HUF	126 125 ✓ million HUF	83 977 ✓ million HUF

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

Substantial financial support from the state	2008	2009	2010	2011
Tax benefit used	294 million HUF	1137 million HUF	2646 million HUF ✓	1948 million HUF ✓
Tax deducted for film and sport sponsoring	-	-	411 million HUF ✓	321 million HUF ✓
Tax benefit on wage cost of software developers	-	-	12 million HUF ✓	20 million HUF ✓
Tax impact of taxable income decrease due to donations	398 million HUF	98 million HUF	1 million HUF ✓	4 million HUF ✓
Tax gain by taxable income decrease due to R&D	60 million HUF	53 million HUF	72 million HUF ✓	48 million HUF ✓

You can read more about the Company's financial performance in the Report on the 2011 business year: http://www.telekom.hu/static/sw/download/2011_financialyear.pdf

II. Vision, mission, strategies, policies

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.

Mission

As the market leader, we expertly bring together the needs of our customers with the latest technology, whether in communications, information or entertainment.

Everything we do starts with the customer.

Our goal is to help them experience all the adventures and freedom offered by modern communications.

We work to make Magyar Telekom the country's most favorite service provider.

Corporate strategy

With the implementation of the corporate strategy in 2011, Magyar Telekom successfully kept its leading position in the national fixed, mobile, internet and infocommunications services market. We have been successful in retaining the old customers while making substantial addition to our customer base. We have steadily developed our network and enhanced our offering capabilities with the help of several partnership models. In order to become Hungary's most recognized provider in the convergent telecommunications and related markets, we have set up the following strategic priorities:

1. Retain our customers!

- Focus on the valuable customers in the multiplay propositions
- Pay distinguished attention to high-profit segments

2. Work more efficiently!

- Increase the EBITDA volume
- Improve further the cost structure

3. Retain our leading position in the broadband market!

- Stabilize our revenue-based market share
- Reach leadership in number of broadband accesses

4. Achieve a breakthrough in the interactive TV market!

- Increase reach of interactive TV
- Earn more revenue from interactive services

5. Increase revenues!

- Reverse the negative revenue trend
- Develop long-term sustainable revenue structure



HR strategy

One of the key challenges of the Sustainability Strategy is HR management, so Magyar Telekom's HR Strategy also plays an important role in achieving our sustainability objectives. In compliance with Magyar Telekom's 2011-2015 corporate strategy, the HR area also upgraded its strategic objectives. In 2011 we developed a new Human Resources Strategy, which brings complete structural change for the Company, the employees and the HR team alike.

Éva Somorjai,
Chief Human Resources Officer

Magyar Telekom HR strategy from the Company's point of view

- Efficient company – continuous revenue-aligned optimization of the personnel costs
- Competitive company – competitive edge with human capital: in training-development, career management areas.
- Energized company – an international, diverse, healthy community sharing successes.

Magyar Telekom HR strategy from the point of view of the employees

The development of the employees will be implemented through enhancement of the employee experience, which is key element of our strategy. In 2011 we identified the stations of a Telekom employee's life cycle and assigned the necessary HR tools to the implementation of each HR station.

- Employer brand building: We build a livable and lovable place of work with which our employees are satisfied and which is attractive in the labor market. We want to make it to the Top 3 Employers of the country.
- Selection: We will create a place of work with diversity by maintaining a healthy level of internal recruitment and by increasing the weight of non-typical employment.
- Agreements: We create transparent, flexible and reliable frameworks. We maintain balanced partnership with the employee representation organizations and seek to standardize employee contracts.
- Orientation: The new colleagues become members of our team by sharing our knowledge, culture and experiences. We will renew our orientation program in order to make it an indeed informative and efficient event for the new colleagues. We introduce a 'buddy program' to facilitate their integration in the organization culture.
- Remuneration: We introduce a simpler, more transparent and consistent employee remuneration model which reflects the true value of the positions and not hierarchy, and which is suitable for market benchmarking as the basis of a competitive remuneration policy.
- Training development, organization development: We thank our competitive edge to our qualified employees. We provide human resources matching the international best practice for the development of our employees and ensure 10% of the training with internal resources.

- Work, private life: Our energized employees make us successful. We develop and implement a complex stress management system which helps preserve the mental and physical health of our employees.
- Fair dismissal: We part with our colleagues in a fair and correct manner. We make our employees realize that keeping up marketability is everyone's own responsibility.

Support strategy

Magyar Telekom has, for almost for two decades, been making a special point of selecting and implementing its corporate social responsibility, and within that its sponsoring programs. The Company has been operating a corporate social responsibility department for over one and a half decades, and it pursues its support activities in the framework of centrally regulated processes.

Naturally, the changes in our economic, social and natural environment requires continuous review of our support activities. As a result of this process, in the past years we sought to operate our support activity in an integrated manner, to efficiently implement sponsoring projects that focus on our activities, to identify and tap the synergies lying in the group operation.

Our focused supports in the field of donations include the selection, support and monitoring of programs realized alongside the three pillars of sustainability, which we implement in the framework of the 'hello holnap!' (means 'hello tomorrow') applications.

In view of the corporate social and economic responsibility also following from the sheer size of the Company, Magyar Telekom is trying to answer the challenge of making its CSR and support activities awareness-raising, so from the very start it pays distinguished attention to the communication of its CSR program and to the involvement and activation of its customers and employees. This means that when presenting the supported programs the Company highlights such economic, social and environmental problems which may be less known to the society at large, but which impact the quality of life of us all, while it also describes the solutions found to them, educating also in this way the Hungarian society in the culture of responsible thinking.

But this education activity can only be realized effectively with an appropriate level of publicity, so in 2011 Magyar Telekom started the Sustainability Media Club, whose members set the goal to communicate the sustainability issue in a clear and comprehensible manner also to ordinary people.

The Company's sponsoring practice embraces a lot of things from cultural and popular music festivals through science diffusion programs and competitive sports to research financing; let us only think about the Kitchen Budapest project or the highly popular Encompass series or TEDx Danubia.

It is an important consideration for Magyar Telekom that its sponsoring activities are integrated with the other elements of its CSR activity; this is why the special stalls for disabled people were built at the Connection concert, or the communication urging the use of environment-friendly transport was made and the bicycle storage facility was set up on the concert venue to promote this objective. It is also an important priority that Magyar Telekom contributes to the cultural initiatives not only with financial support, but also helps the implementation of the projects with in-scope infocommunication solutions. The good examples include the internet cafe at the Valley of Arts Festival in Kapolcs, or the free solar-powered mobile phone charging service at the Volt Festival in Sopron.




Telekom Children's Island



Vivicitta in Kaposvár

Environmental policy



Magyar Telekom Group's Environmental Policy

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

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

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



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

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

In order to meet our commitment:


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

Magyar Telekom Távközlési Nyilvános Működtetői Részvénytársaság
 Székhely: 1013 Budapest, Krisztina ut. 55.
 Regisztráció a Magyar Bíróság mint Cégbíróságon
 Cg. 01-10/04/1999 szám alatt

The management of Magyar Telekom Group declares that they pursue their activities with observance of the above principles of environmental policy and expect the same from all colleagues.

Budapest, September 30, 2010



Christopher Mattheisen
Chairman and Chief Executive Officer

Thilo Kusch
Chief Financial Officer

Éva Somorjai
Chief Human Resources Officer

Robert Pataki
Chief Strategy and Corporate Development Officer

Balázs Máthé
Chief Legal and Corporate Affairs Officer

Attila Keszég
Chief Sales and Services Officer

István Király
Chief Marketing Officer

István Maradi
Chief Technology and IT Officer

István Papp
Chief Operating Officer, Business Services

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

Quality policy

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

Management systems

The Magyar Telekom Group operates ISO 9001 quality management system and integrated to it, an ISO 14001 environmental and an ISO 27001 information security system, which systems underwent renewing audit in November 2011. The renewing audit was implemented by SGS which also did the qualification.

Magyar Telekom Group organizations holding ISO 14001 qualification certificate:

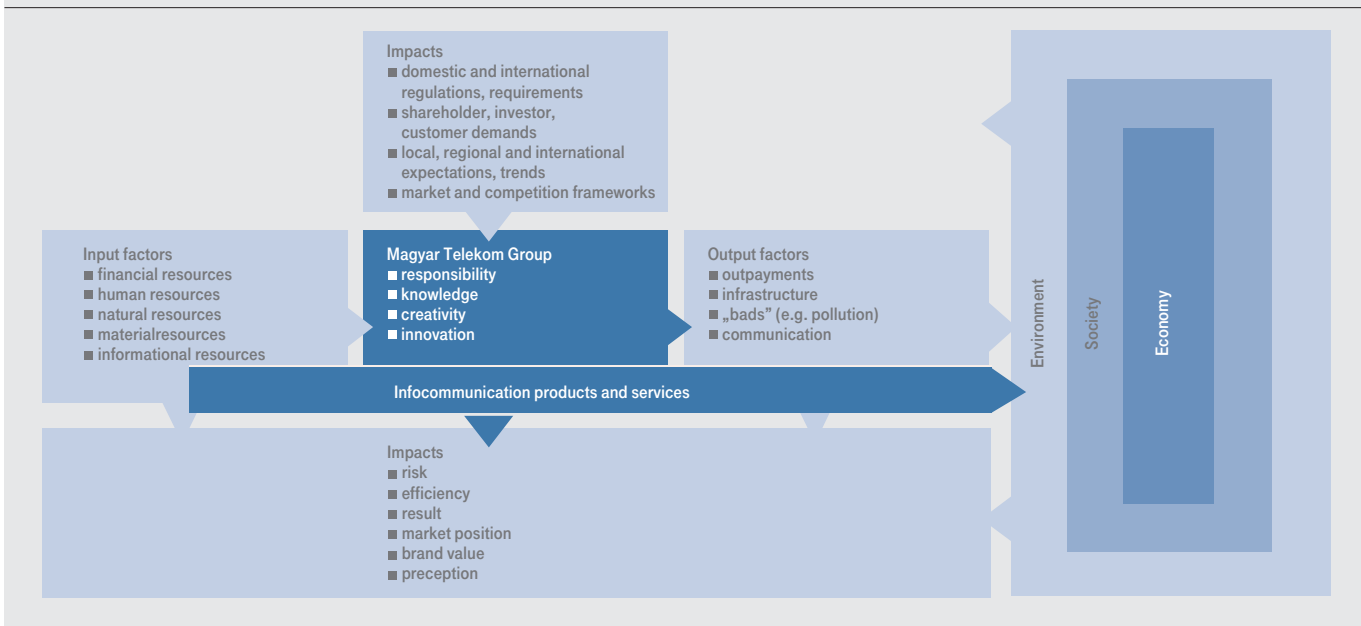
Member company/Organization	Certificate valid
Magyar Telekom Plc.	December 8, 2014
T-Systems Magyarország Zrt.	July 30, 2014
IQSYS Zrt. (Budapest branch)	June 28, 2015
Dataplex Kft.	November 2, 2014
Pro-M Zrt.	May 10, 2015
Makedonski Telekom	March 23, 2014

In 2011 The Management Committee of Magyar Telekom Plc. Resolved to establish the MSZ 28001:2008 (BS OHSAS 18001:2007) occupational health and safety system. The system – as part of the Integrated Management System – will be established in 2012.

For more detail about the issue see the 2009 report. http://www.telekom.hu/static/sw/download/Sustainability_report_2009_eng.pdf

III. Sustainability Strategy

Structural approach of sustainability



Having realized the importance of sustainable development – as well as the fact that it is essential for future business activity – the Magyar Telekom Group undertakes commitment, responsibility that it will pursue its operation, corporate governance and activities in this spirit in Hungary, and in every other country where it has business presence or some form of cooperation. This is the key not only to the long-term success of the Group, but through its role in the region and through its services it also has positive impact on the society, the environment and the economy.

The principal aim of the figure is to show the relationship of the Group to the triple pillar of environment-society-economy, in its full complexity. We bore this in mind when developing the sustainability approach of the Magyar Telekom Group, which centers around the following three guidelines, that are closely related and not implemented separately.

Sustainability values

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

Economic dimension

- Company, integrity, 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 permeates the entire texture of the organization, so it cannot be treated as the task of a specific organization unit. The tasks affect the most different areas of the Group and often require the cooperation of distant units. Sustainable development is not a one-man challenge, it affects everyone in person.

Sustainability strategy 2011-2015

Main objective: Sustainability to become part of Magyar Telekom's identity, thus providing a competitive edge to the company in the long run.

Vision: Magyar Telekom, as a leading Central-European ICT provider enables its partners to consciously take part in sustainable development, a goal achieved in the framework of the hello holnap! initiative.

The company takes committed, proactive and transparent actions every day to make sustainability part of its identity and translate that into a competitive advantage.

By means of its forward-looking thinking, innovative and sustainable products and services, as well as its responsible conduct, it enables the renewal of society and environment.

Approach: In order to formulate the new strategy, the topics were prioritized on the basis of the accomplishments, the Dow Jones sustainability evaluations and the trends of the previous 3 years. Our objective set forth by the new strategy is to more intensively communicate our commitment to sustainability to the stakeholders. This objective cannot be achieved without setting new and ambitious goals, following best practices and forceful, targeted communication.

Topics, KPIs, tasks, key areas

Sustainability = Responsibility + Opportunity

Economy	Brand management	
	Innovation management	Share
Environment	Climate strategy	Brand
	Supplier standards	Market
Society	Impacts of the telecommunications services	



Key priority KPIs up to the end of 2015:	Status of the key priority tasks at the end of 2011:
<p>Brand management – focus: introducing, grasping the concept of sustainability, category building</p> <ul style="list-style-type: none"> ■ Knows the concept of sustainability KPI: public: 20%, employees: 80% ■ Magyar Telekom's sustainability perception KPI: 25% of the public, 50% of the employees name Telekom is the most sustainable company 	<p>Brand management</p> <ul style="list-style-type: none"> ■ According to 2011 research the term of sustainability was familiar to 16.5% of the population and 75% of the employees. From among the original objectives the 10% awareness rate target of the population has been exceeded, so it was modified to 20%. ■ Increase of Magyar Telekom sustainability awareness: in the public at large 9.7%, among the employees 28%. ■ Involvement of the media in the hello holnap! initiative: continuous through the Sustainability Media Club.
<p>Innovation management – focus: innovations aimed at society and environment</p> <ul style="list-style-type: none"> ■ Innovations aimed at society and environment KPI: 10% of the R&D value 	<p>Innovation management</p> <ul style="list-style-type: none"> ■ We experienced massive growth in the social and environmental innovation activities in 2011. 11 of our 55 R&D projects were associated with these, and 19.6% of the overall R&D spending was targeted at them. ■ The T-City and the e-health projects continue to strongly support the implementation of this task.
<p>Climate strategy – focus: building the reputation, for which the EU requirement is to be accomplished, credibility and ICT applications</p> <ul style="list-style-type: none"> ■ Reduction of CO₂ emission KPI: 20% by taking 2004 as the base year Broken down compared to 2010 together with the eco-efficiency targets: <ul style="list-style-type: none"> ■ Electric energy consumption: down by 5% ■ Energy efficiency indicator: 48 GBit/KWh ■ Green energy: 46 GWh ■ Gas consumption: down by 5% ■ Heating energy: down by 5% ■ Paper use: down by 30% ■ Fuel consumption of the fleet: down by 5% ■ Percentage of hybrid, electric cars among the vehicles of personal use: 20%. 	<p>Climate strategy</p> <ul style="list-style-type: none"> ■ In 2011 our CO₂ emission was 118 880 tons, which means 14.9% improvement compared to the 2004 base year (139 691 tons). ■ In 2011 Magyar Telekom purchased from E.ON 51 GWh renewable energy, which was 23% of the overall energy consumption of the Plc. The sustainability strategy sets the goal of 46 GWh green energy use by the end of 2015, which level we managed to surpass already in 2011, but which we must maintain in the coming years, too. ■ As a result of a successful project in 2011 we purchased two electric cars, and the Izskahegy pilot project was launched in 2012, with a vertical windmill and sun-tracking solar cell system mounted on the transmission tower.
<p>Supplier standards – focus: sustainable supplier chain</p> <ul style="list-style-type: none"> ■ KPI: Establishing a sustainable supplier chain process 	<p>Supplier standards</p> <ul style="list-style-type: none"> ■ The process of setting up a sustainable supplier chain process was started in 2011, and is expected to be completed in 2012. ■ The sustainability evaluation and rating of the TOP 12 suppliers was completed last year.
<p>Impact of telecommunications services – focus: sustainable competitive edge</p> <ul style="list-style-type: none"> ■ Increase revenue from services of sustainable nature KPI: 20% of annual sales ■ Sustainable products KPI: their ratio in the portfolio: 25% 	<p>Impacts of the telecommunications services</p> <ul style="list-style-type: none"> ■ In 2011 Magyar Telekom earned 10.7% of its overall revenues in Hungary from sustainability-oriented products and services. (Last year the corresponding percentage was 9.5%).

At the time of making this report, the top management of the Magyar Telekom Group has put in charge of the coordination of the implementation of the Sustainability Strategy approved by them earlier, with full powers of authority and responsibility, the Chief Human Resources Officer. The Corporate Sustainability Center is responsible for technical control.

IV. Sustainability coordination

The group-level management of the sustainability activities was implemented in 2011 in the form shown on the diagram below.

Group-level coordination is continued to be implemented under the auspices of the Group Sustainability Coordination Council (GSCC). The sustainability activities described in the 2010 Sustainability Report are carried out at two levels, but in three separate areas:

1/a Strategy development level

the strategic concepts are developed in the framework of the GSCC

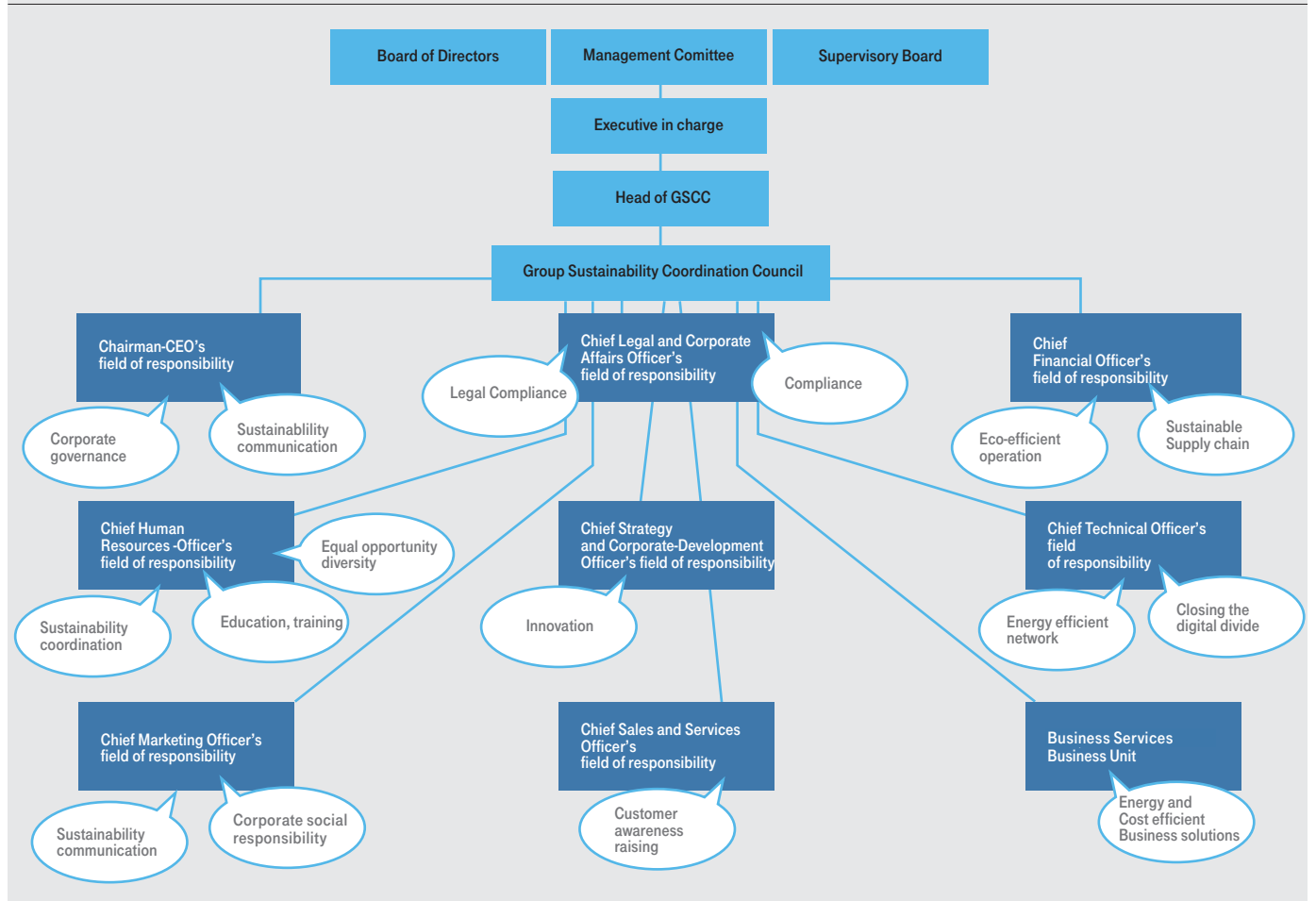
1/b Strategy management level

the management, preparation of the communication and communication with the different national and international organizations are being implemented in the framework of the GSCC, but separately from the strategy development

2 Operative implementation level

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

Management of Magyar Telekom in 2011 from the aspect of sustainable development:



Hierarchy of the sustainability activities

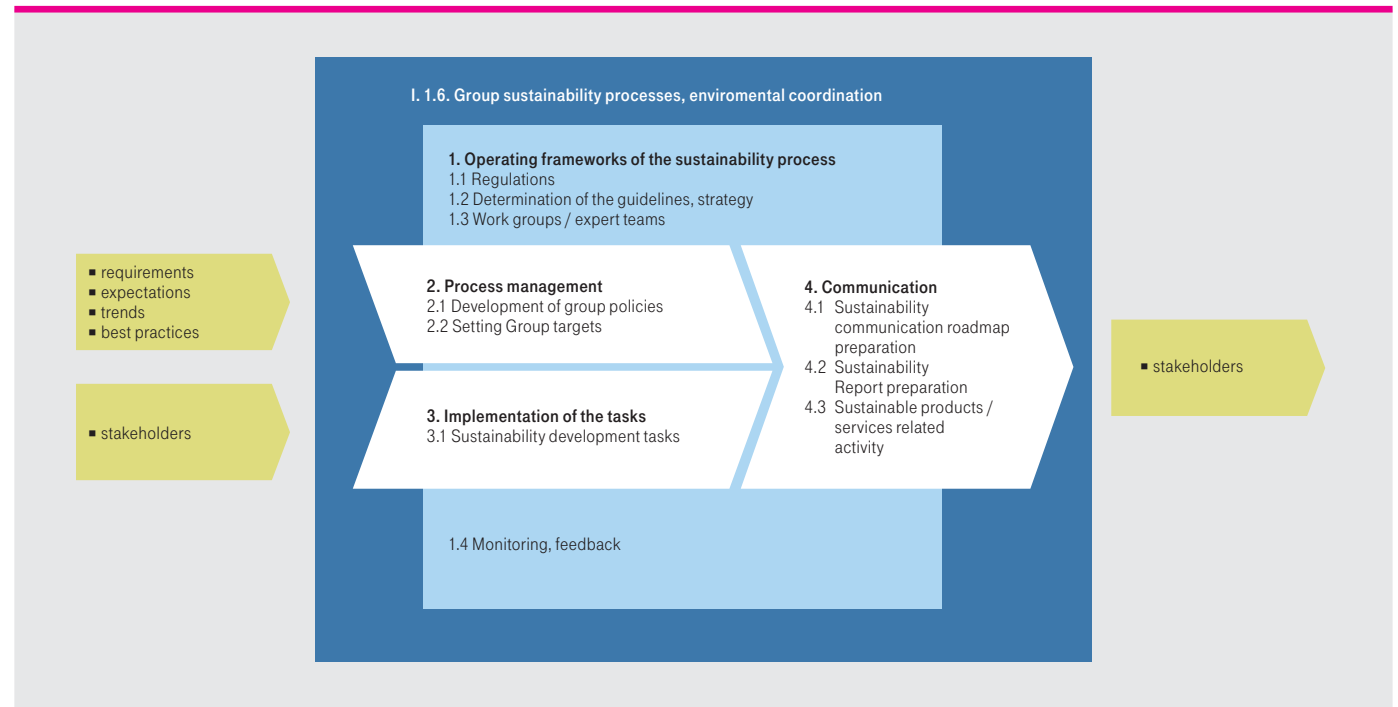
The hierarchy of the sustainability activities of the Magyar Telekom Group has not changed lately, only the structure of the Group. Accordingly, the details on this issue can be found in the 2008 report, while the organizational changes can be followed in the annual sustainability reports.

Regulation of the sustainability activities, Group sustainability process, environmental coordination

The regulation of the sustainability activities of the Magyar Telekom Group, the relevant processes and their hierarchy have been changed in such a way that the tasks belonging to the operational activities have been put in a separate process and regulation.

The linkage between the activities of the sustainability process are demonstrated by the following figure:

The top management of the Magyar Telekom Group, the Management Committee receives at least once a year report on the implementation of the tasks of the Group Sustainability Strategy and the other ongoing significant sustainability activities, results.



V. Stakeholders

The stakeholders of the Magyar Telekom Group include all those groups, which have an influence on, or hold an interest in the implementation of the objectives of the Company. The Company earlier identified its stakeholders through review of its management systems and benchmark studies and keeps continuous contact with them to ensure that their interests are taken into consideration in the course of its operations. Our most important stakeholders are considered to be the regulators, the investors, the employees, the communities, the NGOs, the suppliers and partners and the future generations.

In 2011 we organized the 12th Sustainability Roundtable, which aimed to hold an open dialogue to learn the expectations from the Magyar Telekom Group and to discuss the problems raised, and also to provide an appropriate background for joint thinking and for cooperation in the building of a sustainable future. The 12th Roundtable meeting was held on June 24, 2011 and it focused on the communication of sustainability.

The stakeholders of the Magyar Telekom Group

Market stakeholders

Customers, individuals, groups, organizations, companies
Shareholders, owners
Management
Employees
Suppliers
Trade unions, employee groups
Other telecom market players



Non-market stakeholders

State organizations, local municipalities
Industry and market representations,
research cooperations
Local communities
Environment and nature

The most important issues discussed with the stakeholder are contained in the memorandums of previous Sustainability Roundtables:
http://www.telekom.hu/society_and_environment/events/Sustainability_Roundtable_Discussion



1. Corporate governance and risk management

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1. Corporate governance and risk management

1.1. Corporate governance

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

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

In order to simplify the structure of the financial report and reduce administration costs, with effect November 12, 2010 Magyar Telekom discontinued the NYSE listing of its deposit bonds. The discontinuation of the US registration of Magyar Telekom shares and bonds became effective on February 12, 2012. The Company maintains the Budapest Stock Exchange listing of its shares, and continues to produce English translations of its annual reports, financial statements and investor communications.

Board of Directors

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

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

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

Members of the Board of Directors on December 31, 2011

Name	Main position
Christopher Mattheisen	Chairman-Chief Executive Officer, Magyar Telekom Plc.
Dr. István Földesi	International business advisor (independent)
Dr. Ferri Abolhassan	T-Systems board member (non-executive)
Dr. Mihály Gálik	University professor, Budapest Corvinus University (independent)
Thilo Kusch	Chief Financial Officer, Magyar Telekom Plc.
Dr. Klaus Nitschke	Deutsche Telekom AG's Senior Vice President responsible for Strategy Europe, the MT Group and for the area management of the DT subsidiaries in the Netherlands and in the United Kingdom
Frank Odzuck	Chief Executive Officer, Zwack Unikum Plc. (independent)
Dr. Ralph Rentschler	Financial Director of the Board Division Southern and Eastern Europe at Deutsche Telekom AG (non-executive)
Dietmar Frings	Human Resources Vice-President, Deutsche Telekom AG (non-executive)

The annual general meeting held on April 7, 2010 re-elected the new Board for a period of 3 years.

The current composition of the Board of Directors is available on our website: http://www.telekom.hu/investor_relations/corporate_governance/board_of_directors

Management Committee

In compliance with the Company's Articles of Association and the rules of procedure of the Board of Directors, in 2000 the Board of Directors established the Management Committee with powers to pursue its activities in compliance with the annual business plan.

Members of the Management Committee on December 31, 2011

Name	Main position
Christopher Mattheisen	Chairman-Chief Executive Officer
Thilo Kusch	Chief Financial Officer
István Maradi	Chief Technology/IT Officer
Róbert Budafoki	Chief Officer, head of Business Services Business Unit
Róbert Pataki	Chief Strategic and Corporate Development Officer
Éva Somorjai	Chief Human Resources Officer
Attila Keszég	Chief Sales and Services Officer
István Király	Chief Marketing Officer
Balázs Máthé	Chief Legal and Corporate Affairs Officer

Current members of the Management Committee are listed on our home page: http://www.telekom.hu/investor_relations/corporate_governance/management_committee

Supervisory Board

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

In compliance with the Articles of Association of the Company, the Supervisory Board has minimum three, maximum fifteen members, who are elected by the AGM for a term of three years. The Central Workers' Council nominates one third of the Supervisory Board members who represent the employees. The Supervisory Board meeting has quorum if at least two thirds of the members are present.

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

A 2010. The Annual General Meeting held on April 07, 2010 elected the new Supervisory Board for 3 years. The AGM held on April 12, 2011 elected one more member to the Supervisory Board.

Current members of the Supervisory Board are listed at our home page: http://www.telekom.hu/investor_relations/corporate_governance/supervisory_board

Audit Committee

The Audit Committee makes proposal directly for the external auditor to be elected by the AGM and reviews the services provided by the independent external auditor. The responsibilities of the Audit Committee include preliminary approval of the audit and non-audit services provided by the independent external auditor and the fees of these services. The Audit Committee reviews the annual financial reports of Magyar Telekom, with observance of the results of the audits and the audits of the independent external auditor, the financial reports to be submitted to the Budapest Stock Exchange and the financial authorities, as well as the reports of the internal audit. The Audit Committee meets as necessary, but at least on four occasions a year. The members of the Committee are elected by the AGM of the Company from among the independent members of the Supervisory Board.

Members of the Audit Committee on December 31, 2011

Name	Main position
Dr. János Illéssy	Chairman of the Audit Committee, Managing Director, Lebona Kft.
Dr. László Pap	Professor of the Faculty of Electric Engineering at the Budapest University of Technology and Economics
Dr. Sándor Kerekes	Director of the Institute of Environmental Science of the Budapest Corvinus University
Dr. Károly Salamon	Chairman- Chief Executive Officer, MKB Általános Biztosító Zrt. és MKB Életbiztosító Zrt.
Dr. János Bitó	Chairman of the Thesis Defense and Final Examination Committee of the Faculty of Information Technology, Pázmány Péter Catholic University

Current members of the Audit Committee are listed at our home page: http://www.telekom.hu/investor_relations/corporate_governance/audit_committee

Remuneration Committee

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

The members of the Remuneration Committee are elected from the members of the Board of Directors.

Members of the Remuneration Committee on December 31, 2011

Name	Main position
Frank Odzuck	Chief Executive Officer, Zwack Unicum Plc.
Dr. Ralph Rentschler	Financial Director of the Board Division Southern and Eastern Europe at Deutsche Telekom AG
Dietmar Frings	Human Resources Vice-President, Deutsche Telekom AG

Current members of the Remuneration Committee are listed at our home page: http://www.telekom.hu/investor_relations/corporate_governance/compensation

Incentives and evaluation of the performance of top executives

Top executives (Chief Executive Officer, Chief Officers) are paid variable pay (bonus) as performance incentive Bonus targets are broken down to the other employees and set in the Performance Management (PM) system.

In addition to the short-term incentive, the top management is motivated further, and their interests are aligned with those of the owners by means of a so-called Medium-term Incentive Plan (MTIP) and a Variable 2 (V2) medium-term incentive plan. Both programs were launched temporarily in 2011 to keep up continuity.

The Remuneration Committee makes proposals both for the annual targets and the evaluation of their implementation, and monitors the performance of top executives throughout the year. Upon consideration of the proposals made by the Remuneration Committee, the Board of Directors adopts decisions regarding the evaluation of top executives' performance.

Members of the Supervisory Board on December 31, 2011

Name	Main position
Dr. László Pap	Chairman of the Supervisory Board, Professor of the Faculty of Electric Engineering at the Budapest University of Technology and Economics
Dr. János Illéssy	Managing Director, Lebona Kft.
Dr. Sándor Kerekes	Director of the Institute of Environmental Science of the Budapest Corvinus University
Dr. Károly Salamon	Chairman- Chief Executive Officer, MKB Általános Biztosító Zrt. és MKB Életbiztosító Zrt.
Dr. János Bitó	Chairman of the Thesis Defense and Final Examination Committee of the Faculty of Information Technology, Pázmány Péter Catholic University
Konrad Kreuzer	Member of the Board of Directors of E-ON Hungária Zrt.
Martin Meffert	Responsible for the corporate governance affairs of Magyar Telekom, Makedonski Telekom, Crnogorski Telekom, Group Headquarters, Deutsche Telekom AG
György Varju	Central Workers' Council, consultant
Attila Bujdosó	President of the Telecom Workers' Union
Tamás Lichnovszky	Chairman of the Central Workers' Council
Zsoltné Varga	Quality Manager, Magyar Telekom
Dr. Konrad Wetzker	Chairman, Corvinus School of Management

The Board of Directors evaluates the performance of the previous year and finalizes the targets of the current year in the first meeting of the year.

In general, 55% of top executives' salary is fixed, while 45% is variable pay. The annual bonus is payable pro rated to the evaluated performance of the partly collective, partly individual targets set at the beginning of the year and derived from Magyar Telekom Group's strategic targets. No bonus is payable, if performance is below a certain minimum limit defined in advance. In case of over-achieving the targets, additional bonus is paid, the extent of which cannot exceed 50% of the bonus payable upon 100% performance.

The framework of bonus target setting (bonus amount, structure and maximal amount of additional bonus) is defined by the strategic investor's compensation guidelines (Deutsche Telekom Global Compensation Guidelines).

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

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

1.2. Risk management

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

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

1.3. Corporate compliance

Magyar Telekom Group's Corporate Compliance Program has been elaborated with the aim to ensure that Magyar Telekom Group conduct its business with maximum consciousness and commitment, in accordance with relevant laws and regulations, in harmony with the strictest possible business ethics standards. To this end we have issued directives addressing the potential compliance risks, and operate the procedures contained by them. We provide regular training to the employees in this field. Clear processes are in place for the whistleblowing, investigation, monitoring and remedy of suspected cases of non-compliance. The Corporate Compliance Program is supervised by the Group Compliance Director.

The Group Compliance Director reports directly to the Audit Committee, and is in direct cooperation with the Board of Directors, the Supervisory Board and the management. The centerpoint of the Compliance Program is the Code of Conduct.

These requirements are summarized by the Code of Conduct of the Magyar Telekom Group which was updated in the first quarter of 2011. The employees were informed directly by the CEO about the updated Code of Conduct, which represents the shared interests of the Group and which is also the pledge of the strong position, reputation and successful future of Telekom. Everyone at the Magyar Telekom Group must comply with the Code of Conduct from staff employees to the Board members, and also every employee has to accept it after completing the relevant online tuition. In addition to the employees the contracted partners of the Magyar Telekom Group are also required to learn and accept these values when registering on the Company's procurement site.

In 2011 the Company launched online training courses at group-level on insider trading, anti-corruption attitude and employee conflict of interest for employee target groups selected through risk analysis. The Company provides training appropriate for their position for the new entrants on an ongoing basis. In 2011, 2436 employees were enrolled in courses and 90% attended them. Since 2008 Magyar Telekom Group employees have completed a total of 37,784 remote-learning compliance courses.

In addition to the above, both the parent company and the Hungarian and international subsidiaries have given personal coaching to employees working in areas exposed to compliance and fraud related risks about anti-corruption attitude, screening of the contracted partners and gift regulations.

In 2011 both the Magyar Telekom Plc.'s organizational units and the subsidiaries took part in the process of risk analysis. On the basis of the result of the analysis a comprehensive audit was conducted about the potential compliance and fraud related risks, the findings of which were submitted to the Company's Audit Committee

The Company verified the cases of unethical conduct reported during the year and launched appropriate investigations if it was considered necessary. In the cases where the action of fraud was verified, the necessary remedial actions were duly taken. Magyar Telekom discloses corruption cases and response to those cases as required by the relevant laws and regulations.

Prevention of conflict of interests

The Deutsche Telekom Group and the Magyar Telekom Group trust that the interests of their employees do not conflict with the interests of the Company.

Conflict of interests resulting from other employment

Other employment means the performance of work at a place other than the primary place of employment, in the course of which the employee submits his working capacity to a third party, regardless of the fact whether or not he receives a remuneration for it.

An own enterprise is also to be considered other employment.

You may not enter such other legal relationship, which conflicts with the interests of the Deutsche Telekom Group and the Magyar Telekom Group, especially if such relationship is prohibited by causes of competition.

Private investments

The Deutsche Telekom Group and the Magyar Telekom Group are not interested in holding such ownership share in its business partners or competitors that enables it to exercise business influence on them.

Use of company property for private purposes

The use of company property for private purposes is generally not permitted except if the given person is expressly entitled to such use, if the Collective Agreement allows it or if the operating processes and regulations permit.

(Code of Conduct – How We Work 3.3.)

1.4. Regulatory compliance

Nor in 2011 were fines imposed on the Company for violation of environment protection statutes and policies, or non-compliance with statutes or other decrees addressing fiduciary duty and manner of use of products and services.

In 2011 a single procedure was launched against the Company by the Equal Opportunity Authority, which ended with an agreement.

In 2011, 14 labor lawsuits were in progress against the Company (Magyar Telekom was plaintiff in one case and defendant in 13 cases), of these 5 were new cases were launched and 2 finished in 2011. Also including the proceedings carried over from previous years, 7 lawsuits are in progress (and will remain in progress after 2011, too).

In 2011 we paid HUF 58.5 million in fines on final court ruling and in out-of-court settlement.

In 2011, the National Media and Communications Authority (NMCA) and the National Consumer Protection Authority imposed fines upon the Company in cases launched upon individual complaints in the total amount of HUF 64 million for non-compliance or short compliance with some sector-specific regulations or the provisions of the General Terms of Contract.

In the past year the NMCA launched several comprehensive market surveillance procedures, but – in view of their complexity – these will probably be closed in 2012 only. Fine was paid in a single NMCA market surveillance case involving Magyar Telekom in the amount of HUF 300 000, which was levied in closing a procedure that started back in 2010.

No fines were imposed due to anti-competitive conduct or violation of anti-trust or anti-monopoly statutes in any case launched in 2011.

In 2011 thirteen competition surveillance procedures (5 affecting T-Home, 7 affecting T-Mobile, and 1 affecting both T-Home and T-Mobile) were filed against the Company for alleged violation of the marketing communication standards, rules. In 2011 no fines were levied in any of these procedures.

In one procedure, where we communicated that ours is the fastest data network, the Competition Council has taken decision in the meantime and fined our Company for HUF 100 million. Magyar Telekom Plc. appealed the Competition Council decision, the case is currently in court.

1.5. Political presence

The Magyar Telekom Group is involved in shaping public politics indirectly, through its representation organizations, about which you can find information in the 2009 Sustainability Report. http://www.telekom.hu/static/sw/download/Sustainability_report_2009_eng.pdf

We have no knowledge of any financial support to political parties, politicians or any related entities provided by Magyar Telekom Group affiliates in 2011, which is in total compliance with the detailed stipulations set forth in the Code of Conduct.

1.6. Suppliers

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

The group-level coordination of vendor relations is ensured by the Procurement Directorate, partly through the provision of centralized procurement services and partly through coordination of the member companies' functional organizations.

The suppliers are selected in compliance with the laws, in procurement procedures that ensure fair competition, transparency and structured and documented processes. In its contracts the Company seeks to develop mutually advantageous, value-creating partner relations. To ensure cost-efficient operation the Company is continuously rationalizing its processes and the number of vendors whereby a stable group of high quality vendors is achieved.



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

- Action against corruption and ethical conduct are important cornerstones for Magyar Telekom, consequently it requires its suppliers to adopt its Anti-corruption statement and the Company's Code of Conduct, and to comply with the expectations specified as contract terms, too.
- Besides, every supplier must learn and accept the Social Charter of the Group, which specifies the minimum social standards of the working relations and employment conditions.
- We also request the suppliers concerned to accept the Coltan Policy of Magyar Telekom.

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

The Company's enhanced vendor prequalification system enables registered suppliers to complete the sustainability-focused questionnaire and also its evaluation. The results ensure the identification of risks and the possibility of joint improvement with the suppliers.

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

For mutual development, we give the registered suppliers monthly reports about their results in the vendor qualification. We procure 71% of the value of the orders from qualified external suppliers.

In order to develop a sustainable supplier chain, Magyar Telekom lays continues to treat as priority the regular evaluation of its top suppliers with the help of the detailed supplier self-evaluation questionnaire developed by GeSI (Global e-Sustainability Initiative) which, in addition to environmental queries, also contains questions concerning compliance with human rights, occupational health, security and business ethics requirements. So far 38 supplier evaluations have been completed (these suppliers accounted for 31.5% of the overall procurement value in 2011).

In 2011 we evaluated 12 key suppliers – and then review them semi-annually – according to a supplier evaluation methodology developed by DT, which also includes – in addition to the key financial indicators – the web-based and the self evaluation questionnaire-based auditing of the given supplier' sustainability performance (the suppliers evaluated with this methodology accounted for 15.4% of the 2011 procurement value).

During the year we set to developing the supplier chain management process, which has also been determined as a key strategic objective. We appointed the supplier audit and the sanctioning areas as being in need of development.

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

These electronic solutions substantially reduce the processing time of the procurement processes and also the quantity of paper-based documents.

In the past years electronic procurement processes hit a steady high level and in 2011 reached 58% of all items ordered (in 2009, 52%, in 2010, 60%).

Further 6 electronic catalogues managed by the suppliers have been incorporated in our internal order placement system. Orders thus placed are transferred to the supplier via fully electronic channels. The items ordered electronically has reached 38%. In the office stationary catalog the supplier already marks the 'green' products. When placing an order, we encourage our employees to order these products.

We ensure compliance with the statutory and corporate expectations by including sustainability (environmental) clauses in the supplier contracts. We expect our suppliers to use environment-friendly materials and technology and energy-saving solutions.

As to products, there is a black list and a gray list of ingredients, meaning that products that contain any of the listed materials are banned from procurement (blacklist), or are not recommended to procure (gray list) by Magyar Telekom.

In an effort to prevent any damage, hazardous materials purchased are transported directly to the internal customer, with the exception of storing a minimum justifiable inventory, thus minimizing transportation time. In an effort to raise cost efficiency and reduce transportation, we increase the percentage of stocks managed by the suppliers, which in 2011 reached 27%. (In 2010 it was 24%)

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

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

Percentage value of products and services procured from local suppliers²¹, with which we contribute to the retention of jobs.

Member companies ²²	2009	2010	2011
Magyar Telekom Plc.	74%	70% ✓	71% ✓
KFKI	51%	58%	56% ✓
IQSYS	93%	95%	95% ✓
Pro-M	67%	53%	47% ✓
Makedonski Telekom	69%	67%	73% ✓
T-Mobile Macedonia	56%	55%	47% ✓
Crnogorski Telekom	48%	38%	42%

DELFIN award to suppliers

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

With the DELFIN award Magyar Telekom wants to promote the idea of sustainable development and recognize efforts made towards this goal.

The award is given to suppliers offering outstanding performance in the field of sustainability, on the basis of applications judged by a board of professionals.

Members of the professional jury:

- Dr. György Pataki – Budapest Corvinus University, assistant professor
- Ernő Simon – journalist, former chief editor of Figyelő
- Péter Bodó – Conscious Buyers' Association
- Katalin Szomolányi – Magyar Telekom, Head of the Corporate Sustainability Center

21 Suppliers with a seat in the given country.

22 Member companies of Magyar Telekom Group representing significant procurement value.

The fourth award ceremony was held on June 24, 2011, at the Sustainability Roundtable.

Winners of the DELFIN award by category	
Category	Winning supplier
Equal opportunity, non-discrimination	Eurest Étteremüzemeltető Kft.
Innovation realized for sustainability	Cisco Systems Magyarország Kft.
Education and awareness raising	Green Living Hungary Kft.
Climate protection investment and development	Tonic Budapest Kft.

The application materials can be found at: http://www.telekom.hu/society_and_environment/events/Dolphin_Award_2011

By 2013 Magyar Telekom wants to extend the DELFIN award to all Hungarian enterprises, to motivate them for commitment to sustainable development and to give an example in the economic sector.



DELFIN award ceremony



We have been working close with Magyar Telekom for three years, and it is a really prosperous cooperation in which we gained a lot of inspiration.

Eurest Kft is proud of that out of our 1200 employees 62 persons work with changed working abilities. We devoted significant attention to their integration: Magyar Telekom recognized this effort with the DELFIN award last year, and this year with the HR Oscar of domestic organization development experts.

Mónika Matis – an assistant of our HR Department – is personally affected in this matter: she lives with impaired vision. Just like other colleagues with changed abilities, Mónika is also a committed, enthusiastic and true colleague of our team: she will take part in the opening ceremony of the Paralympics Games with Tandenzem Association:

they ride the bike from Hungary to London, to witnessing that people with disabilities can live a full life and even achieve sport successes. Our company has encouraged this initiative and provides support to this small team of seven. As Compass Group – our parent company – is operating restaurants Europe-wide, we have involved them in the organization and support.

We do believe that we are responsible for proliferation of healthy life and for shaping the minds of our guests. This is why we created our „Conscious choice” program, in the frame of which we call the attention not only to healthy foods, but also to healthy lifestyle, the importance of physical activity and sustainability of environment.

Efficient usage of our resources has been built in our everyday routine. We apply biological means – destructive bacteria – rather than chemicals for breaking down grease when cleaning grease traps in our kitchens. We provide continuous training to our employees, urge them to economize electricity and flowing water. In the restaurants we use energy-saving bulbs. We monitor the amount of kitchen wastes with our TrimTrax system to economize material consumption and prevent wasting. We normally use washable tableware rather than disposable plastic ones

We are happy for an increasing number of our partners has adopted this philosophy, and devote some of their resources to our common social objectives.

Attila Kőszegi
Regional Manager, Eurest Restaurants Kft.

2. Customer relations

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2. Customer relations

2.1. Managing customer complaints

In 2011 the Customer Service of Magyar Telekom continued the work started in the previous years and went on with the efforts to reduce complaint management response times, focus on prompt solutions and reduce to minimum problems irritating the customers.

Our approach is that complaints are such useful signals from our customers, which help us identify those process and other deficiencies whose elimination will make us more successful than our competitors and will be able to provide seamless service to our customers. It was in this spirit that we embarked on the one-year project which embraced all of 2011 and the goal of which was to identify the causes of the complaints and eliminate them. The project covered the entire range of T-Home and T-Mobile products, and it worked with the 6Sigma methodology. It identified the problems which lead to customer complaints through detailed analysis of representative samples and then developed proposals to eliminate the problems with the involvement of the affected areas (IT, Marketing, Sales, Customer Service and Technical areas). As a result of this project the efficiency of numerous processes have been improved and also dozens of IT developments were made.

As a result of these efforts the number of customer complaints received monthly has permanently fallen by 20-25% and response time has also been reduced significantly, by four days. By now the operation of the project has become part of everyday work, each month we analyze the causes of the complaints through samples and search for solutions to ensure the maintenance of the efficiency of the operation.

To solve the complaints promptly we enhanced the competencies of our staff both in our call centers and shops, they attended training courses and we also determined the scope of those complaints they can address immediately, so as to save waiting time for our customers. In order to give more support to our customer interface staff we integrated the back-office consulting team that supports their daily work so as to give faster service to those customers who buy several products from our Company.

2011 brought a number of changes for the telecommunications service providers and their customers also in the respect of the regulatory environment. The providers often have very little time to make preparations for the implementation of the new or modified tasks required by the changing communications regulations.

Magyar Telekom is committed to compliance with the new regulatory expectations despite the fact that in some cases the new regulations make simple processes or calculation methods more complicated, require extensive IT development or under pressure of time, manual operations have to be performed temporarily.

The frequent amendments to the new regulations make it difficult to follow them and in some cases different interpretations add to the complications.

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

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

For more information refer to the http://www.telekom.hu/about_magyar_telekom/principles/quality_guarantees website, and for detailed data to http://www.telekom.hu/static/sw/download/2011_evi_T_Home_T_Systems_szolgaltatasminosegi_mutatok.pdf and http://www.telekom.hu/static/sw/download/2011_evi_T_Mobile_szolgaltatasminosegi_mutatok.pdf.

In 2011 there were no customer complaints at the Pro-M and Daten-Kontor member companies.

In Montenegro, the end-to-end complaint and receivables monitoring process of both business units underwent continuous improvement in 2011 and the customer requests and complaints were approached in compliance with the regulations and in a proactive manner designed to invite

customer satisfaction. Also in the first quarter of 2011 the Six Sigma project was launched in an effort to improve the process of solving customer complaints.

At Crnogorski Telekom the number of customer complaints per 1,000 subscribers was 69 ✓ for fixed-line telephone services, 64 ✓ for post-paid services and 13 ✓ for prepaid services in 2011.

In Macedonia, a total of 12 424 ✓ customer complaints was recorded for fixed services in 2011, almost as many as in 2010. The number of customer complaints per 1,000 subscribers was 28.6 ✓ for fixed telephone service, 18.6 ✓ for internet service and 41.1 ✓ for IPTV service in 2011. In 12 030 ✓ complaints were received from the users of mobile services. 79% of the complaints were received from postpaid and 21% from prepaid customers. In the field of mobile services the number of complaints per 1,000 subscribers were as follows in 2011: prepaid customers: 2.9 ✓; postpaid customers: 23.5 ✓.

The standardization of the process of fixed and mobile service complaints continued in 2011. Certain steps were successfully standardized but because of the different IT backgrounds, the operating processes still vary rather significantly. The operation KPIs were matched in 2011, during the year the improvement of the complaint management process was in the focus. In 2011 more telecommunications regulator communications were made than in the previous year.

2.2. Informing our customers

The Magyar Telekom Group is making ongoing efforts to simplify its propositions as much as possible and to make them available to the widest possible scope of customers.

You can read more about the services and tariff packages of Magyar Telekom Plc.'s Business Units at the websites below:

<http://www.t-home.hu/english>

<http://www.t-systems.hu/front-page>

http://www.t-mobile.hu/english/all_plans

Information about the services of other major affiliates is accessible at the websites below:

- Dataplex: <http://www.dataplex.hu/>
- KFKI: <http://www.t-systems.hu/front-page>
- IQSYS: <http://www.iqsys.hu/web/guest/tevekenysegek>
- Pro-M: <http://english.pro-m.hu/Engine.aspx>
- Origo: <http://www.corp.origo.hu/portfolio.html>
- Kitchen Budapest: <http://www.kitchenbudapest.hu/en/products>
- ISH Informatika: <http://ish.hu/english/>
- DATEN-KONTOR: <http://www.dk.hu/en>
- Budakalász Kábel TV: <http://www.kalasznet.hu/>
- Makedonski Telekom: <http://www.telekom.mk/en/?z=222>
- T-Mobile Macedonia: <http://www.t-mobile.com.mk/public/?itemid=389505dc-f903-4847-80a6-8af095c32f3f>
- Crnogorski Telekom: <http://www.t-com.me/Naslovna.aspx?jezik=2>, <http://www.t-mobile.me/eng/postpaid.aspx>



T-Pont shop opening at Mammut II

Customers can address inquiries regarding T-Mobile tariff packages and services or even request modifications 24 hours a day through the consumer customer service call center, which can be called free-of-charge by dialing 1430 from T-Mobile's Hungarian network, or the 1777 (Domino center) number, in case they hold top-up card. Additionally, the T-Mobile website was made more consumer-friendly, among others through highlighting search keywords and developing the webshop service to enable quick, simple purchase. The services are available on the following website: <http://www.t-mobile.hu/english/services>

Magyar Telekom puts special emphasis on providing assistance to everyone in getting about in the digital world. The 'hello holnap!' (means 'hello tomorrow') initiative of the Company offers detailed information about sustainability, an issue that is steadily gaining in importance in our days, with special regard to the possible role the individual can play in it. The venue is the www.helloholnap.hu site where the visitors can get acquainted with the terms, questions and plans connected with sustainability and the relevant activities of Magyar Telekom.

2.3. Marketing communication

Magyar Telekom considers it top priority to communicate its advertisements to the existing prospective consumers in compliance with the relevant regulations. We do everything to ensure that our advertisements carry our proposals accurately and clearly, excluding any deception. In view of the above, compliance with the consumer protection and GVH (Competition Office) guidelines, and checking regulatory compliance are important requirements of the work processes of producing advertisements. We convey our proposals to everyone by using the greatest number of communication tools possible and with maximum exploitation of the possibilities offered by the given advertisement carrier. In this way we provide everyone the possibility of gaining all-around information and also the option to make well-considered and responsible decision.

Nem kell saját erőmű, hogy felkapcsolhassa a lámpát.

hello holnap!
A Telekommal a fenntartható fejlődésért

A fenntartható fejlődésért — beruházás nélkül

A Telekom informatikai szolgáltatásaival, mint például Virtuális szolgáltatásaink, korszerű bérleti szerződés vagy hosting megoldásaink, az Ön cége is számottevően mérsékelheti cége áramfogyasztását, üzemanyag-felhasználását, károsanyag-kibocsátását. A környezet megővésén túl cége működési költségeit is csökkenteni tudja, ráadásul, mivel szolgáltatásainkat havi díjas alapon kínáljuk, Ön az egyszeri nagy beruházási költségektől is mentesül.
Használja Ön is a Telekom innovatív, környezetudatos termékeit, és legyen az Ön cége is felelős vállalkozás.

Várjuk Önt a részletekkel a T-Pontokban, a 1400 telefonszámon vagy az uzletitelekom.hu oldalon.

Informatikai szolgáltatások a Telekomtól — üzlet minden vállalkozásnak

T

2.4. Customer satisfaction

Magyar Telekom conducts complex customer satisfaction measurements on a quarterly basis that include ongoing, detailed monitoring of the general satisfaction of customers (and at the same time the satisfaction of competitors' customers), as well as the perception of service elements that impact satisfaction (e.g. network quality, product choice, customer service etc.). The measurements can be related in terms of both their methodology and results separately to the customers of T-Home and T-Mobile, and also can be broken down to residential and business customers (even can be broken down to further, more targeted customer segments, when requested).

These surveys produce a composite index reflecting customer satisfaction that enables tracing and easy interpretation of the changes over time. Detailed analysis of service elements enables detecting current perception of factors impacting customer satisfaction, identifying the fields where Magyar Telekom delivers outstanding performance, according to the customers' judgment, too, and the fields where measures are needed to improve quality against earlier own performance or even against the standard of competitors.

Customer satisfaction is measured by an independent research firm with experience in market research. The compilation of the questionnaires, the data entry itself, the adjustment and processing of the database, the preparation of summary analyses and presentations about the findings, as well as their interpretation are the responsibility of the research firm in cooperation with the Research and Analysis Department.

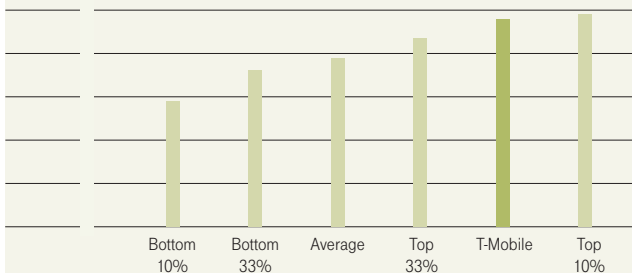
The survey is conducted by eliciting answers via telephone and personally, in the form of standard interviews, encompassing samples of a justifiable size, composition and weights. The content of the survey questions substantially remains the same from year to year, to ensure tracing changes over time, but the methodology and the structure of the sample is reviewed and updated from time to time, due to the changing expectations of the Company (group), as well as the changes of the product structure and the market.

Residential customers

Like in the previous years, T-Mobile could achieve rather high level of satisfaction among its customers in 2011, too. A comparison against the benchmark data of the European mobile service sector shows that T-Mobile regularly performs above the average in this field, its customer satisfaction index measured in 4Q 2011 was in the Top 10%. In another approach: the majority (app. three fifths) of the customers are definitely satisfied with and loyal to their provider, while the percentage of clients who have opposite opinion is under 10%. Also in 2011 the evaluation of the service elements showed an outstanding perception of network coverage and network quality, which are among the factors having the greatest impact on customer satisfaction. Another key finding was positive customer experiences with phone upgrade, T-Pont shops and T-Mobile's website that is reflected by very good judgment of these features.

Satisfaction with mobile services (residential customers) ✓

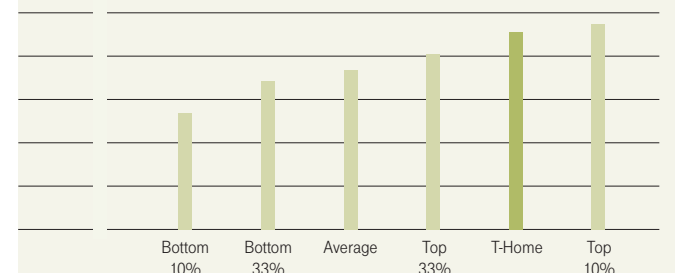
Result of T-Mobile residential customer satisfaction survey through comparison with European benchmark data – Q4 2011



The satisfaction index measured among T-Home customers also reflects high standard of service, the figure registered in Q4 2011, applicable also for the earlier waves in a given year, was in the Top10% to Top 33% range of European fixed-line service sector benchmark data. According to the customers' view the principal strength of T-Home is exactly its products and services and their permanently renewing choice. The perception of these has improved significantly since the previous year. Satisfaction with the competence of the T-Pont shops, in general with the quality of the customer services, and with the fixed networks is also above average.

Satisfaction with fixed-line services (residential customers) ✓

Result of T-Home residential customer satisfaction survey through comparison with European benchmark data – Q4 2011



Business customers

In 2011, business customers' satisfaction with mobile services reflect that T-Mobile's performance in Hungary continued to be above the average, the performance of T-Mobile surpassed that of its competitors in every customer segment. In terms of service quality it is in the European top league. Results show that Magyar Telekom's major strengths are include network quality and good network coverage, the sales points, the business website and the activity of the account managers.

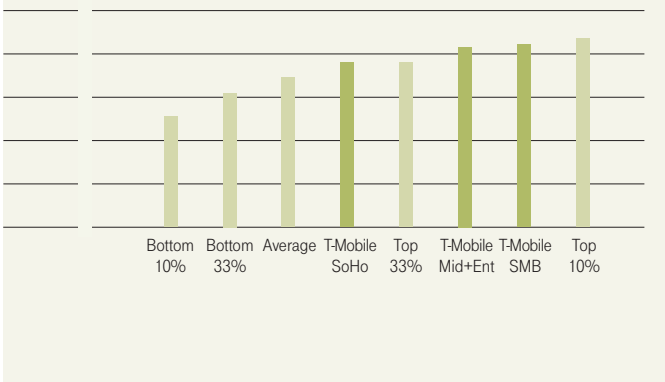
Business customers' satisfaction with fixed-line services continued to be high in 2011, too. The customer satisfaction index is shifting into the upper third of the European industry benchmark. Decision-makers were definitely satisfied with the quality of Magyar Telekom's voice and internet services, the service provisioning process and the activity of the account managers.

In addition to traditional general satisfaction measurement, the satisfaction of customers with given customer service channels (Customer Service) and their performance was also continuously measured during the year. The measurement uses a Voice of the Customer type survey with standard questionnaire and weekly and monthly reporting with standard methodology. Contacts are transaction-based, after a customer service event customers are within 24-72 hours contacted, with ongoing daily data entry. The following customer service channels are measured: T-Mobile and T-Home IVR, residential T-Mobile call-center, business (SoHo) T-Mobile call-center, T-Home call-center and help-desk, T-Mobile and T-Home T-Pont shops, T-Mobile and T-Home partner shops, T-Mobile webshop, and T-Home provisioning, fault repair and superservice.

The objective of the measurement is to continuously monitor the quality of customer management, to obtain qualitative and quantitative information about customers' satisfaction and perceptions about our customer service.. The results of analyses are used by the senior management to define an action plan. Analyses are evaluated for each customer group managed by the given organizational units as well as for the whole Group. Implementation is monitored at management meetings by senior managers and directors. When deficiencies and departures are revealed through the evaluation the immediate supervisor of the business field concerned takes measures, i.e. results support operational decisions, too, among others in the fields, where more administrative staff are needed, where waiting time must be urgently reduced, where training for the administrative staff is needed etc.

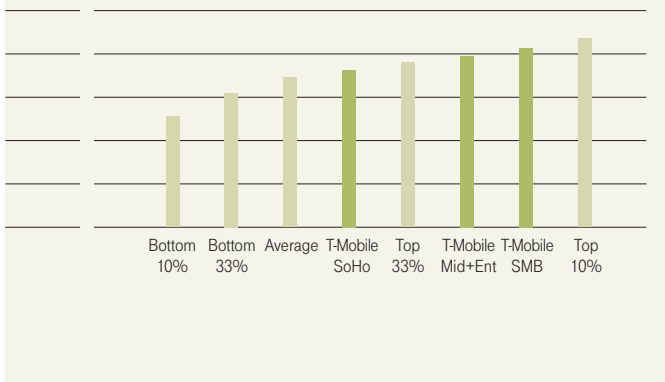
Satisfaction with mobile services (business customers) ✓

Result of T-Mobile business customer satisfaction survey through comparison with European benchmark data – Q4 2011



Satisfaction with fixed-line services (business customers) ✓

Result of T-Home business customer satisfaction survey through comparison with European benchmark data – Q4 2011



At present KFKI runs three levels of electronic customer satisfaction surveys:

1. Project- based: after the close of each month a customer satisfaction questionnaire is sent to the commercial and project implementation contact person of each project worth more than HUF 5 million for which the final settlement invoice was submitted in the given month.
2. Key service customers: six-monthly customer satisfaction questionnaires are sent to 100 key service customers.
3. Small- and medium-sized business customers: on the close of each quarter customer satisfaction questionnaires are sent to 100 SME customers.

After statistical processing the data derived from the questionnaires are submitted to the managers of the areas measured, who make a text evaluation from the results.

In the case of those customers who rate a response 3 or lower on the 6-grade scale, or write negative text evaluation, investigation is launched to identify the causes of the poor evaluation and remedial action is taken to recover the satisfaction of the customers.

At variance with the practice of the foregoing years, only qualitative survey was made at Pro-M Zrt. in 2011 which was implemented by Bell-Research Kft. Using user weights, 29 customers were interviewed from 9 VPN between October 24 and November 9, 2011. The questionnaires and the moderator's aid were prepared together with BellResearch staff.

BellResearch submitted the results in a public presentation, the survey staff also shared their personal impressions, and the research firm offered comments and guidance to the evaluation and processing of the responses. One of the most important findings of the research was that the attitude of the users to the EDR has changed in a positive direction, the negative overtones that accompanied the compulsory introduction/use of the system have by now subsided. Even the so-called negative comments were only aimed to make the system more user-friendly, and the majority of them concerned new systems integration requests.

Stable good rating was given to the standard of the service. The perception of the voice service is exceptionally good. Data service is used to lesser degree or not at all, but those who use it demand higher speed.

The cooperation possibility they know better, but do not think it necessary to know it at user level, only at management level. They consider the least strong part the ProMobil system. The majority of the 'problems' articulated suggests lack of information.

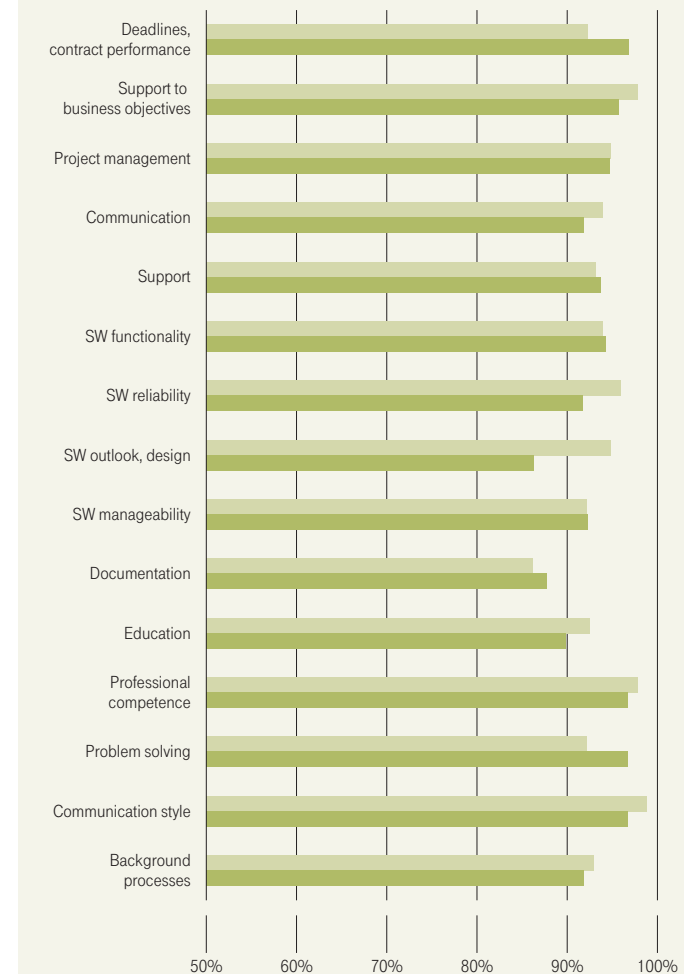
The perception of Pro-M Zrt has improved, its professional operation is recognized, the competence, helpfulness and quickness of the customer service received much praise.

At Daten-Kontor customer satisfaction is measured with the questionnaire method, through frequent visits to the customers and collection of their comments. The managers of the business units plan in advance which customers they will poll in the context of which projects, selecting those customer-side contact persons from whom they expect the most and most accurate information about the services and products.

The plan data are recorded in a sharepoint list which is suitable for monitoring the status of the survey (planned, sent, returned). The survey is usually conducted at the end of the year (November, December) but at the latest at project close.

The responses are collected in three categories (Management elements, Product features, Human factors). The rating scale runs from 1 to 6, and the respondents are also requested to rate the importance of the criterion. (1- neutral, 2-important, 3 – critical). In addition to the above, the customers is also requested to give an overall impression, as well as their evaluation relative to other IT suppliers. The data are compared with the data of the previous year, and in case of substantial decrease corrective activity is launched. If several criteria decrease, the improvement of the indicators is set as a quality objective.

**Results of the customer satisfaction survey
– Daten-Kontor 2010-2011**



The satisfaction and the loyalty of the customers of Makedonski Telekom and T-Mobile Macedonia is measured quarterly both in the residential and the business segments with the TRI*M methodology. The TRI*M Index is a key performance indicator (KPI) used for the quick measuring of the quality of the customer relationship.

T-Mobile Macedonia TRI*M Index 2011

	Q1	Q2	Q3	Q4
T-Mobile (residential customers)	73 ✓	68 ✓	76 ✓	77 ✓
T-Mobile (business customers)	-	53 ✓	-	60 ✓

Makedonski Telekom T-Home TRI*M Index 2011

	Q1	Q2	Q3	Q4
T-Home (residential customers)	73 ✓	72 ✓	73 ✓	77 ✓
T-Home (business customers)	72 ✓	74 ✓	78 ✓	74 ✓

To increase customer satisfaction a dedicated “measure & manage” process has been introduced at the Company. The participants from all areas of the Company – T-Mobile and T-Home – met twice annually for TRI*M workshops.

The principal aim of the workshops is detailed presentation and analysis of the TRI*M measuring results, identification and discussion of the possible causes of the events, and finally the elaboration and definition of actions aimed at positive change / improvement of the future results.

Crnogorski Telekom measures customer satisfaction with two values: TRI*M and ICCA.

The TRI*M T-Com and TRI*M T-Mobile are measured quarterly, via telephone interviews.

The indicators show considerable variation since the surveys were started, especially in the case of T-Mobile. The major variation and the deteriorating tendency of the annual comparison of the indices has called for a thorough analysis, which was conducted in cooperation with DT in 2011. The same fluctuating trend was observed at all three providers, in one quarter the indicators increased significantly, only to fall in the

next, and also the entire market showed decrease in 2011. The results of the analysis offered the conclusion that several decisive factors showed particularly deteriorating tendency, which may powerfully impact the composite TRI*M results. These factors are: prices, value for price, network and tariffs. This suggests that the market is extremely price sensitive, which the crisis also influences.

The ICCA survey method involves daily measurements via telephone interviews made within 24-48 hours of the customer contact event. The areas surveyed since 2010 are call center and walk-in customer service, and since the last quarter of 2011 provisioning and fault repair. Since the results are available daily, customer satisfaction can also be monitored on a daily basis, along with the comments of the customers. In 2011 the initiatives aimed at improving customer satisfaction included the 3M forum, where the quarterly results were presented to the members of the team then, after having drawn the conclusions, a remedial action plan was drawn up, the Memorable Moments program in the second quarter of 2011, and the Six Sigma program, which involved – besides improvement of several processes of the customer contact points – also the improvement of the decisive TRI*M factors, the Network and the Loyalty programs.

2.5. Involvement of our customers

Magyar Telekom has for a long time been making available the notion of sustainability for its customers and partners through its own sustainable operation, its services and products. With ‘hello holnap!’ (means ‘hello tomorrow’) the Company has launched an initiative whose broad rollout it considers an important priority.

Under the auspices of the ‘hello holnap’ initiative Magyar Telekom has also helped start the Sustainability Media Club with the involvement leading Hungarian printed, electronic and online media. The Club gives wide publicity to the notion and practical importance of sustainability through everyday examples. In an effort to raise awareness of the definition, importance and objectives of sustainable development, non-governmental organizations are invited quarterly to apply for support to

their own sustainability projects. The applications are preselected by the board of trustees and then the members of the Media Club decide in personal consultation which of them is to be financed by Magyar Telekom

In 2011 Magyar Telekom founded the ‘hello holnap!’ press award. A jury composed of the members of the Sustainability Media Club and Magyar Telekom employees awards the prize to the journalist or editor who has earned the most merit in making publicity for the sustainability ideal. The one-million prize provided by Magyar Telekom is given annually. The first winner was announced in September 2011 at the 4th Sustainability Day event.

You can read more about ‘hello holnap!’ and the campaign on the <http://www.helloholnap.hu/> website.



TV2 was happy to join the Sustainability Media Club started by Telekom, which gave us the opportunity to share the joint responsibility for our future. The corporate responsibility program of TV2 focuses on other priorities, so without the initiative of Telekom we would not be involved in such activity. It is special pleasure for us that in the framework of this cooperation the sustainability officer of Telekom gives professional assistance to us, for which we are very thankful.

Bence György
News Director, TV2

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3. Communication without boundaries

3.1. ICT products for sustainability

One of the key priority tasks of the current strategy of Magyar Telekom Plc. is to increase the percentage of sustainable products in its portfolio.

Accordingly, the sustainability assessment of the products has been included in the regulation of the sustainability coordination process, determining the players of the process, their tasks and the hierarchy of the tasks.

In 2011 the process players were identified again in the new organization structure and not only the process itself but also its goals and their importance were articulated to them.

As a result, by early 2012 four new products were added to the following list of the most important products and services with a sustainability impact:

- Bill provision
- PraxisPlatform patient education and therapy management system
- MasterCard Mobile mobile payment application
- Pediatric consulting line – health information service
- TelePresence teleconference
- Hosting (Datapark) services
- Blackberry Enterprise
- e-Collection
- e-Bill
- Mobile internet
- Mobile Purchase
- Mobile Payment
- Mobile Code
- Compleo
- Discount prepaid packages for the deaf and blind
- Virtualoso services
- Mobile sets for elderly people



You can find more information about the sustainability benefits of the above products and services on the following website:
http://www.telekom.hu/society_and_environment/ict_for_sustainability

The assessment – which involves the study of the sustainability impacts of the products/services in 3 dimensions, 15 themes and through 42 questions – reveals whether the given product or service has favorable environmental and social impacts, whether it contributes to long-term economic growth and whether it is good for the customer.

Further information about the dimensions and themes of the sustainability assessment is available in the 2009 Sustainability Report. http://www.telekom.hu/static/sw/download/Sustainability_report_2009_eng.pdf

The social and natural challenges of our age have made it necessary that emergency and law enforcement forces coordinate and improve their communication worldwide. In order to support this effort, Magyar Telekom constructed a Standard Digital Radio Telecommunication System (EDR). This closed radio telecommunication system with very



PraxisPlatform

high availability provides professional communication among different emergency and law enforcement agencies, thus enabling quicker, more efficient and more secure response.

Further information about this subject is available in the 2008 Sustainability Report: http://www.telekom.hu/static/sw/download/fenntart_jel_2008_eng.pdf

Pro-M Zrt. organized the Professional Mobile Telecommunications Day for EDR users (emergency organizations), with international participation also in 2011. The event which has already created tradition, offered a good opportunity for the participants to learn better the applications, the new developments and to exchange experiences.

The world's most important TETRA forum (the TETRA World Congress) was held in Budapest in 2011. It was a very good opportunity for the Company to present its results to an international audience and also to learn the new developments, applications and user experiences in the TETRA world.

3.2. Closing the digital divide

Digital divide is the name used for the phenomenon, existing in today's society, of different groups of society having different chances to access information technologies (due to geographical location, social or other reasons). With its digital integration program Magyar Telekom strives to close this divide and facilitate the positive effects of information and communication technologies.

For economic development in this age, it is inevitable to access information and communication technologies, while the transformation of social relations and communication make it important for us to get familiar with new technologies and the opportunities offered by them.

Support for the disabled

Magyar Telekom continues to provide the Jelmondó (Relay) service for its disabled customers which is described in detail in the 2009 Report. http://www.telekom.hu/static/sw/download/Sustainability_report_2009_eng.pdf

Additionally, the Company offers Domino discounts for the members of the National Federation of the Blind and Visually Impaired and the National Federation of the Deaf and Hearing Impaired.

Internet for Equal Opportunities (Egálnet) Program

At the end of 2006, a community portal was established with the purpose of supporting the efficient operation of organizations helping disadvantaged groups by means of exploiting the opportunities offered by the internet. Egálnet is a community site that enables registered organizations to use a simple program to create their own websites, as well as to keep in touch with each other. The target group of the program includes NGOs representing socially disadvantaged or disabled people, groups supporting young unemployed individuals or ones just starting their careers, schools, minorities, as well as foundations, associations addressing other social problems.

The project provides means to the target group (interest groups, NGOs), thus enabling them to develop their capabilities and communication, which translates into an improvement of their professional achievements. Communities, NGOs can advertise themselves, exchange information and experiences with similar organizations and even collect more donations. Until the end of 2011, more than 200 organizations joined (registered) to participate in the program. In 2011 we checked how many of these organizations actually use the site actively and deleted those websites where there was no activity for a long time (the organization that created it discontinued its operation, uses other website, has no time to manage its site). So by the end of 2011 we had 70 active sites remaining in the program, but for these the Egálnet offers help in daily operation. Further information is available on the following websites: http://www.telekom.hu/society_and_environment/society/digital_bridge/egalnet
<http://www.egalnet.hu/object.5ED601BC-C574-4C66-9A66-13C4B0A26730.ivy>

Egálnet website editing competition

The Egálnet website editing competition is held traditionally every other year; the best websites in terms of content and appearance created under the program are given prizes.

The awards ceremony of the 2011 competition was held in the Magyar Telekom headquarters on December 20. This was the third competition since the start of the program.

The winning organizations presented the website they created and explained what help the Egálnet website offered to them. On behalf of the Jury Péter Novák and Katalin Szomolányi presented the prizes. Then the 5th birthday Egálnet cake was „laid out” and the program participants also had the opportunity to exchange experiences.

The members of the jury included:

- Péter Novák, musician, dancer, choreographer, face of 'hello holnap!' (means 'hello tomorrow')
- Katalin Szomolányi, head of the Corporate Sustainability Department, Magyar Telekom
- Beatrix Jancsó, senior webcommunication manager, Magyar Telekom

In all 10 prizes were given. The best three websites and the most visited one and the one that collected the most votes received a notebook with accessories, and the winners of the special prize received a gift package.

The following organizations won prizes:

1. Família Nagycsaládosok Egyesülete
2. Konduktív Iskoláért Közhasznú Alapítvány
3. Kárpátaljai Ifjúsági Szövetség

The most visited website: Mosonmagyaróvári Városi Kollégium

The website that collected the most votes: Cukorbetegek Egri Egyesülete

Special prizes:

- Civil Parlamentért és Civilegyetemekért Alapítvány
- Porrog és Környéke Egészség Egyesület
- A Fejlődő Kalaznóért Egyesület
- Lipcsei Baráti Kör Természetjáró Egyesület
- Idővonat Olvasótábor Alapítvány

Pictures and video about the event: http://www.telekom.hu/society_and_environment/events/egalnet_website_contest_2011



Egálnet award ceremony, December, 2011



Digital Bridge in Ópályi



Digital Bridge Fest in Tiszatarján

Supporting isolated, disadvantaged settlements and groups of society

The purpose of Magyar Telekom's Digital Bridge at Small Settlements Program is to increase awareness of the achievements of and the opportunities offered by information and communication technologies in regions where the digital rift is present and over time may deepen into a divide. Under the program the volunteer team of Magyar Telekom visits disadvantaged settlements of fewer than 3,000 inhabitants to give them efficient, customized IT education. The course participants learn the many different uses of the internet and how it can make their life easier. The volunteer team also focuses on setting up and maintaining direct contact with their students.

This is how an average Digital Bridge event runs:

The visitor is met by a "Bridge" volunteer who sits down with him to a computer to see how much he already knows about the internet. If even the basic knowledge of the applicant is missing, the education starts at the roots (from use of the machine to the use of the internet). Then, they speak about the life and problems of the visitor, which gives the volunteer an idea what applications could make his life better. They have already come across requests like finding a combine harvester part (which saved the inquirer several days of travel), checking wheat prices in the commodity market (which give the inquirer an idea how his harvest fared), or organizing the annual program of a senior people's club. If many schoolchildren turn up at the event, they will organize internet quiz games for them, which usually focus on information search. The fastest ones win the prizes.

Till the end of 2011, 159 such programs had been held. In 2011 some 750 people visited these events, and since the start of the program 283 Magyar Telekom volunteers have helped people to internet literacy.

Similarly to 2008, the Kapolcs Valley of Arts festival was held in 2011, too. The Company offered internet access to users in the Valley, so the internet education program had no significant reception there.

Digital Bridge Fest

In 2009, the Digital Bridge at Small Settlements Program was supplemented by a new element called Digital Bridge Fest. Volunteers of Magyar Telekom continue to educate the inhabitants to use the internet as part of this program. Additionally, a talent contest is held by Peter Novak and Kulturpart, where the winners are offered the opportunity to perform for a live audience and through the internet.

These events are usually coupled with some other community event (e.g. village fiesta) but often ourselves generate such events with our own event. In 2011 two Digital Bridge Fests were held in the framework of the Jövő/Menő Program, in 4 localities of the Mezőcsát micro-region.

Videos, pictures and further information about the Digital Bridge program are available at the website below:

http://www.telekom.hu/society_and_environment/society/digital_bridge/digital_bridge_at_small_settlements

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

People with low income can use our Eco and Mix tariff packages. The latter offers protection against overspending.

As the leading broadband provider in the country, Crnogorski Telekom feels responsible for being the No 1 partner of the country in developing the information society. In order to enable internet to become a part of the everyday life of Montenegrin citizens, the Company initiated a project together with the Government of Montenegro, aiming to increase the level of digital literacy and internet penetration in Montenegro. The goal of the project, which started in 2008 and is planned to last until 2012, is increasing digital literacy, the use of the internet, raising the general level of awareness on the importance of the internet and in general promoting information culture in Montenegro.

For the fifth year now Crnogorski Telekom has been providing free ADSL access to all primary and secondary schools in the country. In 2011 about 150 schools were involved in the program, which is implemented with the support of the Ministry of Education and Science.

In 2011 Crnogorski Telekom operated free WiFi service for Montenegrin citizens and tourists in about 20 locations, including national parks. In cooperation with the Montenegrin national parks the Company continues to provide WiFi coverage for all national parks to enable visitors to enjoy the beauty of nature in their customary comfort.

3.3. T-City, the city of the future

The T-City has been going on in Szolnok since May 2009. The city is home to some 78.000 people, who can benefit from numerous projects designed to demonstrate the potential of state-of-the-art ICT for quality of life and enhanced community amenities offered by Magyar Telekom in the experimental project that is T-City. The cooperation between the Company and Szolnok is a long-term innovation program focusing on education, culture, public security, tourism and health.

In 2011, the following services and tests were introduced in the city:

■ IP camera transmission system

The first cultural project was launched in the city's sports hall, where four IP cameras are used to transmit cultural and sporting events live via the internet since their installation. Transmissions are also recorded, the archives can be a great help particularly for athletes and coaches.

■ School card (Sulikártya)

Since the start of the 2009 school year, one primary school in Szolnok has been equipped with an access control system using Radio Frequency Identification (RFID) technology which register the arrival and leaving of the students holding an access card. Parents can opt to receive an automated SMS message, or track their children's entry/exit times via the internet. In

2011, the system was upgraded with turnstiles to increase security and with an e-meal ticket solution to enhance convenience, and a new school portal has also been introduced.

■ Cityguard (Városőrző)

The eNOTO equipment, to be installed in the framework of the development, is such a practice-proven equipment monitoring the roads entering and leaving the settlement, which can play key role in improving the public security situation and also the subjective sense of security of the citizens. eNOTO is installed quickly and its handling requires neither deep-going technical knowledge nor special staff. The equipment is used particularly efficiently by the national and the local authorities responsible for public security or the civil organizations authorized by them.

■ City Card

In May 2011 the Szolnok City Card was introduced under the T-City program, with which the citizens can use innovative services and get various discounts. The system was launched with the involvement of the Local Municipality of the City of Szolnok, Magyar Telekom, Jász kun Volán Zrt. and NetLock Kft (the leader of the consortium that developed the CityPass system). The test run of the Szolnok City Card was held from May 1 and December 31, 2011. Szolnok citizens were given an intelligent card which, with the help of the CityPass system, enabled them to use modern community services. On the basis of the feedback received during the test period Magyar Telekom further developed the card system and the related services, and developed – with the involvement of the partner institutions and other entities, the later city card service portfolio, made the profitability calculations and set up a sustainable City Card model. The most useful feature of the Szolnok City Card is that it can be used as a ticket or pass on the local transport vehicles. The City Card can be topped up with the tariff products of the local Jász kun Volán bus services in the ticket offices in Jubileum square, or also online or with the mobile phone. The user has to validate the pass or the time ticket by touching the City Card to the equipment installed on the bus. The City Card holders

can also use their card to buy various entertainment, sport, cultural and other products, services.

■ Virtual Guide

The Virtual Guide is one of the latest applications developed by Telekom under the T-City program for Android and iOS platform and customized to the conditions and requirements of the city of Szolnok. The content is uploaded and managed by the city, which gives the content owner a great deal of independence in reaching the visitors and citizens according to its own concept and city marketing, but on a completely new forum.

The content service enables the visitor to reach the tourism sight listings and the program service offerings of the local tourism businesses simply by holding their phone in their hands. The new feature of the Virtual Guide is the extended reality module, which uses smartphone capabilities (camera, geographic positioning etc.). The extended reality module also gives locals useful information as they can, for example, look up the daily menu of a favorite restaurant, or search for information on a public square statue or building.

With the audio guide module the holder can use the phone as a guide as it will give voice guidance on the sights seen at any moment.

■ ICT awareness raising initiatives

Magyar Telekom Plc. is committed to reducing the digital gap. These efforts included two free programs offered to the residents of Szolnok: T-City Kids courses: the courses familiarize primary school students with mobile telephone and internet novelties. Additionally, the T-Kids courses held four times in the spring and three times in the fall included internet security presentations held by the Company for primary and secondary school pupils. Magyar Telekom invited staff of the Blue Line Foundation to provide information to children about the dark sides and threats of internet, how to prevent them, what tricks can be used for safe internet access. Internet Academy: Magyar Telekom launched internet Academies for elderly retired residents of the city. The presentations introduced participants to internet usage and familiarized them with the basics of internet security.



T-City Internet Academy

The cooperation between Magyar Telekom and Szolnok Municipality is unique in Hungary and shows a good example to the rest of the country.

3.4. Kitchen Budapest – play, innovation and education with Magyar Telekom support

The success of the Hungary of the 21st century lies in its ideas. To reach it you need a workshop where the ideas can roam and evolve freely. Kitchen Budapest (briefly KIBU) was established back in 2007 with the support of Magyar Telekom, and our involvement guarantees the operation of this special lab for the fourth year now. It is such a laboratory which helps Hungarian ideas rise from the ground with play, incubation and education. Today, the thing that counts is not the idea but rather how you can forge lasting success out of the value, content and credibility rising out of the idea. KIBU searches interconnection points between social research, arts, sciences and the internet to mould as many of the bright and inspiring ideas hatched there into lasting success. So that the ideas work not only in theory, at the level of concept, but also past the test in exemplary manner in the economic and social environment.

One of the most important and successful projects of the KIBU in 2011 included the rethinking of the playgrounds which produced a new toy called Play4Power. It is a modernized version of the old rat race, where the spinning of the wheel generates electricity for the network that lights the playground. In 2012 the innovators intend to bring further this concept and design additional playground implements. The final goal is a complete high-tech playground.

The other decisive project of 2011 was the publication of Hungary's subjective atlas. Fifty young artists painted the portrait of our country, with all its optimism and pessimism. Lajos Parti Nagy wrote in the introduction: 'Those who browse in this strange and obvious book, will learn strange and obvious things about Hungary.'



KIBU Play4Power project

3.5. Service availability

Magyar Telekom grants subscribers' rights connected with service availability and fault repair on the basis of its General Contract Conditions available on the internet and in the customer service points. In these the Company guarantees compliance with the published quality targets in the service provision process in its entire service area, whose compliance is controlled with tests, and the methods of measuring are made public. The Company also specifies here the quality target figures of services provided, and continuously measures their fulfillment and makes the readings publicly available. Faults are managed in the dedicated subscriber process, among others, in line with their rights laid down in the General Contract Conditions, after the detection and registration by the Company of the fault.

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

By replacing its old copper cables and other obsolete network elements, the Company serves the sustainability goal as it provides raw material for the recycling industry; at annual level it submits some 350-400 tons of such waste materials.

Through reasonable modernization and rearrangement of our switching equipment we will reduce the number of the working equipment by switching off 1000 of them this year, which will also further our environmental objectives of energy saving.

We also continued to disconnect the plain old PBX which may save us up to HUF 10 million annual in energy spending.

In 2011, the Company dismantled further technologically obsolete network components and replaced them with lower consumption ones. We

continued our energy saving project to use less energy for the operation of Magyar Telekom equipment.

In 2011 we introduced a new generation broadband network technology whose functions can be managed efficiently, automatically through the existing support system accesses as a result of the upgrade of the operation support system (OSS). This year's broadband network modernization will be implemented on the basis of this development carried out last year. It will involve new features adjusted to customer needs provided with the latest technology available on the fixed-line platform.

In the framework of the NeMo project the entire RAN network will be replaced by 2014. This will enable us to launch new services cost efficiently (e.g. LTE) and to improve the quality of the existing ones (e.g. HSPA+); with the so-called MSR equipment we expect to reduce the consumption of our 2g and 3G networks by half.

Service availability figures in 2011 are given below.

Service availability					
Annual availability [%]	2007	2008	2009	2010	2011
Cable TV analog/digital	99.98	99.98	99.97/99.95	99.94 ✓/99.75 ✓	99.93 ✓/99.82 ✓
Sat TV			99.83	99.90 ✓	99.87 ✓
IPTV	98.74	99.77	99.80	99.85 ✓	99.99 ✓
Fixed-line internet (ADSL/GPON/KábelNet)	99.82	99.93	99.90	99.90 ✓/99.96 ✓/99.72 ✓	99.92 ✓/99.95 ✓/99.78 ✓
Mobile internet (2G/3G)	99.50	99.71	99.67/99.50	99.40 ✓/99.49 ✓	99.64 ✓/99.29 ✓
Telephone /VoIP/VoCa	99.97	99.96	99.96/99.65/99.97	99.95 ✓/99.94 ✓/99.91 ✓	99.95 ✓/99.96 ✓/99.92 ✓
Mobile telephony (2G/3G)	99.94	99.94	99.94/99.91	99.93 ✓/99.88 ✓	99.94 ✓/99.89 ✓



4. Environmental considerations

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4. Environmental considerations

In view of its activities, Magyar Telekom Group is not one of the significant polluters either on the input (raw materials, energy consumption) or the output (waste materials, emission) side. In fact Magyar Telekom enables its customers to reduce their own environmental footprint by using the Company's services, and puts emphasis on increasing awareness in this context, too.

Climate protection continues to be a priority area of the 2011-2015 environmental sustainability strategy of the Magyar Telekom Group. Key priorities include reduction of the CO₂ emission of both the Company and its customers. The key strategic objective of the group is to reduce its CO₂ emission by 20% versus the 2004 benchmark level.

The other expectations influencing CO₂ emission have been set in adjustment to that goal: 5% reduction in electric energy, gas, heating energy and fleet fuel consumption, 30% cut in paper use, the improvement of energy efficiency to a rate of 48 Gbit/kWh, the use of 46GWh of renewable energy, and 20% increase in the staff use of hybrid and electric vehicles.



**Balázs Lehoczki –
Managing Director, E.ON Hungária Zrt.**

As a company feeling responsible for the Hungarian society, E.ON Hungária Zrt. has been supporting the cultural, scientific and sports life of the country for years and is committed to environment-friendly energy supply. As Hungary's leading energy supplier, in the spirit of sustainable development we made significant steps in the past year to promote electric cars and efficient energy use. In the pursuit of our ideas on green energy and electric vehicles, we have found such partner in Magyar Telekom, which is working for similar goals, by a similar philosophy. It is an exceptional and inspiring experience to cooperate with such business partner that is equally committed to opening a window to the world for the future generations and help them prepare for the challenges of life.

Beyond our climate protection goals, the environmental and operational efficiency targets of our strategy include: reduction of waste (communal, toner cartridge, paper and packaging waste materials), continuous expansion of selective waste collection, greater use of TelePresence, reduction of paper consumption (including paper-based documents used in internal processes and presented to our customers), increase of the use of recycled paper and rollout of e-billing.

Makedonski Telekom and T-Mobile Macedonia are making their own contribution to enhancing the environmental awareness of the employees with selective waste collection, recycling, reducing paper use and launching various energy saving programs. Environmental considerations play an important role in their procurement policy. They actively involve their employees in the environment protection programs. Makedonski Telekom and T-Mobile Macedonia treat environmental issues as key priorities and strive to implement the relevant objectives in all their activities and at national level, too.

In 2011 Crnogorski Telekom took part in the campaign launched by the Ministry of Sustainable Development and Tourism and several NGOs with the title „The ecology thread connects us” (Ekološka nit koja nas spaja). Its goal was to raise awareness of environment protection and a more responsible approach to nature.

4.1. Climate protection

All players of the infocommunications sector, including Magyar Telekom, are affected by the climate change issue in several respects. On the one hand, the Company's operations incur direct and indirect greenhouse gas emissions, despite the fact that the activities pursued by the Company do not cause much pollution. Producing its services requires using electricity and paper, operating offices and travel by its employees.

On the other hand provision of ICT (information and communication technology) services contributes to saving travels, energy and fuel, thus reducing CO₂ emission. Such services are, among others, video- and audio-conference, TelePresence, e-billing and various hosting (data park) services.

Thirdly, the risk of climate change and extreme weather conditions effect telecommunications networks indirectly as well, can cause damage in network components and endanger smooth functioning of IT services.

To manage these risks, Magyar Telekom prepared a study of the climate change effects and their relevant financial impact, on the basis of which it has started to mount weather monitoring measurement equipment on its towers which are the most exposed to extreme weather. Currently, 26 stations are equipped like that, and the inflowing data are being constantly evaluated by Company staff.



Blue Ribbon of Lake Balaton

Climate protection campaign

Magyar Telekom's climate protection campaign continued in 2011 focusing on enhancing the importance of the Day of Birds and Trees, the Day of the Oceans in conjunction with the World Green Days, and championing the replacement of incandescent lights for LED lights.

The goal of the campaigns targeted at the employees was to raise their awareness of the causes and expected impacts of the climate change and persuade them to take action – each according to his means and capabilities – against wasteful habits and practices both at home and at work.

Magyar Telekom has been involved in the world's biggest voluntary environmental campaign, the Earth Hour since 2008. In 2011 it joined the international campaign with its own 'hello holnap!' initiative by turning off for an hour the biggest neon signs of the Company, lights in the T-Pont shops and the office buildings and selling some environment-friendly products at a discount of 50%. From 7:00 p.m. thematic programs, concerts were offered to visitors in the Millenáris Park, Budapest, to call their attention to the importance of sustainable development and climate protection.



In March 2011 also Crnogorski Telekom took part in the Earth Hour campaign to raise awareness of the problems involved by the climate change. The Company makes ongoing efforts to promote its sustainable solutions like the e-bill, online registration etc. for its customers and employees.

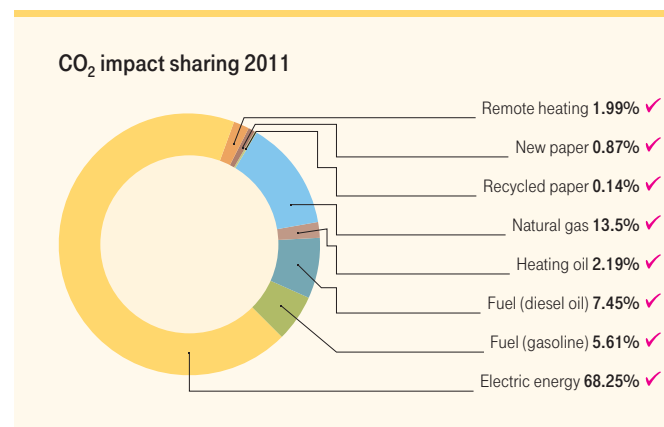
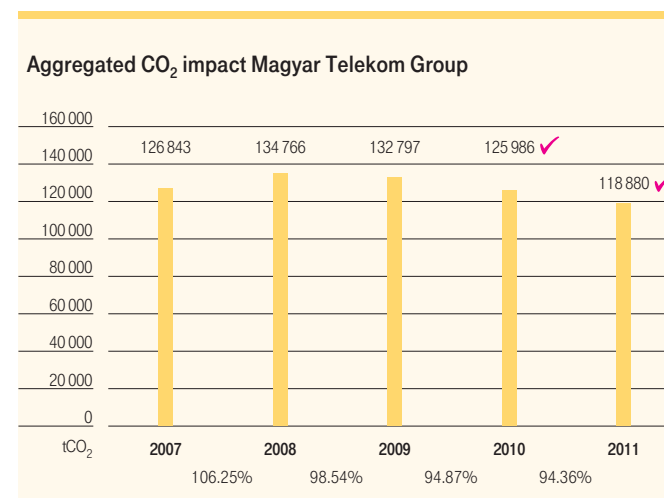
Carbon dioxide indicator

In 2011 CO₂ emission showed 5.64% ✓ decrease over the 2010 level. Looking at the details you can see that CO₂ emission from direct energy use increased by 1.73% ✓ though, this was offset by the 7.7% ✓ decrease in indirect energy consumption thanks to the growing percentage of green energy.

The CO₂ footprint of paper consumption decreased by 37% ✓ over the previous year, the positive perception of which is enhanced by the fact that a big part of this comes from recycled paper. In 2011 the use of recycled paper exceeded the 2010 quantity by 52.8% ✓.

The details²³ of the Magyar Telekom Group CO₂ emission are given the following table.

The CO₂ conversion factors have been determined on the basis of the 2007 recommendations of the International Energy Agency Data Services (electric energy), the UNEP guidelines (heating oil, fuel oil, natural gas) and by the data provided by a prominent Hungarian paper factory.



²³ The reasons for the change of the 2010 electric energy and paper consumption data are given in the chapter presenting the given factor.

CO₂ impact [tCO₂]					
	2007	2008	2009	2010	2011
Direct energy consumption					
Natural gas	13,731	15,672	14,616	15,372 ✓	16,051 ✓
Heating oil	3,579	2,579	2,876	2,702 ✓	2,604 ✓
Fuel (diesel oil)	8,150	8,746	9,066	8,777 ✓	8,853 ✓
Fuel (gasoline)	6,454	6,882	6,782	6,745 ✓	6,669 ✓
Fuel (total)	14,604	15,628	15,848	15,521 ✓	15,522 ✓
CO ₂ impact of direct energy consumption	31,914	33,879	33,340	33,596 ✓	34,177 ✓
Indirect energy consumption					
Electric energy	89,210	95,119	95,462	99,849 ✓	98,517 ✓
Electric energy (adjusted by green energy consumption)	-	-	-	87,995 ✓	81,136 ✓
Remote heating	2,311	2,448	2,530	2,475 ✓	2,367 ✓
CO ₂ impact of indirect energy consumption (adjusted by green energy consumption)	91,521	97,567	97,992	90,470 ✓	83,503 ✓
Total energy consumption					
CO ₂ impact of total energy consumption (adjusted by green energy consumption)	123,435	131,446	131,332	124,066 ✓	117,680 ✓
CO₂ impact of paper use					
New paper	3,354	3,287	1,421	1,815 ✓	1,038 ✓
Recycled paper	54	33	44	106 ✓	162 ✓
CO ₂ impact of total paper use	3,408	3,320	1,465	1,920 ✓	1,200 ✓
Combined CO₂ impact					
CO ₂ impact of total energy consumption (adjusted by green energy consumption)	123,435	131,446	131,332	124,066 ✓	117,680 ✓
CO ₂ impact of total paper use	3,408	3,320	1,465	1,920 ✓	1,200 ✓
Combined CO ₂ impact (adjusted by green energy consumption)	126,843	134,787	132,797	125,986 ✓	118,880 ✓

Purchase of renewable green energy - Certification



In 2011, Magyar Telekom purchased 51 316 MWh renewable energy from E.ON as part of its total energy consumption, which accounts for almost 23% of the total volume used by the Company.

4.1.1. Positive CO₂ reduction tendencies

Electric energy consumption

In the case of Magyar Telekom Group electric energy consumption is the most significant CO₂ emission influencing factor (68% ✓ of the total emission is produced by electricity consumption).

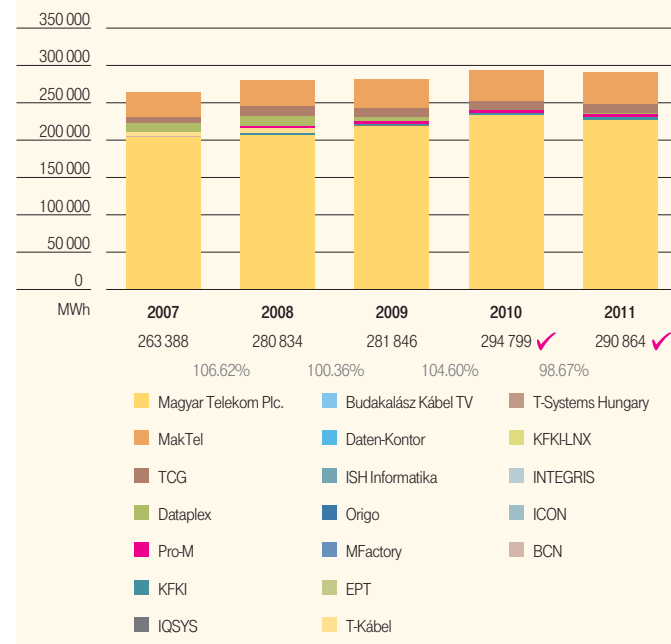
Producing infocommunication services involves significant electricity use. The steady growth of the use of the services could powerfully increase electricity consumption, but the Company makes special point of keeping energy consumption at controlled level. Wherever possible it uses more energy efficient equipment when renewing buildings or installing new technology systems.

The group has reduced its energy use by 1.33% ✓, which counts as an outstanding results after the slow growth of the previous years.

As far as the member companies are concerned, Dataplex reduced its energy use by almost 8% ✓, KFKI-IQSYS by 2.8% ✓ and Magyar Telekom Plc. by 2.4% ✓. In view of its significant developments TCG increased its energy use by almost 10% ✓, Pro-M Zrt. by 3.2% ✓ and MakTel²⁴ by 1.4% ✓.

By switching to the VMWare environment (turning off 35 servers) Pro-M Zrt. saved totally 3.9 kW performance, which is about 10% of the electricity uptake of the machine room computers. (This figure appears in the energy balance of Magyar Telekom and not of Pro-M.)

Electric energy consumption Magyar Telekom Group



²⁴ The figure given in the 2010 report has been corrected, because MakTel corrected its relevant data after the previous year's report was closed. The precise 2010 MakTel-data: 40 736 MWh, whereas the value given in the 2010 report was 33 743 MWh).



Initiatives taken by Makedonski Telekom in 2011 to reduce energy consumption and increase energy efficiency:

- Dismantling of certain high-use equipment (old VoIP Platform, VSAT stations, Atrica Ethernet equipment).
- Launch of the PSTN-IMS migration process.
- RAN modernization (was started in 2011 and was fully rolled out in 2012).

- Promoting energy-efficient solutions (switching off temporary TRU-/PSU power supply).
- Optimization of the remaining power supply units (PSU).

Initiatives taken by Crnogorski Telekom in 2011 to reduce energy consumption and increase energy efficiency:

- Replacing the old, poor efficiency rectifier stations ($\eta=0,5 \div 0,6$) for more efficient ones ($\eta>0,95$) which resulted in approximately 600 MWh energy saving annually.
- Replacing the old air conditioners with much lower consumption split equipment and optimizing space use, which has resulted in annual savings of 303 MWh.
- Setting automatic start delay mode for the diesel generators in the base stations in order to save fuel, which has resulted in 159 MWh (15 000 liter) saving annually.

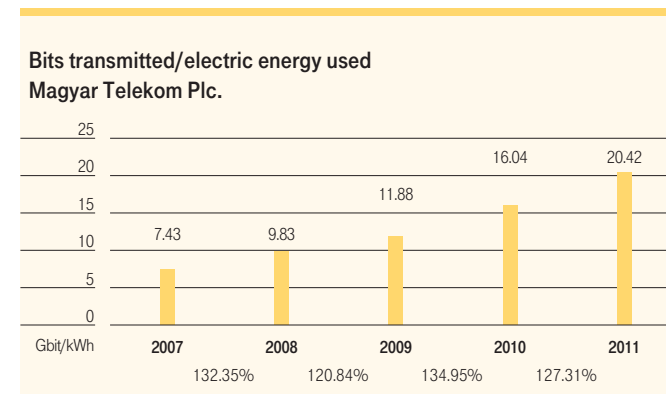
The total energy saving resulting from the above measures of the technical area is 1062 MWh annually.

Bits transmitted/electric energy used

Electric energy consumption grows along with the expansion of the service portfolio and parallel the quantity of information provided to the customers also increases.

The utilization of the energy consumed by the Company in producing its services is best demonstrated by the energy efficiency indicator. This indicator shows well that although the quantity of information transmitted to the customers with the services is growing, electricity consumption is not growing proportionately. In other words, more information is transmitted with less energy.

The figure shows that with the advance of the technologies, energy efficiency increases continuously – in 2011 the increase at Company level over the previous year was 27.31%, which is an outstanding result.



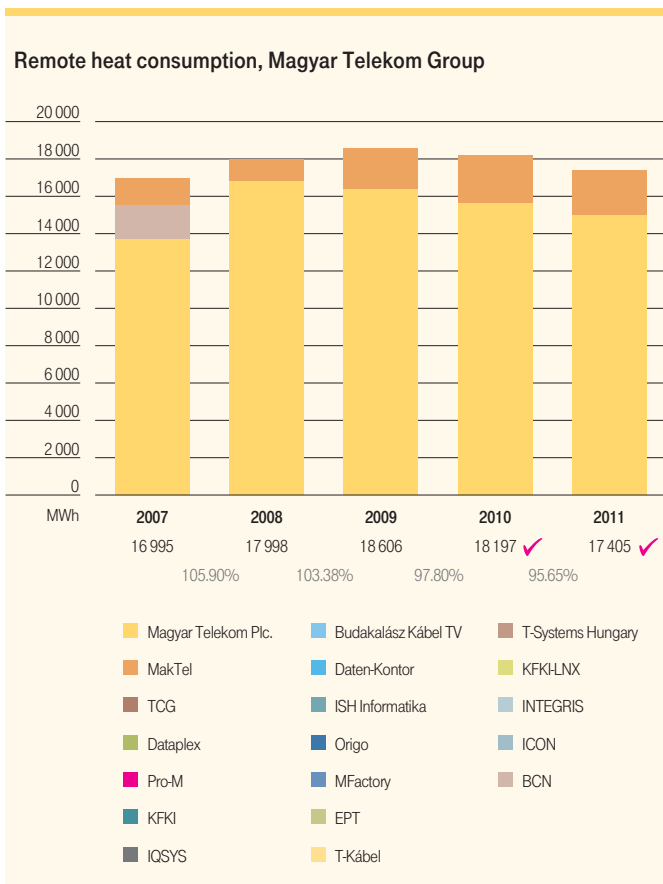
Fossil fuel consumption

The telecommunication technology does not require fossil energy, so all members of the Magyar Telekom Group use fossil fuels exclusively to heat offices and produce warm water. Similarly to the previous years the member companies use natural gas and remote heat. Fuel oil as direct energy source was used to an insignificant extent by the foreign subsidiaries (TCG, MakTel). (Natural gas consumption is presented in 4.1.2.)

Remote heating

The remote heating consumption of the group followed a steady trend of decrease as also seen on the diagram: the 2011 figure was 4.35% lower than that of the previous year.

From among the member companies Magyar Telekom (-4.68%) ✓ and MakTel (-2.29%) ✓ reduced the most powerfully their remote heat use in 2011, which is due to the fact that heat regulators were installed on the radiators.



Heating oil

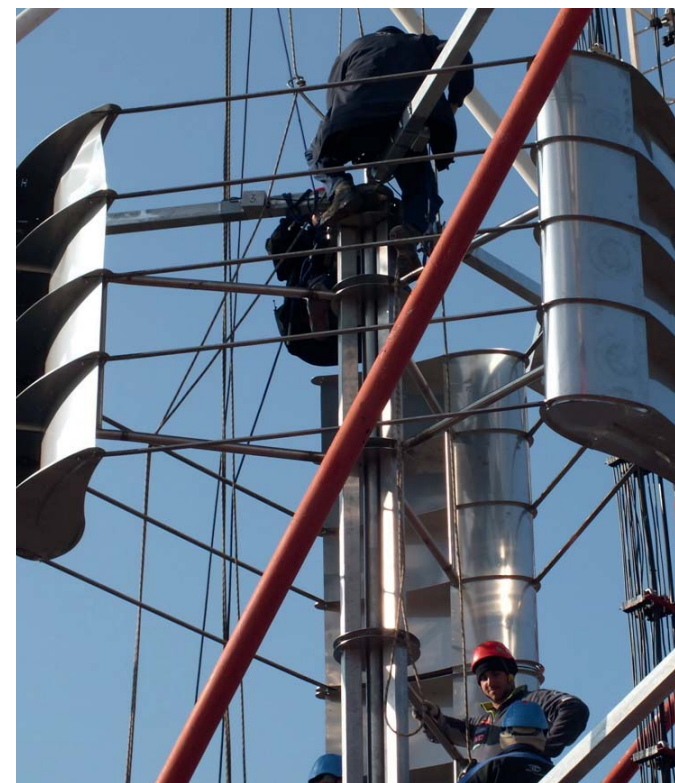
Heating oil use decreased by 3.65% ✓ at group-level over 2010. In member company breakdown MakTel reduced its heating oil consumption (by 4.34%) ✓, while TCG increased it (by 3.53%) ✓.

Energy generated directly for own use

Use for own purposes, as shown in the Sustainability Reports of the previous years, continued in unchanged form in 2011. Further information is available in the 2009 Sustainability Report. http://www.telekom.hu/static/sw/download/Sustainability_report_2009_eng.pdf

Use of alternative and renewable energy

- A pilot project covering three locations was implemented to thoroughly ventilate the large machine rooms, which was successfully completed. In 2012 we intend to use this method at operation level.
- A small performance and simple ventilation project was carried out on three locations, and closed with positive result. In 2012 we intend to use this method at operation level.
- In one of the sites of the Company a Smart Cooling Project was launched affecting 2 machine rooms and 3 equipment, which brought the desired result. In 2012 we intend to use this method at operation level.
- Wind generators were mounted on 3 antenna towers in the countryside. Their combined electricity generation is 6-10 MWh/year. At present the relevant experiences are being collected and evaluated.
- In an effort to implement the climate protection objectives Magyar Telekom embarked on a research and development project on the use of wind and solar energy at the Iszkahegy base station. This involves the installation (by March according to the plans) of a vertical windmill and a sun-tracking solar cell will also be mounted onto of the container which houses the base station instruments. A further goal is to continuously monitor the green energy production results and analyze rollout possibilities.
- In 2011 HydroPlus fuelled (water+methanol), reformed H₂ production PEM cells were mounted on two locations.
- In 2011, the logistics of H₂ supply were installed on eleven PEM cell pilot locations, along with the maintenance and repair facilities of the system (this project is carried over to 2012).



Vertical windmill at Iszkahegy base station

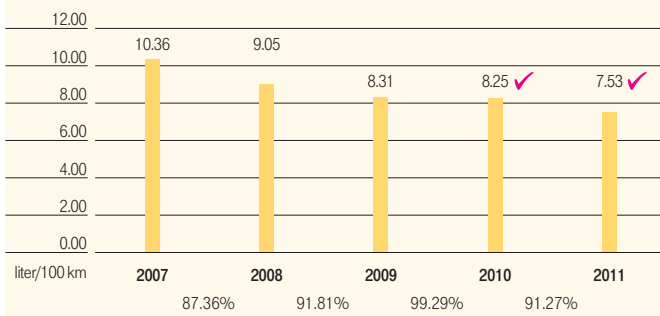
The heat pumps, PEM cells, free-air cooled container stations and the solar cells providing warm water for the Telekom Hotel and Conference Center in Balatonkenese mentioned in the 2010 report, continued to operate in 2011, saving energy on the significant scale of the foregoing years for the Company Group.

Average consumption of the vehicles

Average consumption impacts CO₂ emission indirectly: smaller consumption vehicles emit less polluting agents.

In 2011 the average consumption of the group's vehicles was 7.53 liters/100 km ✓, which is almost 9% ✓ less than in 2010.

Total average fuel consumption Magyar Telekom Group



The average consumption of the vehicles replaced in 2011 was 7.8 l/100 km, and the average consumption of the vehicles purchased instead of them was 6.5 l/100 km.

The average CO₂ emission of the vehicles purchased by Magyar Telekom Plc. in 2011 was 151 g/km, which is 9.6% less than in the previous year. In addition to the above, in 2011 Magyar Telekom Plc. already owned 58 hybrid vehicles. Two electric cars were also purchased, one of which works as a repair van and the other is driven by whoever needs it from the staff.

Green car added to the fleet

Small, fast, conspicuous and green in and out: such are the latest vehicles of the Magyar Telekom fleet, the electric cars. The environment-friendly car proclaims sustainability not only in color but also in design.

One of the Citroën C-Zero model small cars helps the work of the field technicians of the Technical Services Directorate, while the other is used by Telekom employees. The greatest asset of the electric car is that it is 100% electrically driven, so it does not emit harmful polluting agents. We have built charging facilities in the host garages of the cars (in Dob utca and in the underground car park of the headquarters in Krisztina körút).



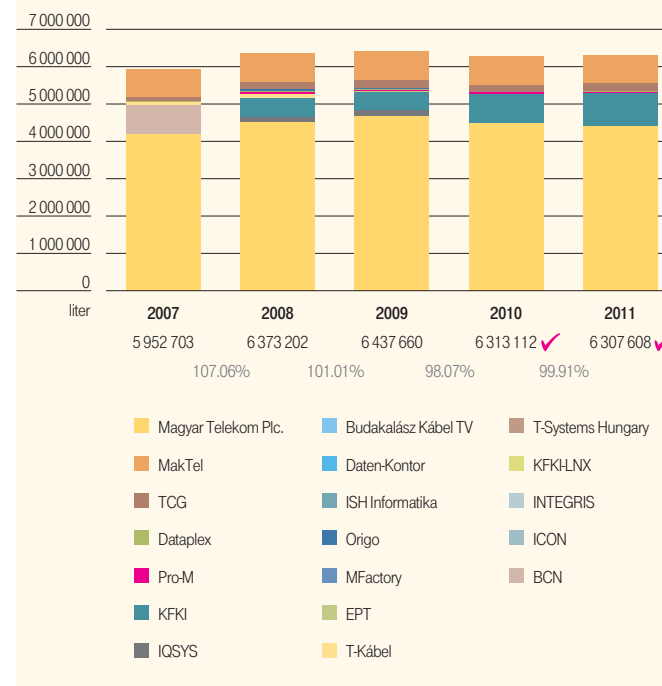
Fuel consumption of the motor vehicles

Vehicle fuel consumption very slightly decreased at group-level over the previous year. Savings measures played an important role in 2011, too, and so did the purchase and operation of lower consumption vehicles.

In member company breakdown Pro-M Zrt. reduced its consumption by almost 16% ✓, MakTel by 5.4% ✓ and Magyar Telekom Plc. by 1.76% ✓. The affected member companies achieved the reduction by driving fewer miles and using smaller specific consumption vehicles.

The following companies used more fuel to operate their fleet: KFKI-IQSYS (13.3% ✓), Dataplex (4.8% ✓), and TCG (7% ✓).

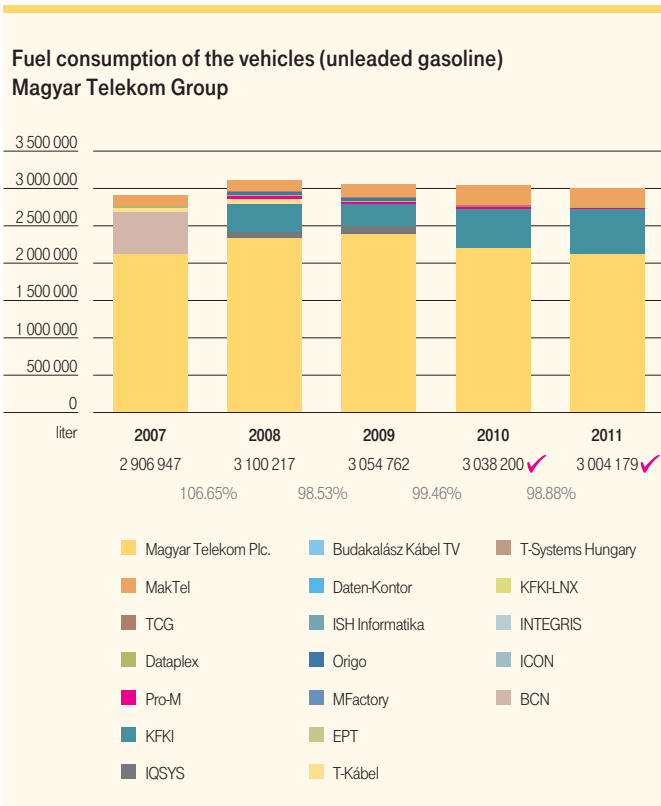
Total consumption of the vehicles Magyar Telekom Group



Broken down to type of fuel:

- After some decrease in 2010, diesel oil consumption grew slightly (by 0.9% ✓) because of the increase of the number of diesel vehicles. (Diesel oil consumption is presented in 4.1.2.)
- Gasoline consumption decreased by over 1% ✓ at group-level as a result of the decrease of gasoline-powered vehicles.

Gasoline



Regulation on vehicles for personal use

Magyar Telekom Plc. specifies average emission values for the vehicles for personal use and applies bonus and malus points in case of diversion from those values. This means that reference CO₂ emission values are determined for the vehicles in each eligibility category. The drivers of those vehicles that achieve emission under that value receive a bonus, while underperformers have to pay a penalty (malus).. The bonus will not be paid in money but if the driver selects a vehicle that costs more than the specified budget, the extra amount payable by him will be reduced. The malus amount will be deducted from the driver's salary. Magyar Telekom Plc. spends the malus amounts on sustainability purposes; half of it to compensate for the higher purchase price of the hybrid vehicles, and the other half to cover some of the CO₂ overconsumption, thus offsetting the higher carbon emission of the less efficient cars. Crnogorski Telekom has adopted new vehicle regulations under which significantly lower performance cars (instead of 2000 cm³, 1600 cm³) have been purchased for the directors, which has resulted CO₂ emission decrease.

Solutions reducing travel

The Magyar Telekom Group can spare a large amount of CO₂ emission by taking advantage of the benefits of its infocommunication technology.

In 2010 we already discussed the travel-replacing TelePresence video conference solution which is available in several sites from 2011, including Debrecen, Győr and Pécs.

The employees continued to use in 2011 the office communicator and the video and audio conference equipment installed in the conference rooms.

The video conference investments implemented by Daten-Kontor in 2011 reduced travels between the Pécs and the Budapest offices by about 50%.

At MakTel the budget originally earmarked for 2012 was reduced by management decision. The number of trips of the top managers has been reduced to the minimum level necessary and the trips of the other levels of management and the employees are only approved in exceptional cases..

To replace personal meetings the Company has set up teleconference rooms. The conference calls are used to replace travel. This year the HR Competence Center is working on such an application, an electronic platform, which will enable the introduction of e-training and the virtual classroom applications. With these applications the employees in any part of the country will be able to attend internal training virtually, without any travel.

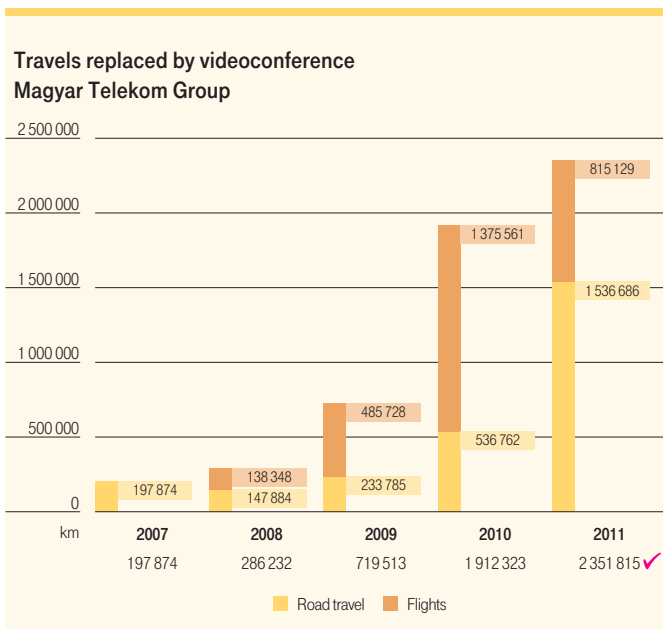
In 2011 the TelePresence room was used a lot at Crnogorski Telekom, enabling the employees in distant places (Podgorica, Skopje, Budapest) to communicate via good quality video conference connection.

In 2011 the Telekom Group replaced 2 351 815 km ✓ travel by using the above services, which meant 23% decrease over the previous year.

By means of transport:

- Flight kilometers replaced: 1 536 686 km ✓
 - Road kilometers replaced: 815 129 km ✓
- In terms of fuel consumption:
- Diesel oil saved: 36 973 liters ✓
 - Gasoline saved: 25 611 liters ✓





Carpooling

The carpooling service continues to be available to Magyar Telekom Plc. employees on the intranet surface, where the colleagues can harmonize official trips in the same direction. Since the system is not used adequately, our Company is taking action to develop it further and make publicity for it among the colleagues.

Bicycle courier service

With the bicycle courier service Magyar Telekom Plc. saved 1243 km road travel in 2011, which corresponds to 0.21 tons of CO₂ emission saving.

Paper consumption

Although the environmental footprint of paper use is not significant, it has to be taken into consideration for CO₂ emission. As a large enterprise the Magyar Telekom Group employs thousands of people and consequently its paper use is considerable. Therefore, the group has defined as an important priority target the reduction of paper consumption, while also using recycled paper whenever possible.

In 2011 Magyar Telekom Plc. launched a printer consolidation project, which means that it installed low consumption and low maintenance printers in the offices that can print on both sides of the paper and also use recycled paper.

In 2011 KFKI modified its contract recording process, reducing by one the number of paper copies of each contract. As a result of this measure the annual paper consumption decreased by 20 000 sheets.

Daten-Kontor is using increasingly the Sharepoint intranet environment to store documents, make inventories and they only use recycled paper where inevitable.

From mid-November KFKI IT Frontline put on electronic platform the acceptance of devices and software. Formerly the list of the devices and software issued to an employee were printed in full in two copies whenever the employee accepted a new device or software. One copy was kept by the employee the other, after signing, was returned to Frontline. The introduction of electronic administration resulted in the saving of 1830 sheets of paper in November and December 2011.

In 2011, Crnogorski Telekom continued the process of overall reduction of printing costs and paper consumption started in 2010. Additionally, electronic wage bill was also introduced. In that country Crnogorski Telekom is the first company to use fully this solution. The electronic wage bill enhances data security, while taking off the workload of the employees working on this area, as they do not need to print documents, which has also eliminated the import of special paper and envelopes.

Overall paper consumption

The overall paper consumption of the Magyar Telekom Group²⁵ has decreased by more than 37% ✓ as a result of the growing use of electronic mail and internal administration.

In member company breakdown: KFKI-IQSYS increased paper consumption by 23% ✓ and Dataplex by 20% ✓.

At the same time Magyar Telekom Plc. reduced its consumption by almost 17% ✓, Pro-M Zrt. by 5% ✓ and TCG by over 12% ✓.

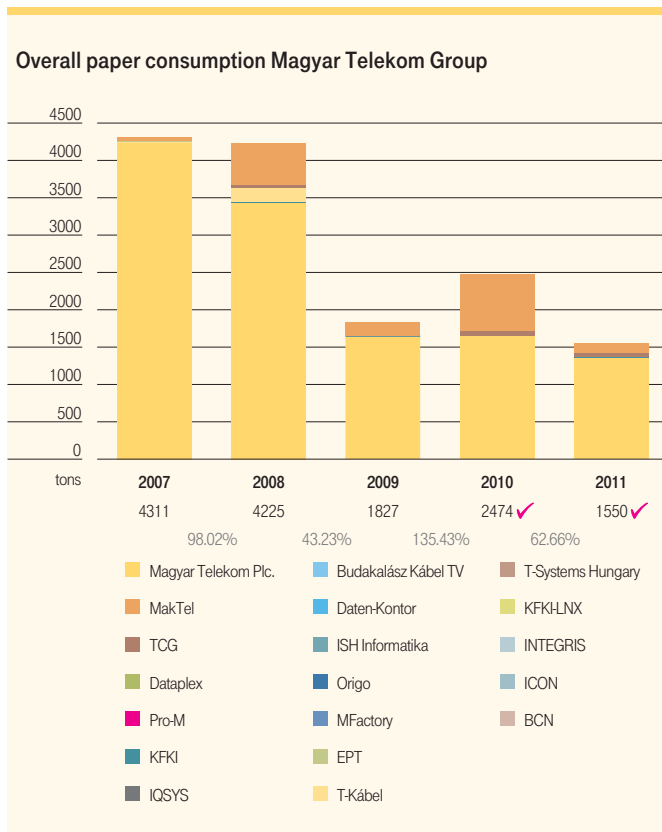
In 2011 the group used 215.38 tons of recycled paper, which was 13.9% of the overall paper consumption and an increase of almost 53% over the 140.96 tons of the previous year.



²⁵ The figure in the 2010 report has been corrected to 2474 tons (2010 report said 1832 tons).

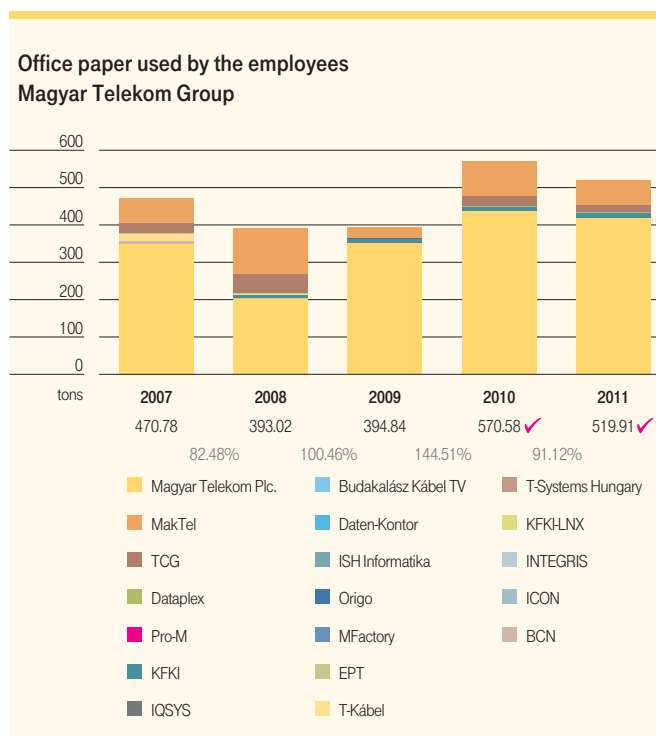
The reasons are:

- Add-ons for billing papers from 2010
- MakTel corrected its office paper consumption figure after the report was closed
- The change in the 2010 office paper figures of the Plc. is justified by the introduction of a new methodology to ensure



Office paper used by the employees

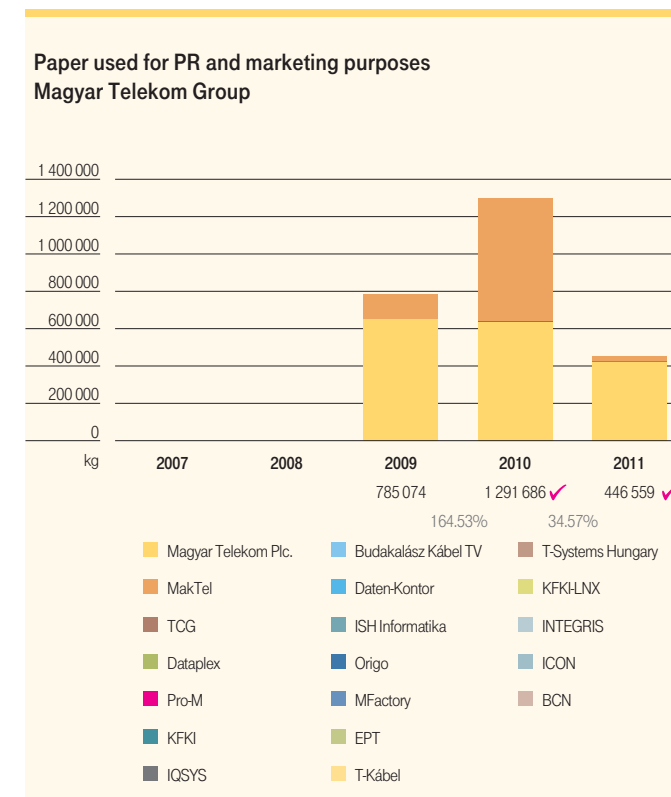
Office paper used by the employees decreased by almost 9%²⁶ ✓, and 5% ✓ of the consumption was recycled paper.



26 The figure given in the 2010 report has been corrected because MakTel corrected its relevant data after the previous year's report was closed. The change in the 2010 data of the Plc. is explained by the introduction of the new methodology which monitors paper consumption more accurately, and with which the 2010 consumption was recalculated. (The precise figure: 570.58 tons, the figure given in the 2010 report: 384.06 tons.)

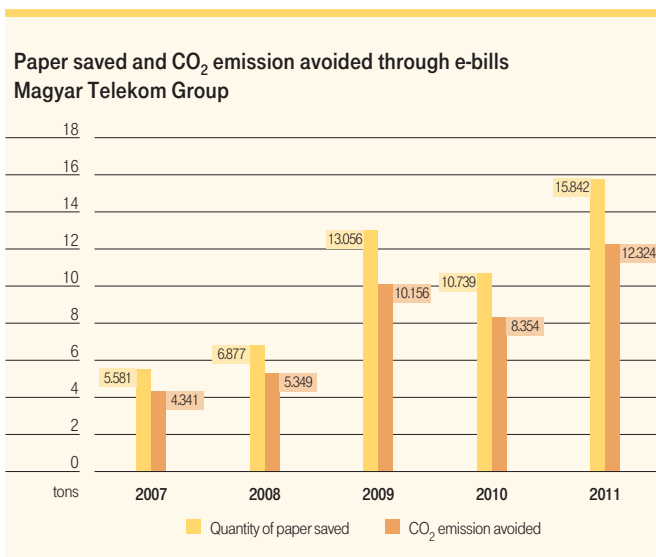
Paper used for marketing and PR purposes

The use of paper for advertising purposes decreased considerably over the previous year, by more than 60% ✓ at Magyar Telekom Group-level. The reason is the growing use and efficiency of the electronic advertising surfaces.



Paper saved and CO₂ emission prevented through e-bills

In 2011 the Magyar Telekom Group issued 931 904 electronic bills for its customers, which saved almost 16 tons of paper and avoided 12.32 tons of CO₂ emission.



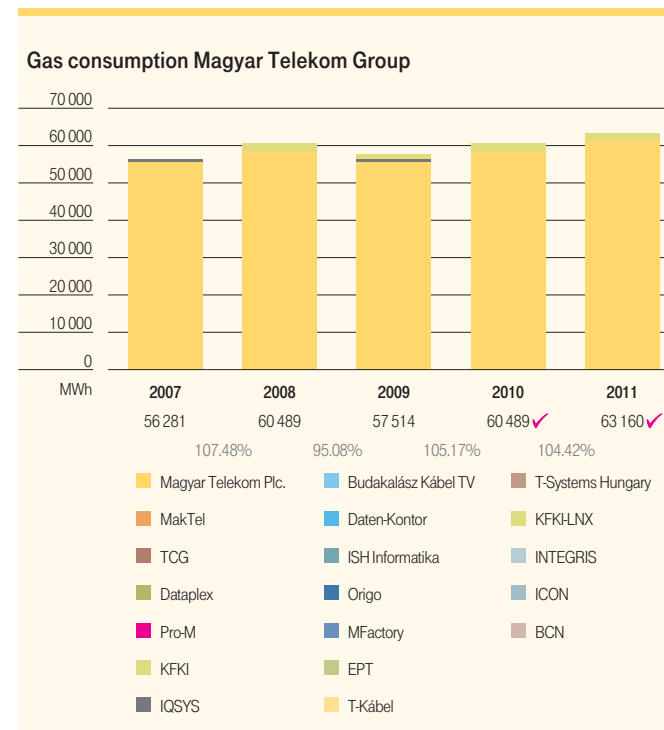
4.1.2. Negative CO₂ reduction tendencies

Fossil fuel consumption

Gas consumption

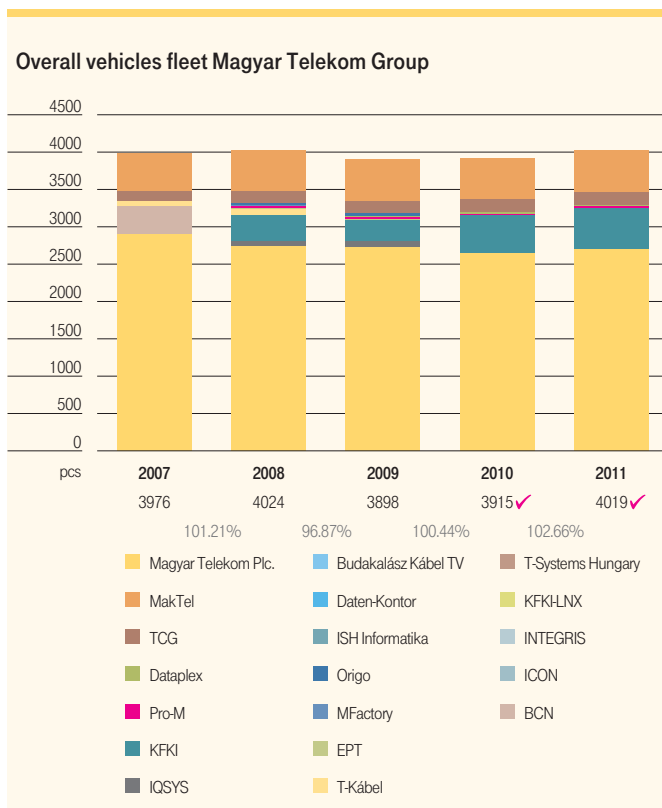
Natural gas consumption is a direct CO₂ emission factor at the group, and in terms of significance it is the second most important emission contributor (accounts for 13.5% of overall emission) after electric energy consumption. Group-level natural gas consumption increased by 4.4%, the main reason of which is the recurrent extreme winter weather of the recent years. (Remote heating and heating oil consumption is presented in 4.1.1.)

Among the member companies KFKI-IQSYS reduced its consumption by almost 10% ✓, while Magyar Telekom Plc. used 4.89% ✓ more natural gas than in the previous year. To reduce consumption Magyar Telekom Plc. intends to implement a massive boiler upgrade and replacement project.



Number of vehicles

In 2011 the vehicle fleet of the Magyar Telekom Group grew by 2.6% ✓.²⁷



Breakdown for type of fuel:

- Number of gasoline-powered vehicles: 1545 ✓, 0.13% ✓ decrease over last year.
- Number of diesel-powered vehicles: 2471 ✓, an increase of 4.4% ✓ over 2011.
- Other powered vehicles: 1 operating at the group.
- Electric-powered vehicles: 2.

By use:

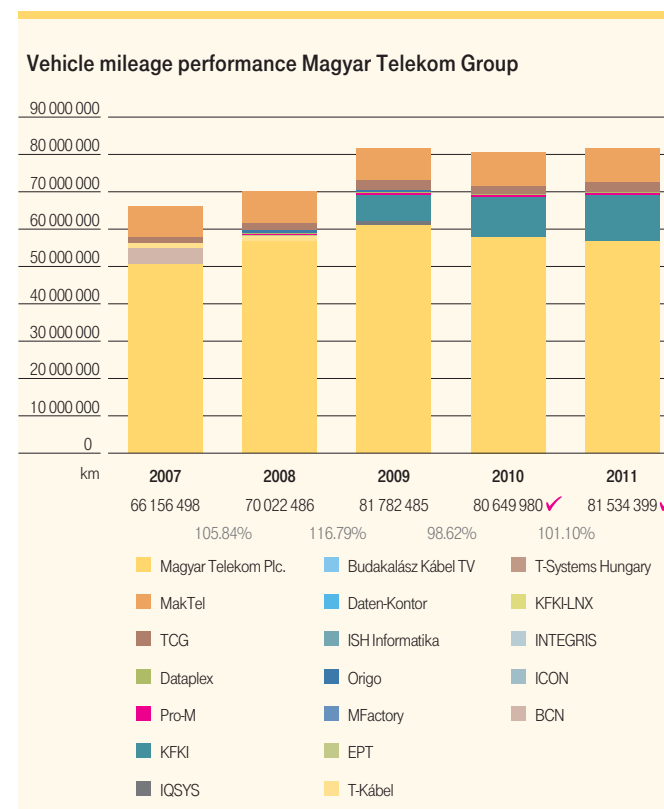
- Vehicles used for operation and maintenance purposes: 2633, 2.25% more than in 2011.
- Vehicles for personal use: 1386, 3.43% increase.

Mileage performance of the vehicles

The mileage performance of the vehicles indirectly impacts CO₂ emission because, if the employees travel less – and use the travel replacement solutions, for example – fuel consumption will also be smaller. We seek to reduce mileage primarily in the fields of fault repair and service provisioning by relying more on remote controlled solutions.

In 2011 the mileage performance of the Magyar Telekom Group was 81 534 399 km, 1.1% more than in the previous year.

Reduction was reached in mileage performance by Magyar Telekom Plc. (-1.38% ✓), Pro-M Zrt. (-13.18% ✓) and MakTel (-1.09% ✓). But the following companies increased their mileage in 2011: KFKI-IQSYS (+12.65% ✓), Dataplex (+12.43% ✓) and TCG (+20.5% ✓).

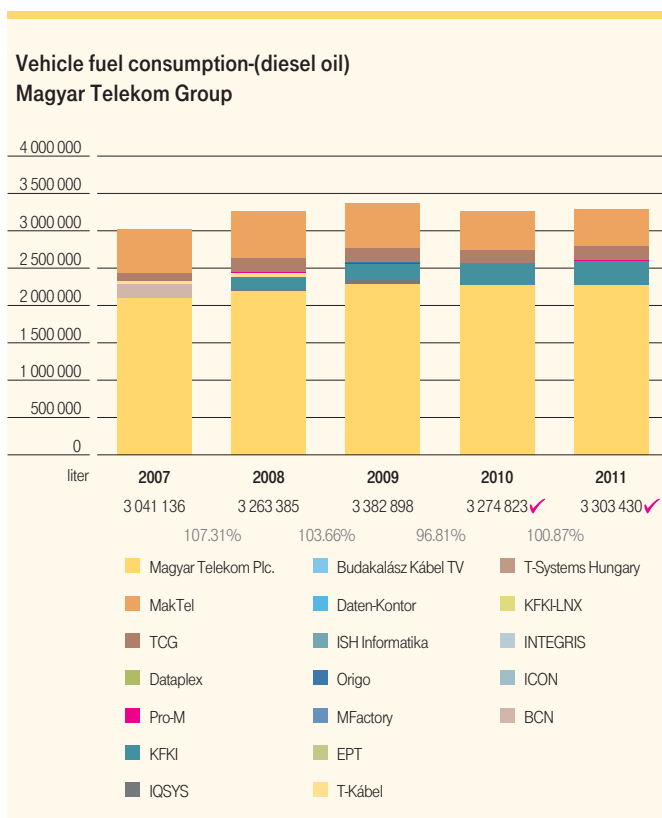


²⁷ The number of vehicles (3913) given in the 2010 report was corrected to 3915 to include, beside the gasoline-powered and diesel-powered vehicles, also the 2 other category cars.

Fuel consumption of the vehicles

Diesel oil

The diesel oil consumption of the Magyar Telekom Group accounts for only 7.45% (in contrast to the 68.25% share of electric energy), but in view of the concomitant high CO₂ emission the Company puts this energy source specially in focus. As a result of recent efforts the diesel oil consumption of the group only increased by 0.9% over the previous year.

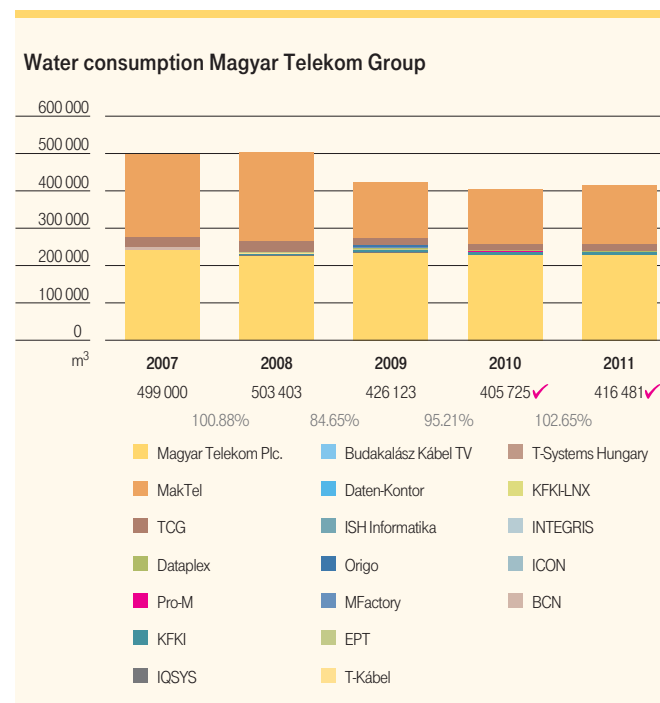


Among the member companies KFKI-IQSYS (+11.7% ✓) and TCG (+11.3% ✓) increased their diesel consumption.

On the other hand, the following companies reduced their consumption: Magyar Telekom Plc. (-0.03% ✓), Pro-M Zrt (-8.2% ✓), Dataplex (-4.27% ✓) and MakTel (-4.5% ✓). (Gasoline consumption is presented in 4.1.2.)

4.2. Water consumption

As pointed out in previous reports, the production of the infocommunication services does not require water, so the group only uses water for sanitary purposes. After the decreasing tendency of the previous years group-level water consumption slightly increased (by 2.6% ✓) in 2011



4.3. Biodiversity

The infocommunication services are available in the entire territory of the country (also in the case of the foreign member companies), thus they are also present in protected natural zones. When conducting network construction, development work in such locations, the Company makes special point of complying with the relevant regulations. In these cases it makes impact studies as required by the regulations, consults the authorities involved, such as the directorates of the national parks. It was already pointed out in the reports of the previous years how important the use of the internet and the monitoring systems is for scientific research in these areas. http://www.telekom.hu/static/sw/download/Sustainability_report_2009_eng.pdf

Landscape impact/base stations, towers

The Magyar Telekom Group considers it important to preserve the original features of the landscape and the environment to the greatest possible extent when implementing its investment projects. It is inevitable to use antenna towers to provide wide-reach wireless services, which our Company tries to integrate in the landscape as much as possible and to share its use with other operators.

Compared to the previous year, at group-level:

- Number of base stations in 2011: 5172, 2.31% more than in the previous year.
- Number of telecommunication towers in 2011: 2307, 0.79% more.
- Towers which the group shares with the other providers, as a percentage of the overall number of towers of the group: 81.6% or 1883 towers.

4.4. Emissions

Emission into the air

No change has taken place in this indicator compared to 2010. Further information is available in the 2009 Sustainability Report. http://www.telekom.hu/static/sw/download/Sustainability_report_2009_eng.pdf

Emission into soil, surface water and ground water

No change has taken place in this indicator compared to 2010. Further information is available in the 2009 Sustainability Report. http://www.telekom.hu/static/sw/download/Sustainability_report_2009_eng.pdf

Noise and vibration

No change has taken place in this indicator compared to 2010. Further information is available in the 2009 Sustainability Report. http://www.telekom.hu/static/sw/download/Sustainability_report_2009_eng.pdf

4.5. Waste

In view of its composition most of the waste produced by the Magyar Telekom Group can be recycled. The group makes efforts to give preference in its procurements to such goods, products, which do not contain hazardous materials, so that they will not come to hazardous waste when withdrawn from use.

In waste management compliance with the regulations is minimum requirement. Waste will only be disposed through appropriately licensed contractors.

Magyar Telekom complies with its obligation to take back electronic equipment from users. In 2011 Magyar Telekom Plc. launched residential campaigns to collect used telephone sets, as a result of which 3810 sets were collected. The majority of them will be reused after being controlled and their memory deleted, and the rest will be recycled.

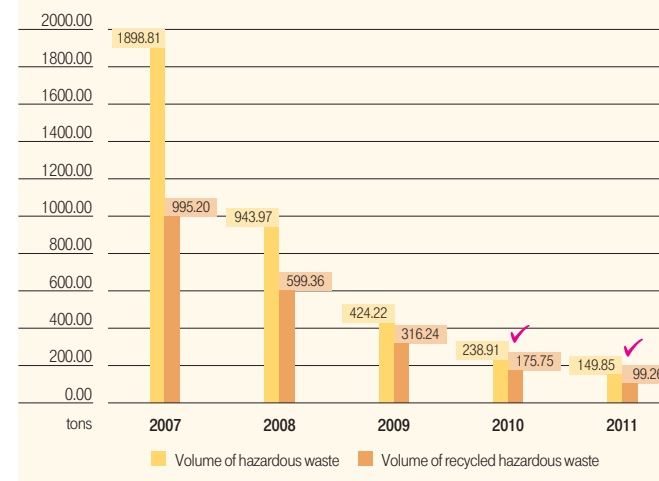
We held a successful webshop campaign between November 14 and December 31, 2011 which meant that for each set returned we granted HUF 10 000 discount from the price of a new set purchased in our webshop. 1276 sets were upgraded in this campaign.

Hazardous waste

The volume of hazardous waste generated by the group decreased significantly in 2011, too (by more than 37% ✓ compared to 2010²⁸); over 66% of the waste was recycled. The recycling principles of the hazardous waste generated are the same as in the previous years, the smaller percentage of recycling is due to the composition of the waste. 90% of all hazardous waste generated in the Magyar Telekom Group comes from Magyar Telekom Plc.

²⁸ The figures given in the 2010 report have been corrected because the data provided by Crnogorski Telekom for 2010 were modified after the report was closed (9.89 tons of hazardous waste, of that 5.73 tons were recycled), so the precise 2010 data are: hazardous waste 238.91 tons (instead of 229.02 tons shown in last year's report), and recycled hazardous waste 175.75 tons (instead of 170.02 tons shown in last year's report).

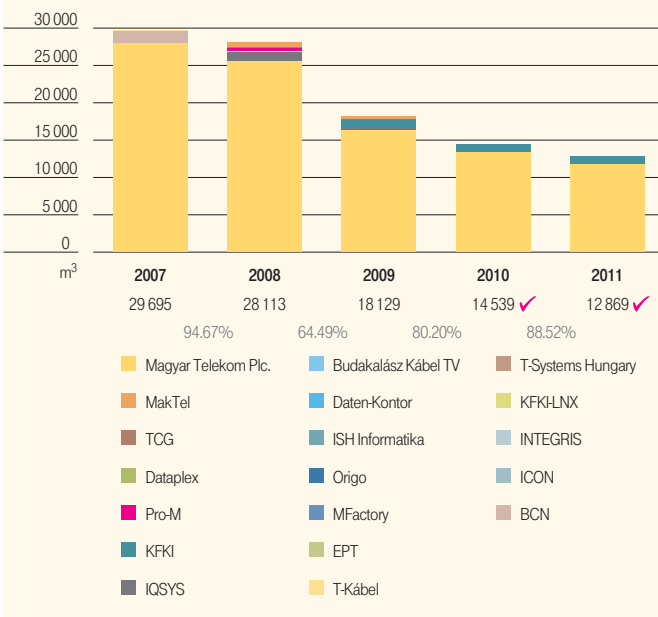
Hazardous waste and recycled hazardous waste Magyar Telekom Group



Municipal waste

The volume of Magyar Telekom Group's municipal waste decreased by more than 11% ✓ compared to the previous year. The decrease is due to the rollout of selective waste collection, as well as to decreasing headcount and several buildings in 2011.

Volume of municipal waste Magyar Telekom Group



Other waste

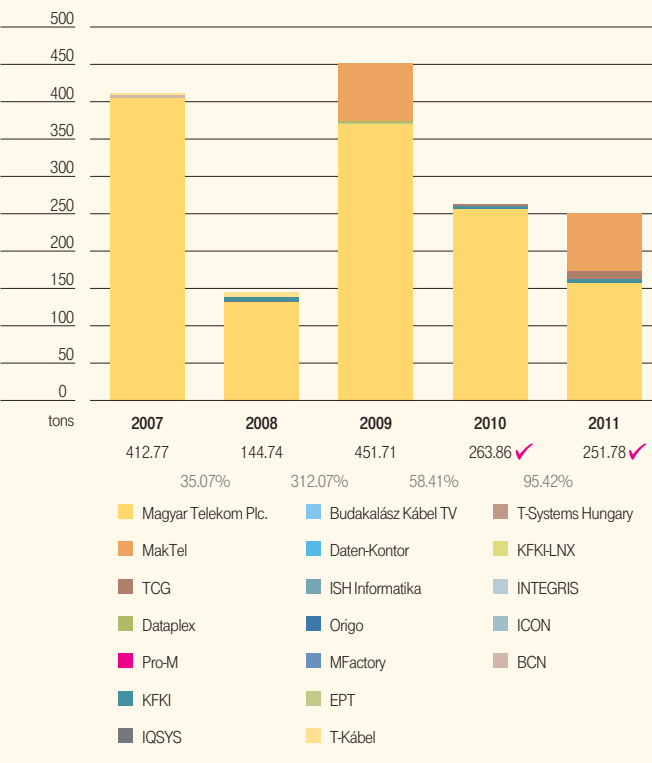
The Company treats as priority the introduction of selective waste collection which, beyond reducing the volume of municipal waste, also raises the environmental awareness of the employees. In 2011 we created facilities for selective waste collection in 3 more sites, so that by now Magyar Telekom Plc. has selective waste collection in 15 sites.

In 2011 the group generated 150 tons of other waste, of which 23 tons have been recycled. The other category comprises scrapped and wrecked furniture and selectively collected waste like plastic bottles, glass bottles, drink cans etc.

Waste paper

In 2011 the group generated 4.6% ✓ less waste paper than in the previous year. Waste paper, also a selective collection item, is mainly produced through the scrapping of documents, which was less in 2011 than earlier. In keeping with the tradition of the previous years, the selective collection of paper is ensured with the help of specially designed boxes placed by the desks of the employees, which contribute to the reduction of the volume of municipal waste.

Volume of waste paper Magyar Telekom Group



Telecommunications waste

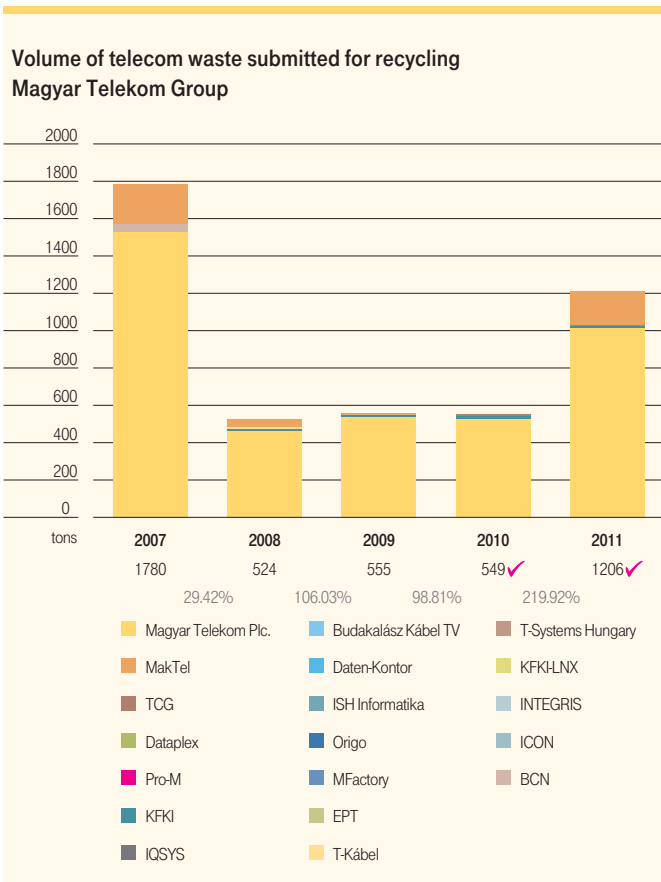
The primary effort of the member companies of the Magyar Telekom Group is always to provide the best service, the basic condition of which is to operate state-of-the-art equipment. The majority of the waste is generated through the replacement of obsolete equipment and devices, so its quantity may vary from year to year: it may decrease but also increase, depending on the investments. In 2011 the group generated 1206 tons of telecommunications waste, which is twice the volume of the previous year²⁹.

The dismantled machines are sold – either as equipment of second use, this is the first priority, or as scrap. When machines no longer fit for their original purpose are sold as scrap the contracted buyer recycles them to retrieve valuable materials (tantalum, gold, tungsten etc.), which reduces the environmental footprint of the mining of these minerals.

The equipment dismantled on customer premises and the IT assets owned by KFKI and IQSYS are submitted to contractors with appropriate waste disposal license. In 2011 the member companies produced 18 tons of electronic waste.

²⁹ The figure given in the 2010 report has been corrected because the data provided by Crnogorski Telekom for 2010 was modified after the report was closed (6.57 tons), so the precise 2010 figure is: telecommunication waste 549 tons (instead of 542 tons shown in last year's report).





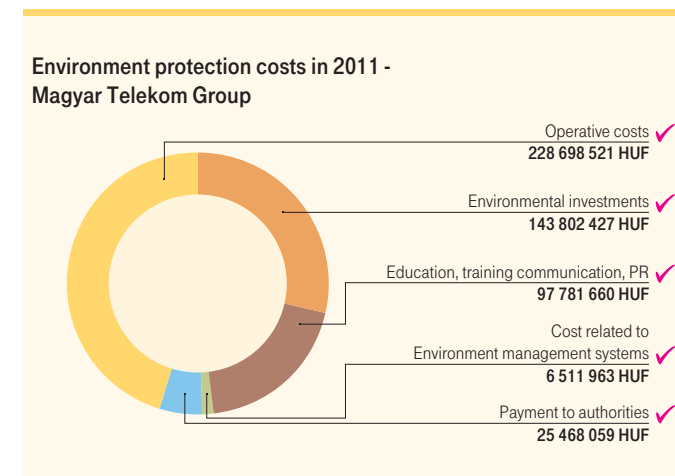
4.6. Environmental objectives and costs

Target area	Group-level target 2011-2015	Achievement in 2011 (base year: 2007)
Electric energy consumption	-5%	achieved
Natural gas consumption	-5%	not achieved
Heating oil consumption	-5%	achieved
Remote heating	-5%	achieved
Fuel consumption of the vehicles		
diesel oil	-5%	not achieved
gasoline	-5%	achieved
Energy efficiency indicator	48 Gbit/kWh	achieved
Paper consumption	-30%	achieved
Ratio of office paper/recycled paper	25%	not achieved

Thanks to the energy reduction solutions employed the consumption of **electric energy** showed decrease for the first time in several years. The 1.33% decrease achieved in the first year of the strategy against the target value can be considered time proportionate achievement. **Natural gas consumption** increased by 4.4% in the past strategy year, which is considerably below the time proportionate achievement. The reason of the increase was the unpredictable, extreme winter weather. **Heating oil** consumption decreased significantly in the past year – this energy is used exclusively by the foreign subsidiaries – the 3.65% decrease can be considered time proportionate achievement of the strategic target. **Remote heating**, with 4.35% reduction achieved the five-year strategic target. The significant decrease is the result of the sale of company buildings and the installation of temperature regulators.

Fuel consumption

In **diesel oil** consumption slight – 0.9% – increase was recorded as a result of the significant increase of the number of diesel vehicles. In contrast, **gasoline** consumption decrease by over 1%. The **energy efficiency indicator** reached the five-year target value already in the first year of the strategy, so a new target has been set for this indicator. The 37.34% decrease in **paper consumption** is considered rather remarkable as it very much approaches the 2015 target value. **The ratio of office paper/recycled paper** target has been met time proportionately. In the framework of the printer consolidation project launched in 2011 such printers are being purchased which can print on recycled paper, too.



5. Employees

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5. Employees

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

- **Customer experience determines our acts**

This guiding principle highlights one of the most important factors in business, that it is not enough to satisfy all demands of customers, but experience should be offered. The customer's thoughts, feelings and demands and the customer experience itself should determine what and how we act. By taking on the identify of customers we can anticipate their requests and satisfy them. This applies also to treatment of internal customers.

- **Appreciation and honesty are basic values of our operations**

This means a value that goes beyond appreciation of each other in daily work: this principle is about the appreciation of our customers, partners, suppliers and shareholders, too. This requires open, honest culture and fair business attitude without which we risk success.

- **Single team – both jointly and individually**

Our focus is on cooperation culture: our objective is that team members should openly discuss arising problems, tell their opinions, but once a decision is made we all should unanimously back it. We are members of a single Telekom team wherever we work in Hungary.

- **Telekom is the best place to show your capabilities**

Employees play an outstanding role in corporate culture, too: To enable Magyar Telekom to become the best recognized service provider both within and outside the telecommunications sector, in the following year we must do our best in a fierce competition. This requires a workplace where all employees can do their best and really show their capabilities.

- **I am a Telekom employee, you can count on me**

Reliability: Like we can count on each other as colleagues, shareholders and customers, too, can count on us and Magyar Telekom. This is a must for fulfillment of our promises.

Naturally, in addition to the above guiding principles the policies, performance indicators and charters that regulate, measure, provide and ensure compliance with our operational norms also play an important role. In addition to the performance indicators used in the Sustainability Report the Company uses various technical indicators for measuring the performance of the HR field on a monthly, quarterly or biannual basis. Processes are controlled, in addition to indicators, also by employee satisfaction surveys, ISO-audits and internal controls.



Employee of the Year 2011, award ceremony

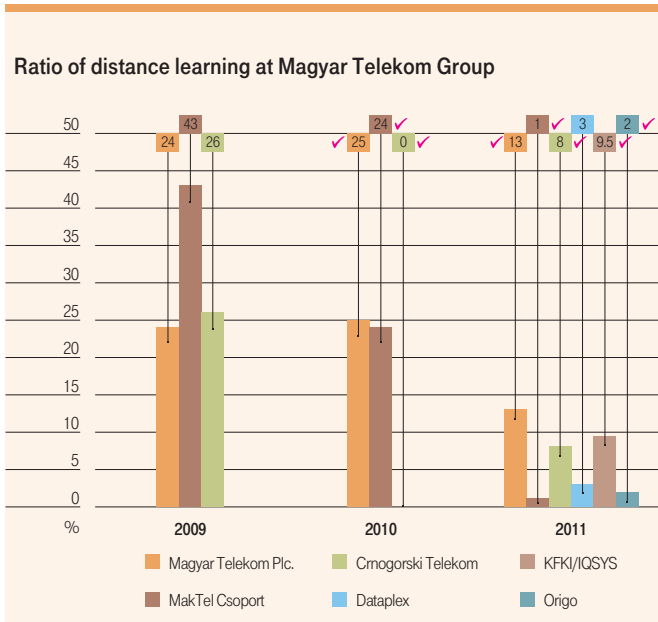
http://www.telekom.hu/static/sw/download/minosegpolitika_en.pdf
http://www.telekom.hu/static/sw/download/Social_Charter.pdf
http://www.telekom.hu/static/sw/download/Diversity_Policy.pdf
http://www.telekom.hu/static/sw/download/Magyar_Telekom_Eselyegy-enlosegi_Terv_2011_2012_en.pdf
 The "Partnership for Safe Employment" document is accessible at:
http://www.ommf.gov.hu/index.php?akt_menu=225

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

Magyar Telekom's HR vision

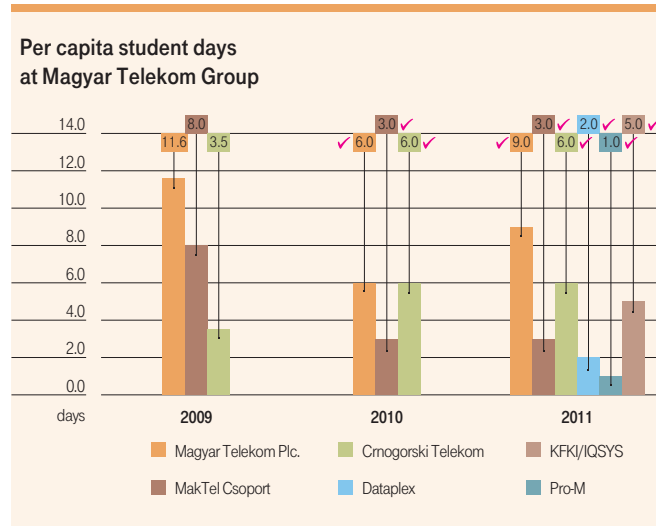
5.1. Talent management

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



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

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



Significant emphasis is put on individual development, both for managers and employees.

The Company also supports its employees in their studies pursued in the framework of the state education system by concluding study contracts with them, thus providing financial subsidy and some reduction of working hours. In 2011, Magyar Telekom concluded a total of 581 study contracts. Out of them 27 covered school training, the others were related to training courses or agreements containing mutual commitments.

From 1995 through 2008, our Company run its internship program "Starting Block" aiming to inject fresh knowledge to the organization. Several hundreds of young career-starters participated in the program. Since 2008 the Company enrolls students with BSC/MSC studies in progress to the internship programs launched biannually (in 2011 approximately 130 students participated in the program). The Group offers an opportunity for the mandatory work practice to 35-40 students on the average, and some 40 students are provided consulting when

writing their thesis. (In 2011 the Corporate Sustainability Centre offered professional training to 2 interns and 1 trainee, and 4 students received support to writing their thesis.)



Trainee reunion

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

KFKI advertises its traineeship programs on Facebook under KFKI Talent Management Club and posts application to trainee programs on various mailing lists. College and university students are offered the opportunity of obtaining practical experience in the frame of trainee programs corresponding to their studies, where full-time employees of the particular area provide them coaching.

Both KFKI and IQSYS are present in 5-6 career expos each year. They are regular participants of the Spring and Autumn Career Expos of Corvinus University, and the Technical University, and they are also present in one or two career expos at the countryside.

In 2011 a public award voting was conducted at KFKI to confirm recognition of our employees among the staff persons. We nominated our employees to the titles of "Employee of the Year" and "Team of the Year".

Development activities are offered to managers under the program Managers in Change, Change in Managers. The 2011-year company program module was titled "Controlled Crisis Program" but a wide scope of optional modules was also available.

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

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

The ratio of employees covered by the Performance Management system is 100% at the parent company. The calculation of the bonus payable to any employee of Magyar Telekom Plc. is based on the performance of centrally determined, as well as individual performance indicators.

The majority of the subsidiaries apply the same PM system as the parent company does, or run their own performance assessment system. The PM system is designed to assess the professional performance delivered by the assessed employees and their personal attitude and potential.

In compliance with the plans of corporate responsibility and acquisition of young talents Makedonski Telekom and T-Mobile Macedonia contacted Macedonian universities to booster the organization with young talents and make a positive impact on the Macedonian labour market and the business community.

The five pillars of cooperation among the T Companies cover the following areas:

- Volunteering
- Student program

- Traineeship program
- Project work
- Specialized modules for the identified, critical functions
 - SAP module
 - IP technology module

Makedonski Telekom and the Department for Electricity launched a joint program, which resulted in new study models for special functionalities rarely occurring in the market. The IT, technical and HR areas of Makedonski Telekom worked close with the professors of the department in elaborating the new study modules. They will continue cooperation with

the department in the future as well, SAP module and the IP technology module are integrated into the curriculum of the department. Outstanding students of the university will be offered a job with the Company. The Company takes part regularly in the talent scout programs of DT (including Talent space, Master Classes, New Generation Telekom), participated in selection of the "Employee of the Year 2010" and in the awarding ceremony in 2011 where it won first and second prizes (Makedonski Telekom and T-Mobile Macedonia, respectively) in the large employer category, which contributed to that talented employees consider the Company an even more attractive employer.

Actions taken by Crnogorski Telekom for acquisition and retention of talented staff persons:

- PPR – (Performance and Potential Review):
After several rounds of PPR (Performance and Potential Review) assessment conducted at all managerial levels we identified plenty of talented colleagues with high development potential in the JUMP and GROWTH categories. This makes the basis for our systematic and comprehensive talent management approach being currently elaborated.
- International Talent Space:
We have been involved in this DT Group level initiative since 2011 which is a comprehensive development program aiming at development of young talented employees from different fields, including – among others – marketing, economy, HF, technology, innovation etc.
- Step Up!
The goal of the program is to support those managers who are just about to start a highly demanding work, and reassure those who have already been successful in their day-to-day activities. In 2011 eight managers took part in the Leadership Excellence Program, in the Perspective Management Program, in Leadership Development Program and in Professional Program Strategy.
- Go Ahead!
The corporate and senior experts participating in the complex projects and tasks requiring international cooperation are responsible for constant improvement of their abilities and develop simultaneously with the Company. Crnogorski Telekom expects the senior experts to come back with a wide array of genuine approaches and facilitate cooperation, development of relations, and provide for knowledge sharing. Last year Crnogorski Telekom nominated four senior experts, three of them were admitted to the program and participated in the master modules
- Green Belt/ Black Belt
Six Sigma is a program using various quality assurance methods to create special structured networks of experts within the organization (Black Belts, Green Belts), who become experts of the methods. Crnogorski Telekom nominated 5 employees to the highly efficient Black Belt and 19 employees to the Green Belt program to provide for the presence of these experts.
- MBA studies
Crnogorski Telekom recognized the need for further training of employees. In 2011 Crnogorski Telekom financed the postgraduate training of 9 staff persons to increase employee satisfaction and the ultimate satisfaction of the customers.
- Crnogorski Telekom Management Academy
The first comprehensive and systematic development program addressing all management levels was launched by CT in 2011. The program offers customized content to the continuous development at three managerial levels. It is targeting development of "One Leadership Style" among the managers. The program is launching a number of genuine and advanced initiatives in the areas of management and leadership. Two packages – standard and advanced – offer different development opportunities and managerial skills to the particular management levels, furthermore, the "You never walk alone" programs will support the managers in the next two years. In 2011 the programs focus on middle management. A number of various programs are offered at every management levels for the development of leadership competencies, and opportunities are provided for development of relations and improvement of cross-functional cooperation. This Academy can be developed into a unique management tradition. Training programs offered in 2012: personal training to middle managers, SDNA project, Human management training, Project management, Company films for training purposes, Business English, MBA studies for 5 persons.

Competencies, responsibility

Two Group-level systems are in place to ensure that the persons determining the economic, environmental and social strategy of the organization (and all employees, for that matter) hold appropriate qualifications and experience: these are the job grading system and the competence system.

A new job grading system was launched at the end of 2011 which is more transparent and the structure is reflecting the real value of job positions rather than the hierarchy thereof. The entire system of job positions was reorganized at Magyar Telekom in course of implementation of the project, and certain elements of remuneration policy were also adjusted in compliance with the new structure.

5.2. Workplace health and safety

After closing the period of fully fledged technological, labour safety regulations Magyar Telekom Plc. focused its attention on increasing health protection and safety of its employees. Bearing in mind this objective, the Company identified the guidelines for further development and outlined its concepts and objectives in labour safety and health protection – including health sustaining and development.

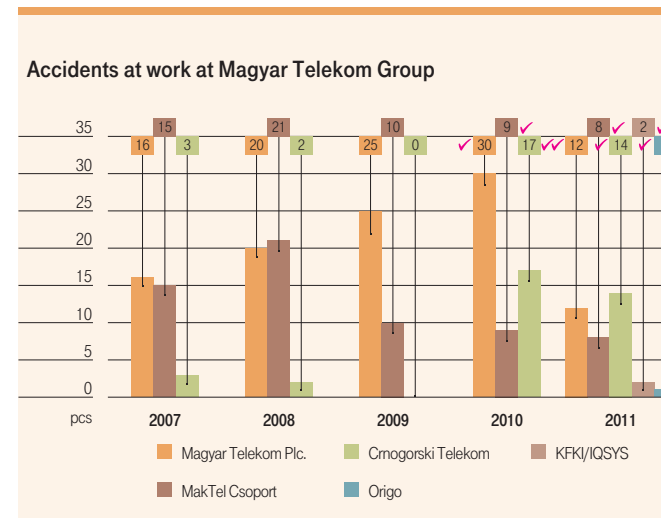
Obviously, while considering compliance with the labour safety requirements set forth in the regulations as the a basic requirement, Magyar Telekom – taking into consideration the labour safety risk assessment of the labour safety area – launched a higher level, more comprehensive program than the basic requirements of employee health protection and security

Key stages of the planned actions:

- Extend and rationalize in 2011 the medical examinations related to health protection
- Implementation of the MEBIR system in 2012.

Key actions taken toward labour safety and health protection in 2011: Magyar Telekom satisfies the ever increasing and increasingly segmented demands of the employees for labour safety and health protection and the labour safety-related information by implementing new training structures and methodologies. Professional technical trainings and the customized theoretical courses offered with increasing flexibility and online accessibility to the employees gain importance in growth of efficiency and flexibility of the trainings.

Magyar Telekom reviews from time to time the selection of the customized protective tools aiming to mitigate health risks, and offers an increasing selection of safety equipment to allow the employees to choose the ones that fit best to their physical shape and stature and provides the highest security to reduce their physical burdens and increase their active involvement in ensuring their safety and health protection.



In 2011 we have been able to benefit from the re-structured occupational health system. The close cooperation between the members of the labour safety organization and physicians of occupational health allowed implementation of flexible solutions in the medical aptitude tests, and related tasks which are more favorable to the employees. As an example we have to mention workplace vaccination of employees against encephalitis caused by ticks. On-site vaccination at the plants of the related organizational units reduced the time, energy input and organizing activities associated with the vaccination, thus the number of missed vaccinations, supplementary vaccinations could also be decreased.

As Magyar Telekom Plc. aims to assign a defining role to healthy life in the development trends of the years to come, the Company –in addition to mitigation of the risk factors detrimental to health, early detection of the illnesses, and medical checks provided to the employees – offers additional special welfare medical examinations against compensation, including gynecological examination and dental check, laryngological, dermatological, psychiatric consulting which are available to the employees in Budapest.

In addition to the above mentioned special medical examinations, subsidized medical screenings were also provided to the employees in 2011, among others mammography, osteoporosis screening in Budapest, micro camera head skin diagnosis in Nyiregyháza and melanoma screening at a number of plants countrywide.

In 2011 new optional management screening packages offered by new service providers, were offered to the employees in management position. Managers' screening scheme covers the detection of the most frequent, typical and dangerous risk factors associated with the managerial lifestyle.

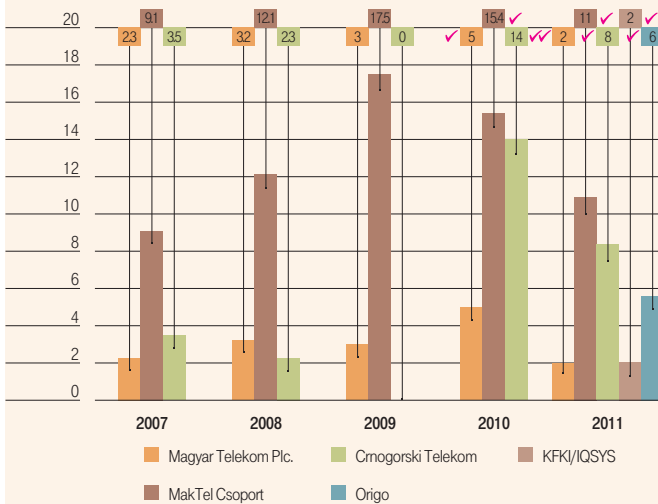
Another service option targeting health-conscious life is body composition analysis and consulting provided in the restaurants operated by Eurest Kft. Consulting service is provided by professionals and dietetic experts who provide information about the water, muscle and lipid ratio of the body.

Dimenzió Insurance Association continues to provide its insurance services on the basis of risk sharing between Magyar Telekom as employer and the employees. Life- pension- and health insurance schemes and self-supporting services are available to all the registered members of the association.

The employees of Magyar Telekom organize regular blood donation campaigns at 5 locations in Budapest and 3 locations at the countryside. Collection and provision of information related to blood donation and part of the organizing work come to the scope of activity of the labour safety organization. Altogether 1460 employees of Magyar Telekom participated in blood donation in 2011, out of them 1124 in Budapest, 336 in the countryside, which is a 7.5% growth compared to the previous year.

No serious or fatal accident occurred at Magyar Telekom in 2011, either. 12 persons suffered accidents at work involving injury with more than 3 days off-work, that is, rate of accidents involving injuries with more than 3 days per 1 000 employees showed significant reduction: last year it amounted to 2 per thousand, versus the earlier 5 per thousand (projected to overall headcount of employees). Typically, more than half of the accidents were traffic accidents where pedestrian or car drivers were involved or accidents associated with dog-bite, i.e. not related to the technological processes. The days of sick leave associated with workplace accidents also reduced further, due to less serious injuries of short recovery time

Accidents per thousand person



KFKI has built roofed bicycle shelters, dressing rooms, shower stall to facilitate travel to work by bicycle. In addition to that, they also provide group and individual sports facilities, regular medical screening, site medical inspection, and consulting to all the employees – which is beyond the lawful requirements. As far as sports are concerned, employees are offered a wide selection of sports including fitness, team sports, (foot-ball, basketball, valley-ball) and they also can participate in various sports competitions (football, basketball and valley-ball championships, Vivicitta running competition).

Daten-Kontor, too, devotes special attention to the health condition of the employees:

- Finances sports facilities – by hiring football and tennis courts in Budapest
- Showering facility is provided at the Budapest offices for the employees running before work or arriving to work by cycle.
- At the Pécs plant a fitness hall, tennis courts and showering facilities are provided, and a squash court is also available.

In 2011 Makedonski Telekom and T-Mobile Macedonia initiated measures for the healthy workplaces and environment. The following actions were implemented to provide an extensive health care and maintain good physical condition of the employees:

- Free medical screening (heart, abdominal ultra-sound examination, ORL examination, psychology test, gynecological survey)
- Certain medical services are offered at discount rate
- Training on stress and conflicts management

- Free or discount rate access to sports and recreational facilities
- Organizing football teams for inter-company tournaments
- Participation in the tournaments of trade unions

A genuine initiative of Crnogorski Telekom in 2011 is the Workplace Health Program with the following components:

- Workplace Health Rules
- Internal campaign: A Health Supporting Company
- Innovative ideas within the Company
- Healthy Friday – monthly/daily vitamin – and fruits doses are provided to the employees.

As part of the efforts towards winning the title of the “Favorite Workplace of the labour market”, the Company considers employees' health and welfare as a critical pre-condition for the successful operation and positive external image.

„We are aware of that healthy workplace conditions, welfare of the employees are key factors of cost efficiency, performance, corporate culture and satisfaction of the employees. Therefore we assume responsibility for protection of our employees and the labour environment, and elaborate concepts and measures towards sustainable business practice for our present and future employees. We are an employer who undertake social responsibility. We keep our promises, and make constant efforts to be among the Top 3 Employers of Montenegro in each year, in every respect”.



Magyar Telekom firmly rejects all forms of illegal labor. **(Partnership, Article 1)**

It considers the life and physical integrity of its employees the most valuable asset of the society and the national economy, consequently it fulfills all the basic labour 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 labour safety requirements. **(Partnership, Article 3)**

Magyar Telekom refrains from violating the labour rules and minimum labour safety requirements just to reach a more advantageous position in the market competition, and refrains from using such prices which do not cover the wage and wage taxes of the employees and the costs of compliance with the labour safety requirements (e.g. appropriate technology, personal safety equipment). **(Partnership, Article 4)**

High level of safety of its employees is a key focus for Magyar Telekom, just as observation of the requirements for safe working conditions that do not impair the health. Therefore, Magyar Telekom employs labour safety officers and a special organization is dedicated to the matters of labour safety and occupational health, as well as to the development of a labour safety strategy and targets.

(Human Policy; Partnership, Article 7; Social Charter, Section 9)

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

Magyar Telekom's Code of Conduct, which also contains the principles of equal opportunities and non-discrimination, and the Equal Opportunities Plan enables employees to file complaints when they experience any breach of these principles in employment.

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

Non-discrimination and equal workplace opportunities are primary objective of Magyar Telekom Group. The Company is one of the first companies within the business sector who has been adopting two-year Equal Opportunity Plans since 2008 in cooperation with the collective bargaining partners. The goal of the action plan defined in the 2011-2012-year Equal Opportunity Plan adopted in December 2010 is to promote the highest possible level of equal opportunities in employment for the target groups defined therein. http://www.telekom.hu/static/sw/download/Magyar_Telekom_Eselyegyenlosegi_Terv_2011_2012_en.pdf

Three cases were reported in 2011 on the "Tell it – ethics line" provided by Magyar Telekom, operated by the compliance area, for discrimination experienced on behalf of the employer, or for breach of human rights. Based on the survey conducted by the Group Compliance Directorate one case proved established, in respect of which the management has

taken the necessary action to sort out the actual situation and prevent similar problems in the future. The Equal Treatment Authority responsible for the issue – where the employees may report the cases directly – did not initiate proceedings against Magyar Telekom in 2011 for the breach of equal treatment regulations in the area of employment. In case of a condemning sentence of the authorities the Company will be liable for penalty payment and exposed to negative press coverage which spoil the common view and the employer brand of the Company.

In December 2011 Magyar Telekom adopted a document on "ban on sexual harassment" which outlines the actions to be taken in case sexual harassment occurs at workplace.

In 2011 the Magyar Telekom Film Club – aiming to contribute to development of the equal opportunity approach – continued with its sixth season. The five films presented in the 2011 season focused on the following themes:

1. Dictatorship, totalitarian state (Gábor Zsigmond Papp – Hungarian retro)
2. Immigration, integration (3 marriages – mixed marriages in Hungary – documentary film)
3. Emigration (Réka Pigniczky – Incubator)
4. Poverty (Béla Szobilts – Three chapters about poverty)
5. Autocracies totalitarian state (Gábor Zsigmond Papp – Budapest retro)

The view-shaping presentations and discussions of the film club were followed each time by 30-50 employees through an intranet broadcasting (depending on the rate of interest regarding the particular theme).

5.3. Human rights, equal opportunities

Magyar Telekom Group's Social Charter and the effective Equal Opportunities Plan define the principles that serve as the basis for the Company in addressing human rights in general: http://www.telekom.hu/static/sw/download/Social_Charter.pdf, http://www.telekom.hu/static/sw/download/Magyar_Telekom_Eselyegyenlosegi_Terv_2011_2012_en.pdf



Péter Novák – Creative Manager,
PartArt Group
Sustainable emotional development

I have reserved a place. In my heart. This is where I collect things. For example the feeling, when in the autumn of 2006 I entered the Headquarters of Magyar Telekom for the first time with the determination to really bring about a film club...

This was long ago, and time has past. I am aware, life has become more difficult than it used to be four months, days, minutes ago (please underline the relevant). I really do not want to 'spoil the grief'. But please tell me, where are our red-letter moments?

Lots of volunteering actions when a large company acting as a micro-community of common people creates great things? Over a hundred Digital Bridge events, where lots of those living on the periphery can widen their horizon?

What happened to the enthusiastic students of the Sustainability Day who show non-declining interest towards environmental, social and economic interdependencies year by year? What happened to Egálnet promoting the presence of those in the digital space who had not been on the map before? To the DELFIN prize facilitating also small or medium-size companies to make long-term plans? To the Sustainability Round Table where civil society seeks the company of multinational companies? To Donation Line which has been encouraging collaboration for long times? These are some of the themes in which I have been involved personally.

Who can read between the lines, will find people full of emotions. Think whatever you want about hard times, but one thing is deliberately improving: this is our heart. Perhaps that is one small step for mankind, but a giant leap for us!

In Summer 2010 a series of programs was launched with the involvement of external foundations, aiming to increase sensitivity of Magyar Telekom employees through personal experiences, to strengthen a positive attitude towards disabled people and provide for their inclusion: in Summer 2012 the employees learnt about the world of people with impaired vision, in December 2010 those with hearing defects, in December the physically disabled people in the frame of the programs organized by three Telekom plants (Krisztina krt. 55., Szerémi út 4., Magyar tudósok

körútja 9). An average of 100-120 employees took part actively in the programs. In addition, three highly successful thematic markets were organized in the past two years at the plants of the Company (in the Advent period and before Easter) with the contribution of external foundations, where the employees could purchase small gifts manufactured by mentally handicapped persons. The employees purchased such products in a total value of HUF 500 thousand supporting by that employment of handicapped persons.

In 2010 three highly successful events took place at the Company, which introduced an experience-based sensitization program package. In June an experience-based sensitization program plan was launched within the Company with three highly successful events. The "Have you ever tried it in darkness?" event held in June 2010 gave an insight into the world of the vision impaired to Magyar Telekom employees, the "Have you ever tried it with children's heart?" event held in December 2010 was a special Advent fair offering for sale the works of mentally handicapped children supported by the Bárka Foundation, and finally the event of "Have you ever tried it in silence?" held on December 15, 2010 gave an insight into the world of the hearing impaired in an unusual dinner.

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

On September 1, 2010 Magyar Telekom introduced additional leave days for rehabilitation offered to employees with altered working ability or disability. It aims at granting extra time for recreation for employees being in a difficult situation due to their health condition. In 2011 this opportunity was used by 23 staff persons.

In 2011 again, the Company Group took part in supporting the Romaster talent management program launched in 2008 by the Hungarian Busi-

ness Leaders Forum (HBLF). The program assists young talented Romas in the secondary school to continue their studies in tertiary technical, business or legal education institutions. The supported students were admitted to higher education and started their higher education studies under the program.

Crnogorski Telekom, Makedonski Telekom and T-Mobile Macedonia are fully committed towards equal opportunities.

We are particularly proud of that Crnogorski Telekom has overtaken the 30% rate of female set as objective for 2015 at every member company, where this ratio is currently 42%. Nevertheless, this ratio equals to the ratio of female employees at Crnogorski Telekom.

Best practice in the Montenegro business world

In October 2011 Crnogorski Telekom took part in the Survey of Equal Opportunities program conducted in the business environment of Montenegro, organized jointly by the Montenegro Employers Association and the US Agency for Women Empowerment. The questionnaire was completed and submitted officially by the HR area. The results of the survey are as follows:

- 102 (large, medium and small) enterprises took part in the survey.
- The 5 top companies with outstanding performance were invited to share their best practices in a public forum.
- According to an analysis conducted by the Montenegro Employers' Association Crnogorski Telekom is disseminating best practice in this area.

The results and the best practices shared in the round table session will be published.

In 2011 the Company launched its Stress Management and Burn-Out Syndrome initiative, a customized program for female employees, financed by DT Future Fund.

In the last quarter of 2011 Crnogorski Telekom has officially adopted and communicated the Group-level guidelines of Employee relations, adopted and translated its Employer Value Proposition for local communication and implementation.

Observance of working and resting times is a basic right and a requirement of preservation of health of employees. Magyar Telekom lays special emphasis on granting appropriate resting times to its employees, issue them the holidays they are entitled to by law and to record working time true to reality. (Partnership, Article 5; Social Charter, Section 7)

Magyar Telekom acknowledges that the right to wage is one of the most fundamental employee rights, and applies every legal means to ensure the wage the employees are entitled to is paid properly and on time.

(Human Policy; Partnership, Article 6; Social Charter, Section 6)

Increasing popularity of "Family Support Program"

The range of discount-rate nursery and kindergarten placement offers called Family Support Program continued to widen in 2011 in respect of the rate of utilization of places. At the end of 2011, the number of supported children increased from 134 to 160. The number of institutions available in the program has not changed in 2011. The utilization rate of the places offered in this program has increased to 83%.

The discount offered for nursery service is 66%, which, however, shall not exceed HUF 55 thousand. All in all, according to the feedback this program means a significant help to the Magyar Telekom Families in mitigating the burdens of placement of the children and in development of a healthy balance of labour and private life.

The reduced-price summer camp program jointly offered by Magyar Telekom and the Dimenzió Insurance and Self-Aid Fund under the slogan "Summer is round the corner" was announced for the fifth time in 2011. The program offers summer camp at 50-70% price reduction for 7-14-year-old children of employees, even in 2 turns. The number of camps offered in the program increased to 32, where 495 Magyar Telekom children could enjoy reduced-price summer holidays. Related questionnaires show that satisfaction with the camps and the program exceeded 90%.



summer camp

In September 2012, the Human Resources area launched its "Dad, it is to start" program, to call the attention of the male employees with newborn child to the related responsibilities and increase awareness of the father's role in raising children. In a letter of congratulation sent to the young fathers we drafted a list of the key activities following birth of a baby (e.g. to arrange the documents for the baby) and outlined various atypical employment options. In the future we plan to extend the program with events to be organized specially for "young dads". In 2011- following the implementation of the program – 73 male colleagues were involved in the program.

On September 10, 2011 the Telekom Mums Program had an extraordinary annual meeting. The competition on removing the obstacles, organized by Jól-Lét Foundation for the families, introduction of the Dimenzió Group Customer Service and the Dimenzió Kindergarten and a number of partner kindergartens of the Dimenzió self-support Group – all these contributed to the colorful Teleday programs. As the event took place on Saturday, the attendants were encouraged to "put down on a sheet of

paper" all the questions addressing the HR customer service regarding employment, remunerations, labour act, or revenue accounting. The tent of the Teleday Mums Program was open to all the interested attendants – not only those who are at home with children.



Mums' Reunion at Telenap

Reorganization of the Mums' Programme has been started in view of the changing environmental conditions we experience since 2006 – when the program was launched – and due to the need for re-defining the approach of related parties. The focus of the program has been shifted in the direction of individual responsibility instead of providing support to the colleagues returning to work from child-care leave. Along with the Newsletters published regularly, in every other month, the most significant company events have also been published since the third quarter of 2011 on the Mums' portal thanks to a minor IT development. As a new feature, Abigel – a customized EAP-type program of Telekom – can be accessed by young Mums by ordinary mail, too.

In the first quarter of 2011 four children-friendly offices were opened, financed from the funds of 10 thousand EUR won in a competition invited by DT. These offices were opened in the buildings of Telekom,

two of them in Budapest, two in the countryside, in Debrecen and Pécs. The children-friendly office enables parents working in administrative jobs to perform their duties in an environment where their children can keep themselves occupied with children's furniture and games during the day, when the parents are not able to attend the children in an unexpected situation or on days of a short school holiday.



Children-friendly office at MT headquarters

At KFKI a HR staff maintains permanent relation with the young mums and keeps them informed about the changes, supports them when return to work after maternity leave. To-date they have managed to find an employment to all the young mothers returning to work (some 12-15 colleagues in the past year)

Equal Opportunity initiatives at Daten-Kontor:

- Equal Opportunity Plan (after 2010)
- The HR and Payroll admin staff is responsible for equal opportunity issues.
- Labour health service for the employees
- Biannual check of vision of employee working with computers, support is provided to glasses to be used at the work before the computer screen.
- Workplace language training courses
- Promotion opportunities independent from age
- Permanent communication with the colleagues on maternity leave
- Company information to all

Child labour

Since January 2010, in order to detect child labour Magyar Telekom Plc. continuously monitors the number of employees under the age of 18 years. Data supplied from the SAP HR system show that during 2011 Magyar Telekom Plc. did not have any employee below the age of 18 years.

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

Forced and compulsory labor

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

No complaints were filed in 2011 with the relevant authorities against Magyar Telekom Group's affiliates in the context of forced labor. No

proceedings or investigations were launched against the Company in this regard in 2011.

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

Freedom of association and collective bargaining

Magyar Telekom Group has acknowledged in its Social Charter the freedom of association and the right for collective bargaining. Magyar Telekom strives to maintain a dialog and cooperation with employee representative bodies in the spirit of openness and trust. The Social Charter and the long-standing relationship between Magyar Telekom's management and the employee representative bodies are the guarantee that the relevant rights are observed. About 92% of the Group's employees in Hungary, 75% in Macedonia and 100% in Montenegro come under the scope of collective bargaining agreement. Additionally, 1687 employees in Macedonia are governed by the General Collective Agreement of Private Economy Sector, and with these employees the ratio of employees covered by collective agreement is 100% in Macedonia.

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

5.4. Managing changes

Employee representative bodies

Magyar Telekom has a long tradition of maintaining liaison with employee representative bodies. Employee representative bodies are treated as partners in the operation of the Company. Currently 2 trade unions have employee representative bodies at Magyar Telekom, in addition to that a Workers Council also carries out a two-level activity.

Central decisions concerning the whole Company when the employee representative bodies need to be consulted are discussed with the Central Workers Council and the representatives delegated by the trade unions either in the frame of joint consultation (Interest Reconciliation Council) or separately, depending on the nature of the matter to be discussed. Central communication is managed both verbally (negotiation) and in writing. The Chief HR Officer and the HR Management Director are responsible for central liaison with the employee representative bodies. Collective bargaining matters concerning a given management area are discussed locally, too, with the representatives of the trade unions and the local workers council. The HR Partner Directors of the management area are responsible for liaison with local employee representative bodies. At Magyar Telekom, communication with the employee representative bodies – both verbally or in writing – is the exclusive right and responsibility of the HR area. This can ensure that rights are exercised in full compliance with the regulations of the Labour Code and the collective bargaining agreements. On the other hand, business areas will be exempt this way from the difficulties of managing the employee representative bodies. Naturally, when necessary the executives of the business areas are also actively involved in the process under the coordination of the HR area.

Fluctuation at Magyar Telekom Group³⁰

	2008 (Plc./Group)	2009 (Plc./Group)	2010 (Plc./Group)	2011 (Plc./Group)
Total Fluctuation	19.1%/18.7%	12.1%/10.2%	10.0% ✓/8.9% ✓	9.3% ✓/9.5% ✓
Termination initiated by employee	3.1%/3.9%	1.5%/2.2%	1.5% ✓/1.6% ✓	2.1% ✓/2.8% ✓

Transformation of organization

Trade union and the workers council (Central Workers Council) must be consulted and their opinion solicited regarding the drafts of significant decisions resulting in organizational changes or changes affecting a large group of employees. The collective bargaining bodies have 15 days to submit their comments. The measure in question cannot be implemented during this 15-day period. Trade unions and workers councils (Central Workers Council) must be consulted regarding draft resolutions aiming at organizational changes without regard to the number of employees concerned. If the significant organizational transformation does not impact any components of employees' job contracts (job, place of work etc.), then a notice is to be sent under the general obligation to cooperate, but no specific deadline is defined by either the Labour Code or the Collective Bargaining Agreement. Individual notices are also provided to the employees before the changes take place.

Foreign affiliates inform their collective bargaining partners and employees in accordance with the stipulations set forth by the local statutes.

Results of the 2012-year negotiations with the employee representative – Agreement with the Interest Reconciliation Council, amendment of the Collective Agreement

In October 2011 Magyar Telekom reached an agreement with the employee representative bodies about the 2012 wage and headcount issues. According to the agreement of the Interest Reconciliation Council in 2012

the Company plans to terminate employment of 250 persons with the parent company. Most of these employees left the Company at the end of 2011.

The above number does not include –among others –termination of management contracts or termination of employment due to retirement. In case of mass termination of employment the Company continues to maintain its principle of provident dismissal: the related employees are entitled to severance and a period of notice (dismissal) pursuant to the provisions of the Labour Code. The related employees are entitled to an extra severance pursuant to the Collective Bargaining Agreement in case the employment is terminated with mutual agreement, or the employees accept an inactive status or early retirement before the end of 2011. Re-employment of the dismissed employees is supported within the Chance Program -run for several years – including active job-hunting, labour market trainings and retraining. The affected persons may keep their SIM cards during the period of notice, and also may use the tariff package provided to the employees for a period not longer than three months.

In 2012 the Company will implement an overall wage increase in which a budget amounting to 3% of the category-based wages will be allocated to reward performance, as far as the significant cost effect of such bonus scheme can be compensated from the over-performance of the 2012-year Group EBITDA target in Hungary.

To comply with the government expectations, according to which the employees whose wages are under the average due to unfavorable tax regulations are entitled to compensation, non-wage type compensation

³⁰ Data with breakdown by age and other factors are not available.

of such employees will be increased. Simultaneously the non-wage type benefits of the employees in management position were decreased. As from January 1, 2012 the Company and a number of its Hungarian subsidiaries have launched a new job and wage category scheme based on the Hay methodology. Accordingly, the basic wages of the employees not reaching the minimum of the new wage plan has been increased retroactively, as from April 1, 2012.

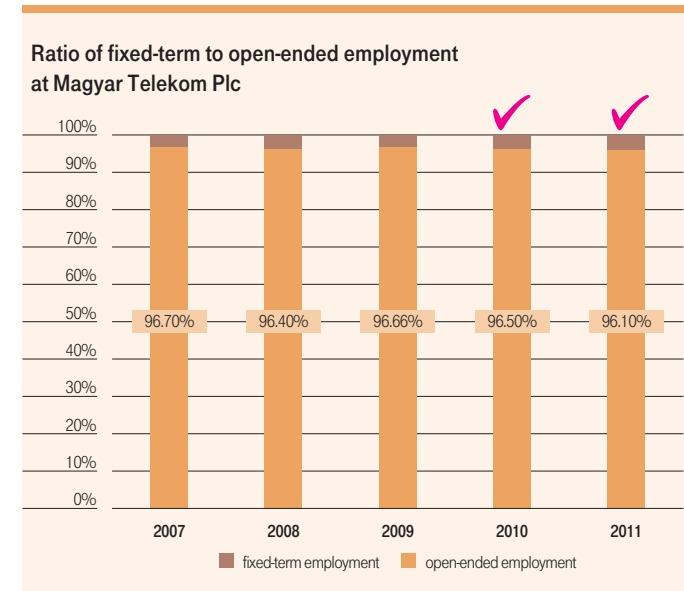
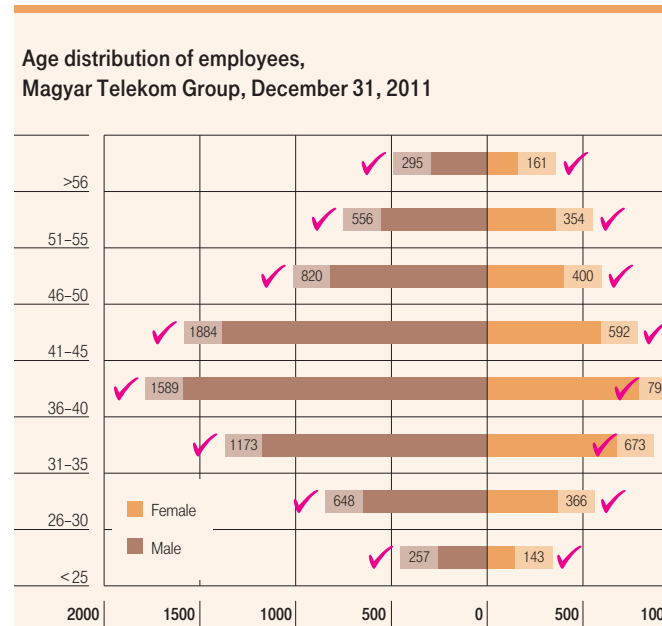
The amendment of the Collective Bargaining Agreement effective as from January 1, 2012 includes the rules of the new job category system and the adjustments required to the implementation, which was signed simultaneously with the agreement with the Interest Reconciliation Council by the employer and the Trade Unions authorized to conclude the Collective Bargaining Agreement. One of the most significant features of other adjustments is that as from January 1, the possible length of the probation period was increased from 3 to 6 months, in line with the regulatory provisions.

Program “Chance” continues

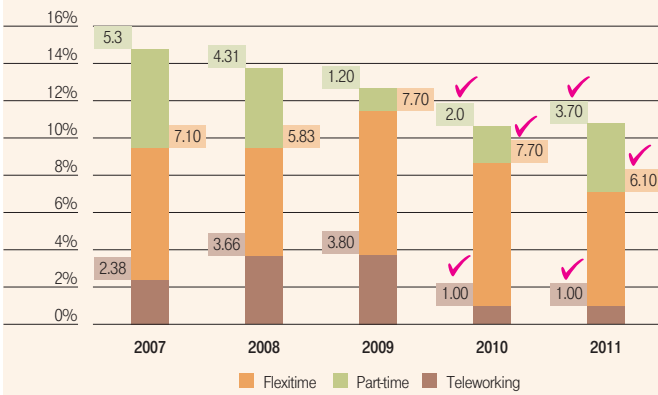
The “Chance” Program continued in 2011, too. We continued to support employees dismissed through collective redundancy in finding new employment under the Chance Program in 2011, too.

In this program employees dismissed can, after registration in the program, use various services that support finding new employment. The services offered under the program include a two-day labour market training course in groups, support in active job search, receive financial contribution to training and retraining activities to meet labour market requirements, personal psychological and legal consulting, as well as follow-up activities and monitoring participants’ potential placement are also granted. The information package (Chance Package) set up for the related persons aims to provide due information and increase the opportunities for a successful change, by giving them hand in finding their way and obtaining an appropriate job.

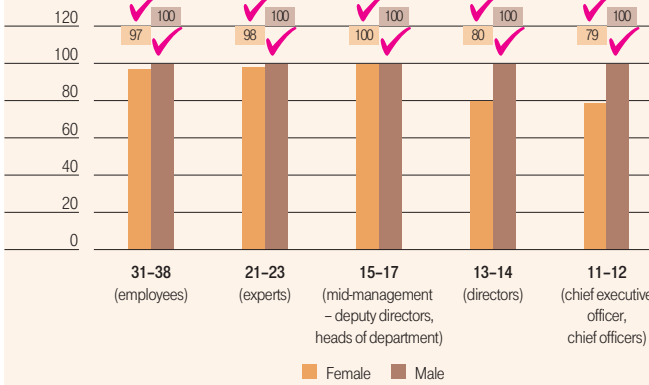
5.5. Human resource indicators



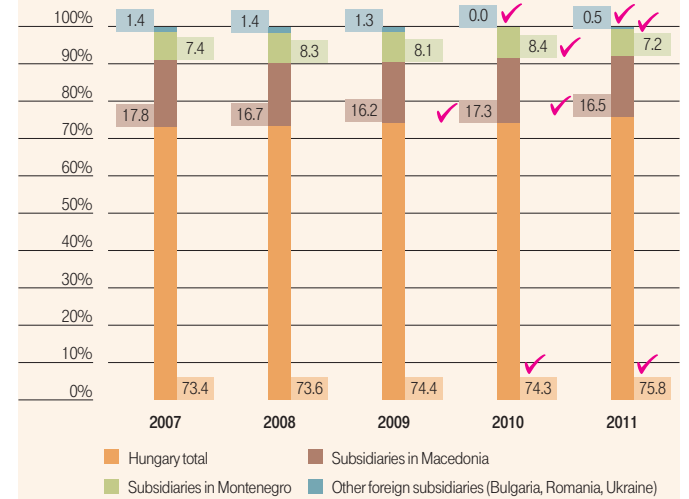
Atypical forms of employment at Magyar Telekom Plc. in percentage of total headcount



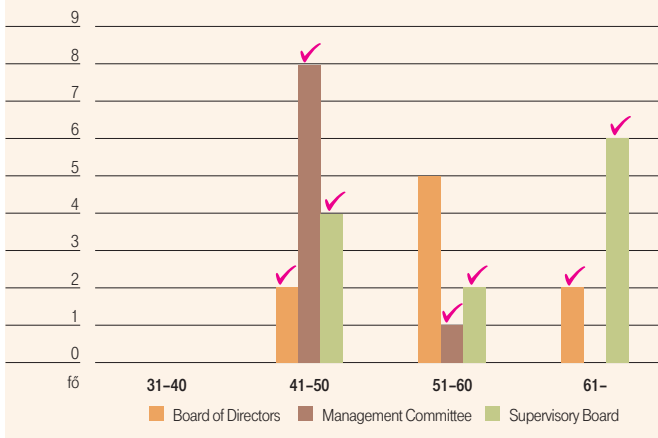
Base wage comparison by job-grades and gender - Magyar Telekom Plc. 2011



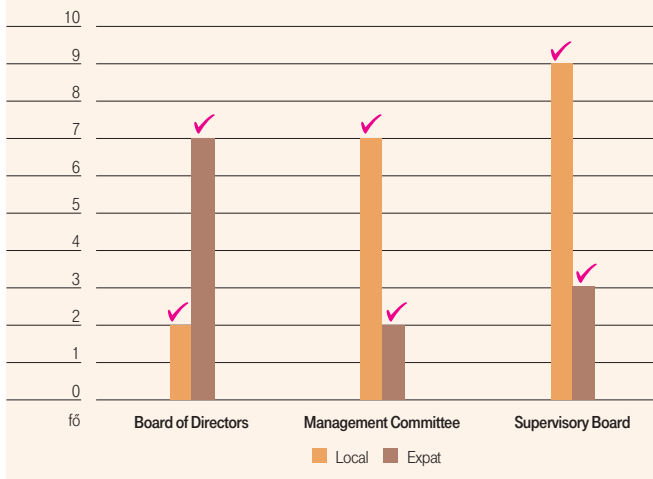
Distribution of employees by region



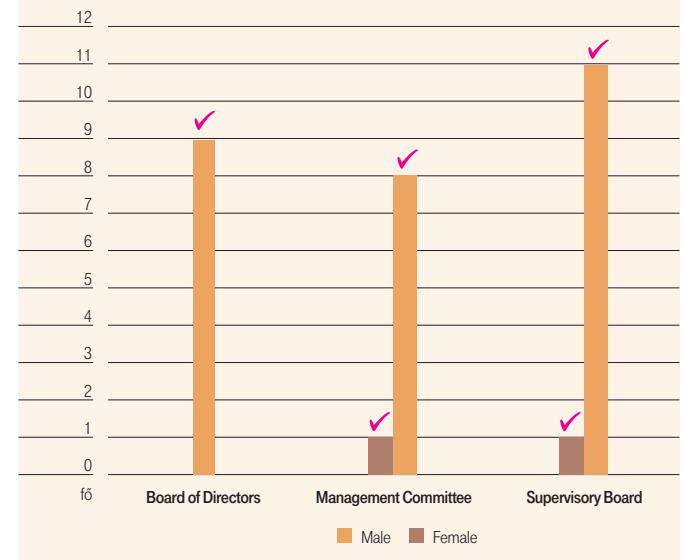
Age breakdown of Magyar Telekom Group management bodies in 2011



Local/expat breakdown of Magyar Telekom Group management bodies in 2011



Gender mix of Magyar Telekom Group management bodies in 2011



5.6. Involvement of employees

In 2011, Magyar Telekom Plc. continued education of employees about sustainability via several channels:

- The Company's internal climate protection campaign continued to draw people's attention to threats of climate change urging them to take action. The initiative has its own intranet site and forum.
- All employees will be informed about sustainability events, publications and major information through the Company's intranet site and weekly newsletters.
- Environmental awareness of the colleagues and sustainability projects were the focus of a TV series about the Company.
- Magyar Telekom has been putting special emphasis on shaping the environmental awareness and education of the employees. As part of it
- Sustainability-related knowledge makes part of the orientation program of new entrants since 2009.
- A sustainability module was launched in 2010 in the management training scheme of the Company, designed to support sustainability orientation of the managers.
- In 2011 an energy awareness training was conducted on pilot basis for our employers, under the professional management of the Energy Club.

The knowledge level of colleagues about sustainability issues is much higher than the national average. In 2011 a survey among the population found that 26% of the respondents have heard about the term sustainability, this ratio was 95% among our employees, and 75% of the employees could explain what the term of sustainability exactly means. A comparison to earlier years (82% of our employees have heard about sustainability in 2008, while more than 95% in 2010, and 63% could define the concept of sustainable development in 2008, while 74% in 2010) indicated a clearly improving tendency which, however, has clearly

slowed down in the past years. Nevertheless, 28% of the employees think that Magyar Telekom is on top of the list in terms of sustainable development (in view of that 61% of them cannot identify any company, this number is considered rather high). On the average of the population this ratio is 11%, where 82% of the population cannot identify any enterprise.

We increased the social sensitivity of our employees also by organizing volunteer programs. Volunteer work was conducted in the frame of the Jövő/Menő program, Digital Bridge at Small Settlements, and charitable team building programs. Altogether 11 programs were organized in 2011, each in one of the above categories, where a total of 389 ✓ Magyar Telekom employees spent 480 workdays ✓ (3840 working hours) with volunteering work. The value of the programs equals with 19.9 million ✓ HUF volunteer social donation.



Gábor Pónya

Magyar Telekom, Head of the Quality Management Department

"You Pick!" was a great day, it seldom happens in my life that I see with my own two eyes the result of my work and also get warm thanks for it. My visible result was the tidying of five angling jetties and about 100 meter length of the bank – and the icing on the cake was the complete typewriter, made around 1940, which I retrieved from the Tisza river, sitting in a kayak, along with several sacks of floating trash... This experience was only surpassed by the kindness of the locals and the excellent paprika potato stew. I have known the sustainability team and their initiatives for a long time and I think they are credible because of the tangible results they achieve. These results are manifested not only in the lower environmental impact indicators but also in the valuable campaigns, programs which they champion with so much dedication and determination. I find that not only I, as an 'insider' am aware of all this but also the different public organizations as the company is quoted as an example in this field in more and more places.



Digital Bridge in Szászberek



garbage collection at the bank of river Tisza

6. Investment Relations



6. Investment Relations

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

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

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

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

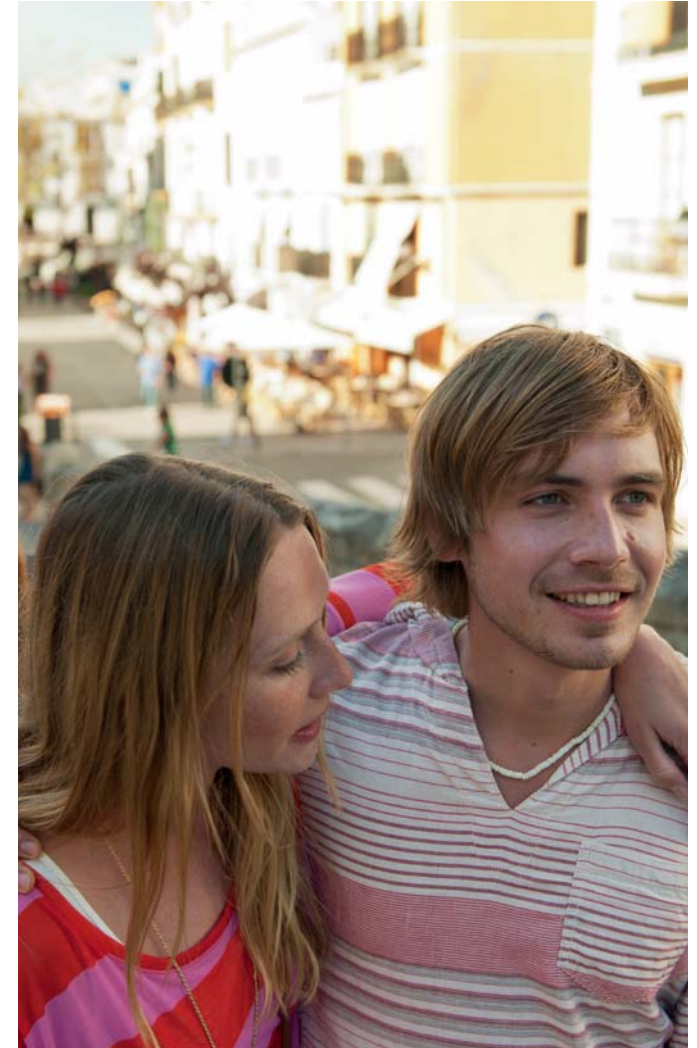
In 2011 again, Magyar Telekom was listed among the CEERIUS (Central and Eastern European Responsible Investment Universe) Index companies of the Vienna Stock Exchange, which rates those Central- and Eastern European companies that offer outstanding sustainability performance.



index member of CEERIUS

Magyar Telekom participated in the Carbon Disclosure Project (CDP) also in 2011. In the frame of the worldwide initiative the largest companies report about their climate protection approach, the related risks and opportunities and their CO₂ emission to the key investors (Present asset value amounts to 78 000 billion USD).

In addition to the above, a number of responsible investment consultants – among others Sustainabilitycs, GS SUSTAIN, SAM Research (DJSI) and ECPI – analyzed the 2011-year sustainability performance of the Magyar Telekom Group before the report was published.



7. Cooperation

7.1. Professional cooperation 79

7.2. Cooperation in environmental protection and social issues 79



7. Cooperation

7.1. Professional cooperation

Magyar Telekom – as decisive player of the national telecom market – has taken deliberate actions towards the development of its relations with the neighboring areas of telecommunications industry, including the standardization bodies, innovation organizations and institutions of higher education.

In 2011 the Company took part in the activity of the Future internet National Technological Platform aiming at the development of Future internet Strategy and Draft Program. We carried on relevant professional cooperation with the representatives of SAP Hungary, IVSZ, HUNGAR-NET, the Debrecen University, NIIF Institute, NJSZT, BME, BM Hungary, HTE and ELTE.

We have been the active members of Mobility and Multimedia Cluster, which was established in 2007 as an umbrella organization of the players of Hungarian mobile and multimedia market and national research- and development capacities, designed to provide for (world) market launch of the domestic inventions on the basis of these capacities. By now MM Cluster has become one of the most significant co-operations in Hungary, with a total of 62 members, among others large telecom and IT companies, small and medium enterprises focusing on info-communications innovation, partner universities operating research centers.

In 2011 Magyar Telekom completed over fifty research projects in cooperation with universities and nonprofit organizations in the frame of the Company's R&D activity.

We maintain diverse relations with the institutions of higher education, in addition to the above mentioned R&D cooperation the practical training of the students is supported by equipment donations, and presentation of case studies, organization of lectures and site visits. We enhance our cooperation with the student organizations of the universities, like IAESTE or AIESEC. In the frame of this cooperation IAESTE presented joint lectures with the Óbuda University on the advanced telecom technology services where the topics of the lectures were selected by the students.



professional lecture at Óbuda University

Special emphasis is assigned to development cooperation within the DT Group. In the frame of the regular Domain Meetings (Fix Access Domain, Mobile Access Domain, IP and Core Network Domain, Service Development Domain, and OSS Community) we also participate in joint projects (e.g. Policy and Charging Rules Function ; SEE IPv6 – IPv4-6 transition and NAT; IMS Cooperation; Common GPON System Release Management; Application clean up & retire ; NG OSS Strategy) the results of which support efficiently the tasks of the technical area, contribute to the development of our technological competitiveness and makes possible the more efficient utilization of our financial resources.

7.2. Cooperation in environmental protection and social issues

Besides the professional challenges the Group also seeks cooperation opportunities to the solution of social and environmental problems.

The Group is a member of several sections of Hungarian Business Leaders Forum (HBLF)

- Partnership and Volunteering Working Group
- HBLF for Diversity HR Working Group
- Equal Opportunities Working Group
- Health Working Group
- Environmental Protection Working Group
- Community Programs Working Group

The Group has been an active member of ETNO's (European Telecommunications Network Operators Association) Sustainability Working group for years. The members work close towards solving all kinds of sustainability-related programs. In addition to the three meetings held each year, an internet portal also helps joint work and contributes to sharing of best practices.

The Sustainability Day was organized on September 24, 2011 for the fourth time, with the participation of nearly three thousand young persons striving to understand the concept of sustainability. The discussions focused on three pillars of sustainability – society, economy and environmental protection, where the topic of volunteering was also covered with a view to that the European Year of Volunteering is currently underway. In the discussions focusing on poverty the stakeholders considered the opportunities for integration and recovery. As far as waters are concerned the Commissionaire of Future Generation and a number of well-known experts discussed – along with the Danube Strategy – the effect of climate change on the water reserves. In the section meeting devoted to responsible communication the role of the 'hello

holnap!' (means 'hello tomorrow') press prize was assessed, where the speakers directed the attention to various tricks in advertisements and to “false Hungarian” products. Along with the professional discussions the attendants could test cars of alternative driving, taste fair trade coffee and tea, get acquainted with creative objects made of waste, and even become part of a flashmob. In the breaks of the section meetings the attendants of the festival conference could see and evaluate on-site the creative competition works made of waste materials, submitted to the 4 competitions of the Sustainability Day.

Traditionally Magyar Telekom will devote the concert revenues of the Sustainability Day to trees to be purchased and planted next May on the Day of Birds and Trees. In 2011 a couple of poplars were planted in Millenáris Park.

For further details see: <http://www.fenntarthatonap.info>



Endre Korentsy
Customer Relations Director, HD Group

We have been organizing events under the auspices of Magyar Telekom's sustainability program and other, brand-related events for many years. Our task is to develop attractive and meaningful programs for the different target groups, programs which not only explain the notion of sustainability, but also promote – with easy-to-use methods – the inevitable change of approach, be that work, leisure or everyday activities.

Telekom was the first to address this issue, so we also got near the fire very early. At that time even the insiders identified the mission with selective garbage collection and toys hand-made of recycled waste. Since that time we too have learned that the triple system of sustainability involves much more than that.

We consider it real success that through our cooperation old and young, employees and customers, private individuals and companies have got closer to the thought of shared responsibility and positive energy.

Work with the volunteers, their genuine enthusiasm and desire to do actively for a common progressive goal, have permeated our approach, too. It turned routine into motivation, work into an inspiring power and the team into community. We are proud to be part of this team.



Sustainability Day 4, flash mob



Sustainability Day 4, environmental section



audience of Sustainability Day 4

8. Corporate responsibility

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8. Corporate responsibility

8.1. Sponsorship

The sponsorship pursued by the Group is primarily aimed at offering entertainment of valuable quality to its customers, but we also support high-standard professional conferences. The Group, as a major sponsor of Hungarian culture and social life, is devoted to support high profile events, performers and productions that represent top quality of arts. In the frame of the sponsorship activity the Company plays a role in implementation of social initiatives in a worthy manner, to the extent and in line with its economic power.

The event called T-Home Children's Island was the widest-reach free family program in 2011, held in Budapest, at Hajógyári Island, offering exciting programs for children through 4 weekends. We always aim to help those children' participation in the T-Home Children's Island who could not make it otherwise, because they live far from the capital or their social background just does not make it possible. Therefore we worked close with NIOK Foundation to bring children in state care or those living in small localities to the Telekom Children's Island for some extra fun outing. A special shuttle bus carried the protégés of Bálint Gyula Child Care Foundation, Székesfehérvár and the children from the Szigetvár micro-region with the contribution of Somogyhatvanért Foundation to the Hajógyári Island and returned them home after the program. Thanks to T-Home's charitable action, some 100 children who live in the countryside visited the Children's Island, including some who never crossed the borders of their county previously.

In 2011 again, T-Home organized a charitable toy donation program for visitors of Children's Island, as a result of which more than 200 kg toys were collected for the Hospital Pedagogy Association who work with ill children in eight large cities of countrywide, at infant oncology departments, surgery departments and other medical departments.



Telekom Children's Island

The T-Home Vivicitá running races in protection of the cities are Hungary's most popular amateur sport events. In 2011, the runs took place in Budapest, Szeged and Kaposvár, with a record number of participants. A total of 320 thousand city-dwellers participated in the sports events at three venues, where both primary school and secondary school teams could qualify T-Home offered HUF 100 000 worth of sports equipment vouchers at each location for the schools that sent the largest teams. In 2010 over 6000 schoolchildren ran the distance.



Digital Bridge netcafé in Kapolcs

Magyar Telekom supported the Valley of Arts Festival as communications partner. The Company provided free broadband internet access by which Magyar Telekom contributed to the realization of the largest all-arts festival of 2011.

The strategic partnership of Magyar Telekom and the Palace of Arts continued in 2011, too. We continued mapping further opportunities in the frame of our four-year cooperation.

A number of significant themes were covered related to propagation of scientific results, which is another key focus of the Company's social responsibility efforts.

- The most significant feature of this field is Encompass, a joint endeavor established with the Hungarian Academy of Science (MTA). The works of the new series called ME2.0 could be started after lengthy process of coordination in January, and were closed successfully in the first half of 2011. A TV series of 48 parts was created as a result of the project, and the e-learning material is also available at the www.mindentudas.hu site.
- We reinforced in this field by enhanced cooperation with the organizers of TEDx conferences, and last November after the closing of TEDx Youth Budapest we stood up as main sponsors of TEDxDanubia the largest TED event in the country.



TedxDanubia2011

Music and sports were the favorite areas sponsored by the Macedonian T-Group in 2011. The M2 project organized for the young generation was the most popular music show in 2011. The project dominated by the Magenta colors, was presented country-wide, the primary target audience of which was the young and talented teen-age segment. The series of events was organized in six cities of Macedonia, then closed with a final celebration in Skopje. The winner of the series will be the holder of the title "Star of M2", and as part of the prize the "M" production team will assist him/her in launching on a star's career and overtaking the initial difficulties he/she will encountered in the show-biz. In the area of sports Makedonski Telekom and T-Mobile Macedonia undertake the commitment of supporting sports in Macedonia, in the frame of that they will support MZT Aerodrom basketball team and the top-level national and regional sportspersons.

Sports offer an important scenario for the development of healthy, modern and developed society, they play a crucial role in the sponsoring strategy of Crnogorski Telekom

T-Com is the gold sponsor of the number one football team of Montenegro and also sponsor of the Montenegrin Premier Football League. Besides, the Company continued sponsoring the T-Com Kids Cup of primary school children.

T-Mobile Montenegro has been sponsoring Budu nost-T-Mobile women's handball team – the most successful sports club of the country – for the ninth year. In addition to sports sponsoring the Company is also involved in sponsoring music, as music is an international language embracing several generations, which offers a perfect opportunity for realizing the brand messages (Together. With you) through a series of memorable momentum.

In the field of culture, Crnogorski Telekom has established partnership with a number of organizations aiming to support projects focusing on young people, training and education.

In 2011 the Company became the official partner of the Podgorica City Theatre and contributed to the celebration of the 60th anniversary of the theatre with new, exciting plays targeting the younger generation.

Our Company has been the main sponsor of Telekom Underhill Fest international documentary film festival accommodating a number of concerts, film presentations and performances in Podgorica.

8.2. Institutional patronage

In line with our Corporate Citizenship Strategy adopted in 2009, we have made efforts to rationalize our donations provided in the frame of institutional patronage, and closed them by end of 2011.

- Together with the co-founder Magyar Posta, we continued to finance operation of the Telecommunication Museum Foundation and its affiliated bodies (Postal Museum, Stamp Museum, Telephony Museum) in 2011, too. At the end of the year we closed the negotiations and transferred in full the operation of the museums to Magyar Posta.
- In 2011, too, Magyar Telekom was the main sponsor of the former Magyar Telekom Symphonic Orchestra operating since December 2009 under the name of Concerto Budapest. Our two-year sponsoring agreement valid till the end of 2011 provides the orchestra with significant financial background, but – unfortunately- this could not solve the serious financial troubles the Orchestra has been facing for years, as a result of which we did not renew our contract at the end of the year.

8.3. Donations

At the end of 2010 the Company launched its 'hello holnap!' (means 'hello tomorrow') initiative with the purpose of bringing the numerous and diverse sustainability activities under a common umbrella program on the one hand, and launching a social education program, on the other. Based on the initiative of Telekom in January 2012 the Sustainability Media Club was called to life, the members set the objective of wide-scale roll-out of the concept of sustainability and agreed to cooperate in communicating the messages of sustainability to the widest scope of population.

The 'hello holnap!' initiative has renewed the donation practice of the Company, with a focus on thematic tenders invited by the Board of trustees of 'hello holnap!' foundation during the year. To ensure the highest efficiency Telekom made a decision about involving Sustainability Media Club in the decisions regarding donations, which includes selection of the first winners of the thematic tenders.



Barbara Dénes

Project Manager, Kortárs Építészeti Központ (Contemporary Architecture Centre)

Since 2010 the Contemporary Architecture Centre (KÉK) has been promoting in Hungary urban gardening programs and the starting of urban community gardens, which have traditions of several decades all over the world. Urban gardening is an initiative aimed at organizing into communities people of different ages and social backgrounds who, while tilling their little garden plot, also learn a different approach to the environment from which they will then benefit in the other walks of life and become citizens who respect each other's work. Beside their community-shaping and educating role the gardens also bring direct benefits for the urban farmers in the form of fresh vegetables, fruits and herbs. The aim of KÉK with the pilot urban gardens and with building a comprehensive knowledge store is to help gardening evolve into a self-organizing movement. We have received support from Magyar Telekom's 'Hello Tomorrow' program to this initiative: the grant we have won under this program has helped start the Lecsős Kert (Letcho Garden) in the 2nd district and the Leonardo Kert in the 8th district in 2011. It was also great help in our work that the members of the Sustainability Media Club have made publicity to our initiative time and again, thus adding to our own communication efforts.

Three thematic tenders were invited in 2011:

- Sustainability awareness (Winners: Kortárs Építészeti Központ (Architectural Centre), Diák- és Ifjúsági Újságírók Egyesülete (Student- and Young Journalists Association), Zöld Pók Alapítvány, (Green Spider Foundation)
- Open labour market integration of people living with disabilities (winners: Kerek Világ Alapítvány (Round World Foundation), Nem Adom Fel Alapítvány (I will not give it up Foundation), Salva Vita Alapítvány (Salva Vita Foundation)
- Integration of the treasures of Hungarian culture in the programs implemented by the civil population (Winners: Hagományok Háza Baráti Köre Egyesület (Association of the House of Traditions), Mosolyország Alapítvány (Mosolyország Foundation), Otthon Segítünk Alapítvány (We help at home Foundation), Pécsi Kórháziskola Alapítvány (Pécs Hospital School Foundation)

In 2011 – based on the decision of 'hello holnap!' Board of Trustees – the winner organizations who submitted their applications in one of the three dimensions of sustainability – social, financial and environmental – were awarded a donation of over HUF 90 million.

It worth mentioning that on December 5, 2011 (the World Day of Volunteers), the "It is good to give" Cakes Campaign was organized for the first time in the frame of the 'hello holnap!' initiative, where the members of the Sustainability Media Club also took part. In the cakes campaign the employees sold their home-made sweets to the others, and the revenue generated in the campaign, amounting to 800 thousand HUF was supplemented by Magyar Telekom with HUF 2 million, and donated to the kindergarten for children with homeless parents operated by Oltalom Charitable Association in Dankó utca.



Gábor Gönczi, RTL Klub

Crnogorski Telekom works close with a number of civil organizations devoted to protection of interests of disabled persons and with organizations which make efforts towards the development of the Montenegro civil society.

Makedonski Telekom and T-Mobile Macedonia assumed and performs a number of diverse activities, one of them is the support provided to the Skopje Zoo. Thanks to the donations, in 2011 the Zoo was able to purchase a small train where children can learn more about the animals in organized tours inside the Zoo. Makedonski Telekom developed Hotspots at various sites in the Zoo to provide the visitors with virtual experiences and fast internet access in the area of the Zoo, and the visitors – now for the first time – may enjoy the acrobatic show of the gibbons in real-time mode (web: www.web.maxtv.mk.) Our Company has distributed some 2000 free entry tickets to the Zoo among children. Successful operation of the zoo requires commitment, cooperation and support, this is why Makedonski Telekom and T-Mobile agreed to provide support. The Companies provide not only financial support to modernization of the zoo, but also create a more pleasant environment to entertainment and leisure events and family programs. June is the month of zoo each year, in June 2011 the employees of Makedonski Telekom and T-Mobile took part actively in the decoration of the zoo. Indirect support provided to six Macedonian localities was a significant action on the way of social development. In Kumanovo we supported the basketball club, the male and female handball and valley-ball teams. In the frame of „all in the park” project two playgrounds were built on an area of 644 square meters not far from the city of Shtip, for the greatest pleasure of the children. Local children were also very enthusiastic about the skating ring in Prilkepe. In Strugab the Company supported construction of bus-stops, in Kavadarci playgrounds and basketball tracks were built at two sites, and the Company contributed to the decoration of Skopje and Kisela Voda with a sculpture and helped the reconstruction of a fountain.

NGO Strategic Partnership

In 2011 we continued our NGO Strategic Partnership program announced in 2009, which means an annual support of 10 million HUF provided for the selected NGO-s for a three year period which offers an opportunity for close, high level useful cooperation opportunity to all the related stakeholders.

Telekom with its competition work presenting the NGO Strategic Partnership program won the second prize last year in the Social Investment

Award of the Hungarian Donations Fund, in the category of the Most Efficient Supporting Program category.

NGO strategic partner organizations

- Kék Pont Drogkonzultációs Központ és Drogambulancia Alapítvány (Blue Point Drug Counseling and Outpatient Center Foundation)

We support the three-stage prevention program of the foundation.

The primary level of the program is the Health School: in which foundation staff will contact secondary school students to communicate the notions of awareness, usefulness and discipline in the frame of discussions aiming to shape the views of the students. Thanks to the support the program has been rolled out country-wide.

The second stage is kannabiszpont.hu, which offers online assistance to cannabis addicts enabling them to log their consumption and providing them anonymous counseling. kannabiszpont.hu can be accessed via smartphone applications, as well. Stage three pursues the objective of the digital integration of problematic drug addicts.

In addition to the commitments undertaken in the competition we also cooperate successfully in events of education (e.g. provision of drug prevention services in the festivals supported by Telekom, including VOLT Festival, Balaton Sound, civil conferences, internal communication activities).

- Kórházpedagógusok Egyesülete (Hospital Trainers' Association)

The association – supported by Magyar Telekom – provides assistance to children suffering from chronic – primarily tumorous – diseases in nine hospitals countrywide (in Budapest, Debrecen, Miskolc, Pécs, Szeged and Szombathely). The trainers involved in the hospital training program focus provision of primary and secondary school education and mental support to children with special needs, being in nursery, primary school and secondary school age. Education plays paramount role in improving the psychical condition of the patients, by ensuring his/her ongoing communication with the class-mates, teachers is crucial.

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

The support also allowed to hospital trainers' participation in the professional trainings, conferences, where they presented their own lectures.

■ Szívlapát Alapítvány (Szívlapát Foundation)

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

Our objective is to draw up a master project which can be useful later on, too, in other micro-regions of the country. The program launched a number of workshops, including. Media school, Energizing workshop and Domestic Products workshop, as well as a number of volunteer programs. One of the key elements of corporate volunteer activity was the cleaning of the bicycle roads in the micro-region and placement of signal posts along the bicycle roads.

A bicycle guide titled „Cycling in the Mezőcsát Microregion” was published in 1500 copies. The bicycle guide is presenting the history of the micro-region, its natural and cultural relics, indicates sites where traditional local food is sold, and outlines routes for bicycle tourism in the region. The booklet sets forth 4 tour routes, and sites of interest which worth visiting: gastro-specialties, natural beauties and historical relics. The purpose of the Media School is to give an insight to young people to the back-stage of the media world, to make them understand operation of the system, learn about marketing and PR and be able to identify advertisements presented in the frame of various programs. In addition to learning the basics of communications technology they will be able to shot and cast films, create web-pages and manage their products both online and offline.

The most significant recognition of the success of Jövő/Menő program was in 2011 that in the HBLF-Vodafone Workplace Voluntarily -2011 competition the jury awarded the first prize to the Jövő/Menő program of Magyar Telekom Plc. in the large enterprises category.

For updated information about the initiatives implemented in the Mezőcsát micro-region visit www.jovomeno.org.

1749 – Helpline

On the Helpline 1749 operated in cooperation by the telecom operators the donations were collected for the victims of the earthquake and tsunami that took place in Japan on March 11, 2011. Due to the exemplary, unparalleled, fast and flexible cooperation of the info-communications companies some 27 million HUF was collected within two months to support the victims of the disaster.

1788 – Telekom Donation line

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

The service is free of charge, i.e. the total amount donated is transferred to the beneficiary, without aiming to generate profit, and related costs (VAT) are paid by the Company³¹ and significant support is also provided to the communication campaigns of the organizations in question mounted in the collection period (e.g. public commercial film (TCR film), television and other press coverage).

Beneficiaries of the program in 2011:

- Magyar Bohócok a Betegekért Alapítvány (Hungarian Clowns for the Patients Foundation)
- Gézengúz Alapítvány (Gézengúz Foundation)
- Thai Masszőrök Magyarországi Egyesülete (Hungarian Association of Thai Masseurs)
- Együtt az Egészségünkért Alapítvány (Together for our Health Fund)
- Nem Adom Fel Alapítvány (I Will Not Give It Up Foundation)
- Kórházi Önkéntes Segítő Szolgálat Alapítvány (Hospital Volunteer Care Service Fund)

Civil – and CivilNet Tariff Packages

The Company launched its Civil Tariff Package service in March 2004. Civil Tariff Package provides 500 minutes of free calls without monthly

fee and connection fee in the domestic wireline network. The tariffs of usage exceeding 500 minutes contain an average of 30% discount on the call charge of the basic package. In 2009 – responding to the demands of the NGOs – Magyar Telekom extended its Civil tariff package service to internet access as well, by launching its CivilNet tariff package, which provides internet access service without connection fee and monthly fee to public benefit organizations selected in competition. Applications can be submitted for the CivilNet tariff package jointly with the Civil tariff package. In the frame of the service package, the Company provided in 2011 discount schemes altogether to 19 organizations with an overall value of HUF 3 786 000.

Counseling line service

The Company puts special emphasis on supporting counseling help lines by providing free calling possibility. In 2011, this translated into near to HUF 10 million support to 11 organizations operating counseling lines.

8.4. Employees as Corporate Citizens

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

The experiences of the past years prove that this system encourages charitable actions of the civil population: Before December 31, 2011, different nonprofit organizations, focusing mainly on healthcare, educa-

31 Domino (prepaid) calls contain VAT

tion, disadvantaged children, received donation close to HUF 130 million worth, thanks to the charity of employees. The amount includes the donations from the employees and contribution of the Company since 2001. Employees' donations amounted to HUF 5 million in 2011.



Farkas Emese

Communication Manager, Önkéntes Központ Alapítvány (Volunteer Centre Foundation)

The Volunteer Centre has been organizing volunteer programs for Magyar Telekom since 2008. Over these years hundreds of Telekom employees have joined these programs, which benefited some 30 recipient organizations. During these years our organization and the company have developed fair partnership relations, which gives us hands-on experience of the profound dedication and commitment,

corporate social responsibility and cooperation with the NGOs mean for Magyar Telekom. Telekom employees take part in every program actively, in a disciplined manner and with maximum effort. This is an important feedback for us as it shows us that our dedication and volunteer efforts are important for others too.

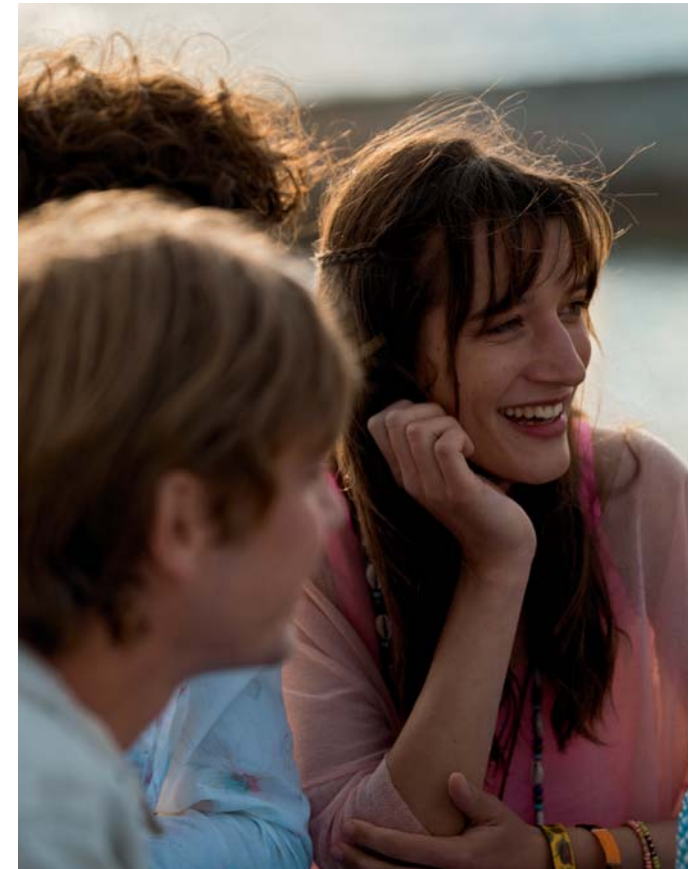
In 2011, the European Year of Volunteering we increased sensitivity of our employees by organizing volunteer programs. Comparably to the previous years, Jövő/Menő program offers a job to interested volunteers, with the purpose of forwarding the sustainable development objectives of small regions in disadvantageous situation (the first venue of the program is the Mezőcsát microregion) the Digital Bridge at Small Settlements program, aiming to present achievements and opportunities of information and communications technologies in the areas where digital disparities are present. Furthermore, since 2011 we have organized collective team building sessions, altogether 389 ✓ colleagues performed volunteering work in 480 ✓ working days (in 3840 working hours,) in

the frame of which staff persons provided voluntary contribution of 19.9 ✓ million to the society.

On December 5, 2011 (the World Day of Volunteering) we collected donations for charitable purposes with the involvement of the staff persons. We requested the employees to come with hand-made cakes of their own. The employees sold their cakes to others, everybody was free to pay as much as he thought appropriate for the cakes. The Company supplemented the donation of over 3 million collected this way, and donated the kindergarten of Oltalom Charitable Association taking care of homeless children in Dankó utca.

The employees of Makedonski Telekom and T-Mobile took part in a two-day blood donation campaign organized jointly by the Red Cross operating in the Republic of Macedonia and the State Blood Transfusion Institute. The motto of the event: "Donate blood - be human" where 160 units of blood were donated. We traditionally take part in the blood donation campaign each year. With this action the employees of Makedonski Telekom and T-Mobile witnessed their commitment towards humanitarian efforts and promoted health and community objectives.

Crnogorski Telekom and its employees organized a voluntary blood donation day in September 2011 in cooperation with the Montenegro Red Cross and Montenegro Blood Transfusion Centre. 50 employees and the members of the management donated blood and called the attention to that the headcount of the blood donors in Montenegro should be doubled to reach the norms determined by WHO. At the same time the Company also donated certain equipment to the Blood Transfusion Centre to support their activity.



9. Responsible content services

9.1. Protecting children 88

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9. Responsible content services

9.1. Protecting children

Magyar Telekom's objective is to serve its customers at the highest possible standard and to protect them – with special regard to minors – from the undesirable consequences of development of the infocommunication technology. Magyar Telekom ensures protection of minors and increase of their conscious media usage with various methods.

Protection against contents deemed to be undesirable by parents, educators and authorities

Safe internet

The internet safety service offered by T-Home and T-Mobile not only offers protection against various external attacks and viruses threatening computers, but has also other functions. The content filter finds and blocks undesirable websites, while the parental control function can be used with a password by parents to block contents deemed to be undesirable for their children.

Magyar Telekom Group member origo Zrt. is one of the largest content providers in Hungary managing almost 40 websites, including iWiW, Videa and freemail. The start page of [origo] shows an article dedicated to parents with detailed description of the usage of safe internet usage opportunities and software (tale browser, network filter, protection programs etc.) to help understand the functioning of child protection tools. Registration on the social networking website iWiW for minors under the age of 14 is allowed only with parent's approval, it is not possible to search for minors under the age of 14, they cannot register for clubs dedicated to adults over 18 and cannot access adult content. Applications on iWiW are prescreened, warning is attached to adult content. Harmful contents can be reported by a simple click, in order to ensure privacy each user can select who can view his data (nobody/friends/all users).

The video sharing site Videa offers adult content with tagging and can be accessed only after a warning given to the user and answering a question about the user's age. If a content is inappropriately marked or can be presumed to be unlawful, it can be reported by a simple click here, too. Users can upload exclusively contents dedicated to children to the website VideaKid.

[origo] produces also own content, primarily on the websites origo.hu and life.hu. [origo] as a press product and the contents produced and published by Origo Zrt. are regulated by Act CIV of 2010 on press freedom and basic rules of media contents and Act CLXXXV of 2010 on media services and mass communication, which means that contents widely accessible on these sites that are harmful to minors cannot be accessed by minors, or can be accessed only after appropriate warning and tagging in a popup window. The warning makes also a child protection program with free downloading accessible to parents at a simple click, with a recommendation of the Association of Hungarian Content Providers. Finally, the chatrooms accessible on the internet also for children are under steady monitoring by disguised operators (participating in chatting) (iWiW, [origo], T-Mobile). Additionally, Magyar Telekom continuously monitors adult content sites to prevent the uploading of pornographic content.

Safe mobile usage

In 2008 Magyar Telekom and two other Hungarian mobile operators committed themselves with the signature of a self-regulating Code of Ethics towards the protection of minor and young telephone users and regulation of premium rate services. In the same year an international umbrella organization of mobile operators (GSMA) launched another initiative aiming protection of children, and Magyar Telekom also joined the initiative. Based on this initiative, we launched our Child Lock function early 2009.

Child Lock, a free service of T-Mobile is a tool for parents to protect their children from harmful contents that can be accessed on the mobile phone. Child Lock prevents access to:

- adult contents presented, sold,/re-sold, on the [origo] mobile portal, which can be accessed via mobile phone.
- all the premium rate SMS, MMS or voice services, and
- the broadcasts of adult channels provided in the frame of Mobile TV service.

Parents can increase safety of mobile internet usage by content screening available via the internet security software application described above.

Safe television

We have launched our Child Lock service also for T-Home Digital Cable TV, SatTV and IPTV services to provide for safe television, where the parents may lock out the children from adult contents and programs and channels by applying a code, and may also control purchases in the video-on-demand.

Education

Magyar Telekom has placed special emphasis on the training of children and presentation of proper application of the info-communications equipment.

Accordingly, Magyar Telekom has joined the initiative of construction of Media Literacy training Centre initiated by the National Media and Communication Authority where the NMCA and its partners make efforts toward the provision of safe services in the areas of media and communications and aim to provide training to young persons, by which they will learn under entertaining conditions about safe usage of media and communications services.

T-Mobile advises the parents on its website about how they can protect themselves against harmful contents, harassment, and how they can protect the privacy of information of their children.

Civil sector and official co-operation

Magyar Telekom provides support to the Blue Line Child Crisis Fund, operating with the objective of listening to children and minors, and ensure implementation of children's rights. We also support the International Foundation of Pediatric Emergency Care, in the annual event of Children's day we offer special programs, facilities to children. Telekom Donation Line has been operating for the 8th year, in 2012 it supported – among others - the Foundation of Hungarian Clowns for Patients, which aims to contribute to curing sick children by the power of laugh.

Magyar Telekom works close with the National Media and Communications Authority in a number of other fields, in addition to the above. Further partners include Matisz, GSMA and ETNO in the area of child protection.

Other initiatives

In the school year 2009/2010, Magyar Telekom launched on test basis in the Szabadszőlős Primary School an admission system based on the RFID technology. All the students involved in the system test received a School Card with a plastic ID card based on the RFID technology. Access to the building and leaving the building is controlled by the admission card, and students are let in through the gate installed at the entry, which can largely increase the security of students and the tools of the school.

Entries and exits are logged on a continuous basis, what can be checked by the parents anytime, upon request. Where it is required, the parents are notified about the child's arrival at school and departure from school. As a result of the test, an extensive modular system covering all aspects of school life was developed, which serves for the security of children and also assist in education, furthermore it offers cost efficient learning methods in the area of school administration, School Cards have been launched on test basis in the 2011/2012 school year in Szilágyi Erzsébet Secondary Grammar School.

9.2. Addressing legal and ethical issues of content provision

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

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

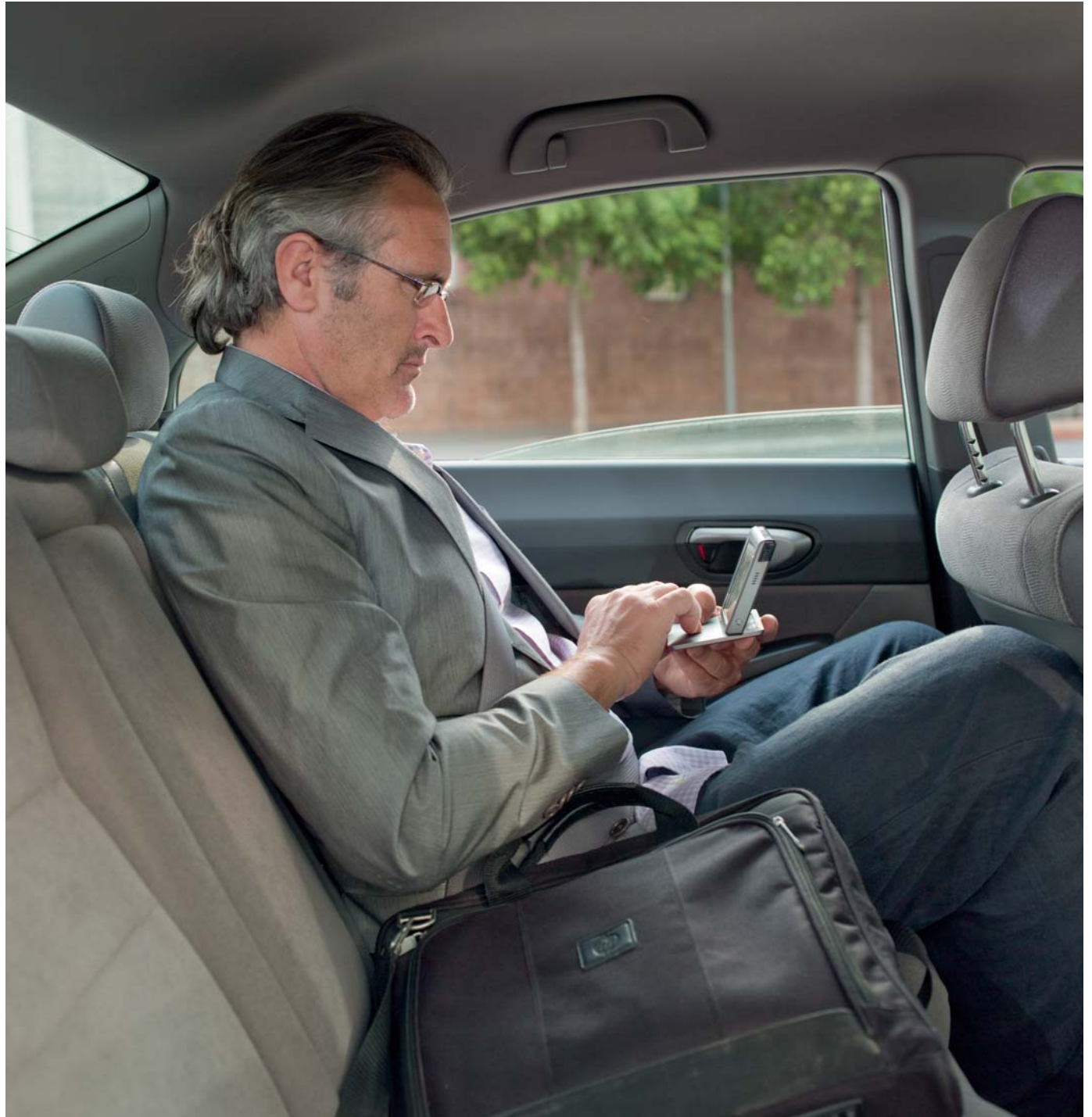
Since July 1, 2011 the web pages of origo.hu propose the application of a child screen program when accessing adult contents, in addition to the warning displayed. Nevertheless, Origo Zrt. is the member of MTE, which assigns significant emphasis to protection of children, therefore early 2012 they have completely renewed the website www.bigyoo.hu which gives proper guidance to safe internet usage.

[origo] Media and Communication Services Plc. holds the license to grant all rights of use of the [origo] databases whereby the Company follows the recommendations of the Code of Content Provision to protect privacy and intellectual property and ensures compliance with the Code of Ethics of the content providers.

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

In 2011 DT has launched a number of initiatives in the field of purchasing contents. These initiatives bring savings by exploiting the benefits of scale of economy within the Company Group, and reduce the related risks in view of the direct relations between DT and the key suppliers. At an early stage these initiatives are implemented as pilots, but as far as they are successful, they will result in increased purchasing activity associated with related content. At the same time the local and regional television channels are presented in the offerings of Extra TV free of charge as the program transmitters and a CT are mutually interested in being present in the successful IPTV platform of the Company. Procurements of video-on-demand are realized at Group level, which will reduce associated risks of legal or ethical nature.

10. Data protection



10. Data protection

Like in the previous years, in 2011, too, the data protection objectives of Magyar Telekom are in full compliance with the privacy regulations and with the best practice of data management defined by the Data Protection Commissioner.

The Data Protection Commissioner's Office addressed Magyar Telekom in 2011, too, which were investigated by the Data Protection Group and the findings reported to the Data Protection Commissioner. In 2011 altogether 8 complaints related to personal data management were submitted in respect of which the Data Protection Commissioner's Office requested an investigation, who found 2 of the complaints established. Based on the results of the investigation we reviewed our processes and made the necessary adjustments.

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

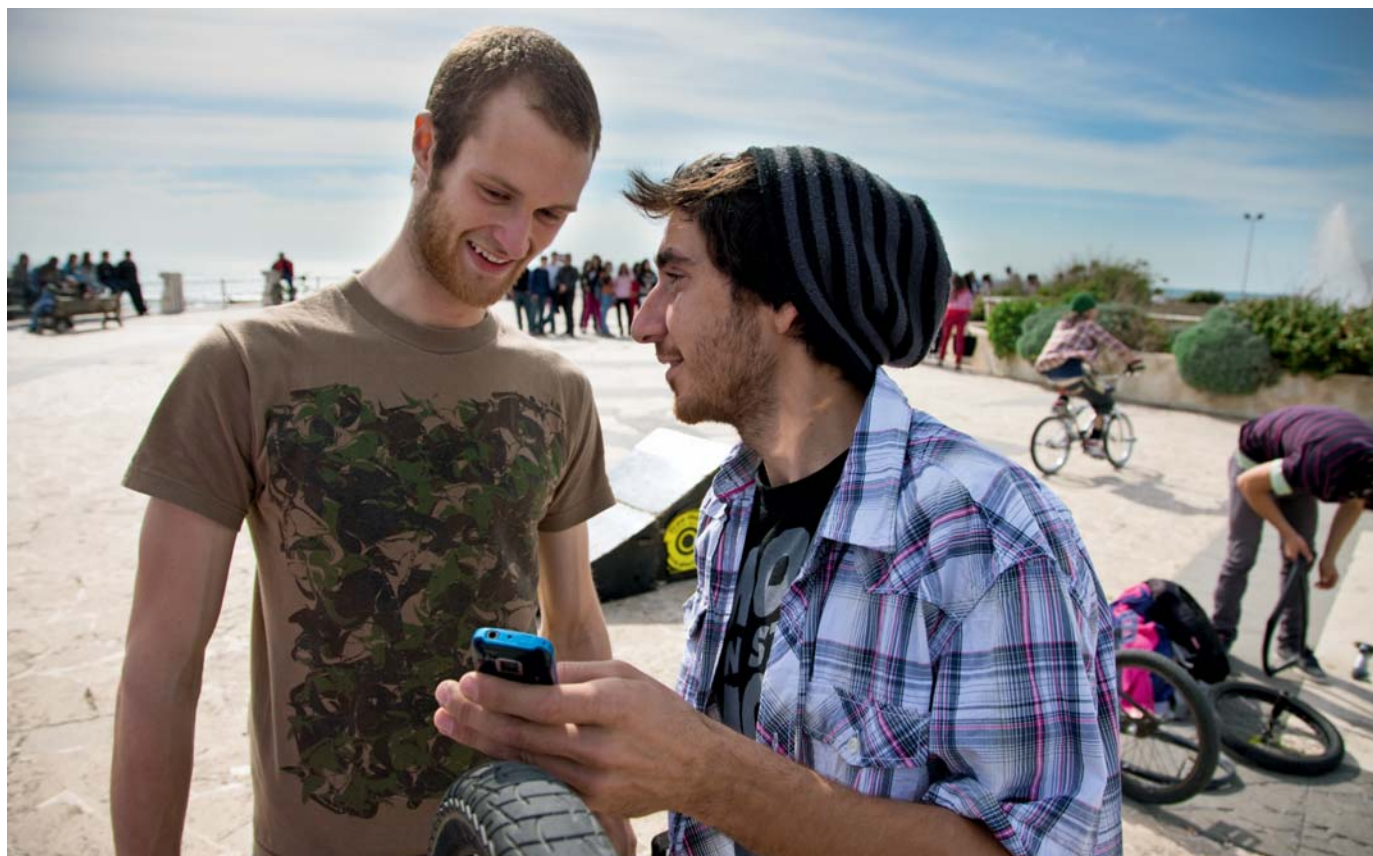
For further information on the theme visit the following website:
http://www.telekom.hu/data_protection

The data protection activities of Makedonski Telekom and T-Mobile Macedonia are regulated by the Privacy Code of Conduct issued in a CEO Directive. The Privacy Code of Conduct is in compliance with the Macedonian Act on Privacy and also with the privacy requirements of the DT Group. Compliance with the provisions of the Privacy Code are audited annually at both companies in line with the Privacy regulations of the DT Group. In 2010 T-Mobile Macedonia was ranked third on Group level in terms of maturity of Privacy protection. This ranking was confirmed in the 2012-year annual International Privacy Audit. Privacy protection is closely related to development of new products, services and IT systems. In respect of the 2011-year key projects and activities (e.g. Campaign Management Systems, NGM CRM Project, Joint Loyalty Programme) the Data Security area identified and remedied

potential privacy problems in the areas of planning the services, processing personal data and contractual obligations of the related suppliers or third parties.

Crngorski Telekom has launched a number of new regulations for managing the legal and IT aspects. Information Security and Privacy

Protection regulations, IT/NT Security Regulations, Regulation of the IT requirements related to Privacy Protection of the Customers. The Company uses the form sheets of consent of Deutsche Telekom and Magyar Telekom for management of the data related to privacy, submits regular (quarterly) reports to the Group Data Protection area, and its representatives take part in the lectures of the Office of Data Protection.



11. Safe use of
mobile phones,
electromagnetic
fields



11. Safe use of mobile phones, electromagnetic fields

In the end of 2011 the number of mobile subscribers was 12 million in Hungary, 2.1 million and 1 million in Macedonia and Montenegro, respectively. Beyond providing high-quality services to these customers through the mobile telecom network, in December 2004 the UMTS licenses were distributed among the operators in Hungary. Furthermore, in December 2011 Magyar Telekom obtained the license for launching the LTE service. Roll-out of the LTE-related networks, however, might draw communities' attention to the issue of electromagnetic fields, which may increase the significance of the Company's strategy aimed at addressing the topic.

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

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

To support these initiatives a dedicated workgroup has been set up by Magyar Telekom, which meets regularly and continuously monitors EMF-related developments in Hungary and abroad, and responds to EMF-related questions posed by authorities, residents or employees. Further information about T-Mobile International's "EMF Policy Recommendations" adopted by Magyar Telekom is available on the website of T-Mobile International³².

32 T-Mobile EMF-Policy Health and Electromagnetic Fields Background Document

In the framework of this policy, Magyar Telekom addresses the complaints and inquiries in an efficient manner. Furthermore, in the framework of the Company's overall education program, new employees are trained in connection with the question concerning electromagnetic fields as part of the mandatory orientation briefing.

The EMF Regulation was launched in the case of T-Mobile Macedonia, which defines the principles for responsible usage of mobile communications technologies. The Company assumed commitment in the document toward transparency, provision of information and participation. T-Mobile Macedonia will provide financial support to the independent health researches of the mobile communications sector, to ensure future development and safe usage of the technology.

The Company does not consider the information related to electromagnetic fields as a competitive issue, therefore initiated cooperation among the mobile operators. The agreement among the operators was signed in the first quarter of 2011. A working group was drawn up subsequently, which hold regular meetings quarterly, or more frequently, if it is so required by new EMF events.

The EMF team of the Company holds regular meetings and elaborates on a number of EMF-related issues. In 2011 the employees participated in EMF training.

The Management Committee of Crnogorski Telekom adopted on October 27, 2011 the EMF Code of the Company, which was drafted in line with the related DT regulation.

Mobile network, network development

According to our common practice applied at the base station the antennas are installed in a way that employees normally cannot stay in front of them, they can not and do not have to work in the relevant zone, passage ways do not cross the areas in question.

If, in extraordinary cases, people must pass or work in front of the antennas, - which is typical in case of external contractors' work, e.g. when renovating a building, - safety distance data are made available. If necessary, site measuring can be conducted, or in certain cases the antennas will be relocated on temporary basis, or performance of the transmitter can be reduced.

If a Magyar Telekom employee performing work in the nearby of an antenna detects unidentified signal source, he will use RADMAN personal radiation detector to determine the boundaries of safe zone and prevent health risk.

Compliance with the value limits defined by law for the Magyar Telekom mobile network is audited and certified by independent measurement bodies. In 2011, 34 on-site non-ionization electromagnetic exposition measurements took place, all of which found the emission levels to be under the relevant limits.

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

Communication

Despite the fact that the radiation of Magyar Telekom's handsets and mobile base stations is well below the ICNIRP emission limits, the Company considers communication to employees and customers important³³. In 2011 two internal training programs were launched, in the framework of which some 50 colleagues participated in the presentations delivered by the expert of the Frédéric Joliot-Curie National Research Institute for Radiobiology and Radiohygiene (OSSKI), VODAFONE and Magyar Telekom.

In addition to internal communication, in 2011 Magyar Telekom continued to respond openly to any inquiries about safe use of mobile phones.

33 http://www.telekom.hu/society_and_environment/society/health_and_safety

As a result of cooperation among three mobile operators an EMF portal was established for information purpose in 2006 which has been operating continuously in 2011 as well. (<http://www.emf-portal.hu>). At this site questions can be asked regarding EMF issues, news are available about the topic and readers can access the findings of the EMF measurements ordered by the operators from external organizations.

The Company also runs an additional internet page (<http://www.bazisalomas.com>), along with the EMF portal, where visitors can find answers to questions about the healthcare legal and technological implications of electromagnetic fields and GSM systems.

The SAR values of the devices³⁴ are included in the user manuals in the mobile set boxes and are available at the T-Points as well. The same data are accessible at T-Mobile webshop under the detailed descriptions of devices.

Research

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

Assumed health effects of mobile telecommunication have been studied and analyzed for more than twenty years. So far scientific researches

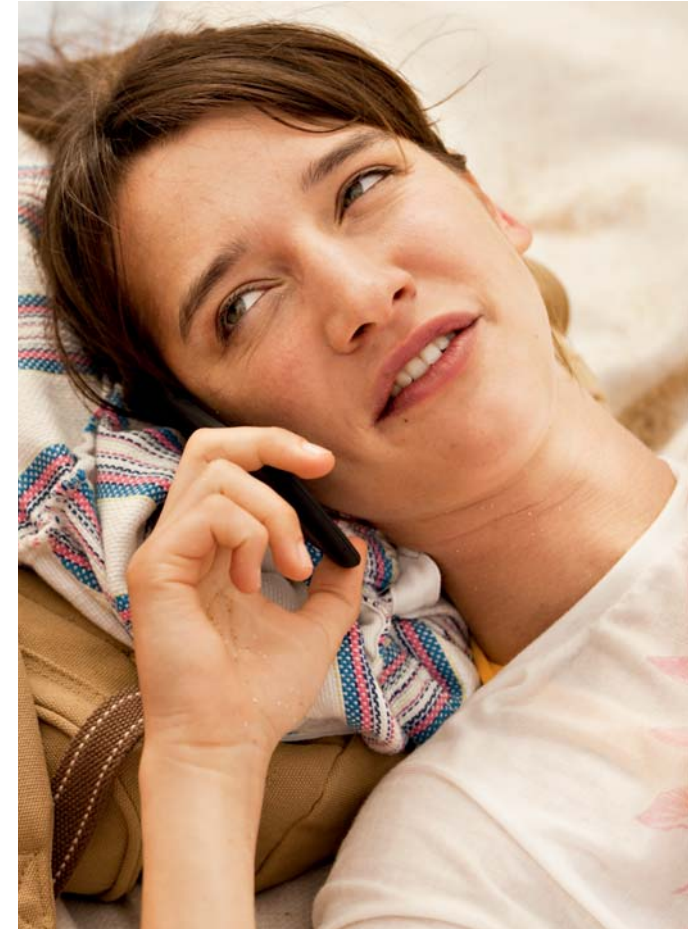
have not confirmed any negative health impact of mobile telecommunication on the human body.

The largest research project of this type – WHO-IARC INTERPHONE project conducted with the participation of 13 countries – was closed in 2011. Upon closing the project on May 31, 2011 WHO-IARC classified the electro-magnetic fields to 2B carcinogenic category. According to the chairman of the WHO-IARC (International Agency for Research on Cancer working group “evidences are strong enough to confirm the 2B category and also the conclusion regarding occurrence of risk. In view of the above, the studies regarding the relation between mobile phones and occurrence of cancer must be continued. At present the following agents are classified to 2B category: black coffee, petrol, the fumigation gas of benzene engines, nickel and alloys, talcum powder, network frequency magnetic field and mobile phone as well.

In 2011 Magyar Telekom supported in Hungary the personal exposition- metering researches relating to electro-magnetic fields with nearly 5 million HUF (in 2004 with more than 4 million, in 2010 with more than 6 million HUF). Magyar Telekom contributes also indirectly to independent research on the health impacts of mobile networks.

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

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



³⁴ SAR value (specific absorption rate) measures the magnitude of energy absorbed in the tissues

List of abbreviations

Abbreviation	Full name
ADSL	Asymmetric Digital Subscriber Line
ÁFA	VAT, General Turnover Tax
AG	Aktiengesellschaft (Company limited by shares)
ÁSZF	General Contract Terms
BME	Budapest University of Technology and Economics
BSC	Bachelor of Sciences
CEERIUS	Central and Eastern European Responsible Investment Universe
CO ₂	Carbon dioxide
CSFKT	Group Sustainability Coordination Council
CSR	Corporate Social Responsibility
DELFIN Award	Award for a Committed, Sustainable, Innovative Generation
DJSI	Dow Jones Sustainability Index
DSL	Digital Subscriber Line
DT	Deutsche Telekom
EAP	Employee Assistance Program
EBIDTA	Earnings Before Interest, Taxes, Depreciation and Amortization
EDR	Earnings Before Dividend, Tax and Amortization
ELTE	Eötvös Loránd University
EMF	Electromagnetic Fields
EN	Environmental Performance Indicators
ENSZ	United Nations
e-RFX	Electronic RFX (RFX – collective name of RFI (request for information), RFP (request for proposals) and RFQ (request for quotations))
ESzCsM	Ministry of Health, Welfare and Family Affairs
ÉT	council of reconciliation of interests
ETNO	European Telecommunications Network Operators' Association
EU	European Union

Abbreviation	Full name
GBit	gigabit (10 ⁹ bit)
GC	Global Compact
GeSI	Global e-Sustainability Initiative
GmbH	Gesellschaft mit beschränkter Haftung
GPON	Gigabit Passive Optical Network
GRI	Global Reporting Initiative
GS	Goldman Sachs
GSM	Global System for Mobile Communication
GSMA	GSM Association
GVH	Hungarian Competition Authority
GWh	Gigawatt-hour
HBLF	Hungarian Business Leaders Forum
HR	Human Rights Performance Indicators
HR	Human Resources
HSPA	High Speed Packet Access
HTE	Scientific Association for Communications and IT
IAESTE	The International Association for the Exchange of Students for Technical Experience
IARC	International Agency for Research on Cancer
ICCA	International Customer Contact Analysis
ICNIRP	International Commission on Non-Ionising Radiation Protection
ICT	Information and communication technology
IFRS	International Financial Reporting Standards
IMS	IP Multimedia Subsystem
IO	Internal Operations
IP	internet Protocol

Abbreviation	Full name
IPTV	Internet Protocol TV
ISDN	Integrated Services Digital Network
ISO	International Organization for Standardization
IT	Information Technology
IVR	Interactive Voice Response
IVSZ	IT Enterprising Association
iWiW	international who is who
JB	Remuneration Committee
K+F	Research and Development
KFKI	Central Physical Research Institute
Kft.	Limited liability company
KIBU	Kitchen Budapest
KMR	Career management system
KPI	key performance indicators
KTV	CableTV
kWh	Kilowatt hour
LA	Labour Practices and Decent Work Performance Indicators
LED	Light Emitting Diode
LTE	Long Term Evolution
MakTel	Makedonski Telekomunikacii
ME	Encompass
MEBIR	Workplace Health Protection and Security management System
MKB	Magyar Külkereskedelmi Bank (Hungarian Foreign Trade Bank)
MMS	Multimedia Messaging Service (multimédiás üzenetküldési szolgáltatás)
MSC	Master of Sciences
MSR equipment	Measurement, control and regulator equipment

Abbreviation	Full name
MSZ	Hungarian Standard
MT	Magyar Telekom
MTA	Hungarian Academy of Sciences
MTE	Hungarian Content Providers' Association
MTIP	Mid-term incentive plan
MWh	Megawatt-hour
NAT	Network Address Translation
NeMo	Network Modernization
NIIF Institute	National Information and Infrastructure Development Institute
NMCA	National Media and Communication Authority
Plc. (Plc.)	Public limited company
OSS	Open Source Software
OSS	Operation Support System
OSSKI	"Frédéric Joliot-Curie" National Research Institute for Radiobiology and Radiohygiene
PA	Providing Access
PEM	Proton Exchange Membrane
Plc.	Public limited company
PM	Performance management
PoS	Point of sale
PR	Product Responsibility Performance Indicators
PSTN	Public Switched Telephone Network
PSU	Power Supply Units (tápegységek)
Q4	Quarter4
RAN	radio access network
R&D	Research and Development
RFID	Radio-frequency Identification (rádióhullám-alapú azonosítás)

Abbreviation	Full name
SAR	Specific Absorption Rate
SAT-TV	Satellite TV
SEE	South-East Europe
SIM	Subscriber Identity Module
SMS	Short Message Service
SO	Social Performance Indicators
TA	Technology Applications
TCG	Telekom Crne Gore/Crnogorski Telekom/Telekom Montenegro
TCR	Public commercial film
TED	Technology, Entertainment, Design
TM	Performance management
TNU	Tone Receiver Unit (dial voice and DTMF-code receiver)
ÜB	Ügyvezető Bizottság
UMTS	Universal Mobile Telecommunications System
UNEP	United Nations Environmental Programme
VoCa	Voice over Cable TV
VoCable	Voice over Cable TV
VoIP	Voice over Internet Protocol
VPN	Virtual Private Network
VSAT	Very Small Aperture Transmission
WHO	World Health Organization
Zrt.	Private limited company

Assurance Statement



INDEPENDENT ASSURANCE REPORT

To the Management of Magyar Telekom Nyrt.

This report is produced in accordance with the terms of our Contract dated 27th July 2012 for the purpose of reporting to Magyar Telekom Nyrt. (the "Company") in connection with the 2011 Sustainability Report.

Management's Responsibility

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

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

Description of the Subject Matter and Identification of the Criteria

PricewaterhouseCoopers Könyvvizsgáló Kft. has been engaged to perform a limited assurance engagement on selected information and data of the 2011 Sustainability Report for the calendar year 2011 prepared by the Management of Magyar Telekom Nyrt.

Our Responsibility

Our responsibility is to report on "2011 Sustainability Report" based on our work performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Information" ("ISAE 3000"). This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether the key facts and figures included in the 2011 Sustainability Report complies, in all material aspects, with the GRI criteria.

Summary of the work performed

Within the scope of our work we performed the following procedures:

- Inquiries of the management as well as personnel of the central unit responsible for the reporting of sustainability information and the preparation of the Sustainability Report;

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- Examination of the relevant documentation regarding the appropriateness of the relevant processes for gathering and analyzing the information marked with the check symbol ("✓") in the Sustainability Report;
- Analytical review of selected sustainability details;
- Conduct of site visits, investigating site specific inquiries and evidences;
- Performing sample testing for the accuracy of the information marked with the check symbol ("✓"), for example by inspecting internal documents, contracts and invoices/reports from external service providers.

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

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

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the key facts and figures included in the 2011 Sustainability Report has not been prepared, in all material aspects, in accordance with the GRI criteria.

Manfred Krawietz
Partner
PricewaterhouseCoopers Könyvvizsgáló Kft.
Budapest, 9th August 2012.

IMPRESSUM

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