

**DECLARATION**

***in connection with the Corporate Governance Recommendations (dated December 8, 2003) published by the Budapest Stock Exchange Company Limited by Shares regarding corporate governance practices***

*Matáv Hungarian Telecommunications Company Ltd. (the "Company") declares as set forth below and provides the following information:*

**1. to Section 1.1.2 of the Recommendations**

*The mission of the Board of Directors covers matters set forth in this Section.*

*Yes (Complies)*

*No (Please explain)*

*The Board of Directors established its Charter.*

*Yes (Complies)*

*No (Please explain)*

**2. to Section 1.2.2 of the Recommendations**

*The Supervisory Board established its Charter and work schedule.*

*Yes (Complies)*

*No (Please explain)*

**3. to Section 1.3.2 of the Recommendations**

*Minutes have been prepared on meetings of the Board of Directors and the Supervisory Board, respectively, and resolutions had been properly administered.*

*Yes (Complies)*

*No (Please explain)*

**4. to Section 1.6.1. and Section 2.1.6 of the Recommendations**

*The Board of Directors has prepared the guidelines regarding the evaluation and remuneration of the management.*

*Yes (Complies)*

*No (Please explain)*

*The Board of Directors has published the guidelines regarding the evaluation and remuneration of the management.*

Yes (Complies)  
(when, where:

No (Please explain)

Corporate website <http://www.ir.matav.hu/english/vir/javadalmazas.html>  
of Matáv, Investor  
Relations

June 25, 2004)

#### **5. to Section 1.7. of the Recommendations**

*An independent internal audit department (independent internal control) functions at the Company.*

Yes (Complies)

No (Please explain:

*Internal Audit Branch is the independent internal auditing organization of the Matáv Group. From the organizational viewpoint it reports directly to the Chief Executive Officer. The Director of Internal Audit reports directly to the Supervisory Board and the Chief Executive Officer. Internal Audit reports to the Supervisory Board and the Chief Executive Officer on its audit work performed.)*

*The independent audit department has an auditing plan approved by the Board of Directors or the Supervisory Board.*

Yes (Complies)

No (Please explain)

#### **6. to Section 1.10. of the Recommendations**

*The shareholders' meeting and the Supervisory Board have been informed about the fact that the outside audit firm of the Company received a material assignment in addition to the audit.*

Yes (Complies)

No (Please explain:

*In view of the fact that Matáv is also listed on the New York Stock Exchange, in compliance with the extremely strict provisions of the Sarbanes-Oxley Act, the Audit Committee, which operates as a committee of the Supervisory Board is responsible for the oversight of the work of the independent external auditor of the Company. For this activity the "Rules of Procedure and Pre-Approval Policy of the Audit Committee of the Supervisory Board of Matáv Ltd." approved by the Supervisory Board in 2003 were applicable, since December 8, 2004 the "Rules of Procedure and Pre-Approval Policy of Matáv Ltd.'s Audit Committee of the Supervisory Board" approved by the Supervisory Board and superseding the earlier regulation are applicable. All Supervisory Board members receive the minutes of the Audit Committee meetings and of fax votes.)*

### **7. to Section 2.1.1. of the Recommendations**

The guidelines for disclosures have been prepared by the Company.

Yes (Complies)

No (Please explain)

### **8. to Section 2.1.4. of the Recommendations**

The Board of Directors published its actual business strategy.

Yes (Complies)

No (Please explain)

(when, where:

Corporate website <http://www.ir.matav.hu/english/vir/strategia.html> June 25, 2004  
of Matáv, Investor  
Relations  
Annual Report <http://www.ir.matav.hu/english/evesj/2004/AnnualReport2004.pdf> April 27, 2005)  
2004

### **9. to Section 2.1.6. of the Recommendations**

The Company published in accordance with Section 2.1.6 of the Recommendations the information relating to the career of the members of the Board of Directors, the Supervisory Board and executive management.

Yes (Complies)

No (Please explain)

(when, where:

**Board and Supervisory Board Members elected on the General Meeting held on April 28, 2004**

Corporate website <http://www.ir.matav.hu/english/vir/igazgatosag.html> June 25, 2004  
of Matáv, Investor  
Relations <http://www.ir.matav.hu/english/vir/felugyelobiz.html>

**Members of the Management Committee**

Corporate website <http://www.ir.matav.hu/english/vir/ugyvezetobiz.html> June 25, 2004  
of Matáv, Investor  
Relations

**Members of the Board of Directors, Supervisory Board and management**

Annual Report <http://www.ir.matav.hu/english/evesj/2004/AnnualReport2004.pdf> April 27, 2005)  
2004

### **10. to Section 2.1.7. of the Recommendations**

The Company published in accordance with Section 2.1.7 of the Recommendations its risk management guidelines.

Yes (Complies)  
(when, where:

No (Please explain)

Corporate website [http://www.ir.matav.hu/english/vir/pdf/risk\\_management\\_eng.pdf](http://www.ir.matav.hu/english/vir/pdf/risk_management_eng.pdf) June 25, 2004)  
of Matáv, Investor  
Relations

### **11. to Section 2.1.9 of the Recommendations**

*The Company published its guidelines on insider dealings.*

Yes (Complies)  
(when, where:

No (Please explain)

Corporate website [http://www.ir.matav.hu/english/vir/pdf/Insider\\_eng.pdf](http://www.ir.matav.hu/english/vir/pdf/Insider_eng.pdf) June 25, 2004)  
of Matáv, Investor  
Relations

### **12. to Section 2.1.10. of the Recommendations**

*The Board of Directors published in accordance with Section 2.1.10 of the Recommendations information regarding the relationships of the directors and members of the management with third parties.*

Yes (Complies)  
(when, where:

No (Please explain)

Corporate website <http://www.ir.matav.hu/english/vir/igazgatosag.html> June 25, 2004)  
of Matáv, Investor  
Relations <http://www.ir.matav.hu/english/vir/feluqyelobiz.html>  
<http://www.ir.matav.hu/english/vir/ugyvezetobiz.html>

## **Information and other notes**

### **1. to Section 1.3.1. of the Recommendations**

*The Board of Directors held with 82 % average participation ratio 5 meetings in the business year of 2004.*

*The Supervisory Board held with 85 % average participation ratio 3 meetings in the business year of 2004.*

### **2. to Section 1.5.2. of the Recommendations**

*The ratio of the independent directors qualifying as independent according to the recommendation of the Budapest Stock Exchange compared to the total number of directors: 77 % independent.*

### **3. to Section 1.5.5. of the Recommendations**

The ratio of the independent Supervisory Board members qualifying as independent according to the recommendation of the Budapest Stock Exchange compared to the total number of Supervisory Board members was 66 % independent until September 29, 2004. Since Joachim Kregel nominated by Deutsche Telekom to the Supervisory Board resigned from his Supervisory Board membership as of September 30, 2004, from that date the ratio of the independent Supervisory Board members qualifying as independent according to the recommendation of the Budapest Stock Exchange compared to the total number of Supervisory Board members changed to 62 %. (When the ratio of the independent Supervisory Board members is determined the employee representatives participating in the Supervisory Board are not qualified as independent by Matáv Ltd. in line with the recommendation of the Budapest Stock Exchange.)

### **4. to Section 1.8. of the Recommendations**

At the Company the below board committees held the below number of meetings per committee in the business year of 2004:

- Remuneration Committee: 3 meetings
- Audit Committee: 2 meetings

### **5. to Section 3.1.4. of the Recommendations**

In preparing and holding the shareholders' meeting at the Company the relevant recommendations on preparation and holding of shareholders' meeting had been taken into account in the business year of 2004.

Yes

No

### **6. The Company established a Corporate Governance Code.**

Yes

No

(available at

Corporate website of  
Matáv, Investor  
Relations

<http://www.ir.matav.hu/english/kozgy/mtv030724or01e.pdf>

[http://www.ir.matav.hu/english/vir/pdf/BoDrules\\_eng.pdf](http://www.ir.matav.hu/english/vir/pdf/BoDrules_eng.pdf)

[http://www.ir.matav.hu/english/vir/pdf/SBrules\\_angol.pdf](http://www.ir.matav.hu/english/vir/pdf/SBrules_angol.pdf)

<http://www.ir.matav.hu/english/vir/pdf/ACUGYREND1208A.pdf>

### **7. The Company established a Code of Ethics.**

Yes

No

(available at

Corporate website of  
Matáv

[www.matav.hu/english/mtav/codeofethics.pdf](http://www.matav.hu/english/mtav/codeofethics.pdf)

**8. The function of the Chief Executive Officer and the Chairman of the Board of Directors is fulfilled by the same person.**

Yes

No

Date: April 28<sup>th</sup>, 2005

  
.....  
Elek Straub  
Chairman-CEO

  
.....  
Dr. Klaus Hartmann  
Member of the Board of Directors,  
Chief Financial Officer