

AMENDED AND RESTATED RULES OF PROCEDURE  
OF THE SUPERVISORY BOARD OF THE  
HUNGARIAN TELECOMMUNICATIONS COMPANY LTD.

## 1. General Rules

- 1.1. The Supervisory Board (hereinafter: SB) supervises the management of the Company for the General Meeting.  
The SB carries out its activities pursuant to Act no. CXLI. of 1997 on Business Associations (hereinafter: "Companies Act" or "CA"), and the Articles of Association of MATÁV Rt. in force (hereinafter: Articles).
- 1.2. Within its scope of authority provided by the statutes the SB may request information from the Company's senior officials and employees; and may examine the books and documents of the Company. (CA Section 32 (2))
- 1.3. The SB shall examine the important reports of business policy that are on the agenda of the General Meeting. The General Meeting may pass a resolution on the annual report prepared in accordance with the Act on Accounting and the use of the profit after income tax only upon receipt of the written report of the Supervisory Board. (CA Section 32 (3) Articles 8.5).
- 1.4. Reviews, and upon its agreement, approves contracts to be concluded by and between the Company and any of its shareholders holding voting rights equaling at least ten percent of the share capital of the Company or by and between the Company and a close relative of such shareholder (Companies Act Section 224. (1) (2)).
- 1.5. The SB is entitled to express its opinion regarding the selection of the auditor and the content of the contract, concluded with the said auditor.

## 2. Organization of the SB

- 2.1. The SB consists of 3-15 members. (Articles 8.2.)  
The members are elected by the annual General Meeting. The assignment of the members of the Supervisory Board lasts for a term of three years from the date of the annual General Meeting until May, 31 of the third year subsequent to the date of the said General Meeting with the exception, that if the General Meeting in the third year is held prior to May 31 than their assignment lasts until the date thereof. (Articles 8.2.)

The holder of the "B" series voting preference share is entitled to nominate an SB member for election. (Articles 2.3. 2.1.)

The Works Council - after hearing the opinion of the trade union - nominates for election the employee representatives (CA Section 37. (1); Articles 8.2. (a)).

At the nomination of the employee representatives of the SB, the Works Council specifies the order of nominees with taking the prevailing number of SB members into account.

The members are elected by the annual General Meeting for the same period as those of the members of the managerial bodies.

2.2. SB membership terminates with:

- expiration of the assignment period;
- recall;
- resignation;
- death;
- termination of employment of the employee delegate (the employee delegate can only be recalled by the General Meeting upon the proposal of the Work Council, except if the Work Council does not meet its legal obligations to propose the delegate in spite of the existence of the reason for the exclusion, as set forth in the Act. CA Section 37. (1));
- the occurrence of any disqualifying event as regulated in the CA (the SB member involved shall inform in writing the Chairman of the SB within 15 days of the occurrence of the event.

An SB member may resign at any time, but if the operation of the Company so necessitates, the resignation will only take effect on the sixtieth day from its announcement, except if the General Meeting has already arranged for the selection of the new SB member.

3. Operation of the SB

3.1. The SB acts as a body. It may assign certain supervisory tasks to any of its members, or may divide supervisory tasks among its members on a permanent basis.

The Supervisory Board may establish opinionant, proposer and advisory bodies from its members and/or external persons on a permanent or occasional basis to carry out certain tasks. In order to comply with the relevant rules of foreign laws and stock market regulations due to being listed in the NYSE the SB shall establish the Audit Committee. The task of the Audit Committee is to supervise the financial reports of MATÁV Rt. and to elaborate its opinion regarding the selection of the auditor and the content of the contract concluded with the said auditor. The Audit Committee shall be comprised of at least three (3) independent members, one of whom must be a financial expert. The members of the Audit Committee can be selected from the SB members or from external sources as well. The Rules of Procedure and the selection of members of the Audit Committee shall be approved by the Supervisory Board.

The SB holds its meetings as necessary but at least three (3) times per year. At its first meeting the SB elects a chairman, if necessary, a deputy chairman or deputy chairmen from among its members. (CA Section 34. (1) (3)).

The meetings are conducted in Hungarian and English.

Comments made in Hungarian shall be simultaneously translated into English, whereas, comments made in English shall be simultaneously translated into Hungarian.

- 3.2. The Chairman convenes and conducts the SB meetings. Any member, specifying the reason and the purpose, may at any time request the Chairman in writing to call a meeting; the Chairman shall, within eight (8) days as of the receipt of the request, make the necessary steps to call the meeting to be held within thirty (30) days. If the Chairman does not fulfill the request the member is entitled to call the meeting. (CA Section 34. (3)).  
The Chairman shall nominate the Keeper of the Minutes, the Supervisory Board member who authenticates the Minutes, puts the issues to the vote and announces the result thereof.
- 3.3. Notice of the meeting shall be sent to the SB members 15 days before the date of the meeting by courier (express mail) or telefax, to the address or fax number specified by the SB member concerned. If there is no such address the notice shall be sent to the last known address or fax number of the member concerned. The notice shall contain the agenda, venue and date of the meeting. Discussion materials must be attached to the notice in Hungarian and English.
- 3.4. In case of his absence the Chairman shall be substituted by the Deputy Chairman, in case of lacking a Deputy Chairman, the Chairman requests a member to preside over the meeting.
- 3.5. The SB meeting has a quorum if 2/3 of the currently elected members are present. If the Supervisory Board is comprised of three members or if the above mentioned 2/3 is less than three persons the presence of three persons is necessary to constitute a quorum. (CA Section 34 (1), Articles 8.2. (b)).
- 3.6. The SB passes its resolutions by open vote and simple majority. In the event of a tie vote, the proposal supported by the Chairman, or, in case of his absence, the proposal supported by the Deputy Chairman shall be approved. If the Chairman (Deputy Chairman) is not present at the meeting a proposal cannot be considered approved in the event of a tie vote, and the item must be discussed again at the next meeting.
- 3.7. If the meeting does not have a quorum it shall be convened again within 15 days.
- 3.8. The members of the SB shall act in person; no representation is permitted. (CA 34 (2)).
- 3.9. If there is an appropriate reason and if the Chairman (Deputy Chairman) so decides, the meeting may be held by means of a

conference call, if the communication equipment makes it possible for all members to hear each other simultaneously.

Such participation at the meeting is to be considered as presence.

- 3.10. The SB may pass resolutions on any issue without holding a meeting if SB Members received the submission requiring a decision beforehand and 2/3 of the SB members cast their affirmative votes in writing (by fax).. The general rules apply to the validity of the resolution. The resolution and its approval by the respective SB Members shall be handled according to the rules on the minutes. If any SB member requests to convoke an SB meeting, the said meeting must be held.
- 3.11. At the proposal of the Chairman (Deputy Chairman-Presiding Chairman), with a two-thirds majority vote of the members present, a private meeting may be held. Only those invited for a given issue may be present at private meetings, in addition to the SB members.
- 3.12. To prepare its position in certain issues the SB may set up committees from among its members – on a permanent or an ad hoc basis. The rules of procedure of the permanent committee (rules of operation) shall be established by the committee itself and shall become effective upon the approval thereof by the Supervisory Board. To prepare a position requiring special expertise the SB may commission external experts at the expense of the Company.
- 3.13. Permanent invitees to the SB meetings are:
  - the Chairman and the Deputy Chairman of the Management Committee and the member appointed by them
  - head of the Company's internal audit unit
  - a legal counsel of the Company
  - administrative personnel (keeper of the minutes, interpreter)
  - the delegated member of the Audit Committee, if he is not an SB member
- 3.14. Ad hoc invitees to the SB meetings:
  - The Chairman (Deputy Chairman-Presiding Chairman) shall decide upon the necessity of inviting the Company's Auditor (its representative). The Auditor shall participate at the meeting without the right to vote.
  - the SB members are entitled to occasionally propose the ad hoc invitation (presence) of experts to the meeting or for the discussion of certain issues on the agenda. The SB decides upon the attendance of such expert by vote at the start of the meeting.
- 3.15. The administrative technical conditions required for the operation of the SB (keeping of minutes, interpretation, meeting room, tape recorder,

overhead projector, etc.) will be provided and their costs will be borne by the work organization of the Company.

#### 4. Minutes (Articles Section 8.8.)

4.1. Minutes of the SB meetings shall be taken in Hungarian which must be translated to English prior to authentication. Both Minutes shall be authenticated. In case of any conflicts between the wording of the Hungarian and the English version, the English version shall be the prevailing one, to the extent that is permitted by the Hungarian law.

4.2. The minutes shall contain:

- the venue and date of the meeting;
- the names of the participants;
- the agenda;
- the names of the Chairman of the meeting, the Keeper of the Minutes and the Authenticator of the Minutes;
- the major questions asked during discussion on individual items on the agenda, and the answers given to questions;
- transcription of individual SB Members' contributions to the debate, provided that the respective SB Members demand so;
- the resolutions;
- the number of votes cast for and against the resolutions in addition to the abstentions;
- objections to the resolutions (provided the objecting SB Member requests the objection be entered into the Minutes).

4.3. At the request of any participant the contributions, opinions and objections shall be recorded in the minutes verbatim.

4.4. The minutes are signed by the Chairman of the SB meeting and the keeper of minutes and are certified by an SB member present.

4.5. Following certification the minutes shall be sent, in English or Hungarian, to all SB members and participants and to persons who were invited to the discussion of specific agenda items. SB members may query the accuracy of the Minutes, including the translation thereof, within fifteen (15) days from the receipt of the relevant minutes.

4.6. The minutes recorded at private meetings are available exclusively to the participants specified under point 3.11.

#### 5. Tasks relating to the General Meeting

5.1. Members of the SB participate at the General Meeting without the right to vote. (CA Section 32. (5); Articles 6.5.)

5.2. The SB convenes an extraordinary General Meeting if, in its opinion, the activities of the management

- infringe a statute, the Articles of Association or the resolutions passed by the General Meeting; or
- offend the interests of the Company or its shareholders.

The SB makes a proposal as to the agenda of the extraordinary General Meeting called with the aforementioned purpose. (CA Section 32.(4)).

- 5.3. The SB shall examine and prepare a report on every important report of business policy and every submission on an issue within the exclusive competence of the General Meeting. (CA Section 32 (3), Articles 8.5.)
- 5.4. The Board of Directors shall make available to the SB its submissions to the General Meeting at least 25 days before the General Meeting.
- 5.5. The SB shall forward its report set forth under point 5.3. in time to allow the publication of the main data contained in the report fifteen (15) days before the General Meeting. (CA Section 228. (2), (3))
- 5.6. At the General Meeting, the Chairman or Deputy Chairman of the SB - in case of his absence the SB member designated by him - verbally presents the report of the SB in full during the discussion of the given agenda item, or, if this is impossible because of the length of the report, he provides a summary of it.

## 6. Liability of the members of the SB

- 6.1. The SB members have an unrestricted and joint and several liability to the Company for damages caused by a breach of their supervisory obligations (CA Section 38. (4); Articles 8.10.)
- 6.2. The SB members are obliged to keep in strictest confidence the information obtained by them on the Company's business. (CA Section 27 (1))

## 7. Conflict of Interest

The members of the SB, their close relatives as defined in Section 685. (b) of the Civil Code or any business association in which these persons hold an interest of over 10 percent, may not hold a stake of over 5 percent in, may not be employed by, may not be officials of and may not enter into a contractual agreement with any business association that is a competitor of the Company, except if permitted by law and the General Meeting, with a 3/4 majority, gives exemption from the provisions of this paragraph.

Pursuant to the authorization, set forth in CA Section 25 (1), SB members may be elected to posts or to be Members of Supervisory Boards of such other

companies that do similar activity to that of the Company, in which the Company holds at least 25% ownership and/or voting right.

Members of the Supervisory Board and their close relatives (Civil Code Section 685 b) may on their own behalf and to their benefit conclude agreements with the Company relating to the use of public purpose telecommunications services available to anyone (CA Section 25 (2), Articles 12)

## 8. Indemnification of the SB members (Articles, Section 13)

### 8.1. Indemnification

To the extent permitted by law the Company shall indemnify any present or former member of the Supervisory Board who was or is a party or is threatened to be a party to any threatened, pending or concluded civil, criminal or administrative procedure by reason of his above position at the Company for costs (including attorney's costs) ordered by the court, fines or amounts paid in settlement actually and reasonably incurred by him in connection with the above proceedings or suits if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal proceeding, he had no reasonable cause to believe that his conduct was unlawful.

### 8.2. Advancement of costs

The Company may reimburse the costs borne by a member of its Supervisory Board in any civil, criminal or administrative proceeding or action (including reasonable attorney's fees) to the given person prior to the conclusion of the procedure, if the SB member undertakes to pay back the amount if it is decided that he is not entitled to indemnification by the Company as defined under paragraph 8.1.

### 8.3. Insurance

The Company has the right to take out and maintain insurance to the benefit of the current and former members of the Supervisory Board in respect of the liability borne by or imputed to them by reason of or in connection with such position, irrespective of whether or not the Company is entitled to indemnify them because of the given liability in accordance with the above 8.1. and 8.2 paragraphs of these Rules of Procedure or the statutes.

## 9. Miscellaneous



- 9.1. The SB approves the Internal Audit Work Plan of the Company. A report on internal audit activities must be submitted to the SB meeting on a regular basis. The SB decides in a resolution whether to accept such a report.
- 9.2. Members of the SB may not be instructed by the members of the company or his employer in respect of their activities carried out as part of such positions. (CA Section 34. (2)).
- 9.3. The senior officials and employees of the Company are obliged, in the course of the supervisory activities of the SB, to supply all information and make the necessary documents and files available to the SB. If the above persons do not comply with their such obligation the SB shall inform the Board of Directors about such failure without delay.
- 9.4. The management of the Company provides the members of the SB the possibility of entering the official premises of the Company to facilitate fulfillment of their tasks.
- 9.5. The General Meeting may provide remuneration to the members of the SB (CA Section 24. (3)).
- 9.6. A person elected Supervisory Board member shall, within fifteen (15) days as of acceptance of his new office, inform in writing the economic associations where he is already an SB member. (CA Section 32 (1))
- 9.7. The Supervisory Board, according to its authorization, set forth in Section 3.12 of this Rules of Procedure, establishes the Audit Committee, the framework of operation of which shall be set forth in Annex No. 1 of this Rules of Procedure.

#### Final clause

Matáv Ltd.'s Annual General Meeting held on April 28, 2004 approved the Rules of Procedure herein, pursuant to its resolution No. 31/2004(IV.28.)

