

WRITTEN DOCUMENTS OF Matáv's
2005 ANNUAL GENERAL MEETING

| | Page |
|---|-------------|
| 1. Report of the Board of Directors on the management of the Company, the business policy of Matáv Group and report on the business operations and the financial situation of Matáv Group in 2004 according to the requirements of the Accounting Act. | 3 |
| 2. Report of the Board of Directors on the business operations of the Company in 2004 | 17 |
| 3. Proposal of the Board of Directors for the use of the profit after tax earned in 2004 | 31 |
| 4. Report of the Supervisory Board about the operations of the Company in year 2004 | 35 |
| 5. Modification of the Articles of Association of the Company | 45 |
| 6. Determination of the remuneration of the Members of the Supervisory Board | 47 |

To the shareholders of Magyar Távközlési Rt.

**Independent Auditors' Report
(Free translation)**

We have audited the balance sheet of Magyar Távközlési Rt. (the "Company") as at 31 December 2004 – in which the balance sheet total is MHUF 1,028,120, the profit per balance sheet is MHUF 32,515 and MHUF 1,425 is self revision with respect to prior years - and the related profit and loss account and notes for 2004 which are included in the consolidated financial statements of Magyar Távközlési Rt. The consolidated financial statements and the business report are the responsibility of the Company's management. The auditor's responsibility is to express an opinion on the consolidated financial statements based on the audit and to assess whether or not the accounting information disclosed in the business report is consistent with that contained in the consolidated financial statements. These consolidated financial statements have been prepared for the consideration of the shareholders at the forthcoming General Meeting and as such do not reflect the effects, if any, of resolutions that might be adopted at that meeting.

We conducted our audit in accordance with Hungarian and International Standards on Auditing and with applicable laws and regulations in force in Hungary. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements and also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. Our work with respect to the business report was limited to checking it within the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our audit opinion.

During our work we have audited the components and disclosures along with the underlying accounting records and supporting documentation in the consolidated financial statements of Magyar Távközlési Rt. in accordance with Hungarian and International Standards on Auditing and, on the basis of our audit work, we have gained sufficient and appropriate evidence that the consolidated financial statements have been prepared in accordance with the provisions of the accounting law and with accounting principles generally accepted in Hungary. In our opinion, the consolidated financial statements give a true and fair view of the financial position of Magyar Távközlési Rt. as at 31 December 2004 and of the results of its operations for the year then ended. The business report is consistent with the disclosures in the consolidated financial statements.

Budapest, 28 February 2005

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Translation note:

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in jurisdictions other than Hungary.

Matáv Hungarian Telecommunications Company Ltd.

SUBMISSION

for Matáv Ltd.'s General Meeting

Subject: *Report of the Board of Directors on the management of the Company, the business policy of Matáv Group and report on the business operations and the financial situation of Matáv Group in 2004 according to the requirements of the Accounting Act.*

Budapest, April, 2005

Matáv has elaborated its financial statements in compliance with both International Accounting Standards (IAS) and Hungarian Accounting Rules (HAR). The management of the Company uses IAS statements, and international investors receive these reports.

HAR statements comply with Hungarian provisions of law. The Annual General Meeting shall approve the Report elaborated in accordance with the Hungarian Accounting Act, and this Report shall also be deposited at the Court of Registration.

After the AGM, Matáv will deposit and publish its reports in compliance with the provisions of the Accounting Act and the Securities Act.

Resolution proposal

The Annual General Meeting approves the 2004 Consolidated Annual Report of Matáv Group prepared according to the Hungarian Accounting Regulations (HAR), including

Balance Sheet Total Assets of HUF 1,028,120 million and After-tax Net Income of HUF 41,961 million (before the deduction of HUF 9,446 million to be disbursed to minority shareholders).

MATÁV GROUP

HUNGARIAN TELECOMMUNICATIONS COMPANY LIMITED

***CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT OF THE 2004
ANNUAL REPORT***

April, 2005

MATÁV GROUP
CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004
(All amounts in millions of HUF)

ASSETS

| | Note | 2003. | Self-revision | 2004. |
|---|------|------------------|---------------|------------------|
| A. NON CURRENT ASSETS | | 912,237 | (67) | 884,341 |
| I. Intangible assets | 4 | 52,742 | 115 | 71,664 |
| Capitalised costs of foundation and restructuring | | 241 | | 16 |
| Capitalised costs of research and development | | 0 | | 0 |
| Rights | | 16,757 | | 31,845 |
| Intellectual property | | 35,744 | 115 | 39,803 |
| Advance payments on intangible assets | | 0 | | 0 |
| II. Tangible assets | 5 | 622,565 | (182) | 577,042 |
| Real estate and related rights | | 288,316 | 10 | 282,759 |
| - Land | | 3,284 | (26) | 3,129 |
| - Buildings | | 72,449 | 31 | 71,147 |
| - Telecommunication network | | 191,952 | 2 | 188,048 |
| - Other properties | | 18,342 | 25 | 18,556 |
| - Property rights | | 2,289 | (22) | 1,879 |
| Technical equipment, machinery and vehicles | | 291,430 | 191 | 256,659 |
| - Telecommunication equipment and machinery | | 281,711 | 191 | 249,480 |
| - Other technical equipment, machinery and vehicles | | 9,719 | 0 | 7,179 |
| Other equipment and vehicles | | 25,563 | 116 | 20,341 |
| Construction-in-progress, renovation | | 17,175 | (499) | 17,239 |
| Advance payments on construction-in-progress | | 81 | 0 | 44 |
| III. Financial investments | | 236,930 | 0 | 235,635 |
| Non current investments in affiliated companies | 6 | 5,829 | 0 | 9,694 |
| Non current loans granted to affiliated companies | | 2,496 | 0 | 0 |
| Other investments | 7 | 1,308 | 0 | 414 |
| Other non current loans granted | 8 | 5,207 | 0 | 5,538 |
| Positive consolidation difference (goodwill on consolidation) | 9 | 222,090 | 0 | 219,989 |
| B. CURRENT ASSETS | | 107,084 | 155 | 118,343 |
| I. Inventories | 10 | 11,380 | 21 | 8,110 |
| Raw materials | | 3,024 | 15 | 2,794 |
| Work in progress and semi-finished products | | 6 | | 5 |
| Goods available for sale | | 8,269 | 6 | 5,139 |
| Advance payments on inventories | | 81 | | 172 |
| II. Receivables | | 70,503 | 137 | 70,669 |
| Accounts receivable | 11 | 53,529 | 233 | 49,113 |
| Receivables from affiliated companies | | 1,478 | | 3,348 |
| Receivables from other related companies | | 26 | | 30 |
| Other receivables | 12 | 14,718 | (96) | 16,581 |
| Deferred tax on consolidation | | 752 | | 1,597 |
| III. Securities | 13 | 3,842 | 0 | 3,842 |
| Other investments | | 0 | | 0 |
| Treasury stock, quotas | | 3,842 | | 3,842 |
| Marketable securities | | 0 | | 0 |
| IV. Liquid assets | | 21,359 | (3) | 35,722 |
| Cash and cheques | | 196 | 0 | 1,823 |
| Bank deposits | | 21,163 | (3) | 33,899 |
| C. PREPAYMENTS | 14 | 32,653 | (88) | 25,436 |
| Accrued income | | 31,136 | (130) | 23,898 |
| Prepaid expenses | | 1,517 | 42 | 1,538 |
| TOTAL ASSETS | | 1,051,974 | 0 | 1,028,120 |

MATÁV GROUP
CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004
(All amounts in millions of HUF)

LIABILITIES AND SHAREHOLDERS' EQUITY

| | Note | 2003. | Self-revision | 2004. |
|--|------|------------------|----------------|------------------|
| D. SHAREHOLDERS' EQUITY | 15 | 552,580 | 1,425 | 575,790 |
| I. Common stock | | 104,281 | | 104,281 |
| - of this treasury stock at par value | | 490 | | 490 |
| II. Unpaid share capital (-) | | 0 | | 0 |
| III. Capital reserves | | 55,696 | | 55,696 |
| IV. Retained earnings | | 201,406 | | 136,087 |
| V. Restricted reserves | | 3,842 | | 3,842 |
| VI. Valuation reserves | | 0 | | 0 |
| VII. Balance sheet profit | | -5,148 | 1,425 | 32,515 |
| VIII. Change in the equity of fully consolidated subsidiaries (+-) | | 126,053 | | 183,769 |
| IX. Change arising on consolidation (+-) | | -1,171 | | -934 |
| X. Minority interest | | 67,621 | | 60,534 |
| E. PROVISIONS | 16 | 7,635 | 0 | 19,113 |
| Provision for expected obligations | | 4,940 | | 16,137 |
| Provision for expected expenses | | 2,490 | | 2,906 |
| Other provisions | | 205 | | 70 |
| F. LIABILITIES | | 441,517 | 220 | 385,606 |
| I. Subordinated liabilities | 17 | 3,270 | 0 | 3,270 |
| Subordinated liabilities to affiliated companies | | 0 | 0 | 0 |
| Subordinated liabilities to other affiliated companies | | 0 | 0 | 0 |
| Subordinated liabilities to other companies | | 0 | 0 | 0 |
| Consolidation difference of subsidiaries and associated companies | | 3,270 | | 3,270 |
| II. Non current liabilities | | 120,435 | 0 | 225,068 |
| Borrowings | | 0 | 0 | 0 |
| Convertible bonds | | 0 | 0 | 0 |
| Other bonds | | 129 | | 127 |
| Construction loans | 18 | 46,625 | | 47,266 |
| Other loans | | 0 | | 0 |
| Liabilities to affiliated companies | | 0 | | 0 |
| Liabilities to other affiliated companies | 19 | 73,675 | | 177,675 |
| Other liabilities | | 6 | | 0 |
| III. Current liabilities | | 317,812 | 220 | 157,268 |
| Loans | 20 | 76 | | 72 |
| - of this convertible bonds | | 0 | | 0 |
| Other borrowings | 20 | 65,685 | | 34,156 |
| Advances received | | 2,056 | (33) | 959 |
| Accounts payable | | 36,834 | 195 | 44,950 |
| Bills of exchange payable | | 0 | 0 | 0 |
| Liabilities to affiliated companies | | 544 | | 1,809 |
| Liabilities to other affiliated companies | 21 | 126,644 | | 60,000 |
| Other liabilities | 22 | 85,973 | 58 | 15,322 |
| - of this dividends payable | | 72,654 | | 0 |
| Deferred tax on consolidation | | 0 | 0 | 0 |
| G. ACCRUALS | 23 | 50,242 | (1,645) | 47,611 |
| Deferred income | | 8,425 | (1,635) | 7,379 |
| Accrued expenses | | 41,552 | 0 | 39,710 |
| Other deferred revenues | | 265 | (10) | 522 |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | | 1,051,974 | 0 | 1,028,120 |

MATÁV GROUP
CONSOLIDATED INCOME STATEMENT OF OPERATIONS FOR THE PERIOD ENDED 31 DECEMBER, 2004
(All amounts in millions of HUF)

| | Note | 2003. | Self-revision | 2004. |
|--|------|-----------------|---------------|-----------------|
| 1. Domestic sales revenue | 24 | 561,173 | 180 | 569,481 |
| 2. Export sales revenue | 25 | 24,836 | (16) | 20,239 |
| I. Sales revenues | | 586,009 | 164 | 589,720 |
| 3. Change in self-manufactured inventories | | (4) | | (1) |
| 4. Capitalized value of self-manufactured assets | | 14,362 | | 14,743 |
| II. Own work capitalized | 26 | 14,358 | 0 | 14,742 |
| III. Other revenues | 27 | 29,339 | 40 | 21,914 |
| of which: write back of impairment losses | | 3,170 | | 1,011 |
| III/A Consolidation difference arising from debt consolidation - income | | 0 | | 0 |
| 5. Material costs | | 20,845 | (21) | 20,905 |
| 6. Cost of services used | | 96,240 | (310) | 104,691 |
| 7. Cost of other services | | 11,206 | 28 | 10,482 |
| 8. Cost of goods sold | | 43,622 | (6) | 43,298 |
| 9. Cost of mediated services | | 78,805 | 22 | 86,035 |
| IV. Material-type expenses | 28 | 250,718 | (287) | 265,411 |
| 10. Salaries and wages | | 56,282 | 1 | 58,934 |
| 11. Other employee related expenses | | 18,724 | 59 | 19,002 |
| 12. Employee related contributions | | 22,974 | (95) | 22,947 |
| V. Employee related expenses | 29 | 97,980 | (35) | 100,883 |
| VI. Depreciation and amortization | | 122,263 | (4) | 121,910 |
| VII. Other expenses | 30 | 40,547 | (1,058) | 52,783 |
| of which: impairment losses | | 7,194 | | 14,126 |
| VII/A Consolidation difference arising from debt consolidation - expense | | 0 | | 0 |
| A. PROFIT FROM OPERATING ACTIVITIES | | 118,198 | 1,588 | 85,389 |
| 13. Dividends | | 594 | | 2,359 |
| of which: from affiliated companies | | 594 | | 2,359 |
| 14. Gains on sale of investments | | 8 | | 200 |
| of which: from affiliated companies | | 0 | | 0 |
| 15. Interest income and gains on financial investments | | 247 | | 33 |
| of which: from affiliated companies | | 240 | | 25 |
| 16. Other interest income | | 2,739 | | 1,670 |
| of which: from affiliated companies | | 81 | | 303 |
| 17. Other financial income | | 28,089 | | 2,147 |
| VIII. Revenues from financial transactions | | 31,677 | 0 | 6,409 |
| 18. Loss on the sale of financial investments | | 0 | | 174 |
| of which: related to affiliated companies | | 0 | | 0 |
| 19. Interest expense | | 30,751 | 15 | 34,579 |
| of which: related to affiliated companies | | 0 | | 111 |
| 20. Impairment of investments, securities and bank deposits | | 73 | | (9) |
| 21. Other financial expenses | | 20,485 | 0 | 2,639 |
| IX. Expenses from financial transactions | | 51,309 | 15 | 37,383 |
| B. RESULT OF FINANCIAL ACTIVITIES | 31 | (19,632) | (15) | (30,974) |
| C. INCOME FROM ORDINARY ACTIVITIES | | 98,566 | 1,573 | 54,415 |
| X. Extraordinary revenues | | 180 | 0 | 319 |
| XI. Extraordinary expenses | | 3,595 | (13) | 4,479 |
| D. EXTRAORDINARY RESULT | 32 | (3,415) | 13 | (4,160) |
| E. PROFIT BEFORE INCOME TAX | | 95,151 | 1,586 | 50,255 |
| XII. Corporate income tax | | 12,175 | 161 | 9,139 |
| XII/A Income tax expense from consolidation | | | | (845) |
| F. NET INCOME | | 80,919 | 1,425 | 41,961 |
| 22. Minority interest in NET INCOME (-) | | 13,413 | | 9,446 |
| 23. Use of retained earnings for dividends (+) | | 0 | | 0 |
| 24. Dividend paid (approved) (-) | | 72,654 | | 0 |
| G. BALANCE SHEET PROFIT | | (5,148) | 1,425 | 32,515 |

Matáv Hungarian Telecommunications Company Ltd.

SUBMISSION

for Matáv Ltd.'s General Meeting

Subject: *Report of the Board of Directors on the business operations of the Company in 2004*

Budapest, April, 2005

Matáv has elaborated its financial statements in compliance with both International Accounting Standards (IAS) and Hungarian Accounting Rules (HAR). The management of the Company uses IAS statements, and international investors receive these reports.

HAR statements comply with Hungarian provisions of law. The Annual General Meeting shall approve the Report elaborated in accordance with the Hungarian Accounting Act, and this Report shall also be deposited at the Court of Registration.

After the AGM, Matáv will deposit and publish its reports in compliance with the provisions of the Accounting Act and the Securities Act.

Resolution proposal

The Annual General Meeting approves the 2004 Annual Report of the Company prepared according to the Hungarian Accounting Regulations (HAR), including

***Balance Sheet Total Assets of HUF 910 300 million and
After-tax Net Income of HUF 39 028 million.***

MATÁV Rt.

HUNGARIAN TELECOMMUNICATIONS COMPANY LIMITED

***BALANCE SHEET, PROFIT AND LOSS STATEMENT
TO THE 2004 ANNUAL REPORT***

April, 2005

BALANCE SHEET AS OF DECEMBER 31, 2004

(All amounts in millions of HUF)

ASSETS

| | Note | December 31, 2003 | Self-revision | December 31, 2004 |
|---|-----------|-----------------------|-------------------|-----------------------|
| A. <u>FIXED ASSETS AND FINANCIAL INVESTMENTS</u> | | 839 375 | -66 | 816 037 |
| I. Intangible assets | 4 | 189 225 | 108 | 185 679 |
| Capitalised costs of foundation and restructuring | | 0 | 0 | 0 |
| Capitalised costs of research and development | | 0 | 0 | 0 |
| Rights | | 1 216 | 0 | 1 138 |
| Intellectual property | | 12 505 | 108 | 13 837 |
| Goodwill | | 175 504 | 0 | 170 704 |
| Advance payments on intangible assets | | 0 | 0 | 0 |
| II. Tangible assets | 5 | 390 939 | -174 | 357 632 |
| Land and buildings and related rights | | 210 438 | 5 | 207 039 |
| - Land | | 2 550 | -26 | 2 404 |
| - Buildings | | 42 050 | 27 | 40 968 |
| - Telecommunication network | | 155 365 | 2 | 153 829 |
| - Other properties | | 8 606 | 25 | 8 385 |
| - Real estate related rights | | 1 867 | -23 | 1 453 |
| Technical equipment, machinery and vehicles | | 160 998 | 183 | 134 085 |
| - Telecommunication equipment and machinery | | 159 943 | 183 | 133 112 |
| - Other technical equipment, machinery and vehicles | | 1 055 | 0 | 973 |
| Other equipment and vehicles | | 10 495 | 121 | 8 042 |
| Construction-in-progress, renovation | | 9 008 | -483 | 8 466 |
| Advance payments on construction-in-progress | | 0 | 0 | 0 |
| III. Financial investments | | 259 211 | 0 | 272 726 |
| Non current investments in affiliated companies | 6 | 178 050 | 0 | 188 994 |
| - fully consolidated subsidiaries | | 174 930 | 0 | 181 348 |
| - not fully consolidated subsidiaries | | 161 | 0 | 730 |
| - associated companies | | 2 959 | 0 | 6 916 |
| Non current loans granted to affiliated companies | 7 | 75 840 | 0 | 79 000 |
| - fully consolidated subsidiaries | | 73 346 | 0 | 79 000 |
| - not fully consolidated subsidiaries | | 0 | 0 | 0 |
| - associated companies | | 2 494 | 0 | 0 |
| Other investments | 8 | 900 | 0 | 20 |
| Other non current loans granted | 9 | 4 421 | 0 | 4 712 |
| Non current bonds and other securities | | 0 | 0 | 0 |
| B. <u>CURRENT ASSETS</u> | | 63 849 | 262 | 83 100 |
| I. Inventories | 10 | 2 783 | 16 | 2 235 |
| Raw materials | | 895 | 10 | 1 291 |
| Work in progress and semi-finished products | | 0 | 0 | 0 |
| Finished products | | 0 | 0 | 0 |
| Goods available for sale | | 1 888 | 6 | 944 |
| Advance payments on inventories | | 0 | 0 | 0 |
| II. Receivables | | 56 454 | 249 | 76 137 |
| Accounts receivable | 11 | 20 184 | 220 | 18 671 |
| Receivables from affiliated companies | 12 | 27 270 | 87 | 50 208 |
| - fully consolidated subsidiaries | | 25 887 | 87 | 45 287 |
| - not fully consolidated subsidiaries | | 45 | 0 | 545 |
| - associated companies | | 1 338 | 0 | 4 376 |
| Bills receivable | | 0 | 0 | 0 |
| Receivables from other related companies | | 26 | 0 | 30 |
| Other receivables | 13 | 8 974 | -58 | 7 228 |
| III. Securities | 14 | 3 842 | 0 | 3 842 |
| Investments in affiliated companies | | 0 | 0 | 0 |
| Other investments | | 0 | 0 | 0 |
| Treasury stock, quotas | | 3 842 | 0 | 3 842 |
| Marketable securities | | 0 | 0 | 0 |
| IV. Liquid assets | | 770 | -3 | 886 |
| Cash and cheques | | 6 | 0 | 3 |
| Bank deposits | | 764 | -3 | 883 |
| C. <u>PREPAYMENTS</u> | 15 | 20 044 | -11 | 11 163 |
| Accrued income | | 19 441 | -53 | 10 754 |
| Prepayments for costs and expenses | | 603 | 42 | 409 |
| Deferred expenses | | 0 | 0 | 0 |
| <u>TOTAL ASSETS</u> | | <u>923 268</u> | <u>185</u> | <u>910 300</u> |

Budapest, February 28, 2005

Straub Elek
Chairman and Chief Executive OfficerDr. Klaus Hartman
Chief Financial Officer

BALANCE SHEET AS OF DECEMBER 31, 2004

(All amounts in millions of HUF)

LIABILITIES AND OWNER'S EQUITY

| | Note | December 31, 2003 | Self-revision | December 31, 2004 |
|---|-----------|-------------------|---------------|-------------------|
| D. SHAREHOLDER'S EQUITY | 16 | 405 110 | 240 | 444 378 |
| I. Common stock | | 104 281 | 0 | 104 281 |
| - of this treasury stock at par value | | 490 | 0 | 490 |
| II. Unpaid share capital (-) | | 0 | 0 | 0 |
| III. Capital reserves | | 52 837 | 0 | 52 837 |
| IV. Retained earnings | | 241 630 | 0 | 244 390 |
| V. Restricted reserves | | 3 842 | 0 | 3 842 |
| VI. Valuation reserves | | 0 | 0 | 0 |
| VII. Net income | | 2 520 | 240 | 39 028 |
| E. PROVISIONS | 17 | 2 922 | 0 | 13 516 |
| Provision for expected obligations | | 2 819 | 0 | 13 345 |
| Provision for expected expenses | | 0 | 0 | 165 |
| Other provisions | | 103 | 0 | 6 |
| F. LIABILITIES | | 487 983 | 186 | 425 752 |
| I. Subordinated liabilities | | 0 | 0 | 0 |
| II. Non current liabilities | | 120 435 | 0 | 225 068 |
| Non current credits | | 0 | 0 | 0 |
| Convertible bonds | | 0 | 0 | 0 |
| Debt from issuance of bonds | | 129 | 0 | 127 |
| Investment and development loans | 18 | 46 625 | 0 | 47 266 |
| Other non current loans | | 0 | 0 | 0 |
| Non current liabilities to affiliated companies | | 0 | 0 | 0 |
| Non current liabilities to other affiliated companies | 19 | 73 675 | 0 | 177 675 |
| Other non current liabilities | | 6 | 0 | 0 |
| III. Current liabilities | | 367 548 | 186 | 200 684 |
| Current loans | | 75 | 0 | 72 |
| - of this convertible bonds | | 0 | 0 | 0 |
| Current credits | 20 | 65 525 | 0 | 34 156 |
| Advances received | | 1 848 | -33 | 708 |
| Accounts payable | | 20 146 | 0 | 20 372 |
| Bills of exchange payable | | 0 | 0 | 0 |
| Current liabilities to affiliated companies | 21 | 72 309 | 0 | 74 598 |
| - fully consolidated subsidiaries | | 71 856 | 0 | 72 846 |
| - not fully consolidated subsidiaries | | 339 | 0 | 222 |
| - associated companies | | 114 | 0 | 1 530 |
| Current liabilities to other affiliated companies | 22 | 126 644 | 0 | 60 000 |
| Other current liabilities | 23 | 81 001 | 219 | 10 778 |
| - of this dividends payable | | 72 654 | 0 | 0 |
| G. ACCRUED EXPENSES | 24 | 27 253 | -241 | 26 654 |
| Deferred income | | 1 713 | 0 | 2 072 |
| Accrued expenses | | 25 449 | -241 | 24 295 |
| Other deferred revenue | | 91 | 0 | 287 |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | | 923 268 | 185 | 910 300 |

Budapest, February 28, 2005

Straub Elek
Chairman and Chief Executive Officer

Dr. Klaus Hartmann
Chief Financial Officer

Matáv Rt.
INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER, 2004
(All amounts in millions of HUF)

| | Note | 2003 | Self-revision | 2004 |
|--|------|----------------|---------------|----------------|
| 1. Domestic sales | 25 | 271 560 | 253 | 253 878 |
| - fully consolidated subsidiaries | | 19 830 | 43 | 21 002 |
| - not fully consolidated subsidiaries | | 167 | 0 | 345 |
| - associated companies | | 136 | 0 | 204 |
| - other companies | | 251 427 | 210 | 232 327 |
| 2. Export sales | 26 | 16 354 | -16 | 12 368 |
| - fully consolidated subsidiaries | | 1 297 | 0 | 618 |
| - not fully consolidated subsidiaries | | 0 | 0 | 176 |
| - associated companies | | 0 | 0 | 0 |
| - other companies | | 15 057 | -16 | 11 574 |
| I. Sales revenues | | 287 914 | 237 | 266 246 |
| 3. Change in self-manufactured inventories | | 0 | 0 | 0 |
| 4. Capitalised value of self-manufactured assets | | 10 442 | 0 | 11 315 |
| II. Own work capitalized | | 10 442 | 0 | 11 315 |
| III. Other revenues | 27 | 19 172 | 30 | 7 198 |
| - fully consolidated subsidiaries | | 51 | 0 | 67 |
| - not fully consolidated subsidiaries | | 0 | 1 | 72 |
| - associated companies | | 0 | 0 | 272 |
| - other companies | | 19 121 | 29 | 6 787 |
| of which: reversal of write-down for assets | | 1 010 | 0 | 573 |
| 5. Costs of raw material | | 13 635 | -17 | 14 132 |
| 6. Costs of services | 28 | 52 993 | -171 | 53 960 |
| 7. Costs of other services | | 3 694 | -4 | 2 271 |
| 8. Cost of goods sold | | 4 078 | -12 | 4 005 |
| 9. Costs of services sold (intermediated) | 29 | 63 551 | 7 | 52 929 |
| IV. Material-type expenditures | | 137 951 | -197 | 127 297 |
| 10. Salaries and wages | 30 | 33 242 | 0 | 35 722 |
| 11. Other payroll related costs | 30 | 14 616 | 112 | 11 668 |
| 12. Payroll related contributions | | 14 327 | 12 | 14 280 |
| V. Payroll and related expenditures | | 62 185 | 124 | 61 670 |
| VI. Depreciation | | 70 254 | -2 | 66 812 |
| VII. Other expenditures | 32 | 21 180 | 71 | 31 847 |
| of which: write-down for assets | | 2 837 | 0 | 8 365 |
| A. PROFIT FROM OPERATING ACTIVITIES | | 25 958 | 271 | -2 867 |
| 13. Dividends and profit sharing (received or due) | | 65 296 | 0 | 70 770 |
| of which: received from affiliated companies | | 65 296 | 0 | 70 770 |
| 14. Foreign exchange gains on sale of investments | | 0 | 0 | 150 |
| of which: received from affiliated companies | | 0 | 0 | 0 |
| 15. Interest income and f/x gains on financial investments | | 7 183 | 0 | 10 813 |
| of which: received from affiliated companies | | 7 176 | 0 | 10 805 |
| 16. Other interest income received | | 3 654 | 0 | 4 174 |
| of which: received from affiliated companies | | 1 604 | 0 | 3 779 |
| received from other affiliated company | | 1 661 | 0 | 0 |
| 17. Other revenues on financial activities | | 25 158 | 0 | 659 |
| received from other affiliated company | | 17 499 | 0 | 1 |
| VIII. Revenues from financial transactions | | 101 291 | 0 | 86 566 |
| 18. Foreign exchange loss on the sale of financial investments | | 0 | 0 | 78 |
| of which: related to affiliated companies | | 0 | 0 | 0 |
| 19. Interest expense | | 31 179 | 15 | 35 150 |
| of which: related to affiliated companies | | 466 | 0 | 694 |
| related to other affiliated company | | 19 889 | 0 | 23 271 |
| 20. Write-down for investments, securities and bank deposits | | 0 | 0 | 0 |
| 21. Other expenses on financial activities | | 17 221 | 0 | 6 289 |
| related to other affiliated company | | 13 885 | 0 | 0 |
| IX. Expenditures from financial transactions | | 48 400 | 15 | 41 517 |
| B. FINANCIAL RESULTS | 33 | 52 891 | -15 | 45 049 |
| C. INCOME FROM ORDINARY ACTIVITIES | | 78 849 | 256 | 42 182 |
| X. Extraordinary revenues | 34 | 1 694 | 0 | 3 476 |
| XI. Extraordinary expenditures | 35 | 5 369 | -13 | 6 630 |
| D. NET INCOME ON EXTRAORDINARY ACTIVITIES | | -3 675 | 13 | -3 154 |
| E. NET INCOME BEFORE TAXES | | 75 174 | 269 | 39 028 |
| XII. Corporate income tax | 36 | 0 | 29 | 0 |
| F. NET INCOME | | 75 174 | 240 | 39 028 |
| 22. Use of retained earnings for dividends | | 0 | 0 | 0 |
| 23. Dividend paid (approved) | | 72 654 | 0 | 0 |
| G. BALANCE SHEET NET PROFIT FIGURE | | 2 520 | 240 | 39 028 |

Budapest, February 28, 2005

Straub Elek
Chairman and Chief Executive Officer

Dr. Klaus Hartmann
Chief Financial Officer

Matáv Hungarian Telecommunications Company Ltd.

SUBMISSION

for Matáv Ltd.'s General Meeting

Subject: *Proposal of the Board of Directors for the use of the profit after tax earned in 2004*

Budapest, April, 2005

Resolution proposal

A dividend of HUF 70 per one ordinary share (with a face value of HUF 100) and dividend of HUF 7 000 per preference share (with a face value of HUF 10 000) shall be paid to the shareholders from the profit of 2004.

The Company uses HUF 33 625 402 954 from retained earnings to pay the total dividend of HUF 72 653 819 000 because profit after tax before dividend is HUF 39 028 416 046.

June 1st, 2005 shall be the first day of dividend disbursement.

On May 12th, 2005, the Board of Directors of Matáv Ltd. shall publish a detailed announcement on the order of dividend disbursement in the following newspapers: Magyar Hírlap, Napi Gazdaság, Népszabadság and Magyar Tőkepiac.

In compliance with Matáv Ltd.'s assignment, KELER Ltd. shall disburse dividends.

Matáv Hungarian Telecommunications Company

SUBMISSION

for Matáv Ltd.'s General Meeting

Subject: *Report of the Supervisory Board about the operations of the company
in year 2004*

Budapest, April, 2005

The Supervisory Board (SB) has fulfilled its responsibilities according to the provisions of the Act on Associations in year 2004 too. As its sub-commission the Audit Committee (AC) fulfilled an advisory and decision support function and helped the work of the SB. The AC consists of three members that are elected from the members of the SB.

The SB had three; the AC had two meetings in year 2004. In the interim period between the meetings the commissions make the necessary resolutions via fax voting. In 2004, in addition to its general tasks the SB has approved the new code of procedures of the AC, established the necessary controls over the audit and non-audit type activities assuring the independence of the external auditor and has drawn up the procedural frames of handling the complaints / reports on accounting matters. These were significant steps to assure the compliance with the provisions of Sarbanes-Oxley Act, which is inevitable for Matáv as a company listed on the New York Stock Exchange.

At its meetings the SB was regularly informed about the operations, financial activities and business results of the Company. The SB requested and always got special reports about the most important corporate events and management decisions. Also the external auditor provided occasional reports to the SB about the compliance of the operations and fulfillment of SOX requirements. Beside the management and book auditor reports the SB relied also on the internal audit reports, regularly monitored the implementation of the annual audit schedule, the findings of the extraordinary audits and the implementation of the corrective measures made to improve the processes. The SB itself also initiated audits to help strengthen the efficiency of the internal control system of the Company. Internal Audit has completed these engagements.

Similarly to the previous years Internal Audit compiled its annual schedule for 2004 on the basis of the following criteria:

- Control environment;*
- Business impacts (financial, strategic);*
- Functional stability;*
- Audit frequency on the given area;*
- Complexity.*

In the course of compiling the audit schedule, Internal Audit collected the inputs of SB, Chief Officers, Directors, leaders of the major subsidiaries, advisors, the recommendations of the book auditor (PwC) and also that of the risk management area.

The key audit topics of year 2004:

- Competitiveness, handling the impacts of the regulatory environment;*
- Business goals and their implementation;*
- Customer satisfaction and CRM;*
- Pricing of services;*
- Utilization of resources (CAPEX, OPEX);*
- Efficient use of technical capacities;*
- Control of procurements;*

- *Financial audits, management-control;*
- *Security (IT, business information, physical assets)*

Internal Audit has completed 97 audits in year 2004. The reports were submitted to SB to provide permanent, daily updates on the control environment of the Company and the efficiency of controls. Every audit was closed with a catalog of measures agreed with the auditees and we always monitored the implementation of the measures.

Beyond the traditional (post-)audits Internal Audit – similarly to the previous years – took part also in several projects (e.g. “SOX compliance”, “SSC”, “Development of CRM system”, Customer Pivacy”). Internal Audit Branch of Matáv fulfilled the group level audit function and dedicated 40% of its capacities to subsidiary audits in Hungary and abroad. In those cases where the subsidiary has its own audit organization Internal Audit provided continuous professional support to them to assure quality.

The IIA (Institute of Internal Auditors) has certified that the processes of Matáv Internal Audit comply with the international standards.

Internal Audit has prepared the COSO (Committee of Sponsoring Organizations of Treadway Commission) Report in 2004 as it has become regular since 1998. This is a methodology to assess the internal control system of the companies listed on the stock exchange. Based on this we could find that the control system of the Company is appropriate and the control processes of the audited areas are able to discover and handle the risks.

The SB has approved the 2005 audit schedule of Internal Audit at its latest meeting in December, 2004. They have found that the audits and other reports in 2004 have not identified any problem of such significance that would be necessary to present to the AGM.

In 2004 the earnings of Matáv Group after tax have decreased by 48 %. It is a result of the basically stagnating revenues; and the growth of depreciation and personnel type expenditures due to Group reorganizations. The earnings after tax (and before the proposed dividends) of Matáv Group was 41 961 million HUF according to the balance sheet of the 2004 business year prepared under Hungarian Accountancy Rules. The earnings per share (after tax) was 40 HUF; the balance sheet total made 1 028 120 million HUF in year 2004.

Based on its findings in the course of the continuous monitoring of the business operations of the Company and Matáv Group the Supervisory Board recommends that the General Meeting should:

- *accept the Annual Report of the Company and the Group on the 2004 business year;*
- *accept the financial reports of the Company and the Group with the balance sheet earnings proposed by the Board of Directors;*
- *accept the proposal of the Board of Directors on the division of the earnings,*
- *accept the Auditor’s report.*

Matáv Hungarian Telecommunications Company Ltd.

SUBMISSION
for Matáv Ltd.'s General Meeting

Subject: *Modification of the Articles of Association of the Company*

Budapest, April, 2005

Due to the organizational changes within Matáv Rt. it has become necessary to add the data of new site in the Articles of Associations (AoA).

It has become necessary to supplement the scope of activities of the company (AoA Section 1.6.) with new activities in the Articles of Associations in accordance with the requirements of the business life.

Resolution proposal

The General Meeting hereby approves the amendment of the Articles of Associations, set forth in the Annex.

Annex

1. *Section 1.4.(a) of the Articles of Association shall be added with the following:*

1051 Budapest, Petőfi Sándor u. 17-19.

2. *Section 1.6.2. of the Articles of Associations (Other activities) shall be added as follows:*

7486'03 Call center activities
5523'03 Other provision of lodgings
5510'03 Hotel services
5552'03 Catering
5530'03 Restaurants

Other provisions of the Articles of Associations remain unchanged.

Matáv Hungarian Telecommunications Company Ltd.

SUBMISSION
for Matáv Ltd.'s General Meeting

Subject: *Determination of the remuneration of the members of the Supervisory Board*

Budapest, April 2005

The remuneration of the members of the Supervisory Board has not been changed since the annual General Meeting held in 2003. Beyond this remuneration no additional fee honors those members who participate in the activity of the Audit Committee of the Supervisory Board.

Due to the significant extra workload on the members of the Audit Committee arising in connection with the support of the work of the Supervisory Board, the Board of Directors proposes to the General Meeting, in accordance with the international practice and DT's model, to award an increased fee for the membership in the Audit Committee.

Resolution proposal

The General Meeting leaves the fee of the members of the Supervisory Board unchanged, as established in Y2003.

The Chairman of the Audit Committee of the Supervisory Board shall receive an extra award of 100% of the fee established for the members of the SB while the members of the Audit Committee shall receive an extra award of 50% of the respective fee.