

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

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).

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 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. <u>SHAREHOLDERS' EQUITY</u>	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. <u>PROVISIONS</u>	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. <u>LIABILITIES</u>		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. <u>ACCRUALS</u>	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
<u>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</u>		<u>1,051,974</u>	<u>0</u>	<u>1,028,120</u>

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.***

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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 910,300 (of which MHUF 185 is self revision with respect to the prior years), the profit per balance sheet is MHUF 39,028 and MHUF 240 is self revision with respect to the prior years - and the related profit and loss account and notes for 2004 which are included in the financial statements of Magyar Távközlési Rt. The 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 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 financial statements. These 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 financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 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 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 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 financial statements.

Budapest, 28 February 2005

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Translation note:

The accompanying 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 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
<u>D. SHAREHOLDER'S EQUITY</u>	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
<u>E. PROVISIONS</u>	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
<u>F. LIABILITIES</u>		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
<u>G. ACCRUED EXPENSES</u>	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
<u>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</u>		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.