

**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***

*The 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)*

*No (Please explain)*

*(when, where:*

### **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 organizational viewpoint it directly reports 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 each and every activity performed by the independent auditors of the Company. For this activity the Rules of Procedure and Pre-Approval Policy of the Audit Committee of the Supervisory Board of Matáv Rt. approved by the Supervisory Board in 2003 are applicable.)*

### **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)  
(when, where:

No (Please explain)

Annual Report 2003	<a href="http://ir.matav.hu/english/evesj/2003/AnnualReport2003.pdf">http://ir.matav.hu/english/evesj/2003/AnnualReport2003.pdf</a>	April 28, 2004
Form 20 F of Matáv for the fiscal year ended December 31, 2003	<a href="http://ir.matav.hu/english/evesj/2003/20F_2003.pdf">http://ir.matav.hu/english/evesj/2003/20F_2003.pdf</a>	May 11, 2004
Corporate website of Matáv, Investor Relations	<a href="http://ir.matav.hu/english/vir/strategia.html">http://ir.matav.hu/english/vir/strategia.html</a>	June 25, 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)  
(when, where:

No (Please explain)

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

Annual Report 2003	<a href="http://ir.matav.hu/english/evesj/2003/AnnualReport2003.pdf">http://ir.matav.hu/english/evesj/2003/AnnualReport2003.pdf</a>	April 28, 2004
Form 20 F of Matáv for the fiscal year ended December 31, 2003	<a href="http://ir.matav.hu/english/evesj/2003/20F_2003.pdf">http://ir.matav.hu/english/evesj/2003/20F_2003.pdf</a>	May 11, 2004

#### **Members elected on the Annual General Meeting held on April 28, 2004**

Corporate website of Matáv, Investor Relations	<a href="http://ir.matav.hu/english/kozgy/tagjavaslatok_eng.pdf">http://ir.matav.hu/english/kozgy/tagjavaslatok_eng.pdf</a>	April 22, 2004
Corporate website of Matáv, Investor Relations	<a href="http://www.ir.matav.hu/english/vir/igazgatosag.html">http://www.ir.matav.hu/english/vir/igazgatosag.html</a>	June 25, 2004
	<a href="http://www.ir.matav.hu/english/vir/felugyelobiz.html">http://www.ir.matav.hu/english/vir/felugyelobiz.html</a>	

#### **Members of the Management Committee**

Corporate website of Matáv, Investor Relations	<a href="http://www.ir.matav.hu/english/vir/ugyvezetobiz.html">http://www.ir.matav.hu/english/vir/ugyvezetobiz.html</a>	June 25, 2004)
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### **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)

Form 20 F of Matáv for the fiscal year ended December 31, 2003 [http://ir.matav.hu/english/evesj/2003/20F\\_2003.pdf](http://ir.matav.hu/english/evesj/2003/20F_2003.pdf) May 11, 2004

Corporate website of Matáv, Investor Relations [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)

### **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 of Matáv, Investor Relations [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)

### **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)

Form 20 F of Matáv for the fiscal year ended December 31, 2003 [http://ir.matav.hu/english/evesj/2003/20F\\_2003.pdf](http://ir.matav.hu/english/evesj/2003/20F_2003.pdf) May 11, 2004)

Corporate website of Matáv, Investor Relations <http://www.ir.matav.hu/english/vir/igazgatosag.html> June 25, 2004)  
<http://www.ir.matav.hu/english/vir/felugyelobiz.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 73 % average participation ratio 5 meetings in the business year of 2003.

The Supervisory Board held with 85 % average participation ratio 3 meetings in the business year of 2003.

## **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: 66 % independent.*

## **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 2003:*

- *Remuneration Committee: 3 meetings*
- *Audit Committee: 3 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 2003.*

Yes

No

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

Yes

No

(available at

Corporate website of <http://www.ir.matav.hu/english/kozgy/mtv030724or01e.pdf>  
Matáv, Investor [http://www.ir.matav.hu/english/vir/pdf/BoDrules\\_eng.pdf](http://www.ir.matav.hu/english/vir/pdf/BoDrules_eng.pdf)  
Relations [http://www.ir.matav.hu/english/vir/pdf/SBrules\\_angol.pdf](http://www.ir.matav.hu/english/vir/pdf/SBrules_angol.pdf))

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

Yes

No

(available at

Corporate website of [www.matav.hu/english/mtav/codeofethics.pdf](http://www.matav.hu/english/mtav/codeofethics.pdf)  
Matáv

