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MATÁV ANNOUNCES RESULTS FOR FIRST NINE MONTHS OF 1999

BUDAPEST -- November 12, 1999 -- MATÁV (NYSE: MTA.N and BSE: MTAV.BU), the leading Hungarian telecommunications service provider, today reported continued improvements in financial results for the first nine months of 1999.

- Revenues grew 20.3% (9.7% in USD and 12.7% in EUR terms) year-on-year to 280.3 billion forints, compared to 232.9 billion forints in the first nine months of 1998. Fully competitive business lines produced the highest revenue growth, led by mobile telecommunications services with a 31.9% year-on-year increase and leased lines and data transmission services with a 34.4% increase.
- EBITDA increased 20.2% year-on-year to 133.8 billion forints compared to 111.3 billion forints a year ago. The EBITDA margin was 47.7% in the first three quarters of 1999 versus 47.8% for the same period in 1998.
- Net income increased 29.2% (17.8% in USD and 20.9% in EUR terms), to 55.8 billion forints versus 43.2 billion forints in the same period last year, despite the fact that a five-year tax holiday ended in 1998 and MATÁV and Westel 900 began to pay corporate tax at a rate of 7.2%. Net income margin increased to 19.9%, compared to 18.5% in the first three quarters of 1998.
- Basic earnings per share grew by 29.2% year-on-year to 53.8 forints.

Chairman and CEO Elek Straub, commenting on MATÁV's results for the first nine months, said „Our fixed-line voice telephony services continued to see strong growth rates, and we are strengthening our position in the dynamically expanding mobile and data businesses where we operate in fully liberalized markets. GSM subscriber growth was outstanding, and perhaps more importantly we were able to achieve these increases and thereby strengthen our position ahead of the commercial entry of the third GSM provider into the market – while still delivering strong financial performance in the period. Additionally, the recent option agreement with Deutsche Telekom to acquire the remaining 49% interest in Westels, will allow us to invest shareholders' funds back into our mobile position, further securing our long-term prospects for growth and value creation.”

The main drivers for top line growth were subscription charges, domestic traffic revenues, mobile revenues and revenues from leased lines and data transmission.

- The number of fixed lines increased 9.4% year-on-year to over 2,823,000 including ISDN channels. The number of ISDN channels has increased by 67.5% year-on-year to nearly 101,000, showing strong demand for data communications tools. As a result, penetration reached 37.6% at the end of September 1999 compared to 34.2% a year ago. We currently have over 88,000 orders for new lines.
- Domestic usage growth measured in minutes has outperformed the growth in the number of lines, posting an 11.6% increase year-on-year. The main drivers were residential and ISDN traffic growth.
- MATÁV's 51% owned GSM provider Westel 900 has increased its customer base by 48.2% year-on-year to 737,000. As a result, consolidated mobile service revenues rose by 31.9% year-on-year to 59.6 billion forints. Prepaid customers accounted for 28% of net additions at Westel 900 in the last twelve months, and reached 16% of total GSM subscribers by the end of the period.
- Growth in data communications remained strong. Revenues from leased lines and data communications surged by 34.4% relative to the first nine months of 1998 to 17.3 billion forints, driven mainly by Internet and other data traffic and value-added services. Data and leased line revenues represent 6.2% of MATÁV's total revenues.
- We reduced our headcount by 9.2% year-on-year to approximately 15,600. Staff efficiency has increased 20.9% to 226 lines per employee from 187 a year ago.

MATÁV is the principal provider of telecom services in Hungary and holds the national concession for national and international long distance telephony. MATÁV provides a broad range of services including telephony, data transmission, value-added services, and through its subsidiaries is Hungary's largest mobile telecom provider. Key shareholders as of September 30, 1999 include the Ministry for Transport, Communications and Water Management (holder of the Golden Share), MagyarCom, a consortium of Ameritech International, Inc. and Deutsche Telekom AG (59.53%), while 40.47% is publicly traded.

Analysis of the Financial Statements
for the nine months ended September 30, 1999

INCOME STATEMENT

Sales

Revenues from subscriptions, connections and other charges for the nine months ended September 30, 1999 amounted to HUF 47,204 million, compared to HUF 40,861 million for the same period in 1998 (a 15.5% increase). Growth resulted from an increase in the number of subscribers and tariff increases. The average number of lines increased 9.8% to 2,735,524 in 1999 from 2,491,351 for the first nine months in 1998.

Domestic traffic revenue for the first nine months in 1999 totaled HUF 98,639 million, compared to HUF 79,873 million for the same period in 1998 (a 23.5% increase). Revenue growth was driven by increases in the number of subscribers and tariffs.

Revenues from other usage for the first nine months in 1999 amounted to HUF 13,887 million, compared to HUF 14,718 million for the same period in 1998 (a 5.6% decrease). This decrease is attributable to lower fees paid to MATÁV by other domestic operators.

International traffic revenues amounted to HUF 32,215 million for the nine months ended September 30, 1999, compared to HUF 28,831 million for the same period in 1998 (an 11.7% increase).

Revenues from mobile telecommunications services totaled HUF 59,616 million for the first nine months in 1999, compared to HUF 45,196 million for the nine months ended September 30, 1998 (a 31.9% increase). The growth resulted from the increased number of subscribers.

Revenue from leased lines and data transmission amounted to HUF 17,252 million for the first nine months in 1999, compared to HUF 12,835 million for the same period in 1998 (a 34.4% increase). This strong growth was due to the increase in the number of managed leased lines, ISDN, Internet and audiotex.

Revenues from other services amounted to HUF 11,527 million for the first nine months in 1999, compared to HUF 10,629 million for the same period in 1998 (an 8.4% increase). Other services include equipment sales, construction, maintenance and miscellaneous revenues.

Expenses

Employee-related expenses for the nine months ended September 30, 1999 totaled HUF 42,701 million compared to HUF 35,405 million for the same period in 1998 (an increase of 20.6%). This growth results from wage increases effective April 1, 1999 and as MATÁV increases the proportion of more highly qualified employees in its workforce.

Depreciation and amortization for the nine months ended September 30, 1999 amounted to HUF 46,028 million compared to HUF 36,778 million for that period in 1998 (an increase of 25.2%). The growth is a result of increased investment in fixed assets and reduction of useful lives of certain asset categories.

Payments to other network operators for the nine months ended September 30, 1999 totaled HUF 31,793 million compared to HUF 26,518 million for the same period in 1998 (an increase of 19.9%). The increase was due to the increased penetration of mobiles and fixed lines and an increase in the average fees that MATÁV pays to other operators.

The cost of telecommunications equipment sales for the first nine months in 1999 was HUF 16,321 million compared to HUF 12,117 million for the same period in 1998 (an increase of 34.7%). This is due to the increased number of mobile handsets sold.

Other operating expenses for the first nine months in 1999 amounted to HUF 55,716 million compared to HUF 47,554 million for the same period in 1998 (an increase of 17.2%). Other operating expenses include materials, maintenance, marketing, service fees, local taxes, energy, and consultancy.

Operating Profit

Operating profit totaled HUF 87,781 million for the nine months ended September 30, 1999, compared to HUF 74,571 million for the same period in 1998. Total revenues increased 20.3% to HUF 280,340 million for the first nine months in 1999 compared to HUF 232,943 million for the first nine months in 1998. Total operating expenses increased 21.6% to HUF 192,559 million for the first nine months in 1999 from HUF 158,372 million for the same period in 1998. Operating margin for the nine months ended September 30, 1999 was 31.3%, while operating margin for the same period in 1998 was 32.0%.

Net Interest and Other Charges

Net interest and other charges were HUF 17,236 million for the first nine months in 1999 compared to HUF 25,031 million for the same period in 1998. Net interest and other charges show a decrease due to the continuing strengthening of the Hungarian Forint. Total loans and other borrowings increased from HUF 171,377 million on September 30, 1998, to HUF 181,552 million on September 30, 1999.

Share of associates' results

Share of associates' results amounted to HUF 764 million for the nine months ended September 30, 1999 compared to a loss of HUF 118 million for the same period in 1998, reflecting improved results of EMITEL and M-RTL.

Profit before taxation

Profit before tax amounted to HUF 71,309 million for the nine months ended September 30, 1999 versus HUF 49,422 million for the same period in 1998.

Income tax

Income tax increased for the first nine months in 1999 due to the fact that MATÁV Rt. and Westel 900 started to pay corporate tax in 1999.

Minority Interest

Minority interest for the first nine months in 1999 was HUF 10,214 million compared to HUF 7,162 million for the same period in 1998 (an increase of 42.6%). This increase is due to significantly higher profitability of Westel 900 and Westel 450.

Net Income

Net income for the first nine months in 1999 was HUF 55,810 million compared to HUF 43,207 for the same period in 1998 (an increase of 29.2%).

BALANCE SHEET

Total assets and total shareholders' equity and liabilities for September 30, 1998 were restated to HUF 516,452 million which reflects the adoption of IAS 19 „Employee Benefits” (revised 1997) as of January 1, 1998. Total assets and total shareholders' equity and liabilities amounted to HUF 615,210 million as of September 30, 1999. The increase is attributable to operating results.

Receivables

Receivables for September 30, 1999 of HUF 64,655 million increased 30.5% over September 30, 1998. This increase was due to the increase in the subscriber base and tariffs.

Trade and other payables

Trade and other payables increased from HUF 61,374 million in September 30, 1998 to HUF 79,325 million in September 30, 1999. The increase was due to the increase in domestic and foreign creditors resulting from the growth of the companies' operation as well as to the increase of tax payables as MATÁV Rt. and Westel 900 started to pay corporate tax in 1999.

Retained earnings

Retained earnings increased 54.2% from September 30, 1998 to HUF 178,195 million at September 30, 1999. MATÁV paid a dividend of HUF 8,298 million. Retained earnings for September 30, 1998 were restated as a result of an adjustment for IAS 19 „Employee benefits” of HUF 2,506 million.

Number of employees

The number of full time and equivalent employees decreased from 17,237 on September 30, 1998 to 15,643 on September 30, 1999.

Shareholder Structure

The issued share capital of MATÁV is HUF 103,728,170,000 consisting of 1,037,281,600 series „A” ordinary shares, nominal value HUF 100 per share, and one registered series „B” voting preference share, nominal value HUF 10,000. The holder of the series „B” share is entitled to certain preferential voting and other rights.

MATÁV's registered shareholders are summarized in the table below:

<u>Shareholder</u>	<u>Number of Shares</u>	<u>Percentage of share capital</u>
MagyarCom	617,478,081	59.53
Publicly traded	419,803,519	40.47
	<hr/> 1,037,281,600	<hr/> 100.00
Holder of series „B” share	<hr/> 1	
	1,037,281,601	

Shareholders with over 5% ownership:

MagyarCom - Holding company of Deutsche Telekom and Ameritech *

Morgan Guaranty Trust - Depository for the MATÁV's ADRs

* On October 8, 1999 SBC completed its acquisition of Ameritech.

Shares held by MATÁV in Treasury:

	<u>September 30, 1998</u>	<u>September 30, 1999</u>
<u>Treasury shares</u>		
Number	124,200	0
Book value (HUF million)	19	0
Nominal Value (HUF million)	12	0

On November 16, 1998 MATÁV fulfilled its legal requirements and sold its 124,200 Treasury shares at an average price of 1,214 HUF/share.

Other developments

On August 31, 1999 MATÁV announced that it sold 25% of its ownership and 75% of its voting rights in MATÁVKábelTV Kft. to Hungaria Insurance Co. Ltd.

On October 21, 1999 MATÁV announced that it entered into an agreement with Deutsche Telekom providing an option to acquire the 49% ownership in Westel 450 and Westel 900. MATÁV can exercise the option for a fixed price of USD 885 million in up to three tranches representing a percentage of not less than 15% each at any time during the period commencing on July 1, 2000 and ending September 30, 2001.

MATÁV Consolidated Income Statement - IAS (HUF million)	9 months ended September 30,		%
	1998 (Unaudited)	1999 (Unaudited)	change
Revenues			
Subscriptions, connections and other charges	40,861	47,204	15.5%
Domestic traffic revenue	79,873	98,639	23.5%
Other usage	14,718	13,887	(5.6%)
Domestic telecommunications services	135,452	159,730	17.9%
International traffic revenues	28,831	32,215	11.7%
Mobile telecommunications services	45,196	59,616	31.9%
Leased lines and data transmission	12,835	17,252	34.4%
Other services	10,629	11,527	8.4%
Total revenues	232,943	280,340	20.3%
Employee related expenses	(35,405)	(42,701)	20.6%
Depreciation and amortization	(36,778)	(46,028)	25.2%
Payments to other network operators	(26,518)	(31,793)	19.9%
Cost of telecommunications equipment sales	(12,117)	(16,321)	34.7%
Other operating expenses	(47,554)	(55,716)	17.2%
Total operating expenses	(158,372)	(192,559)	21.6%
Operating profit	74,571	87,781	17.7%
Net interest and other charges	(25,031)	(17,236)	(31.1%)
Share of associates' results before income tax	(118)	764	n.m.
Profit before income tax	49,422	71,309	44.3%
Income tax payable	947	(5,285)	n.m.
Profit after income tax	50,369	66,024	31.1%
Minority interest	(7,162)	(10,214)	42.6%
Net income	43,207	55,810	29.2%

MATÁV Consolidated Balance Sheet - IAS (HUF million)	Dec 31, 1998 (Audited)	Sep 30, 1998 (Unaudited)	Sep 30, 1999 (Unaudited)	% change
ASSETS				
Current assets				
Cash and cash equivalents	3,613	5,443	6,062	11.4%
Financial investments	1,274	1,155	11,645	908.2%
Receivables	51,662	49,529	64,655	30.5%
Inventories	8,117	7,659	8,395	9.6%
Total current assets	64,666	63,786	90,757	42.3%
Total fixed assets	479,474	447,928	518,741	15.8%
Other non current assets	5,400	4,738	5,712	20.6%
Total assets	549,540	516,452	615,210	19.1%
LIABILITIES AND SHAREHOLDERS' EQUITY				
Loans and other borrowings	19,311	22,154	19,408	(12.4%)
Trade and other payables	74,956	61,374	79,325	29.2%
Deferred revenue	5,638	5,680	4,921	(13.4%)
Provisions for liabilities and charges	4,322	3,666	5,038	37.4%
Total current liabilities	104,227	92,874	108,692	17.0%
Loans and other borrowings	153,160	149,223	162,144	8.7%
Deferred revenue	18,260	19,689	14,776	(25.0%)
Provisions for liabilities and charges	4,513	3,734	3,520	(5.7%)
Total non current liabilities	175,933	172,646	180,440	4.5%
Minority interests	12,135	8,817	21,321	141.8%
Shareholders' equity				
Common stock	103,728	103,728	103,728	0.0%
Paid in capital	22,834	22,834	22,834	0.0%
Retained earnings	130,683	115,553	178,195	54.2%
Total shareholders' equity	257,245	242,115	304,757	25.9%
Total liabilities and shareholders' equity	549,540	516,452	615,210	19.1%

Summary of key operating statistics

	Sep-30-98	Sep-30-99	Sep 99 - Sep 98 % change
EBITDA margin	47.8%	47.7%	(0.2%)
Operating margin	32.0%	31.3%	(2.2%)
Net income margin	18.5%	19.9%	7.6%
ROA	11.6%	12.8%	10.3%
Net debt to total capital	39.6%	33.4%	(15.7%)

Number of closing lines			
Residential	2,126,506	2,310,301	8.6%
Business	356,820	376,025	5.4%
Payphone	36,601	36,030	(1.6%)
ISDN channels	60,140	100,764	67.5%
Total lines	2,580,067	2,823,120	9.4%
Digitalization of exchanges with ISDN Penetration	75.3%	78.9%	4.8%
	34.2%	37.6%	9.9%
Westel 450 RPCs (Revenue Producing Customers)	92,349	99,108	7.3%
Westel 900 RPCs (Revenue Producing Customers)	497,387	736,933	48.2%
Total cellular RPCs	589,736	836,041	41.8%

Fixed line employees (closing full equivalent)	13,809	12,484	(9.6%)
Total no of employees (closing full equivalent)	17,237	15,643	(9.2%)
Lines per fixed line employees	187	226	20.9%

Traffic in minutes (thousands)			
Domestic	5,647,260	6,304,409	11.6%
International outgoing	140,764	145,193	3.1%