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MATÁV ANNOUNCES RESULTS FOR FULL YEAR 1999

BUDAPEST – February 14, 2000 -- MATÁV (NYSE: MTA.N and BSE: MTAV.BU), the leading Hungarian telecommunications service provider, today announced another year of outstanding financial results.

Highlights:

- Revenues grew 21.0% (9.4% in USD and 15.4% in EUR terms) year-on-year to 384.9 billion forints, compared to 318.1 billion forints in 1998. Top line growth was driven primarily by above average increases in revenues from subscription charges (up 25.0%) and domestic traffic (up 23.7%). Our fastest growing business lines continued to be mobile telecommunications services (up 34.2%) and leased lines and data transmission services (up 35.2%).
- EBITDA increased 22.5% year-on-year to 183.3 billion forints compared to 149.7 billion forints a year ago. The EBITDA margin was 47.6% in 1999 versus 47.1 in 1998.
- Net income increased 34.8% (21.8% in USD and 28.5% in EUR terms), to 78.6 billion forints versus 58.3 billion forints, despite the fact that a five-year tax holiday ended in 1998 which causes MATÁV and Westel 900 to pay corporate taxes at a rate of 7.2%. Net income margin increased to 20.4%, compared to 18.3% in 1998.
- Basic earnings per share grew by 34.8% year-on-year to 75.8 forints.

Chairman and CEO Elek Straub, commenting on MATÁV's 1999 financial results, said: „MATÁV's strong performance in 1999 demonstrates the tremendous growth opportunities offered by the Hungarian telecommunications market. Consumer demand for mobile communications and data transmission is driving the pace of market change, areas where MATÁV already operates in a fully competitive environment. Importantly, these two lines of business were MATÁV's two strongest performers, underscoring the company's strength as the market continues to liberalize.”

MATÁV's solid growth in 1999 was mainly attributable to strong increases in volume and an expanding customer base in fixed, mobile and data segments.

- The number of fixed lines increased 9.6% year-on-year to nearly 2.9 million. The number of ISDN lines jumped to over 114,000 from 63,000 in 1998 with a considerable increase in the number of residential users. As a result, a penetration rate of 38.6% at the end of 1999 was just shy of our 2000 year-end target of 40%.
- Growth in domestic usage, as measured in minutes, outpaced increases in the number of lines, with an 11.3% increase year-on-year. The main drivers of this growth were an increase in residential and ISDN traffic.
- In November 1999, we re-launched our voice-mail services on a completely new platform. In just 2 months, we received 65,000 new orders. Since the penetration of value-added services is currently low, we expect that voice-mail services will be a significant factor in substantially raising call completion rates.
- The mobile market experienced an eventful year with the introduction of GSM 1800 technology and the addition of a third GSM player. Our 51%-owned GSM provider, Westel 900, was able to maintain its leadership position with 55% share of the GSM cellular market. In addition to introducing new services (e.g. voice-over IP, Mailreader, SMS content), Westel 900 increased its customer base by 54.1% to over 842,000 subscribers. 63% of the net additions were in standard service and 37% in the prepaid segment. Consolidated revenues from mobile services increased 34.2% to 82.7 billion forints.
- In November 1999, MATÁV announced an arrangement with Deutsche Telekom, for the option to purchase the remaining 49% of Westel 900 and Westel 450. MATÁV can exercise the option between July 1, 2000 and September 30, 2001, at the fixed price of USD 885 million. This arrangement greatly strengthens MATÁV's presence in the rapidly expanding mobile segment and represents a strong value creation opportunity for our shareholders.
- Growth in data communications continued unabated. Revenues from leased lines and data transmission products grew by 35.2% to 23.9 billion forints driven by considerable expansion of the number of managed leased lines which surged 35.5% from 5,170 to 7,007. Data revenues in 1999 contributed 6.2% of total revenues, compared to 5.6% in 1998.
- MATÁV's internet service provider, MATÁVNet, experienced a dramatic rise in the number of dial-up subscribers, increasing 59.0% to 51,300 from 32,300. The increase was due to new and innovative marketing plans, such as the prepaid NetQuick packages; as well as having the most competitive prices available in the Hungarian internet market.
- In 1999, MATÁV continued to increase operating efficiencies. We reduced headcount by 7.3% year-on-year while increasing lines per employee to 240 from 201 in 1998. In addition, we began to outsource property management and information technology functions. We expect outsourcing to result in improved service levels and efficiencies.

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 December 31, 1999 include MagyarCom, a consortium of Ameritech International, Inc. and Deutsche Telekom AG (59.53%), the Ministry for Transport, Telecommunications and Water Management (holder of the Golden Share), while 40.47% is publicly traded.

MATÁV		Year ended December 31,		
Consolidated	1998	1999	%	
Income Statement - IAS	(Audited)	(Unaudited)	change	
(HUF million)				
Revenues				
Subscriptions, connections and other charges	55 728	63 191	13.4%	
Domestic traffic revenue	108 425	134 071	23.7%	
Other usage	19 964	18 743	(6.1%)	
Domestic telecommunications services	<u>184 117</u>	<u>216 005</u>	17.3%	
International traffic revenues	38 792	43 807	12.9%	
Mobile telecommunications services	61 677	82 746	34.2%	
Leased lines and data transmission	17 695	23 924	35.2%	
Other services	15 779	18 450	16.9%	
Total revenues	318 060	384 932	21.0%	
Employee related expenses	(46 902)	(57 168)	21.9%	
Depreciation and amortization	(53 554)	(62 145)	16.0%	
Payments to other network operators	(35 965)	(44 184)	22.9%	
Cost of telecommunications equipment sales	(17 175)	(22 392)	30.4%	
Other operating expenses	(68 355)	(77 912)	14.0%	
Total operating expenses	<u>(221 951)</u>	<u>(263 801)</u>	18.9%	
Operating profit	96 109	121 131	26.0%	
Net interest and other charges	(28 795)	(22 133)	(23.1%)	
Share of associates' results before income tax	302	1 428	372.8%	
Profit before income tax	67 616	100 426	48.5%	
Income tax payable	1 267	(6 911)	(645.5%)	
Profit after income tax	68 883	93 515	35.8%	
Minority interest	(10 546)	(14 883)	41.1%	
Net income	<u><u>58 337</u></u>	<u><u>78 632</u></u>	34.8%	

MATÁV Consolidated Balance Sheet – IAS (HUF million)	Dec 31, 1997	Dec 31, 1998	Dec 31, 1999	%
	(Audited)	(Audited)	(Unaudited)	change
ASSETS				
Current assets				
Cash and cash equivalents	9 259	3 613	6 584	82.2%
Financial investments	7 912	1 274	3 732	192.9%
Receivables	40 023	51 662	63 650	23.2%
Inventories	7 064	8 117	9 539	17.5%
Total current assets	64 258	64 666	83 505	29.1%
Total fixed assets	412 801	479 474	566 959	18.2%
Other non current assets	3 552	5 400	6 249	15.7%
Total assets	480 611	549 540	656 713	19.5%
LIABILITIES AND SHAREHOLDERS' EQUITY				
Loans and other borrowings	26 682	19 311	17 804	(7.8%)
Trade and other payables	51 556	74 956	96 788	29.1%
Deferred revenue	5 906	5 638	4 685	(16.9%)
Provisions for liabilities and charges	3 232	4 322	4 925	14.0%
Total current liabilities	87 376	104 227	124 202	19.2%
Loans and other borrowings	142 365	153 160	164 715	7.5%
Deferred revenue	23 868	18 260	13 606	(25.5%)
Provisions for liabilities and charges	1 141	4 513	3 599	(20.3%)
Total non current liabilities	167 374	175 933	181 920	3.4%
Minority interests	17 185	12 135	23 012	89.6%
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	82 114	130 683	201 017	53.8%
Total shareholders' equity	208 676	257 245	327 579	27.3%
Total liabilities and shareholders' equity	480 611	549 540	656 713	19.5%

Analysis of the Financial Statements **for the year ended December 31, 1999**

INCOME STATEMENT

Sales

Revenues from subscriptions, connections and other charges for the year ended December 31, 1999 amounted to HUF 63,191 million, compared to HUF 55,728 million in 1998 (a 13.4% increase). Growth resulted from an increase in the number of subscribers and tariff increases. The average number of lines increased 9.6% to 2,767,184 in 1999 from 2,524,677 in 1998.

Domestic traffic revenue in 1999 totalled HUF 134,071 million, compared to HUF 108,425 million in 1998 (a 23.7% increase). Revenue growth was driven by increases in the number of subscribers and tariffs.

Revenues from other usage in 1999 amounted to HUF 18,743 million, compared to HUF 19,964 million during 1998 (a 6.1% decrease). This decrease is attributable to lower fees paid to MATÁV by other domestic operators.

International traffic revenues amounted to HUF 43,807 million for the year ended December 31, 1999, compared to HUF 38,792 million for the same period in 1998 (a 12.9% increase).

Revenues from mobile telecommunications services totalled HUF 82,746 million in 1999, compared to HUF 61,677 million in 1998 (a 34.2% increase). The growth resulted from the increased number of subscribers.

Revenue from leased lines and data transmission amounted to HUF 23,924 million in 1999, compared to HUF 17,695 million in 1998 (a 35.2% 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 18,450 million in 1999, compared to HUF 15,779 million in 1998 (a 16.9% increase). Other services include equipment sales, construction, maintenance and miscellaneous revenues.

Expenses

Employee-related expenses for the year ended December 31, 1999 totalled HUF 57,168 million compared to HUF 46,902 million for the same period in 1998 (an increase of 21.9%). This growth results from wage increases effective April 1, 1999 and from increases in the proportion of more highly qualified employees in MATÁV's workforce.

Depreciation and amortization for the year ended December 31, 1999 amounted to HUF 62,145 million compared to HUF 53,554 million for that period in 1998 (an increase of 16.0%). The growth is a result of increased investment in fixed assets.

Payments to other network operators for the year ended December 31, 1999 totalled HUF 44,184 million compared to HUF 35,965 million for the same period in 1998 (an increase of 22.9%). 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 in 1999 was HUF 22,392 million compared to HUF 17,175 million in 1998 (an increase of 30.4%). This is due to the increased number of mobile handsets sold.

Other operating expenses in 1999 amounted to HUF 77,912 million compared to HUF 68,355 million in 1998 (an increase of 14.0%). Other operating expenses include materials, maintenance, marketing, service fees, energy, and consultancy.

Operating Profit

Operating profit totalled HUF 121,131 million for the year ended December 31, 1999, compared to HUF 96,109 million for the same period in 1998. Total revenues increased 21.0% to HUF 384,932 million in 1999 compared to HUF 318,060 million in 1998. Total operating expense increased 18.9% to HUF 263,801 million in 1999 from HUF 221,951 million in 1998. Operating margin for the year ended December 31, 1999 was 31.5%, while operating margin for the same period in 1998 was 30.2%.

Net Interest and Other Charges

Net interest and other charges were HUF 22,133 million in 1999 compared to HUF 28,795 million in 1998. Net interest and other charges show a decrease due to the reduced rate of monthly devaluation and better performance of the HUF within the intervention band. With shifting the loan portfolio to HUF denominated loans MATÁV also benefits from decreasing HUF interest rates. Total loans and other borrowings increased from HUF 172,471 million on December 31, 1998, to HUF 182,519 million on December 31, 1999.

Share of associates' results

Share of associates' results amounted to HUF 1,428 million for the year ended December 31, 1999 compared to HUF 302 million for the same period in 1998, reflecting improved results of investments.

Profit before taxation

Profit before tax amounted to HUF 100,426 million for the year ended December 31, 1999 versus HUF 67,616 million for the same period in 1998.

Income tax

Income tax increased in 1999 due to the fact that MATÁV Rt. and Westel 900 started to pay corporate income tax in 1999.

Minority Interest

Minority interest in 1999 was HUF 14,883 million compared to HUF 10,546 million in 1998 (an increase of 41.1%). This increase is due to the growth of Westel 900 and Westel 450.

Net Income

Net income in 1999 was HUF 78,632 million compared to HUF 58,337 in 1998 (an increase of 34.8%).

BALANCE SHEET

Total assets and total shareholders' equity and liabilities for December 31, 1998 were HUF 549,540 million. Total assets and total shareholders' equity and liabilities amounted to HUF 656,713 million as of December 31, 1999. The increase is attributable to operating results.

Receivables

Receivables for December 31, 1999 of HUF 63,650 million increased 23.2% over December 31, 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 74,956 million in December 31, 1998 to HUF 96,788 million in December 31, 1999. The increase in domestic and foreign creditors resulted from the growth of the companies' operation. Part of the increase is due to the 1800 GSM licence fee payable by Westel 900.

Retained earnings

Retained earnings increased 53.8% from December 31, 1998 to HUF 201,017 million at December 31, 1999. MATÁV paid a dividend of HUF 8,298 million.

Summary of key operating statistics

	31.dec.98	31.dec.99	Dec 99 - Dec 98 % change
EBITDA margin	47.1%	47.6%	1.1%
Operating margin	30.2%	31.5%	4.3%
Net income margin	18.3%	20.4%	11.5%
ROA	11.3%	13.0%	15.0%
Net debt to total capital	38.4%	32.9%	(14.3%)

	01.jan.99	31.dec.99	31-Dec-99 - 1-Jan-99 % change
Number of closing lines			
Residential	2 184 102	2 370 579	8.5%
Business	362 165	378 605	4.5%
Payphone	35 739	36 205	1.3%
ISDN channels	63 148	114 466	81.3%
Total lines	2 645 154	2 899 855	9.6%

	31.dec.98	31.dec.99	Dec 99 - Dec 98 % change
Digitalization of exchanges with ISDN	75,7%	79,0%	4.4%
Penetration	35,4%	38,6%	9.0%
Westel 450 RPCs (Revenue Producing Customers)	93 596	97 753	4.4%
Westel 900 RPCs (Revenue Producing Customers)	546 554	842 279	54.1%
Total cellular RPCs	640 150	940 032	46.8%

Fixed line employees (closing full equivalent)	13 287	12 093	(9.0%)
Total no of employees (closing full equivalent)	16 595	15 377	(7.3%)
Lines per fixed line employees	201	240	19.4%

Traffic in minutes (thousands)			
Domestic	7 758 741	8 632 345	11.3%
International outgoing	188 412	192 356	2.1%