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MATÁV ANNOUNCES RESULTS FOR THE FIRST NINE MONTHS OF 2000

BUDAPEST - November 14, 2000 - MATÁV (NYSE: MTA.N and BSE: MTAV.BU), the leading Hungarian telecommunications service provider, today reported its financial results for the first nine months of 2000.

Highlights:

- Revenues grew by 16.8% (13.6% in euro terms) to 327.3 billion forints (1.3 billion euros) compared to 280.3 billion forints in the first nine months of 1999. Growth was underpinned by the continuing success of MATÁV's mobile, leased line and data businesses, as well as increases in monthly fixed voice tariffs:
 - The mobile business continued to be MATÁV's most dynamic revenue driver, delivering an outstanding growth of 32.6% year-on-year to 79.1 billion forints in a fiercely competitive market.
 - The strong expansion in mobile also contributed to a significant jump in telecommunications equipment sales, which resulted in a 71.1% increase in revenues from other services to 24.8 billion forints.
 - Revenues from leased lines and data transmission achieved a strong increase of 34.4% to 19.2 billion forints, underscoring the promise of this area.
 - Revenues from fixed voice monthly fees increased by 50.3% to 44.9 billion forints as a result of the nearly 50% increase in the monthly charge at the beginning of February, in line with our tariff rebalancing efforts.

- EBITDA increased by 14.0% (11.0% in euro terms), amounting to 152.6 billion forints (589.6 million euros) versus 133.8 billion forints in the same period of 1999. Our EBITDA margin was 46.6% for the first nine months of 2000.

- Net income increased by 11.6% (8.6% in euro terms) to 62.3 billion forints (240.7 million euros), which represents a net income margin of 19.0%.

Elek Straub, MATÁV Chairman and CEO, commented: “ On one hand, the slowdown in our fixed voice business reflects the maturity of this segment as the penetration rate nears our 40% target, and reductions in per-minute tariffs have so far produced only minimal increases in call volumes. Therefore, to provide our fixed voice business with renewed momentum heading into full liberalization of the market, MATÁV will undertake a vigorous restructuring program that will impact our 2000 results, details of which will be announced in the coming weeks. MATÁV’s mobile and data businesses, on the other hand, have once again delivered an excellent performance, and we continue to invest in these high growth areas to secure a strong platform for the company’s future success. We think that the upcoming period will be a challenging but exciting time. We will focus on ensuring the strength and vitality of our operations, while continuing to position MATÁV to capitalize on the fundamental shift of Hungarian business and residential customers towards mobile and IP-based products and services.”

Horst Hermann, director of strategy added: „At the same time, we will continue to work closely with our strategic partner, Deutsche Telekom in evaluating expansion opportunities with a clear risk/reward profile both inside Hungary and within the region. Our recently announced consortium bid for Macedonian Telecom is an example of our conservative approach of seeking exposure to growing telecommunications markets where we can leverage MATÁV’s core competencies, where we can enhance our regional network services position and strengthen the customer offering, and where we can create value for our shareholders.”

Mobile revenues increased by 32.6% to 79.1 billion forints, which represents 24.2% of our total revenues. Westel managed to capture 53.9% of the market’s net subscriber additions in the first nine months of 2000, demonstrating its resilience against two aggressive GSM competitors. At the end of the period Westel had 1.35 million subscribers, a year-on-year increase of over 80%. Prepaid customers contributed 82% of the net additions, amounting to nearly 45% of our overall subscriber base at the end of September. Average monthly usage per Westel subscriber remained high at 185 minutes, which is only 7.5% less than a year ago. The average monthly revenue per user decreased by 18.3% year-on-year to 9,431 forints. This reflects the rapid growth of prepaid customers in our subscriber mix as well as the steps we have taken to maintain our competitive edge, including the one-time effect of the introduction of per-second billing at the end of last year, and the reduction in monthly fees earlier this year.

In the first three quarters of the year we increased our data revenues by 34.4% to 19.2 billion forints, underpinned by two very positive trends. First, business customers are making the shift from traditional data transmission solutions towards IP-based products. Second, customers’ bandwidth needs are increasing, giving a strong boost to this business line. In response, MATÁV launched commercial ADSL service in September, and we expect to have a customer base in the range of 10,000 by the end of 2001.

Our internet subsidiary, MATÁVnet has more than doubled its subscribers year-on-year to over 80,000. MATÁVNet posted another first in the Hungarian market with the recent launch of its ADSL based internet packages, while introducing EDI based e-commerce solutions and a

competitive, flat rate, leased line pricing plan. In September we launched Marketline, a joint-venture with SAP, Compaq and Arthur Andersen that aims to capture a share of the Hungarian B2B e-commerce services marketplace. We are also active in the B2C segment through a number of joint-ventures specializing in popular e-retailing segments (household electrical products, books and entertainment etc.).

MATÁV's fixed voice business experienced only moderate growth. Line penetration (including ISDN channels) reached 39.1% at the end of the quarter, which can be considered near the saturation point given the stage of development of the Hungarian economy and telecommunications market. While the total number of lines increased only 1.2% year-to-date, we see a shift in composition towards higher quality and more valuable digital lines. As a result of recent marketing campaigns, the number of ISDN channels has grown by almost 140% year-on-year and surged to more than 240,000 at the end of September. Over 8% of our lines are now ISDN channels as compared to less than 4% a year ago. In addition to the shift to ISDN, MATÁV's stricter termination policy for non-payment and customer substitution for mobile contributed to a decrease in analog fixed-lines of over 91,000 since the beginning of the year.

Domestic minutes of use rose 12.9% year-on-year, however, the increased traffic was not enough to offset the effect of the double-digit reduction in usage per-minute tariffs at the beginning of the year and the off-peak long-distance promotion that ran from May to August. Consequently, there was a slight 1.4% decrease in domestic voice traffic revenues to 97.3 billion forints. International outgoing minutes decreased by 4.9% despite a 12% average decrease in tariffs, due to the rising share of international traffic through mobile phones, international corporate networks and the IP networks of competitors.

Employee-related expenses increased by only 1.5% year-on-year to 43.3 billion forints. Wage increases effective April 1, 2000 were, for the most part, offset by an 8.7% reduction in the average headcount in addition to a decrease in pension provisions as a result of the favourable revised terms negotiated with the trade unions on post-retirement benefits. At September, 30, the number of lines per fixed employee was 259, exceeding our published target for the end of 2000 of 250.

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, 2000 include the Hungarian State (holder of the Golden Share), MagyarCom, owned by Deutsche Telekom AG (59.49%), while 40.51% is publicly traded.

Analysis of the Financial Statements
for the nine months ended September 30, 2000

INCOME STATEMENTS

Sales

Revenues from domestic telecommunications services for the first nine months of 2000 reflect significant rebalancing of tariffs that took place effective February 1, 2000. The new tariffs indicate significant progress to set prices to the underlying costs. Rebalancing remains a key element advancing the full liberalization of the Hungarian telecommunications market. Subscription tariffs increased nearly 50%, while domestic and international usage tariffs decreased, reflecting the mixed growth figures below.

Revenues from subscriptions, connections and other charges for the nine months ended September 30, 2000 amounted to HUF 61,252 million, compared to HUF 47,204 million for the same period in 1999 (a 29.8% increase). Growth resulted from an increase in the number of subscribers and tariff increases. The average number of lines increased 6.4% to 2,909,245 in the first nine months of 2000 from 2,735,524 in the first nine months of 1999.

Domestic traffic revenue for the first nine months of 2000 totaled HUF 97,260 million, compared to HUF 98,639 million for the same period in 1999. The 12.9% growth in domestic usage was offset by the tariff rebalancing.

Revenues from other usage for the first nine months of 2000 amounted to HUF 14,311 million, compared to HUF 13,887 million for the same period in 1999 (a 3.1% increase). This increase is attributable to the increased number of minutes partially offset by lower fees paid to MATÁV by other domestic operators.

International traffic revenues amounted to HUF 31,440 million for the nine months ended September 30, 2000, compared to HUF 32,215 million for the same period in 1999 (a 2.4% decrease), mainly due to lower international tariffs.

Revenues from mobile telecommunications services totaled HUF 79,056 million for the first nine months of 2000, compared to HUF 59,616 million for the nine months ended September 30, 1999 (a 32.6% increase). The growth resulted from the increased number of subscribers, partly offset by lower tariffs.

Revenues from leased lines and data transmission amounted to HUF 19,217 million for the first nine months of 2000, compared to HUF 14,303 million for the same period in 1999 (a 34.4% increase). This strong growth was due to the increase in the number of managed leased lines, ISDN, internet and cable TV subscribers.

Up until the first quarter 2000 report, revenues from audiotex, telex and telegraph were included in leased lines and data transmission. Starting with the report on the first half of 2000 results, these revenues are included in other services. This change is made to better present our core data products. Revenue lines for prior periods were restated as well for comparison purposes.

Revenues from other services amounted to HUF 24,765 million for the first nine months of 2000, compared to HUF 14,476 million for the same period in 1999 (a 71.1% increase). Other services include equipment sales, construction, maintenance and miscellaneous revenues.

Expenses

Employee-related expenses for the nine months ended September 30, 2000 totaled HUF 43,337 million, compared to HUF 42,701 million for the same period in 1999 (an increase of 1.5%). The moderate growth results from wage increases effective April 1, 2000, partially offset by headcount reductions. Efficiency improvements continued with a 7.3% year-on-year headcount reduction to 14,500 and an increase in the number of lines per fixed employee to 259 from 226 at the end of September 1999.

Depreciation and amortization for the nine months ended September 30, 2000 amounted to HUF 55,268 million, compared to HUF 46,028 million for the same period in 1999 (an increase of 20.1%). The growth is a result of increased investment in fixed assets.

Payments to other network operators for the nine months ended September 30, 2000 totaled HUF 40,998 million, compared to HUF 31,793 million for the same period in 1999 (an increase of 29.0%). The increase was due to the increased penetration of mobiles and fixed lines.

The cost of telecommunications equipment sales for the first nine months in 2000 was HUF 22,897 million, compared to HUF 16,321 million for the same period in 1999 (an increase of 40.3%). This is mainly due to the increased number of mobile handsets sold.

Other operating expenses for the first nine months of 2000 amounted to HUF 67,505 million, compared to HUF 55,716 million for the same period in 1999 (an increase of 21.2%). Other operating expenses include materials, maintenance, marketing, service fees, energy and consultancy.

Operating Profit

Operating profit totaled HUF 97,296 million for the nine months ended September 30, 2000, compared to HUF 87,781 million for the same period in 1999. Total revenues increased 16.8% to HUF 327,301 million for the first nine months in 2000, compared to HUF 280,340 million for the first nine months in 1999. Total operating expenses increased 19.4% to HUF 230,005 million for the first nine months in 2000 from HUF 192,559 million for the same period in 1999. Operating margin for the nine months ended September 30, 2000 was 29.7%, while operating margin for the same period in 1999 was 31.3%.

Net Interest and Other Charges

Net interest and other charges were HUF 16,985 million for the nine months ended September 30, 2000, compared to HUF 17,236 million for the same period in 1999. 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. As a result of shifting the loan portfolio to HUF denominated loans MATÁV also benefits from decreasing HUF interest rates. Total loans and other borrowings increased from HUF 181,552 million on September 30, 1999, to HUF 193,185 million on September 30, 2000.

Share of associates' results

Share of associates' results amounted to HUF 1,456 million for the nine months ended September 30, 2000, compared to HUF 764 million for the same period in 1999, reflecting improved operating results of investments.

Profit before taxation

Profit before income tax amounted to HUF 81,767 million for the nine months ended September 30, 2000 versus HUF 71,309 million for the same period in 1999.

Income tax

Income tax increased from HUF 5,285 million in the nine months ended September 30, 1999 to HUF 6,823 million in the same period of 2000 due to the higher profits of the group.

Minority Interest

Minority interest for the nine months ended September 30, 2000 was HUF 12,663 million, compared to HUF 10,214 million for the same period in 1999 (an increase of 24.0%). This increase is due to the growth of Westel 900.

Net Income

Net income for the nine months ended September 30, 2000 was HUF 62,281 million, compared to HUF 55,810 million for the same period in 1999 (an increase of 11.6%).

BALANCE SHEET

Total assets and total shareholders' equity and liabilities at September 30, 1999 were HUF 615,210 million. Total assets and total shareholders' equity and liabilities amounted to HUF 715,472 million as of September 30, 2000. The increase is attributable to operating results.

Retained earnings

Retained earnings increased 42.5% from September 30, 1999 to HUF 253,945 million at September 30, 2000. This increase was due to net income, partly offset by a dividend payment of HUF 9,335 million.

MATÁV Consolidated Balance Sheets - IAS (HUF million)	Dec 31, 1999 (Audited)	Sept 30, 1999 (Unaudited)	Sept 30, 2000 (Unaudited)	Sept 30, 2000/ Sept 30, 1999 % change
ASSETS				
Current assets				
Cash and cash equivalents	6 584	6 062	10 059	65,9%
Financial investments	3 732	11 645	6 992	-40,0%
Receivables	66 667	64 655	72 989	12,9%
Inventories	9 539	8 395	10 376	23,6%
Total current assets	86 522	90 757	100 416	10,6%
Total fixed assets	555 099	518 741	608 844	17,4%
Other non current assets	6 249	5 712	6 212	8,8%
Total assets	647 870	615 210	715 472	16,3%
LIABILITIES AND SHAREHOLDERS' EQUITY				
Loans and other borrowings	17 804	19 408	23 180	19,4%
Trade and other payables	87 945	79 325	87 413	10,2%
Deferred revenue	4 685	4 921	3 938	-20,0%
Provisions for liabilities and charges	4 925	5 038	2 481	-50,8%
Total current liabilities	115 359	108 692	117 012	7,7%
Loans and other borrowings	164 715	162 144	170 005	4,8%
Deferred revenue	13 606	14 776	10 858	-26,5%
Provisions for liabilities and charges	3 599	3 520	899	-74,5%
Other non current liabilities	0	0	220	
Total non current liabilities	181 920	180 440	181 982	0,9%
Minority interests	23 012	21 321	35 848	68,1%
Shareholders' equity				
Common stock	103 728	103 728	103 736	0,0%
Paid in capital	22 834	22 834	22 949	0,5%
Retained earnings	201 017	178 195	253 945	42,5%
Total shareholders' equity	327 579	304 757	380 630	24,9%
Total liabilities and shareholders' equity	647 870	615 210	715 472	16,3%

MATÁV Consolidated Income Statements - IAS (HUF million)	9 months ended September 30,		%
	1999 (Unaudited)	2000 (Unaudited)	change
Revenues			
Subscriptions, connections and other charges	47 204	61 252	29,8%
Domestic traffic revenue	98 639	97 260	-1,4%
Other usage	13 887	14 311	3,1%
Domestic telecommunications services	159 730	172 823	8,2%
International traffic revenues	32 215	31 440	-2,4%
Mobile telecommunications services	59 616	79 056	32,6%
Leased lines and data transmission	14 303	19 217	34,4%
Other services	14 476	24 765	71,1%
Total revenues	280 340	327 301	16,8%
Employee related expenses	(42 701)	(43 337)	1,5%
Depreciation and amortization	(46 028)	(55 268)	20,1%
Payments to other network operators	(31 793)	(40 998)	29,0%
Cost of telecommunications equipment sales	(16 321)	(22 897)	40,3%
Other operating expenses	(55 716)	(67 505)	21,2%
Total operating expenses	(192 559)	(230 005)	19,4%
Operating profit	87 781	97 296	10,8%
Net interest and other charges	(17 236)	(16 985)	-1,5%
Share of associates' results before income tax	764	1 456	90,6%
Profit before income tax	71 309	81 767	14,7%
Income tax expense	(5 285)	(6 823)	29,1%
Profit after income tax	66 024	74 944	13,5%
Minority interest	(10 214)	(12 663)	24,0%
Net income	55 810	62 281	11,6%

MATÁV Consolidated Cash Flow Statement - IAS (HUF million)	9 months ended Sept 30, 2000 (Unaudited)
Cash flow from operating activities	
Cash generated from operations	128 339
Interest paid	-12 210
Commissions and bank charges	-1 556
Net income tax paid	-1 803
Net cash from operating activities	112 770
Cash flow from investing activities	
Capital expenditure on tangible and intangible assets	-108 143
Purchase of investments	-4 636
Interest received	1 187
Dividends received	939
Movement in other financial assets	-3 260
Proceeds from sale of fixed assets	7 562
Net cash flow utilized in investing activities	-106 351
Cash flow from financing activities	
Dividends paid to shareholders and minority interest	-9 402
Net change in the loan portfolio	6 233
Proceeds from issue of shares	123
Other	102
Net cash flow utilized in financing activities	-2 944
Change in cash and cash equivalents	3 475
Cash and cash equivalents at beginning of year	6 584
Cash and cash equivalents at end of year	10 059
Change in cash and cash equivalents	3 475

Summary of key operating statistics

	30.szept.99	30.szept.00	Sep 00 - Sep 99 % change
EBITDA margin	47,7%	46,6%	(2,3%)
Operating margin	31,3%	29,7%	(5,1%)
Net income margin	19,9%	19,0%	(4,5%)
ROA	12,8%	12,2%	(4,7%)
Net debt to total capital	33,4%	29,7%	(11,1%)

Number of closing lines			
Residential	2 310 301	2 317 118	0,3%
Business	376 025	340 544	(9,4%)
Payphone	36 030	36 560	1,5%
ISDN channels	100 764	240 062	138,2%
Total lines	2 823 120	2 934 284	3,9%
Digitalization of exchanges with ISDN Penetration	78,9%	82,2%	4,2%
	37,6%	39,1%	4,0%

Fixed line employees (closing full equivalent)	12 484	11 320	(9,3%)
Total no of employees (closing full equivalent)	15 643	14 495	(7,3%)
Lines per fixed line employees	226	259	14,6%

Traffic in minutes (thousands)			
Domestic	6 304 409	7 120 102	12,9%
International outgoing	145 193	138 128	(4,9%)

Westel 450 RPCs (Revenue Producing Customers)	99 108	82 778	(16,5%)
Westel 900 RPCs (Revenue Producing Customers)	736 933	1 349 408	83,1%
Total cellular RPCs	836 041	1 432 186	71,3%
Westel 900's MOU	200	185	(7,5%)
Westel 900's ARPU	11 547	9 431	(18,3%)
Westel 900's overall churn	33,1%	13,6%	(58,9%)