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MATÁV ANNOUNCES FULL YEAR 2000 RESULTS

BUDAPEST -- February 14, 2001 -- Matáv (NYSE: MTA.N and BSE: MTAV.BU), the leading Hungarian telecommunications service provider, today reported its financial results for the year ended December 31, 2000.

Highlights:

Revenues grew by 15.9% (12.6% in euro terms) to 445.9 billion forints (1,715 million euros), compared to 384.9 billion forints in 1999. The main contributors to this growth were Matáv's mobile, leased line and data businesses, and an increase in subscription revenues:

- Revenues from mobile services increased by 31.6%, driven by the rapid expansion of the mobile subscriber base. Mobile equipment sales revenues more than doubled, resulting in a 68.2% increase in other service revenues.
- Revenues from leased lines and data transmission grew by 32.5%, driven by volume growth in leased lines, cable TV, Internet and ISDN data services.
- Revenues from fixed voice monthly fees increased by 31.2% due to the nearly 50% increase in the monthly charge at the beginning of February 2000.

EBITDA increased by 4.1% (1.2% in euro terms), amounting to 190.8 billion forints (734 million euros) versus 183.3 billion forints a year ago. The EBITDA margin for 2000 was 42.8%.

Net income decreased by 12.6% (-15% in euro terms) to 68.8 billion forints (264 million euros). This represents a net income margin of 15.4%. EBITDA and net income were negatively impacted by the charge Matáv took in the fourth quarter of 2000. Net income impact of this charge amounted to approximately 13 billion forints.

Elek Straub, Chairman and CEO commented: "As our full-year results suggest, we reached a turning point in 2000: the penetration-driven growth in our fixed voice business is over, and we have been refocusing financial and human resources towards the high-growth areas of mobile, data, internet and geographic expansion. We agreed a 16% headcount reduction in the fixed-line business with employee representatives, we doubled the number of Internet

subscribers, almost doubled our mobile subscriber base and doubled the bandwidth sold for data communication last year. In light of our refocused activities, increased operating expenses and the inclusion of Maktel beginning in 2001, we expect revenues to grow over 22% in 2001, high single-digit percent revenue growth in 2002, 2003 and we anticipate EBITDA margin in the next few years to be over 42%.”

Mobile services: Number one contributor to revenue growth

Mobile revenues increased by 31.6% to 108.9 billion forints, representing 24.4% of our total revenues in 2000. Westel's subscriber base surged 90% to 1.6 million at 2000 year-end, representing a market share of 53% in a three-player GSM market. Prepaid customers contributed 86% of the net additions, accounting for 52% of Westel's overall subscriber base at the end of 2000. The 757,000 net additions drove a 68.2% increase in other service revenues to 37.2 billion forints.

Mobile penetration in Hungary reached 31% at the end of 2000, which Westel expects to grow to 40-45% in 2001. In that heavily competitive market segment, Westel aims to remain the market leader with a share of above 50% in 2001.

Despite the growing proportion of prepaid customers, average monthly usage per Westel subscriber remained high at 184 minutes, down 8% from last year, and average monthly revenue per user decreased by 21.7% year-on-year to 9,067 forints. Value-added services represented 4.0% of service revenues, of which the share of Short Messages was 3.2%.

On an unconsolidated basis, Westel's revenues were 153.4 billion forints, EBITDA was 59.0 billion forints and net income was 35.5 billion forints in 2000. The detailed financial statements of Westel will be published in April, 2001.

Fixed line services: maturing voice, developing data and Internet businesses

In 2000, leased line and data revenues increased by 32.5% to 26.8 billion forints. The key driver of revenue growth was the volume growth of managed leased lines, cable TV customers, Internet subscribers and ISDN data traffic:

- number of managed leased lines increased by 27% to over 8,900 in 2000 due to the enhanced informatics needs of corporates and the increased demand for greater bandwidth connections;
- as a result of Matáv's focused marketing campaign, ISDN channels increased 167% to 306,000 amounting to 10% of total lines by year end compared to 4% a year ago;
- cable TV customer base has doubled through a number of acquisitions to 267,000 subscribers by the end of 2000;
- Matáv's internet subsidiary, MatávNet continued to lead the Hungarian dial-up market by nearly doubling its dial-up subscribers in 2000 to over 95,000, while the number of its leased line subscribers increased by 115% to 468.

Matáv's fixed voice business experienced moderate growth. Line penetration (including ISDN channels) reached 40% at the end of 2000, with total number of lines increasing by 2.3% during the year. The composition of fixed lines is shifting towards higher quality and more valuable lines: the number of ISDN channels has grown by 191,000. In addition to the shift to

ISDN, customer substitution for mobile contributed to a decrease in analog fixed-lines of 126,000 since the beginning of 2000.

Domestic minutes of use rose well above line growth by 12.3% in 2000. However, increased traffic did not offset the effect of the reduction in per-minute tariffs. Consequently, there was a 3.4% decrease in domestic voice traffic revenues to 129.5 billion forints. International outgoing minutes decreased by 5.1% 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. The decrease in outgoing minutes coupled with the reductions in tariffs resulted in a 5.4% decrease of international traffic revenues to 41.4 billion forints.

Geographic expansion: Strategic stake in Maktel

The Matáv-led consortium acquired a 51% interest in Maktel, the principle telecom operator of Macedonia. The Macedonian telecom market is in an early stage of development in terms of penetration of services - having fixed-line penetration of approximately 25% and mobile penetration of 5% at the end of 2000 - providing Matáv's shareholders with further growth opportunities. Matáv's key objective for 2001 is to successfully take operational and management control of the company and speed up network and service development. Matáv expects the Maktel acquisition to be accretive at the net income level in 2002.

At the end of 2000 Matáv, which owned 50% of Emitel, signed an agreement to buy out its joint venture partner and take full control. Emitel is the local telephony operator in three concession areas in the Southern part of Hungary, operating over 85,000 fixed lines. The transaction is subject to regulatory approvals.

Expenses heavily impacted by fourth quarter charges¹

Employee-related expenses increased by 16.6% in 2000 to 66.0 billion forints including approximately 9.5 billion provision for severance in 2001. Efficiency ratio reached 264 number of lines per fixed employee by the end of the year.

Depreciation and amortization and other operating expenses include the approximately 5 billion forints impact of the fourth quarter charges. As a result, these expense items grew by 25.4% and 26.7%, respectively.

Strong cash-flow generation

Net cash from operating activities increased by 13.0% to 156.4 billion forints, which more than covered the total capital expenditure of 152.8 billion forints in 2000. Beyond regular business activities, capital expenditure for 2000 included a 6.5 billion forints concession fee which Westel paid through year 2000 for the 1800 MHz license. Based on current business activities for the 2001-2003 three-year period, capital expenditure of Matáv is expected to be approximately HUF 340 billion without Maktel's capital expenditure.

¹ As of this quarterly report, provision expense for severance has been reclassified. In prior reports, we have included both severance provision expense and release of severance provision as part of other expense. In this report, severance provision expense as well as release of severance provision is shown as part of employee related expense. The 1999 expenses shown in this report have also been reclassified.

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

This press-release contains forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors are described in, among other things, our Annual Report on Form 20-F for the year ended December 31, 1999 filed with the U.S. Securities and Exchange Commission.

Analysis of the Financial Statements
for the year ended December 31, 2000

INCOME STATEMENTS

Sales

Revenues from domestic telecommunications services for the year ended 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 year ended December 31, 2000 amounted to HUF 82,918 million, compared to HUF 63,191 million for the same period in 1999 (a 31.2% increase). Growth resulted from an increase in the number of subscribers and tariff increases. The average number of lines increased 5.5% to 2,919,631 in 2000 from 2,767,184 in 1999.

Domestic traffic revenue in 2000 totaled HUF 129,517 million, compared to HUF 134,071 million for the same period in 1999 (a 3.4% decrease). The 12.3% growth in domestic usage was offset by the tariff rebalancing.

Revenues from other usage in 2000 amounted to HUF 19,136 million, compared to HUF 18,743 million for the same period in 1999 (a 2.1% 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 41,432 million for the year ended December 31, 2000, compared to HUF 43,807 million for the same period in 1999 (a 5.4% decrease), mainly due to lower international tariffs.

Revenues from mobile telecommunications services totaled HUF 108,885 million in 2000, compared to HUF 82,746 million for the year ended December 31, 1999 (a 31.6% 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 26,819 million in 2000, compared to HUF 20,241 million in 1999 (a 32.5% 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 of 2000, reported revenues from audiotex, telex and telegraph were included in the category called leased lines and data transmission. Reported results starting June 2000 have been included under "other services". The purpose of this change was to present our core data more clearly. Revenue lines for prior periods were reclassified as well for comparison purposes.

Revenues from other services amounted to HUF 37,238 million in 2000, compared to HUF 22,133 million in 1999 (a 68.2% increase). Other services include equipment sales, construction, maintenance and miscellaneous revenues.

Expenses

As of this quarterly report, provision expense for severance has been reclassified. In prior reports, we have included both severance provision expense and release of severance provision as part of other expense. In this report, severance provision expense as well as release of severance provision is shown as part of employee- related expense. The 1999 expenses shown in this report have also been reclassified.

Employee-related expenses for the year ended December 31, 2000 totaled HUF 66,024 million, compared to HUF 56,630 million for the same period in 1999 (an increase of 16.6%). The growth in employee-related expenses results from higher severance provision as well as wage increases effective April 1, 2000, partially offset by headcount reductions. Efficiency improvements continued with a 6.5% year-on-year headcount reduction to 14,380 and an increase in the number of lines per fixed employee to 264 from 240 at the end of December 1999.

Depreciation and amortization for the year ended December 31, 2000 amounted to HUF 77,940 million, compared to HUF 62,145 million for the same period in 1999 (an increase of 25.4%). The growth is a result of increased investment in fixed assets as well as charges taken in the fourth quarter of 2000 on certain fixed assets.

Payments to other network operators for the year ended December 31, 2000 totaled HUF 55,617 million, compared to HUF 44,184 million for the same period in 1999 (an increase of 25.9%). The increase was due to the increased penetration of mobile and fixed lines.

The cost of telecommunications equipment sales in 2000 was HUF 34,111 million, compared to HUF 22,392 million for the same period in 1999 (an increase of 52.3%). This is mainly due to the increased number of mobile handsets sold.

Other operating expenses in 2000 amounted to HUF 99,382 million, compared to HUF 78,450 million for the same period in 1999 (an increase of 26.7%). Other operating expenses include materials, maintenance, marketing, service fees, energy and consultancy. The main components of the growth in other expenses include agency fees and costs of SIM cards related to acquiring new mobile customers, IT- related expenses, maintenance costs of fixed line exchanges and mobile base stations and outsourced services.

Operating Profit

Operating profit totaled HUF 112,871 million for the year ended December 31, 2000, compared to HUF 121,131 million for the same period in 1999. Total revenues increased 15.9% to HUF 445,945 million in 2000, compared to HUF 384,932 million in 1999. Total operating expenses increased 26.3% to HUF 333,074 million in 2000 from HUF 263,801 million in 1999. Operating margin for the year ended December 31, 2000 was 25.3%, while operating margin for the same period in 1999 was 31.5%.

Net Interest and Other Charges

Net interest and other charges were HUF 20,992 million in 2000, compared to HUF 22,133 million 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 182,519 million on December 31, 1999, to HUF 189,366 million on December 31, 2000.

Share of associates' results

Share of associates' results amounted to HUF 2,174 million for the year ended December 31, 2000, compared to HUF 1,428 million for the same period in 1999, reflecting improved operating results of investments.

Profit before taxation

Profit before income tax amounted to HUF 94,053 million for the year ended December 31, 2000, versus HUF 100,426 million for the same period in 1999.

Income tax

Income tax increased from HUF 6,911 million in the year ended December 31, 1999 to HUF 8,208 million in the same period of 2000 due to the higher taxable income of the group.

Minority Interest

Minority interest in 2000 was HUF 17,082 million, compared to HUF 14,883 million for the same period in 1999 (an increase of 14.8%). This increase is due to the growth of Westel.

Net Income

Net income in 2000 was HUF 68,763 million, compared to HUF 78,632 million for the same period in 1999 (a decrease of 12.6%).

BALANCE SHEET

Total assets and total shareholders' equity and liabilities at December 31, 1999 were HUF 647,870 million. Total assets and total shareholders' equity and liabilities amounted to HUF 745,509 million as of December 31, 2000. The increase is attributable to operating results.

Loans and other borrowings

Current loans and other borrowings increased 342.2%, while non-current loans and other borrowing decreased 32.8% as of December 31, 2000 compared to December 31, 1999, due to reclassification of certain loans falling due within a one-year period.

Minority interests

Minority interests increased 77.0% from December 31, 1999 to HUF 40,731 million at December 31, 2000. This increase was due to higher profits of Westel.

Retained earnings

Retained earnings increased 29.6% from December 31, 1999 to HUF 260,420 million at December 31, 2000. This increase was due to net income, partly offset by a dividend payment of HUF 9,335 million.

(Tables to follow)

MATÁV Consolidated Income Statements - IAS (HUF million)	12 months ended December 31,		%
	1999 (Audited)	2000 (Unaudited)	
Revenues			
Subscriptions, connections and other charges	63,191	82,918	31.2%
Domestic traffic revenue	134,071	129,517	(3.4%)
Other usage	18,743	19,136	2.1%
Domestic telecommunications services	216,005	231,571	7.2%
International traffic revenues	43,807	41,432	(5.4%)
Mobile telecommunications services	82,746	108,885	31.6%
Leased lines and data transmission	20,241	26,819	32.5%
Other services	22,133	37,238	68.2%
Total revenues	384,932	445,945	15.9%
Employee related expenses	(56,630)	(66,024)	16.6%
Depreciation and amortization	(62,145)	(77,940)	25.4%
Payments to other network operators	(44,184)	(55,617)	25.9%
Cost of telecommunications equipment sales	(22,392)	(34,111)	52.3%
Other operating expenses	(78,450)	(99,382)	26.7%
Total operating expenses	(263,801)	(333,074)	26.3%
Operating profit	121,131	112,871	(6.8%)
Net interest and other charges	(22,133)	(20,992)	(5.2%)
Share of associates' results before income tax	1,428	2,174	52.2%
Profit before income tax	100,426	94,053	(6.3%)
Income tax expense	(6,911)	(8,208)	18.8%
Profit after income tax	93,515	85,845	(8.2%)
Minority interest	(14,883)	(17,082)	14.8%
Net income	78,632	68,763	(12.6%)

MATÁV	Dec 31, 1998	Dec 31, 1999	Dec 31, 2000	2000/1999
Consolidated	(Audited)	(Audited)	(Unaudited)	% change
Balance Sheets - IAS				
(HUF million)				
ASSETS				
Current assets				
Cash and cash equivalents	3,613	6,584	13,296	101.9%
Financial investments	1,274	3,732	6,045	62.0%
Receivables	51,662	66,667	71,951	7.9%
Inventories	8,117	9,539	10,587	11.0%
Total current assets	64,666	86,522	101,879	17.7%
Total fixed assets	479,474	555,099	627,728	13.1%
Other non current assets	5,400	6,249	15,902	154.5%
Total assets	549,540	647,870	745,509	15.1%
LIABILITIES AND SHAREHOLDERS' EQUITY				
Loans and other borrowings	19,311	17,804	78,725	342.2%
Trade and other payables	74,956	87,945	96,068	9.2%
Deferred revenue	5,638	4,685	3,690	(21.2%)
Provisions for liabilities and charges	4,322	4,925	11,624	136.0%
Total current liabilities	104,227	115,359	190,107	64.8%
Loans and other borrowings	153,160	164,715	110,641	(32.8%)
Deferred revenue	18,260	13,606	9,949	(26.9%)
Provisions for liabilities and charges	4,513	3,599	30	(99.2%)
Other non current liabilities	0	0	7,067	
Total non current liabilities	175,933	181,920	127,687	(29.8%)
Minority interests	12,135	23,012	40,731	77.0%
Shareholders' equity				
Common stock	103,728	103,728	103,736	0.0%
Additional paid in capital	22,834	22,834	22,955	0.5%
Treasury stock	0	0	(127)	
Retained earnings	130,683	201,017	260,420	29.6%
Total shareholders' equity	257,245	327,579	386,984	18.1%
Total liabilities and shareholders' equity	549,540	647,870	745,509	15.1%

MATÁV	12 months ended
Consolidated	Dec 31, 2000
Cash Flow Statement - IAS	(Unaudited)
(HUF million)	
Cash flow from operating activities	
Cash generated from operations	181,764
Interest paid	(15,123)
Commissions and bank charges	(2,042)
Net income tax paid	(8,150)
Net cash from operating activities	156,449
Cash flow from investing activities	
Capital expenditure on tangible and intangible assets	(152,784)
Purchase of investments	(3,568)
Interest received	2,067
Dividends received	1,009
Movement in other financial assets	(2,313)
Proceeds from disposal of fixed assets	9,784
Net cash flow utilized in investing activities	(145,805)
Cash flow from financing activities	
Dividends paid to shareholders and minority interest	(9,411)
Net change in the loan portfolio	4,915
Net cash used for treasury stock transactions	(23)
Other	587
Net cash flow utilized in financing activities	(3,932)
Change in cash and cash equivalents	6,712
Cash and cash equivalents at beginning of year	6,584
Cash and cash equivalents at end of year	13,296
Change in cash and cash equivalents	6,712

Summary of key operating statistics

	Dec 31, 1999	Dec 31, 2000	Dec 1999 - Dec 2000 % change
EBITDA margin	47.6%	42.8%	(10.1%)
Operating margin	31.5%	25.3%	(19.7%)
Net income margin	20.4%	15.4%	(24.5%)
ROA	13.1%	9.9%	(24.4%)
Net debt to total capital	32.9%	28.4%	(13.7%)
Number of closing lines			
Residential	2,370,579	2,296,351	(3.1%)
Business	378,605	326,503	(13.8%)
Payphone	36,205	36,774	1.6%
ISDN channels	114,466	305,882	167.2%
Total lines	2,899,855	2,965,510	2.3%
Digitalization of exchanges with ISDN Penetration	79.0%	85.1%	7.7%
	38.6%	39.5%	2.3%
Fixed line employees (closing full equivalent)	12,093	11,227	(7.2%)
Total no of employees (closing full equivalent)	15,377	14,380	(6.5%)
Lines per fixed line employee	240	264	10.0%
Traffic in minutes (thousands)			
Domestic	8,632,345	9,692,678	12.3%
International outgoing	192,356	182,479	(5.1%)
Westel 450 RPCs (Revenue Producing Customers)	97,753	75,866	(22.4%)
Westel 900 RPCs (Revenue Producing Customers)	842,279	1,599,086	89.9%
Total cellular RPCs	940,032	1,674,952	78.2%
Westel 900's MOU	200	184	(8.0%)
Westel 900's ARPU	11,582	9,067	(21.7%)
Westel 900's overall churn	(28.1%)	(13.1%)	(53.5%)