



Contact:

Edit Szabó, MATÁV IR
+36-1-458-0403

or

Jeff Zelkowitz

Taylor Rafferty, London

+44-20-7936-0400

Randy Fibiger

Taylor Rafferty, New York

+1-212-889-4350

MATÁV ANNOUNCES 2000 FIRST QUARTER RESULTS

BUDAPEST – May 12, 2000 -- MATÁV (NYSE: MTA.N and BSE: MTAV.BU), the leading Hungarian telecommunications service provider, today reported continued progress in its first quarter 2000 financial results.

Highlights:

- Revenues grew by 19.2% (17.1% in EUR terms) to 105.1 billion forints compared to 88.2 billion forints in the first quarter of 1999. Top-line growth was driven primarily by a 42.6% increase in revenues from subscriptions, reflecting a major rebalancing of MATÁV's tariffs, and a 32.1% rise in mobile telecommunications revenues powered by a strong increase in the number of mobile subscribers.
- Net income increased by 17.8% (15.8% in EUR terms) to 20.1 billion forints, versus 17.1 billion forints in the same period of last year.
- Basic earnings per share also grew by 17.8% to 19.4 forints per share.
- Margins decreased slightly during first quarter 2000, as MATÁV continued aggressive sales and marketing efforts to build usage and broaden the subscriber base in the mobile segment, and to drive sales of ISDN lines, particularly in the expanding residential ISDN segment. The decrease is also partly attributable to the new interconnection fees that took effect from February 1.

Elek Straub, MATÁV Chairman and CEO, commented: "MATÁV has delivered another sound quarter of growth. We continue to see a steady progress in our growth businesses, mobile penetration increases unabated and our ISDN promotion was also well received by the general public. Our bottom-line growth rate for the quarter has slowed from last year's tremendous performance. This reflects in part the impact of our new interconnect regime. We entered a transition period when we should establish stable grounds for our operations in the liberalized telecom market and -at the same time- set the basis for transforming MATÁV into an IP-focused communications company ready to meet the challenges of the future."

- Mobile revenues increased 32.1% to 23.0 billion forints compared to the first quarter of 1999. This increase was mainly driven by the accelerated growth in the number of GSM subscribers to over 1 million at the end of the quarter. Westel maintained its number one position in the Hungarian mobile segment, with a 56% share of the GSM market. As the market's quality leader, Westel introduced a number of services such as WAP and online customer care, many of them firsts for Hungary. Aside from pursuing technological leadership, Westel continues to broaden its customer footprint with call packages tailored to various market segments, including a 10% reduction in average monthly fees.
- In our fixed-line business, MATÁV made significant progress in rebalancing. Our new tariffs, effective February 1, 2000 reflect a 50% increase in monthly subscription fees and a reduction in per-second usage charges. The positive effects of the reduction in usage fees on volumes are however delayed by the fact that the new tariffs were introduced only in the second month of the quarter. This shift towards cost-based pricing will put us in a prepared position when the market is fully liberalized.
- Fixed-line penetration in our service areas was 38.7% at the end of first quarter 2000. The number of ISDN lines jumped to nearly 143,700, nearly a 90% increase over first quarter 1999, and a 26% increase over the 1999 year-end total. We are on track to achieve our major goal for 2000 of making ISDN a mass market product that will also serve as a platform for the introduction of ADSL in the second half of 2000. The strong growth in the number of ISDN channels during the quarter was partially offset by a slight decrease in business and residential analogue lines, reflecting the shift towards digital lines, the substantial increase in monthly fees at a time of falling mobile prices, as well as a curtailing of promotions on the installation of analogue lines.
- MATÁVNet, MATÁV's internet service provider which holds a 46% share of the Hungarian dial-up market, once again experienced a very successful quarter. The number of dial-up subscribers rose to 61,293, a 76.8% increase over the first three months of 1999. This performance was backed by aggressive marketing efforts and the popularity of our flexible internet offering.
- Employee-related expenses increased by 5.4% year-on-year to 13.9 billion forints. The moderate growth results from wage increases effective April 1, 1999 and from increases in the proportion of more highly qualified employees partially offset by headcount reductions and decreases in welfare costs. Efficiency improvements continued with an 8.6% year-on-year headcount reduction to 15,100 and an increase in the number of lines per fixed employee to 246 from 204 at the end of March, 1999.

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 March 31, 2000 include the Ministry for Transport, Communications and Water Management (holder of the Golden Share), MagyarCom,

a consortium of SBC/Ameritech International, Inc. and Deutsche Telekom AG (59.53%), while 40.47% is publicly traded.

Analysis of the Financial Statements
for the 3 months ended March 31, 2000

INCOME STATEMENT

Sales

Revenues from domestic telecommunications services for the first quarter 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 3 months ended March 31, 2000 amounted to HUF 18,983 million, compared to HUF 15,268 million for the same period in 1999 (a 24.3% increase). Growth resulted from an increase in the number of subscribers and tariff increases. The average number of lines increased 8.5% to 2,896,527 in the first quarter of 2000 from 2,670,118 in the first quarter of 1999.

Domestic traffic revenue for the first 3 months of 2000 totalled HUF 33,206 million, compared to HUF 31,929 million for the same period in 1999 (a 4.0% increase). Revenue growth was driven by increase in the number of subscribers, partly offset by the tariff rebalancing.

Revenues from other usage for the first 3 months of 2000 amounted to HUF 4,423 million, compared to HUF 4,231 million for the same period in 1999 (a 4.5% 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 10,477 million for the 3 months ended March 31, 2000, compared to HUF 10,423 million for the same period in 1999.

Revenues from mobile telecommunications services totalled HUF 22,975 million for the first quarter of 2000, compared to HUF 17,389 million for the 3 months ended March 31, 1999 (a 32.1% increase). The growth resulted from the increased number of subscribers.

Revenue from leased lines and data transmission amounted to HUF 6,865 million for the first quarter of 2000, compared to HUF 5,652 million for the same period in 1999 (a 21.5% increase). This strong growth was due to the increase in the number of managed leased lines, ISDN, internet and cable TV subscribers.

Revenues from other services amounted to HUF 8,214 million for the first 3 months of 2000, compared to HUF 3,338 million for the same period in 1999 (a 146.1% increase). This increase relates to the marketing efforts of first quarter 2000. Other services include equipment sales, construction, maintenance and miscellaneous revenues.

Expenses

Employee-related expenses for the 3 months ended March 31, 2000 totalled HUF 13,851 million compared to HUF 13,138 million for the same period in 1999 (an increase of 5.4%). The moderate growth results from wage increases effective April 1, 1999 and from increases in the proportion of more highly qualified employees partially offset by headcount reductions and decreases in welfare costs. Efficiency improvements continued with an 8.6% year-on-year headcount reduction to 15,100 and an increase in the number of lines per fixed employee to 246 from 204 at the end of March, 1999.

Depreciation and amortization for the 3 months ended March 31, 2000 amounted to HUF 17,850 million compared to HUF 14,956 million for the same period in 1999 (an increase of 19.4%). The growth is a result of increased investment in fixed assets.

Payments to other network operators for the 3 months ended March 31, 2000 totalled HUF 12,594 million compared to HUF 9,799 million for the same period in 1999 (an increase of 28.5%). The increase was due to the increased penetration of mobiles and fixed lines.

The cost of telecommunications equipment sales for the first quarter in 2000 was HUF 8,450 million compared to HUF 5,851 million for the same period in 1999 (an increase of 44.4%). This is mainly due to the increased number of mobile handsets sold.

Other operating expenses for the first 3 months of 2000 amounted to HUF 20,913 million compared to HUF 16,807 million for the same period in 1999 (an increase of 24.4%). Other operating expenses include materials, maintenance, marketing, service fees, energy, and consultancy.

Operating Profit

Operating profit totalled HUF 31,485 million for the 3 months ended March 31, 2000, compared to HUF 27,679 million for the same period in 1999. Total revenues increased 19.2% to HUF 105,143 million for the first quarter in 2000 compared to HUF 88,230 million for the first quarter in 1999. Total operating expense increased 21.6% to HUF 73,658 million for the first 3 months in 2000 from HUF 60,551 million for the same period in 1999. Operating margin for the 3 months ended March 31, 2000 was 29.9%, while operating margin for the same period in 1999 was 31.4%.

Net Interest and Other Charges

Net interest and other charges were HUF 6,505 million for the first quarter in 2000 compared to HUF 7,286 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 180,670 million on March 31, 1999, to HUF 191,397 million on March 31, 2000.

Share of associates' results

Share of associates' results amounted to HUF 312 million for the 3 months ended March 31, 2000 compared to HUF 73 million for the same period in 1999, reflecting improved operating results of investments.

Profit before taxation

Profit before tax amounted to HUF 25,292 million for the 3 months ended March 31, 2000 versus HUF 20,466 million for the same period in 1999.

Income tax

Income tax increased from HUF 1,571 million in the first 3 months of 1999 to HUF 2,241 million in the same period of 2000 due to the higher profits of the group.

Minority Interest

Minority interest for the first 3 months in 2000 was HUF 2,955 million compared to HUF 1,838 million for the same period in 1999 (an increase of 60.8%). This increase is due to the growth of Westel 900.

Net Income

Net income for the first quarter in 2000 was HUF 20,096 million compared to HUF 17,057 million for the same period in 1999 (an increase of 17.8%).

BALANCE SHEET

Total assets and total shareholders' equity and liabilities at March 31, 1999 were HUF 560,885 million. Total assets and total shareholders' equity and liabilities amounted to HUF 668,407 million as of March 31, 2000. The increase is attributable to operating results.

Receivables

Receivables for March 31, 2000 of HUF 73,186 million increased 28.9% over March 31, 1999. This increase was due to the increase in the subscriber base and tariffs.

Trade and other payables

Trade and other payables increased from HUF 61,104 million on March 31, 1999 to HUF 79,680 million on March 31, 2000. The increase in domestic and foreign creditors resulted from the growth of the companies' operation.

Retained earnings

Retained earnings increased 49.7% from March 31, 1999 to HUF 221,095 million at March 31, 2000. MATÁV paid a dividend of HUF 8,298 million.

MATÁV Consolidated Income Statement - IAS (HUF million)	3 months ended March 31,		
	1999 (Unaudited)	2000 (Unaudited)	% change
Revenues			
Subscriptions, connections and other charges	15 268	18 983	24.3%
Domestic traffic revenue	31 929	33 206	4.0%
Other usage	4 231	4 423	4.5%
Domestic telecommunications services	51 428	56 612	10.1%
International traffic revenues	10 423	10 477	0.5%
Mobile telecommunications services	17 389	22 975	32.1%
Leased lines and data transmission	5 652	6 865	21.5%
Other services	3 338	8 214	146.1%
Total revenues	88 230	105 143	19.2%
Employee related expenses	(13 138)	(13 851)	5.4%
Depreciation and amortization	(14 956)	(17 850)	19.4%
Payments to other network operators	(9 799)	(12 594)	28.5%
Cost of telecommunications equipment sales	(5 851)	(8 450)	44.4%
Other operating expenses	(16 807)	(20 913)	24.4%
Total operating expenses	(60 551)	(73 658)	21.6%
Operating profit	27 679	31 485	13.8%
Net interest and other charges	(7 286)	(6 505)	(10.7%)
Share of associates' results before income tax	73	312	327.4%
Profit before income tax	20 466	25 292	23.6%
Income tax payable	(1 571)	(2 241)	42.6%
Profit after income tax	18 895	23 051	22.0%
Minority interest	(1 838)	(2 955)	60.8%
Net income	17 057	20 096	17.8%

MATÁV	Dec 31, 1999	Mar 31, 1999	Mar 31, 2000	%
Consolidated Balance Sheet - IAS (HUF million)	(Audited)	(Unaudited)	(Unaudited)	change
ASSETS				
Current assets				
Cash and cash equivalents	6 584	6 003	5 774	(3.8%)
Financial investments	3 732	2 723	875	(67.9%)
Receivables	66 667	56 768	73 186	28.9%
Inventories	9 539	10 282	12 307	19.7%
Total current assets	86 522	75 776	92 142	21.6%
Total fixed assets	555 099	479 779	570 087	18.8%
Other non current assets	6 249	5 330	6 178	15.9%
Total assets	647 870	560 885	668 407	19.2%
LIABILITIES AND SHAREHOLDERS' EQUITY				
Loans and other borrowings	17 804	16 359	26 602	62.6%
Trade and other payables	87 945	61 104	79 680	30.4%
Deferred revenue	4 685	5 335	4 436	(16.9%)
Provisions for liabilities and charges	4 925	4 574	4 154	(9.2%)
Total current liabilities	115 359	87 372	114 872	31.5%
Loans and other borrowings	164 715	164 311	164 795	0.3%
Deferred revenue	13 606	17 176	12 684	(26.2%)
Provisions for liabilities and charges	3 599	3 802	2 699	(29.0%)
Total non current liabilities	181 920	185 289	180 178	(2.8%)
Minority interests	23 012	13 922	25 700	84.6%
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	201 017	147 740	221 095	49.7%
Total shareholders' equity	327 579	274 302	347 657	26.7%
Total liabilities and shareholders' equity	647 870	560 885	668 407	19.2%

	31 March 99	31 March.00	Mar 00 - Mar 99 % change
EBITDA margin	48.3%	46.9%	(2.9%)
Operating margin	31.4%	29.9%	(4.8%)
Net income margin	19.3%	19.1%	(1.0%)
ROA	12.3%	12.2%	(0.8%)
Net debt to total capital	37.4%	33.1%	(11.5%)

Number of closing lines			
Residential	2 217 051	2 349 092	6.0%
Business	364 884	373 643	2.4%
Payphone	35 861	36 295	1.2%
ISDN channels	75 868	143 696	89.4%
Total lines	2 693 664	2 902 726	7.8%
Digitalization of exchanges with ISDN Penetration	76.7%	80.4%	4.8%
	35.7%	38.7%	8.4%
Westel 450 RPCs (Revenue Producing Customers)	94 320	92 430	(2.0%)
Westel 900 RPCs (Revenue Producing Customers)	635 975	1 022 100	60.7%
Total cellular RPCs	730 295	1 114 530	52.6%
Westel 900's MOU	189	183	(3.2%)

Fixed line employees (closing full equivalent)	13 178	11 811	(10.4%)
Total no of employees (closing full equivalent)	16 542	15 113	(8.6%)
Lines per fixed line employees	204	246	20.6%

Traffic in minutes (thousands)			
Domestic	2 103 046	2 366 454	12.5%
International outgoing	45 997	45 055	(2.0%)