

HUNGARIAN TELECOMMUNICATIONS CO LTD

Form 6-K

February 14, 2003

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

**Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934**

HUNGARIAN TELECOMMUNICATIONS CO. LTD.

(Translation of registrant's name into English)

Budapest, 1013, Krisztina krt. 55, Hungary
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F ☐ Form 40-F ☐

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ☐ No ☐

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

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MATÁV MEETS 2002 TARGETS IN A CHANGING ENVIRONMENT

BUDAPEST February 14, 2003 - Matáv (NYSE: MTA.N and BSE: MTAV.BU), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the full year 2002 according to International Financial Reporting Standards (IFRS).

Highlights:

Revenues grew by 7.8% (13.9% in EUR terms) to HUF 590.6 bn (EUR 2,430.7 m) in 2002 compared to 2001 driven mainly by higher mobile and international segment (MakTel) revenue growth, partly offset by a decline in international traffic revenues.

Matáv decided to carry out **headcount reductions** in 2003 and 2004. The cost of this measure, accounted for in Q4 2002, was approximately HUF 8.6 bn and took the form of severance provisions mainly at the fixed line segment.

EBITDA grew to HUF 245.0 bn (3.8% growth) with EBITDA margin reaching 41.5%.

Fixed line segment: EBITDA margin was 35.8% as severance provision mainly hit parent company results in Q4 2002.

Mobile segment: Revenue increased by 16.9% mainly due to the growing customer base. EBITDA margin amounted to 37.8% in 2002. **Westel had 3.4 million customers at the end of 2002.**

International segment: Revenue increased by 12.5% and the EBITDA margin reached a very impressive 54.5% due to growth in the subscriber base across all business areas. Higher subscription fees and domestic traffic prices resulted in growth, which was partly offset by lower international traffic revenues.

Net income for the Group declined to HUF 68.1 bn (EUR 280.4 m) as net interest charges grew (due to a higher loan balance) and the income tax expense (Westel) rose significantly.

Net cash from operating activities rose moderately to HUF 199.0 bn as a result of higher EBITDA, partly offset by a change in working capital requirements (mainly due to a fall in trade payables) and higher interest paid. Net cash utilized in investing activities fell strongly as capex was lower and the major acquisitions were executed in 2001 (MakTel, Emitel). Net cash utilized in financing activities amounted to HUF 80.1 bn, driven by continuous debt repayments during 2002.

Net debt has been reduced by HUF 78.2 bn since the end of 2001 resulting in a **reduced gearing ratio** defined as net debt to net debt plus equity plus minority interest of 38.8% compared to 46.6% at year-end 2001.

Elek Straub, Chairman and CEO commented: One year ago we set ourselves three targets for 2002: high single digit revenue growth, EBITDA margin above 40% and gross additions to tangible and intangible assets of around 105 billion forints. In the third quarter we modified our forecasts for gross additions to tangible and intangible assets to below 100 billion forints to reflect our aims of improved efficiency. With nearly 8% revenue growth, an EBITDA margin of 41.5% and gross additions to tangible and intangible assets at HUF 98 billion in 2002, we have successfully achieved our financial targets for this year. The fixed line segment remained a strong cash generator although its profit was hit by the severance provision relating to the

forthcoming headcount reduction, which mainly affects the parent company. In the mobile business, we put a balanced emphasis on profitability and market share. As a result of this, we achieved a strong EBITDA while maintaining our leading position in the face of intense competition. Our international acquisition proved to be a real success for the second consecutive year with an EBITDA margin of above 50%. We expect continued growth for the Group in 2003, although at a lower rate than in 2002, as competition strengthens and domestic mobile penetration growth slows. At the same time we expect further volume increases in Matáv's key businesses. We anticipate low single digit revenue growth at Matáv Group in 2003. Our EBITDA margin target is in the region of 40% for this year. Planned gross additions to tangible and intangible assets for 2003 are around 90 billion forints.

Fixed line: Successful tariff packages, results were hit by severance provision

Fixed line revenues grew moderately by 0.8% to HUF 336.3 bn with an EBITDA margin of 35.8%. Domestic and international traffic revenues combined fell by 6.2%. Leased line and data revenues grew by 14.4%, driven by volume growth in managed leased lines, ADSL and Internet subscribers. Fixed line penetration and the total number of lines marginally declined. However, the number of ISDN channels increased to 511,326, showing a 14.0% growth since end-2001. The Minimal package represented approximately 25% of total residential lines at year-end 2002. By the end of December 2002, 17.7% of Matáv's total fixed lines were ISDN. The Company was successful in broadband applications, with the number of installed ADSL lines growing to 33,951 by the end of 2002. Matáv's Internet subsidiary, Axelero maintained its leading position among ISPs in the dial-up market with approximately 43% market share and almost 150,000 Internet subscribers. Internet usage had a proportionally greater share in the total call volume.

Mobile: Market leadership maintained, rapid growth in enhanced services

Mobile segment revenues rose by 16.9% and EBITDA increased by 15.4% to HUF 87.8 bn. Depreciation and amortization fell by 12.1% to HUF 35.4 bn reflecting lower intangible asset amortization during 2002. Operating profit rose to HUF 52.4 bn from HUF 35.8 bn and operating profit margin grew 4.5 percentage points to 22.5% in 2002. Westel maintained its leading position in an expanding mobile market characterized by intense competition. Its customer base was above 3.4 million at the end of December 2002. Westel's GSM market share was 49.6% showing a slight decline due to a stricter prepaid entry barrier policy relative to the competitors. At the end of the fourth quarter, prepaid customers represented 75.0% of the total customer base. Average acquisition cost per customer fell by 28.0% to HUF 13,490 in 2002 from HUF 18,748 a year earlier. When calculating subscriber acquisition cost, we include the connection margin (connection fee less the SIM card cost) and the sales related equipment subsidy and agent fee. Both ARPU (monthly average revenue per user) and MOU (monthly average minutes of use per subscriber) declined due to a continuing dilution of the customer base, resulting in ARPU of HUF 5,732 and a MOU of 118 in 2002. Enhanced services (mainly SMS) within ARPU reached HUF 549 (9.6% of total), showing an impressive development compared to HUF 405 (5.8% of total) in 2001. Year-to-date churn rate was relatively low at 14.7% in 2002. The churn rate in the postpaid segment showed a continuous decline this year and fell to 10.2% in the fourth quarter of 2002 as a result of a successful customer retention program.

International: Impressive results demonstrate the success of the Macedonian acquisition

International revenues grew by 12.5% to HUF 67.6 bn in 2002. The EBITDA margin was strong at 54.5%. Revenues from subscriptions and domestic traffic revenues increased due to both volume growth and price increases. International traffic revenues fell due to a reduction in outgoing and incoming prices and lower usage. Mobile revenues increased, driven by a larger customer base and higher prices. Employee related expenses rose to HUF 7.8 bn due to wage increases. Fixed line penetration in Macedonia was 28%, and mobile penetration grew to 18% by the end of December 2002. Fixed line customers reached 594,213, up 8.0% from a year earlier. Within this, analog subscribers rose by 7.0% to 571,863 and ISDN channels grew significantly by 43.6% to 22,350. The mobile customer base grew by 65.5% to 366,348. The number of Internet subscribers reached 34,222 at the end of December 2002.

Matáv is the principal provider of telecom services in Hungary. 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. Matáv also holds a majority stake in Stonebridge Communications AD, which controls MakTel, the sole fixed line and the leading mobile operator in Macedonia. Key shareholders of Matáv as of December 31, 2002 include MagyarCom GmbH, owned by Deutsche Telekom AG (59.21%). The remainder, 40.79% 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, 2001 filed with the U.S. Securities and Exchange Commission.

For detailed information on Matáv's full year 2002 results please visit our website:

([http://www.matav.hu/english/investor relations](http://www.matav.hu/english/investor%20relations)) or the website of the Budapest Stock Exchange (www.bse.hu Listed Securities/ Issuer's news).

MATÁV Consolidated Balance Sheets - IAS

(HUF million)	Dec 31, 2001 (Unaudited) Restated	Dec 31, 2002 (Unaudited)	Dec 31, 2001 - Dec 31, 2002 % change
ASSETS			
Current assets			
Cash and cash equivalents	10 117	8 851	(12,5)%
Financial investments	327	447	36,7%
Trade and other receivables	88 079	88 921	1,0%
Inventories	13 297	13 063	(1,8)%
Assets held for disposal	3 725	2 285	(38,7)%
Total current assets	115 545	113 567	(1,7)%
Property, plant and equipment	654 298		