

HUNGARIAN TELECOMMUNICATIONS CO LTD MATAV

Form 6-K

February 11, 2004

## **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**

**Report on Form 6-K dated February 11, 2004**

## **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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**2003 FULL YEAR RESULTS: FINANCIAL TARGETS MET, LEADING POSITIONS IN THE KEY BUSINESSES MAINTAINED**

BUDAPEST February 11, 2004 - Matáv (NYSE: MTA.N and BSE: MTAV.BU), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the full year of 2003, according to International Financial Reporting Standards (IFRS).

**Highlights:**

**Revenues grew by 2.8% to HUF 607.3 bn (EUR 2,396.2 m) in 2003 compared to 2002** mainly driven by higher mobile and data transmission revenues, partly offset by a decline in revenues from domestic and international traffic, and lower other usage.

**EBITDA increased by 2.2% to HUF 250.4 bn, with EBITDA margin reaching 41.2%.**

**Gross additions to tangible and intangible assets reached HUF 88.3 bn.** Of this, the portion due to the fixed segment reached HUF 38.2 bn, with mobile at HUF 35.5 bn and MakTel reporting HUF 14.6 bn.

**Fixed line segment: revenues declined by 3.5%; EBITDA margin was maintained at 35.7%.**

**Mobile segment: revenues grew by 9.3%** mainly driven by higher traffic, enhanced service revenues and equipment sales. **EBITDA margin was 37.4%** in 2003. Westel reinforced its leading position with its market share reaching 47.4% at the end of December 2003.

**International segment: revenues grew by 3.6% with EBITDA margin reaching an impressive 56.4%.** Continuous cost-cutting helped to increase EBITDA to HUF 39.5 bn from HUF 36.8 bn in the same period last year.

**Group operating profit was stable and stood at HUF 122.1 bn although net income declined to HUF 57.5 bn (EUR 226.8 m).** This was mainly due to the significant increase in net interest and other charges (due to an increase in net FX losses resulting from the weakening of the forint). In line with its financing strategy, Matáv prepaid its FX denominated EIB loan in the fourth quarter. The cost of the prepayment was at market rates. The transaction resulted in an elimination of FX exposure from the debt portfolio, with the additional benefit of ensuring increased flexibility and transparency of the portfolio.

**Net cash from operating activities remained stable at HUF 198.1 bn due to a higher EBITDA and favourable changes in working capital requirements** (driven mainly by a change in trade payables), partly offset by slightly higher interest paid. Net cash utilized in investing activities fell to HUF 94.7 bn. This was due to lower gross additions to tangible and

intangible assets (primarily at MakTel) and the change in capex payables. Net cash used in financing activities amounted to HUF 92.0 bn, mainly explained by an increase in dividends paid to shareholders in 2003.

**Net debt** has been reduced by HUF 73.1 bn since the end of December 2002 resulting in a **lower net debt ratio** (net debt to net debt plus equity plus minority interest) of 31.6% compared to 38.8% at the end of the fourth quarter in 2002.

Elek Straub, Chairman and CEO commented: *Reporting today 2.8% revenue growth, an EBITDA margin of 41.2% and gross additions to tangible and intangible assets at 88.3 billion forints, shows that we have successfully achieved our financial targets for 2003. In the fixed line segment, by the end of the year, we achieved a noticeable reduction in the line erosion. A further significant success was the installation of over 100,000 ADSL lines by the end of December. In the mobile business, Westel maintained its leading position*

*despite facing strong competition. Finally our international subsidiary, thanks to efficiency improvements and rigorous cost control, reported another successful year in 2003. In 2004, we will continue our headcount rationalisation steps. By end of the year, we aim to reduce Group level headcount by almost 400 compared to the closing figure for 2003. In terms of the overall outlook for the full year 2004, under the current regulatory environment, we anticipate that revenues at Matáv Group will be in the region of 600 billion forints. We are targeting an EBITDA margin in the region of 40% for full year 2004. Planned gross additions to tangible and intangible assets for 2004 excluding UMTS related additions and potential acquisitions are around 90 billion forints. Depreciation and amortisation is likely to be in the range of 133-135 billion forints this year. In addition, by end-2004 we aim to stop net fixed line erosion maintaining end-2003 levels of line numbers. Looking further ahead, Matáv is now finalising its mid-term strategic plan and targets and expects to announce further details in due course.*

Fixed line: Reduced line erosion, over 100.000 ADSL lines, attractive new packages

Fixed line revenues fell to HUF 324.6 bn with EBITDA margin at 35.7%. Domestic and international traffic revenues combined fell by 7.8%. At the same time, leased line and data revenues continued to grow, and were up by 15.4%, driven by volume growth in ADSL and increased Internet subscribers. Matáv's fixed line penetration was down slightly at 37.7% (from 38.4% a year ago) with a 1.8% reduction in the total number of lines. At the same time, line number erosion slowed. The total number of lines remained more or less stable, falling by only 0.2% in the fourth quarter. By the end of 2003, 18.6% of Matáv's total fixed lines were ISDN channels. Customised tariff packages represented almost half of the total number of lines with more than 1.4 million lines for these packages at the end of December 2003. The Company fulfilled its target for the year with 103,564 ADSL lines by the end of 2003, more than three times the respective figure for year-end 2002. Matáv's Internet subsidiary, Axelero, retained its leading position among ISPs in the dial-up market with a market share of around 44%. The Group had a total of 210,680 Internet subscribers at the end of December 2003 (up by 40.5% year-on-year).

Mobile: improved customer retention and stable market position

Mobile revenues increased by 9.3%. EBITDA increased by 8.1% to HUF 94.9 bn, while the EBITDA margin was 37.4%. Westel preserved its leading position in a strongly competitive market with a 47.4% market share, whilst GSM penetration reached 78.5% at end-2003. Westel's customer base was 3.8 million by the end of the year 2003. At the end of the fourth quarter, the number of post-paid customers increased to 26.1% of the total customer base, compared with 25.0% at end-2002. Average acquisition cost per customer fell by 8.4% to HUF 12,353 in 2003 from HUF 13,490 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. MOU (monthly average minutes of use per subscriber) grew continuously in each quarter of 2003, resulting in a MOU of 114 for the full year. ARPU (monthly average revenue per user) was HUF 5,261 in 2003. The revenue derived from enhanced services (mainly SMS) grew to HUF 585 (11.1% of total ARPU), showing a steady development compared to HUF 549 (9.6% of total ARPU) in the same period last year. The churn rate in the post-paid segment was successfully kept at the relatively low level of 12.0% in 2003. The churn rates at both pre-paid and post-paid segments showed a continuous decline during the quarters in this year.

International: solid financials in 2003

International revenues grew by 3.6% to reach HUF 70.0 bn in 2003. As a result of higher subscription fees for analog lines, subscription revenues rose, as did domestic traffic revenues. However, these were partially offset by a fall in international traffic revenues. At the same time, MakTel achieved effective cost control throughout the year. Volume-related expenses, such as payments to other network operators were also reduced. As a result, EBITDA improved by 7.3% to reach HUF 39.5 bn with a strong EBITDA margin of 56.4%. Fixed line penetration in Macedonia was around 29%, and mobile penetration rose to 29% at the end of the year compared to 18% in 2002. The number of fixed line customers grew to 619,236, up by 4.2% from the previous year's figure. Within this, analog subscribers grew moderately by 2.3% to 584,714. ISDN channels, however, showed a more pronounced, 54.5% growth to 34,522. The mobile customer base rose by 42.9% to 523,664.



MakTel's mobile market share stood at 86% at end-2003. The number of Internet subscribers at the end of the fourth quarter of 2003 reached 49,040 (up by 43.3% year-on-year).

#### About Matáv

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, 2003 include MagyarCom GmbH, owned by Deutsche Telekom AG (59.21%). The remainder, 40.79% is publicly traded.

This investor news 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 should not have undue reliance placed upon 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, 2002 filed with the U.S. Securities and Exchange Commission.

For detailed information on Matáv's 2003 full year results please visit our website:

([www.ir.matav.hu/english](http://www.ir.matav.hu/english)) or the website of the Budapest Stock Exchange ([www.bse.hu](http://www.bse.hu)).

## MATAV

## Consolidated Balance Sheets IFRS

(HUF million)

	Dec 31, 2002 (Unaudited)	Dec 31, 2003 (Unaudited)	Dec 31, 2002 - Dec 31, 2003 % change
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8 851	22 132	150.1%
Financial investments	447	494	10.5%
Receivables	88 921	94 909	6.7%
Inventories	13 063	9 997	(23.5)%
Assets held for disposal	2 285	3 612	58.1%
<b>Total current assets</b>	<b>113 567</b>	<b>131 144</b>	<b>15.5%</b>
<b>Property, plant and equipment</b>			
Property, plant and equipment	645 087	620 990	(3.7)%
Intangible assets	295 199	289 234	(2.0)%
Associates and other long term investments	11 226	9 411	(16.2)%
<b>Total fixed assets</b>	<b>951 512</b>	<b>919 635</b>	<b>(3.4)%</b>
<b>Other non current assets</b>	<b>12 372</b>	<b>8 058</b>	<b>(34.9)%</b>
<b>Total assets</b>	<b>1 077 451</b>	<b>1 058 837</b>	<b>(1.7)%</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Loans and other borrowings</b>			
Loans and other borrowings	228 340	192 936	(15.5)%
Derivatives	3 993	87	(97.8)%
Trade and other payables	101 857	101 373	(0.5)%
Deferred revenue	2 722	1 971	(27.6)%
Provisions for liabilities and charges	11 150	6 499	(41.7)%
<b>Total current liabilities</b>	<b>348 062</b>	<b>302 866</b>	<b>(13.0)%</b>
<b>Loans and other borrowings</b>			
Loans and other borrowings	145 667	121 344	(16.7)%
Deferred revenue	4 456	2 475	(44.5)%
Provisions for liabilities and charges	1 040	0	(100.0)%
Deferred tax liability	2 646	1 768	(33.2)%
Other non current liabilities	0	0	n.a.
<b>Total non current liabilities</b>	<b>153 809</b>	<b>125 587</b>	<b>(18.3)%</b>
<b>Minority interests</b>	<b>59 436</b>	<b>70 274</b>	<b>18.2%</b>
<b>Shareholders' equity</b>			

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<b>Common stock</b>	<b>104 281</b>	<b>104 281</b>	<b>0.0%</b>
<b>Additional paid in capital</b>	<b>27 382</b>	<b>27 382</b>	<b>0.0%</b>
<b>Treasury stock</b>	<b>(4 488)</b>	<b>(3 842)</b>	<b>(14.4)%</b>
<b>Retained earnings</b>	<b>388 969</b>	<b>432 289</b>	<b>11.1%</b>
<b>Total shareholders equity</b>	<b>516 144</b>	<b>560 110</b>	<b>8.5%</b>
<b>Total liabilities and shareholders equity</b>	<b>1 077 451</b>	<b>1 058 837</b>	<b>(1.7)%</b>



## MATÁV

## Consolidated Income Statements - IFRS

(HUF million)

	Year ended Dec 31,		% change
	2002 (Unaudited)	2003 (Unaudited)	
<b>Revenues</b>			
Subscriptions, connections and other charges	98 050	97 541	(0.5)%
Domestic traffic revenue	118 812	112 201	(5.6)%
Other usage	15 024	10 735	(28.5)%
Domestic telecommunications services	231 886	220 477	(4.9)%
International traffic revenues	27 076	22 354	(17.4)%
Mobile telecommunications services	178 492	200 385	12.3%
Revenues from international activities	67 330	69 764	3.6%
Leased lines and data transmission	34 142	39 262	15.0%
Other revenues	51 659	55 010	6.5%
<b>Total revenues</b>	<b>590 585</b>	<b>607 252</b>	<b>2.8%</b>
Employee related expenses	(89 264)	(87 920)	(1.5)%
Depreciation and amortization	(122 741)	(128 334)	4.6%
Payments to other network operators	(81 078)	(84 449)	4.2%
Cost of telecommunications equipment sales	(39 744)	(40 811)	2.7%
Other operating expenses	(135 518)	(143 674)	6.0%
<b>Total operating expenses</b>	<b>(468 345)</b>	<b>(485 188)</b>	<b>3.6%</b>
<b>Operating profit</b>	<b>122 240</b>	<b>122 064</b>	<b>(0.1)%</b>
Net interest and other charges	(27 919)	(40 002)	43.3%
Share of associates results before income tax	691	963	39.4%
<b>Profit before income tax</b>	<b>95 012</b>	<b>83 025</b>	<b>(12.6)%</b>

<b>Income tax expense</b>	<b>(13 245)</b>	<b>(13 685)</b>	<b>3.3%</b>
<b>Profit after income tax</b>	<b>81 767</b>	<b>69 340</b>	<b>(15.2)%</b>
<b>Minority interest</b>	<b>(13 639)</b>	<b>(11 865)</b>	<b>(13.0)%</b>
<b>Net income</b>	<b>68 128</b>	<b>57 475</b>	<b>(15.6)%</b>

## MATAV

## Consolidated Cash Flow Statement - IFRS

(HUF million)

	Year ended Dec 31,		% change
	2002 (Unaudited)	2003 (Unaudited)	
<b>Cash flow from operating activities</b>			
Operating profit	122 240	122 064	(0.1)%
Depreciation and amortization of fixed assets	122 741	128 334	4.6%
Change in working capital	(4 994)	4 834	n.m.
Amortization of deferred income	(3 353)	(2 732)	(18.5)%
Interest paid	(27 259)	(30 063)	10.3%
Commissions and bank charges	(3 296)	(5 364)	62.7%
Net income tax paid	(13 234)	(12 318)	(6.9)%
Other items	6 198	(6 639)	n.m.
<b>Net cash from operating activities</b>	<b>199 043</b>	<b>198 116</b>	<b>(0.5)%</b>
<b>Cash flow from investing activities</b>			
Capital expenditure on tangible and intangible assets	(109 988)	(90 788)	(17.5)%
Purchase of subsidiaries and investments	(13 459)	(7 992)	(40.6)%
Cash acquired through acquisitions	0	61	n.a.
Interest received	660	908	37.6%
Dividends received	1 437	575	(60.0)%
Net change in financial assets	(120)	266	n.m.
Proceeds from disposal of fixed assets	1 529	2 269	48.4%
<b>Net cash flow utilized in investing activities</b>	<b>(119 941)</b>	<b>(94 701)</b>	<b>(21.0)%</b>
<b>Cash flow from financing activities</b>			
Dividends paid to shareholders and minority interest	(11 437)	(23 507)	105.5%
Net repayments of borrowings	(69 358)	(68 526)	(1.2)%
Proceeds from issue of common stock	4 973	0	(100.0)%
Purchase of treasury stock	(4 403)	0	(100.0)%
Other	171	(2)	n.m.
<b>Net cash flow utilized in financing activities</b>	<b>(80 054)</b>	<b>(92 035)</b>	<b>15.0%</b>
<b>Translation differences on cash and cash equivalents</b>	<b>(314)</b>	<b>1 901</b>	<b>n.m.</b>
<b>Change in cash and cash equivalents</b>	<b>(1 266)</b>	<b>13 281</b>	<b>n.m.</b>

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<b>Cash and cash equivalents at beginning of year</b>	<b>10 117</b>	<b>8 851</b>	<b>(12.5)%</b>
<b>Cash and cash equivalents at end of year</b>	<b>8 851</b>	<b>22 132</b>	<b>150.1%</b>
<b>Change in cash and cash equivalents</b>	<b>(1 266)</b>	<b>13 281</b>	<b>n.m.</b>

## Summary of key operating statistics

	Dec 31, 2002	Dec 31, 2003	% change
<b>EBITDA margin</b>	41.5%	41.2%	n.a.
<b>Operating margin</b>	20.7%	20.1%	n.a.
<b>Net income margin</b>	11.5%	9.5%	n.a.
<b>ROA</b>	6.2%	5.4%	n.a.
<b>Net debt to total capital</b>	38.8%	31.6%	n.a.
<b>Number of closing lines</b>			
<b>Residential</b>	2 055 338	2 012 672	(2.1)%
<b>Business</b>	282 406	261 642	(7.4)%
<b>Payphone</b>	33 316	28 799	(13.6)%
<b>ISDN channels</b>	511 326	527 728	3.2%
<b>Total lines</b>	2 882 386	2 830 841	(1.8)%
<b>Digitalization of exchanges with ISDN</b>	87.1%	89.9%	n.a.
<b>Penetration</b>	38.4%	37.7%	n.a.
<b>Fixed line employees (closing full equivalent, Matáv Rt.)</b>	9 153	8 071	(11.8)%
<b>Total no. of employees (closing full equivalent)</b>	16 114	14 710	(8.7)%
<b>Lines per fixed line employees</b>	314.9	350.7	11.4%
<b>Lines per fixed line employees at Matáv Rt. + Emitel</b>	313.0	347.4	11.0%
<b>Traffic in minutes (thousands) at Matáv Rt.</b>			
<b>Domestic</b>	8 820 201	7 958 292	(9.8)%
<b>International outgoing</b>	150 999	138 485	(8.3)%
<b>Emitel line numbers incl. ISDN channels</b>	79 460	78 638	(1.0)%
<b>Emitel domestic traffic (thousand minutes)</b>	179 670	152 614	(15.1)%
<b>Emitel international outgoing traffic (thousand minutes)</b>	2 545	2 253	(11.5)%
<b>Westel 0660 RPCs (Revenue Producing Customers)</b>	23 345	0	(100.0)%
<b>Westel RPCs (Revenue Producing Customers)</b>	3 402 788	3 766 274	10.7%
<b>Total cellular RPCs</b>	3 426 133	3 766 274	9.9%
<b>Westel s MOU</b>	118	114	(3.4)%
<b>Westel s ARPU (Average Traffic Rev./RPC/Month)</b>	5 732	5 261	(8.2)%
<b>Westel s overall churn</b>	14.7%	19.8%	n.a.
<b>Managed leased lines (FLEX-Com connections) *</b>	12 716	11 480	n.a.
<b>ADSL lines</b>	33 951	103 564	205.0%
<b>Internet subscribers</b>	149 962	210 680	40.5%
<b>Cable television customers</b>	338 625	362 366	7.0%

\* Please note that from January 1, 2003, FlexCom connections are reported from the billing system, rather than from our technical datawarehouse. Due to the difference in measurements, figures prior to and after January 1, 2003 are not comparable.

**Analysis of the Financial Statements for 4Q03 (year ended December 31, 2003)**

**Exchange rate information**

The Euro strengthened by 11.2% against the Hungarian Forint year on year (from 235.90 HUF/EUR on December 31, 2002 to 262.23 HUF/EUR on December 31, 2003). The average HUF/EUR rate increased from 242.97 in 4Q2002 to 253.42 in 4Q2003.

The U.S. Dollar depreciated by 7.7% against the Hungarian Forint year on year (from 225.16 HUF/USD on December 31, 2002 to 207.92 HUF/USD on December 31, 2003).

**Analysis of group income statements**

**Revenues**

Revenues from subscriptions, connections and other charges decreased by 0.5% for the year ended December 31, 2003 compared to 2002. Revenues from ISDN connection fees declined, which resulted from the lower number of ISDN gross additions. Analog connection fees also declined despite the significantly higher amount of analog gross additions due to price discounts for new subscribers in 2003. Other charges also decreased mainly as a result of decreased usage of televoting, which was taken over by a new product, drop-charge, the revenue of which is included in other revenues.

These decreases were partly offset by analog subscription fee increases from September 1, 2002 and from February 1, 2003. The ISDN subscription fee revenue also increased in 4Q2003 compared to 4Q2002 due to the higher number of average ISDN connections. In addition, revenues from subscription fees for optional tariff packages like Rhythm, Says a Lot and Chat increased as well. By December 31, 2003, over 1.4 million of lines are subscribed for using customized tariff packages.

Domestic traffic revenue in 4Q2003 amounted to HUF 112.2 bn, compared to HUF 118.8 bn in 4Q2002. This decrease mainly resulted from the 9.7% decline in domestic minutes at Matáv and decreased tariffs from fixed to mobile calls from September 1, 2003. This decrease was partly offset by price increases for local and agglomeration calls on September 1, 2002 and on February 1, 2003.

Revenues from other usage for the year ended December 31, 2003 decreased by 28.5% compared to the same period in 2002. This decrease was mainly attributable to lower fees paid to Matáv Rt. by LTOs and mobiles for long distance and international usage. The decrease is also attributable to a lesser extent to a change in mix of calls in LTO relation (there was less international and more domestic traffic termination, which has a lower per minute interconnection rate) as well as to the overall decrease of interconnection traffic through Matáv's network because of interconnection contracts concluded between LTOs and mobile service providers.

International traffic revenues decreased to HUF 22.4 bn for the year ended December 31, 2003, compared to HUF 27.1 bn for the same period in 2002. Both outgoing and incoming international revenue show a decrease mainly because of traffic as well as price decreases. Outgoing international traffic measured in minutes decreased by 8.3% at Matáv Rt., while incoming international minutes decreased by 9.3%. The

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decrease in incoming international traffic was more significant for mobile and LTO terminated traffic, while calls terminated in Matáv areas declined to a lesser extent. Various discounts provided to subscribers of optional tariff packages (Rhythm, Says a Lot, Chat, Halving) also contributed to the lower international revenues. Incoming international traffic revenues were also negatively affected by the stronger HUF against the SDR year over year (HUF/SDR average exchange rates decreased by 5.4% in the year ended December 31, 2003 compared to the same period in 2002).

Revenues from mobile telecommunications services amounted to HUF 200.4 bn for the year ended December 31, 2003, compared to HUF 178.5 bn for the same period in 2002 (a 12.3% increase). The growth mainly resulted from the 20.1% higher Westel average customer base. Prepaid customers accounted for approximately



79.9% of gross additions in the year ended December 31, 2003 and represent 73.9% of total Westel customers as of December 31, 2003.

Increases in the mobile customer base were partly offset by decreased usage per subscriber. Westel's average usage per customer per month measured in MOU decreased by 3.4% from 118 minutes in 4Q2002 to 114 minutes in 4Q2003.

Westel's average revenue per user ( ARPU ) decreased by 8.2%, from HUF 5,732 in 4Q2002 to HUF 5,261 in 4Q2003 due to the dilution of customer base as the ARPU of the newly acquired prepaid customers is relatively low. In addition, the proportion of calls within the Westel network with lower per minute fees increased as well, contributing to the lower ARPU.

Within mobile telecommunications services, enhanced services show the highest increase with approximately 31% growth year over year, which represents 11.1% of the ARPU in 2003. This revenue includes primarily short message service ( SMS ) and multimedia messaging service ( MMS ).

Pursuant to the relevant provisions of Decree no. 9/2003 and Decree no. 10/2003, issued by the Ministry of Informatics and Telecommunications at the end of June 2003 and also in accordance with the decision of the Telecommunications Arbitration Council published on July 8, 2003 with regards to the regulation of interconnect charges applicable by Westel for fixed to mobile calls terminating on its network, the relevant interconnect charges were required to be decreased by 10% effective from September 1, 2003 and there was no retrospective impact of these changes.

Revenues from international activities show revenues of MakTel, our subsidiary acquired in 2001. Revenues from international activities increased