

Magyar Telekom to notify U.S. Securities and Exchange Commission of late filing of 20-F annual report

Budapest – July 3, 2006 – Magyar Telekom (Reuters: NYSE: MTA.N, BÉT: MTEL.BU and Bloomberg: NYSE: MTA US, BÉT: MTELEKOM HB), the leading Hungarian telecommunications service provider, today announced that it has notified the U.S. Securities and Exchange Commission of the late filing of the 20-F annual report for the fiscal year 2005 under Form 12b-25 as it was unable to meet the June 30, 2006 deadline prescribed by the U.S. Exchange Act 1934. The Company has filed the Form 12b-25 with the following content:

“In the course of the audit of the financial statements of Magyar Telekom Plc. (the “Company”) and certain subsidiaries of the Company for the year ended December 31, 2005, the auditors, PricewaterhouseCoopers raised concerns regarding two contracts entered into by subsidiaries of the Company, that potentially involve violations of the Company’s system of internal control and applicable law and regulation. In particular, the auditor noted the unusual nature of these contracts and apparent absence of a benefit to the Company and its subsidiaries. The Company has launched an investigation into these contracts. This investigation is being conducted by an independent law firm under the supervision of the Audit Committee of the Supervisory Board of the Company. The Company has also engaged a firm of forensic accountants to assist with this investigation.

Pending the investigation, the Company’s board of directors has not yet approved annual financial statements of the Company for the year ended December 31, 2005 (the “2005 financial statements”) and as a consequence the auditor is unable to complete its audit of the 2005 financial statements or to issue an audit opinion. The Company has notified the Hungarian Financial Supervisory Authority, the U.S. Department of Justice, the U.S. Securities and Exchange Commission and other regulatory authorities of the investigation.

The investigation was not completed by June 30, 2006, and the Company does not expect it to be completed by July 15, 2006 either, and as such does not expect its audited 2005 financial statements to be available by either of those dates. The Company is uncertain as to when such investigation will be completed or these financial statements will be available. The Company has been and may be subject to fines, sanctions and liabilities as a result of ongoing delays caused by or the results of the investigation.

The Company has notified the market on February 13, March 30, April 26 and May 11, 2006 of the pending investigation. To keep the market informed until issuance of the Company’s audited 2005 financial statements and the filing of the related annual report on Form 20-F, the Company has released to the public unaudited financial information for the year ended December 31, 2005 and quarter ended March 31, 2006.”

The Company also stated in the notification, that it does not anticipate any significant changes in results of operations for the last fiscal year to be reflected in the earnings statements.

Due to the delay to the respective annual general meetings, Magyar Telekom and some of its subsidiaries have failed and will fail to meet certain deadlines prescribed by the Hungarian and other applicable laws and regulations for preparing and filing audited annual results. On May 5, 2006, the Hungarian Financial Supervisory Authority imposed a HUF 6 million fine on Magyar Telekom Plc. for not meeting its reporting obligations.

The Company is committed to complying fully with the requirements and requests of the authorities that have jurisdiction over it. The Company will seek to hold an AGM and have its annual results and dividend proposal approved as soon as reasonably practicable.

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, 2004 filed with the U.S. Securities and Exchange Commission.