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Magyar Telekom strengthens its IT competencies further

Budapest – June 16, 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 the acquisition of the Hungarian IT company, KFKI.

In line with its Value Creation Program announced in August 2004, Magyar Telekom continues to build on its competencies in the IT / network and system integration fields.

Elek Straub, Chairman and CEO of Magyar Telekom Group commented: “In line with our growth strategy, we aim to capture new opportunities in the Hungarian corporate telecommunication services market. IT services such as system integration, managed network services, custom application development and IT outsourcing are becoming the new growth drivers in the corporate market. As a provider of such services, KFKI is a natural addition to the Magyar Telekom Group. This acquisition will allow us to widen our product portfolio.”

On June 16, 2006, Magyar Telekom signed the Share Purchase Agreement to acquire a 100% stake in KFKI, one of the leading Hungarian IT services providers, for a purchase price of HUF 8.17 bn plus an optional earn-out payment of 1.5bn dependent on the 2006 financial performance. In 2005, KFKI Group delivered revenues of around HUF 17bn and EBITDA of HUF 1.5bn. The group headcount stood at around 400 including many highly qualified IT experts. Although KFKI Group provides a wide range of IT services, its business is highly complementary to Magyar Telekom’s existing business portfolio. The three companies constituting the KFKI Group focus on different markets, with KFKI-LNX providing network integration services, ICON operating in the system integration segment, and IQSYS specializing in software development and implementation. Together with KFKI, Magyar Telekom will offer an extended product portfolio to a broader range of clients.

The purchase price will be financed through Magyar Telekom’s available credit lines. Completion of the transaction, which requires approval by the Competition Office, is anticipated in the second half of 2006.

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.