

Announcement of Magyar Telekom Ltd. on dividend payment

Based on the resolution of Magyar Telekom Ltd.'s Annual General Meeting held on April 27, 2005 the company will pay to shareholders a 70 HUF gross dividend per ordinary Magyar Telekom share of 100 HUF par value for the business year 2004. **Dividend payment will start on June 1, 2005. The last day when shares bought on the Budapest Stock Exchange will be entitled to the dividend paid for the 2004 business year is May 20, 2005.** The record date is May 25, 2005. The dividend for 2004 can be collected for a further 5 years (starting from the 30th day reckoned from the first day of the dividend payment); after 5 years the monetary claim for the dividend will lapse.

The dividend will be transferred to shareholders' accounts - attached to securities accounts at the account-keepers - from June 1, 2005 provided the account keeper sends all information in the specified form to the Central Depository and Clearing House (KELER Rt.). Magyar Telekom is not responsible for any payment delay resulting from insufficient or incomplete information provided by account keepers or resulting from the time required for data processing. If missing or corrected data is sent to KELER at a later date, than Magyar Telekom will transfer the dividend through KELER by the 5th working day of the following month.

Shareholders who are registered in Magyar Telekom's share register on May 25, 2005 will receive a dividend. We remind our shareholders to contact their account keeper and check whether they have all the information necessary for tax settlement (tax ID or tax number) no later than May 25, 2005 as dividends can only be paid if these data are provided to KELER. Magyar Telekom will issue a certificate on dividend paid and tax deducted and will send it to its shareholders no later than January 31, 2006.

In case of domestic or foreign private individuals, Magyar Telekom Rt. will, through its agent (KELER Rt.), transfer the dividend minus the deducted personal income tax to the account-keeper's bank account or to another bank account specified by the shareholder to its account keeper. In case of domestic private individuals tax ID is required for dividend payment, in case of foreign private individuals a passport number or tax ID issued by the Hungarian tax authority is required. Dividends to private individuals are directly paid by the account-keepers. Dividends are subject to a withholding tax of 20%, however dividends paid after December 31, 2005 are subject to a withholding tax of 25%.

In case of Hungarian domiciled legal entities, dividends are subject to 0% tax.

In case of foreign domiciled legal entities, dividends are subject to 20% tax.

If a foreign domiciled legal entity intends to receive its dividend through application of a preferred tax rate in accordance with inter-state treaties on avoidance of double taxation, such legal entity is obliged to submit to the Share Register Department of KELER Rt. (1075 Budapest, Asbóth u. 9-11.) not later than May 25, 2005 all the documents specified in Annex V to the several times modified Act XCII/2003 on Taxation. We remind account-keepers that we can only accept certificates of residency issued in the tax year 2005 and translated by the Hungarian Office for Translation and Attestation Company (OFFI). If a certificate of beneficial ownership is also required by the treaty, this certificate should also be translated by the OFFI. The certificate of beneficial ownership can also be issued in Hungarian. If neither certificate of residency nor a notice that documents will be presented later arrives at KELER by May 25, 2005, the dividend will be transferred after deducting 20% tax.

If a legal entity has the documents specified in Annex 4 to the several times modified Act XCII/2003 and there is an inter-state treaty on avoidance of double taxation based on which a preferential tax rate can be used, but the legal entity fails to submit the documents to KELER Rt. by May 25, 2005 and therefore receives dividend after deducting 20% tax he may apply to the South-Budapest Office of the Hungarian Tax and Financial Control Administration ('APEH') and claim back the difference between the preferential tax rate and 20% by reference to the certificate issued by Magyar Telekom on the amount of dividend and tax deducted.

Magyar Telekom started to pay dividends for the business year 1999 on June 1, 2000. Shareholders can collect dividends paid for the business year 1999 within the five year term of limitation, e.g. no later than July 1, 2005.

We remind those shareholders who have not yet collected their dividend for the business years 1999, 2000, 2001, 2002 or 2003 to contact their account keeper and take steps before their monetary claim for dividend lapses.

Magyar Telekom's toll free number +36 80 38 38 38 as well as the office of KELER Rt. (1075 Budapest, Asbóth u. 9-11) is available Monday - Friday to answer questions on any aspect of the dividend payment.

May 12, 2005