

# TÜRK TELEKOM GROUP ANNOUNCES 2010 YEAR END FINANCIAL RESULTS



## Strong Operating Performance in 2010

Türk Telekom Group, Turkey's leading communication and convergence technologies Group, announced 2010 year-end financial results. Türk Telekom Group's operating profit grew 18% in 2010 to TL 3.3 billion on the back of strong operating performance. Türk Telekom Group's 2010 consolidated revenues reached TL 10.9 billion with an increase of 2.7% compared to last year. The Group's consolidated EBITDA\* increased to TL 4.8 billion with a margin of 45%.

### 2010 Highlights

- ❖ **Consolidated Net Income is TL 2.5 bn, an increase of 32% over 2009**
  
- ❖ **Consolidated revenue reached TL 10.9 bn increasing 2.7% YoY, with EBITDA margin of 45% in 2010**
  
- ❖ **Consolidated Operating Profit increased by 18% to TL 3.3 bn driven by strong performance in all business areas**
  
- ❖ **Mobile EBITDA increased five-fold to TL 332 mn with a 13% margin for the year**
  
- ❖ **ADSL revenue increased by 16% to TL 2.5 bn; 0.5 mn subscriber increase in 2010**

*\*EBITDA is a non-GAAP financial measure. The EBITDA definition used in this press release includes Revenues, Direct Cost of Revenues excluding depreciation and amortization, Selling and Marketing expenses, Administrative expenses, and other operating income/(expense), but excludes translation gain/(loss), financial income, income on unconsolidated subsidiaries, gain on sale of investments, and minority interest.*

**Türk Telekom Group CEO Hakam Kanafani's comments on 2010 year end results:**

“We are proud to announce that Türk Telekom Group had both solid financial results and strong operational performance in 2010 thanks to the professional performance by the entire Türk Telekom Group family. Türk Telekom Group's consolidated revenues increased by 3% to almost TL 11 billion with an EBITDA margin of 45%. Our net debt decreased by 8% from TL 3.2 bn in 2009 to TL 3 bn in 2010. We achieved revenue and EBITDA growth both in Fixed Line and Mobile businesses as a result of successful performance in all segments; Fixed Voice & Data, Mobile Voice & Data, Information Technologies and Content. As a result, Türk Telekom Group's net income grew 32% to TL 2.5 billion.

Türk Telekom Group continued to invest not only in commercial businesses but also in Turkey's economy and social responsibility projects. For our fixed line and mobile businesses, Türk Telekom Group invested about TL 1.7 billion last year bringing total amount of Türk Telekom Group's investment to TL 9 billion in last 5 years. Our investments covered several areas of infrastructure and technology and more importantly we also invested in our human resources by recruiting young university graduates. We continued our innovative HR practices to enhance our employees' career development and therefore enhancing the quality of services provided to our customers. As Türk Telekom Group, we act with the responsibility of being one of vehicles creating quality job opportunities and career enhancements for the most talented in the nation.

In 2010 we closed an important acquisition that will contribute to Türk Telekom's smart-growth aspirations in the region. We acquired Invitel International (rebranded as Pantel International); a leading wholesale capacity and data services provider in the CEE region enlarging our current fiber network to international arena. We also signed a very important terrestrial fiber optic link agreement with leading operators from Saudi Arabia, Jordan, and Syria. This new “digital silk road”, named as JADI (Jeddah - Amman - Damascus - Istanbul), will provide a safe data connection between Middle East and Europe over Turkey. We believe both developments will contribute to positioning Turkey

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as a leading telecommunications hub in the region and eventually reaching central Asia in the East and central Europe westward.

On fixed voice side, our *Ev Avantaj* (“Home Advantage”) tariffs and the value added services under the *Ev Gibisi Yok* (“Nowhere Like Home”) concept, as well as our holiday and New Year campaigns had outstanding success. Especially our *7’den 7’ye Bedava* (“Free from 7pm to 7am”), *Ev Avantaj Uluslararası 6.5 Kuruş* (International calls at 6.5 Krs), and *Cebi Aramanın En Ucuz Yolu* (“The cheapest way to call mobile”) campaigns attracted great attention. Now, one in three customers use our Ev Avantaj bundles and home phone usage increased in 2010 compared to 2009, a remarkable development and positive trend indeed.

On the fixed broadband side, we continued our investments in fiber to the neighborhood (FTTN) which now covers around three million homes. In 2010, we enhanced our annual ADSL ARPU by 8% and increased the number of ADSL connections by 500.000 subscribers. By improving our infrastructure and our service quality, we have started offering higher quotas and speeds to ADSL users. In addition, we have started offering speed packages up to 50 Mbps and 100 Mbps with VDSL2 technology, and increased our speed up to 16 Mbps at ADSL2+.

On the mobile side, AVEA has achieved significant EBITDA growth and noteworthy service level improvements. AVEA increased its postpaid customers by almost 10% yoy while the blended ARPU increased by 8% thanks to innovative tariff and VAS offerings and Türk Telekom Group cross selling activities. AVEA is the only mobile operator with an R&D certificate in Turkey and developing innovative technology products like mobile personal health inspection kit (blood test etc.) and Near Field Communication (NFC). In 2010, AVEA initiated a network improvements and expansion program worth approximately TL 600 mn with leading network solution providers.

In 2010, we are again the most valuable brand in Turkey. Indeed, we earned various prestigious awards including the Best Fixed Line Operator, Best Content, Best Innovation, Best New Product awards in 2010 . These awards prove the success of our value-added products and services.

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Türk Telekom Group is very well positioned to sustain the momentum and continue to build on our recent growth in 2011 and we will continue to improve our services to the market, capitalizing on our advanced distribution channels, strong brand name, converged products, team-work and synergies. In the name of our shareholders and board I am honored to thank all members of Türk Telekom Group family for a job well done. And I extend my warmest gratitude to our customers and business partners for their support and contribution to Türk Telekom Group's ongoing success."

### Financial Highlights\*

	2009	2010	% Change
Revenue	10,568	10,852	2.7%
Net Operating Expenses excluding Depreciation and Amortization **	(6,213)	(6,018)	(3.1%)
Operating Profit before Depreciation and Amortization (EBITDA)	4,356	4,835	11%
Depreciation and Amortization	(1,557)	(1,524)	(2.2%)
Operating Profit	2,798	3,311	18.3%
Net Financial Income/ (Expense)	(438)	(184)	58%
Taxes	(680)	(799)	(17.6%)
Minority Interest	179	122	(31.8%)
Net Income After Minority Interest	1,860	2,451	31.8%
Capital Expenditure***	2,470	1,733	(29.8%)
Capital Expenditure excluding 3G license fee	2,020	1,733	(14.2%)

\* Please see the Reclassification Note and Changes in Accounting Policy under Additional Information section.

\*\* Net Operating expenses includes operating expenses, other operating expenses and other operating income

\*\*\* Capex figure for 2009 includes 3G license fee

### Revenues

The Group's consolidated revenue for 2010 was TL 10.9 bn which showed 2.7% growth compared to 2009. The main drivers of revenue growth in 2010 were ADSL business (up by 15.6%, from TL 2,140 mn to TL 2,473 mn) and the Mobile business (up by 5.7%, from TL 2,504 mn to TL 2,646 mn).

### Net Operating Expenses (Excluding Depreciation and Amortization)

Net operating expense is down by 3.1% to TL 6 bn as a result of good cost management and lower interconnection expenses.

### Operating Profit before Depreciation and Amortization (EBITDA)

Operating profit before Depreciation and Amortization increased by 11% to TL 4,835 mn in 2010 compared to 2009, resulting in a consolidated EBITDA margin of 45%. The fixed line business segment shows 5% growth in EBITDA in 2010 compared to last year with an

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EBITDA margin of 53%. Mobile EBITDA increased five-fold year over year from TL 55 mn to TL 332 mn resulting in 13% EBITDA margin for 2010.

### Depreciation and Amortization

Total depreciation and amortization charges at TL 1,524 mn were down by 2% from TL 1,557 mn recorded in 2009, primarily as a result of full amortization of some fixed assets in the fixed line business.

### Operating Profit

Türk Telekom Group's operating profit improved by 18% to TL 3,311 mn driven by both fixed line and mobile businesses; with an operating profit margin of 31%, 400 bps higher than 2009 margin.

### Net Financial Income / (Expense)

Türk Telekom Group recorded a net financial expense of TL 184 mn in 2010 compared to a TL 438 mn expense in 2009; mainly attributable to 2009 having a FX loss and higher hedging costs.

### Corporate Taxes

The higher corporate tax charge recognized in 2010 is a result of the increased underlying profitability of the group.

### Net Income

The net income in 2010 is TL 2,451 mn, or 0.7002 Kurus per share compared to TL 1,860 mn, or 0.5314 Kurus per share in 2009.

## Operational Highlights

Year	2009	2010	2010	YoY	QoQ
Period	Q4	Q3	Q4	Change	Change
PSTN Number of Access Lines (millions)	16.5	16.1	16	(3.4%)	(1.0%)
PSTN ARPU (TL)	21.2	22.2	22.3	5.2%	0.5%
PSTN MoU (minutes)	104	106.5	108.8	4.6%	2.2%
ADSL Wholesale Connections (millions)	6.2	6.5	6.7	7.3%	1.9%
ADSL ARPU (TL)	31.2	31.4	32.6	4.3%	3.9%
Mobile Total Subscribers (millions)	11.8	11.4	11.6	(1.8%)	1.6%
Mobile Prepaid Subscribers (millions)	7.6	6.9	6.9	(8.4%)	1.3%
Mobile Postpaid Subscribers (millions)	4.2	4.6	4.7	9.9%	2.1%
Mobile Prepaid ARPU (TL)	9.9	10.5	10.9	10.1%	3.6%
Mobile Postpaid ARPU (TL)	31.9	31.0	30.9	(3.3%)	(0.5%)
Mobile Blended ARPU (TL)	17.8	19.3	19.2	7.8%	(0.4%)
Mobile MoU (minutes)	258.0	264.9	268.5	4.1%	1.4%

## Additional Information

Türk Telekom Group has invested TL 1,733 mn in 2010 with primary focus on continuing to improve the quality of the services and products we provide to our customers.

As of December 31, 2010, the Group has decreased its net debt by 8% from TL 3,220 mn as of 2009 year-end to TL 2,980 mn in 2010 with a gross debt of TL 4,199 mn and cash & cash equivalents of TL 1,219 mn.

Türk Telekom Group's total headcount at December 31, 2010 was 34,138.

Reclassification Note

In Q1 2010, interest cost of severance expenses have been reclassified to severance pay interest cost under financial expenses from cost of sales, marketing, sales and distribution expenses and general administrative expenses.

In Q4 2010, due to changes in accounting policies, actuarial gain/(losses) have been started to account in the consolidated statement of comprehensive income statement which was previously presented in consolidated income statement. Accordingly, due this accounting policy change financial statements as of 31 December 2009 and 2008 have been restated.

The table below shows 2009 figures before and after reclassification and restatement.

(TL millions)	2009	2009
	After Reclassifications & Restatement	Before Reclassifications & Restatement
Net Operating Expenses excluding Depreciation and Amortization	(6,213)	(6,319)
Operating Profit before Depreciation and Amortization (EBITDA)	4,356	4,249
Operating Profit	2,798	2,692
Net Financial Income/ (Expense)	(438)	(367)

**Outlook**

Following a challenging 2009, we have observed a macroeconomic recovery in Turkey with an estimated GDP growth around 8% in 2010. The Government authorities expect a GDP growth of 4.5% in 2011, while the Central Bank estimates the year-end CPI inflation at 5.9%. We believe that Turkey's solid and improving macroeconomic fundamentals, political stability, and proactive Central Bank actions determined to enhance both price and financial stability will keep the domestic demand strong.

### About Türk Telekom Group

Türk Telekom Group, the leading communication and convergence technology group in Turkey, provides integrated telecommunication services from PSTN and GSM to broadband internet. As of December 31, 2010; Türk Telekom group companies have 16 mn Fixed Access Lines, 6.7 mn ADSL Connections and 11.6 mn Mobile Subscribers. Group companies have a modern network infrastructure covering the whole country and offer a wide variety of services to residential and commercial customers all over Turkey. Apart from 81,4 % shares in Avea, one of the three GSM operators in Turkey, Türk Telekom owns 100% of wholesale data and capacity service provider company Pantel International AG and its subsidiaries, 99.9% of broadband provider TTNET, convergence technologies company Argela, IT solutions provider Innova, online education company Sebit A.Ş., online gaming company Sobee and call center company AssisTT. Türk Telekom also has an indirect minority share in Albtelecom, the Albanian incumbent telecom operator. 55% of Türk Telekom shares belongs to Ojer Telekomünikasyon A.Ş. and 30% belongs to Turkish Treasury. The remaining 15% is publicly traded. Türk Telekom shares are listed in Istanbul Stock Exchange since May 2008.

### DISCLAIMER

This release includes forward-looking statements. All statements other than statements of historical facts included in this press release, including, without limitation, certain statements regarding our operations, financial position and business strategy may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as, among others, "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe" or "continue".

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, it can give no assurance that such expectations will prove to be correct. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.