

# TÜRK TELEKOM GROUP ANNOUNCES FIRST QUARTER 2011 FINANCIAL RESULTS



## Strong Revenue Growth in Q1 2011

Türk Telekom Group, Turkey's leading communication and convergence technologies Group, announced 2011 first quarter financial results. Türk Telekom Group's operating profit grew 27% compared to the same period of last year and reached TL 874 million on the back of strong operating performance. Türk Telekom Group's revenue in Q1 2011 is TL 2.9 billion which represents 12 percent increase compared to that of Q1 2010. The Group's EBITDA\* increased to TL 1.3 billion with a margin of 44%.

### 2011 First Quarter Highlights

- ❖ **Group revenue reached TL 2.9 billion increasing 12% YoY with EBITDA margin of 44% in Q1 2011**
  
- ❖ **Group Net Income for the period is TL 0.6 billion, an increase of 11% YoY**
  
- ❖ **Group's Capital Investments in Q1 2011 increased by 54% YoY**
  
- ❖ **Our Web TV service 'Tivibu Web' reached 1 million subscribers**
  
- ❖ **Our 'Fiber To The Cabinet (FTTN/FTTC)' investment continues; reaching 3 million houses as of Q1 2011**

*\*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 Q1 2011 results:**

“The first quarter of 2011 marked a very good start of the year. Türk Telekom Group revenues increased by 12% year on year (yoy) to TL 2.9 billion, and 20% yoy growth in EBITDA with an EBITDA margin of 44% and net income of TL 609 million. This was the result of successful performance in all business segments. Türk Telekom Group continued solid growth and prudent CAPEX investments. We enhanced our customers' loyalty with advantageous tariffs while ensuring world class services. Moreover, CAPEX in the first quarter is 54% higher than previous year. Our continued infrastructure and technology investments will not only support the growth of our business, but also improve the competitiveness of the country.

In Fixed business, our Ev Avantaj (“Home Advantage”) bundle tariffs, introduced in 2010, now carry 6.4 million subscribers (40% of all fixed voice subscribers) and we have reached over 6.7 mn ADSL lines recording 95K net subscriber additions in Q1 2011. Our investments in the network including fiber to the neighborhood (FTTN) which now covers around three million homes is paying back, enabling us to offer higher quotas and speeds to our ADSL subscribers. With the improved infrastructure and quality service, we continue to launch new services with our latest offer being Tivibu Home (IPTV) which follows the success of our award-winning product Tivibu Web which is enjoyed by over 1 million customers. We are very proud that the technology for Tivibu Web and Tivibu Home is developed internally by Türk Telekom Group.

The mobile market has seen an intensification in competition with sales & marketing expenses going up. Our mobile arm, Avea, despite the tough conditions managed to grow subscriber number by 200K in the first quarter and double its level of EBITDA compared to same period prior year. Avea managed to continue revenue growth and enhanced its customer base to 11.8 million subscribers. In a market environment where the main focus is on postpaid customers, Avea enhanced its postpaid base to 5.0 million, a growth of 16% yoy while the blended ARPU increased by 7% thanks to innovative tariff, VAS offerings and Türk Telekom Group cross selling activities.

In addition to our strong financial performance, in the first quarter of 2011 we enjoyed significant recognition at international arena. We won awards for Tivibu Web from IP&TV World Forum and the ‘Most Customer Focus’ award from the Best Business Awards, which is one of the UK's highest profile awards, and the “Best IR Website in Europe” award that our recently launched investor relations website received from IR Global Rankings.

Türk Telekom Group's success is based on a broad portfolio of innovative products and services, powerful and proactive sales force and outstanding customer care. I would like to thank each member of Türk Telekom Group family as well as our customers, business partners, and shareholders for their continued support during this period.

## Q1 2011 Results

Türk Telekom Group is very well positioned to sustain the momentum and continue to build on our recent growth during the rest of 2011 and we will continue to improve our services to the market.”

### Financial Highlights

	2010 Q1	2011 Q1	% Change
Revenue	2,584	2,887	11.7%
Net Operating Expenses excluding Depreciation and Amortization	(1,520)	(1,610)	5.9%
Operating Profit before Depreciation and Amortization (EBITDA)	1,064	1,277	20.1%
Depreciation and Amortization	(374)	(404)	7.8%
Operating Profit	689	874	26.7%
Net Financial Income/ (Expense)	9	(121)	NM
Taxes	(194)	(181)	(6.8%)
Minority Interest	43	38	(11.8%)
Net Income After Minority Interest	546	609	11.5%
Capital Expenditure	205	314	53.6%

### Revenues

The Group's consolidated revenue for Q1 2011 is TL 2.9 bn which showed 11.7% growth compared to that of Q1 2010. The main drivers of revenue growth in this quarter are ADSL business (up by 19.8%, from TL 601 mn to TL 721 mn), and Mobile business (up by 8.6%, from TL 647 mn to TL 703 mn).

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

Net operating expense increased by 5.9% to TL 1.6 bn. Domestic interconnection costs in Q1 2011 declined by 35% year over year to TL 126 mn from TL 193 mn mainly as a result of the MTR reductions made in April 2010. Main areas of cost increase were personnel costs, which increased by 9.9% in line with overall revenue growth and commercial costs that went up 18.7% which was mainly related to activities in our mobile business.

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

Operating profit before Depreciation and Amortization increased by 20.1% to TL 1,277 mn in Q1 2011 compared to Q1 2010, resulting in a consolidated EBITDA margin of 44.2%. The fixed line business segment shows 17.7% growth in EBITDA in Q1 2011 compared to the same period of last year with an EBITDA margin of 53%. Mobile EBITDA doubled year over year from TL 36 mn to TL 70 mn resulting in 10% EBITDA margin for Q1 2011.

### Depreciation and Amortization

Total Depreciation and Amortization charges at TL 404 mn are up by 7.8% from TL 374 mn recorded in Q1 2010.

### Operating Profit

Türk Telekom Group's operating profit improved by 26.7% to TL 874 mn as a result of the strong growth in EBITDA.

### Net Financial Income / (Expense)

Türk Telekom Group recorded a net financial expense of TL 121 mn in Q1 2011 compared to a TL 9 mn income in Q1 2010; mainly attributable to FX impact.

### Corporate Taxes

Tax Expense in Q1 2011 at TL 181 mn is down by 6.8% compared to the tax expense in Q1 2010 as our effective corporate tax rate in Q1 2011 is 24%.

### Net Income

The net income in Q1 2011 is TL 609 mn, or 0.1740 Kurus per share compared to TL 546 mn, or 0.1561 Kurus per share in Q1 2010.

### Operational Highlights

Year	2010	2010	2011	YoY	QoQ
Period	Q1	Q4	Q1	Change	Change
PSTN Number of Access Lines (millions)	16.5	16.0	15.8	(4.1%)	(1.4%)
PSTN ARPU (TL)	20.7	22.2	22.1	7.0%	(0.4%)
PSTN MoU (minutes)	114	114	111	(2.5%)	(2.3%)
ADSL Wholesale Connections (millions)	6.4	6.6	6.7	5.6%	1.4%
ADSL ARPU (TL)	31.8	32.7	36.0	13.2%	10.2%
Mobile Total Subscribers (millions)	11.7	11.6	11.8	1.5%	1.8%
Mobile Prepaid Subscribers (millions)	7.3	6.9	6.8	(7.1%)	(2.1%)
Mobile Postpaid Subscribers (millions)	4.3	4.7	5.0	16.0%	7.5%
Mobile Prepaid ARPU (TL)	9.8	10.9	10.9	11.2%	(0.1%)
Mobile Postpaid ARPU (TL)	31.6	30.9	30.2	(4.7%)	(2.3%)
Mobile Blended ARPU (TL)	18.0	19.2	19.1	6.6%	(0.4%)
Mobile MoU (minutes)	249	269	280	12.6%	4.4%

### Additional Information

Türk Telekom Group has invested TL 314 mn in Q1 2011 with primary focus on continuing to improve the quality of the services and products we provide to our customers.

As of March 31, 2011, the Group has decreased its net debt by 5.5% from TL 2,775 mn as of March 31, 2010 to TL 2,623 mn in Q1 2011 with a gross debt of TL 3,756 mn and cash & cash equivalents of TL 1,133 mn.

Türk Telekom Group's total headcount at March 31, 2011 was 35,061.

### Outlook

We maintain our guidance for this year. The revenue growth prospects for the group are promising. But, we maintain our conservative view as mobile market is still suffering negative impact from intense competition.

After the impressive 8.9% GDP growth in 2010, Turkey is expected to display sustainable and stabilized growth in 2011. The Government authorities expect Turkish economy to grow by 4.5% in 2011. We believe that Turkey has got it all what it takes to become an investment-grade country with solid macroeconomic fundamentals, healthy financial sector, political stability, and proactive Central Bank committed to contain the risks regarding price stability and financial stability.

### 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 March 31, 2011; Türk Telekom group companies have 15.8 mn Fixed Access Lines, 6.7 mn ADSL Connections and 11.8 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.