

TÜRK TELEKOM GROUP ANNOUNCES Q3 2010 FINANCIAL RESULTS



Strong Quarterly Performance

Türk Telekom Group, Turkey's leading communication and convergence technologies Group, announced 2010 third quarter financial results. Türk Telekom Group's net income grew 38.2% year over year for the first nine months of 2010 to TL 1.9 billion. Türk Telekom Group's nine month 2010 consolidated revenues have reached nearly TL 8 billion with an increase of 1.8% compared to the same period of last year. The Group's consolidated EBITDA* improved to TL 3.5 billion with a margin of 44%.

2010 Third Quarter Highlights

- ❖ **Consolidated Net Income YTD is TL 1.9 bn, an increase of over TL 500 mn on the YTD prior year**
- ❖ **Consolidated revenue reached almost TL 8 bn growing 1.8% YoY, with EBITDA* margin of 44% YTD 2010**
- ❖ **Consolidated Operating Profit for the period is TL 2.4 bn, representing 13% increase compared to first nine months of 2009**
- ❖ **Mobile EBITDA recovery continues with 19% margin in the third quarter 2010; Mobile EBITDA more than tripled YTD 2010 compared to prior year**
- ❖ **ADSL revenue increased by 17% YoY to TL 1.8 bn; 330K net subscriber gain YTD 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, income/(loss) from related parties, and minority interest.*

Türk Telekom Group CEO Hakam Kanafani commented as follows on the third quarter performance of the Group:

“Türk Telekom, as Turkey’s leading communication and convergence technologies group, had a strong quarter with year-to-date EBITDA and Operating Profit increasing by 6% and 13% respectively compared to the first nine months of 2009. Year-to-date Net Income also grew by 38% year-over-year. Both our fixed line and mobile businesses contributed to this strong performance with Avea achieving higher margins despite the continuing tough competitive environment in Turkish Mobile market.

During the third quarter our Home Advantage customers enjoyed even more value with our free calls to fixed lines offer for the Ramadan four week period. For our other residential customers on fixed voice lines we extended our innovative campaign enabling free calls from 7 PM till 7 AM until the end of the year.

In the quarter we were able to double the number of customers using our Tivibu, WebTV service of Group’s broadband operator TTNET. Our Tivibu service of which middleware platform was developed by Group convergence technology company Argela will continue to be enhanced further during the coming months.

In ADSL we launched an innovative offer, with a daily internet offer enabling customers to choose to have internet access on a daily basis rather than committing for a full month usage. In addition, we have provided our customers with extended payment terms to enable them to purchase computers at below TL 20 per month and almost forty thousand customers have purchased computers in September from the Türk Telekom dealer network.

On the 7th October we finalized the acquisition of Invitel International, which is one of the important players in Central and Eastern Europe’s wholesale data market with an infrastructure of 27,000 km in 16 countries. Following the JADI Link agreement which collects the international data infrastructures of 4 countries on a single line, we aim to become a significant alternative in data communication between the Far East- Middle East and Europe with Invitel International.

In Germany, we have started offering our products to meet the communication needs of the Turkish Community with the partnership we have established with Hansenet, a German Internet Service Provider. We will include our online education software Vitamin, which was developed by the Group’s online education company Sebit, and the online football game I Can Football, that was developed by the Group’s online gaming company Sobee, that has 700,000 subscribers in Turkey, and a communication package including mutual calls between Germany and Turkey.

The Group’s IT solutions provider Innova, that exports its products into 19 different countries, has recently launched biometric kiosk project in Dubai which offer solutions via kiosks for foreigners who need to have a work permit in Dubai.

Türk Telekom was again awarded this year “The Most Valuable Brand of Turkey”, following our success in 2009, with USD 1.7 billion brand value by the independent brand valuation company Brand Finance. We will continue our strong financial and

operational performance by focusing on creating value for our customers and by investing in people, technology and infrastructure. I would like to thank all Group employees for their contribution to the Company success. I am very proud to be a part of such a professional and dedicated team.”

Financial Highlights*

(TL mn)	YTD 2009	YTD 2010	% Change
Revenue	7,818	7,957	2%
Net Operating Expenses excluding Depreciation and Amortization **	(4,507)	(4,446)	(1%)
Operating Profit before Depreciation and Amortization (EBITDA)	3,311	3,511	6%
Depreciation and Amortization	(1,200)	(1,128)	(6%)
Operating Profit	2,111	2,383	13%
Net Financial Income/ (Expense)	(401)	28	(107%)
Taxes	(474)	(607)	28%
Minority Interest	133	88	(34%)
Net Income After Minority Interest	1,369	1,892	38%
Capital Expenditure ***	1,746	831	(52%)

* Please see the Reclassification Note 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 the first nine months of 2010 was TL 7.96 bn which showed 1.8% growth compared to the same period of 2009. The main drivers of revenue growth in the period were the Mobile business (up by 6.3%, from TL 1,850 mn to TL 1,967 mn) and ADSL business (up by 16.9%, from TL 1,565 mn to TL 1,829 mn).

Net Operating Expenses (Excluding Depreciation and Amortization)

Net operating expense has been down by 1.3% year over year to TL 4.4 bn. Consolidated interconnection costs in Q3 decreased by 50% from TL 288 mn in Q3 2009 to TL 145 mn in Q3 2010 on the back of MTR cuts. Main area of cost increase compared to Q3 2009 was commercial expenses from TL 199 mn in Q3 2009 to TL 244 mn in Q3 2010 as the Group invested in the new marketing initiatives for both Fixed Voice and Fixed Internet services.

Operating Profit before Depreciation and Amortization (EBITDA)

Operating profit before Depreciation and Amortization increased by 6% to TL 3,511 mn in the first nine months of 2010, resulting in a consolidated EBITDA margin of 44%. The fixed line business segment shows a 1% growth in EBITDA in the period compared to last year. The Mobile EBITDA more than tripled year over year from TL 67 mn to TL 237 mn resulting in 12% EBITDA margin for the first nine months and 19% EBITDA margin for the third quarter.

Depreciation and Amortization

Total depreciation and amortization charges at TL 1,128 mn were down by 6% from TL 1,200 mn recorded in the first nine months of 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 13% to TL 2,383 mn with an operating profit margin of 30%, 300 bps higher than that of the same period in 2009.

Net Financial Income / (Expense)

Türk Telekom Group recorded a net financial income of TL 28 mn in 2010 compared to a TL 401 mn net financial expense recorded in the first nine months of 2009; mainly attributable to FX impact.

Corporate Taxes

The higher corporate tax charge recognized in Q3 2010 is a result of the increasing underlying profitability of the group, with no change in the tax rate at 20% of taxable profits.

Net Income

The net income for the first nine months of 2010 is TL 1,892 mn, or 0.5405 Kurus per share compared to TL 1,369 mn, or 0.3911 Kurus per share in the first nine months of 2009.

Additional Information

Türk Telekom Group has invested TL 831 mn YTD 2010 with primary focus on continuing to improve the quality of the services and products we provide to our customers. YTD 2009 figure of TL 1,746 mn is higher mainly due to 3G license fee paid in second quarter 2009.

As of September 30, 2010, the Group had a net debt of TL 3,047 mn with a gross debt of TL 3,964 mn and cash and cash equivalents of TL 917 mn.

Türk Telekom Group's total headcount at September 30, 2010 was 33,750.

Operational Highlights

Year	2009	2010	2010	YoY	QoQ
Period	Q3	Q2	Q3	Change	Change
PSTN Number of Access Lines (millions)	16.82	16.27	16.13	-4.1%	-0.9%
PSTN ARPU (TL)	22.12	21.98	22.17	0.2%	0.9%
PSTN MoU (minutes)	103	118	106	3.1%	-9.8%
ADSL Wholesale Connections (millions)	6.05	6.48	6.53	8.0%	0.8%
ADSL ARPU (TL)	29.92	32.01	31.48	5.2%	-1.7%
Mobile Total Subscribers (millions)	12.06	11.47	11.43	-5.2%	-0.3%
Mobile Prepaid Subscribers (millions)	7.83	7.03	6.86	-12.4%	-2.4%
Mobile Postpaid Subscribers (millions)	4.23	4.45	4.57	8.1%	2.8%
Mobile Prepaid ARPU (TL)	9.51	9.74	10.54	10.8%	8.2%
Mobile Postpaid ARPU (TL)	33.45	29.97	31.02	-7.3%	3.5%
Mobile Blended ARPU (TL)	18.56	17.76	19.29	3.9%	8.6%
Mobile MoU (minutes)	279	268	265	-5.0%	-1.2%

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.

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

(TL millions)	YTD 2009 After Reclassifications	YTD 2009 Before Reclassifications
Net Operating Expenses excluding Depreciation and Amortization	(4,507)	(4,560)
Operating Profit before Depreciation and Amortization (EBITDA)	3,311	3,257
Operating Profit	2,111	2,057
Net Financial Income/ (Expense)	(401)	(348)

Outlook

Macroeconomic situation of Turkey is improving with good GDP growth expected. We now expect the Türk Telekom consolidated revenue, in 2010, to grow year on year by between 2% and 4%.

About Türk Telekom Group (ISE: TTKOM)

Türk Telekom, the leading communication and convergence technology group in Turkey, provides integrated telecommunication services from PSTN and GSM to broadband internet. As of September 30, 2010; Türk Telekom group companies have 16.1 mn Fixed Access Lines, 6.5 mn ADSL Connections and 11.4 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 Invitel 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.