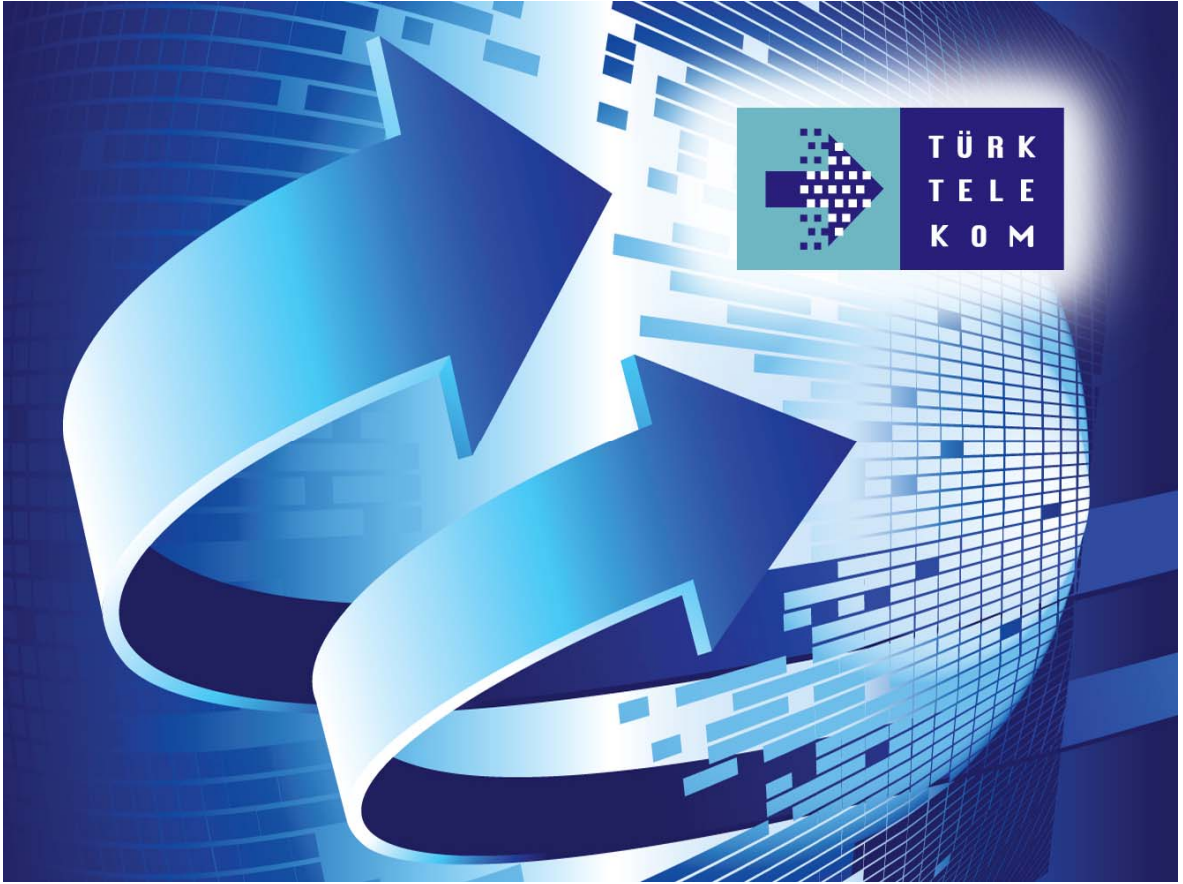


# **TÜRK TELEKOMÜNİKASYON A.Ş. ANNOUNCED Q1 2008 RESULTS**





## Türk Telekom announced Q1 2008 results

Turkey's telecommunication giant Türk Telekom announced 2008 first quarter results. The company's Q1 2008 revenues have reached 2.4 billion TRY with an increase of 13 percent compared to the same period of 2007. Türk Telekom's Operating Profit grew 24 percent to 666 million TRY in first quarter 2008, compared to the first quarter results in 2007.

2008 first quarter highlights;

**-- Operating profit increased 24% to 666m TRY compared to the same period of 2007 based on a revenue growth of 13% (to 2,423m TRY)**

**-- Mobile operations saw a more than doubling of EBITDA\* to 96m TRY compared to the same period of 2007 with the EBITDA margin reaching 20%**

**-- Mobile subscribers increased by 0.6m in the quarter to reach 10.5m subscribers, with a blended ARPU for the quarter 15.7 TRY. (8 % higher than Q1 2007)**

**-- The fixed line business maintained EBITDA margin at 49% of revenue (985m TRY), with revenue growing to 2,005m TRY in the quarter, a growth of 9% compared to the 1,845m TRY of Q1 2007**

**-- Net new ADSL connections for Q1 2008 were 0.4m, enabling total ADSL connections to reach 4.95m by the end of Q1 2008**

*\*EBITDA is a non-GAAP financial measure. See pages 5 and 6 for the reconciliation of EBITDA to net cash from operating activities*



## Q1 2008 RESULTS

### **Commenting on Türk Telekom's results, Dr. Paul Doany, Chief Executive Officer of Türk Telekom, said:**

"We are pleased to announce the first quarter results for the first time as a publicly traded company. In Q1 2008 our revenues have reached 2.4 billion TRY with an increase of 13 percent compared to the same period last year. Our Operating Profit grew 24 percent to 666 million TRY in first quarter 2008 compared to first quarter 2007.

This first quarter is of importance to the Türk Telekom family as it covers the period just prior to the IPO. We continue with our efforts to improve our company under this additional responsibility we have recently undertaken as one of the leading listed companies on the Istanbul Stock Exchange.

We are proud of the achievements realized thus far by our staff across all departments, all regional directorates throughout the country and our subsidiaries Avea, TTnet, Argela, Innova, IES/Sebit and AssisTT, in our resolve to transform Türk Telekom into a leading telecoms and technology company, offering integrated communications services.

Today Türk Telekom not only offers fixed line, broadband, and mobile access services but also creates value for customers and business partners with achievements in software products, IT services and content development. In addition to the above Türk Telekom is investing in its distribution channels and customer care systems.

In the last two and a half years we have seen AVEA (our mobile business) register steady subscriber number growth on the basis of significant network service quality improvements and innovative service offerings

In the broadband arena we have seen connections of ADSL grow over threefold from 1.5 million at the end of 2005 to 4.95 million by the end of first quarter 2008. This growth in ADSL connections was among the highest in Europe and we continue to invest to enable even faster internet access speeds.

In our fixed line business we have invested in an MPLS transmission backbone network which will eventually replace the switched voice network.

In 2007 we recruited over 700 new graduates of engineering and we intend to continue such recruitment in 2008.



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As a responsible company, Türk Telekom continues to develop social responsibility projects mainly in education, innovation, culture/art, sports and environment. As we see education crucial for the long term successful development of this country, education has the biggest share in our social responsibility investments. While investing in building of schools and education facilities for approximately 40.000 students, we also continue establishing internet houses all around Turkey. We run a project called E21 with Intel for 600.000 teachers on computer literacy which already reached 100.000 teachers. Most important of all, through our IES subsidiary we are focusing on developing , in partnership with the Ministry of Education, software and content which will be ready by September 2008 to improve the learning experience of the children.

In Türk Telekom we will continue to strive in providing new solutions to peoples communication needs."

## Financial Highlights

|                                                                      | 31 March 2008 | 31 March 2007 | %      |
|----------------------------------------------------------------------|---------------|---------------|--------|
| Revenue                                                              | 2,423         | 2,138         | 13.4   |
| Operating Expenses<br>excluding Depreciation and<br>Amortization*    | (1,342)       | (1,184)       | 13.4   |
| Operating Profit before<br>Depreciation and<br>Amortization (EBITDA) | 1,081         | 954           | 13.4   |
| Depreciation and<br>Amortization                                     | (415)         | (419)         | (0.9)  |
| Operating Profit                                                     | 666           | 535           | 24.5   |
| Net Income                                                           | 399           | 515           | (22.6) |
| Capital Expenditure                                                  | (198)         | (90)          | 119.2  |
| Net Cash from operating<br>activities                                | 756           | 747           | 1.2    |

## Revenues

The company's revenues for Q1 2008 of 2,423m TRY showed a 13% growth compared to Q1 2007. The main areas of revenue growth in Q1 2008 compared to Q1 2007 were the Mobile business (+42%, from 341m TRY to 482m TRY) and ADSL (+25%, from 302m TRY to 378m TRY).

Domestic telephony revenue recorded a 5% growth compared to Q1 2007 (from 1,249m TRY to 1,305m TRY) as a result of the tariff re-balancing actions taken in 2007.

## Operating Expenses (excluding Depreciation and Amortization) \*

Operating expenses of 1,342m TRY for Q1 2008 were 158m TRY (or 13%) above the same period last year. The main area of operating expenses increase was related to the Mobile business (91m TRY) where the cost



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increase directly related to the 42% Mobile revenue growth (+ 142m TRY revenue growth). The other main area of expense increase was maintenance and repair costs from the Fixed Line business(+42m TRY).

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

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

Operating profit before depreciation and amortization was 1,081m TRY compared with 954 m TRY in Q1 2007, enabling the Company to maintain a 44.6% margin.

### **Depreciation and Amortization**

Total depreciation and amortization charges at 415m TRY were similar to the 419m TRY recorded in Q1 2007.

### **Operating Profit**

The operating profit margin increased to 27.5% ( 666m TRY profit) in Q1 2008 from 25% ( 535m TRY profit) in Q1 2007. The increase in profitability was driven by the revenue growth from ADSL and Mobile, whilst the depreciation and amortization charges remained constant.

### **Financial Expense and Income**

Net financial expense and income situation has changed from a 125m TRY net income in Q1 2007 to a net expense of 162m TRY in Q1 2008. The main reason for the change relates to the exchange gain / (loss) on the Company US dollar denominated debt (level of \$1.8 billion at the end of March 2008).

The company recognized a net foreign exchange loss of 200m TRY in Q1 2008 (as a result of the 10 percent decline of the TRY against the US Dollar during first quarter 2008) compared with a gain of 43m TRY in Q1 2007.

### **Income Taxes**

The lower income tax charge recognised in Q1 2008 is a result of the lower underlying profitability of the company, with no change in the tax rate at 20% of taxable profits.



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### Net Income

The net income of the period was a profit of 399m TRY, or 0.0114TRY per share, compared to a profit of 515m TRY, or 0.0147 TRY per share, in Q1 2007. The 116m TRY lower net income is a direct result of the 200m TRY net exchange loss recorded in Q1 2008 which was caused by the Turkish Lira 10 percent decline against the US Dollar.

### Additional Information

Total capital expenditures for Q1 2008 were 198m TRY, with 150m TRY related to the Fixed Line business and 48m TRY for the Mobile business. Capital expenditure in Q1 2008 was only 8% of revenue which, as in Q1 2007, is low and is expected to increase in the coming quarters. Capital expenditures in Q1 2007 totaled 90m TRY including expenditure of 58m TRY related to the Fixed Line business and 32m TRY for the Mobile business. (total capital expenditure equalling only 4% of revenue)

At March 31, 2008, the company had total loans outstanding of 2,418m TRY and cash and equivalents of 2,034m TRY.

The above cash and loans position is before payments of the dividend related to 2007 (of 2,744m TRY ), 1,372m TRY of this dividend payment was paid in April 2008, with the balance of the dividend payment to be made in the months of June, July and August 2008.

The company's headcount at March 31, 2008 was 40,950 (including 1,852 staff in the Companies acquired in second half 2007 and the AssisTT entity) compared with 41,526 at March 31, 2007, and 40,800 at Dec. 31, 2007.

### Outlook

The company considers that the guidance that it provided during the IPO process of high single digit revenue and EBITDA growth for the full year is still correct. There is still a risk of slower growth due to the general economic situation in Turkey and increased competitor activity, but at present this has not materially impacted the company performance.

### Reconciliation of Non-GAAP Financial Measures

We believe that EBITDA is a measure commonly used by companies, analysts and investors in the telecommunications industry, which enhances the understanding of our operating results and assists in the evaluation of our capacity to meet our financial obligations. We also use



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EBITDA as an internal measurement tool and, accordingly, we believe that the presentation of EBITDA provides useful and relevant information to analysts and investors.

The EBITDA definition used in this press release includes Revenues, Direct Cost of Revenues excluding depreciation and amortization, Selling and Marketing expenses and Administrative expenses, but excludes translation gain/(loss), financial income, income on unconsolidated subsidiaries, gain on sale of investments, income/(loss) from related parties, minority interest.

EBITDA is not a measure of financial performance under IFRS and should not be construed as a substitute for net earnings (loss) as a measure of performance or cash flow from operations as a measure of liquidity. The following table provides a reconciliation of EBITDA, which is a non-GAAP financial measure, to net cash provided by operating activities, which we believe is the most directly comparable financial measure calculated and presented in accordance with IFRS.

|                                        | 31 March 2008 | 31 March 2007 | %      |
|----------------------------------------|---------------|---------------|--------|
| EBITDA                                 | 1,081         | 954           | 13.4   |
| Income Tax Expense                     | (149)         | (159)         | (6.3)  |
| Other Operating Income, net            | 52            | 87            | (40.0) |
| Financial Income                       | 129           | 204           | (36.6) |
| Financial Expense                      | (291)         | (79)          | 268.7  |
| Net decrease in assets and liabilities | (475)         | (394)         | 20.6   |
| Net Cash from operating activities     | 756           | 747           | 1.2    |



## Q1 2008 RESULTS

### 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. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

### About Türk Telekomünikasyon A.Ş.

Türk Telekom provides integrated telecommunication services from PSTN and GSM to broadband internet. As of 31 March 2008, Türk Telekom has 18 million fixed access lines, 4.95 million ADSL connections and 10.5 million GSM subscribers. The company has a modern network infrastructure covering the whole country and offers a wide variety of services to residential and commercial customers all over Turkey.

Apart from 81 % shares in Avea, one of the three GSM operators in Turkey, Türk Telekom owns 99.9 % of TTnet, Argela, Innova, IES/Sebit and AssisTT companies. Türk Telekom also has a minority share in Albtelecom, 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.

*Türk Telekom (ISE: TTKOM)*