

TURK TELEKOM GROUP ANNOUNCES 2012 YEAR END FINANCIAL RESULTS



Strong Net Income with Sustained Growth in 2012

Turk Telekom Group, Turkey's leading communications and convergence technologies group, announced 2012 year-end financial results. Revenues reached TL 12.7 bn, an increase of 6.4% compared to the last year. Net profit was TL 2.6 billion, which represents 27% increase compared to 2011. EBITDA¹ was TL 5.1 billion with a margin of 40%.

2012 Highlights

- ❖ **Group revenues at TL 12.7 bn, an increase of 6.4% YoY, with EBITDA margin of 40%**

- ❖ **Group net profit increased by 27% YoY to TL 2.6 bn**

- ❖ **Fixed line revenues grew by 4% YoY, reached TL 9.6 bn**

- ❖ **Mobile arm Avea increased its revenues 13% YoY to TL 3.5 bn; net subscriber addition for the full year was 730K**

- ❖ **EBITDA of Avea grew by 28% YoY to 486 mn with a margin of 14%**

¹ 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.

Turk Telekom Group CEO Hakam Kanafani's comments on 2012 year end results:

Turk Telekom Group delivered a strong financial and operational performance in 2012 growing 6.4% and reaching historical record revenues of TL 12.7 billion. We sustained our robust operating performance in fixed line and mobile businesses with Group EBITDA reaching TL 5.1 billion and EBITDA margin staying solid at 40%. Our net income grew 27% annually and reached over TL 2.6 billion. Our investments totaled TL 2.4 billion in the full year in order to sustain our growth momentum and deliver best quality of service to our customers.

In 2012, we continued to transform our best in class fixed-line network with significant investments especially in fiber infrastructure. As the leader of fiber network in Turkey, we started to offer superfast broadband services in 2012 with fiber to the home/building (FTTH/B) coverage reaching over 1.9 million home-passes, a remarkable achievement demonstrating the extensive country-wide reach of our fixed infrastructure.

Our retail ISP company TTNET introduced unique multi-play packages offering high-speed internet, TV, mobile broadband and Wi-Fi services for its millions of customers. Thanks to TTNET's innovative offers, our customers can now purchase a single quota internet package and use it in both fixed and mobile broadband whenever they please. We are pleased to see that Turkey's leader IPTV service Tivibu is gaining more popularity. We recently enriched Tivibu by adding new content from various European football leagues.

Our mobile company Avea delivered outstanding performance by growing its revenues and EBITDA by 13% and 28% respectively and adding net 730 thousand customers in 2012. Avea's annual revenues reached a record level of TL 3.5 billion driven by strong performance both in voice and data segments. Our mobile data revenues grew impressively by 79%, highest growth rate in the market. In 2012 we invested more than TL 750 million in network and channel, supporting quality and efficiency.

Avea continued to be a leader in innovative offers and mobile number portability net adds in 2012. Our unique SEC offers enabled customers design their own call, internet, SMS and handset packages according to their needs. We continued to see the benefits of our strong data network and introduced our own branded smartphone, "Avea

2012 Year End Results

inTouch”. As a rising star of Turkish mobile market, Avea joined the board of world’s leading mobile business association, GSMA in 2012.

As a solid demonstration of our implementation of verticals strategy in entertainment, health care and education, our group company Sebit, a global player in e-education, developed a new search engine for educational use. This is a very innovative technology; a first in the region and a pioneer in the world. Sebit’s educational portal “Vitamin” attracted 3 million monthly unique visitors viewing over 50 million pages.

As Turk Telekom Group, we are the leading provider of research and development studies in communications in Turkey. We also partner with telecom companies in Europe through EU funded projects. Most recently, we hosted and organized Networked & Electronic Media Summit 2012, Europe’s prestigious technology platform bringing together more than 600 companies.

Turk Telekom consistently increased its corporate governance rating in independent rating studies. In December 2012, Turk Telekom scored 8.8 out of 10 and continued to be the first and only telecom company in the Corporate Governance Index of Istanbul Stock Exchange.

In 2013, we are committed to continue the growth of our business both in mobile and fixed-line segments. As Turk Telekom Group, we leverage our convergence strategy and group synergies to sustain our leadership position in Turkish telecom market.

I thank each member of Turk Telekom Group family for a successful performance in 2012. I extend my warmest gratitude to our customers and business partners for their support and contribution to Turk Telekom Group’s continuing success.

Financial Highlights

Turk Telekom Group in TL Millions	2011	2012	YoY % Change
Revenue	11,941	12,706	6.4%
Net Operating Expenses excluding Depreciation and Amortization	(6,864)	(7,610)	10.9%
Operating Profit before Depreciation and Amortization (EBITDA)	5,077	5,096	0.4%
Depreciation and Amortization	(1,577)	(1,697)	7.6%
Operating Profit	3,501	3,400	(2.9%)
Net Financial Income/ (Expense)	(891)	(33)	(96.0%)
Taxes	(710)	(773)	8.9%
Net Profit Before Minority Interest	1,900	2,593	36.5%
Net Profit After Minority Interest	2,069	2,637	27.5%
Capital Expenditure	2,278	2,435	6.9%

Revenues

Consolidated revenues increased by 6.4% YoY (up by TL 766 mn) in 2012, mainly due to the growth in mobile business (up by TL 394 mn), broadband business (up by TL 145 mn) and institutional data service revenues (up by TL 118 mn) as well as construction revenues² (up by TL 432 mn)

Net Operating Expenses (Excluding Depreciation and Amortization)

Net operating expense increased by 11% YoY (up by TL 746 mn) to TL 7.6 bn, mainly due to increase in construction expenses² (up by TL 382 mn) and domestic interconnection expense (up by TL 221 mn).

² According to IFRIC (International Financial Reporting Interpretations Committee) Interpretation 12

Operating Profit before Depreciation and Amortization (EBITDA)

Operating profit before depreciation and amortization increased to TL 5,1 bn (up by TL 19 mn) in 2012, resulting in a strong consolidated EBITDA margin of 40%. Fixed line business segment EBITDA declined 2% YoY (TL 89 mn) in 2012 compared to last year with an EBITDA margin of 48%. Mobile EBITDA increased 28% YoY from TL 380 mn to TL 486 mn in 2012 with an EBITDA margin of 14%.

EBITDA margin on the mobile business was positively affected by estimation update on doubtful receivables in Q4 2012. Including the related one-off, EBITDA margin is 21%; if excluded EBITDA margin would have been 17% in Q4 2012.

Depreciation and Amortization

Total depreciation and amortization increased to TL 1.7 bn in 2012 from TL 1.6 bn in 2011.

Operating Profit

Operating profit registered at TL 3.4 bn as a result of slightly increased EBITDA and higher depreciation and amortization expense in 2012.

Net Financial Income / (Expense)

Net financial expense of TL 33 mn was recorded in 2012 compared to TL 891 mn recorded in 2011 which was mainly due to TL's depreciation against USD and EUR.

Corporate Taxes

Tax Expense was charged at TL 773 mn up by 9% compared to the tax expense in 2011 due to the increase in profit before tax. Our effective corporate tax rate in 2012 is 23%.

Net Income

The net income registered at TL 2,637 mn, or TL 0.7535 per share up by 27.5% compared to TL 2,069 mn net income or TL 0.5911 net income per share in 2011.

Operational Highlights

Turk Telekom Group Operational Data	2011	2012	YoY % Change
Total Access Lines* (millions)	15.2	14.3	(6.2%)
PSTN Number of Access Lines (millions)	15.0	13.6	(9.4%)
PSTN ARPU (TL)	22.1	22.4	1.5%
PSTN MoU (minutes)	107.3	103.4	(3.6%)
Broadband Connections (millions)	6.8	7.0	2.9%
Broadband ARPU (TL)	36.2	36.8	1.7%
Mobile Total Subscribers (millions)	12.8	13.5	5.7%
Mobile Prepaid Subscribers (millions)	7.2	7.5	4.2%
Mobile Postpaid Subscribers (millions)	5.6	6.0	7.1%
Mobile Prepaid ARPU (TL)	11.0	12.4	12.8%
Mobile Postpaid ARPU (TL)	31.6	32.0	1.1%
Mobile Blended ARPU (TL)	20.4	21.6	5.8%
Mobile MoU (minutes)	305.1	341.5	11.9%

* Total Access Lines: Naked DSL Lines + PSTN Access Lines

Additional Information

Turk Telekom Group invested TL 2,435 mn in 2012 with primary focus on continuing to improve the quality of the services and products provided to customers.

Turk Telekom Group's total headcount at December 31, 2012 was 37,524.

About Turk Telekom Group

Turk 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, 2012; Turk Telekom group companies have 14.3 mn Fixed Access Lines, 7 mn Broadband Connections and 13.5 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 90 % shares in Avea, one of the three GSM operators in Turkey, Turk Telekom owns 100% of broadband provider TTNET, convergence technologies company Argela, IT solutions provider Innova, online education company Sebit, call center company AssisTT, online gaming company Sobee and wholesale data and capacity service provider company Pantel International AG and its subsidiaries. Turk Telekom also has an indirect minority share in Albtelecom, the Albanian incumbent telecom operator. Turk 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.