

TÜRK TELEKOM GROUP ANNOUNCES 2011 YEAR END FINANCIAL RESULTS



Strong Growth and Solid Operational Performance in 2011

Türk Telekom Group, Turkey's leading communications and convergence technologies group, announced 2011 year-end financial results. Revenues grew 10% compared to the last year and reached TL 12 billion on the back of strong operating performance. Operating profit was TL 3.5 billion, which represents 6% increase compared to 2010. EBITDA¹ was TL 5.1 billion with a margin of 42.5%.

2011 Highlights

- ❖ **Group revenues reached TL 12 bn, an increase of 10% YoY, with EBITDA margin of 42.5%**

- ❖ **Group operating profit increased by 6% to TL 3.5 bn**

- ❖ **Fixed line revenues recorded an 8% growth, reaching TL 9.2 bn**

- ❖ **Mobile arm Avea increased its subscribers by 1.1 mn and its revenues reached TL 3.1 bn, a 16% increase YoY**

(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.

Türk Telekom Group CEO Hakam Kanafani's comments on 2011 year end results:

I am pleased to announce Türk Telekom's strong financial and operational performance in 2011. Our consolidated revenues increased by 10% year over year to TL 12 billion, a record level in the company's history. Group EBITDA increased by 5% to TL 5.1 billion with an EBITDA margin of 42.5%.

Türk Telekom continued investing in fixed line and mobile businesses with capital expenditures of TL 2.29 billion in 2011. These investments set us for further growth of our business by enabling us to strengthen our core infrastructure, increase our 3G population and surface coverage, and introduce new technologies such as fiber broadband.

Our mobile arm Avea increased revenues 16% y-o-y in 2011 and improved its operating performance despite intensive competition in the mobile market. We increased our mobile customer base by 10%, adding 1.1 million net new subscribers in 2011. Avea was the number one operator in mobile number portability gains in the past year. As a confirmation of our commitment to quality, we continued to invest in our distribution channel, customer care and network with more than doubling the number of 3G base stations and increasing the number of exclusive shops by 32%. We also invested in and improved our brand equity with successful campaigns.

Our fixed line revenues grew 8% y-o-y. Fixed voice bundle packages, "Home Advantage" continue their success; now half of our 15 million customers are in the bundle packages compared to 34% in 2010. Our ADSL subscriber base increased 3% to reach 6.8 million. We continued an upselling trend in fixed broadband, offering higher speeds and capacities to millions of internet customers. 62% of TTNET's ADSL customers have unlimited packages compared to 50% a year ago.

Türk Telekom was named the most valuable brand in Turkey by Brand Finance for the third consecutive year in 2011.

Türk Telekom Group is very well positioned to sustain strong momentum and will continue to build on its success in 2011. Looking ahead, we have great visibility of the coming year. We will continue to meet our customers' total communication needs with a commitment to quality. We will grow our business building on our unmatched technical knowhow, advanced distribution channels, strong brand name, converged products, teamwork and synergies.

I would like to thank each member of Türk Telekom Group family for a very successful year. I extend my warmest gratitude to our customers, business partners and shareholders for their support and contribution to Türk Telekom Group's ongoing success.

Financial Highlights

Year	2010	2011	% Change
Revenue	10,852	11,941	10.0%
Net Operating Expenses excluding Depreciation and Amortization	(6,017)	(6,864)	14.1%
Operating Profit before Depreciation and Amortization (EBITDA)	4,835	5,077	5.0%
Depreciation and Amortization	(1,524)	(1,577)	3.5%
Operating Profit	3,311	3,501	5.7%
Net Financial Income/ (Expense)	(184)	(891)	384%
Taxes	(799)	(710)	(11.2%)
Net Profit Before Minority Interest	2,328	1,900	(18.4%)
Minority Interest	122	169	38.2%
Net Income After Minority Interest	2,451	2,069	(15.6%)
Capital Expenditure	1,733	2,294	32.3%

Revenues

The Group's consolidated revenues for 2011 is TL 11.9 bn which showed 10% growth (TL 1.1 bn) compared to that of 2010. The main drivers of revenue growth are ADSL business (up by 18%, TL 452 mn), Mobile business (up by 16%, TL 434 mn) and international revenues, which is mainly driven by Pantel acquisition (up by 102%, TL 232 mn).

Net Operating Expenses (Excluding Depreciation and Amortization)

Net operating expense increased by 14% to TL 6.9 bn mainly due to increases in personnel, commercial costs and international interconnection due to Pantel acquisition.

Operating Profit before Depreciation and Amortization (EBITDA)

Operating profit before depreciation and amortization increased by 5% (TL 242 mn) to TL 5.1 bn in 2011 compared to 2010, resulting in a consolidated EBITDA margin of 42.5%. Fixed line business segment EBITDA grew 4.3% (TL 196 mn) in 2011 compared to last year with an EBITDA margin of 51.1%. Mobile EBITDA increased 14.4% year over year from TL 332 mn to TL 380 mn with an EBITDA margin of 12.3%.

Incentive expenses on voluntary retirement program had a negative impact of TL 100 million on fixed line EBITDA in 2011 (negative impact of TL 65 mn on fixed line EBITDA in Q4 2011). Doubtful receivable estimation update and campaign on collection of overdue receivables had a positive impact of TL 125 million on the fixed line EBITDA in Q4 2011.

2011 Year End Results

Reversal of prior periods' excess doubtful receivables provision due to enhanced collection performance had a positive impact of TL 31 million on the mobile business EBITDA in Q4 2011.

Depreciation and Amortization

Total depreciation and amortization charges at TL 1.6 bn are up by 3.5% from TL 1.5 bn recorded in 2010.

Operating Profit

Operating profit improved by 5.7% to TL 3.5 bn as a result of the growth in EBITDA.

Net Financial Income / (Expense)

We recorded a net financial expense of TL 891 mn in 2011 compared to TL 184 mn in 2010 mainly due to TL depreciation against USD and EUR.

Corporate Taxes

Tax Expense at TL 710 mn is down by 11.2% compared to the tax expense in 2010 due to the decline in profit before tax. Our effective corporate tax rate in 2011 is 27%.

Net Income

The net income is TL 2,069 mn, or TL 0.5911 per share compared to TL 2,451 mn, or TL 0.7002 per share in 2010.

Operational Highlights

Year	2010	2011	2011	YoY	QoQ
Period	Q4	Q3	Q4	Change	Change
Total Access Lines* (millions)	16.0	15.5	15.2	(5.2%)	(1.8%)
PSTN Number of Access Lines (millions)	16.0	15.3	15.0	(6.7%)	(2.3%)
PSTN ARPU (TL)	22.2	22.1	21.9	(1.5%)	(0.8%)
PSTN MoU (minutes)	114	100	105	(7.2%)	4.7%
ADSL Wholesale Connections (millions)	6.6	6.8	6.8	2.6%	(0.2%)
ADSL ARPU (TL)	32.7	35.9	36.3	11.0%	1.1%
Mobile Total Subscribers (millions)	11.6	12.5	12.8	9.9%	1.9%
Mobile Prepaid Subscribers (millions)	6.9	7.0	7.2	2.9%	2.0%
Mobile Postpaid Subscribers (millions)	4.7	5.5	5.6	20.3%	1.8%
Mobile Prepaid ARPU (TL)	10.9	11.1	11.1	1.6%	(0.5%)
Mobile Postpaid ARPU (TL)	30.9	32.6	31.7	2.7%	(2.6%)
Mobile Blended ARPU (TL)	19.2	21.3	20.5	6.7%	(3.8%)
Mobile MoU (minutes)	269	313	316	17.7%	0.9%

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

Additional Information

Türk Telekom Group invested TL 2,294 mn in 2011 with primary focus on continuing to improve the quality of the services and products we provide to our customers.

Türk Telekom Group's total headcount at December 31, 2011 was 34,886.

Macroeconomic Outlook

The year 2011 was a tough year for both developed and developing economies. Despite all the challenges, Turkey managed to distinguish herself thanks to her sound macroeconomic fundamentals. For 2012, Government officials expect the GDP growth rate to register at 4%, while inflation is expected to retreat back to 6.5% from current levels with the Central Bank committed to maintain price stability. Furthermore, the current account deficit is expected to narrow down towards 8% levels of the GDP from 10% levels in 2011. Overall, Turkish economy is envisaged to preserve its strength in 2012.

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, 2011; Türk Telekom group companies have 15.2 mn Fixed Access Lines, 6.8 mn ADSL Connections and 12.8 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 belong 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.