

TÜRK TELEKOM GROUP ANNOUNCES THIRD QUARTER 2012 FINANCIAL RESULTS



Net Income Growth Continues in Q3 2012

Türk Telekom, Turkey's leading communications and convergence technologies group, announced 2012 third quarter financial results. Revenues reached over TL 3.2 bn, an increase of 6% compared to the same period of last year. Net profit was TL 636 mn, which represents 77% increase compared to 2011 third quarter. EBITDA¹ was TL 1.3 billion with a margin of 40%.

2012 Third Quarter Highlights

- ❖ **Group revenues at TL 3.2 bn, an increase of 6% YoY, with EBITDA margin of 40%**

- ❖ **Group net profit increased by 77% YoY to TL 636 mn**

- ❖ **Mobile arm Avea increased its revenues by 11% YoY to a record level of TL 910 mn; net additions in mobile subscribers in this quarter are 206K**

- ❖ **Avea's EBITDA was TL 128 mn, up by 12% YoY, with 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.

Türk Telekom Group CEO Hakam Kanafani's comments on 2012 third quarter results:

“In the third quarter of the year, Türk Telekom Group continued delivering robust financial and operational performance. Group revenues grew 6% year-over-year to TL 3.2 billion with 40% EBITDA margin in the period. Supported by lower net financial expenses, net income for the period grew 77% year-over-year to TL 636 million. Türk Telekom Group continued its investments reaching TL 1.7 billion in the first nine months.

On the fixed voice side, our efforts continue to add value to PSTN lines. We ran campaigns with major restaurants and retailers together with the home insurance program. Recently, we introduced new campaigns offering all-directional free minutes for new residential customers, which reinforces the idea that with fixed line voice, we have a lot to offer.

On the fixed broadband side, a solid trend towards increased data consumption and speed continues among current total subscriber base of 7 million. TTNET's unlimited data plan subscribers now constitute 71% of its customer base. In the third quarter, Türk Telekom and TTNET continued investing in fiber roll-out with fiber to the home and building network now covering 1.5 million homes. TTNET's multi-play package offerings continued with Tivibu Home IPTV service. Our latest device campaign, which includes laptop and tablet PC offerings with data plan contracts of two or three years, generated enthusiasm among our current and potential customers. We expect these campaigns to push internet enabled device penetration further up.

On the mobile side, we sustained our strong growth with improved profitability in the quarter. Our mobile revenues grew 11% year-over-year to TL 910 million with 14% EBITDA margin. We added net 206 thousand subscribers bringing total number of subscribers to 13.2 million. Avea continued its innovative tariffs where customers can design their packages according to their specific needs by selecting from voice, data, SMS, and handset alternative plans for a single flat fee. Pure data revenues (excluding SMS and VAS) grew phenomenally by 64% year-over-year. Data revenues now make up 12% of total service revenues, up from 8% a year ago.

For business segment customers, Türk Telekom, TTNET and Avea's recently launched joint offer “BİZ” provides unique advantageous offers which give us significant competitive edge. “BİZ” offers fixed, mobile, internet and cloud services together with the most advanced technological solutions and affordable prices.

As Türk Telekom Group, we leverage our convergence strategy and group synergies to sustain our leadership position in Turkish telecom market. Recently we appointed new members to our top management team. With these changes, we are targeting an energized leadership team which focuses on dynamic needs of our customers. We are confident that our management team will execute our strategy successfully by placing our customers at the center of everything we do.”

Financial Highlights

Year	2011	2012	2012	%	%
Period	Q3	Q2	Q3	Change	Change
				YoY	QoQ
Revenue	3,066	3,182	3,237	5.6%	1.7%
Net Operating Expenses excluding Depreciation and Amortization	(1,765)	(1,910)	(1,937)	9.8%	1.4%
Operating Profit before Depreciation and Amortization (EBITDA)	1,301	1,273	1,300	(0.1%)	2.2%
Depreciation and Amortization	(385)	(433)	(408)	5.9%	(5.7%)
Operating Profit	916	840	892	(2.6%)	6.2%
Net Financial Income/ (Expense)	(460)	(21)	(85)	(81.5%)	307.7%
Taxes	(148)	(199)	(176)	19.4%	(11.5%)
Minority Interest	52	10	6	(88.4%)	(39.8%)
Net Income After Minority Interest	359	630	636	77.1%	1.1%
Capital Expenditure	621	677	581	(6.5%)	(14.1%)

Revenues

The Group's consolidated revenues for Q3 2012 is TL 3.2 bn which showed 6% growth (up by TL 172 mn) compared to that of Q3 2011. The main drivers of revenue growth are Mobile business (up by TL 93 mn), Construction Revenue¹ (up by TL 91 mn; due to increase in eligible capex), ADSL business (up by TL 47 mn), and Data Services (up by TL 24 mn).

Net Operating Expense (Excluding Depreciation and Amortization)

Net operating expense increased by 10% year over year (up by TL 173 mn) to TL 1.9 bn mainly due to increases in construction expenses¹ (up by TL 80 mn), domestic interconnection expenses (up by TL 60 mn) and bad debt provision expense (up by TL 30 mn).

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

Operating Profit before Depreciation and Amortization (EBITDA)

Operating profit before depreciation and amortization was flat at TL 1.3 bn in Q3 2012 compared to Q3 2011, resulting in a consolidated EBITDA margin of 40%. Fixed line business EBITDA was down by 1% in Q3 2012 compared to last year with an EBITDA margin of 49%. Mobile EBITDA increased 12% year over year from TL 114 mn to TL 128 mn with an EBITDA margin of 14%.

In Q3 2012 consolidated EBITDA would be TL 36 mn higher excluding one-off expenses mainly caused by bad debt reserve related to receivables from international customers.

Depreciation and Amortization

Total depreciation and amortization charges at TL 408 mn are up by 6% from TL 385 mn recorded in Q3 2011.

Operating Profit

Operating profit decreased by 3% in Q3 2012 to TL 892 mn as a result of the increase in depreciation and amortization expenses.

Net Financial Income / (Expense)

We recorded a net financial expense of TL 85 mn in Q3 2012 compared to net financial expense of TL 460 mn in Q3 2011 which was recorded mainly due to TL's depreciation against USD and EUR.

Corporate Taxes

Tax Expense at TL 176 mn is up by 19% compared to the tax expense in Q3 2011 due to the increase in profit before tax. Our effective corporate tax rate in Q3 2012 is 22%.

Net Income

The net income is TL 636 mn, or TL 0.1818 per share compared to TL 359 mn, or TL 0.1027 per share in Q3 2011.

In Q3 2012, consolidated income before tax would be TL 36 mn higher excluding one-off expenses mentioned above.

Operational Highlights

Year	2011	2012	2012	YoY	QoQ
Period	Q3	Q2	Q3	Change	Change
Total Access Lines* (millions)	15.5	14.7	14.5	(6.4%)	(1.6%)
PSTN Number of Access Lines (millions)	15.3	14.3	13.9	(9.1%)	(2.8%)
PSTN ARPU (TL)	22.1	22.4	22.6	2.6%	0.9%
PSTN MoU (minutes)	101	105	98	(3.1%)	(7.0%)
ADSL Wholesale Connections (millions)	6.8	7.0	7.0	2.4%	(0.2%)
ADSL ARPU (TL)	35.9	36.5	37.1	3.4%	1.9%
Mobile Total Subscribers (millions)	12.5	13.0	13.2	5.4%	1.6%
Mobile Prepaid Subscribers (millions)	7.0	7.2	7.3	4.8%	1.8%
Mobile Postpaid Subscribers (millions)	5.5	5.8	5.9	6.2%	1.3%
Mobile Prepaid ARPU (TL)	11.1	12.1	13.0	16.9%	7.7%
Mobile Postpaid ARPU (TL)	32.6	31.8	32.7	0.3%	2.5%
Mobile Blended ARPU (TL)	21.3	21.3	22.6	5.9%	6.0%
Mobile MoU (minutes)	313	350	350	11.9%	0.2%

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

Additional Information

Türk Telekom Group invested TL 581 mn in Q3 2012 with primary focus on improving the quality of the services and products provided to our customers.

Türk Telekom Group's total headcount as of September 30, 2012 was 36,665.

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 September 30, 2012; Türk Telekom group companies have 14.5 mn Fixed Access Lines, 7 mn ADSL Connections and 13.2 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, 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.