

TÜRK TELEKOM GROUP ANNOUNCES SECOND QUARTER 2012 FINANCIAL RESULTS



Strong Net Income Growth in Q2 2012

Türk Telekom, Turkey's leading communications and convergence technologies group, announced 2012 second quarter financial results. Revenues grew to TL 3.2 bn, an increase of 7% compared to the same period of last year. Net profit was TL 630 mn, which represents 24% increase compared to 2011 second quarter. EBITDA¹ was TL 1.3 billion with a margin of 40%.

2012 Second Quarter Highlights

- ❖ **Group revenues at TL 3.2 bn, an increase of 7% YoY, with EBITDA margin of 40%**

- ❖ **Group net profit increased by 24% YoY to TL 630 mn**

- ❖ **Mobile arm Avea increased its revenues by 13% YoY to a record level of TL 856 mn**

- ❖ **Avea's EBITDA was TL 87 mn, up by 26% YoY, with margin of 10%**

(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 second quarter results:

“Türk Telekom Group continued its strong operational and financial performance in the second quarter of 2012. Group revenue grew 7% year on year to TL 3.2 bn with 40% EBITDA margin in the period. Net income increased by 24% year on year to TL 630 mn supported by TL's appreciation. Türk Telekom Group's investments reached over TL 1 bn in the first half with a primary focus on fiber and 3G network.

In June 2012, we attached more value to our fixed voice service with the world's first automatic home insurance offer for all our PSTN subscribers, complementing all-direction bundle minutes. Now, all fixed voice residential customers have free home insurance coverage offered by Türk Telekom and Allianz.

We continued investing in our fixed broadband network especially in fiber to the home/building (FTTH/FTTB), which now covers 1.26 million homes. Share of unlimited packages in our retail arm's ADSL subscribers reached 68% in the second quarter with average monthly data usage of 23 GB. This demonstrates a clear trend towards increased data consumption and speed appetite. With the speed we offer with fiber, we enable our customers to consume more data in the same amount of time spent online. As a natural extension of our fiber offering, our TV product continues its momentum with Tivibu Home (IPTV), a very successful product that exceeded our expectations.

Most recently with TTNET we introduced a new series of bundle packages (TV + Internet + Telephone) under “My Smart Home” brand. This bundle, a first in Turkey, includes PSTN service with fixed broadband and TV on a single bill for the customer. On top of these bundles, TTNET also offers country-wide Wi-Fi hotspot access and many value added services such as video, game, music, education, cloud services.

On the corporate segment, we introduced the “BIZ” concept as a joint offer by Türk Telekom, TTNET and Avea. Under “BIZ” concept, we offer end to end fixed line and mobile telecom services as one Türk Telekom Group brand.

Our mobile arm Avea continued its network and channel investments while achieving strong growth and improved profitability despite continued harsh market conditions. Mobile subscribers reached 13 million with net 70 thousand subscriber gain in the second quarter. Mobile revenues increased 13% year on year to historical quarterly record of TL 856 mn. Mobile data continues to be a growth driver for Avea due to new smartphone partnerships and significant increase in device sales.

Brand partnerships we develop as Avea through mobile virtual network operators provide new channels for our mobile arm's growth. The latest offer “BİMCELL” was launched in March 2012 with leading retailer BİM and gained momentum in the second quarter, with over 3500 sales points in the BİM domain.

Avea introduced a new innovative bundle tariff (“Mobile Festival”) in the second quarter benefiting millions of Türk Telekom PSTN customers. Offering free all directional (mobile + fixed) minutes to Avea subscribers who have a PSTN line, this bundle is the

first by Türk Telekom Group and it demonstrates the value of synergies among our group companies.

As the leading telecommunication and convergence technology group of Turkey, Türk Telekom Group continues to offer innovative bundled packages and value added services to its millions of customers in fixed line and mobile segments. We are confident that our strategy will carry us forward to enhancing the value for our shareholders and playing a leading role in Turkey's economic growth story.”

Financial Highlights

Year	2011	2012	2012	% Change	% Change
Period	Q2	Q1	Q2	YoY	QoQ
Revenue	2,968	2,960	3,182	7.2%	7.5%
Net Operating Expenses excluding Depreciation and Amortization	(1,714)	(1,728)	(1,910)	11.4%	10.5%
Operating Profit before Depreciation and Amortization (EBITDA)	1,254	1,232	1,273	1.5%	3.3%
Depreciation and Amortization	(387)	(414)	(433)	11.9%	4.5%
Operating Profit	867	817	840	(3.1%)	2.7%
Net Financial Income/ (Expense)	(234)	160	(21)	(91.1%)	NM
Taxes	(171)	(233)	(199)	16.3%	(14.4%)
Minority Interest	45	26	10	(77.7%)	(62.4%)
Net Income After Minority Interest	506	772	630	24.4%	(18.4%)
Capital Expenditure	566	405	677	19.5%	67.2%

NM: Not meaningful

Revenues

The Group's consolidated revenues for Q2 2012 is TL 3.2 bn which showed 7% growth (up by TL 214 mn) compared to that of Q2 2011. The main drivers of revenue growth are Construction Revenue¹ (up by TL 150 mn; due to increase in eligible capex), Mobile business (up by TL 97 mn), ADSL business (up by TL 33 mn), and Data Services (up by TL 26 mn).

Net Operating Expense (Excluding Depreciation and Amortization)

Net operating expense increased by 11% year over year (up by TL 195 mn) to TL 1.9 bn mainly due to increases in construction expenses¹ (up by TL 133 mn), and domestic interconnection expenses (up by TL 47 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 increased by 1.5% (TL 19 mn) to TL 1.3 bn in Q2 2012 compared to Q2 2011, resulting in a consolidated EBITDA margin of 40%. Fixed line business EBITDA was flat in Q2 2012 compared to last year with an EBITDA margin of 49%. Mobile EBITDA increased 26% year over year from TL 69 mn to TL 87 mn with an EBITDA margin of 10%.

In Q2 2012 consolidated EBITDA would be TL 50 mn higher excluding one-off expenses; (1) litigation provision and regulatory fine in fixedline (TL 38 mn) and (2) tax dispute provisions in mobile (TL 12 mn).

Depreciation and Amortization

Total depreciation and amortization charges at TL 433 mn are up by 12% from TL 387 mn recorded in Q2 2011.

Operating Profit

Operating profit decreased by 3% in Q2 2012 to TL 840 mn as a result of the increase in depreciation and amortization expenses.

Net Financial Income / (Expense)

We recorded a net financial expense of TL 21 mn in Q2 2012 compared to net financial expense of TL 234 mn in Q2 2011 mainly due to TL appreciation against USD and EUR.

Corporate Taxes

Tax Expense at TL 199 mn is up by 16% compared to the tax expense in Q2 2011 due to the increase in profit before tax. Our effective corporate tax rate in Q2 2012 is 24%.

Net Income

The net income is TL 630 mn, or TL 0.1799 per share compared to TL 506 mn, or TL 0.1445 per share in Q2 2011.

In Q2 2012, consolidated income before tax would be TL 65 mn higher excluding one-off expenses; (1) litigation provision and regulatory fine in fixed line (TL 43 mn) and (2) tax dispute provisions in mobile (TL 22 mn).

Operational Highlights

Year	2011	2012	2012	YoY	QoQ
Period	Q2	Q1	Q2	Change	Change
Total Access Lines* (millions)	15.7	15.0	14.7	(6.1%)	(1.8%)
PSTN Number of Access Lines (millions)	15.6	14.7	14.3	(8.2%)	(2.4%)
PSTN ARPU (TL)	22.1	22.3	22.4	1.2%	0.5%
PSTN MoU (minutes)	112	107	105	(6.5%)	(2.2%)
ADSL Wholesale Connections (millions)	6.7	7.0	7.0	3.6%	(0.7%)
ADSL ARPU (TL)	36.3	36.0	36.5	0.4%	1.3%
Mobile Total Subscribers (millions)	12.2	12.9	13.0	6.3%	0.5%
Mobile Prepaid Subscribers (millions)	6.9	7.2	7.2	5.1%	0.1%
Mobile Postpaid Subscribers (millions)	5.4	5.7	5.8	7.8%	1.0%
Mobile Prepaid ARPU (TL)	10.9	10.9	12.1	11.5%	10.8%
Mobile Postpaid ARPU (TL)	31.8	30.6	31.8	0.1%	4.1%
Mobile Blended ARPU (TL)	20.5	19.9	21.3	3.9%	7.2%
Mobile MoU (minutes)	309	320	350	13.1%	9.3%

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

Additional Information

Türk Telekom Group invested TL 677 mn in Q2 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 June 30, 2012 was 36,209.

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 June 30, 2012; Türk Telekom group companies have 14.7 mn Fixed Access Lines, 7 mn ADSL Connections and 13 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.