

TÜRK TELEKOM GROUP ANNOUNCES Q3 2011 FINANCIAL RESULTS



Strong Operational Performance in Q3 2011

Türk Telekom Group, Turkey's leading communication and convergence technologies group, announced 2011 third quarter financial results. Revenue grew 13% compared to the same period of last year and exceeded TL 3 billion on the back of strong operating performance. Operating profit is TL 916 million which represents 3% increase compared to that of Q3 2010. EBITDA* increased to TL 1.3 billion with a margin of 42%.

2011 Third Quarter Highlights

- ❖ **Group revenue reached TL 3.1 bn increasing 13% YoY with EBITDA margin of 42% in Q3 2011**

- ❖ **Group operating profit increased by 3% to TL 916 mn in Q3 2011**

- ❖ **Group net income is TL 359 mn down by 52% compared to Q3 2010 mainly due to depreciation of TL against USD and EUR**

- ❖ **Our mobile arm Avea increased its subscribers by 296K and revenue reached TL 816 mn in Q3 2011, a 21% increase YoY**

**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 Q3 2011 results:

"I am excited to announce another quarter of strong financial and operational performance. This is a continuation of our success in the first half of 2011 and a promising note for the full year results.

Group revenues increased by 13% year on year (y-o-y) to TL 3.1 billion in the third quarter of 2011. Group EBITDA increased by 3% y-o-y to TL 1.3 billion with an EBITDA margin of 42% in the same period. Both our fixed line and mobile businesses contributed to this success showing double digit revenue growth y-o-y with promising profitability levels in the first nine months.

During this quarter we increased our full year revenue and Capex guidance on the back of strong growth in fixed and mobile businesses. In line with our revised revenue and Capex guidance, we continued our investments to support Türk Telekom Group's growth.

Our mobile arm Avea showed an outstanding operational performance and reached record quarterly revenues of TL 816 million in the third quarter in spite of strong competition. Avea's EBITDA margin reached 14% in the quarter driven by subscriber gains and ARPU growth. It recorded approximately 300 thousand net additions, mostly post-paid, in the quarter reaching 12.5 million subscribers. Overall blended ARPU increased by 4% q-o-q and 11% y-o-y to TL 21.3. We continued our innovative offers and improved quality of service; investments in sales channels, call center and network continue to support this growth.

ADSL wholesale lines grew 5% y-o-y (300K net additions in the last 12 months) thanks to our improving infrastructure and service quality as well as enhanced products and converged services. Our retail ISP TTNET introduced a new quad play package offering fixed internet, mobile 3G internet, TV, and free Wi-Fi access to its millions of customers. This quad play offer "HEPNET", allows customers to select limited or unlimited ADSL capacities in addition of 4GB capacity for 3G. TTNET also introduced a new campaign where customers can try internet free for two months before becoming a committed subscriber.

In Germany, we continued our partnership with Telefónica Germany and launched a new service representing an extension of Türk Telekom's global brand identity. This cooperation brought Türk Telekom Mobile brand to life enabling customers in Germany and Turkey to make calls with the most affordable prices on a single SIM card.

This quarter, Türk Telekom opened its Technology Base in partnership with Istanbul Technical University. Türk Telekom Group Research and Development Center will provide design and test laboratories to our group's IT companies enabling advanced technological research. The center also offers part-time employment opportunities for university students. During the period, we also launched Avea's R&D incubator center with five venture companies. We believe Türk Telekom Group's investment in technology and human capital will contribute to a Turkey that develops and exports technology.

Q3 2011 Results

I am proud that we pioneered the first Shareholder Benefit program in Turkey in partnership with Turkish Central Registry Agency. We aim to show our appreciation to our loyal investors with this program. Thousands of our individual investors will receive promotions on our services and have closer interaction with management.

Last but not least, Türk Telekom Group continues to enjoy significant recognition in Turkish and international arena. I would like to highlight two recent ones: (1) Türk Telekom was awarded “The Most Valuable Brand of Turkey, third year in a row by Brand Finance. (2) Türk Telekom Group received the Grand Prix of IR award in addition to top awards in 4 categories in Turkey IR Awards.

I would like to thank each member of Türk Telekom Group family as well as our customers, business partners, and shareholders for their continued support. Türk Telekom Group is very well positioned to sustain its strong performance for the rest of the year and we will continue to deliver quality products & services and introduce innovative offers for our customers.”

Financial Highlights

| Year | 2010 | 2011 | 2011 | Change | Change |
|--|---------|---------|---------|---------|---------|
| Period (TL million) | Q3 | Q2 | Q3 | YoY | QoQ |
| Revenue | 2,707 | 2,968 | 3,066 | 13.3% | 3.3% |
| Net Operating Expenses excluding Depreciation and Amortization | (1,450) | (1,714) | (1,765) | 21.7% | 2.9% |
| Operating Profit before Depreciation and Amortization (EBITDA) | 1,257 | 1,254 | 1,301 | 3.5% | 3.8% |
| Depreciation and Amortization | (372) | (387) | (385) | 3.6% | (0.4%) |
| Operating Profit | 885 | 867 | 916 | 3.4% | 5.6% |
| Net Financial Income/ (Expense) | 35 | (234) | (461) | NM | 96.8% |
| Taxes | (184) | (171) | (148) | (19.7%) | (13.9%) |
| Net Income Before Minority Interest | 737 | 461 | 308 | (58.2%) | (33.3%) |
| Minority Interest | 8 | 45 | 52 | 575.6% | 16.1% |
| Net Income After Minority Interest | 744 | 506 | 359 | (51.7%) | (29%) |
| Capital Expenditure | 312 | 566 | 621 | 99.5% | 9.8% |

Revenues

The Group’s consolidated revenue for Q3 2011 is TL 3.1 bn which showed 13.3% growth (TL 359 mn) compared to that of Q3 2010. The main drivers of revenue growth are ADSL business (up by 19.2%, TL 117 mn), Mobile business (up by 20.5%, TL 139 mn) and international revenues, which mainly relates to Pantel acquisition (up by 208.3%, TL 91 mn).

Net Operating Expenses (Excluding Depreciation and Amortization)

Net operating expense increased by 21.7% to TL 1.8 bn mainly due to increases in domestic interconnection and commercial costs.

Operating Profit before Depreciation and Amortization (EBITDA)

Operating profit before depreciation and amortization increased by 3.5% to TL 1.3 bn in Q3 2011 compared to Q3 2010, resulting in a consolidated EBITDA margin of 42.4%. The fixed line business segment EBITDA grew 5.6% in Q3 2011 compared to the same period of last year with an EBITDA margin of 51%. Mobile EBITDA decreased 12.4% year over year from TL 130 mn to TL 114 mn with an EBITDA margin of 14%, whereas it increased 65% compared to last quarter's EBITDA of TL 69 mn.

Depreciation and Amortization

Total depreciation and amortization charges at TL 385 mn are up by 3.6% from TL 372 mn recorded in Q3 2010.

Operating Profit

Türk Telekom Group's operating profit improved by 3.4% to TL 916 mn as a result of the growth in EBITDA.

Net Financial Income / (Expense)

Türk Telekom Group recorded a net financial expense of TL 461 mn in Q3 2011 compared to TL 35 mn income in Q3 2010 in most part due to TL depreciation against USD and EUR.

Corporate Taxes

Tax Expense in Q3 2011 at TL 148 mn is down by 19.7% compared to the tax expense in Q3 2010 as our effective corporate tax rate in Q3 2011 is 32%.

Net Income

The net income in Q3 2011 is TL 359 mn, or 0.1027 Kurus per share compared to TL 744 mn, or 0.2127 Kurus per share in Q3 2010.

Operational Highlights

| Year | 2010 | 2011 | 2011 | YoY | QoQ |
|--|------|------|------|--------|---------|
| Period | Q3 | Q2 | Q3 | Change | Change |
| Total Access Lines* (millions) | 16.2 | 15.7 | 15.5 | (4.4%) | (1.3%) |
| PSTN Access Lines (millions) | 16.2 | 15.6 | 15.3 | (5.4%) | (1.8%) |
| PSTN ARPU (TL) | 22.1 | 22.1 | 22.1 | (0.2%) | (0.4%) |
| PSTN MoU (minutes) | 111 | 112 | 101 | (9.7%) | (10.3%) |
| ADSL Wholesale Connections (millions) | 6.5 | 6.7 | 6.8 | 4.6% | 1.3% |
| ADSL ARPU (TL) | 31.5 | 36.4 | 35.9 | 14.1% | (1.2%) |
| Mobile Total Subscribers (millions) | 11.4 | 12.2 | 12.5 | 9.6% | 2.4% |
| Mobile Prepaid Subscribers (millions) | 6.9 | 6.9 | 7.0 | 2.2% | 2.1% |
| Mobile Postpaid Subscribers (millions) | 4.6 | 5.4 | 5.5 | 20.6% | 2.9% |
| Mobile Prepaid ARPU (TL) | 10.5 | 10.9 | 11.1 | 5.7% | 2.7% |
| Mobile Postpaid ARPU (TL) | 31.0 | 31.8 | 32.6 | 5.0% | 2.4% |
| Mobile Blended ARPU (TL) | 19.3 | 20.5 | 21.3 | 10.6% | 4.1% |
| Mobile MoU (minutes) | 265 | 309 | 313 | 18.2% | 1.3% |

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

Additional Information

Türk Telekom Group invested TL 621 mn in Q3 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 September 30, 2011 was 35,614.

Outlook

During Q3 2011, we updated our full year 2011 revenue growth and Capex guidance as 9-10% and around TL 2.2 bn, respectively.

So far, 2011 has been a tough year for both developed and developing economies and Turkey was no exception. However, Turkey managed to distinguish herself from her peer economies, and even from developed economies, with her impressive GDP growth rate expected to settle between 6-8%, solid fiscal accounts, healthy financial sector, and proactive Central Bank committed to maintain both price and financial stability. Within one year or two year period at most, depending on the developments in the current account balance as well as the financing outlook, Turkey is envisaged to become an investment grade country.

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, 2011; Türk Telekom group companies have 15.5 mn Fixed Access Lines, 6.8 mn ADSL Connections and 12.5 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 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.