

# **TURK TELEKOM GROUP ANNOUNCES 2013 THIRD QUARTER FINANCIAL RESULTS**



## **Sustained Revenue Growth in Q3 2013**

Turk Telekom Group, Turkey's leading communications and convergence technologies group, announced 2013 third quarter financial and operational results. Group revenues grew to TL 3.4 billion, an increase of 5% compared to the third quarter of 2012 on the back of sustained operating performance. EBITDA<sup>1</sup> was TL 1.3 billion with an EBITDA margin of 38%.

### **2013 Third Quarter Highlights**

- ❖ **Group revenues at TL 3.4 bn, an increase of 5% YoY**
- ❖ **Robust growth in fixed line business with 5% YoY led by broadband, corporate data and ICT businesses**
- ❖ **Continued high single digit growth in broadband revenues with an accelerated net additions of 71K in Q3 2013**
- ❖ **Strong revenue growth in mobile business backed by 224K net subscriber additions in the quarter**
- ❖ **Mobile EBITDA up by 36% YoY, reaching TL 173 mn with 18% EBITDA margin**
- ❖ **Net income decreased to TL 236 mn, affected by TL depreciation against USD and EUR**

<sup>1</sup>EBITDA is a non-GAAP financial measure. The EBITDA definition used in this press release includes revenues, cost of sales, selling and marketing expenses, administrative expenses, other operating income/(expense), and income/(expense) from investing activities, but excludes depreciation and amortization expenses, financial income/(expenses) presented in other operating income/(expenses) (i.e. FX gain/(loss), interest income /(expenses), and discount income/(expense) on receivables and payables excluding financial borrowings), income on unconsolidated subsidiaries, and minority interest.

**Turk Telekom Group CEO Hakam Kanafani's comments on 2013 third quarter results:**

I am pleased to announce that Turk Telekom Group delivered a solid financial and operational performance in the third quarter of 2013. Our revenues reached TL 3.4 bn with 5% year over year increase along with TL 1.3 bn EBITDA. Sustained robust operating performances in broadband, mobile and corporate data businesses were main drivers of our strong consolidated results.

Our broadband business continued its high revenue growth trend with 8% year over year increase. Revenues from broadband business almost matched revenues from fixed voice for the first time this quarter and its share in the revenue mix is now 25%. Our broadband subscribers reached 7.2 million with 71K net additions. We have recorded the highest net broadband subscriber additions in the last nine quarters. Our sharp focus on fiber connectivity has resulted with 85K net fiber subscriber additions. TTNET continued to provide a wide range of offers from low quota introductory packages to high speed unlimited packages which enables us to capitalize on both penetration and upsell potential.

On fixed voice, we launched offers that encourage and promote home phone usage. We addressed our PSTN customers' demand for calling all directions first through a limited time campaign offering it for free, then through affordable add-ons which proved to be very popular.

We sustained our double digit growth rate in corporate data segment. Unified Communication Services, a comprehensive offer customized by customer needs, continued to be an attraction point especially among large corporates. We directly targeted SME's via special offers to tap the potential in this important segment. Our multi-layered service range coupled with niche offers enabled us to achieve another quarter of high growth in corporate revenues.

Overall, our fixed line revenues grew with a robust 5% rate year over year.

Mobile business' outstanding performance continued this quarter with a 7% year over year revenue growth despite the latest MTR cut. Excluding MTR cut effect our year over year revenue growth rate is even higher than previous quarter's 17%. In line with our profitable smart growth strategy, AVEA's EBITDA growth and margin were strong with 36% year over year increase and 18% EBITDA margin. We achieved 224K net additions in mobile business this quarter, pushing total subscribers to above 14 million for the first time. All the while, we protected our robust base with 44% postpaid customer ratio. Mobile data continued to be among growth drivers in mobile business which has been further supported by our market leading smartphone penetration levels reaching 33% this quarter.

In addition to our commercial achievements in communication services and the ICT universe, Turk Telekom takes active role in shaping the industry's direction through its board level participations in GSMA and ETNO. Recently, Turk Telekom has become a member of Cloud Security Alliance as the first Turkish Company joining the alliance.

Turk Telekom Group is uniquely positioned to be Turkey's integrated telecommunication and technology services provider. We will continue this mission along with our sustained leadership position in Turkish telecom market.

## Financial Highlights

<b>Turk Telekom Group TL in Millions</b>	<b>2012 Q3</b>	<b>2013 Q2</b>	<b>2013 Q3</b>	<b>QoQ Change</b>	<b>YoY Change</b>
Revenue	3,237	3,359	3,392	1.0%	4.8%
Net Operating Expenses excluding Depreciation and Amortization	(1,937)	(2,107)	( 2,088)	( 0.9%)	7.8%
Operating Profit before Depreciation and Amortization (EBITDA)	1,300	1,252	1,305	4.2%	0.4%
Depreciation and Amortization	(408)	(441)	(441)	0.0%	8.1%
Operating Profit	892	811	864	6.5%	(3.2%)
Net Financial Income/ (Expense)	(85)	(445)	(553)	24.4%	NM
Taxes	(176)	(96)	(81)	(16.0%)	(54.2%)
Net Profit Before Minority Interest	630	270	229	(15.0%)	(63.6%)
Net Profit After Minority Interest	636	280	236	(15.7%)	(62.9%)
Capital Expenditure	564	471	645	36.8%	14.3%

## Revenues

Consolidated revenues increased by 5% YoY (up by TL 155 mn) in Q3 2013 to TL 3.4 bn, mainly due to the growth in mobile business (up by TL 63 mn), broadband business (up by TL 61 mn) and ICT services (up by 92 mn).

## Net Operating Expenses (Excluding Depreciation and Amortization)

Net operating expense increased by 8% YoY (up by TL 150 mn) to TL 2.1 bn in Q3 2013, mainly due to increase in cost of sales (up by TL 85 mn).

## Operating Profit before Depreciation and Amortization (EBITDA)

Operating profit before depreciation and amortization was slightly up YoY at TL 1.3 bn in Q3 2013, resulting in a consolidated EBITDA margin of 38%. Mobile EBITDA increased 36% YoY from TL 129 mn to TL 173 mn in Q3 2013 with an EBITDA margin of 18%. Fixed line business EBITDA declined 4% YoY from TL 1.2 bn to TL 1.1 bn in Q3 2013 with an EBITDA margin of 45%.

## Depreciation and Amortization

Total depreciation and amortization charges at TL 441 mn are up by 8% from TL 408 mn recorded in Q3 2012.

### Operating Profit

Operating profit<sup>2</sup> registered at TL 864 mn as a result of increase in depreciation and amortization expense in Q3 2013.

### Net Financial Income / (Expense)

Net financial expense<sup>3</sup> of TL 553 mn was recorded in Q3 2013 compared to the net financial expense of TL 85 mn recorded in Q3 2012 mainly due to TL depreciation against USD and EUR.

### Corporate Taxes

Corporate taxes at TL 81 mn was down by 54% YoY due to the decrease in profit before tax. Effective corporate tax rate in Q3 2013 was 26%.

### Net Income

Net income registered at TL 236 mn or TL 0.0675 per share due to unfavourable FX movements in Q3 2013, compared to TL 636 mn net income or TL 0.1818 net income per share in Q3 2012.

<sup>2</sup>Operating profit definition used in this press release includes revenues, cost of sales, depreciation and amortization, selling and marketing expenses, administrative expenses, other operating income/(expense), and income/(expense) from investing activities, but excludes financial income/(expenses) presented in other operating income/(expenses) (i.e. FX gain/(loss), interest income/(expenses), and discount income/(expense) on receivables and payables excluding financial borrowings) in Q3 2013 financial statements, income on unconsolidated subsidiaries, and minority interest. As at 30 September 2013, reported operating profit on CMB financial statements is different due to reclassification requirements of the POA/CMB. Further explanations are available on note 2.1 and 5 on Q3 2013 financial statements.

<sup>3</sup>Net financial income/(expense) definition used in this press release includes financial income/(expense) and FX gain/(loss), interest income/(expenses), discount income/(expense) on receivables and payables excluding financial borrowings which are presented in other operating income/(expenses) in CMB Q3 2013 financial statements. As at 30 September 2013, net financial income/(expense) on CMB financial statements is different due to reclassification requirements of the POA/CMB. Further explanations are available on note 2.1 and 5 on Q3 2013 financial statements.

## Operational Highlights

<b>Turk Telekom Group Operational Highlights</b>	<b>2012 Q3</b>	<b>2013 Q2</b>	<b>2013 Q3</b>	<b>QoQ Change</b>	<b>YoY Change</b>
<b>Total Access Lines* (millions)</b>	14.5	13.9	13.7	(0.9%)	(5.1%)
<b>Number of Fixed Voice Subscribers (millions)</b>	13.9	13.0	12.7	(2.0%)	(8.6%)
<b>Fixed Voice ARPU (TL)</b>	22.6	21.6	21.8	0.9%	(3.6%)
<b>PSTN MoU (minutes)</b>	97.5	104.2	95.2	(8.6%)	(2.3%)
<b>Broadband Connections (millions)</b>	7.0	7.1	7.2	1.0%	2.9%
<b>Broadband ARPU (TL)</b>	37.1	39.4	39.2	(0.5%)	5.7%
<b>Mobile Total Subscribers (millions)</b>	13.2	13.9	14.1	1.6%	6.9%
<b>Mobile Prepaid Subscribers (millions)</b>	7.3	7.8	7.9	1.5%	7.2%
<b>Mobile Postpaid Subscribers (millions)</b>	5.9	6.1	6.2	1.8%	6.4%
<b>Mobile Prepaid ARPU (TL)</b>	13.0	14.7	13.3	(9.2%)	2.3%
<b>Mobile Postpaid ARPU (TL)</b>	32.7	33.6	31.9	(5.1%)	(2.2%)
<b>Mobile Blended ARPU (TL)</b>	22.6	23.5	22.5	(4.2%)	(0.2%)
<b>Mobile MoU (minutes)</b>	350.3	377.7	375.0	(0.7%)	7.1%

\* Total Access Lines: Naked DSL Lines + Fixed Voice Lines

## Additional Information

Turk Telekom Group invested TL 645 mn in Q3 2013 with primary focus on continuing to improve the quality of the services and products provided to customers.

Turk Telekom Group's total headcount at September 30, 2013 was 35,077.

### **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 September 30, 2013; Turk Telekom Group companies have 13.7 mn Fixed Access Lines, 7.2 mn Broadband Connections and 14.1 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 and wholesale data and capacity service provider company Turk Telekom International AT 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.

Turk Telekom Group Consolidated Financial Statements are available on <http://www.ttinvestorrelations.com/financial-operational-information/financial-statements.aspx>