

TÜRK TELEKOM GROUP

Q2 Results

2015

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Note: EBITDA is a non-GAAP financial measure. In this presentation, EBITDA represents revenue less cost of sales and other operating expenses plus other operating income/(expense) plus income/(expense) from investing activities but excluding financial income/(expense) presented in other operating income/(expense) (i.e., foreign exchange gain/(loss), interest income/(expense) and discount income/(expense) on receivables and payables excluding financial borrowings), depreciation, amortization and impairment, income on unconsolidated subsidiaries and minority interest.

Key Operational Highlights

- 99 thousand mobile net subscriber additions driven by 200 thousand postpaid
 - Highest postpaid ratio (50%) in the market
 - Smartphone penetration reaches 62% - highest in the market
- 68 thousand net subscriber additions in broadband
 - 63K fibernet (FTTH/B) and hipernet (FTTC) net additions
 - ARPU uplift of 2.5% YoY

Financial Highlights

- Adjusted revenues* up 6.2% YoY, reaching TL 3.46 billion
 - Mobile revenues up 15% YoY; broadband revenues up 6% YoY; corporate data revenues up 23% YoY
- EBITDA grew 5.4% YoY, reaching TL 1.32 billion
 - EBITDA margin 37% (Mobile up by 4 pp YoY reaching 18% while fixed line is 46%)
- Net Income negatively affected by TL depreciation against USD and EUR
- CAPEX of TL 467 million

*Reported revenues excluding IFRIC-12 revenues

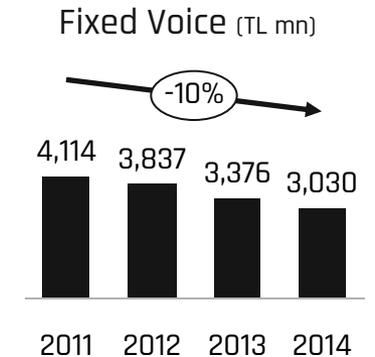
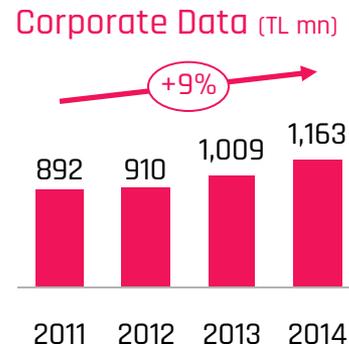
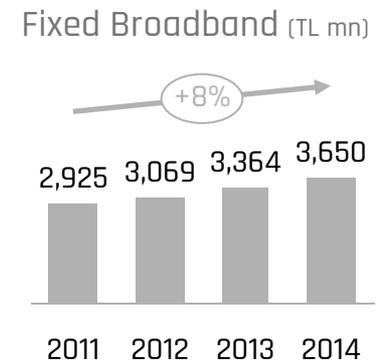
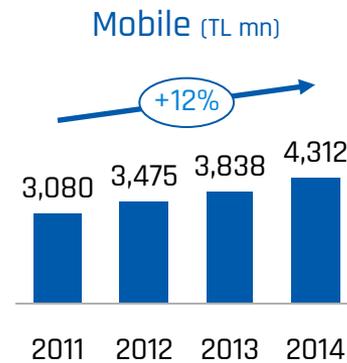
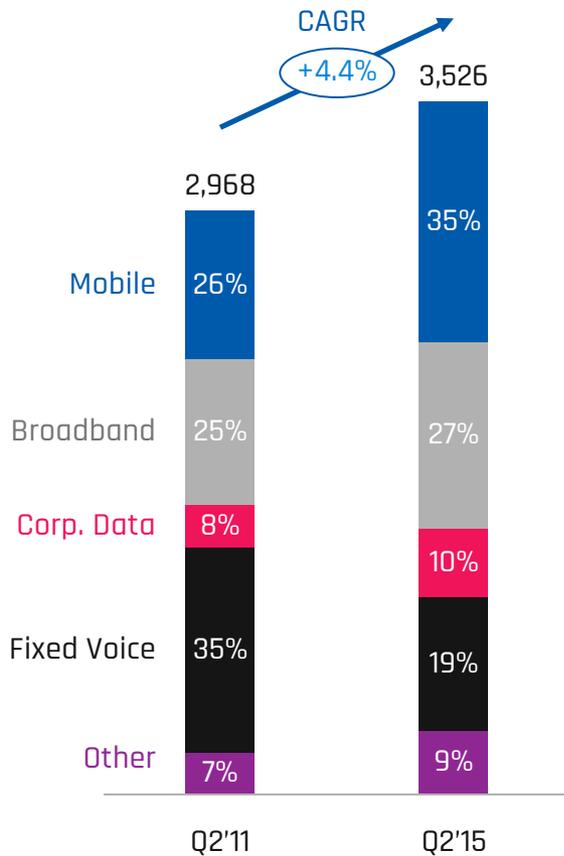
Consolidated Financials

TL mn	Q2'14	Q1'15	Q2'15	Growth (QoQ)	Growth (YoY)
Revenue	3,300	3,434	3,526	2.7%	6.9%
Revenue (exc. IFRIC-12)	3,261	3,395	3,464	2.0%	6.2%
EBITDA	1,253	1,329	1,320	-0.7%	5.4%
<i>EBITDA Margin</i>	<i>38.0%</i>	<i>38.7%</i>	<i>37.4%</i>		
Net Income	801	27	335	1158.4%	-58.1%
CAPEX	298	313	467	48.9%	56.9%

Diversified Revenue Base

72% of Revenues from High Growth Areas

Revenue Breakdown (TL mn)



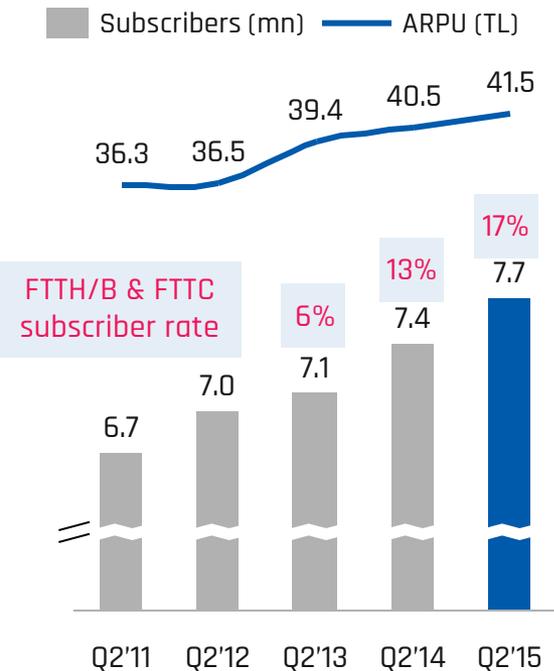
Note: Growth rates are shown as CAGRs

High Speed Broadband

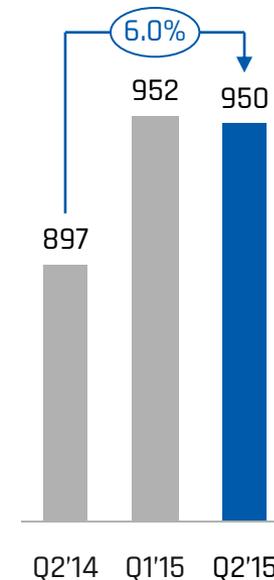
Strong ARPU and Subscriber Dynamics

- 6% YoY revenue growth backed by ARPU and subscriber increase
- 2.5% YoY ARPU growth in Q2 '15
- 68K net subscriber additions in Q2 '15

Broadband ARPU and Subscribers



Broadband Revenue (TL mn)

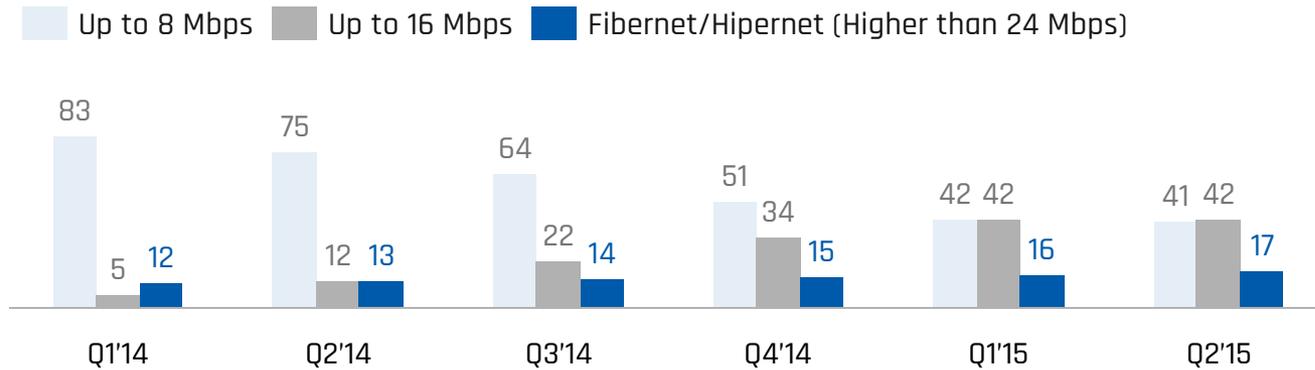


Note: FTTH/B: Fiber to the building and home. FTTC: Fiber to the curb

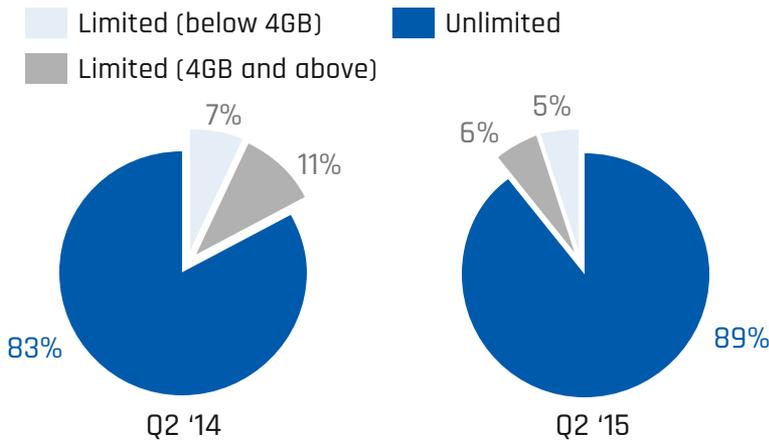
Broadband Upsell

Speed & Capacity

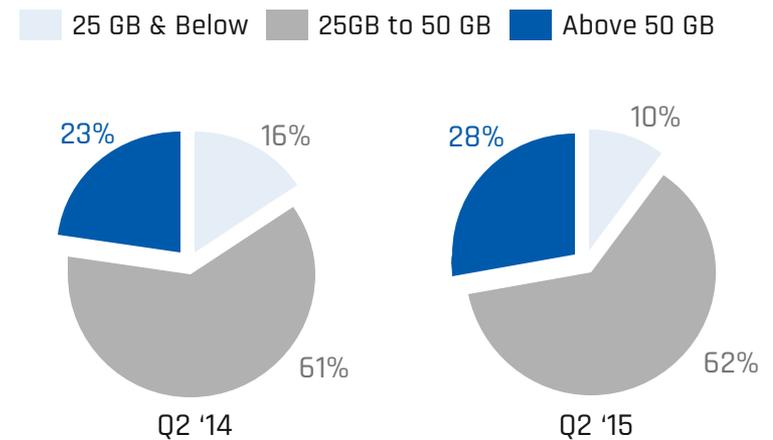
Increasing Subscriber Base in Higher Speed Packages, % of Subscribers



Capacity, % of Subscribers



Fair Usage, % of Subscribers

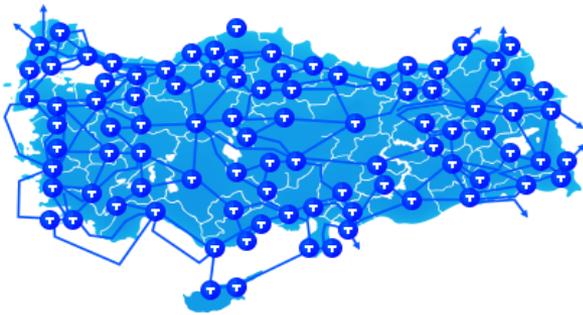


Note: Capacity & Fair Usage are TNET figures

Fiber Network

Largest Fiber Footprint in Turkey

Türk Telekom Fiber Network



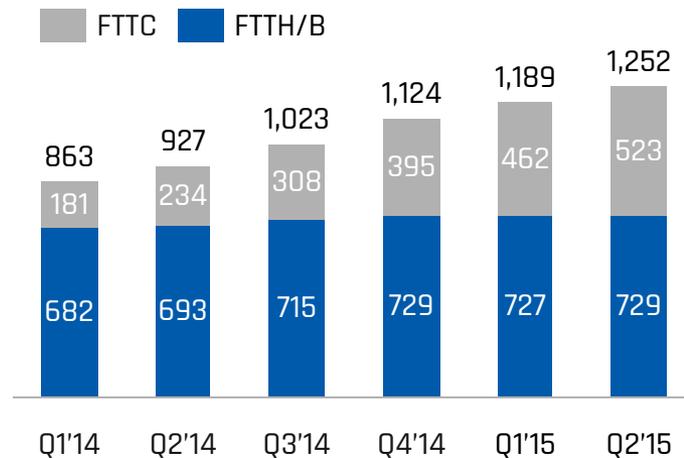
Alternative Operator¹



Fiber Homepass

FTTC	8.2 mn
FTTH/B	3.1 mn

Fiber Subscribers (thousand)



(1) Other operator's data are from its own publications

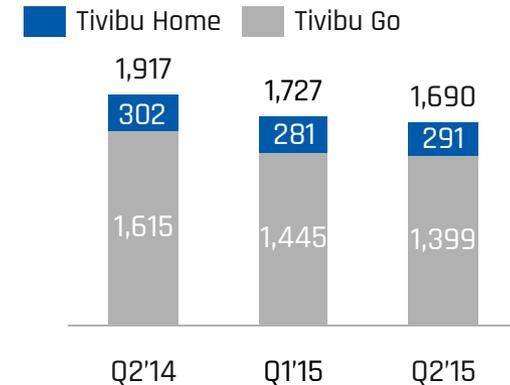
TV Business

New Exclusive Content, New Platform...

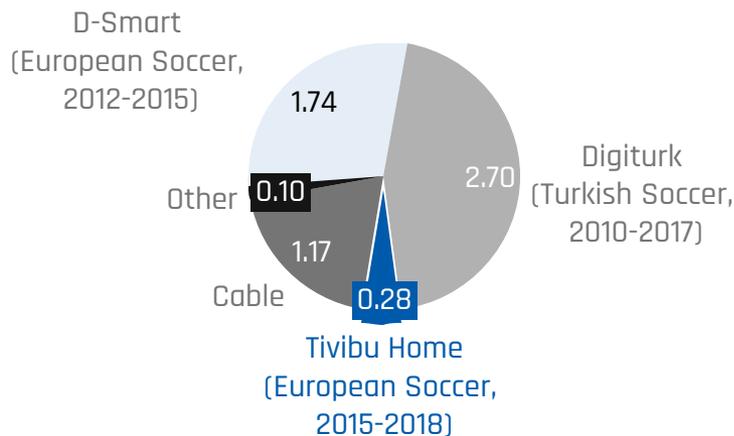
- UEFA Champions & Europa Leagues' Turkey media rights won by TTNET for three years starting 2015
- Satellite TV platform was built to supplement IPTV in terms of coverage
- First and leading internet TV and IPTV service in Turkey
- Multi-screen experience: TV | Tablet | PC | Laptop | Smartphone
- Over 200 TV Channels with premium content (movies, shows, sports) and over 5000 content archive



Tivibu Subscribers (thousand)



TV Market Subscribers¹ (mn)



Current Packages

Packages	Channel	Archive	Price* (TL)
Cinema Package	194	5000+	19.0
Super Package	216	5250+	39.0

*24 months contracted prices

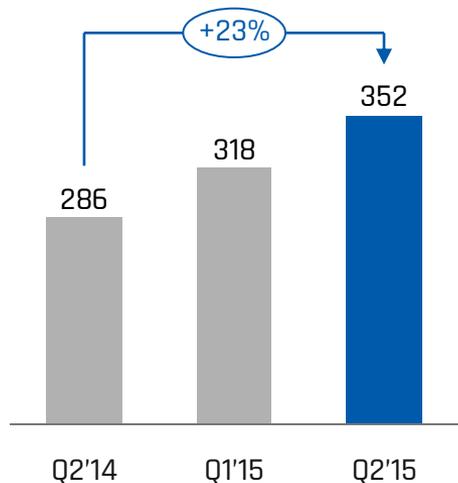
1) Source: ICTA Q1'15 report - Number of subscription agreement

Corporate Data

Supports Fixed Line Growth

- 15% of total fixed line revenues are generated from corporate data business in Q2 '15
- 23% year on year growth in Q2 '15 driven mainly by metro ethernet revenues

Corporate Data Revenue (TL mn)



Cloud Services

Turk Telekom, a member of Cloud Security Alliance, offers various options under Cloud Services such as BuluTT Göz, BuluTT Konferans, BuluTT Ölçüm, BuluTT Akademi, BuluTT Radyoloji, BuluTT e-posta



Metro Ethernet

It is a flexible, cost-efficient technology scalable between 5Mbps and 1Gbps, which allows all kinds of data flow



TT VPN

TT VPN provides fast and safe connection end to end, from multiple points to multiple points

With TT VPN, customer's offices all around Turkey can be united while fast and safe data transfer via virtual network is enabled



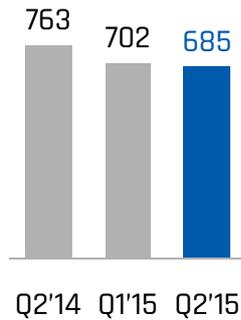
Leased Line

It is a data line uniquely reserved for customer's usage, which performs the constant and continuous data transfer on the physical layer from point to point between two ends

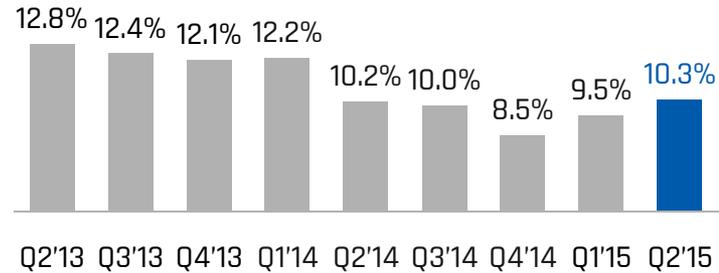
Fixed Voice

Improved Revenue Decline

Fixed Voice Revenue (TL mn)

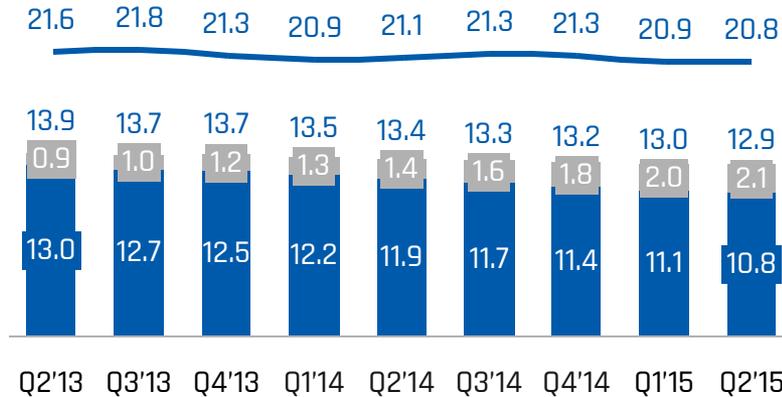


Revenue Loss Rate (YoY)



Access Lines & ARPU

Naked Broadband (mn)
 Fixed Voice (mn)
 Fixed Voice ARPU (TL)

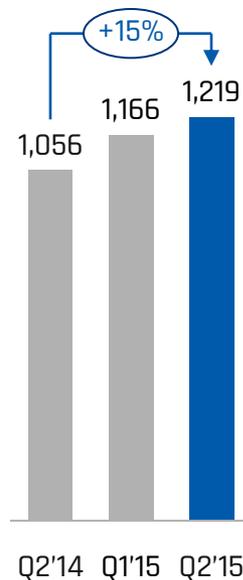


Mobile

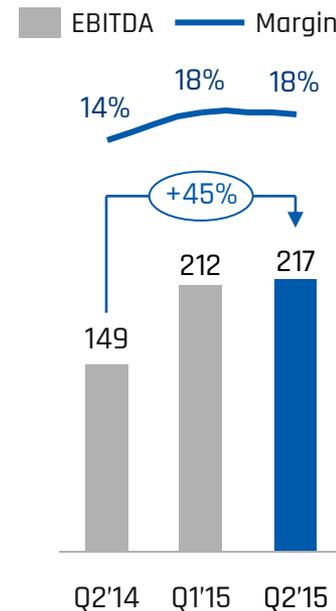
Robust Revenue Growth and Improving Profitability

- Revenues grew 15% YoY in Q2 - recording record quarterly revenue
- EBITDA increased 45% YoY
- EBITDA margin improved 4pp YoY backed by revenue and subscriber growth

Revenue (TL mn)



EBITDA (TL mn) & Margin

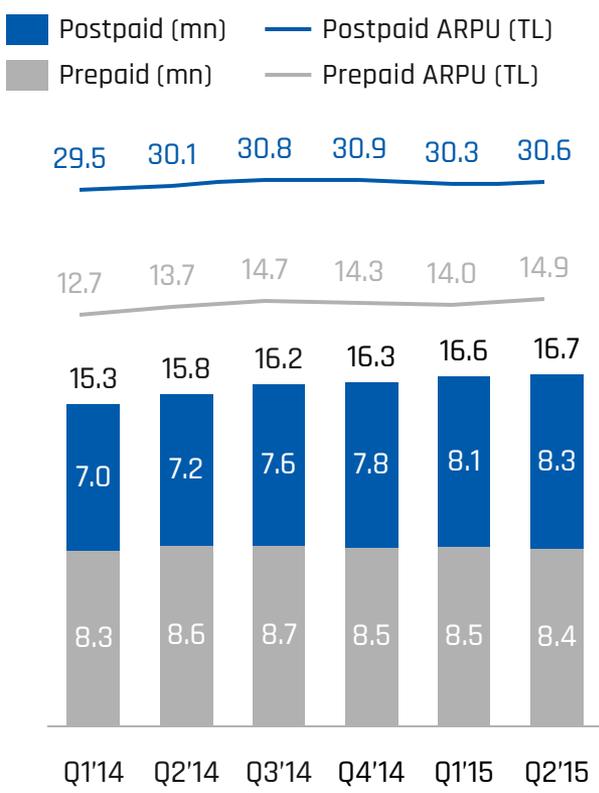


Mobile

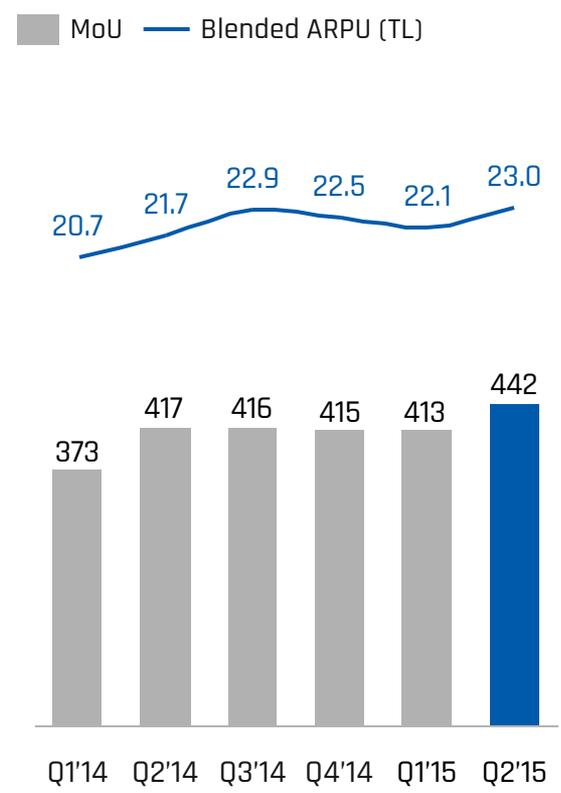
Net Additions Driven by Strong Postpaid Performance

- 99K net additions in Q2 '15
- 200K postpaid net additions increased the postpaid ratio to 50% - highest in the market as of Q1'15

Subscribers & ARPU



MoU and Blended ARPU

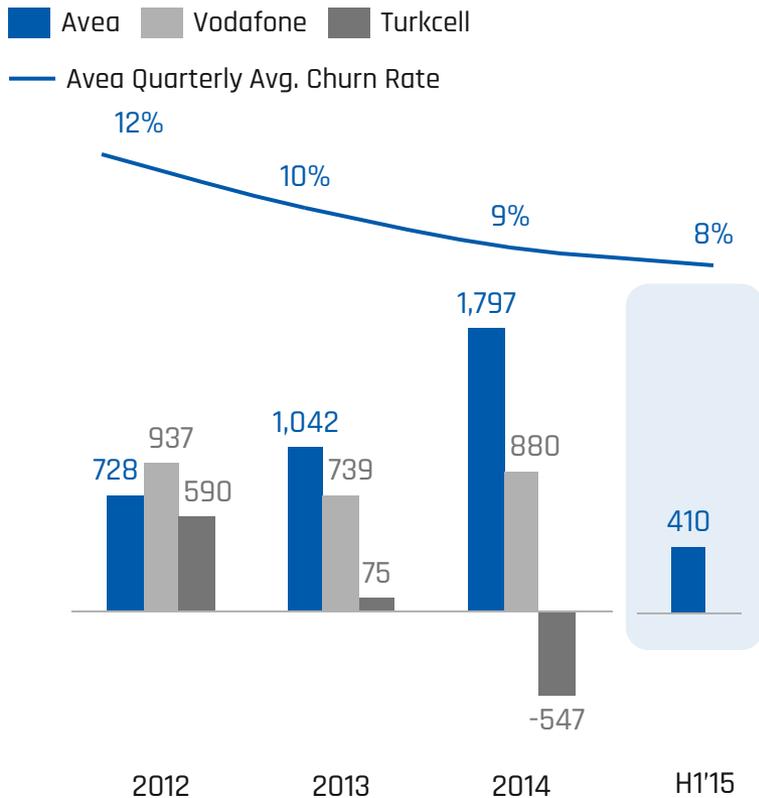


Subscriber Dynamics

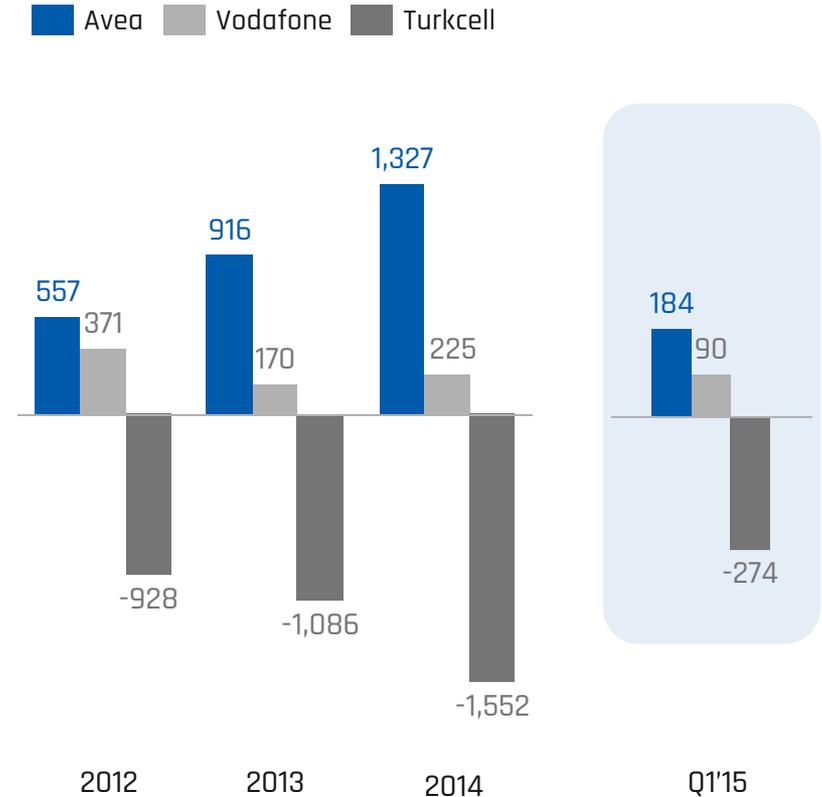
Avea - Most Preferred Operator

- 99K net additions in Q2 '15, of which 40K came through mobile number portability (MNP)
- Improving churn rates concurrent with higher gross additions

Net Additions (thousand) & Churn



MNP Subscriber Additions (thousand)



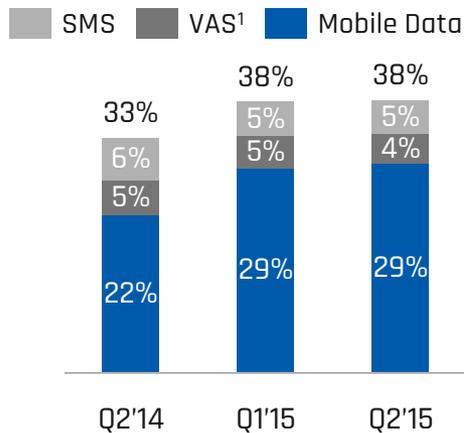
Source: ICTA & Company Data

Mobile Data & Smartphones

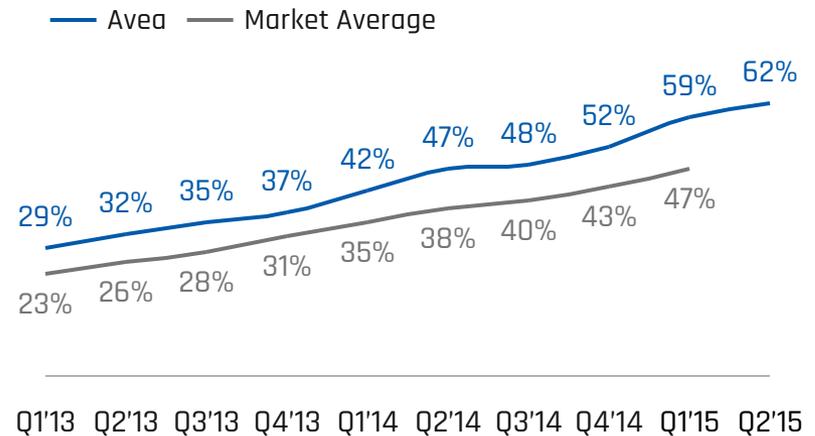
High Growth Continues...

- 48% YoY and 8% QoQ increase in mobile data revenues
- Strong leadership in smartphone penetration
- Almost one third of mobile service revenues come from pure mobile data

Data Revenue (Service revenue shares)



Smartphone Penetration



(1) VAS: Value Added Services

Consolidated

Summary Income Statement

TL Millions	2014 Q2	2015 Q1	2015 Q2	YoY Change	QoQ Change
Revenues	3,300	3,434	3,526	7%	3%
EBITDA	1,253	1,329	1,320	5%	-1%
Margin	38%	39%	37%		
Operating Profit	783	805	788	1%	-2%
Margin	24%	23%	22%		
Financial Income/(Expense)	246	-737	-339	n.m.	-54%
FX & Hedging Gain/(Loss)	304	-714	-308	n.m.	-57%
Interest Income/(Expense)	-24	7	-9	-64%	n.m.
Other Financial Income/(Expense)	-35	-31	-22	-35%	-27%
Tax Expense	-237	-63	-125	-47%	99%
Net Income	801	27	335	-58%	1158%
Margin	24%	1%	10%		

Note: USD/TRY:2.6863 ;EUR/TRY:2.9822 was used in calculating financial income/expense

Consolidated

Summary Balance Sheet

TL Millions	30.06.2014	31.03.2015	30.06.2015
Total Assets	18,810	20,673	19,803
Intangible Assets ¹	4,434	4,720	4,692
Tangible Assets ²	8,042	8,058	8,042
Other Assets ³	4,537	4,888	5,078
Cash and Equivalents	1,796	3,008	1,991
Total Equity and Liabilities	18,810	20,673	19,803
Share Capital	3,260	3,260	3,260
Reserves and Retained Earnings	2,206	1,136	1,318
Interest Bearing Liabilities ⁴	9,110	9,967	10,421
Provisions for Employee Termination Benefits ⁵	654	572	594
Other Liabilities ⁶	3,579	5,738	4,210

(1) Intangible assets excluding goodwill

(2) Tangible assets include property, plant and equipment and investment property

(3) Major items within other assets are trade receivables, prepaid expenses, other current assets and deferred tax asset

(4) Includes short-term and long-term borrowing and short-term and long-term obligations under finance leases

(5) Includes Employee Retirement Pay Liability Provision

(6) Major items within other liabilities are deferred tax liability, trade payables, provisions, income tax payable, employee benefit obligations, deferred revenue, other current liabilities, and minority put option liability

Consolidated

Summary Cash Flow Statement

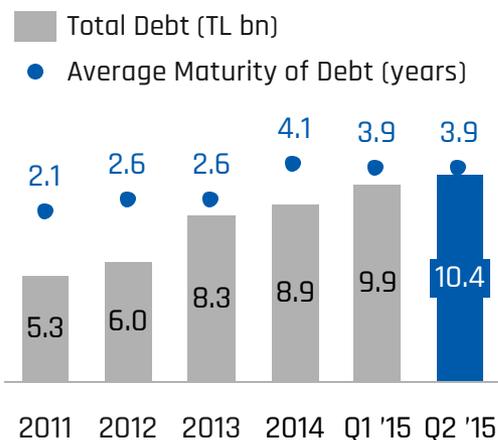
TL Millions	2014 Q2	2015 Q1	2015 Q2	YoY Change	QoQ Change
Cash Flow from Operating Activities	832	500	1,226	47%	145%
Cash Flow from Investing Activities	-279	-251	-450	61%	79%
CAPEX	-322	-265	-478	48%	80%
Other Investing Activities	43	14	28	-36%	98%
Cash Flow from Financing Activities ¹	-216	181	-1,803	735%	n.m.
Net Change in Cash Position ²	337	431	-1,028	n.m	n.m.

(1) Includes FX gain/loss on balance sheet items at the beginning of the period

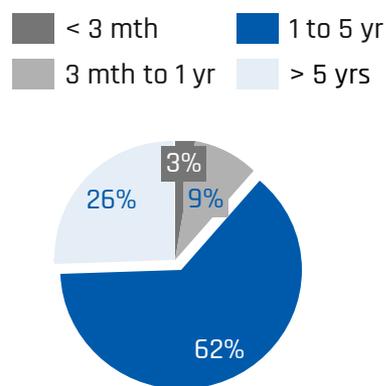
(2) Blocked deposits are included in operating activities rather than net cash position.

Debt Profile

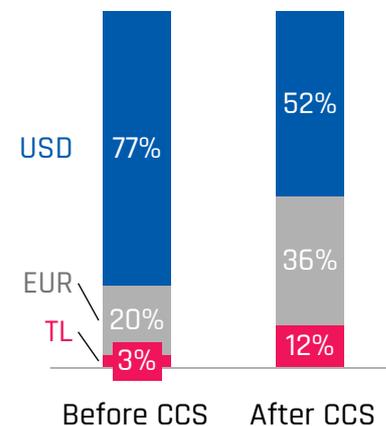
Average Maturity of Debt



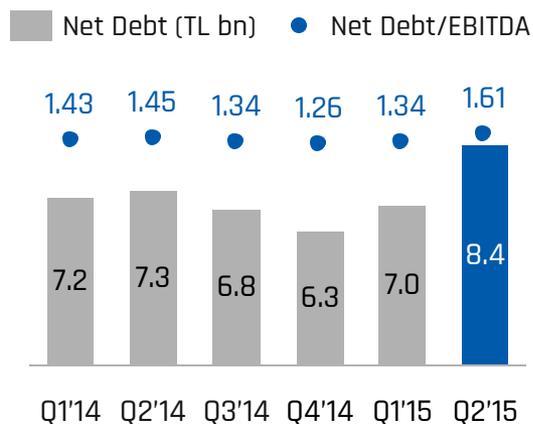
Maturity Profile



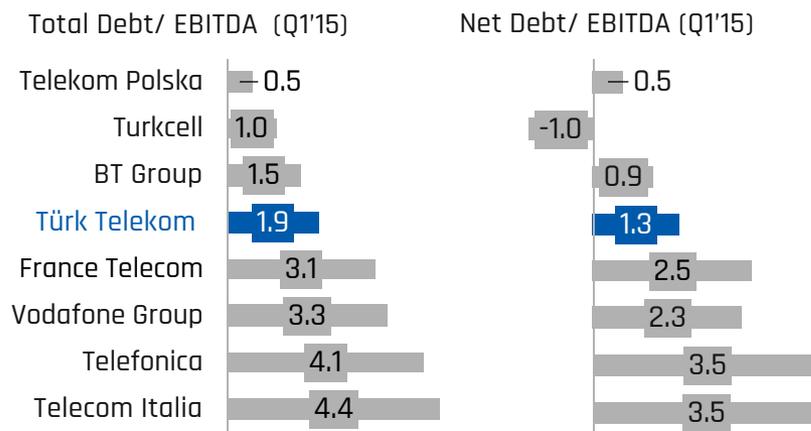
Currency Breakdown



Net Debt



Low debt burden within the median of peers



In July'15, USD 125m equivalent EUR debt swapped into TRY

Thank You

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