

# TURK TELEKOM GROUP ANNOUNCES 2013 SECOND QUARTER FINANCIAL RESULTS



## **Revenue Growth Continued in Q2 2013**

Turk Telekom Group, Turkey's leading communications and convergence technologies group, announced 2013 second quarter financial and operational results. Group revenues grew 6% compared to the second quarter of 2012 and reached TRY 3.4 billion with TRY 1.3 billion EBITDA<sup>1</sup> and 37 % EBITDA margin.

### **2013 Second Quarter Highlights**

- ❖ **Group revenues at TRY 3.4 bn, an increase of 6% YoY**
- ❖ **Fixed line revenues grew by 2% YoY to TRY 2.5 bn led by broadband and corporate data businesses**
- ❖ **Strong growth in broadband, revenues up by 9% with net subscriber additions of 17K in Q2 2013**
- ❖ **Solid revenue and subscriber growth in mobile business – revenues increased 17% YoY with 161K net subscriber additions in the quarter**
- ❖ **Mobile EBITDA up by 49% YoY, reaching TRY 129 mn with 13% EBITDA margin**
- ❖ **Net income decreased by 55% YoY to TRY 280 mn driven by depreciation of Turkish Lira in the quarter**

<sup>1</sup> 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.

## 2013 Second Quarter Results

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

Turk Telekom Group continued its solid operational and financial performance in the second quarter of 2013 reaching TRY 3.4bn revenues and TRY 1.3bn EBITDA. Continued growth in broadband and mobile businesses enabled us to record 6% year over year consolidated revenue growth in the quarter.

Enhancing our relationships with our corporate customers we are providing higher speed with new offers and solutions. Our enhanced cloud services procure efficiency and improve performance of our corporate customers.

In broadband, our revenues grew by 9% year over year. Despite the seasonally challenging second quarter, utilizing our new package offers and device campaigns, we realized 34 thousand net additions in broadband in the second quarter excluding the Lokum phase-out effect.

Fiber fuelled upsell trend continued in this quarter. Our fiber subscriber base increased 31% in the second quarter and reached 361 thousand. Share of unlimited packages in our retail arm, TTNET's broadband subscribers reached new highs with average monthly data usage of 33 GB, proving the sustained, solid appetite for higher data consumption and more speed in our market.

Our 360 degree vision in broadband entails an offering of comprehensive digital world including IPTV, music, books, applications and cloud computing in addition to best in class internet services. This vision will help us be instrumental in the market's march toward broadband penetration levels seen in the developed world.

On the mobile front, Avea continued its double digit top line year over year growth with 17%. Mobile subscribers reached 13.9 million with net 161 thousand subscriber gains in the second quarter.

Mobile data continued to be a growth driver for Avea with the positive impact of smartphone penetration which reached 30%. Avea's smartphone penetration, which is the highest in the market enabled us to capitalize more on the mobile data growth.

Building on the success of our BIMCELL offer, we launched POCELL where we cooperate with successful distribution channel owners and reach micro segments with our quality services. Today in the market Avea has over 20 branded enhanced resellers such as KARTALCELL, Fenercell, GSMobile & TrabzonCell.

Turk Telekom is again ranked as the most valuable brand in Turkey by Brand Finance for the fifth consecutive year in 2013. We thank our shareholders, customers, business partners, and our fantastic employees who all have contributed to this success.

## 2013 Second Quarter Results

### Financial Highlights

Turk Telekom Group TRY in Millions	2012 Q2	2013 Q1	2013 Q2	QoQ Change	YoY Change
Revenue	3,182	3,143	3,359	6.9%	5.5%
Net Operating Expenses excluding Depreciation and Amortization	(1,910)	(1,992)	(2,107)	5.8%	10.3%
Operating Profit before Depreciation and Amortization (EBITDA)	1,273	1,151	1,252	8.7%	(1.6%)
Depreciation and Amortization	(433)	(440)	(441)	0.4%	1.9%
Operating Profit	840	712	811	13.9%	(3.4%)
Net Financial Income/ (Expense)	(21)	(34)	(445)	NM	NM
Taxes	(199)	(161)	(96)	(40.2%)	(51.7%)
Net Profit Before Minority Interest	620	517	270	(47.8%)	(56.5%)
Net Profit After Minority Interest	630	526	280	(46.8%)	(55.5%)
Capital Expenditure	656	254	471	85.2%	(28.2%)

### Revenues

Consolidated revenues increased by 6% YoY (up by TRY 177 mn) in Q2 2013, mainly due to the growth in mobile business (up by TRY 149 mn), broadband business (up by TRY 72 mn) and institutional data services (up by 45 mn).

### Net Operating Expenses (Excluding Depreciation and Amortization)

Net operating expenses increased by 10% YoY (up by TRY 197 mn) in Q2 2013, mainly due to increase in domestic interconnection expense (up by TRY 66 mn) and bad debt provision expense\* (up by TRY 46 mn).

### Operating Profit before Depreciation and Amortization (EBITDA)

Operating profit before depreciation and amortization decreased 2% YoY to TRY 1.3 bn in Q2 2013, resulting in a consolidated EBITDA margin of 37%. Fixed line business segment EBITDA declined 5% YoY to TRY 1.1 bn in Q2 2013 with an EBITDA margin of 46%. Mobile EBITDA increased 49% YoY from TRY 87 mn to TRY 129 mn in Q2 2013 with an EBITDA margin of 13%.

\*Bad debt provision expenses were recorded as positive in Q2 2012 due to one off estimation changes on bad debt provisions. In Q2 2013, bad debt provision expenses continued to record as negative by definition.

## 2013 Second Quarter Results

### **Depreciation and Amortization**

Total depreciation and amortization increased 2% YoY to TRY 441 mn in Q2 2013 from TRY 433 mn in Q2 2012.

### **Operating Profit**

Operating registered at TRY 811 mn as a result of slightly lower EBITDA and higher depreciation and amortization expense in Q2 2013.

### **Net Financial Income / (Expense)**

Net financial expense of TRY 445 mn was recorded in Q2 2013 compared to the net financial expense of TRY 21 mn recorded in Q2 2012 in most part due to depreciation of TRY against USD and EUR.

### **Corporate Taxes**

Corporate Taxes decreased by 52% YoY to TRY 96 mn in Q2 2013 due to the decrease in profit before tax. Effective corporate tax rate in Q2 2013 was 26%.

### **Net Income**

Net income registered at TRY 280 mn, or TRY 0.0801 per share in Q2 2013 compared to TRY 630 mn net income or TRY 0.1799 per share in Q2 2012.

## Operational Highlights

Turk Telekom Group Operational Highlights	2012 Q2	2013 Q1	2013 Q2	QoQ Change	YoY Change
Total Access Lines* (millions)	14.7	14.0	13.9	(1.3%)	(5.7%)
Number of Fixed Voice Subscribers (millions)	14.3	13.2	13.0	(2.0%)	(9.3%)
Fixed Voice ARPU (TRY)	22.4	22.0	21.6	(1.7%)	(3.6%)
PSTN MoU (minutes)	104.9	100.1	104.2	4.1%	(0.7%)
Broadband Connections (millions)	7.0	7.1	7.1	0.2%	1.7%
Broadband ARPU (TRY)	36.5	39.3	39.4	0.3%	7.9%
Mobile Total Subscribers (millions)	13.0	13.7	13.9	1.2%	6.9%
Mobile Prepaid Subscribers (millions)	7.2	7.7	7.8	0.8%	7.6%
Mobile Postpaid Subscribers (millions)	5.8	6.0	6.1	1.6%	6.0%
Mobile Prepaid ARPU (TRY)	12.1	12.9	14.7	13.9%	21.3%
Mobile Postpaid ARPU (TRY)	31.8	32.7	33.6	3.0%	5.6%
Mobile Blended ARPU (TRY)	21.3	21.9	23.5	7.5%	10.4%
Mobile MoU (minutes)	349.5	342.7	377.7	10.2%	8.1%

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

## Additional Information

Turk Telekom Group invested TRY 471 mn in Q2 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 June 30, 2013 was 34,330.

### 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 June 30, 2013; Turk Telekom Group companies have 13.9 mn Fixed Access Lines, 7.1 mn Broadband Connections and 13.9 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>