

TÜRK TELEKOM GROUP ANNOUNCES 2015 FIRST QUARTER FINANCIAL AND OPERATIONAL RESULTS



Solid Start to 2015 with Strong Operational Performance

Türk Telekom, Turkey's leading communications and convergence technologies group announced its 2015 first quarter financial and operational results. Group revenues grew by 7.5% YoY to TL 3.4 billion, in the first quarter of 2015. Adjusted consolidated revenue¹, increased 6.6%, in line with the Group's full year guidance. Consolidated EBITDA² showed double digit growth at 11% YoY while EBITDA margin improved more than 1 percentage point to 39%. Net income recorded at TL 27 million mainly affected by the depreciation of Turkish Lira against US Dollar.

2015 First Quarter Highlights

- ❖ Consolidated revenues increased by 7.5% YoY mostly driven by mobile revenues
- ❖ Consolidated EBITDA grew 11% YoY, with a robust EBITDA margin of 39% recording more than 1 pp improvement compared to last year
- ❖ Mobile revenues grew 22% YoY to TL 1.2 bn in Q1 on the back of outstanding performance in annual subscriber gain, data revenue growth as well as increased postpaid ratio
- ❖ Mobile EBITDA almost doubled to TL 212 mn while EBITDA margin reached 18%, 7 pps improvement compared to last year
- ❖ Number of mobile subscribers increased to 16.6 mn with 310K net additions in Q1, driven by 325K net additions in postpaid subscribers. Postpaid ratio increased to 49% from 45% a year ago
- ❖ Fixed line revenues grew by 1.6% YoY driven by broadband and corporate data revenues. Fixed line EBITDA growth was 2.4% YoY with a strong EBITDA margin of 47%

¹Adjusted Revenue: Consolidated revenue excluding IFRIC-12.

²EBITDA 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.

Türk Telekom CEO Rami Aslan's comments on 2015 first quarter results:

We started 2015 with strong operational results. Our consolidated revenue growth, adjusted for non-operational accounting revenues, was 6.6% year on year in the first quarter of 2015. Moreover, we improved our profitability, as measured by EBITDA margin, by 1 pp to 39% in the consolidated business and grew our EBITDA by 11% year on year. The results were mainly driven by our strong performance in both mobile and fixed broadband businesses.

In fixed broadband, we ended the quarter with a 6.1% year on year revenue growth. It is very encouraging for us to continue to grow our fixed broadband business especially in what is typically a lower season in the first quarter of the year. Our market continues to offer significant opportunities to expand given the relatively under-penetration levels and favorable population dynamics. Furthermore, Turkey's appetite for higher broadband speeds and higher capacity is an indication that our business will continue its solid growth in the long term. For example, average customer usage of capacity in fixed broadband approaches 50 gigabytes per month and the ratio of customers who are subscribed in 16mbps and higher speed tariffs increased to 58% up from 17% just a year ago. These dynamics are testaments to the strength of fixed broadband and they confirm our vision of a converged future with both 4G and fiber. These two technologies are not substitutes but rather complimentary especially in Turkey and Türk Telekom Group is best positioned to reap the rewards driving our market growth.

Last year was a milestone in our mobile business with our extraordinary subscriber net gains, high growth revenues and improved profitability. First quarter of this year is no different. We have demonstrated again that we can deliver strong results in difficult competitive conditions. Our mobile revenues increased 22% and EBITDA grew 95% year on year. We improved our mobile EBITDA margin by 7 pp year on year to reach 18% in Q1 2015. These results were driven by our significant outperformance of the market in subscriber net additions, as well as our improving churn rates. Quarterly mobile churn improved to 8% levels from over 12% a few years ago. Our resolution to invest in mobile business is bearing fruits. Today, customers view our mobile network as comparable and even further reaching than our competitors and thus they select and remain with Avea.

We had 310 thousand mobile net additions in the first quarter of the year driven by postpaid net additions. Our postpaid ratio increased to 49%, by far the highest in the market. In addition, we grew our smartphone penetration to 59%, again highest in the market by a large margin. These key metrics underline the sustainability of our success and potential for continued strong growth in a mobile business led by data usage. And now, with the upcoming 4G technology in mobile connectivity, we are committed to provide our customers with the best 4G experience supported by the largest and strongest fiber network in the nation.

The business integration initiatives we have undertaken are continuing at full speed. Commercial teams are now positioned to capture the maximum potential of cross selling and benefiting from the synergies between our product lines. We are making significant strides in our one stop shop concept and will be close to completion by the end of the year. On the support functions front, our teams already started realizing increased efficiencies and economies of scope, which is reflected in our improved OpEx performance.

Türk Telekom Group is driven to see the significant transformation initiatives we have embarked upon through. At the same time we continue to deliver strong and improving results. I would like to thank all our employees who are at the center of this performance and our stakeholders who are our enablers in this journey.

Financial Highlights

Türk Telekom Group	2014 Q1	2014 Q4	2015 Q1	QoQ Change (%)	YoY Change (%)
TL in Millions					
Revenue	3,195	3,595	3,434	(4.5)	7.5
Adjusted Revenue (excluding IFRIC-12)	3,185	3,416	3,395	(0.6)	6.6
Net Operating Expenses excluding Depreciation and Amortization	(1,995)	(2,364)	(2,105)	(10.9)	5.5
Operating Profit before Depreciation and Amortization (EBITDA)	1,200	1,232	1,329	7.9	10.8
Depreciation and Amortization	(477)	(562)	(524)	(6.8)	9.9
Operating Profit	723	669	805	20.3	11.3
Net Financial Income/ (Expense)	(246)	(17)	(737)	NM	NM
Taxes	(107)	(156)	(63)	(59.6)	(41.2)
Net Profit Before Minority Interest	370	496	5	(99.0)	(98.7)
Net Profit After Minority Interest	384	504	27	(94.7)	(93.1)
Capital Expenditure	279	1,057	313	(70.4)	12.3

Revenues

Consolidated revenues increased by 7.5% YoY (up by TL 240 mn) to TL 3.4 bn in the first quarter, mainly due to 22% increase in mobile (up by TL 209 mn), 6% increase in broadband (up by TL 55 mn) and 11% increase in corporate data revenues (up by TL 32 mn). Excluding non-operational IFRIC-12 revenues, top line growth is 6.6% YoY.

Operating Expenses Excluding Depreciation and Amortization

In Q1'15, net operating expense increased by 5.5% YoY (up by TL 110 mn) due to the increase in tax expense (up by TL 39 mn), bad debt provision expense (up by TL 24 mn) and 10.5% YoY decline in personnel expense (down by TL 69 mn).

Operating Profit before Depreciation and Amortization (EBITDA)

Consolidated operating profit before depreciation and amortization grew by 11% YoY to TL 1.3 bn in the first quarter with an EBITDA margin of 39%. In fixed line, EBITDA increased 2% YoY and EBITDA margin was maintained at 47%. In mobile, growth in EBITDA was 95% and EBITDA margin improved 7 pps compared to last year, reaching 18%.

Depreciation and Amortization

Total depreciation and amortization expense was TL 524 million in the first quarter with 10% YoY increase.

Operating Profit

Operating profit³ increased by 11% YoY (up by TL 82 mn) in the first quarter of 2015 due to strong performance in consolidated EBITDA level

Net Financial Income / Expense

Net financial expense⁴ was TL 737 mn in the first quarter mainly due to FX loss recorded as a result of depreciation of Turkish Lira against the US Dollar.

Corporate Taxes

Corporate taxes, realized at TL 63 mn in the first quarter, were down by 41.2% YoY due to negative impact of increasing net financial expense on income before tax.

Net Income

Net income registered at TL 27 mn, reflecting the impact of depreciation of Turkish Lira against the US Dollar.

³Operating profit 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), income on unconsolidated subsidiaries, and minority interest. Reported operating profit on CMB financial statements is different due to reclassification requirements of the POA/CMB since 2013 Q3 financial statements. Further explanations are available on notes 2.1 and 5 on financial statements.

⁴Net financial income/(expense) 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). Net financial income/(expense) on CMB financial statements is different due to reclassification requirements of the POA/CMB since 2013 Q3 financial statements. Further explanations are available on notes 2.1 and 5 on financial statements.

Operational Highlights

Türk Telekom Group	2014 Q1	2014 Q4	2015 Q1	QoQ Change (%)	YoY Change (%)
Operational Highlights					
Total Access Lines* (mn)	13.5	13.2	13.0	(1.0)	(3.6)
Fixed Voice Subscribers (mn)	12.2	11.4	11.1	(2.5)	(9.3)
Naked Broadband Subscribers (mn)	1.3	1.8	2.0	8.4	49.4
Fixed Voice ARPU (TL)	20.9	21.3	20.9	(2.1)	(0.4)
Fixed Voice MoU (min)	96	89	86	(3.0)	(10.5)
Total Broadband Connections (mn)	7.4	7.6	7.6	0.4	3.1
Fiber Subscribers ('000)	682	729	727	(0.3)	6.6
VDSL Subscribers ('000)	181	395	462	17.0	156.0
Broadband ARPU (TL)	40.8	41.3	41.8	1.2	2.6
Total Tivibu Subscribers (mn)**	1.9	1.9	1.7	(7.6)	(8.9)
Tivibu Home (IPTV) Subscribers('000)	308	289	281	(2.8)	(8.7)
Mobile Total Subscribers (mn)	15.3	16.3	16.6	1.9	8.8
Mobile Postpaid Subscribers (mn)	7.0	7.8	8.1	4.2	16.9
Mobile Prepaid Subscribers (mn)	8.3	8.5	8.5	(0.2)	2.1
Mobile Blended ARPU (TL)	20.7	22.5	22.1	(1.7)	6.6
Mobile Postpaid ARPU (TL)	29.5	30.9	30.3	(2.0)	2.7
Mobile Prepaid ARPU (TL)	12.7	14.3	14.0	(2.4)	9.8
Mobile MoU (min)	373	415	413	(0.4)	10.9

* Total Access Lines: Naked DSL Lines and Fixed Voice Lines

** Total Tivibu Subscribers: IPTV and Tivibu Go (Web TV+ Mobile TV +Smart TV subscribers)

Additional Information

Türk Telekom Group invested TL 313 mn in the first quarter of 2015 with primary focus on continuing to improve the quality of the services and products provided to customers.

Türk Telekom Group's total headcount at March 31, 2015 was 33,313.

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 March 31, 2015; Türk Telekom Group companies have 13 mn Fixed Access Lines, 7.6 mn Broadband Connections and 16.6 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 mobile operators in Turkey, Türk 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 Türk Telekom International AT AG and its subsidiaries. Türk Telekom shares are listed in Borsa Istanbul 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.

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