

Türk Telekom Group

Q1 Results 2014



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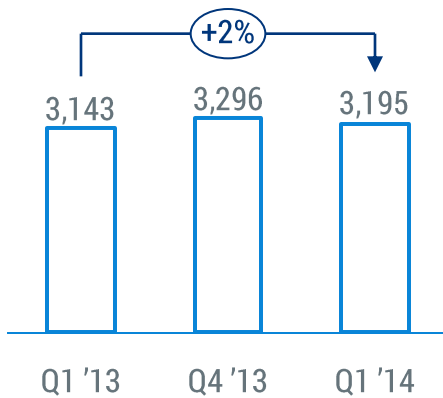
Note: EBITDA is a non-GAAP financial measure. The EBITDA definition used in this presentation includes Revenues, Direct Cost of Revenues excluding depreciation and amortization, Selling and Marketing expenses, Administrative expenses, and other operating income/(expense), but excludes translation gain/(loss), financial income, income on unconsolidated subsidiaries, gain on sale of investments, and minority interest.

2014 First Quarter Highlights

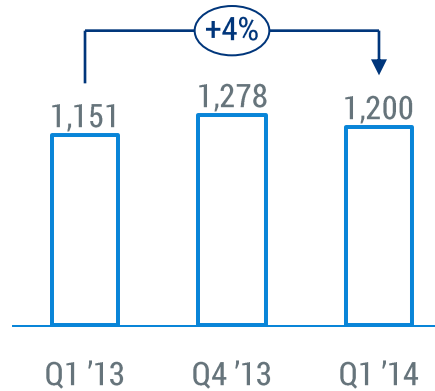
- /// Consolidated revenues grew **2% YoY**
(4% excluding the MTR cut effect)
- /// **4% YoY** revenue growth in mobile
(14% excluding the MTR cut effect) backed
by **757K** net subscriber additions – highest in
the past 6 years
- /// **8% YoY** growth in broadband revenues driven
by **69K** net subscriber additions and ARPU
uplift
- /// **4% YoY** EBITDA growth
- /// Net income decreased **27% YoY** while up **48% QoQ**

Consolidated Financials

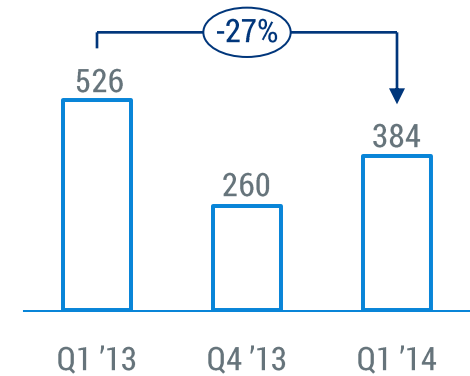
Revenue (TL mn)



EBITDA (TL mn)



Net Income (TL mn)

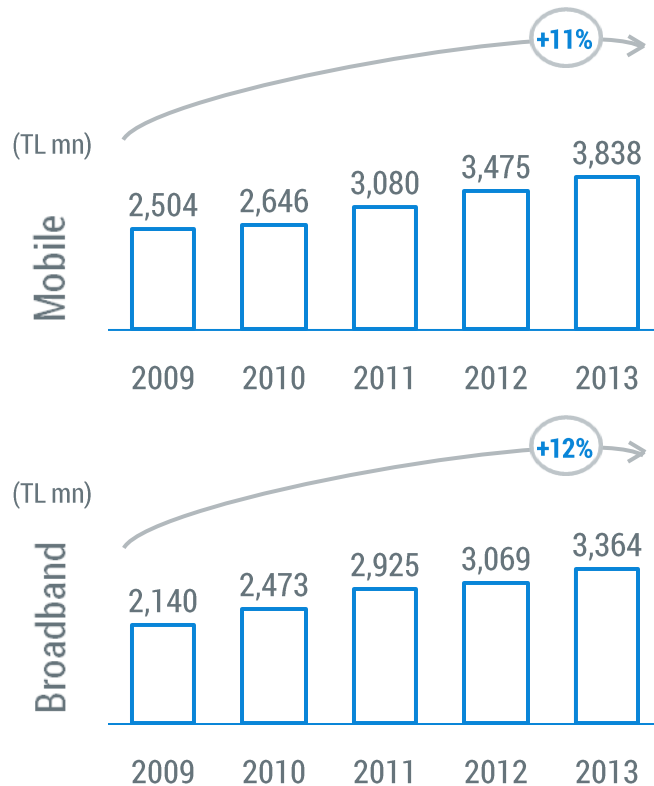


Revenue continues growing, accompanied by EBITDA increase

- /// Excluding MTR cut, revenue growth is 4%
- /// 4% EBITDA growth, supported by efficiency initiatives
- /// 48% QoQ increase and 27% YoY decrease in net income mainly due to FX rates

Revenue Mix

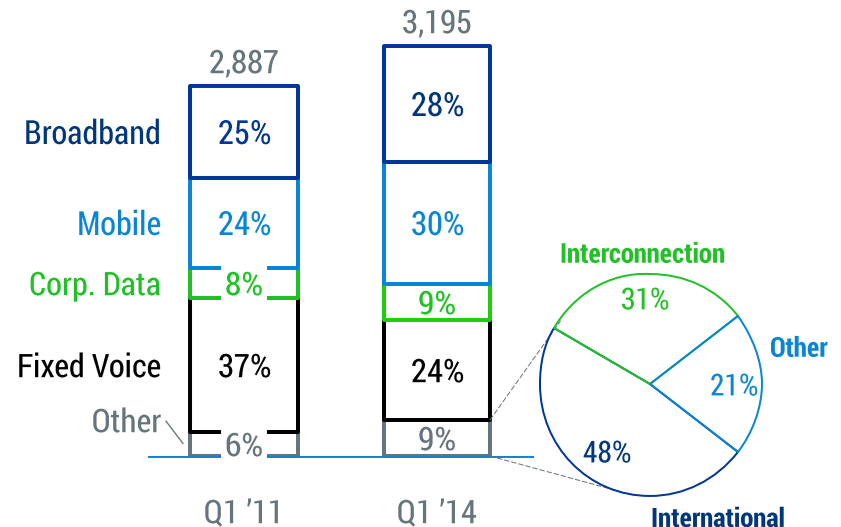
Focus on High Growth Areas



67% of the revenues come from high growth areas

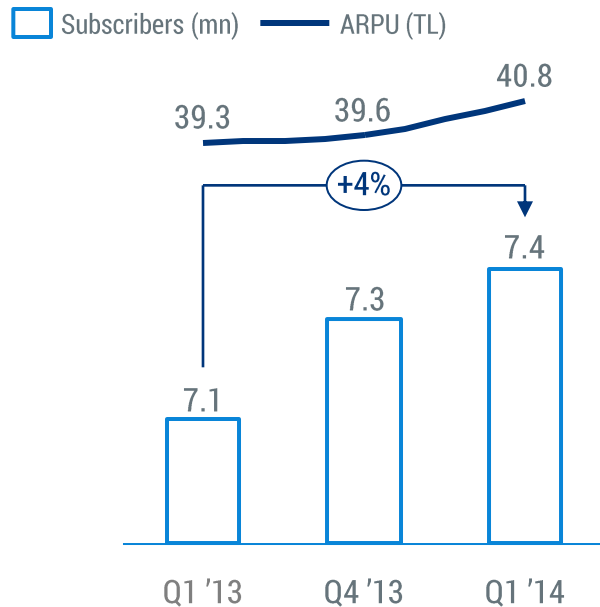
- /// Broadband and mobile grew at double digit rates on average in the last five years
- /// Strong growth in corporate data revenues with 17% YoY in Q1 '14
- /// Fixed voice share at 24% of total revenues, third largest revenue source

Consolidated Revenues



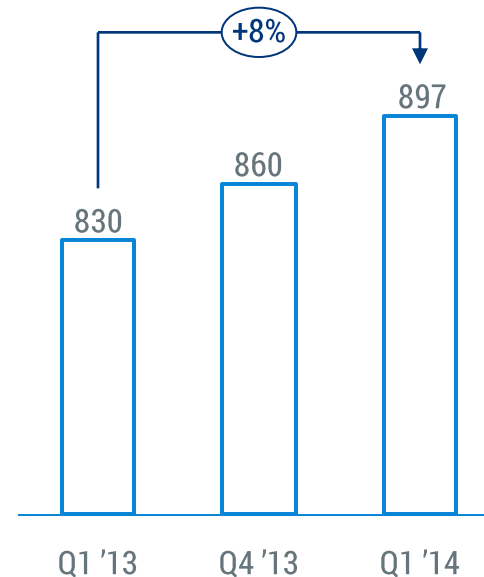
High Speed Broadband Net additions and ARPU growth continues

Broadband ARPU and Subscribers



- /// 69K net additions in Q1 '14
- /// 8% YoY revenue growth backed by ARPU and subscriber increase
- /// 4% YoY ARPU growth in Q1 '14
- /// Fiber subscriber ratio within total base is 9% as of Q1 '14 up from 4% a year ago

Broadband Revenue (TL mn)



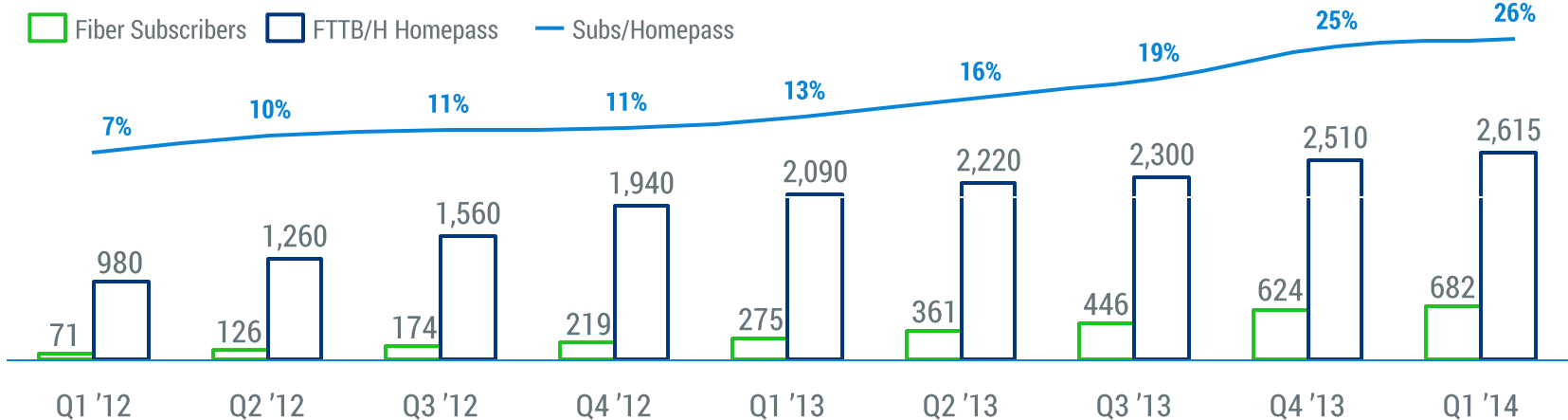
Fiber Transformation Market Leader

/// Fiber subs additions faster than homepass expansion
– resulting with a 26% subs/homepass ratio

/// 58K fiber net additions in Q1 '14

/// Fiber coverage available in all cities

Growing Fiber Subscribers (thousand)



Turk Telekom Fiber Network



Alternative Operator

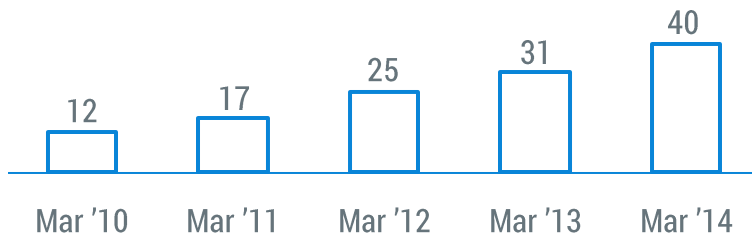


Note: Other operator's data are from their own publications

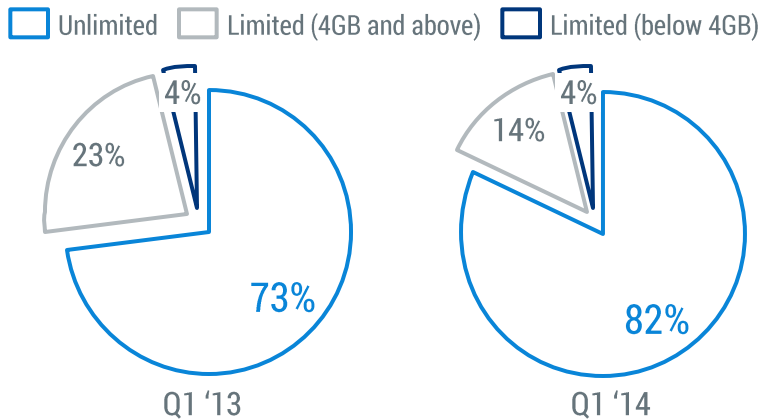
Broadband Upsell

Appetite for speed and capacity

Average Monthly Data Usage, Gigabytes



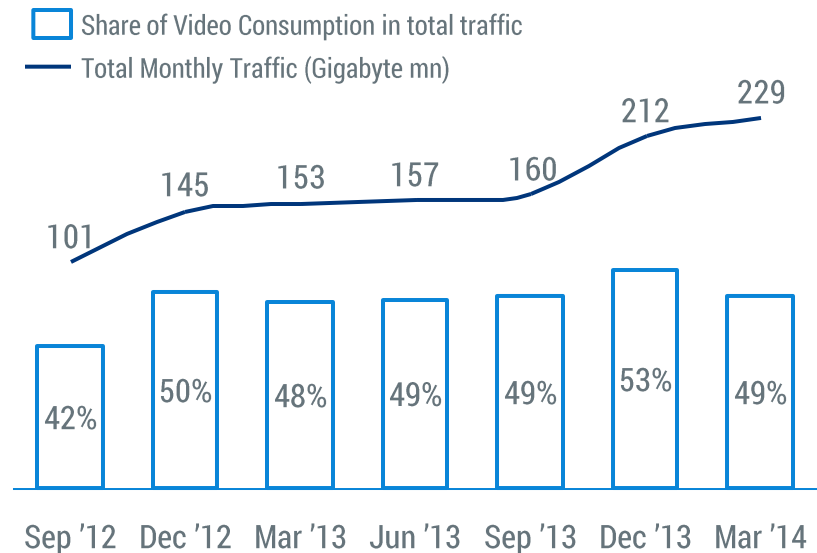
Capacity, % of Subscribers



Strong trend towards unlimited capacity and higher speed packages

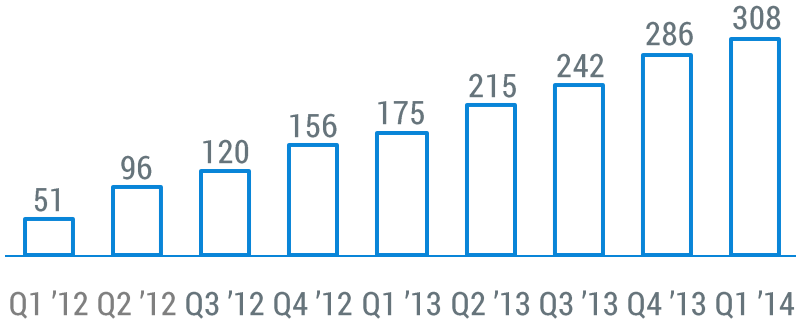
- /// 13% of our customers are now in fibernet/hipernet packages (24 MBPS or higher speeds)
- /// Increasing monthly data usage mainly driven by video consumption

Video Consumption by TTNET Subscribers, % of Total Traffic

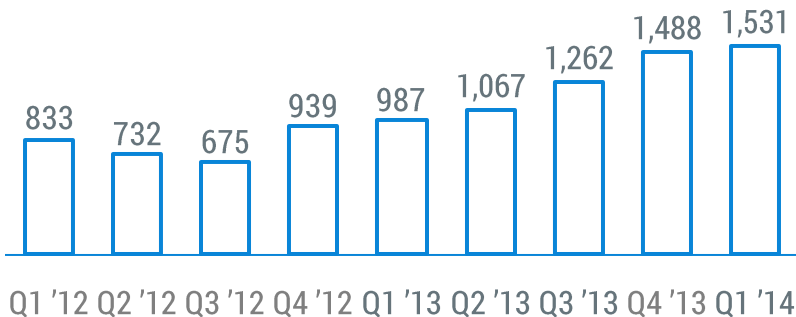


Tivibu IPTV and webTV growth continues

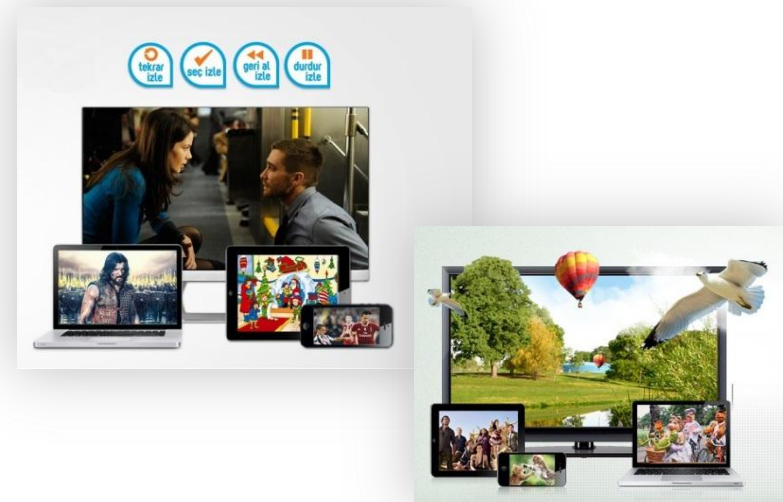
Tivibu Home Subscribers (thousand)



Tivibu Web Subscribers (thousand)



- /// First and leading internet TV and only IPTV service in Turkey
- /// Multi-screen experience: TV | Tablet | PC | Laptop | Smartphone
- /// Over 180 TV Channels with premium content (movies, shows, sports) and over 4,500 content archive
- /// 1.9 million total subscribers in Tivibu Web, Home (IPTV), Mobile and Smart TV

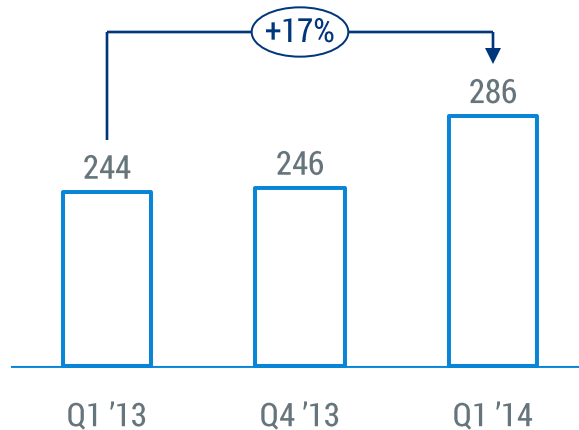


Corporate Data Supports fixed line growth

/// 12% of total fixed line revenues are generated from corporate data business in Q1 '14

/// Growing share as double digit growth continues

Corporate Data Revenue (TL mn)



Cloud Services

Türk 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



Metroethernet

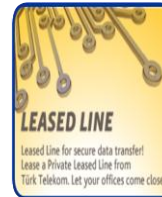
It is a flexible, cost-efficient technology scalable between 5Mbps and 1Gbps, which allows all kinds of data flow



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

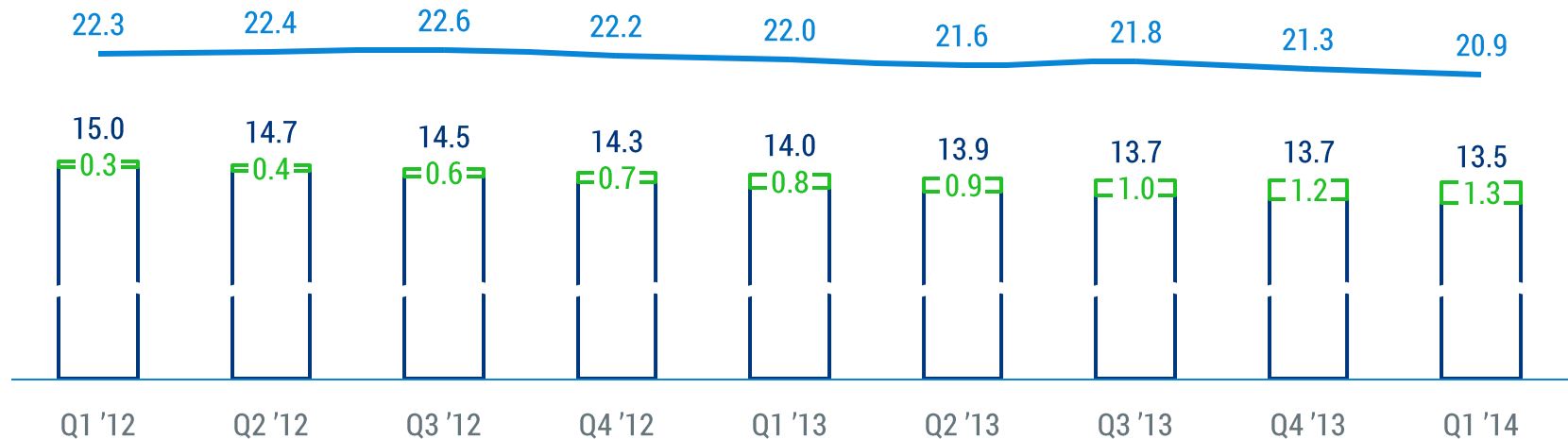
Defending access lines

Efforts to stabilize fixed voice revenues

- /// Continued offers of traditional “minute” benefits and non-traditional third-party value offers
- /// Innovative smart home phone, the TT E4 – targeting customer retention
- /// 78% of fixed voice revenues is recurring
- /// Fixed voice line decline offset by naked broadband
- /// Revenues declined 12% YoY in Q1'14

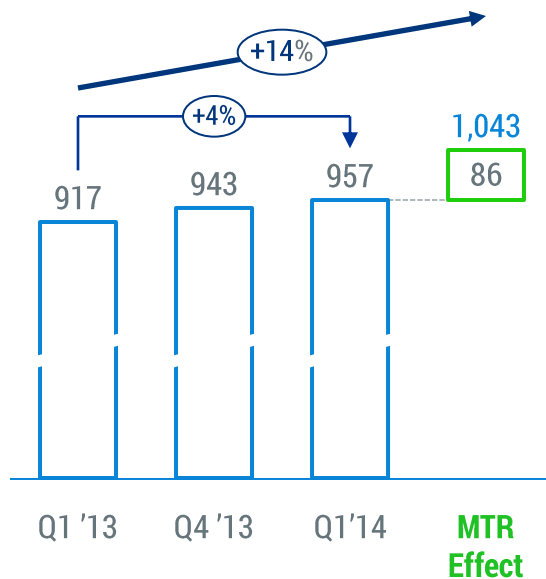
Access Lines & ARPU

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



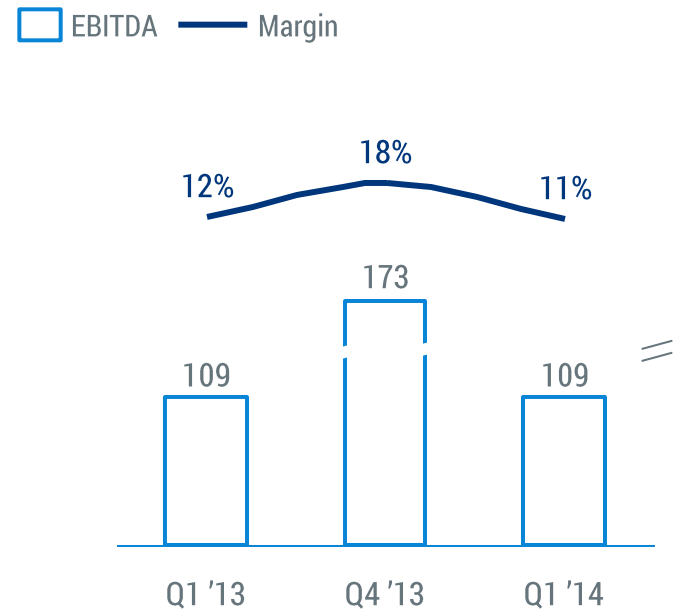
Mobile Topline growth driven by strong net subscriber gain

Revenue (TL mn)



- /// Double digit revenue growth excluding MTR cut effective as of July 1st, 2013
- /// EBITDA stable despite continued stiff competition in the market

EBITDA (TL mn) & Margin

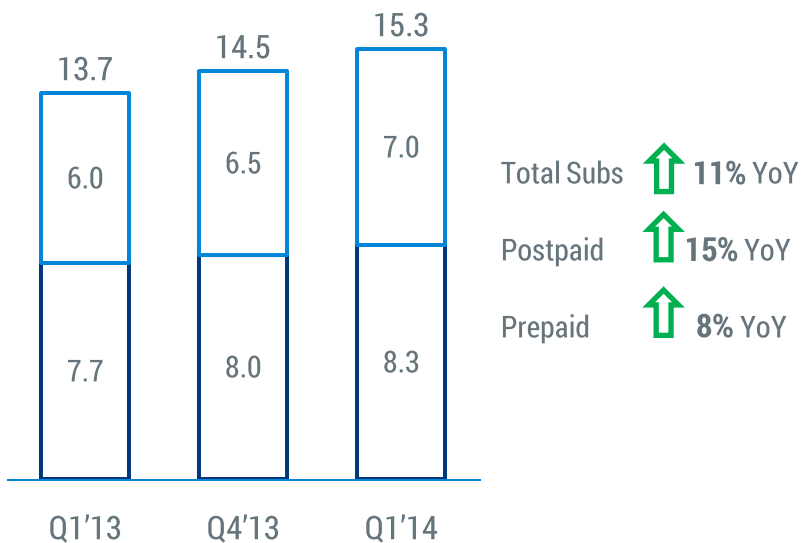


Mobile

Remarkable net additions driven by postpaid

Subscribers (mn)

Postpaid Prepaid



757K net additions in the quarter driven predominantly by postpaid subscribers

Postpaid ratio, highest in the market as of 2013, increased to 45%

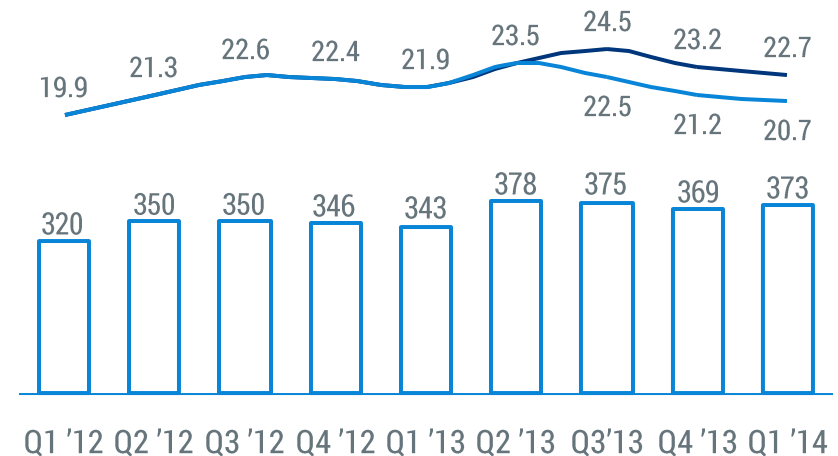
ARPU increased 4% YoY excluding MTR cut effect

MoU and ARPU

MoU

Blended ARPU excl. MTR effect (TL)

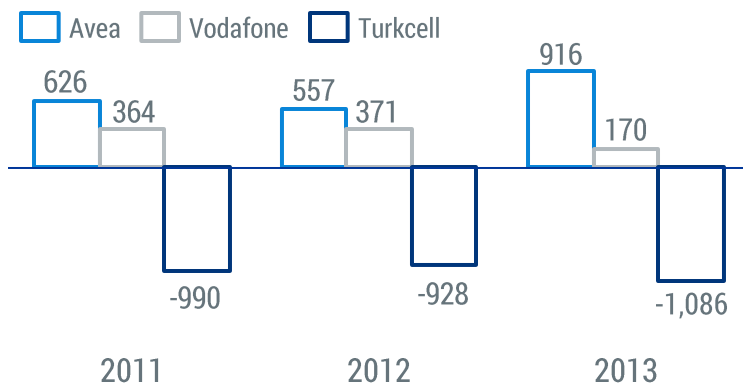
Blended ARPU (TL)



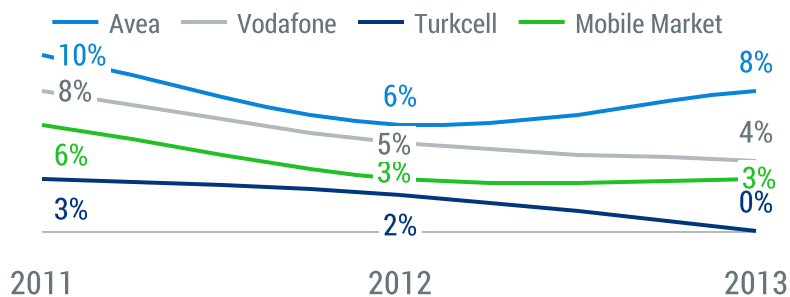
Subscriber Growth

Avea – Most Preferred Operator

MNP Subscriber Additions (thousand)



Subscriber Growth Rates



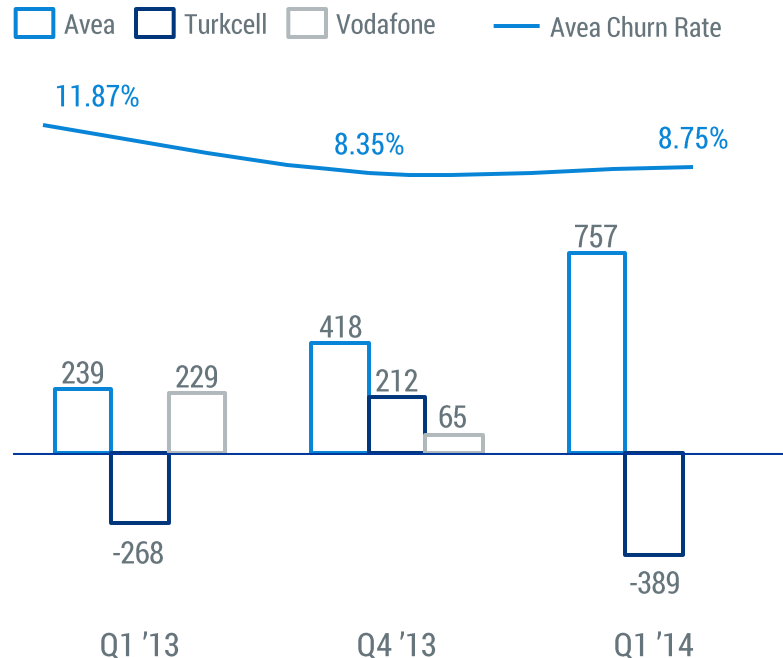
Source: ICTA & Company Data

/// Subscribers overwhelmingly prefer Avea after trying other operators

/// Avea added over 1 million net subscribers in 2013, maintaining its leadership on growth rates

/// ~700K subscribers additions in MNP in Q1 '14

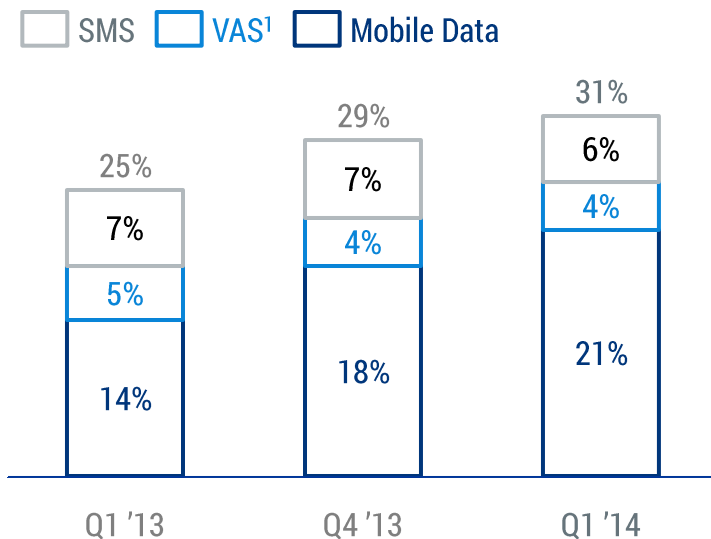
Net Additions (thousand) & Churn Rate



Mobile Data

Strong trend in data revenue growth

Mobile Data, SMS & VAS Shares in Service Revenues



(1) VAS: Value Added Services

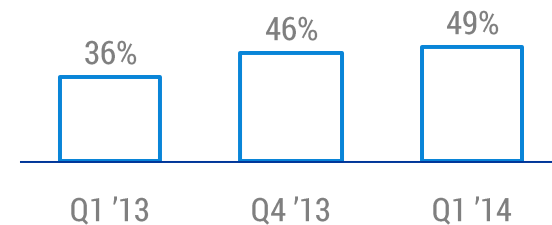
(2) Small Screen defined as all handheld devices that access internet via mobile broadband except dongles that are used for PC's. Small screen % = Small screen users/Total Avea base excluding large screen users.

Data revenue resumed its fast growth

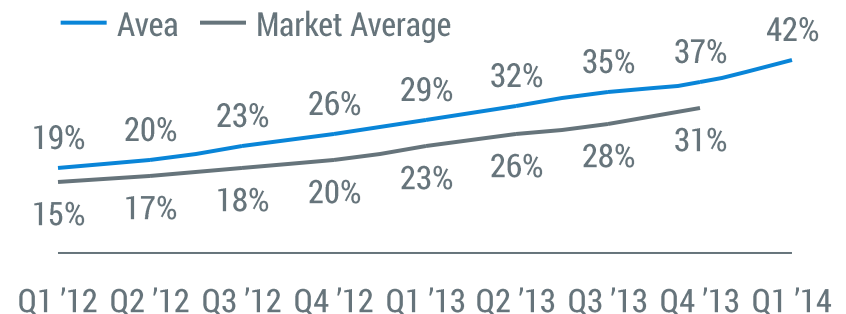
/// 65% YoY and 19% QoQ increase in mobile data revenues

/// Strong leadership in smartphone penetration

Share of Small Screen Data Users²



Smartphone Penetration



Consolidated Summary Income Statement

TL Millions	2013 Q1	2013 Q4	2014 Q1	QoQ % Change	YoY % Change
Revenues	3,143	3,296	3,195	-3%	2%
EBITDA	1,151	1,278	1,200	-6%	4%
Margin	37%	39%	38%		
Operating Profit	712	820	723	-12%	2%
Margin	23%	25%	23%		
Financial Income/(Expense)	(34)	(468)	(246)	47%	n.m.
FX Hedging Gain/(Loss)	(3)	(405)	(187)	54%	n.m.
Interest Income/(Expense)	(8)	(29)	(38)	-32%	n.m.
Other Financial Income/(Expense)	(24)	(33)	(20)	40%	n.m.
Tax Expense	(161)	(102)	(107)	-5%	33%
Net Income	526	260	384	48%	-27%
Margin	17%	8%	12%		

Note: USD/TRY: 2.1898; EUR/TRY:3.0070 was used in calculating financial expense

Consolidated Summary Balance Sheet

TL Millions 31.03.2013 31.12. 2013 31.03.2014

Total Assets	17,756	18,245	18,750
Intangible Assets ¹	4,013	4,536	4,468
Tangible Assets ²	8,179	8,350	8,207
Other Assets ³	4,135	4,294	4,557
Cash and Equivalents	1,429	1,064	1,518
Total Equity and Liabilities	17,756	18,245	18,750
Share Capital	3,260	3,260	3,260
Reserves and Retained Earnings	3,691	2,067	2,408
Interest Bearing Liabilities ⁴	6,548	8,334	8,658
Provisions for Employee Termination Benefits ⁵	620	585	606
Other Liabilities ⁶	3,637	3,998	3,817

(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, Due from related parties, 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, due to related parties, other current liabilities, and minority put option liability

Consolidated Summary Cash Flow Statement

TL Millions	2013 Q1	2013 Q4	2014 Q1	QoQ % Change	YoY % Change
Cash Flow from Operating Activites	247	1,289	562	-56%	127%
Cash Flow from Investing Activities	(263)	(728)	(117)	84%	56%
CAPEX	(293)	(888)	(256)	71%	13%
Other Investing Activities	30	161	139	-14%	364%
Cash Flow from Financing Activities ¹	442	(589)	51	n.m.	-89%
Net Change in Cash Position ²	426	(27)	496	n.m.	16%

(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

Debt (Millions)	In Currency	TL Equivalent	<3 Month	3 Months to 1 Year	1 to 5 Year	>5 Years
TL	411	411	384	27	0	0
USD	2,177	4,767	116	918	2,780	952
EUR	1,113	3,348	191	1,100	1,731	326
JPY	4,981	106	0	71	36	0
TOTAL		8,633	692	2,117	4,547	1,278

Ratios

	Q1 '13	Q4 '13	Q1 '14
Net Debt / EBITDA	1.0	1.5	1.4
Net Debt / Assets	0.3	0.4	0.4
Debt (Total Liabilities) / Equity	1.6	2.4	2.3
Debt (Financial) / Equity	0.9	1.6	1.5
Current Ratio	1.1	1.0	0.9

/// Comfortable Net Debt to EBITDA level compared to industry averages

/// Average maturity of FX denominated debt is 2.6 years

THANK YOU



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