

Türk Telekom Group

Q3

Results

2014



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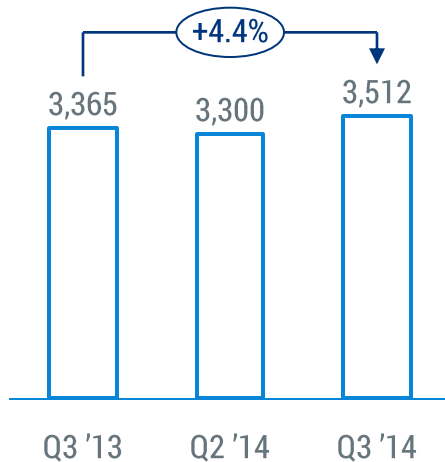
Note: EBITDA is a non-GAAP financial measure. In this presentation, EBITDA represents revenue less cost of sales and other operating expenses plus other operating income/(expense) plus income/(expense) from investing activities but excluding financial income/(expense) presented in other operating income/(expense) (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.

# 2014 Third Quarter Highlights

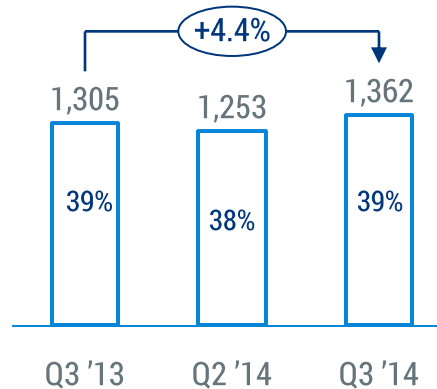
- /// Consolidated revenues up **4% YoY**. Excluding non-operational IFRIC 12, revenues grew **5%**
- /// **18% YoY** revenue growth in mobile. Continued strong subscriber net additions with **447K**
- /// **10% YoY** growth in broadband revenues backed by subscriber and ARPU uplift
- /// **4% YoY** consolidated EBITDA growth
- /// Net income increased **35% YoY** while down **60% QoQ** due to FX rates

# Consolidated Financials

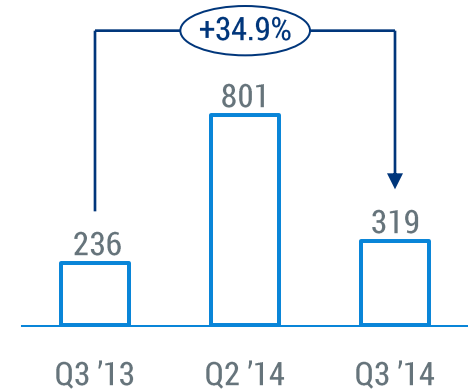
Revenue (TL mn)



EBITDA (TL mn) & Margin



Net Income (TL mn)



## Topline growth coupled with solid EBITDA margin

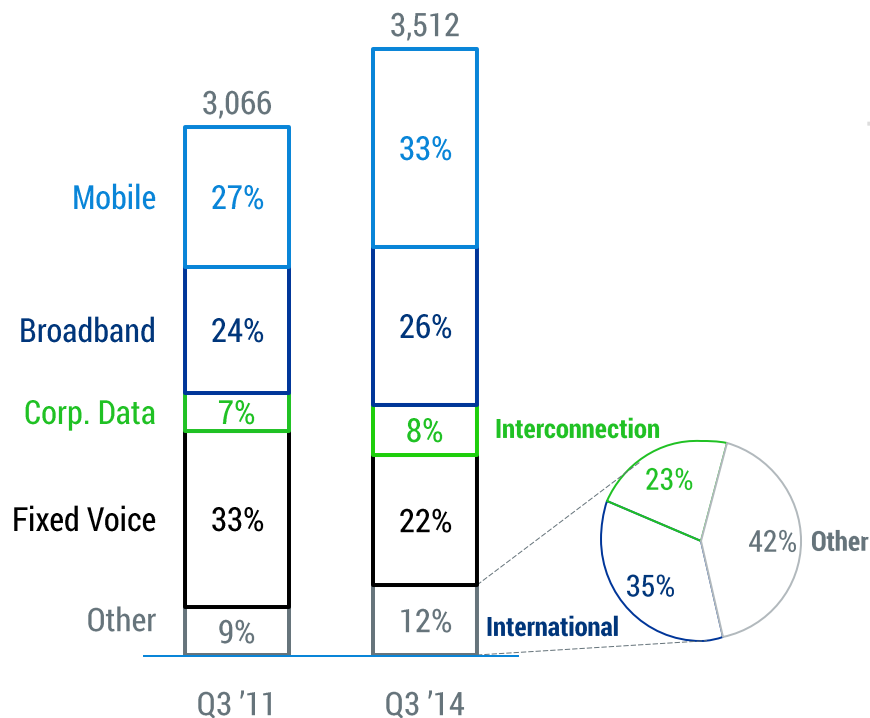
- /// Revenue growth of 4.4% driven by mobile and broadband businesses
- /// EBITDA growth – fixed line continued to be strong while mobile contribution improved
- /// 35% YoY increase and 60% QoQ decrease in net income due to FX rates

# Diversified Revenue Base

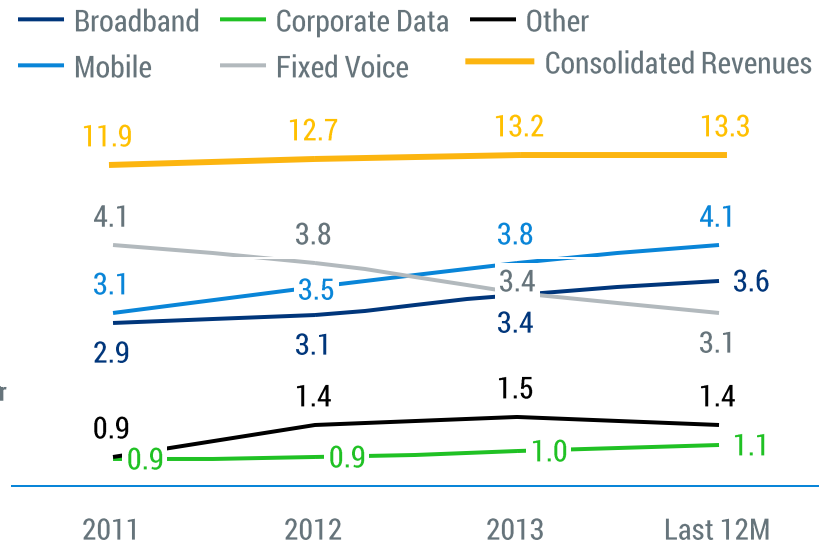
## 67% of Revenues from High Growth Areas

- /// Broadband and mobile grew at double digit rates on average in the last five years
- /// Strong growth in corporate data revenues - double digit growth in the last 12 months
- /// Fixed voice became the third largest revenue source in 2013 behind mobile and broadband

Revenue Breakdown (TL bn, %)



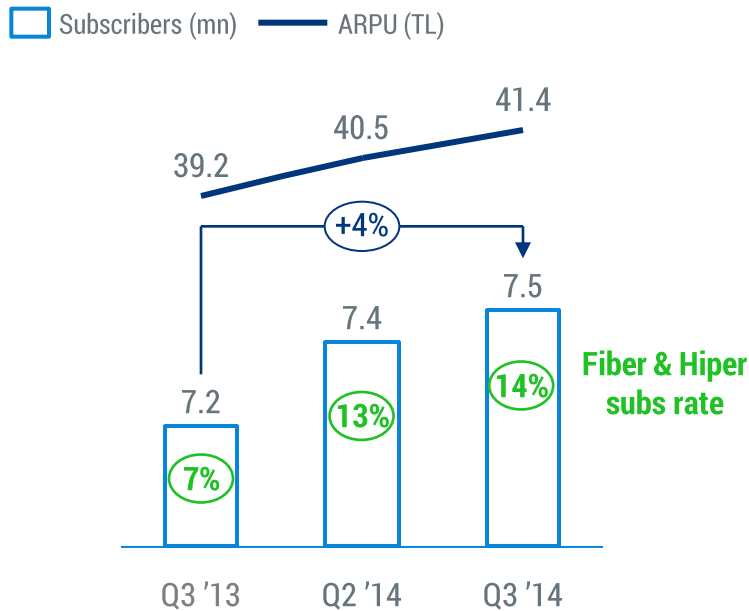
Consolidated Revenues (TL bn.)



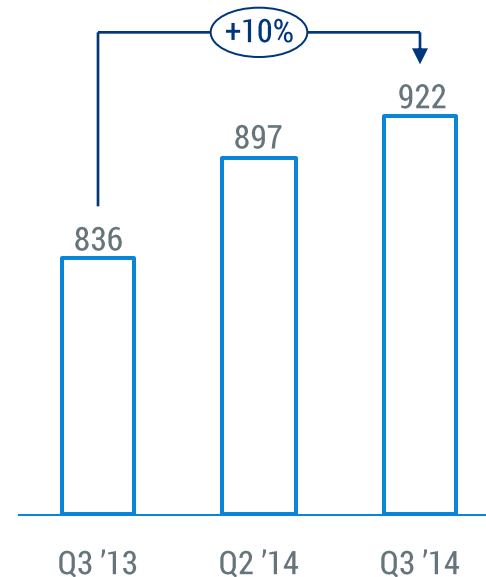
# High Speed Broadband Accelerated ARPU Growth

- /// 87K net additions in Q3 '14
- /// 10% YoY revenue growth backed by ARPU and subscriber increase
- /// 6% YoY ARPU growth in Q3 '14

## Broadband ARPU and Subscribers



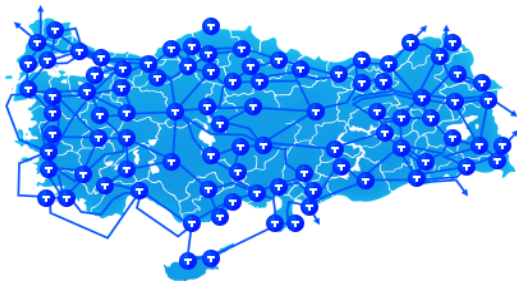
## Broadband Revenue (TL mn)



# High Speed Broadband Leader in Fiber Connectivity

- /// Largest fiber infrastructure, increasing hit ratio
- /// Strong demand for higher speed connections. 37% of subscribers are in 16MBPS and higher speeds compared to 12% a year ago

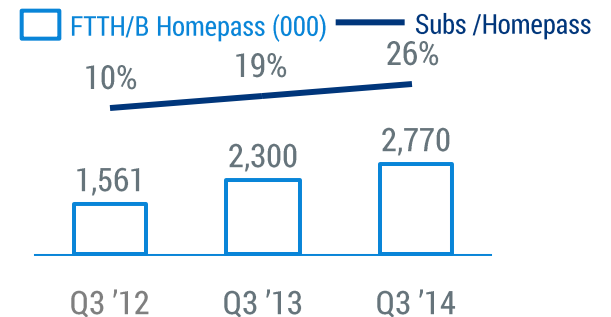
## Turk Telekom Fiber Network



## Alternative Operator

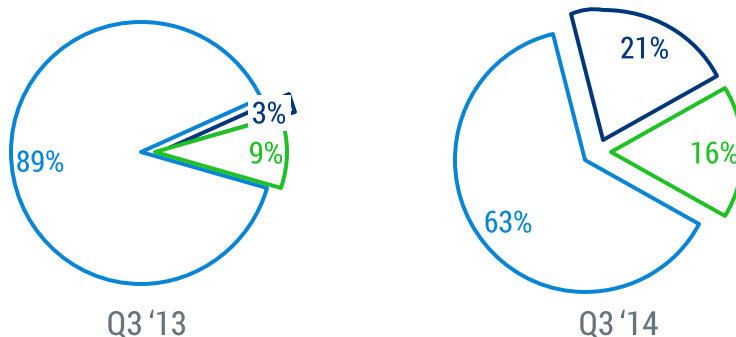


## Increasing Hit Ratio



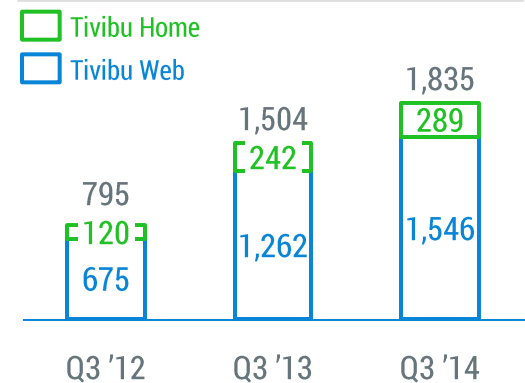
## Increasing Subscriber Base in Higher Speed Packages

8 MBPS   16 MBPS   Fibernet / Hipernet (Higher than 24 MBPS)



Note: Other operator's data are from its own publications in Q1 '14

## Tivibu Subscribers (thousand)

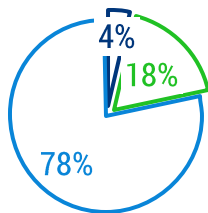


# Broadband Upsell

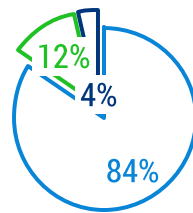
## Strong Appetite for Capacity

### Capacity, % of Subscribers

■ Limited (below 4GB) 
 ■ Limited (4GB and above) 
 ■ Unlimited



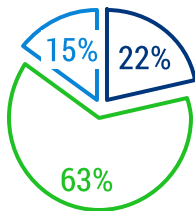
Q3 '13



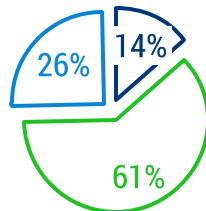
Q3 '14

### Fair Usage, % of Subscribers

■ 25 GB & Below 
 ■ 25GB to 50 GB 
 ■ Above 50 GB



Q3 '13

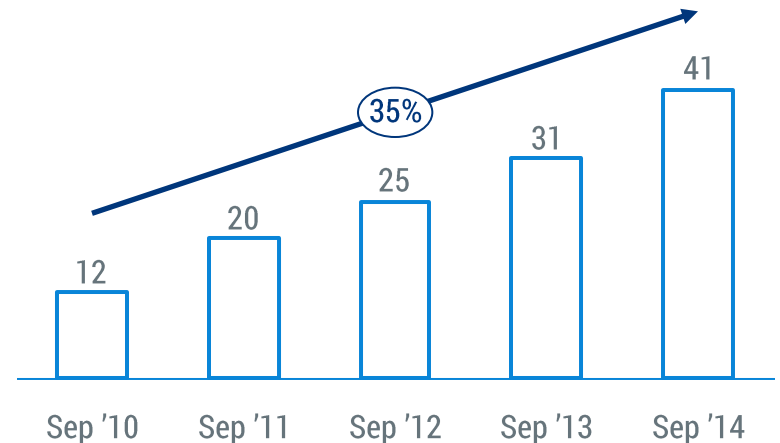


Q3 '14

## Demand for unlimited capacity and higher fair usage level increases

- /// Growing monthly data usage mainly driven by video consumption
- /// Switching from a limited capacity tariff to an unlimited capacity tariff doubles the price on average
- /// As appetite for capacity increases, demand for higher fair usage levels provides potential for further upselling

### Average Monthly Data Usage, Gigabytes



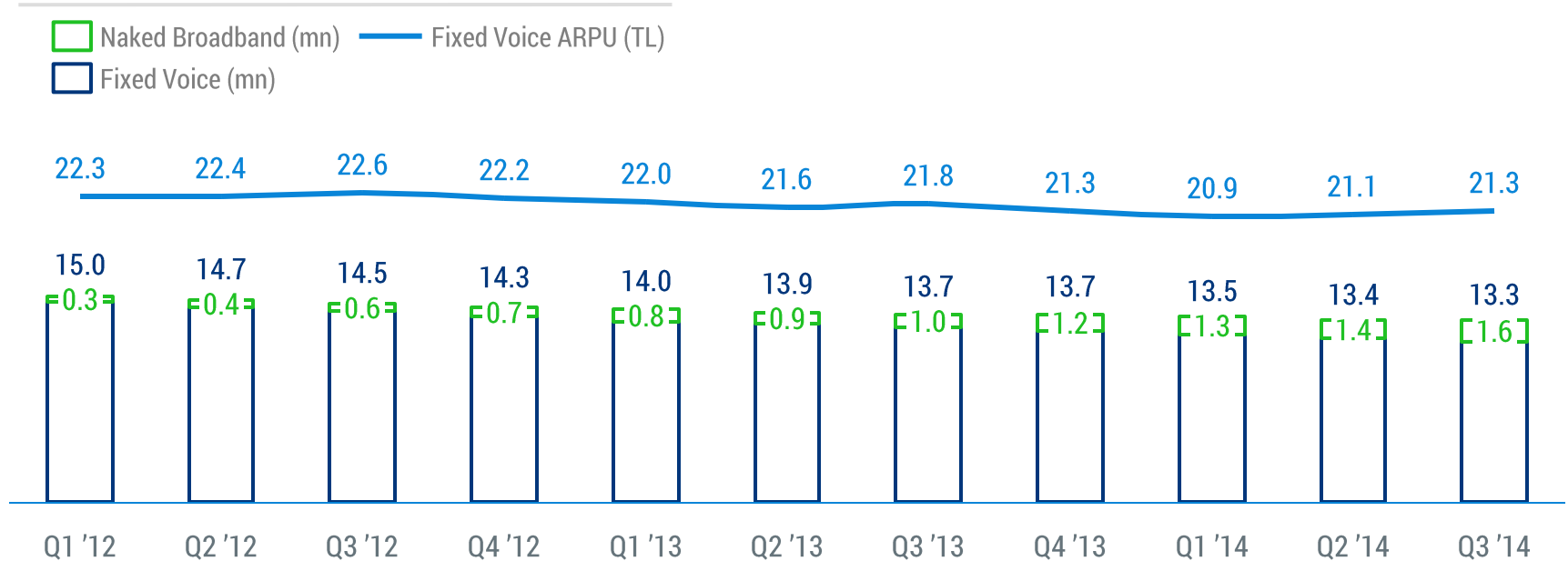


# Fixed Voice Improved Access Line Decline

## Efforts to stabilize the decline in fixed voice revenues

- /// Continued traditional “minute” benefits and non-traditional third-party value offers
- /// 80% of fixed voice revenues is recurring
- /// Fixed voice line decline offset by naked broadband
- /// Revenue decline at 10% YoY in Q3'14, improved over last quarters

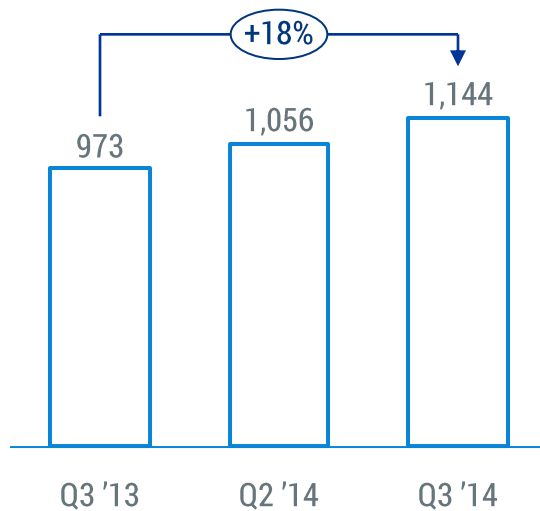
### Access Lines & ARPU



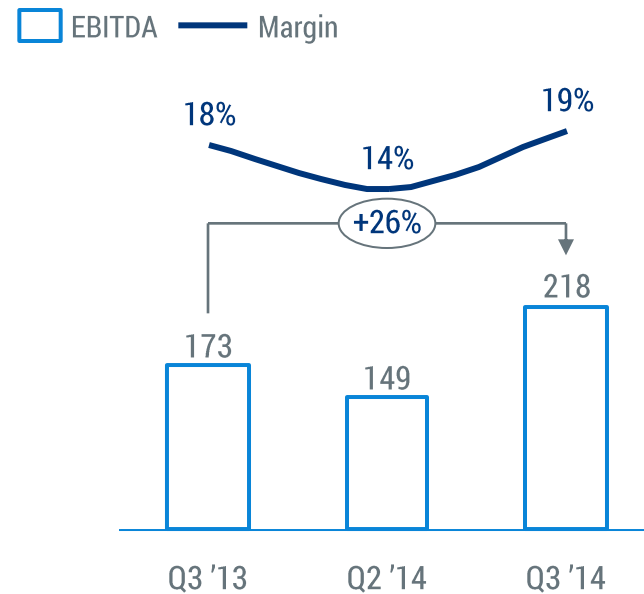
# Mobile Strong Topline Growth, Improving Profitability

- /// 18% YoY revenue growth
- /// EBITDA increased 26% YoY, highest EBITDA since IPO
- /// EBITDA margin is improving together with strong subscriber gain

Revenue (TL mn)



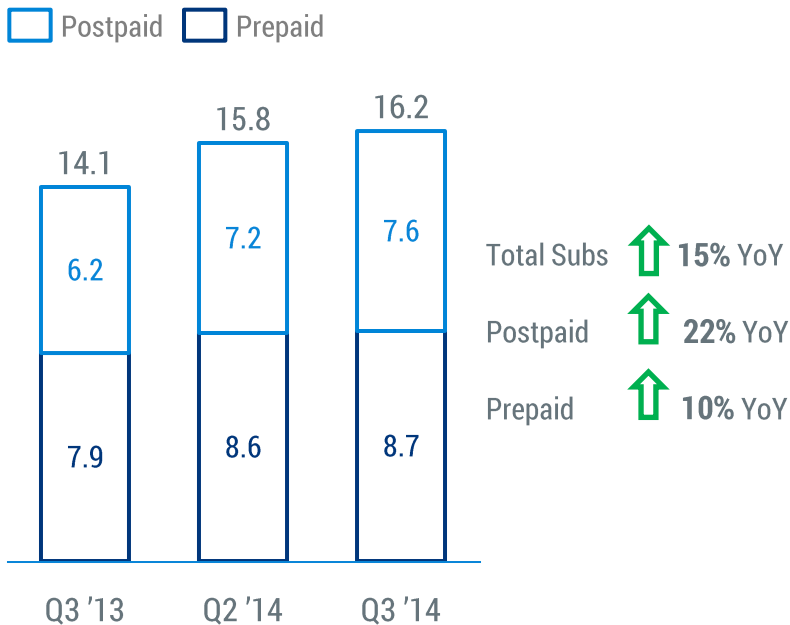
EBITDA (TL mn) & Margin



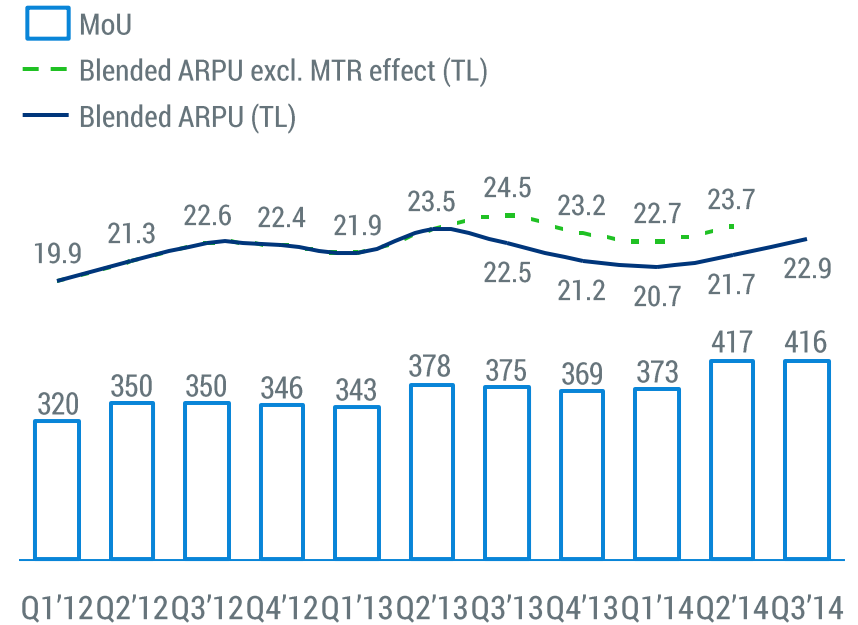
# Mobile Sustained Net Additions Driven by Postpaid

- /// 447K net additions in the quarter
- /// Postpaid ratio increased to 47% from 44% a year ago – highest in the market as of Q2'14
- /// ARPU increased 5.4% QoQ

Subscribers (mn)



MoU and ARPU

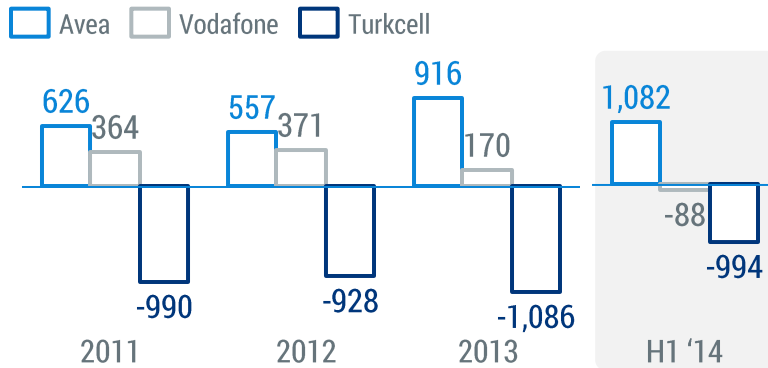


# Subscriber Growth

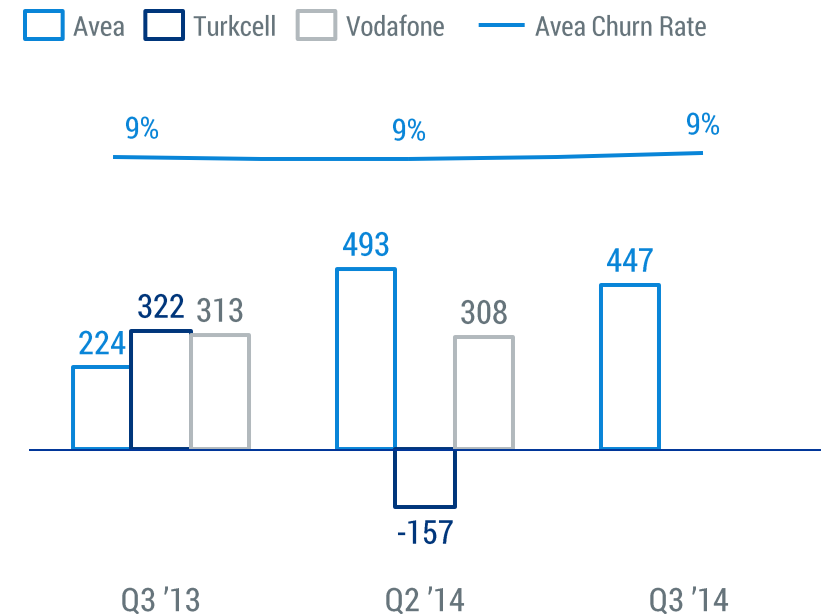
## Avea – Most Preferred Operator

- /// 447K net additions in Q3 '14, of which 224K came through mobile number portability (MNP)
- /// YTD net additions reached 1.7mn, almost tripled 9M 2013 number
- /// Churn rates improved to 9% which was at 12% levels before Q3 '13

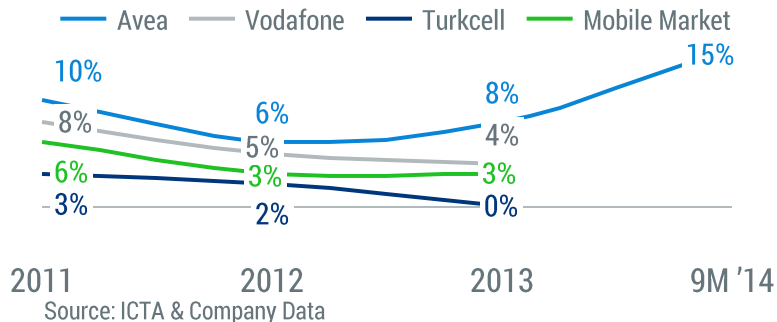
MNP Subscriber Additions (thousand)



Net Additions (thousand) & Churn Rate

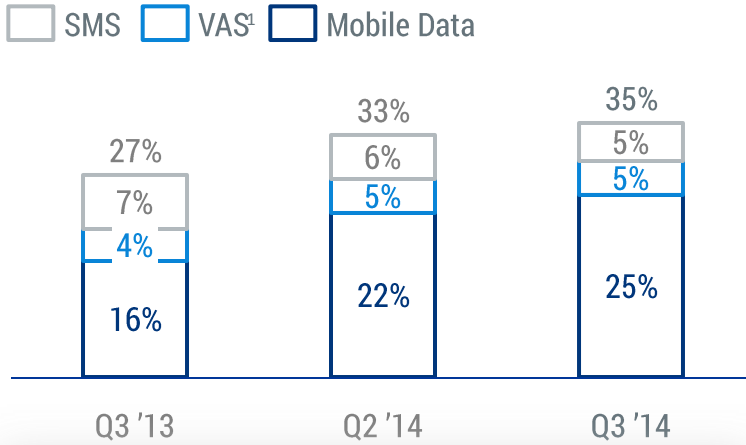


Subscriber Growth Rates



# Mobile Data Strong Driver of Service Revenues

## Mobile Data, SMS & VAS Shares in Service Revenues

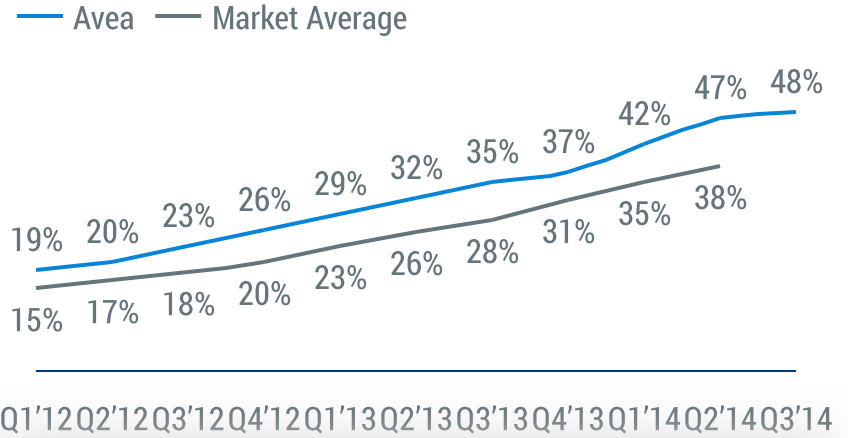


(1) VAS: Value Added Services

## Data revenue resumed its fast growth

- /// 81% YoY and 20% QoQ increase in mobile data revenues
- /// Strong leadership in smartphone penetration

## Smartphone Penetration



# Consolidated Summary Income Statement

TL Millions	2013 Q3	2014 Q2	2014 Q3	QoQ % Change	YoY % Change
Revenues	3,365	3,300	3,512	6%	4%
EBITDA	1,305	1,253	1,362	9%	4%
Margin	39%	38%	39%		
Operating Profit	864	783	869	11%	1%
Margin	26%	24%	25%		
Financial Income/(Expense)	(553)	246	(453)	n.m.	18%
FX & Hedging Gain/(Loss)	(497)	304	(418)	n.m.	16%
Interest Income/(Expense)	(27)	(24)	(12)	48%	55%
Other Financial Income/(Expense)	(29)	(35)	(22)	35%	23%
Tax Expense	(81)	(237)	(106)	55%	-32%
Net Income	236	801	319	-60%	35%
Margin	7%	24%	9%		

Note: USD/TRY: 2.2789; EUR/TRY:2.8914 was used in calculating financial income/expense

# Consolidated Summary Balance Sheet

TL Millions	30.09.2013	30.06. 2014	30.09.2014
<b>Total Assets</b>	<b>18,140</b>	<b>18,810</b>	<b>19,189</b>
Intangible Assets <sup>1</sup>	4,247	4,434	4,485
Tangible Assets <sup>2</sup>	8,285	8,042	8,016
Other Assets <sup>3</sup>	4,516	4,537	4,599
Cash and Equivalents	1,092	1,796	2,089
<b>Total Equity and Liabilities</b>	<b>18,140</b>	<b>18,810</b>	<b>19,189</b>
Share Capital	3,260	3,260	3,260
Reserves and Retained Earnings	1,810	2,206	2,504
Interest Bearing Liabilities <sup>4</sup>	8,482	9,110	8,935
Provisions for Employee Termination Benefits <sup>5</sup>	612	654	674
Other Liabilities <sup>6</sup>	3,975	3,579	3,816

(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 Q3	2014 Q2	2014 Q3	QoQ % Change	YoY % Change
Cash Flow from Operating Activities	1,245	832	1,402	68%	13%
Cash Flow from Investing Activities	(569)	(279)	(440)	-58%	23%
CAPEX	(633)	(322)	(492)	-53%	22%
Other Investing Activities	64	43	52	21%	-19%
Cash Flow from Financing Activities <sup>1</sup>	(481)	(216)	(682)	-216%	-42%
Net Change in Cash Position <sup>2</sup>	195	337	280	-17%	44%

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

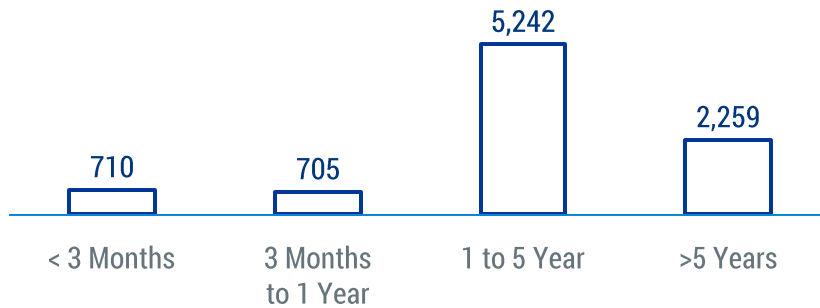
(2) Blocked deposits are included in operating activities rather than net cash position



# Debt Profile

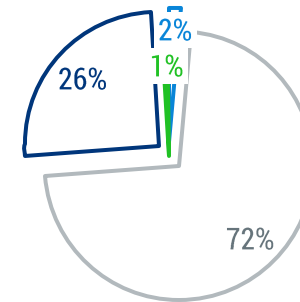
## Consolidated Debt Profile (TL mn)

Total Debt: TL 8.9 bn  
 Net Debt: TL 6.8 bn  
 Avg. Maturity: 3.9 yrs



## Currency Breakdown

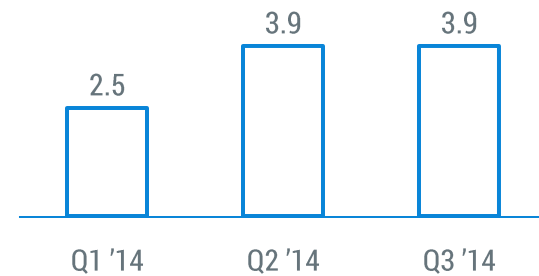
TL USD EUR JPY



## Key Figures

	Q3 '13	Q3 '14
Net Debt / EBITDA	1.5	1.3
Net Debt / Assets	0.4	0.4
Debt (Total Liabilities) / Equity	2.6	2.3
Debt (Financial) / Equity	1.7	1.6
Current Ratio	0.9	1.4

## Average Maturity of Debt (years)



# THANK YOU



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