

TURK TELEKOM GROUP ANNOUNCES 2013 YEAR END FINANCIAL RESULTS



Sustained Revenue Growth with Accelerated Subscriber Additions in 2013

Turk Telekom Group, Turkey's leading communications and convergence technologies group, announced 2013 year-end financial and operational results. Group revenues grew to TL 13.2 billion, an increase of 4% in 2013 compared to 2012 on the back of strong operating performance. Consolidated EBITDA¹ was TL 5.0 billion with an EBITDA margin of 38%. The Group's financial success is backed up by an outstanding performance in subscriber acquisitions in 2013.

2013 Highlights

- ❖ Consolidated revenues increased by 4% YoY. Excluding MTR cut effect, growth would be 5% YoY**
- ❖ Fixed line business revenues grew 2% YoY led by broadband, corporate data and ICT businesses**
- ❖ Double digit growth in broadband revenues driven by solid 300 thousand subscriber net adds and ARPU uplift with the support of 624 thousand fiber subscribers**
- ❖ Strong revenue growth in mobile despite the MTR cut backed by over 1 million net subscriber additions**
- ❖ Net income decreased to 1,303 mn. TL, affected by TL depreciation against USD and EUR**

¹EBITDA 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.

Turk Telekom CEO Rami Aslan's comments on 2013 year end results:

Turk Telekom Group finished another year expanding its revenues and customer base. In 2013 we reached consolidated revenues of TL 13.2 billion, while growing our total subscribers by over 1 million in our mobile business and by 300 thousand in our broadband business. These two businesses continued to be our growth engines, accounting for more than half of our total revenues.

2013 has been a subscriber year for Turk Telekom Group, in which we maintained a growth momentum throughout the year and achieved a strong finish in Q4. Our mobile net additions almost doubled compared to the previous quarters of 2013 with 418 thousand subscribers. In Q4 2013, more than three quarters of the net additions were postpaid subscribers, raising our postpaid ratio to 45% - the highest in the market.

In fixed line, we left behind a very strong year with our fiber subscribers reaching 624 thousand, while advancing our leadership in broadband market with 140 thousand net additions in the last quarter of the year and reaching 7.3 million total broadband subscribers. Amid declining trend in fixed voice in the world, our efforts continued to proactively manage the decline in our fixed voice business. In this scope, we introduced an innovative smart home phone, the "TT E4", featuring Android software and including all outstanding features of comparable smart phones. As a result of our efforts, total access line number was almost stable quarter over quarter in Q4 2013.

In 2013 we invested TL 2.2 bn in our business with primary focus on network expansion and upgrades to lay the foundations for continued growth. Our fiber to the home/building coverage reached over 2.5 million home-passes, while the number of mobile base stations increased to 27.4 thousand, demonstrating 14% annual growth. We now cover 84% of the population with our fast 3G network, up from 79% a year ago.

Despite the challenges we faced in 2013, we sustained the growth of our business. This success was only possible through hard work of each member of Turk Telekom Group family. I would like to thank them and all our stakeholders for their contributions in this success.

Financial Highlights

Turk Telekom Group			
TL in Millions	2012	2013	YoY Change
Revenue	12,706	13,190	3.8%
Net Operating Expenses excluding Depreciation and Amortization	(7,610)	(8,204)	7.8%
Operating Profit before Depreciation and Amortization (EBITDA)	5,096	4,986	(2.2%)
Depreciation and Amortization	(1,697)	(1,780)	4.9%
Operating Profit	3,400	3,207	(5.7%)
Net Financial Income/ (Expense)	(33)	(1,500)	NM
Taxes	(773)	(439)	(43.2%)
Net Profit Before Minority Interest	2,593	1,267	(51.1%)
Net Profit After Minority Interest	2,637	1,303	(50.6%)
Capital Expenditure	2,435	2,205	(9.4%)

Revenues

Consolidated revenues increased by 4% YoY (up by TL 484 mn) to TL 13.2 bn in 2013, mainly due to the growth in mobile business (up by TL 363 mn), broadband business (up by TL 295 mn) and ICT revenues (up by 260 mn). Excluding MTR cut effect in mobile business; consolidated revenues would grow 5% YoY in 2013.

Net Operating Expenses (Excluding Depreciation and Amortization)

Net operating expense increased by 8% YoY (up by TL 594 mn) to TL 8.2 bn in 2013, mainly due to increase in cost of sales (up by TL 156 mn).

Operating Profit before Depreciation and Amortization (EBITDA)

Operating profit before depreciation and amortization was slightly down at TL 5.0 bn in 2013 compared to the TL 5.1 bn in 2012, with a consolidated EBITDA margin of 38%. Excluding TL 45 mn extraordinary charges related to regulatory penalties and penalty provisions realized in Q4 and TL 70 mn exceptional personnel early retirement incentive program costs consolidated EBITDA would be flat YoY at TL 5.1 bn.

Mobile EBITDA in 2013 increased to TL 584 mn with 20% YoY growth which would increase by 30% YoY without positive one-off impact of TL 36 mn on EBITDA in Q4 2012 due to a calculation change of bad debt provisions. EBITDA margin in mobile business registered at 15% in 2013. In fixed line business, EBITDA declined from TL 4.6 bn in 2012 to 4.4 bn in 2013 with an EBITDA margin of 45%. Excluding TL 70 mn exceptional personnel early retirement incentive program costs in fixed line business EBITDA margin would be 46% in 2013.

Depreciation and Amortization

Total depreciation and amortization charges at TL 1,780 mn are up by 5% from TL 1,697 mn recorded in 2012.

Operating Profit

Operating profit² registered at TL 3,207 mn as a result of lower EBITDA and higher depreciation and amortization expense in 2013.

Net Financial Income / (Expense)

Net financial expense³ of TL 1,500 mn was recorded in 2013 compared to the net financial expense of TL 33 mn recorded in 2012 mainly due to TL depreciation against USD and EUR.

Corporate Taxes

Corporate taxes at TL 439 mn was down by 43% YoY due to the decrease in profit before tax. Effective corporate tax rate in 2013 was 26%.

Net Income

Net income registered at TL 1,303 mn or TL 0.3723 per share due to unfavorable FX movements in 2013, compared to TL 2,637 mn net income or TL 0.7535 net income per share in 2012.

² Operating profit definition used in this press release 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 in 2013 year-end financial statements. Further explanations are available on notes 2.1 and 5 on financial statements.

³ Net financial income/(expense) definition used in this press release 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 in 2013 year-end financial statements. Further explanations are available on notes 2.1 and 5 on financial statements.

Operational Highlights

Turk Telekom Group Operational Highlights	2012	2013	YoY Change
Total Access Lines* (mn)	14.3	13.7	(4.2%)
Number of Fixed Voice Subscribers (mn)	13.6	12.5	(7.9%)
Fixed Voice ARPU (TL)	22.4	21.7	(3.3%)
Fixed Voice MoU (min)	104.4	102.4	(2.0%)
Broadband Connections (mn)	7.0	7.3	4.2%
Broadband ARPU (TL)	36.8	39.4	7.1%
Mobile Total Subscribers (mn)	13.5	14.5	7.7%
Mobile Prepaid Subscribers (mn)	7.5	8.0	6.0%
Mobile Postpaid Subscribers (mn)	6.0	6.5	9.9%
Mobile Prepaid ARPU (TL)	12.4	13.5	8.7%
Mobile Postpaid ARPU (TL)	32.0	32.1	0.4%
Mobile Blended ARPU (TL)	21.6	22.3	3.3%
Mobile MoU (min)	341.5	366.2	7.2%

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

Additional Information

Turk Telekom Group invested TL 2,205 mn in 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 December 31, 2013 was 34,441.

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 December 31, 2013; Turk Telekom Group companies have 13.7 mn Fixed Access Lines, 7.3 mn Broadband Connections and 14.5 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 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.

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