

TÜRK TELEKOM GROUP ANNOUNCES 2015 THIRD QUARTER FINANCIAL AND OPERATIONAL RESULTS



Robust Revenue and EBITDA - On Track for Full Year Guidance

Türk Telekom, Turkey's leading communications and convergence technologies group announced its 2015 third quarter financial and operational results. Group consolidated revenues grew 5.2% year on year and reached TL 3.7 bn in the third quarter. Excluding non-operational IFRIC-12 construction revenues, growth in Group revenues was realized at 7.3% year on year. Affected by one-time operational expenses¹, EBITDA² declined by 6.9% to TL 1.3 bn in the third quarter; however, excluding one-off items EBITDA remained steady with a robust EBITDA margin of 37%. Due to non-cash losses driven by TL depreciation against USD and EUR in the third quarter, Group realized a net loss of TL 493 mn.

2015 Third Quarter Highlights

- ❖ **Group revenues, adjusted for non-operational IFRIC-12 construction revenues, increased by 7.3% YoY - on track for full year guidance**
- ❖ **Consolidated EBITDA excluding one-off items remained steady YoY with a robust EBITDA margin of 37%. Reported EBITDA reached TL 3.9 mn for the first nine months, in line with the full year guidance**
- ❖ **Mobile business grew 14% YoY driven by continued subscriber growth and mobile data revenue increase**
- ❖ **Mobile subscribers reached 17 mn with a 50% postpaid ratio – the highest in the market**
- ❖ **Data revenues increased by 38% year on year supported by ongoing increase in smartphone penetration at 64% – the highest in the market**
- ❖ **Fixed broadband subscriber base grew by 94 thousand QoQ, out of which 88 thousand is fiber subscribers. Total fixed broadband subscribers reached 7.8 mn**
- ❖ **56 thousand net subscriber gains in TV business in the third quarter, driven by exclusive premium content (UEFA Champions League and Europa League) and improved access through the launch of satellite platform, complementing existing IPTV platform**

¹Explained under Operating Expenses Excluding Depreciation and Amortization (OPEX)

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 third quarter results:

Türk Telekom Group left behind an operationally robust quarter. Our topline growth year on year underlines that our efforts to diversify revenue streams together with our convergence approach as the only truly integrated telecom company of Turkey keeps us on the right track.

We work passionately to strengthen each component of our integrated offer. In addition to our leading fixed line products and services, we placed ourselves as the top contender for mobile business. Our investments over the past several years in fiber and mobile networks as well as significant improvement in our service level led to consistent decrease in our churn rates.

Third quarter marks an important milestone for our Group's sustained performance. In August, we successfully bid for new spectrums for mobile communications and acquired a very advantageous spectrum portfolio. In the new era after this auction, we are bound to lead the next generation mobile services backed by our strong leadership in fiber network and our spectrum position in the mobile field.

In TV business, we introduced significant initiatives to strengthen our integrated offer. We started broadcasting UEFA Champions League and Europa League games as an exclusive content. In addition, we launched a new satellite platform, which enhanced our coverage. Initial results of these initiatives are very positive both in subscriber net additions and ARPU increase.

Keeping our customers at the center of everything we do, we will continue improving our products and services and reinforce our leadership in our market.

Guidance

The Group decided to revise its 2015 CAPEX guidance (excluding spectrum licence fees) up to around TL 2.9 bn from around TL 2.3 bn, due to accelerated mobile network investments and the impact of currency depreciation on CAPEX.

Revenue and EBITDA guidance for 2015 maintained.

- Consolidated revenue growth (excluding IFRIC 12 construction revenues) of 5% to 7% over 2014
- Consolidated EBITDA of TL 5.1 billion to TL 5.2 billion

Financial Highlights

Türk Telekom Group TL in Millions	2014 Q3	2015 Q2	2015 Q3	QoQ Change (%)	YoY Change (%)
Revenue	3,512	3,526	3,696	4.8	5.2
Revenue (excluding IFRIC)	3,381	3,464	3,627	4.7	7.3
Net Operating Expenses Excluding Depreciation and Amortization	(2,150)	(2,206)	(2,427)	10.0	12.9
Operating Profit Before Depreciation and Amortization (EBITDA)	1,362	1,320	1,269	(3.9)	(6.9)
Depreciation and Amortization	(493)	(532)	(600)	12.7	21.7
Operating Profit	869	788	669	(15.1)	(23.1)
Net Financial Income/ (Expense)	(453)	(339)	(1,195)	252.5	163.8
Taxes	(106)	(125)	22	NM	NM
Net Profit Before Minority Interest	310	324	(504)	NM	NM
Net Profit After Minority Interest	319	335	(493)	NM	NM
Capital Expenditure	511	467	992	112.6	94.0

Revenues

Consolidated revenues increased by 5.2% YoY (up by TL 183 mn) to TL 3.7 bn in the third quarter, mainly due to 13.5% increase in mobile (up by TL 155 mn), 23.1% increase in corporate data (up by TL 66 mn) and 5.2% increase in broadband revenues (up by TL 48 mn). Excluding non-operational IFRIC-12 revenues, top line growth is 7.3% YoY.

Operating Expenses Excluding Depreciation and Amortization (OPEX)

Net operating expenses, which increased by 12.9% YoY (up by TL 277 mn) in the third quarter, were impacted negatively by one-off items.

The Group booked TL 93 mn one-off expense in the third quarter due to a more conservative approach in bad debt ratio assumption in mobile business (TL 45.5 mn impact), and provisions related to regulatory fees and fines (TL 47 mn impact). Excluding these one-off items, opex increased by 9.8% YoY.

Operating Profit before Depreciation and Amortization (EBITDA)

Consolidated EBITDA decreased by 6.9% YoY to TL 1.3 bn in the third quarter with an EBITDA margin of 34%, impacted from one-off items mentioned in opex part above. Excluding those one-off items (TL 93 mn), consolidated EBITDA was flat YoY with an EBITDA margin of 37%.

Fixed line EBITDA margin was 44% in the third quarter; however, excluding one-off items (TL 18 mn), fixed line EBITDA margin was 45%.

Mobile EBITDA margin was 11% in the third quarter; however, excluding one-off items (TL 75 mn), mobile EBITDA margin was 17%.

Depreciation and Amortization

Total depreciation and amortization expense was TL 600 mn in the third quarter with 21.7% YoY increase.

Operating Profit

Operating profit³ in the third quarter was TL 669 mn vs TL 869 mn in the same period of last year mainly due to one-off increases in opex and increase in depreciation.

Net Financial Income / Expense

Net financial expense⁴ in the third quarter was TL 1,195 mn vs TL 453 mn in the same period of last year. The increase was primarily driven by non-cash losses due to depreciation of Turkish Lira. Total net FX and derivative expense in the third quarter was TL 1,106 mn vs TL 418 mn in the same period of last year.

Corporate Taxes

TL 22 mn positive corporate tax was recorded in the third quarter.

Net Income

The Group recorded TL 493 mn net loss in the third quarter mainly due to the depreciation of Turkish lira against US dollar and Euro.

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.

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.

Operational Highlights

Türk Telekom Group Operational Highlights	2014 Q3	2015 Q2	2015 Q3	QoQ Change (%)	YoY Change (%)
Total Access Lines* (mn)	13.3	12.9	12.9	(0.5)	(3.1)
<i>Fixed Voice Subscribers (mn)</i>	<i>11.7</i>	<i>10.8</i>	<i>10.6</i>	<i>(2.3)</i>	<i>(9.4)</i>
<i>Naked Broadband Subscribers (mn)</i>	<i>1.6</i>	<i>2.1</i>	<i>2.3</i>	<i>8.7</i>	<i>42.7</i>
Fixed Voice ARPU (TL)	21.3	20.8	21.0	0.5	(1.8)
Fixed Voice MoU (min)	89.8	84.2	79.5	(5.6)	(11.4)
Total Broadband Subscribers (mn)	7.5	7.7	7.8	1.2	3.8
Total Fiber Subscribers ('000)	1.023	1.252	1.340	7.1	31.0
<i>FTTC Subscribers ('000)</i>	<i>308</i>	<i>523</i>	<i>600</i>	<i>14.8</i>	<i>94.8</i>
<i>FTTH/B Subscribers ('000)</i>	<i>715</i>	<i>729</i>	<i>740</i>	<i>1.5</i>	<i>3.6</i>
Broadband ARPU (TL)	41.4	41.5	41.7	0.4	0.6
Total Tivibu Subscribers (mn)**	1.8	1.7	1.8	7.3	(1.2)
<i>Tivibu Home (IPTV + DTH) Subscribers('000)</i>	<i>289</i>	<i>291</i>	<i>347</i>	<i>19.4</i>	<i>19.9</i>
Mobile Total Subscribers (mn)	16.2	16.7	17.0	1.4	4.6
<i>Mobile Postpaid Subscribers (mn)</i>	<i>7.6</i>	<i>8.3</i>	<i>8.5</i>	<i>2.0</i>	<i>12.2</i>
<i>Mobile Prepaid Subscribers (mn)</i>	<i>8.7</i>	<i>8.4</i>	<i>8.5</i>	<i>0.8</i>	<i>(2.0)</i>
Mobile Blended ARPU (TL)	22.9	23.0	24.6	7.1	7.6
<i>Mobile Postpaid ARPU (TL)</i>	<i>30.8</i>	<i>30.6</i>	<i>31.9</i>	<i>4.1</i>	<i>3.4</i>
<i>Mobile Prepaid ARPU (TL)</i>	<i>14.7</i>	<i>14.9</i>	<i>15.8</i>	<i>5.9</i>	<i>7.4</i>
Mobile MoU (min)	416.5	442.4	442.0	(0.1)	6.1

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

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

Additional Information

Türk Telekom Group invested TL 992 mn in the third quarter of 2015 with primary focus on improvement in the quality of the services and products provided to customers.

Türk Telekom Group's total headcount at September 30, 2015 was 34,204.

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 September 30, 2015; Türk Telekom Group companies have 12.9 mn Fixed Access Lines, 7.8 mn Broadband Connections and 17 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. Türk Telekom owns 100% of one of the three GSM operators in Turkey - Avea, broadband provider TTNET, convergence technologies company Argela, IT solutions provider Innova, online education company Sebit A.Ş., call center company AssisTT and wholesale data and capacity service provider company Türk Telekom International and its subsidiaries. Türk 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.

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