Türk Telekom Group

Q2 Results 2014

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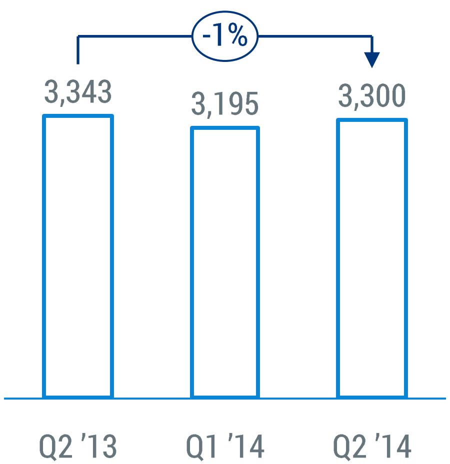
Note: EBITDA is a non-GAAP financial measure. In this presentation, EBITDA represents revenue less cost of sales and other operating expenses plus other operating income/(expense) plus income/(expense) from investing activities but excluding financial income/(expense) presented in other operating income/(expense)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

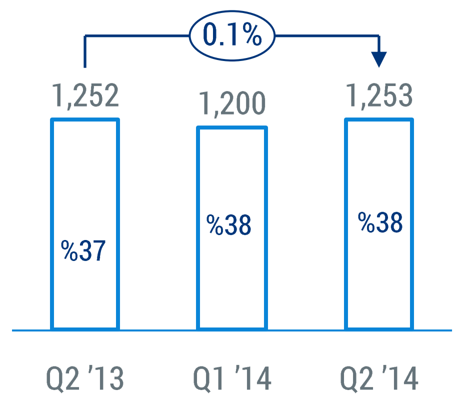
- Consolidated revenues down 1% YoY due to the MTR cut effect and the decline in non-operational IFRIC 12 revenues. Excluding these two effects, revenues grew 4.5%
- Another strong quarter of mobile net additions with 493K, 5% YoY revenue growth in mobile (14% excluding the MTR cut effect)
- 7% YoY growth in broadband revenues
- Low margin "IFRIC 12 - construction revenues" declined 71% YoY leading to an improvement in consolidated EBITDA margin to 38%
- Net income increased 186% YoY with the effect of favorable FX environment
- Highly successful debut bond issuance of USD 1 billion enables increased average maturity and reduced cost of funding

Consolidated Financials

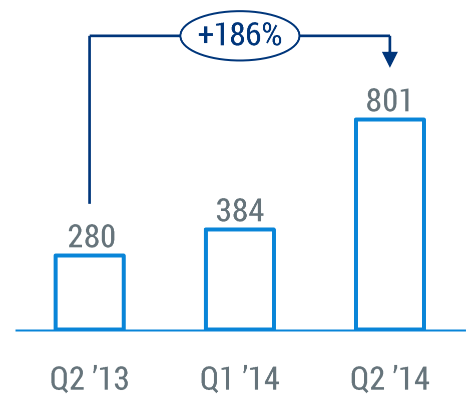
Revenue (TL mn)



EBITDA (TL mn) & Margin



Net Income (TL mn)



Sustained EBITDA, improved margin, strong net income…

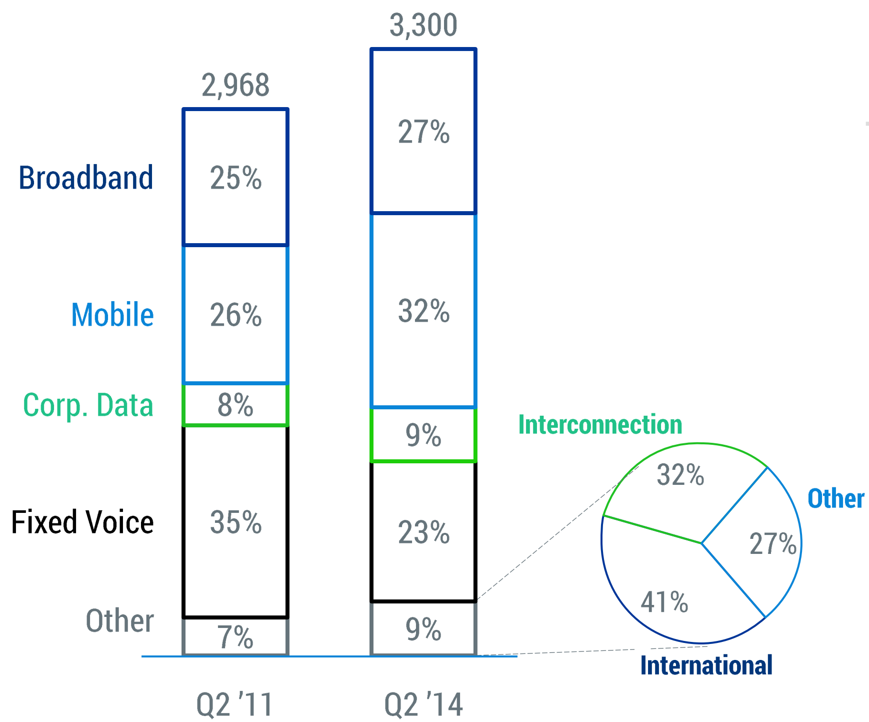
- Slight decline in revenue mainly due to the effect of MTR cut and non-operational IFRIC-12 revenues
- Excluding the MTR cut effect and IFRIC-12, revenue is up 4.5%
- Flat EBITDA, while EBITDA margin improves 1 pp to 38%
- Net income up 186% YoY mainly due to strong FX environment

Diversified Revenue Base

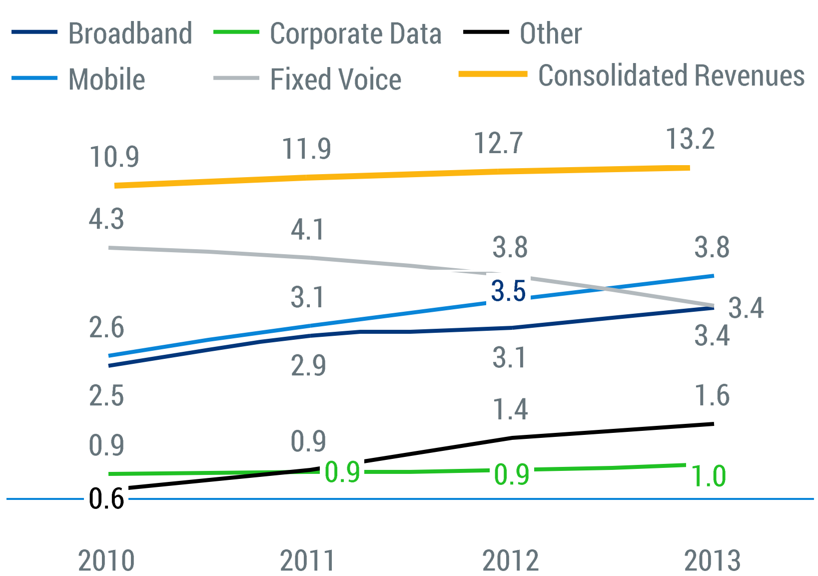
68% of revenues from high growth areas

- Broadband and mobile grew at double digit rates on average in the last five years
- Strong growth in corporate data revenues with CAGR of 6% between 2010 and 2013 and double digit growth in 2013
- Fixed voice became third largest revenue source in 2013 and revenues are being replaced by similarly profitable businesses in fixed line

Revenue Breakdown (%)



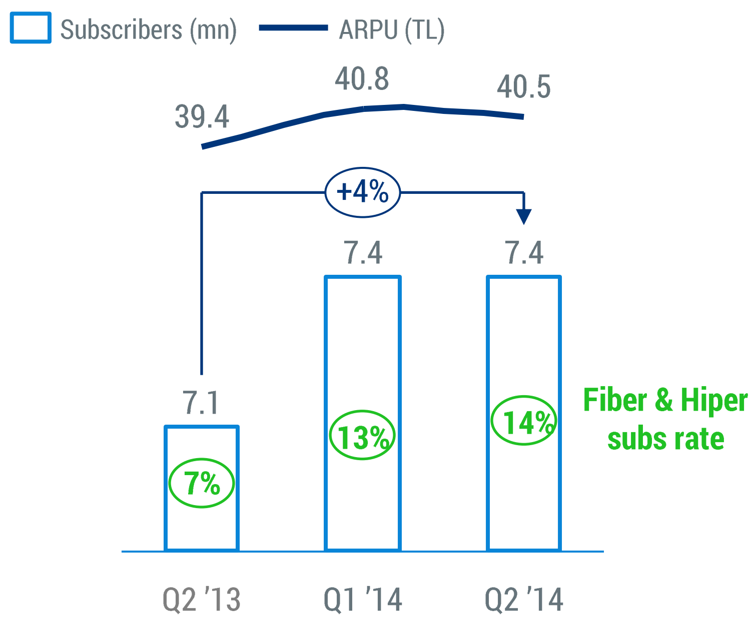
Consolidated Revenues (TL bn.)



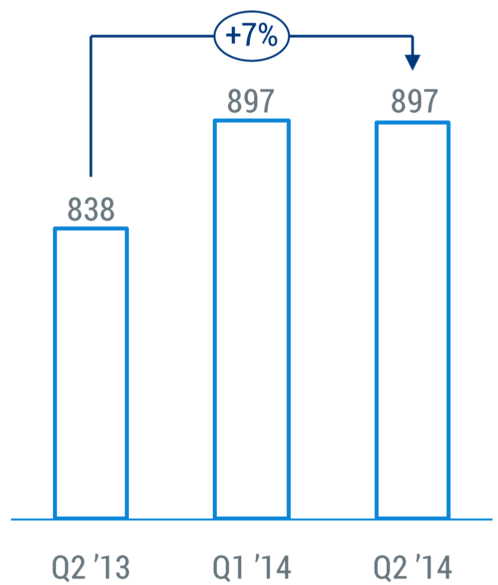
High Speed Broadband
Topline growth continues

- 18K net additions in Q2 '14
- 7% YoY revenue growth backed by ARPU and subscriber increase
- 3% YoY ARPU growth in Q2 '14

Broadband ARPU and Subscribers



Broadband Revenue (TL mn)



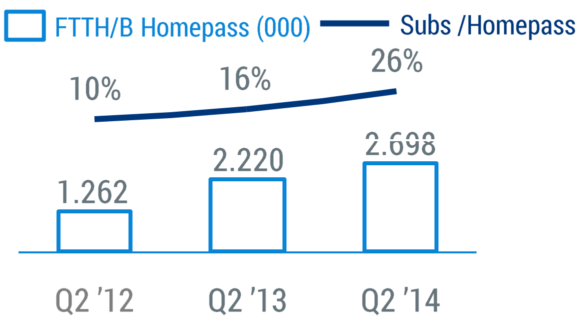
High Speed Broadband
Leader in fiber connectivity & IPTV

- Largest fiber infrastructure, increasing hit ratio
- Strong demand for higher speed connections. 24% of subscribers are in 16MBPS and higher speeds compared to 10% a year ago
- Tivibu Home (IPTV) and Tivibu Web subscribers increased 42% and 44% year on year respectively

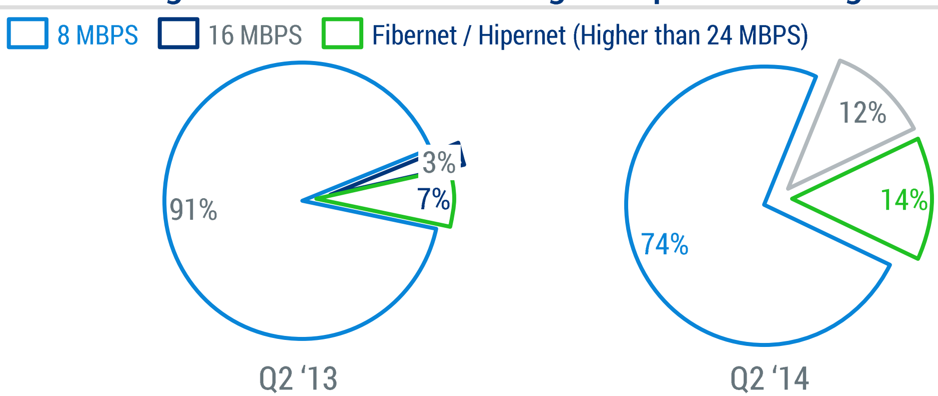
Turk Telekom Fiber Network

Alternative Operator

Increasing Hit Ratio

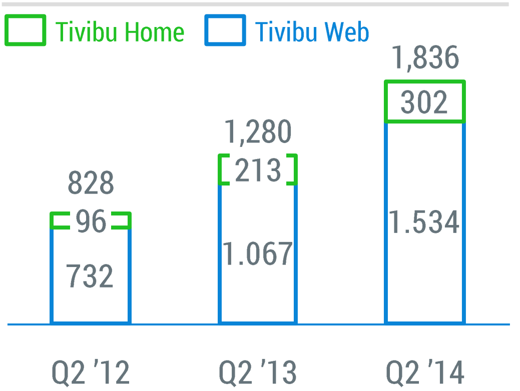


Increasing Subscriber Base in Higher Speed Packages



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

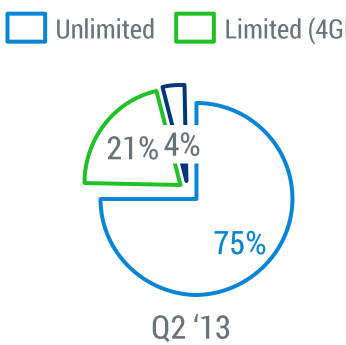
Tivibu Subscribers (thousand)

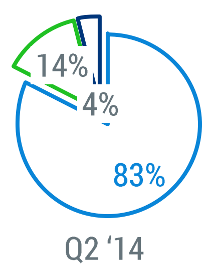


Broadband Upsell

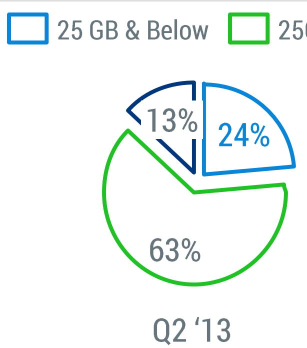
Strong appetite for capacity

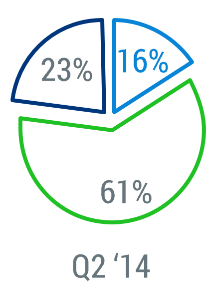
Capacity, % of Subscribers





Fair Usage, % of Subscribers

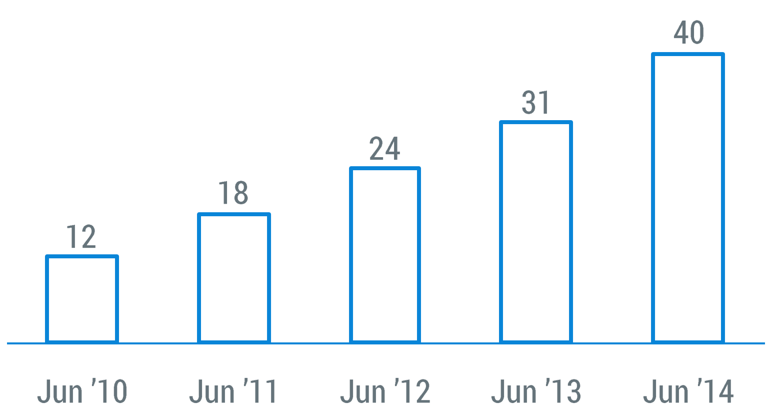




Demand for unlimited capacity and higher fair usage level increases

- 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

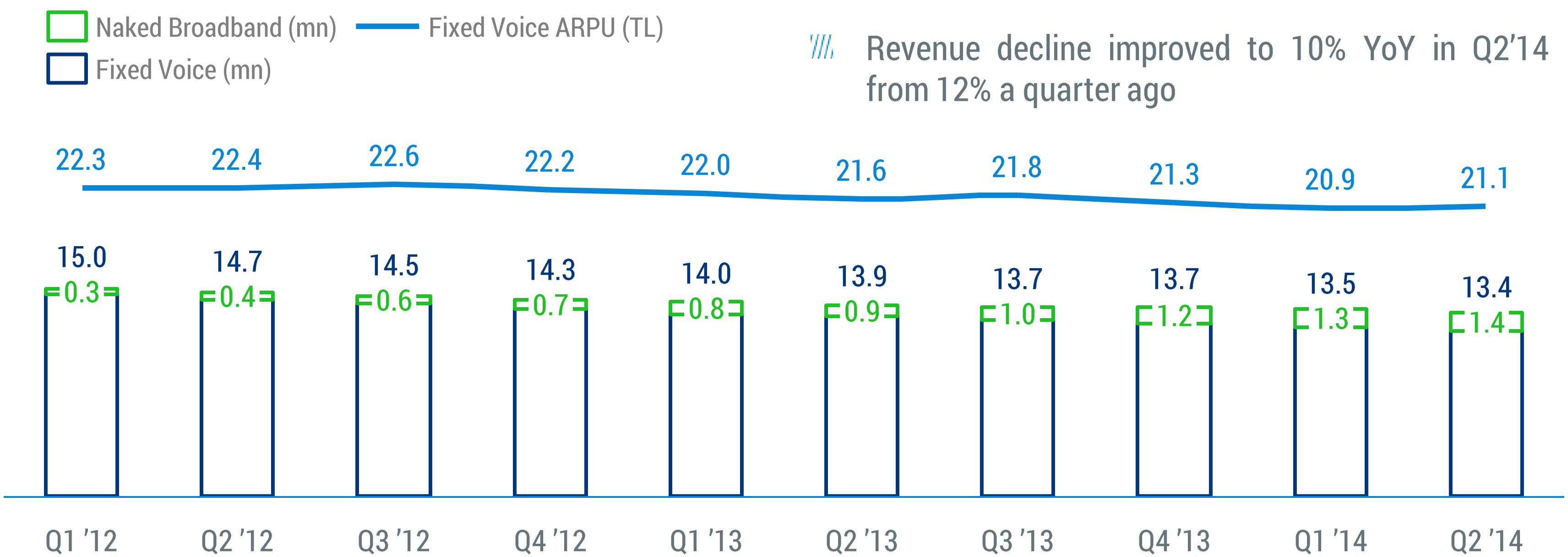


Fixed Voice
Slow down in revenue decline

Efforts to stabilize the decline in fixed voice revenues

- Continued 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
- Revenue decline improved to 10% YoY in Q2'14 from 12% a quarter ago

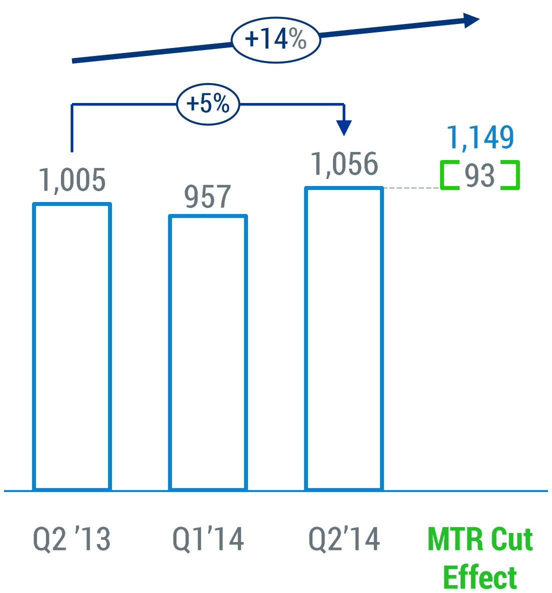
Access Lines & ARPU



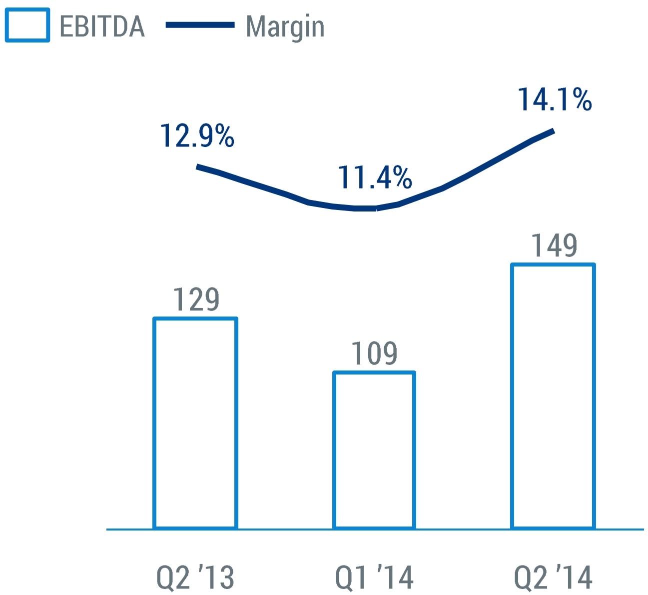
Mobile
Growing revenues driven by strong net subscriber gain

- Double digit revenue growth excluding MTR cut effective as of July 1st, 2013
- EBITDA increased 15% YoY
- EBITDA margin improvement amid strong subscriber gain and intense competition

Revenue (TL mn)



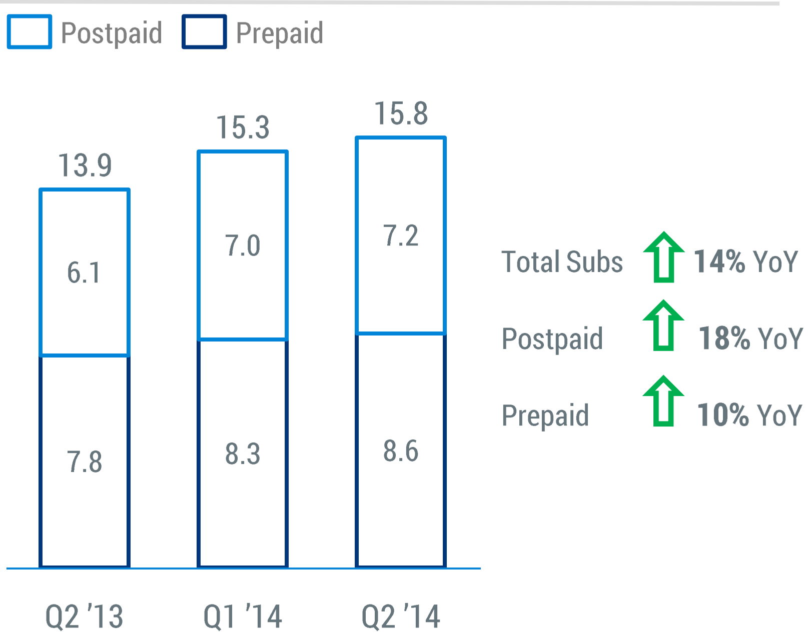
EBITDA (TL mn) & Margin



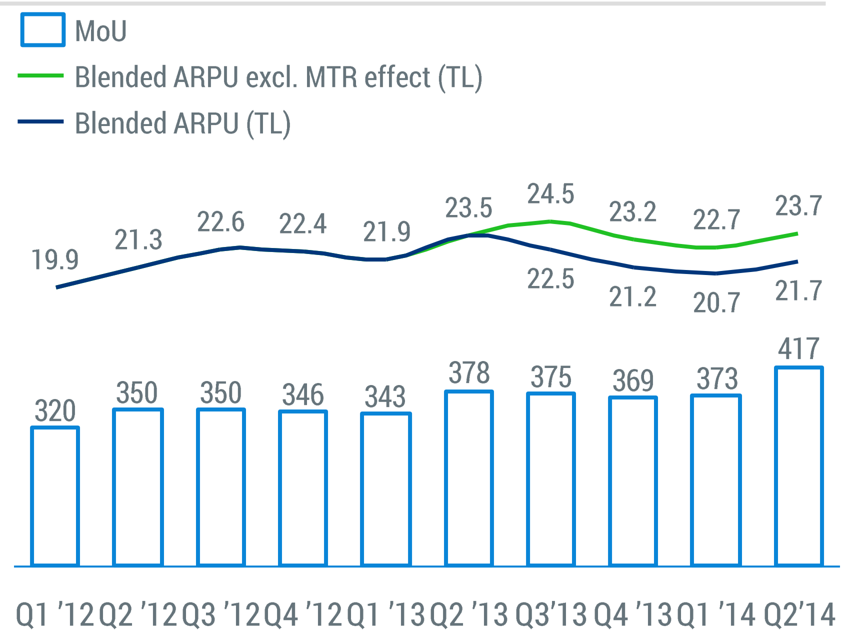
Mobile
Continued strong subscriber performance

- 493K net additions in the quarter with a healthy balance of postpaid and prepaid subscribers
- Postpaid ratio, highest in the market as of Q1 ‘14, increased to 46% from 44% a year ago
- ARPU increased 5% QoQ despite intense competition

Subscribers (mn)



MoU and ARPU

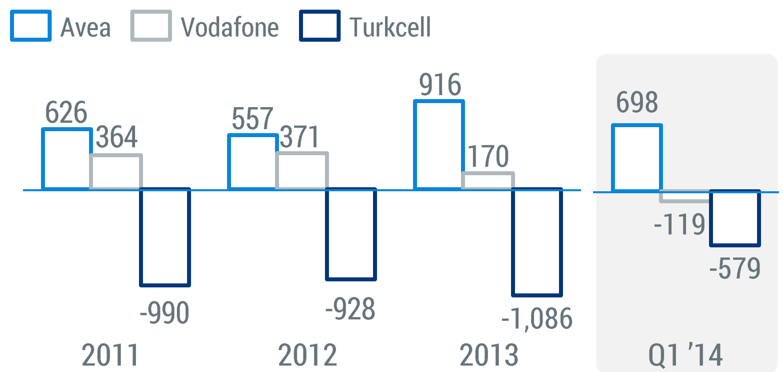


Subscriber Growth

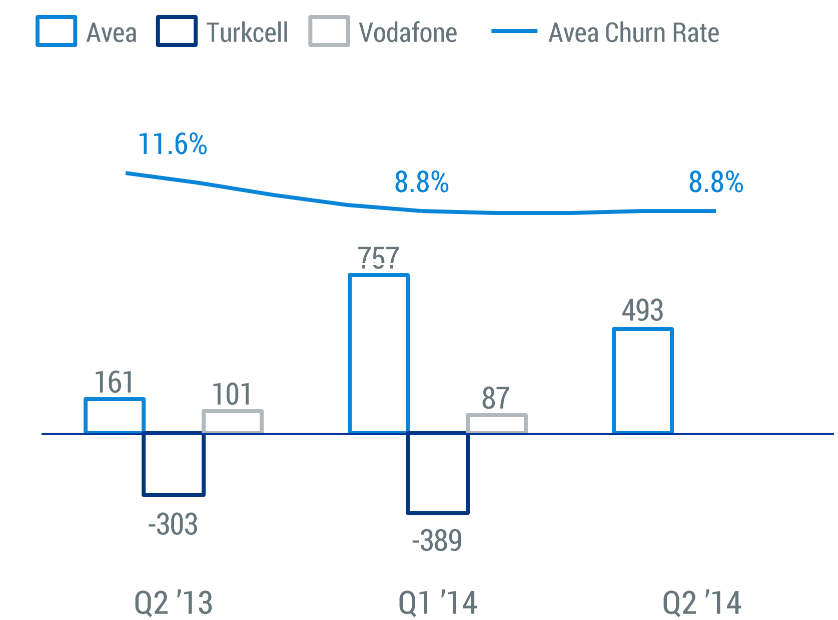
Avea – Most Preferred Operator

- 493K net additions in Q2 '14, of which 384K came through mobile number portability (MNP)
- First half of 2014 net additions reached 1.25 mn, higher than 2013 full year number
- Improved YoY churn rate reflecting enhanced quality, brand image and customer service

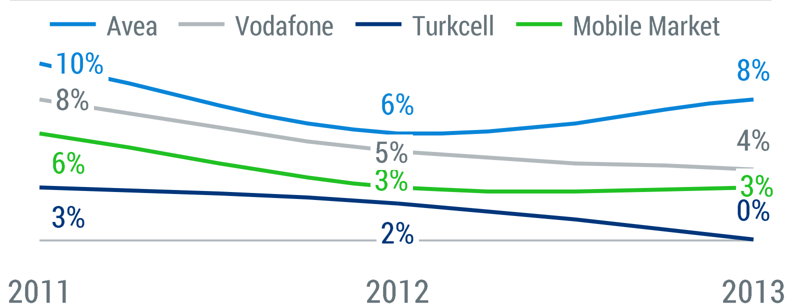
MNP Subscriber Additions (thousand)



Net Additions (thousand) & Churn Rate



Subscriber Growth Rates



Source: ICTA & Company Data

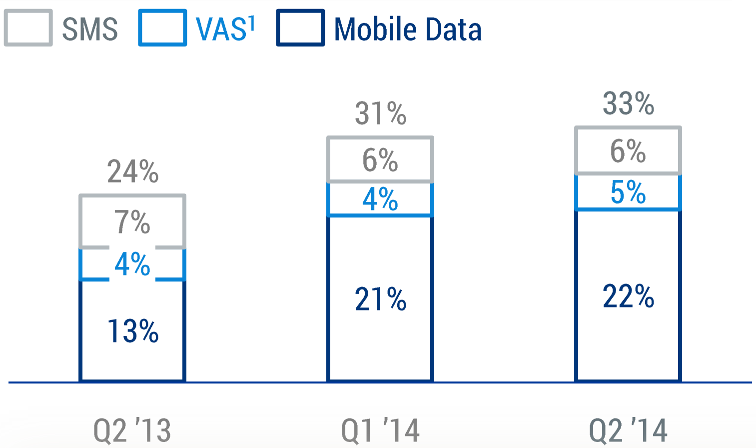
Mobile Data

Strong driver of service revenues

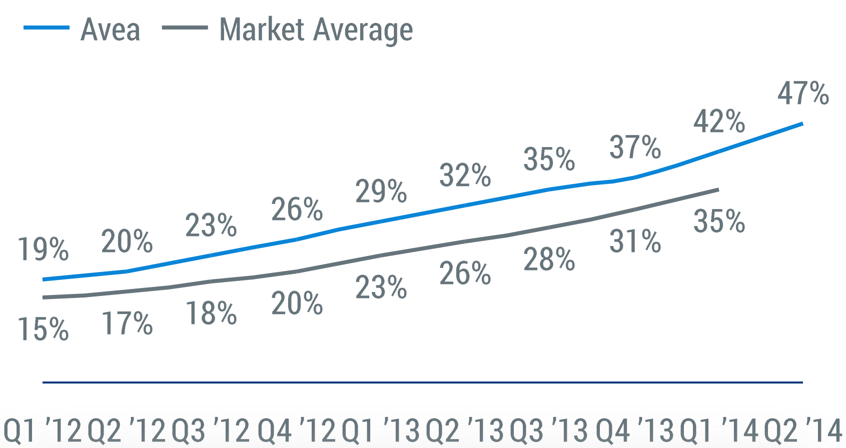
Data revenue resumed its fast growth

- 76% YoY and 14% QoQ increase in mobile data revenues
- Strong leadership in smartphone penetration

Mobile Data, SMS & VAS Shares in Service Revenues



Smartphone Penetration



(1) VAS: Value Added Services

Consolidated
Summary Income Statement

TL Millions	2013 Q2	2014 Q1	2014 Q2	QoQ % Change	YoY % Change
Revenues	3,343	3,195	3,300	3%	-1%
EBITDA	1,252	1,200	1,253	4%	0%
Margin	37%	38%	38%		
Operating Profit	811	723	783	8%	-3%
Margin	24%	23%	24%		
Financial Income/(Expense)	(445)	(246)	246	n.m	n.m.
FX & Hedging Gain/(Loss)	(411)	(187)	304	n.m	n.m.
Interest Income/(Expense)	(13)	(38)	(24)	37%	-83%
Other Financial Income/(Expense)	(21)	(20)	(35)	-70%	-65%
Tax Expense	(96)	(107)	(237)	-121%	-147%
Net Income	280	384	801	109%	186%
Margin	8%	12%	24%		

Note: USD/TRY: 2.1234; EUR/TRY:2.8919 was used in calculating financial income/expense

Consolidated
Summary Balance Sheet

TL Millions	30.06.2013	31.03. 2014	30.06.2014
Total Assets	**17,571**	**18,750**	**18,810**
Intangible Assets[1]	4,096	4,468	4,434
Tangible Assets[2]	8,178	8,207	8,042
Other Assets[3]	4,324	4,557	4,494
Cash and Equivalents	973	1,518	1,839
Total Equity and Liabilities	**17,571**	**18,750**	**18,810**
Share Capital	3,260	3,260	3,260
Reserves and Retained Earnings	1,599	2,408	2,206
Interest Bearing Liabilities[4]	8,390	8,658	9,110
Provisions for Employee Termination Benefits	607	606	654
Other Liabilities[5]	3,715	3,817	3,579

(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) 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

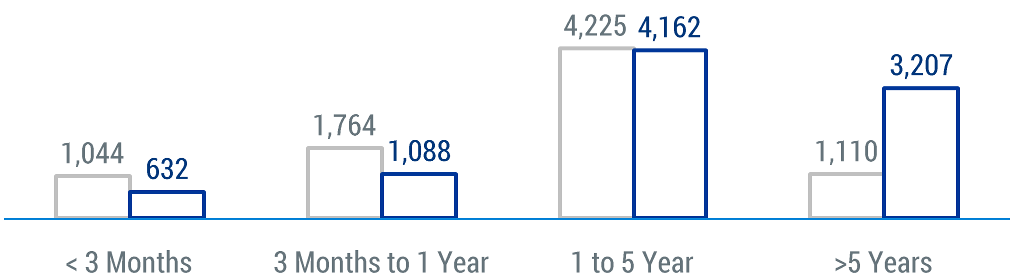
TL Millions	2013 Q2	2014 Q1	2014 Q2	QoQ % Change	YoY % Change
Cash Flow from Operating Activities	1,103	562	832	48%	-25%
Cash Flow from Investing Activities	(427)	(117)	(279)	-139%	35%
CAPEX	(479)	(256)	(322)	-26%	33%
Other Investing Activities	53	139	43	-69%	-18%
Cash Flow from Financing Activities[1]	(1,020)	51	(216)	n.m.	79%
Net Change in Cash Position[2]	(344)	496	337	-32%	n.m.

(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

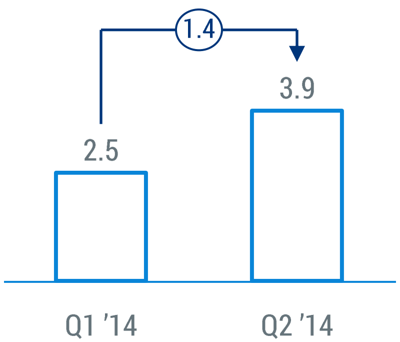
Consolidated Debt Profile (TL mn)

2014 Q2 (w/o Bond)	2014 Q2 (after Bond)
Total Debt: TL 8.1bn	Total Debt: TL 9.1bn
Net Debt : TL 7.3 bn	Net Debt : TL 7.3 bn
Avg. Maturity: 2.5 yrs	Avg. Maturity: 3.9 yrs



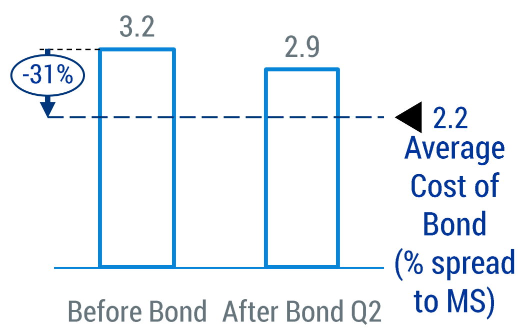
Key Figures	Q2 '13	Q2 '14
Net Debt / EBITDA	1.5	1.4
Net Debt / Assets	0.4	0.4
Debt (Total Liabilities) / Equity	2.6	2.4
Debt (Financial) / Equity	1.7	1.7
Current Ratio	0.9	1.3

Average Maturity of Debt (years)



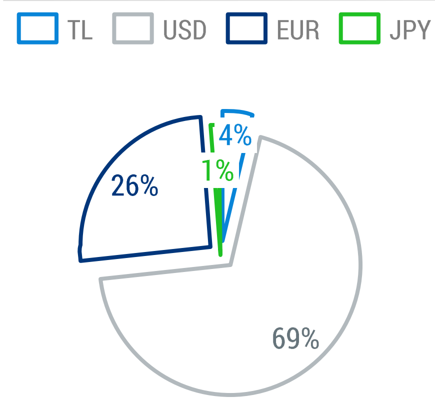
- Extended the average maturity of funding to 3.9 years

Cost of Debt (% spread to LIBOR)



- Reduced the cost of borrowing by 1% for USD 1 billion

Currency Breakdown



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