

TÜRK TELEKOM GROUP ANNOUNCES 2015 SECOND QUARTER FINANCIAL AND OPERATIONAL RESULTS



CONTINUED REVENUE AND EBITDA GROWTH

Türk Telekom, Turkey's leading communications and convergence technologies group announced its 2015 second quarter financial and operational results. Group revenues grew by 7% year on year driven by strong performance in both mobile and fixed line businesses. Growth in consolidated EBITDA¹ was 5% year on year with a robust EBITDA margin of 37%. Net income improved on a quarterly basis to TL 335 million with moderate FX movements compared to the previous quarter.

The Group's overall financial performance was in line with the full year guidance with 6% year on year growth in revenues, adjusted for non-operational IFRIC revenues, 8% year on year growth in EBITDA and 780 mn TL capex in the first half of the year.

2015 Second Quarter Highlights

- ❖ **Group revenues increased by 7% YoY driven by mobile, fixed broadband and corporate data revenues**
- ❖ **Consolidated EBITDA grew by 5% YoY with a robust EBITDA margin of 37%**
- ❖ **Net income, realized at TL 335 mn, was impacted by depreciation in TL**
- ❖ **Mobile business maintained its high growth with 15% YoY growth rate backed by strong performance in annual net subscriber gain and postpaidization as well as growth in data revenue**
- ❖ **YoY increase in mobile EBITDA was 45%, while EBITDA margin improved 4 pp compared to previous year to 18%**
- ❖ **Total number of mobile subscribers reached 16.7 mn with 99K net addition in Q2. Postpaid subscriber number increased by 200K, resulting in 50% postpaid ratio**
- ❖ **Another strong quarter for mobile data with 48% YoY revenue growth and for smartphone penetration reaching 62% in Q2 from 47% a year ago**
- ❖ **Fixed line revenues grew by 3% YoY mainly driven by corporate data and broadband businesses**
- ❖ **Total broadband subscribers reached 7.7 million, out of which, more than 1.25 mn is fiber based subscribers**

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.

Türk Telekom CEO Rami Aslan's comments on 2015 second quarter results:

I am pleased to report that we have continued to deliver strong growth and profitability of our business in the second quarter of the year. We recorded 6.2% consolidated revenue growth adjusted for non-operational IFRIC revenues, which is in line with the top line growth guidance we provided with the markets. We maintained the strength of our profitability measured by EBITDA margin with a consolidated margin of 37.4%. We have continued to invest in our business in line with our growth prospects and diversification objectives.

In the second quarter of the year, high growth part of our revenues constituted 72% of the total revenues. They were driven by mobile, broadband, and corporate data businesses. Our mobile business continued its expansion with 15% year on year revenue growth, while its consistent improvement in profitability proceeded this quarter with a 45% increase in EBITDA year on year, reaching 18% EBITDA margin for Q2. This is a 4 percentage point improvement compared to the same period of last year.

Main driver of growth in mobile revenues continued to be mobile data. Our mobile data revenues increased 48% year on year on the back of our highest-in-the-market smart phone penetration, reaching 62% this quarter, and best-in-class data offers. In addition, our device selection offers our customers the best variety of high quality and affordable devices with which they can enjoy our fast and reliable network. Another factor that supported our high mobile revenue growth was the increasing ratio of postpaid subscribers in our mobile business. As of the second quarter, 50% of our subscribers are postpaid, setting the stage for us to become the first and only postpaid majority mobile operator in Turkey.

Our broadband business grew 6% year on year in the second quarter despite a relatively low season for broadband. We had 68 thousand net additions in the second quarter and a 2.5% ARPU growth year on year, both of which supported the top line increase. Our fiber based customers reached 1.25 million while our footprint in fiber continued to expand, reaching homepass figures of 3.1 million in fiber to the home and building and 8.2 million in fiber to the cabinet.

We had another successful quarter in our corporate data revenues, which grew 23% year on year in Q2. Our unique position in corporate data stems from our ability to deliver integrated telecom solutions in both fixed line and mobile segments. In addition to tailored solutions for different sized businesses in Turkey, our position in corporate segment is further strengthened by innovative initiatives such as Smart City and E-Health services.

On TV, we initiated our first sports packages in Q2 post the acquisition of UEFA content. Subscribers will be able to watch UEFA Champions League and UEFA Europa League matches live through Tivibu Home in addition to our online platform Tivibu Go. Through our satellite platform, which went live in Q2, we cover the whole country with our TV service, which will feature the exciting games in the European cups coming up in August.

While the integration of our businesses is continuing with full speed, it is encouraging to see that each part of our group businesses delivers strong results and demonstrates the potential behind incremental value generation through convergence. I would like to thank all of our stake holders for making this possible for our company.

Financial Highlights

Türk Telekom Group	2014	2015	2015	QoQ	YoY
TL in Millions	Q2	Q1	Q2	Change (%)	Change (%)
Revenue	3,300	3,434	3,526	2.7	6.9
Revenue (excluding IFRIC)	3,261	3,395	3,464	2.0	6.2
Net Operating Expenses excluding Depreciation and Amortization	(2,047)	(2,105)	(2,206)	4.8	7.8
Operating Profit before Depreciation and Amortization (EBITDA)	1,253	1,329	1,320	(0.7)	5.4
Depreciation and Amortization	(470)	(524)	(532)	1.6	13.4
Operating Profit	783	805	788	(2.2)	0.6
Net Financial Income/ (Expense)	246	(737)	(339)	(54.0)	NM
Taxes	(237)	(63)	(125)	98.6	(47.2)
Net Profit Before Minority Interest	792	5	324	NM	(59.1)
Net Profit After Minority Interest	801	27	335	NM	(58.1)
Capital Expenditure	298	313	467	48.9	56.9

Revenues

Consolidated revenues increased by 6.9% YoY (up by TL 226 mn) to TL 3.5 bn in the second quarter, mainly due to 15.5% increase in mobile (up by TL 164 mn), 23.2% increase in corporate data (up by TL 66 mn) and 6% increase in broadband revenues (up by TL 54 mn). Excluding non-operational IFRIC-12 revenues, top line growth is 6.2% YoY.

Operating Expenses Excluding Depreciation and Amortization

In Q2'15, net operating expense increased by 7.8% YoY (up by TL 159 mn) driven by the increase in tax expense (up by TL 45 mn) and domestic interconnection (up by TL 23 mn).

Operating Profit before Depreciation and Amortization (EBITDA)

Consolidated operating profit before depreciation and amortization grew by 5.4% YoY to TL 1.3 bn in the second quarter with an EBITDA margin of 37%. In fixed line business, EBITDA remained flat YoY with a strong EBITDA margin of 46%. In mobile business, growth in EBITDA was 45.2% YoY and EBITDA margin increased to 18%, improving 4 pp compared to last year.

Depreciation and Amortization

Total depreciation and amortization expense was TL 532 million in the second quarter with 13.4% YoY increase.

Operating Profit

Operating profit² remained almost flat (0.6% YoY growth) at TL 788 mn in the second quarter of 2015.

Net Financial Income / Expense

Net financial expense³ affected by Turkish Lira's depreciation against US dollar and Euro increased to TL 339 mn in the second quarter of 2015 compared to same period of 2014, while it decreased by 54.0% QoQ mainly due to relatively moderate FX movements compared to the first quarter of 2015.

Corporate Taxes

Corporate taxes, realized at TL 125 mn in the second quarter, were down by 47.2% YoY due to negative impact of YoY increase in net financial expense on income before tax.

Net Income

Net income affected by Turkish Lira's depreciation against US dollar and Euro decreased YoY in the second quarter of 2015. However, it increased strongly QoQ and registered at TL 335 mn.

²Operating 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. .

³Net 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	2014 Q2	2015 Q1	2015 Q2	QoQ	YoY
Operational Highlights				Change (%)	Change (%)
Total Access Lines* (mn)	13.4	13.0	12.9	(0.8)	(3.3)
Fixed Voice Subscribers (mn)	11.9	11.1	10.8	(2.3)	(9.3)
Naked Broadband Subscribers (mn)	1.4	2.0	2.1	7.5	47.4
Fixed Voice ARPU (TL)	21.1	20.9	20.8	(0.1)	(1.0)
Fixed Voice MoU (min)	96.6	86.2	84.2	(2.3)	(12.9)
Total Broadband Connections (mn)	7.4	7.6	7.7	0.9	3.8
Fiber Subscribers ('000)	693	727	729	0.3	5.2
VDSL Subscribers ('000)	234	462	523	13.1	123
Broadband ARPU (TL)	40.5	41.8	41.5	(0.8)	2.5

Total Tivibu Subscribers (mn)**	1.9	1.7	1.7	(2.1)	(12.5)
Tivibu Home (IPTV) Subscribers('000)	302	281	291	3.3	(3.8)
Mobile Total Subscribers (mn)	15.8	16.6	16.7	0.6	6.1
Mobile Postpaid Subscribers (mn)	7.2	8.1	8.3	2.5	15.6
Mobile Prepaid Subscribers (mn)	8.6	8.5	8.4	(1.2)	(2.0)
Mobile Blended ARPU (TL)	21.7	22.1	23.0	3.9	5.9
Mobile Postpaid ARPU (TL)	30.1	30.3	30.6	1.1	1.6
Mobile Prepaid ARPU (TL)	13.7	14.0	14.9	6.7	8.6
Mobile MoU (min)	417	413	442	7.0	6.1

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

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

Additional Information

Türk Telekom Group invested TL 467 mn in the second quarter of 2015 with primary focus on continuing to improve the quality of the services and products provided to customers.

Türk Telekom Group's total headcount at June 30, 2015 was 33,389.

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 June 30, 2015, Türk Telekom Group companies have 12.9 mn Fixed Access Lines, 7.7 mn Broadband Connections and 16.7 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 mobile operators in Turkey, Türk 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 Türk Telekom International AT AG and its subsidiaries. Türk 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.

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