

TÜRK TELEKOM GROUP

**Q3 Results**

2015

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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.

## Key Operational Highlights

- 239 thousand mobile net subscriber additions driven by 169 thousand postpaid
  - Highest postpaid ratio (50%) in the market
  - Smartphone penetration reaches 64% - highest in the market
- 94 thousand net subscriber additions in broadband
  - 88K fibernet (FTTH/B) and hipernet (FTTC) net additions
- 56 thousand net subscriber additions in TV

## Financial Highlights

- Adjusted revenues\* up 7.3% YoY, reaching TL 3.63 billion
  - Mobile revenues up 14% YoY; broadband revenues up 5% YoY; corporate data revenues up 23% YoY
- EBITDA declined 7% YoY; excluding one-off items\*\* EBITDA is flat
  - EBITDA margin is 36.8% excluding one-off items\*\*
- Net income affected negatively due to depreciation of TL against USD and EUR
- CAPEX of TL 992 million

\*Reported revenues excluding IFRIC-12 revenues

\*\*Please see slide 6

# Consolidated Financials

TÜRK TELEKOM GROUP

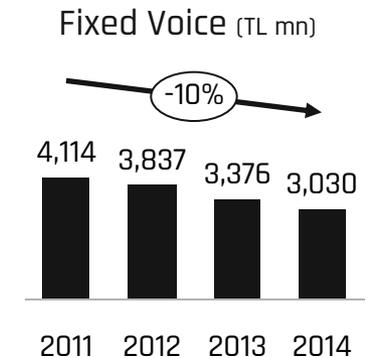
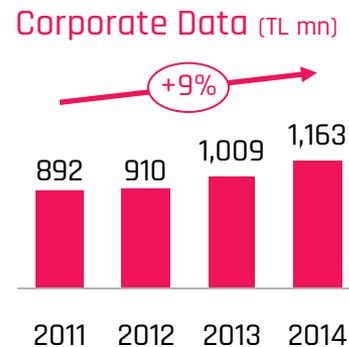
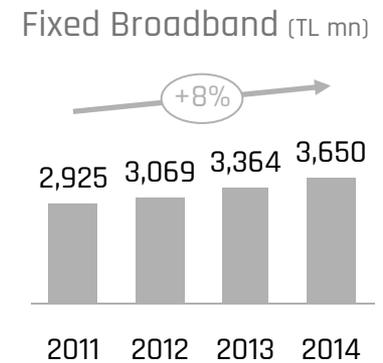
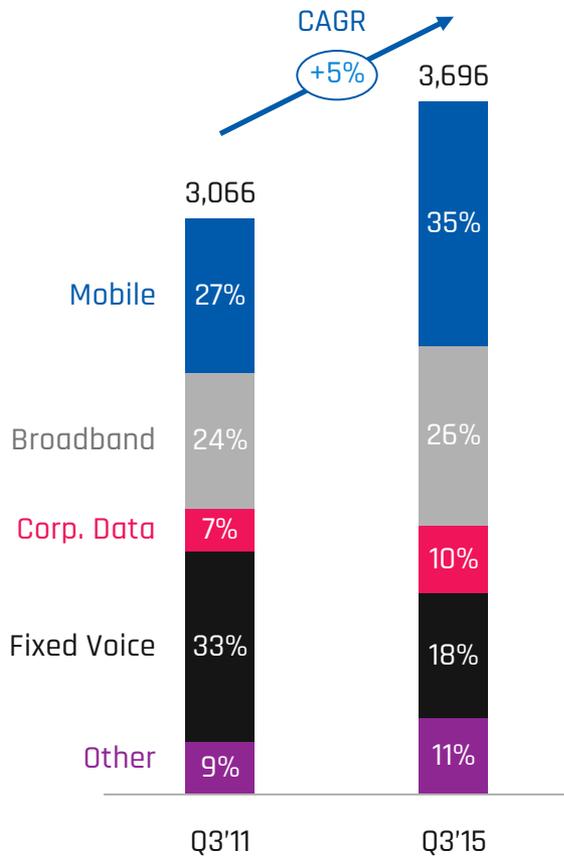
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TL mn	Q3'14	Q2'15	Q3'15	Growth (QoQ)	Growth (YoY)	
Revenue	3,512	3,526	3,696	4.8%	5.2%	
<i>Revenue (exc. IFRIC-12)</i>	3,381	3,464	3,627	4.7%	7.3%	
EBITDA	1,362	1,320	1,269	-3.9%	-6.9%	
EBITDA (exc. one-off items)			1,361	3.1%	-0.1%	One off items: Bad debt calculation changes, provision for regulatory fees & fines
<i>EBITDA Margin</i>	<i>38.8%</i>	<i>37.4%</i>	<i>34.3%</i>			
<i>EBITDA Margin (exc. one-off items)</i>			<i>36.8%</i>			
Net Income	319	335	-493	n.m.	n.m.	
CAPEX	511	467	992	112.6%	94.0%	

# Diversified Revenue Base

72% of Revenues from High Growth Areas

## Revenue Breakdown (TL mn)



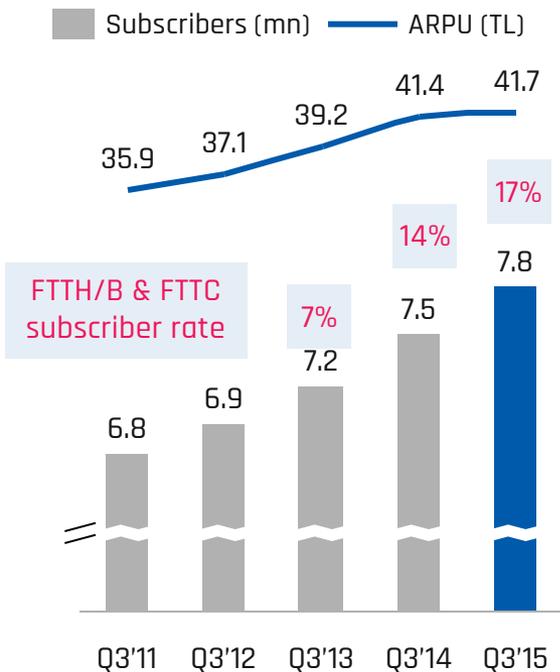
Note: Growth rates are shown as CAGRs

# Fixed Broadband

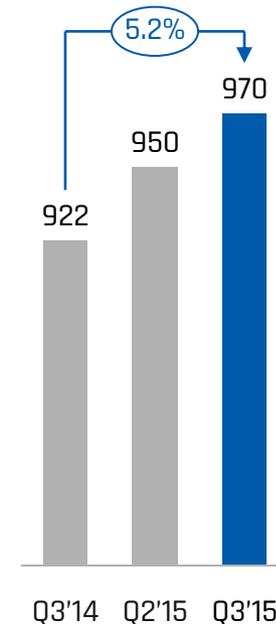
## Continued Revenue Growth

- 5.2% YoY revenue growth driven by subscriber increase
- 94K net subscriber additions in Q3 '15
- 88K FTTH/B & FTTC net subscriber additions

### Broadband ARPU and Subscribers



### Broadband Revenue (TL mn)

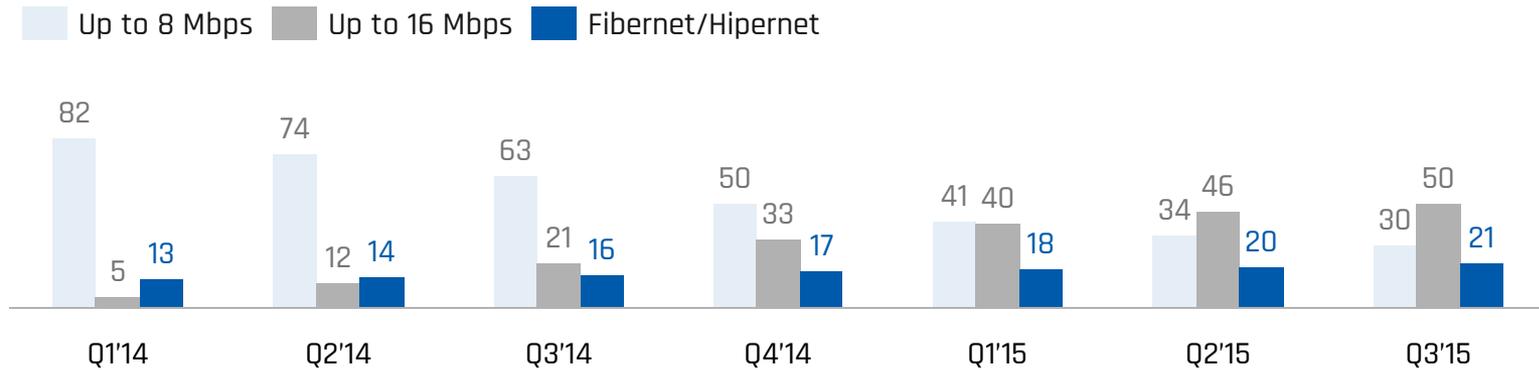


Note: FTTH/B: Fiber to the home and building. FTTC: Fiber to the curb

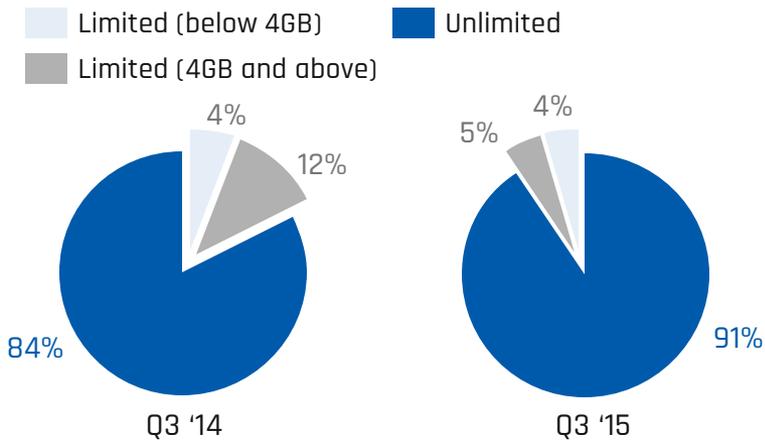
# Fixed Broadband Upsell

## Speed & Capacity

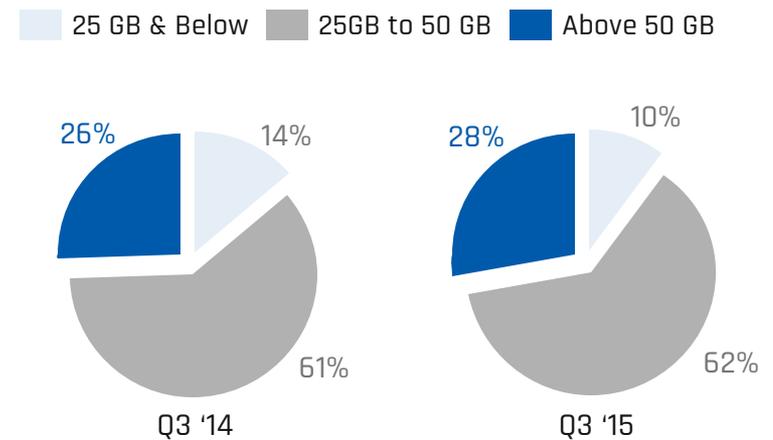
### Increasing Subscriber Base in Higher Speed Packages, % of Subscribers



### Capacity, % of Subscribers



### Fair Usage, % of Subscribers



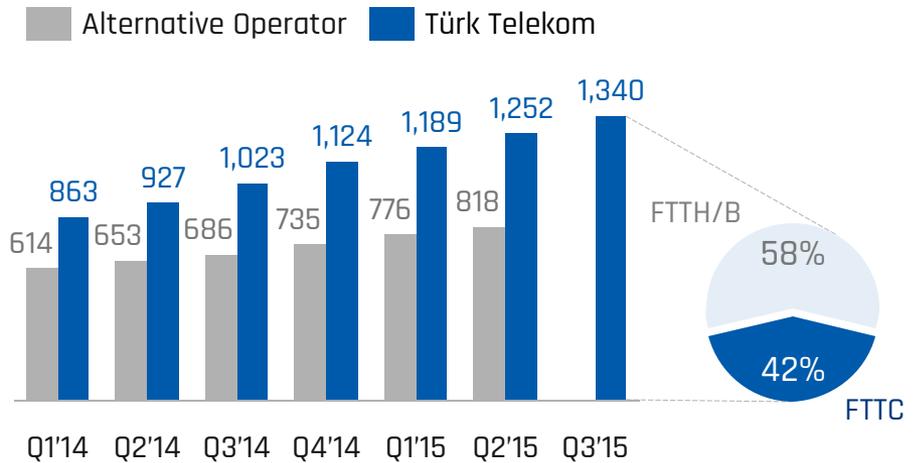
Note: All figures are TNET figures

# Fiber Network

## Largest Fiber Footprint in Turkey

- 11.6 mn home pass reaching almost 60% of household in Turkey
- FTTC & FTTH/B subscribers have same speed and tariff prices
- Türk Telekom's length of total fiber in Turkey is 206K kilometers as of Q3 '15, which accounts for ~80% of Turkey's fiber infrastructure

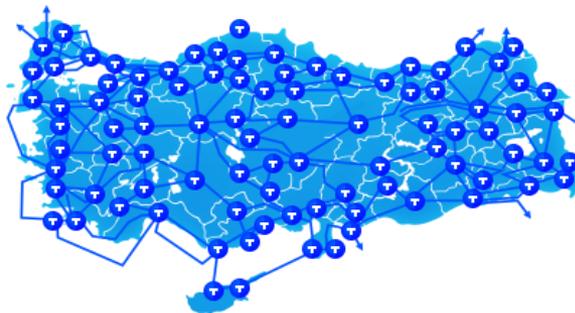
Fiber Subscribers (thousand)



### Fiber Homepass

FTTC	8.4 mn
FTTH/B	3.2 mn
<b>Total</b>	<b>11.6 mn</b>

### Türk Telekom Fiber Network



### Alternative Operator<sup>1</sup>



(1) Other operator's data are from its own publications

# TV Business

## New Exclusive Content, New Platform...

- 56K net subscriber additions
- New exclusive content & new platform
  - UEFA Champions & Europa Leagues' Turkey media rights won by TNET for three years starting 2015
  - Satellite TV platform in addition to IPTV platform
- Multi-screen experience: TV | Tablet | PC | Laptop | Smartphone

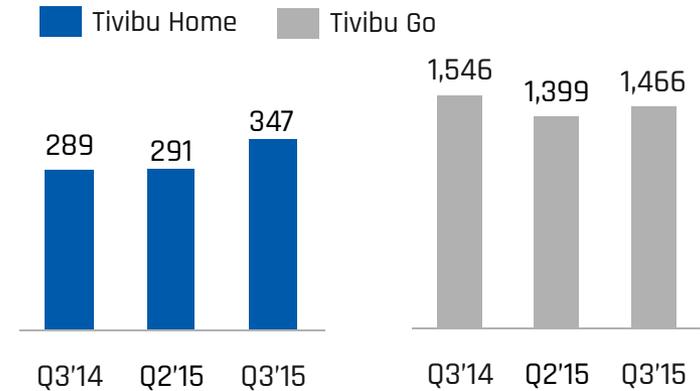


### Current Packages

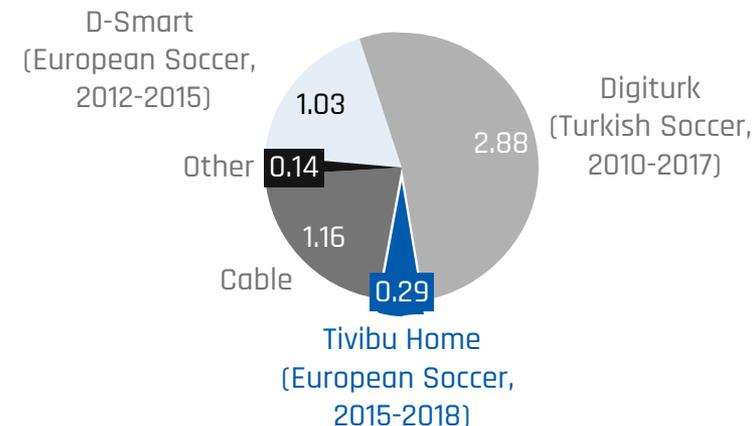
Packages	Channel	Archive	Price* (TL)	Price** (TL)
Cinema Package	194	5000+	19.0	29.0
Super Package	216	5250+	39.0	49.0

\*24 months contracted prices  
 \*\*12 months contracted prices

### TV Subscribers (thousand)



### TV Market Subscribers<sup>1</sup> (mn)



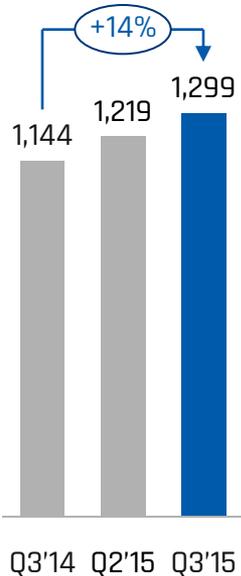
1) Source: ICTA Q2'15 report - Number of pay TV subscribers

# Mobile

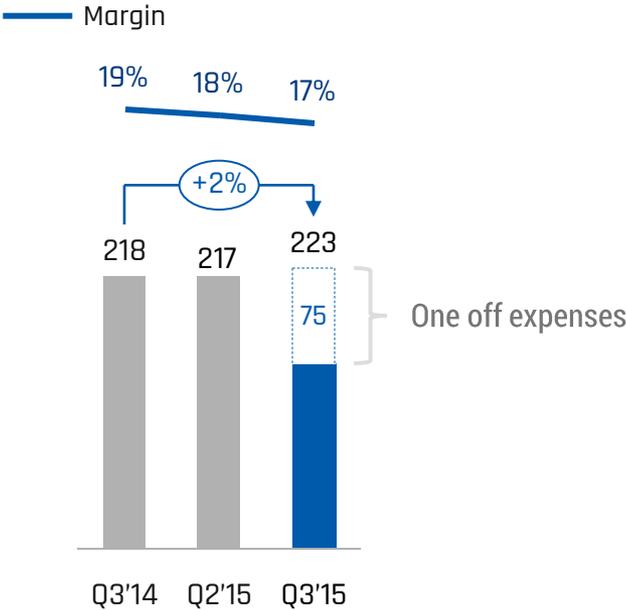
## Strong Topline Growth

- Revenues grew 14% YoY in Q3 - record quarterly revenue
- EBITDA increased 2% YoY excluding one-off items
- EBITDA and margin are affected by bad debt assumption change, and provisions for regulatory fines & fees

Revenue (TL mn)



EBITDA (TL mn) & Margin

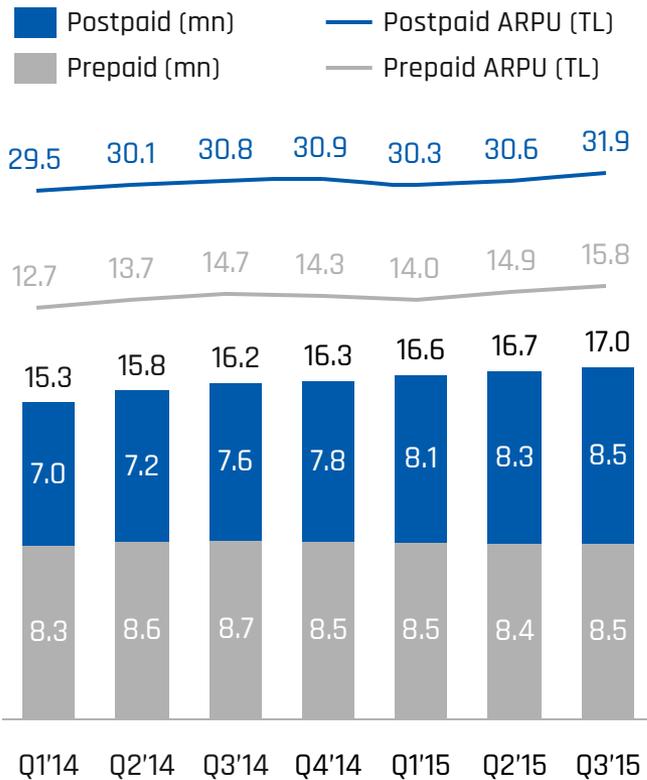


# Mobile

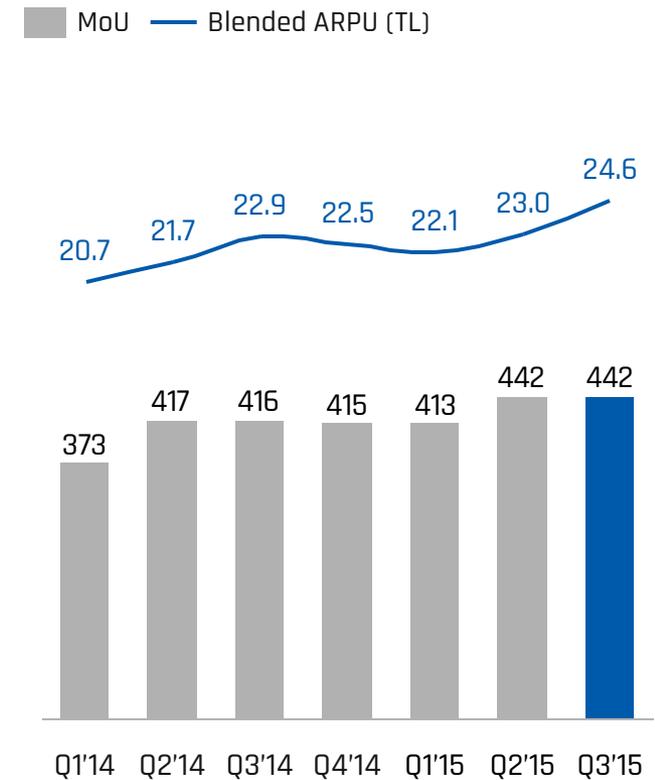
## Net Additions Driven by Strong Postpaid Performance

- 239K net additions in Q3 '15
- 169K postpaid net additions; 50% postpaid ratio - highest in the market as of Q2'15
- 8% YoY increase in Blended ARPU

### Subscribers & ARPU



### MoU and Blended ARPU

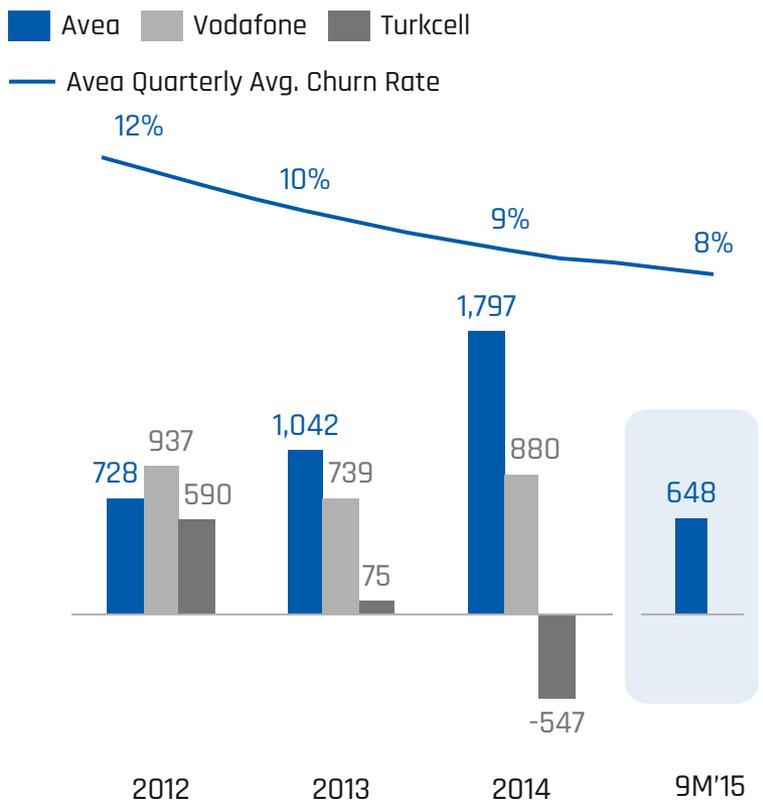


# Subscriber Dynamics

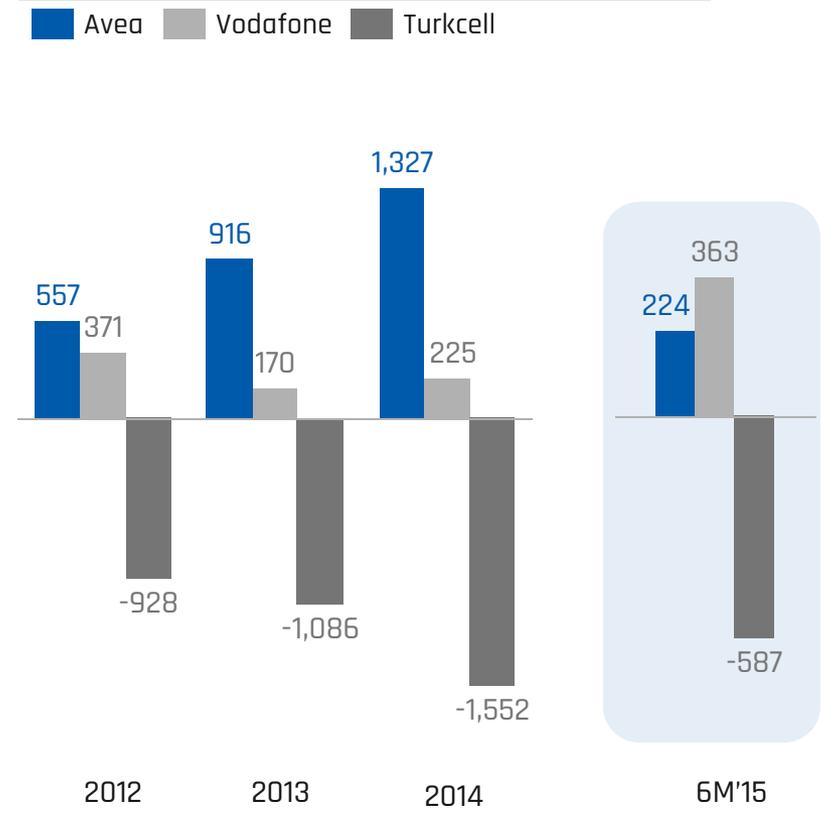
## Improved Churn Rate along with Subscriber Growth

- Quarterly churn consistently declined - averaging at 8% in 9M '15
- 44K out of 239K net additions came through mobile number portability (MNP)

### Net Additions (thousand) & Churn



### MNP Subscriber Additions (thousand)



Source: ICTA & Company Data

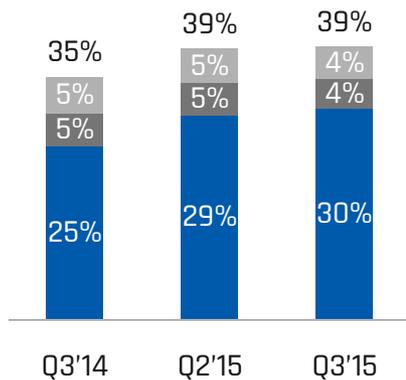
# Mobile Data & Smartphones

## High Growth Continues...

- 38% YoY and 11% QoQ increase in mobile data revenues
- Strong leadership in smartphone penetration
- Almost one third of mobile service revenues come from pure mobile data

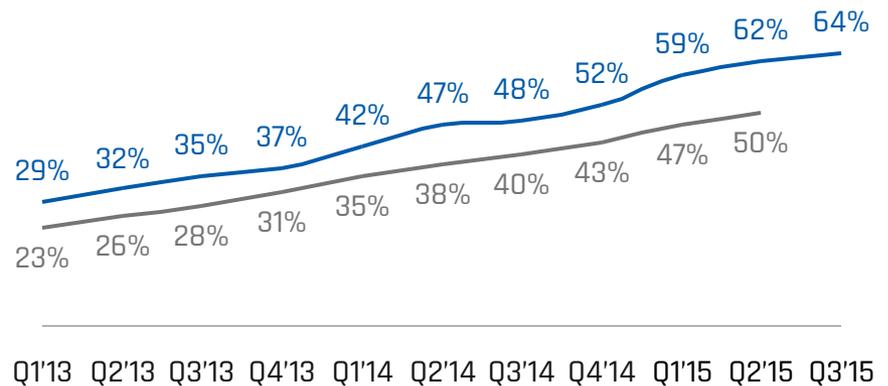
### Data Revenue (Service revenue shares)

■ SMS ■ VAS<sup>1</sup> ■ Mobile Data



### Smartphone Penetration

— Avea — Market Average



(1) VAS: Value Added Services

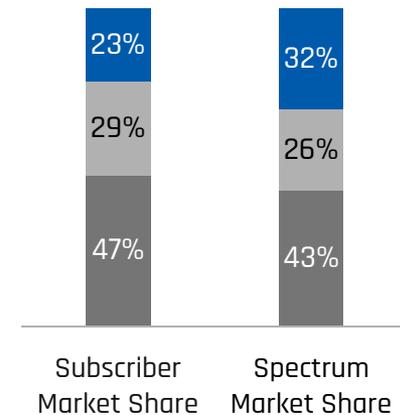
# New Spectrum Auction

## Set for a Stronger Position in the New Era in Mobile

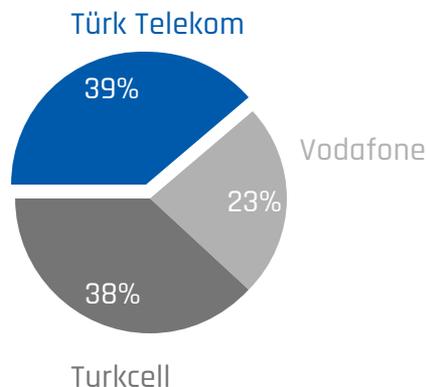
- Obtained the strongest position in strategic bands such as 800 Mhz and 1800 MHz, the most essential bands for 4G LTE
- The only operator that has higher spectrum market share than its subscriber market share
- Secured the highest number of Mhz in valuable low frequency bands
- Removed 900Mhz disadvantage
- Implemented the most effective bidding strategy and paid the least premium on reserve prices as well as the lowest fee per MHz

### Subscriber vs. Spectrum Market Share

■ Türk Telekom ■ Vodafone ■ Turkcell

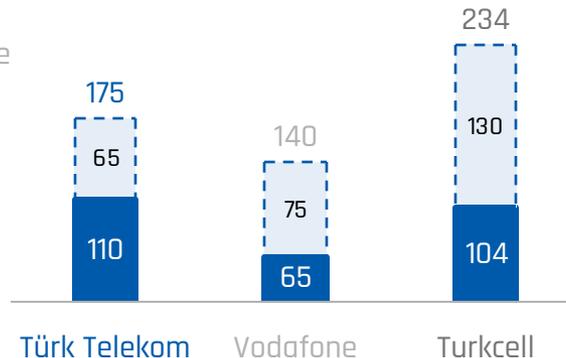


### <2 Ghz Spectrum



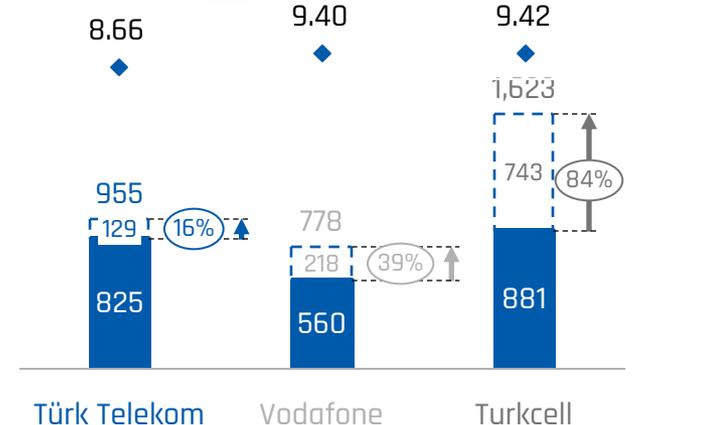
### Total Spectrum Distribution

▨ >2 Ghz ■ <2 Ghz



### Spectrum Fees (EUR mn)

▨ Premium ■ Reserve Price ◆ Fee per Mhz (EUR mn)



# Consolidated

## Summary Income Statement

TL Millions	2014 Q3	2015 Q2	2015 Q3	YoY Change	QoQ Change
Revenues	3,512	3,526	3,696	5%	5%
EBITDA	1,362	1,320	1,269	-7%	-4%
Margin	39%	37%	34%		
Operating Profit	869	788	669	-23%	-15%
Margin	25%	22%	18%		
Financial Income/(Expense)	-453	-339	-1,195	164%	253%
FX & Hedging Gain/(Loss)	-418	-308	-1,106	164%	259%
Interest Income/(Expense)	-12	-9	-72	480%	730%
Other Financial Income/(Expense)	-22	-22	-17	-24%	-23%
Tax Expense	-106	-125	22	n.m.	n.m.
Net Income	319	335	-493	n.m.	n.m.
Margin	9%	10%	n.m.		

Note: USD/TRY:3.0433;EUR/TRY:3.4212 was used in calculating financial income/expense

# Consolidated

## Summary Balance Sheet

TL Millions	30.09.2014	30.06.2015	30.09.2015
<b>Total Assets</b>	<b>19,189</b>	<b>19,803</b>	<b>21,467</b>
Intangible Assets <sup>1</sup>	4,485	4,692	5,047
Tangible Assets <sup>2</sup>	8,016	8,042	8,188
Other Assets <sup>3 4</sup>	4,599	5,078	5,450
Cash and Equivalents <sup>4</sup>	2,089	1,991	2,782
<b>Total Equity and Liabilities</b>	<b>19,189</b>	<b>19,803</b>	<b>21,467</b>
Share Capital	3,260	3,260	3,260
Reserves and Retained Earnings	2,504	1,318	700
Interest Bearing Liabilities <sup>5</sup>	8,935	10,421	12,001
Provisions for Employee Termination Benefits <sup>6</sup>	674	594	612
Other Liabilities <sup>7</sup>	3,816	4,210	4,893

(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, prepaid expenses, other current assets and deferred tax asset

(4) Advances received for TAFICS (Turkish Armed Forces Integrated Communication Systems) project is restricted cash and only used for payments related to project. Therefore, the related amount, which was previously presented under "Cash and cash equivalents", was reclassified under "other current assets" as of Q3 2014. "Cash and cash equivalents" and "other current assets" accounts were updated since Q1 2008 in order to conform to presentation of the current years' financial statements.

(5) Includes short-term and long-term borrowing and short-term and long-term obligations under finance leases

(6) Includes Employee Retirement Pay Liability Provision

(7) Major items within other liabilities are deferred tax liability, trade payables, provisions, income tax payable, employee benefit obligations, deferred revenue, other current liabilities, and minority put option liability

# Consolidated

## Summary Cash Flow Statement

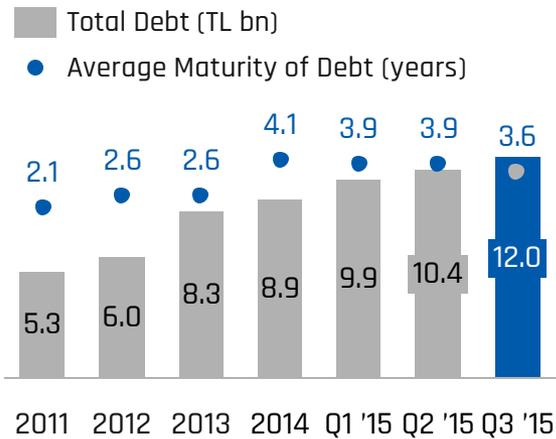
TL Millions	2014 Q3	2015 Q2	2015 Q3	YoY Change	QoQ Change
Cash Flow from Operating Activities	1,402	1,226	1,314	-6%	7%
Cash Flow from Investing Activities	-440	-450	-662	51%	47%
CAPEX	-492	-478	-636	29%	33%
Other Investing Activities	52	28	-27	n.m.	n.m.
Cash Flow from Financing Activities <sup>1</sup>	-682	-1,803	119	n.m.	n.m.
Net Change in Cash Position <sup>2</sup>	280	-1,028	770	n.m.	n.m.

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

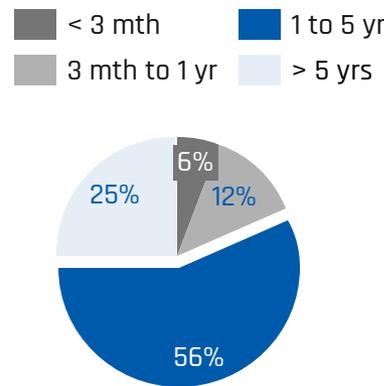
(2) Blocked deposits are included in operating activities rather than net cash position.

# Debt Profile

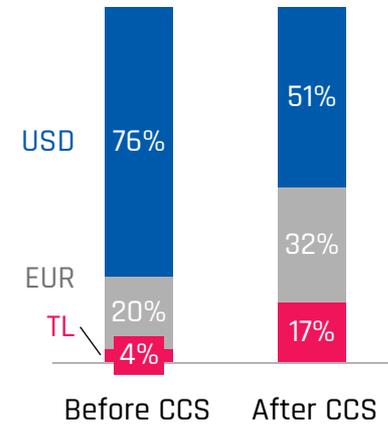
## Average Maturity of Debt



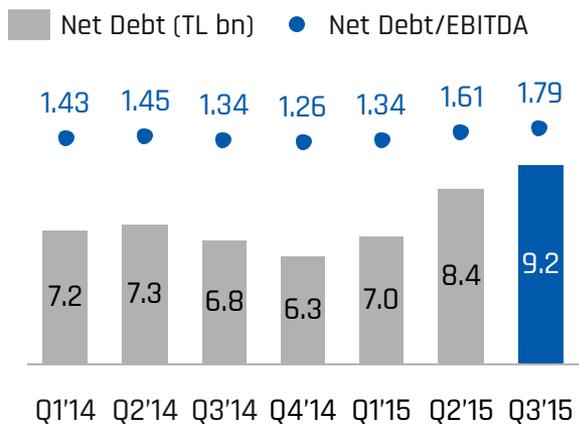
## Maturity Profile



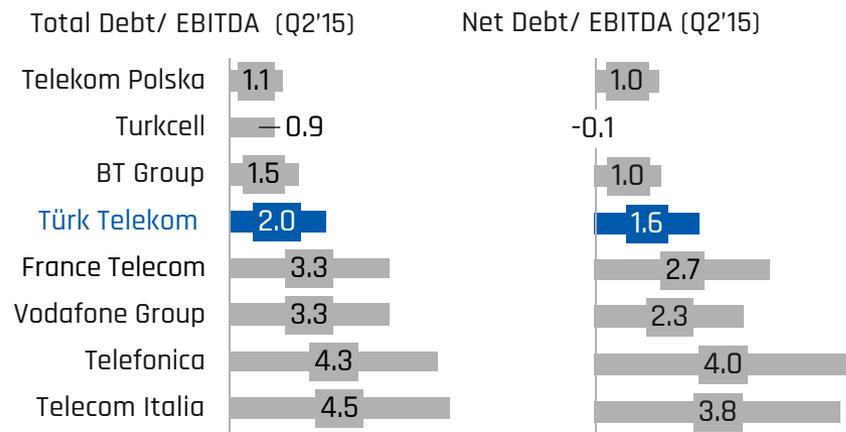
## Currency Breakdown



## Net Debt



## Low debt burden within the median of peers



	2014 Actual	2015 Guidance
Revenue	3.7% Growth	5% to 7% Growth Exc. IFRIC 12 Revenues <sup>1</sup>
	<ul style="list-style-type: none"> <li>Driven by growth in Mobile, Broadband, Corporate Data and TV business</li> </ul>	
EBITDA	TL 5.0bn	TL 5.1bn - TL 5.2bn
	<ul style="list-style-type: none"> <li>Strong fixed line EBITDA and improving mobile EBITDA contribution</li> </ul>	
CAPEX	TL 2.1bn	~TL 2.9bn <sup>2</sup>
	<ul style="list-style-type: none"> <li>Continued investments in fixed line and mobile network</li> </ul>	

(1) IFRIC 12 accounting adjustment is a non-operational revenue line booked in conjunction with upgrades to our fixed line infrastructure, such as the upgrade from copper to fiber based network.

(2) Consolidated CAPEX excluding potential spectrum licence fees. Our company decided to revise its 2015 CAPEX guidance (excluding spectrum licence fees) up to around TL 2.9bn from around TL 2.3bn in Q3 '15, due to accelerated mobile network investments and the impact of currency depreciation on CAPEX.

# Thank You

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