

TÜRK TELEKOM GROUP
2015 YEAR END
FINANCIAL AND OPERATIONAL
RESULTS

February 11, 2016



Accelerated Growth and Record EBITDA in 2015

Türk Telekom Group left behind a very successful year with strong revenue, EBITDA¹ and operational performance. The Group met its full year guidance for 2015 at the high end of the range in both revenue and EBITDA. Group revenues excluding non-operational construction revenues increased by 7.2% to TL 14.2 bn, the fastest pace of growth since 2011. EBITDA was TL 5.3 bn with a robust EBITDA margin of 37%. Capital expenditures excluding spectrum fees totaled TL 2.9 bn, in line with the guidance.

The Group posted TL 907 mn net income in 2015. Board of Directors proposed TL 841 mn dividend distribution, which corresponds to a payout ratio of 93%.

2015 YEAR END OPERATIONAL HIGHLIGHTS

- ❖ Broadband subscribers reached 8 mn, with a net gain of 227K in the fourth quarter – the highest since 2012 Q1 and 416K net gain in full year. Fiber subscribers increased to 1.5 mn.
- ❖ Fiber network expanded with 2 mn YoY homepass additions to 12.1 mn².
- ❖ Mobile subscribers reached 17.3 mn, with 932K net gains in 2015. Net addition in the fourth quarter was 283K.
- ❖ Postpaid ratio realized at 51% – the highest in the market, up from 48% a year ago.
- ❖ Smartphone penetration increased to 66% – the highest in the market, 14 percentage points up from a year ago.
- ❖ Home TV subscribers increased to 384K with 95K net additions in 2015. ARPU almost doubled YoY and reached TL 20 following the launch of sports packages including UEFA Champions League and Europa League games in the second half of the year.

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.

²12.1 mn homepass consists of 3.3 mn FFTH/B and 8.7 mn FTTC

Türk Telekom CEO Rami Aslan's comments on 2015 year end results:

"I am pleased to announce that Türk Telekom achieved an outstanding operating performance in 2015. The accelerated topline growth momentum demonstrates that the steps we have taken to lead the convergence initiatives started to bear fruits. We met our full year guidance for 2015 at the high end of the range in both revenue and EBITDA, while reaching a record high full year EBITDA level.

2015 was marked by major milestones that reinforced our leadership position in the market. We acquired an optimum spectrum portfolio for future mobile technologies, while eliminating our historic spectrum disadvantage in 900 MHz. We lead the mobile market in spectrum per subscriber ratio, which underscores our growth prospects. As of December 1st, we started utilizing our new capacity in the 900 MHz band for 3G services. We implemented an accelerated rollout to improve the indoor coverage and enhanced the overall customer experience. Another remarkable development was the launch of significant initiatives in the TV space, further strengthening our integrated offers. We launched our own satellite platform enabling a countrywide coverage, and started broadcasting UEFA Champions League and Europa League games as premium exclusive content.

We started 2016 with another groundbreaking development. As a part of our integration process, we unified our mobile, fixed voice, fixed broadband and TV brands under a single "Türk Telekom" brand, and simultaneously launched our new logo to better reflect our unified brand identity. Our new logo represents innovation, dynamism, customer orientation, and diversification. Türk Telekom Group is "Turkey's leading convergence player" that delivers its customers voice, broadband, all the next generation mobile technologies and TV services under a single "Türk Telekom" brand with the convenience of one stop shops.

With the advantage of having the premier line up of products and services in a multi-play offer for both consumers and corporates, we are uniquely positioned to benefit the most from the new era as the Turkish market gravitates more and more towards convergence. We are determined to lead the next generation mobile services with the support of our nationwide fiber network, strength of "Türk Telekom" brand and the optimum mobile spectrum. We have the courage, strength and vision to adapt ourselves to the ongoing communications evolution and lead the change as the digital partner of Turkey."

2015 YE Guidance delivered at the high end of the range.

(TL mn)	2014	2015	Growth	Guidance	Delivered
Revenue (exc. construction revenues)	13,243	14,190	7.2%	5% to 7% Growth	✓
EBITDA	5,047	5,334	5.7%	TL 5.1bn - 5.2bn	✓
CAPEX	2,146	2,930	36.5%	TL 2.9bn	✓

Financial Highlights

(TL mn)	2014	2015	YoY Change	Q4'14	Q4'15	YoY Change
Revenue	13,602	14,523	6.8%	3,595	3,867	7.6%
Revenue (exc. construction rev.)	13,243	14,190	7.2%	3,416	3,706	8.5%
EBITDA	5,047	5,334	5.7%	1,232	1,416	15.0%
Margin	37.1%	36.7%		34.3%	36.6%	
Depreciation and Amortisation	(2,002)	(2,272)	13.5%	(562)	(615)	9.4%
Operating Profit	3,045	3,062	0.6%	669	801	19.6%
Margin	22.4%	21.1%		18.6%	20.7%	
Financial Income / (Expense)	(469)	(1,801)	284.0%	(17)	470	n.m.
FX & Hedging Gain / (Loss)	(302)	(1,659)	448.8%	(1)	469	n.m.
Interest Income / (Expense)	(79)	(1)	(98.6)%	(5)	72	n.m.
Other Financial Income / (Expense)	(87)	(141)	61.4%	(10)	(71)	588.8%
Tax Expense	(607)	(399)	(34.3)%	(156)	(232)	48.6%
Net Income	2,007	907	(54.8)%	504	1,039	106.2%
Margin	14.8%	6.2%		14.0%	26.9%	
CAPEX	2,146	2,930	36.5%	1,057	1,157	9.4%

Revenues

Consolidated revenues increased by 6.8% YoY (up by TL 921 mn) to TL 14.5 bn in 2015, mainly due to 15.2% increase in mobile (up by TL 654 mn), 6.9% increase in broadband (up by TL 252 mn) and 20.3% increase in corporate data (up by TL 236 mn). Excluding non-operational construction revenue adjustment, top line growth was 7.2% YoY, at the high end of the guidance.

Topline growth accelerated in the fourth quarter. In Q4'15, revenues grew by 7.6% YoY (up by TL 272 mn). Mobile revenues increased by 11.0% YoY (up by TL 127 mn), broadband revenues grew by 10.3% YoY (up by TL 96 mn) and corporate data revenues increased by 23.5% YoY (up by TL 72 mn). Excluding non-operational construction revenue adjustment, top line growth is 8.5% YoY in Q4'15.

Operating Expenses Excluding Depreciation and Amortization (OPEX)

Net operating expenses increased by 7.4% YoY (up by TL 634 mn) in 2015, mainly due to increase in 'taxes & government fees' (up by TL 162 mn), domestic interconnection expenses (up by TL 113 mn) and doubtful receivable expenses (up by TL 103 mn).

Operating Profit before Depreciation and Amortization (EBITDA)

Consolidated EBITDA grew by 5.7% YoY to TL 5.3 bn in 2015 with an EBITDA margin of 37%.

Group booked TL 146 mn one-off gains in the last quarter of 2015 in operating expenses as a result of the settlement with Turkcell Group regarding the court cases, executive proceedings and disputes. Excluding this one-off item, consolidated EBITDA would be TL 5.2 bn, at the high end of the full year guidance range.

Depreciation and Amortization

Total depreciation and amortization expense was TL 2.3 bn in 2015 with 13.5% YoY increase.

Operating Profit

Operating profit³ realized at TL 3.1 bn mainly due to the increase in depreciation and amortization expenses in 2015.

Net Financial Income / Expense

Group recorded TL 470 mn net financial income⁴ in the last quarter of 2015 on the back of a favorable FX environment. On the other hand, in 2015 as a whole, TL 1.8 bn net financial expense was recorded mainly due to the depreciation of Turkish Lira against US Dollar and Euro.

Tax Expense

Tax expense decreased by 34.3% YoY to TL 399 mn in 2015 due to lower profit before tax.

Net Income

Net income recovered in the last quarter of the year with the support of a favorable FX environment. Whereas in 2015 due to weaker Turkish Lira against US Dollar and Euro, net income was TL 907 mn (TL 0.26 per share).

The settlement with Turkcell Group regarding the court cases, executive proceedings and disputes had a one time TL 267 mn positive impact on Group net income in 2015.

Capital Expenditures (CAPEX)

Group invested TL 2.9 bn in 2015 (excluding spectrum license fees), marking 20% capex to sales ratio. Group also booked TL 3.0 bn license fees for LTE spectrum acquired in 2015.

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 (Full Year Comparison)

	2014	2015	YoY Change
Total Access Lines* (mn)	13.2	12.9	(2.1)%
<i>Fixed Voice Subscribers (mn)</i>	11.4	10.3	(9.4)%
<i>Naked Broadband Subscribers (mn)</i>	1.8	2.6	43.7%
Fixed Voice ARPU (TL)	21.2	20.9	(1.1)%
Total Broadband Subscribers (mn)	7.6	8.0	5.5%
Total Fiber Subscribers ('000)	1,124	1,465	30.3%
<i>FTTH/B ('000)</i>	729	768	5.4%
<i>FTTC ('000)</i>	395	696	76.4%
Broadband ARPU (TL)	41.0	42.0	2.5%
Total TV Subscribers ** (mn)	1.9	1.9	0.5%
<i>Tivibu Home (IPTV + DTH) Subscribers('000)</i>	289	384	32.7%
Mobile Total Subscribers (mn)	16.3	17.3	5.7%
<i>Mobile Postpaid Subscribers (mn)</i>	7.8	8.7	11.8%
<i>Mobile Prepaid Subscribers (mn)</i>	8.5	8.5	0.2%
Mobile Blended ARPU (TL)	22.0	23.5	6.9%
<i>Mobile Postpaid ARPU (TL)</i>	30.4	31.3	3.2%
<i>Mobile Prepaid ARPU (TL)</i>	13.9	15.0	7.9%

* Naked DSL Lines and Fixed Voice Lines

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

Operational Highlights (Quarterly Comparison)

	Q4'14	Q3'15	Q4'15	QoQ Change	YoY Change
Total Access Lines* (mn)	13.2	12.9	12.9	0.0%	(2.1)%
<i>Fixed Voice Subscribers (mn)</i>	11.4	10.6	10.3	(2.6)%	(9.4)%
<i>Naked Broadband Subscribers (mn)</i>	1.8	2.3	2.6	13.4%	43.7%
Fixed Voice ARPU (TL)	21.3	21.0	21.0	0.3%	(1.4)%
Total Broadband Subscribers (mn)	7.6	7.8	8.0	2.9%	5.5%
Total Fiber Subscribers ('000)	1,124	1,340	1,465	9.3%	30.3%
<i>FTTH/B ('000)</i>	729	740	768	3.8%	5.4%
<i>FTTC ('000)</i>	395	600	696	16.0%	76.4%
Broadband ARPU (TL)	41.3	41.7	43.1	3.4%	4.3%
Total TV Subscribers ** (mn)	1.9	1.8	1.9	3.6%	0.5%
<i>Tivibu Home (IPTV + DTH) Subscribers('000)</i>	289	347	384	10.7%	32.7%
Mobile Total Subscribers (mn)	16.3	17.0	17.3	1.7%	5.7%
<i>Mobile Postpaid Subscribers (mn)</i>	7.8	8.5	8.7	2.6%	11.8%
<i>Mobile Prepaid Subscribers (mn)</i>	8.5	8.5	8.5	0.7%	0.2%
Mobile Blended ARPU (TL)	22.5	24.6	23.8	(3.2)%	5.9%
<i>Mobile Postpaid ARPU (TL)</i>	30.9	31.9	31.7	(0.6)%	2.6%
<i>Mobile Prepaid ARPU (TL)</i>	14.3	15.8	15.3	(3.3)%	6.6%

* Naked DSL Lines and Fixed Voice Lines

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

Conference Call & Webcast Invitation

Türk Telekom Group senior management chaired by Mr. Rami Aslan will present 2015 YE financial and operational results on February 12, 2016 at **2:30 pm Turkish Time - EET**. The presentation will be followed by a Q&A session.

In order to participate in our investor call, you may;

1. JOIN THE CONFERENCE CALL (957064): You may choose to dial-in and listen to the conference call on your telephone. In order to participate, please register at the provided link below. Upon registration, each participant will be allocated the conference call number, a participant user pin, conference pin and instructions on how to join the conference call. This gives you direct access to the conference without having to speak to an operator.

You may also dial-in below numbers to join the conference call should you have no access to internet at your convenience to register. However, we suggest you to obtain your telephone details by pre-registering as this will ensure you will be connected to the call automatically and will not be held up in any potential queues.

BACK-UP NUMBERS FOR CONFERENCE CALL PARTICIPANTS	
PARTICIPANTS MUST PROVIDE "957064"	
Description	Phone Number
Participant - UK:	+44 (0)20 7162 0077
Participant - US:	+1 334 323 6201

2. JOIN THE WEBCAST: You may join our webcast by simply registering at the provided link below. Webcast will allow participants to see/download slides and listen to the streaming audio without dialing-in.

IMPORTANT NOTE: Q&A session will only be available for conference call participants. In order to ask questions during the Q&A session you should connect via telephone and join the conference call.

We recommend you to start dialing in 5-10 minutes prior to the call to ensure a timely start to the conference.

Please click the link to register:

[REGISTRATION LINK FOR CONFERENCE CALL AND WEBCAST](#)

About Türk Telekom Group

Türk Telekom, with 175 years of history, is the first integrated telecommunications company in Turkey. In 2015, Türk Telekomünikasyon A.Ş. adopted a “customer-oriented” integrated structure in order to respond to the rapidly changing communication and technology needs of customers in the most powerful and accurate way, while maintaining the legal entities of Avea İletişim Hizmetleri A.Ş. and TTNET A.Ş. intact and adhering to the rules and regulations to which they are subject.

In January 2016, Türk Telekom unified its mobile, fixed voice, broadband and TV products and services under the single “Türk Telekom” brand.

As the “Quadruple Player of Turkey,” Türk Telekom Group Companies offer a complete range of mobile, fixed voice, broadband and TV services. Türk Telekom Group Companies have a wide service network and product range in the fields of individual and corporate services. As of December 31, 2015, Türk Telekom has 12.9 million fixed access lines, 8 million broadband and 17.3 million mobile subscribers. Türk Telekom Group Companies provide services in all 81 cities of Turkey with more than 34,000 employees with the vision of introducing new technologies to Turkey and accelerating Turkey’s transformation into an information society.

Türk Telekomünikasyon A.Ş. owns 100% of mobile operator Avea İletişim Hizmetleri A.Ş., broadband operator TTNET A.Ş., convergence technologies company Argela Yazılım ve Bilişim Teknolojileri A.Ş., IT solution provider Innova Bilişim Çözümleri A.Ş., online education software company Sebit Eğitim ve Bilgi Teknolojileri A.Ş., call center company AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş., wholesale data and capacity service provider Türk Telekom International and its subsidiaries.

DISCLAIMER

The information contained herein has been prepared by Türk Telekomünikasyon A.Ş. (the Company) in connection with the operations of Türk Telekom Group companies. The opinions presented herein are based on general information gathered at the time of writing and are subject to change without notice.

The Company relies on the information gathered from the reliable sources however does not guarantee completeness and accuracy of such information.

These materials contain statements about future events and expectations that are forward-looking statements. Any statement in these materials that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except to the extent required by law, we assume no obligations to update the forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements.

This press release does not constitute an offer or invitation to sell, or any solicitation of any offer to subscribe for or purchase any securities and nothing contained herein shall form the basis of any contract or commitment whatsoever. No reliance may be placed for any purposes whatsoever on the information contained in this press release or on its completeness, accuracy or fairness. None of the Company nor any of its shareholders, directors, officers or employees nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of this press release or its contents or otherwise arising in connection therewith.

The PSTN services and wholesale broadband services are provided by Türk Telekomünikasyon A.Ş., the retail internet services are provided by TTNET A.Ş. the mobile services - are provided by Avea İletişim Hizmetleri A.Ş.

Türk Telekom® brand used in this press release is the joint brand of Turk Telekom Group of companies. All group companies's legal entities remain intact.

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