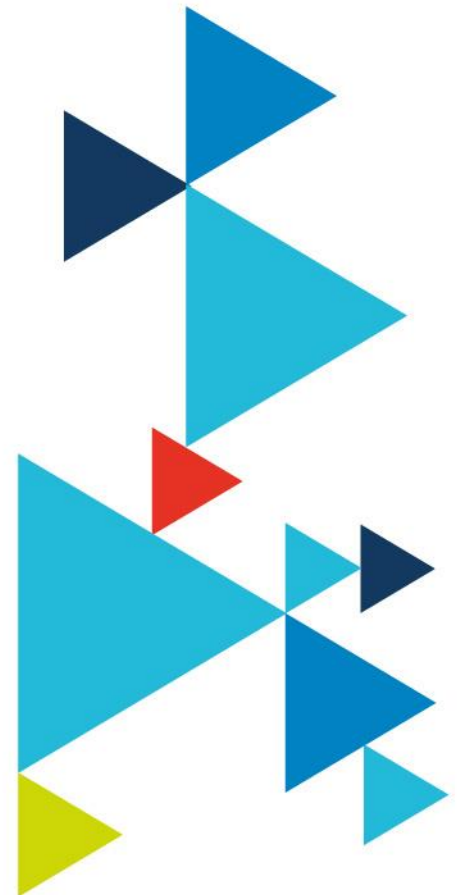


# TÜRK TELEKOM GROUP 2016 FIRST QUARTER FINANCIAL AND OPERATIONAL RESULTS

April 20, 2016



## RECORD HIGH REVENUE GROWTH

Türk Telekom Group started 2016 with record high revenue growth. Group revenues<sup>1</sup> increased by 11% YoY to TL 3.8 bn, the fastest pace of organic growth since IPO. On the other hand, Group EBITDA<sup>2</sup> was TL 1.3 bn, down by 5% YoY mainly due to higher commercial costs associated with brand unification and LTE launch. Capex more than doubled YoY to TL 708 mn, in line with accelerated LTE investments.

Net income increased substantially YoY and reached TL 408 mn, supported by a more favorable foreign exchange environment in Q1'16 compared to the same period of last year.

Türk Telekom Group recorded strong subscriber base growth. Group subscribers reached 38 mn as of the first quarter of 2016 with solid performance in all main business segments.

## Q1 2016 OPERATIONAL HIGHLIGHTS

- ❖ Mobile subscribers reached over 17.7 mn, with a remarkable net addition of 461K in Q1, the highest subscriber gain since Q2 2014.
- ❖ Mobile blended ARPU improved by 8% YoY driven by rising demand for higher data packages.
- ❖ Broadband subscribers reached 8.2 mn, with a strong net gain of 197K in Q1. LTM net additions were 587K, the highest increase since 2009. Number of fiber subscribers<sup>3</sup> exceeded 1.6 mn with a net addition of 168K, the highest quarterly net addition since 2013.
- ❖ Home TV subscribers reached 468K with a record quarterly net addition of 83K. The number of total TV subscribers reached 1.9 mn. Home TV ARPU increased from 13 TL in Q1'15 to 20.4 TL in Q1'16 thanks to enhanced premium content.

<sup>1</sup> Excluding construction revenue adjustment

<sup>2</sup> EBITDA 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.

<sup>3</sup> Fiber subscribers include FTTH/B & FTTC subscribers

## Türk Telekom CEO Rami Aslan's comments on 2016 first quarter results:

In the first quarter of 2016, Türk Telekom Group delivered strong operating and financial results. We set robust targets for 2016 and confidently started the year in line with these targets. Revenues increased by 11% YoY, the fastest pace of organic growth since our IPO in 2008.

In January, we took another important step to reinforce our leadership position and unified our mobile, fixed voice, fixed broadband and TV brands under single “Türk Telekom” brand. Unified brand launch was supported by a strong commercial program, and initial results are very solid and encouraging. With our premier line up of products and services in a multiplay offer, we are best positioned to leverage on the convergence path in the Turkish market.

Our total subscribers reached 38 million with a remarkable net addition of 574 thousand during the quarter supported by our strength in multiplay offers, strong commercial activity, enhanced mobile coverage via fast roll out of 3G services in 900 MHz, and TV initiatives. It is encouraging to see that each segment's strong performance contributed to that result, highlighting the fact that our convergence and cross selling initiatives are starting to deliver tangible and sustainable results.

While reaping the benefits of integration and brand unification, we continue to invest for the future. The LTE era started as of April 1st, and we are determined to lead the next generation mobile services. Having acquired the optimal frequency bands and having installed a nationwide fiber network, we started to utilize our fiber power providing a complete LTE service. Our “Fiber-Powered LTE” opens a new frontier in mobile communications, embodying speed, capacity and quality. Seventy percent of our LTE base stations are now fiber-connected, a metric critical for a superior LTE experience.

We signed an agreement with Korea Telecom and as of April 1st, we started to offer the highest speed so far achieved in mobile devices with “GiGA LTE” technology. A perfect example of convergence, this technology combines the Wi-Fi and “Fiber-Powered LTE” enabling 1 gigabit speed in data transfers.

As Turkey's first and only fully integrated operator, we recorded many firsts on the road, while delivering solid results. We will continue our path to offer the premier services to our valued customers and ensure our leading position strengthens every day.

## Financial Highlights

(TL mn)	Q1'15	Q4'15	Q1'16	QoQ Change	YoY Change
Revenue	3,434	3,867	3,801	(1.7)%	10.7%
Revenue (exc. Construction adjustment)	3,395	3,706	3,761	1.5%	10.8%
EBITDA	1,329	1,416	1,262	(10.9)%	(5.1)%
<b>Margin</b>	38.7%	36.6%	33.2%		
Depreciation and Amortisation	(524)	(615)	(658)	6.9%	25.6%
Operating Profit	805	801	604	(24.6)%	(25.0)%
<b>Margin</b>	23.4%	20.7%	15.9%		
Financial Income / (Expense)	(737)	470	(30)	N.M.	(95.9)%
FX & Hedging Gain / (Loss)	(714)	469	76	(83.7)%	N.M.
Interest Income / (Expense)	7	72	(75)	N.M	N.M.
Other Financial Income / (Expense)	(31)	(71)	(31)	(55.8)%	2.4%
Tax Expense	(63)	(232)	(166)	(28.6)%	163.0%
Net Income	27	1,039	408	(60.8)%	1,429.9%
<b>Margin</b>	0.8%	26.9%	10.7%		
CAPEX	313	1,156	708	(38.7)%	126.0%

## **Revenues**

Consolidated revenues increased by 10.7% YoY (up by TL 367 mn) to TL 3,801 mn in Q1'16, mainly due to 14.4% increase in mobile (up by TL 167 mn), 9.4% increase in broadband (up by TL 89 mn), and 34.9% increase in corporate data (up by TL 111 mn). Excluding non-operational construction revenue adjustment, top line growth was 10.8% YoY in Q1'16.

## **Operating Expenses Excluding Depreciation and Amortization (OPEX)**

Operating expenses increased by 20.6% YoY (up by TL 434 mn) in Q1'16, mainly due to increase in commercial (up by TL 129 mn) and personnel expenses (up by TL 105 mn).

Commercial expenses increased substantially YoY in the first quarter as a result of intense advertising and marketing activities associated with brand unification and LTE launch. Moreover, the low base also impacted YoY comparisons, as commercial spending in 2015 was skewed towards the second half of the year. Additionally, the Group implemented an early retirement incentive program which increased the personnel expenses.

## **Operating Profit before Depreciation and Amortization (EBITDA)**

Consolidated EBITDA declined by 5.1% YoY to TL 1,262 mn in Q1'16 with a margin of 33%. YoY decline in EBITDA was due to the increase in commercial and personnel expenses aforementioned under “OPEX” section above.

## **Depreciation and Amortization**

Total depreciation and amortization expense increased by 25.6% YoY to TL 658 mn in Q1'16, mainly due to amortization of new spectrums and new assets following accelerated Capex spending.

## Operating Profit

Operating profit<sup>4</sup> realized at TL 604 mn mainly due to the increase in depreciation and amortization expenses.

## Net Financial Income / Expense

Group recorded TL 30 mn net financial expense<sup>5</sup> in Q1'16, significantly lower than TL 737 mn in Q1'15 on the back of a more favorable FX environment compared to same period of last year.

## Tax Expense

Tax expense increased significantly to TL 166 mn (up by TL 103 mn YoY) due to strong improvement in profit before tax.

## Net Income

Net income grew substantially in Q1'16 to TL 408 mn (TL 0.12 per share) compared to TL 27 mn recorded during the same period of last year. A more favorable FX environment in Q1'16 was the main driver of net income growth.

## Capital Expenditures (CAPEX)

Group invested TL 708 mn in Q1'16 corresponding to 19% capex to sales ratio mainly due accelerated LTE investments.

<sup>4</sup>Operating 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.

<sup>5</sup>Net 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

	Q1'15	Q4'15	Q1'16	QoQ Change	YoY Change
<b>Total Access Lines* (mn)</b>	13.0	12.9	13.0	0.5%	(0.6)%
<i>Fixed Voice Subscribers (mn)</i>	11.1	10.3	10.2	(1.3)%	(8.3)%
<i>Naked Broadband Subscribers (mn)</i>	2.0	2.6	2.8	7.8%	42.9%
<b>Fixed Voice ARPU (TL)</b>	20.9	21.0	21.1	0.3%	1.1%
<b>Total Broadband Subscribers (mn)</b>	7.6	8.0	8.2	2.5%	7.7%
<b>Total Fiber Subscribers ('000)</b>	1,189	1,465	1,632	11.4%	37.3%
<i>FTTH/B ('000)</i>	727	768	795	3.4%	9.3%
<i>FTTC ('000)</i>	462	696	838	20.3%	81.3%
<b>Broadband ARPU (TL)</b>	41.8	43.1	42.5	(1.4)%	1.6%
<b>Total TV Subscribers ** (mn)</b>	1.7	1.9	1.9	2.6%	11.6%
<i>Tivibu Home (IPTV + DTH) Subscribers('000)</i>	281	384	468	21.7%	66.1%
<b>Mobile Total Subscribers (mn)</b>	16.6	17.3	17.7	2.7%	6.5%
<i>Mobile Postpaid Subscribers (mn)</i>	8.1	8.7	8.9	2.2%	9.6%
<i>Mobile Prepaid Subscribers (mn)</i>	8.5	8.5	8.8	3.2%	3.5%
<b>Mobile Blended ARPU (TL)</b>	22.3	23.8	24.0	0.7%	7.6%
<i>Mobile Postpaid ARPU (TL)</i>	30.7	31.7	32.1	1.2%	4.6%
<i>Mobile Prepaid ARPU (TL)</i>	14.0	15.3	15.4	0.7%	9.9%

\* 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 2016 Q1 financial and operational results on April 21, 2016 at 3:00 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 (958338):** 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 "958338"	
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 “Multiplay Provider 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 March 31, 2016, Türk Telekom has 13.0 million fixed access lines, 8.2 million broadband and 17.7 million mobile subscribers. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 33,820 employees with the vision of introducing new technologies to Turkey and accelerating Turkey’s transformation into an information society.

Türk Telekomünikasyon A.Ş., providing PSTN and wholesale broadband services, owns 100% of mobile operator Avea İletişim Hizmetleri A.Ş., retail internet services, IPTV, satellite TV, Web TV, Mobile TV, Smart TV services provider TTNET A.Ş., TV Broadcasting and VOD services provider Net Ekran Companies, 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 AssistTT Rehberlik ve Müşteri Hizmetleri A.Ş., wholesale data and capacity service provider Türk Telekom International and its subsidiaries.

## DISCLAIMER

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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.

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There may be differences between the data provided in this press release and ICTA's market reports. These discrepancies are due differences in basis of financial reporting (standalone vs. consolidated) and differences in ARPU calculation methodologies.

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>