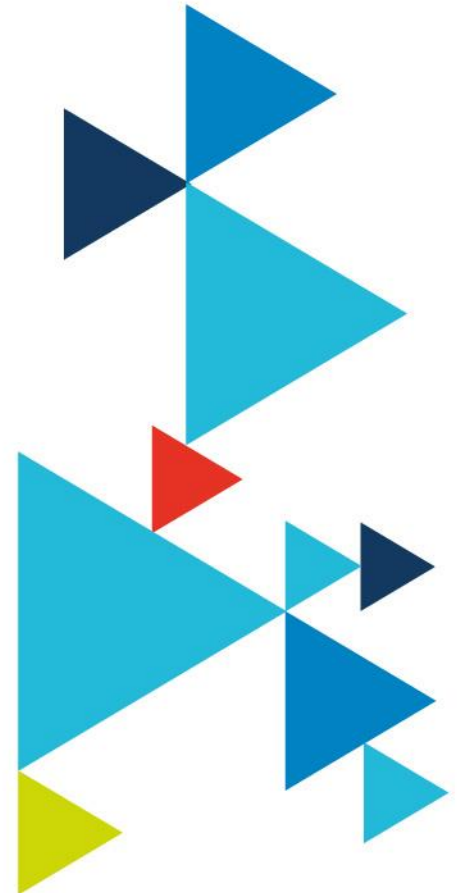


**TÜRK TELEKOM GROUP**  
**2018 FIRST QUARTER**  
**FINANCIAL AND OPERATIONAL**  
**RESULTS**

April 25, 2018



## OUTSTANDING EBITDA MARGIN

### FUELED BY EFFICIENCIES AND SUBSCRIBER GROWTH

Türk Telekom Group announced its financial and operational results for the first quarter of 2018. The Group reported an outstanding EBITDA<sup>1</sup> growth, fueled by strong revenue growth, efficiency improvements and continued success in subscriber additions.

**Türk Telekom CEO Dr. Paul (Boulos H.B.) Doany said:** “Our results for the first quarter mark a strong start to 2018, demonstrating our focus on boosting fixed broadband penetration, growing subscriber base in mobile and Pay TV (wireless homes segment), as well as increasing efficiency, driving innovation and enhancing customer experience. Our strategy is paying off, and we are well positioned with our strategic initiatives as well as operational execution to deliver profitable growth that builds long term shareholder value.”

### 1st Quarter 2018 Financial Highlights

Consolidated revenues increased 8.8% YoY to TL 4.7 bn. Excluding IFRIC 12 revenue, consolidated revenue growth was at 9.9% YoY, in line with company expectations.

EBITDA grew 29.1% YoY to TL 2.0 bn with an EBITDA margin of 42.1%. Even excluding the impact of the recent IFRS 15 implementation, underlying Q1’18 EBITDA margin was outstanding at 39.0%, the highest EBITDA margin in the past 22 quarters supported by group synergies and improved efficiencies.

Operating profit increased by 35.5% YoY to TL 1.1 bn.

Capex increased 45% YoY to TL 581 mn. Excluding the impact of IFRS 15, underlying Capex was TL 430 mn with 7.5% YoY growth.

Group generated TL 56 mn net income in Q1’18 (Q1’17: TL 66 mn). Excluding the impact of IFRS 15, underlying net income was TL 38 mn.

### 1st Quarter 2018 Operational Highlights

Number of total Türk Telekom subscribers increased to 42.6 mn with 916K net additions in Q1 – the best first quarter performance over the past 10 years. Continuing its accelerated trend, net subscriber acquisitions during the last twelve months reached 3.3 mn, another best performance since IPO.

Broadband subscriber base surpassed 10 mn mark and reached 10.1 mn, up by 320K in Q1 – the best first quarter performance since IPO. For the last twelve months, net additions in broadband was at 1.2 mn – again the highest level since 2008.

Fiber subscriber base<sup>2</sup> reached 3 mn, up by 211K in Q1.

<sup>1</sup>EBITDA is a non-GAAP financial measure. The EBITDA definition used in this press release includes revenues, cost of sales, marketing, sales and distribution expenses, general administrative expenses, research and development expenses and other operating income/(expense), and income/(expense) from investing activities, but excludes depreciation, amortization and impairment expenses, financial income/(expenses) presented in other operating income/(expenses) (i.e. FX gain/(loss), interest and rediscount income/(expense) on current accounts excluding bank borrowings).

<sup>2</sup>Fiber subscribers include FTTH/B & FTTC subscribers.

Mobile net additions more than doubled compared to Q1'17 increasing to 332K in Q1'18. 95% of net additions in Q1 was postpaid, lifting postpaid subscriber ratio to 56% compared to 53% a year ago.

LTE population coverage expanded to 87% in Q1'18 from 75% a year ago.

Number of total fixed voice subscribers increased for three sequential quarters, with 79K net additions in Q1. Combined with nDSL, total fixed access lines reached 13.9 mn with 210K net adds in Q1 – the best first quarter performance since IPO.

Home TV subscribers reached 1.3 mn with 108K net adds, the highest first quarter net add in this segment, pushing Tivibu Home up to number two position in the large screen market<sup>3</sup>. Total Pay TV subscribers increased to 2.9 mn with 184K net additions in the quarter.

### 1st Quarter 2018 Strategic Highlights

In Q1'18, site consolidation and roll out for first pilot project for active mobile network sharing in entire Zonguldak province was completed, and active sharing was kicked-off. The pilot project results demonstrate that active sharing can boost coverages and capacities, as well as driving capex and opex efficiency. Post start-up, LTE indoor coverage has almost tripled, while outdoor coverage almost doubled. During the same period, data traffic increased by 40%.

Türk Telekom established its Capital Venture Arm, “TT Ventures” with the focus to invest in early stage and scale-up companies primarily in healthcare, energy and education verticals, as well as opportunistic horizontals. TT Ventures made its first investment in Q1'18, acquiring stake in Doctor Turkey, one of the first enterprises in online health consultancy services in Turkey.

Doctor Turkey, the biggest online health consultancy platform in Turkey, provides 24/7 online health consultancy before going to a doctor or hospital physically. Patients can have video calls with doctors and can be advised to go to hospital if necessary.

The initiatives to drive broadband penetration continued at full force. The partnerships with electricity companies were expanded with two more partners and wider range of broadband tariffs. With these partnerships, Türk Telekom fixed broadband tariffs started to be sold through electricity companies operating in 14 cities in Turkey. Discussions with other electricity companies in different regions of Turkey are ongoing, while different opportunities in energy vertical are being explored, including energy management as well as energy saving and grid/metering projects.

Argela, our convergence technologies subsidiary, continues to support ULAK, the local 4.5G (LTE) base station project, in close cooperation with Aselsan and SSM<sup>4</sup>, as well as our R&D in next generation networks, where we plan to make international cooperations. In relation to 5G research, three new patents were granted to Argela through its subsidiary Netsia by US Patent and Trademark Office during Q1'18 and the total number of Argela patents in this area increased to 20. Benefiting from ONF/ONAP participation, we are also driving execution projects such as RAN slicing, and now moving into small cell technology, deployable in 4.5G (LTE) with a dedicated team.

<sup>3</sup>Based on company estimation

<sup>4</sup>Presidency of the Republic of Turkey Undersecretariat for Defence Industries

Türk Telekom has been selected Turkey's most valuable telecommunications brand for the 10th time in a row in February 2018 by the international brand valuation company, Brand Finance.

**Türk Telekom CEO Dr. Paul (Boulos H.B.) Doany's comments on Q1 2018 results:**

"We had an outstanding first quarter with strong EBITDA performance and excellent subscriber metrics. Reaping fruits of our effective cost management initiatives, our EBITDA margin increased to 42% in the quarter, exceptionally strong even adjusted for new IFRS practices. Revenue growth excluding non-operational IFRIC was at 10% YoY, in line with our expectations.

Building on the strong operational performance in 2017, we gained 3.3 million net subscribers in the last twelve months, the best performance since IPO. Along with our integrated approach, Empathy Program, promising excellent customer experience, played an important role in this excellent performance. Number of broadband subscribers exceeded 10 million as demand for our penetration focused campaigns continued. "Internet Bizden" campaign made around 40% of our broadband net additions during the quarter. Mobile maintained its healthy subscriber performance with 332 thousand net additions in the quarter. Building on "wireless home" pillar of our strategy, in Home TV, we added 108 thousand subscribers in the quarter, supported by our cross sell efforts and affordable positioning of Tivibu. Total number of Tivibu Home subscribers increased to 1.3 million, pushing us to number two position in the large screen market as well. Meanwhile, ongoing positive trend in fixed voice net additions was maintained.

Growth in digital products and services continued in Q1. Our national digital keyboard Tambu reached 5.6 million downloads in its first 5 months since the launch. New versions of Tambu are being prepared for deployment by other operators internationally, with additional languages and localization features. We also continue to drive other digital services such as Tivibu Go (new generation TV platform), Muud (digital music platform) and e-dergi (digital reading platform).

The strength of our financial and operational performance encourages us to execute on our strategic initiatives. In the first quarter, we have made good progress in implementing strategies we announced last year. As an exciting development, we completed site consolidation and roll out for first pilot project for active mobile network sharing in Zonguldak. I believe network sharing is critical for delivering substantial benefits to our customers and shareholders, a catalyst for both enhancing service quality and improving asset efficiency.

Moreover, we closed our first transaction under TT Ventures, acquiring stake in Doctor Turkey. This start-up company, established as a 24/7 instant access platform for healthcare professionals, offers online health consultancy services. We, with our strong reputation, wide customer base, marketing and technical know-how, will accelerate growth of the company while benefiting from its innovative online services. We will continue to seek opportunities to drive innovation in companies with a scale up potential and enable us to leverage synergies in the verticals in which we focus.

All in all, I'm proud of the first quarter results across all business units and strategies executed during the quarter. I would like to thank each and every one of our stakeholders for their invaluable support."

## Guidance Revision for 2018 Consolidated Financial Results

Our company adopted IFRS 15 and IFRS 9 accounting standards starting from 1 January 2018.

Adoption of these standards is expected to have around TL 600 million incremental impact on 2018 EBITDA and CAPEX, while no material impact is expected on revenue. Accordingly, we revise 2018 guidance, previously announced via 8 February 2018 dated regulatory disclosure.

Under current circumstances, revised guidance for 2018 is as below:

- ❖ Consolidated revenue growth (excluding IFRIC 12) to be around 11% over 2017
- ❖ Consolidated EBITDA to be at TL 7.6 bn and TL 7.8 bn levels
- ❖ Consolidated CAPEX to be around TL 4.1 bn

|   | Previous<br>2018 Guidance | Revised<br>2018 Guidance |
|---|---------------------------|--------------------------|
| Consolidated Revenue Growth<br>(excluding IFRIC 12) | Around 11%                | Around 11%               |
| Consolidated EBITDA                                 | TL 7.0 bn - TL 7.2 bn     | TL 7.6 bn - TL 7.8 bn    |
| Consolidated CAPEX                                  | Around TL 3.5 bn          | Around TL 4.1 bn         |

Türk Telekom will apply IFRS 16 for the first time starting from 1 January 2019. Hence, 2018 guidance does not incorporate any impact of IFRS 16 accounting standard.

## Financial Review

| (TL mn)                              | Q1'17 | Q4'17   | Q1'18        | QoQ Change | YoY Change |
|--------------------------------------|-------|---------|--------------|------------|------------|
| <b>Revenue</b>                       | 4,307 | 4,800   | <b>4,686</b> | (2.4)%     | 8.8%       |
| <b>Revenue (Exc. IFRIC 12)</b>       | 4,138 | 4,586   | <b>4,545</b> | (0.9)%     | 9.9%       |
| <b>EBITDA</b>                        | 1,528 | 1,525   | <b>1,972</b> | 29.3%      | 29.1%      |
| <i>Margin</i>                        | 35.5% | 31.8%   | <b>42.1%</b> |            |            |
| <b>Depreciation and Amortisation</b> | (721) | (812)   | <b>(878)</b> | 8.2%       | 21.8%      |
| <b>Operating Profit</b>              | 807   | 713     | <b>1,094</b> | 53.4%      | 35.5%      |
| <i>Margin</i>                        | 18.7% | 14.8%   | <b>23.3%</b> |            |            |
| <b>Financial Income / (Expense)</b>  | (623) | (1,061) | <b>(986)</b> | (7.1)%     | 58.4%      |
| FX & Hedging Gain / (Loss)           | (509) | (886)   | <b>(879)</b> | (0.8)%     | 72.6%      |
| Interest Income / (Expense)          | (76)  | (91)    | <b>(86)</b>  | (5.6)%     | 13.6%      |
| Other Financial Income / (Expense)   | (38)  | (84)    | <b>(21)</b>  | (75.2)%    | (44.7)%    |
| <b>Tax Expense</b>                   | (119) | 235     | <b>(51)</b>  | n.m.       | (56.7)%    |
| <b>Net Income</b>                    | 66    | (113)   | <b>56</b>    | n.m.       | (14.3)%    |
| <i>Margin</i>                        | 1.5%  | n.m.    | <b>1.2%</b>  |            |            |
| <b>CAPEX</b>                         | 400   | 1,722   | <b>581</b>   | (66.3)%    | 45.0%      |

## Revenues

Consolidated revenues increased by 8.8% YoY (up by TL 379 mn) to TL 4,686 mn in Q1'18. Excluding IFRIC 12, top line growth was 9.9% YoY (up by TL 408 mn) mainly due to 10% YoY increase in mobile (up by TL 157 mn), 11.6% YoY increase in broadband (up by TL 138 mn) and 14.9% YoY increase in corporate data (up by TL 52 mn). Growth in mobile service revenue was 12% YoY, 2 ppt higher than the growth in total mobile revenues due to new implementation in device sales, discussed under OPEX part below. Meanwhile, decline rate in fixed voice revenues decelerated to 4.6% YoY (down by TL 30 mn) from 8.1% YoY (down by TL 58 mn) in Q1'17.

Implementation of IFRS 15 had no material impact on consolidated revenues in Q1'18 (TL 10 mn negative impact).

## Operating Expenses Excluding Depreciation and Amortization (OPEX)

Operating expenses decreased by 2.3% YoY (down by TL 65 mn) in Q1'18. Excluding IFRS 15 impact (TL 150 mn on commercial expenses) operating expenses increased by 3.1%

Commercial expenses declined 21.6% YoY (down by TL 84 mn) due to IFRS 15 impact. Device focused risk management policy and segmented approach in receivable management process delivered an improvement in doubtful receivables. Provisions for doubtful receivables declined by 24.4% YoY (down by TL 28 mn). Personnel expenses decreased by 3.2% YoY (down by TL 23 mn) due to base impact and the positive impacts of the organizational streamlining.

The Law numbered 7061 which ruled a methodology change in calculation of frequency fees effective as of Jan 1st 2018 lead to an increase (of around TL 30 mn-TL 40 mn versus previous quarters) in frequency fees. Additionally, as of Q1'18, frequency fees with direct link to sales are reported under "Tax" expense. Previously, such frequency fees were reported under "Network and Technology" expense since there were no direct link to sales at the prior calculation methodology. "Network and Technology" and Tax expenses combined increased 8.0% YoY (up by TL 60 mn).

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

Consolidated EBITDA in Q1'18 increased by 29.1% (up by TL 444 mn) YoY to TL 2.0 bn with an EBITDA margin of 42.1%. Underlying EBITDA margin, even adjusted for IFRS 15, was outstanding at 39.0%, driven primarily by strong revenue growth and operating efficiencies.

## **Depreciation and Amortization Expense**

Depreciation and amortization (D&A) expense increased by 21.8% YoY (up by TL 157 mn) to TL 878 mn mainly due to TL 115 mn incremental D&A expenses stemming from IFRS 15.

## **Operating Profit**

Operating profit<sup>5</sup> increased 35.5% YoY (up by TL 286 mn) to TL 1,094 mn in Q1'18 on the back of efficiencies and revenue growth. IFRS 15 had limited impact of TL 25 mn on operating profit in Q1'18.

## **Net Financial Income / Expense<sup>6</sup>**

Net financial expenses increased 58.4% YoY (up by TL 363 mn) to TL 986 mn driven by higher FX<sup>7</sup> losses in Q1'18 compared to a year ago.

<sup>5</sup>Operating profit includes revenues, cost of sales, depreciation, amortization and impairment expenses, marketing, sales and distribution expenses, general administrative expenses, research and development expenses, other operating income/(expense), and income/(expense) from investing activities, but excludes financial income/(expenses) presented in other operating income/(expenses) on CMB financial statements (i.e. FX gain/(loss), interest and rediscount income/(expense) on current accounts excluding bank borrowings). Reported operating profit on CMB financial statements is different due to reclassification requirements of the POA/CMB since 2013 Q3 financial statements.

<sup>6</sup>Net financial income/(expense) includes financial income/(expense) and FX gain/(loss), interest and rediscount income/(expense) on current accounts excluding bank borrowings which are presented in other operating income/(expenses) on CMB financial statements. Net financial income/ (expense) on CMB financial statements is different due to reclassification requirements of the POA/CMB since 2013 Q3 financial statements.

<sup>7</sup>March'18 - USD/TL: 3.9489, EUR/TL: 4.8673, December'17 - USD/TL: 3.7719, EUR/TL: 4.5155, March'17 – USD/TL: 3.6386 EUR/TL: 3.9083, December'16 – USD/TL: 3.5192 EUR/TL: 3.7099.



## Tax Expense

Tax expense declined 56.7% YoY (down by TL 67 mn) to TL 51 mn in Q1'18 mostly due to decline in income before tax driven by increased FX losses.

## Net Income/Loss

Group generated TL 56 mn net income in Q1'18 (Q1'17: TL 66 mn). Underlying net income, adjusted for IFRS 15, was TL 38 mn.

## Operational Performance

|   | Q1'17 | Q4'17 | Q1'18        | QoQ Change | YoY Change |
|---|-------|-------|--------------|------------|------------|
| <b>Total Access Lines (mn) <sup>8</sup></b>   | 13.2  | 13.7  | <b>13.9</b>  | 1.5%       | 5.5%       |
| Fixed Voice Subscribers (mn)                  | 9.5   | 9.6   | <b>9.7</b>   | 0.8%       | 1.6%       |
| Naked Broadband Subscribers (mn)              | 3.7   | 4.1   | <b>4.2</b>   | 3.2%       | 15.5%      |
| <b>Fixed Voice ARPU (TL)</b>                  | 23.1  | 22.2  | <b>21.9</b>  | (1.4)%     | (5.0)%     |
| <b>Total Broadband Subscribers (mn)</b>       | 8.9   | 9.7   | <b>10.1</b>  | 3.3%       | 13.1%      |
| <b>Total Fiber Subscribers ('000)</b>         | 2,175 | 2,749 | <b>2,960</b> | 7.7%       | 36.1%      |
| FTTH/B ('000)                                 | 902   | 1,065 | <b>1,127</b> | 5.8%       | 24.9%      |
| FTTC ('000)                                   | 1,273 | 1,684 | <b>1,833</b> | 8.9%       | 44.0%      |
| <b>Broadband ARPU (TL)</b>                    | 45.0  | 44.8  | <b>44.6</b>  | (0.6)%     | (1.0)%     |
| <b>Total TV Subscribers (mn) <sup>9</sup></b> | 2.1   | 2.7   | <b>2.9</b>   | 6.7%       | 37.1%      |
| Tivibu Home (IPTV + DTH) Subscribers('000)    | 774   | 1,167 | <b>1,276</b> | 9.3%       | 64.9%      |
| <b>TV ARPU (TL)</b>                           | 17.9  | 16.4  | <b>17.5</b>  | 6.9%       | (2.4)%     |
| <b>Mobile Total Subscribers (mn)</b>          | 18.7  | 19.6  | <b>19.9</b>  | 1.7%       | 6.5%       |
| Mobile Postpaid Subscribers (mn)              | 10.0  | 10.8  | <b>11.1</b>  | 2.9%       | 11.4%      |
| Mobile Prepaid Subscribers (mn)               | 8.7   | 8.8   | <b>8.8</b>   | 0.2%       | 0.9%       |
| <b>Mobile Blended ARPU (TL)</b>               | 26.7  | 27.9  | <b>28.4</b>  | 1.6%       | 6.2%       |
| Mobile Postpaid ARPU (TL)                     | 35.0  | 35.7  | <b>35.9</b>  | 0.6%       | 2.5%       |
| Mobile Prepaid ARPU (TL)                      | 16.9  | 18.0  | <b>18.5</b>  | 2.6%       | 9.5%       |

<sup>8</sup>Naked DSL Lines and Fixed Voice Lines

<sup>9</sup>Tivibu Home (IPTV, DTH) and Tivibu Go (Web TV+ Mobile TV +Smart TV subscribers)



## About Türk Telekom Group

Türk Telekom, with 177 years of history, is the first integrated telecommunications operator in Turkey. In 2015, Türk Telekomünikasyon A.Ş. adopted a “customer-oriented” and 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. Having a wide service network and product range in the fields of individual and corporate services, Türk Telekom unified its mobile, internet, phone and TV products and services under the single “Türk Telekom” brand as of January 2016.

“Turkey’s Multiplay Provider” Türk Telekom has 13.9 million fixed access lines, 10.1 million broadband and 19.9 million mobile subscribers as of March 31, 2018. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 33,525 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, directly 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., 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, venture capital company TT Ventures Proje Geliştirme A.Ş., Electric Supply and Sales Company TTES Elektrik Tedarik Satış A.Ş. and capacity service provider Türk Telekom International, and indirectly owns 100% of subsidiaries of Türk Telekom International, TV Broadcasting and VOD services provider Net Ekran Companies, telecommunications devices sales company TT Satış Ve Dağıtım Hizmetleri A.Ş and payment services company TT Ödeme Hizmetleri A.Ş.

## Disclaimer

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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. The information contained in this press release may be required to be confirmed, completed and amended. Therefore, no declaration or commitment has been given or implied on the name of the Company or its shareholders, directors, employers or other third persons depending on the authenticity, completeness and accuracy of the information. None of the Company nor any of its shareholders, directors 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. and the mobile services – are provided by Avea İletişim Hizmetleri A.Ş. Türk Telekom® brand used in this press release is the joint brand of Türk Telekom Group companies. All group companies' legal entities remain intact.

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.

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