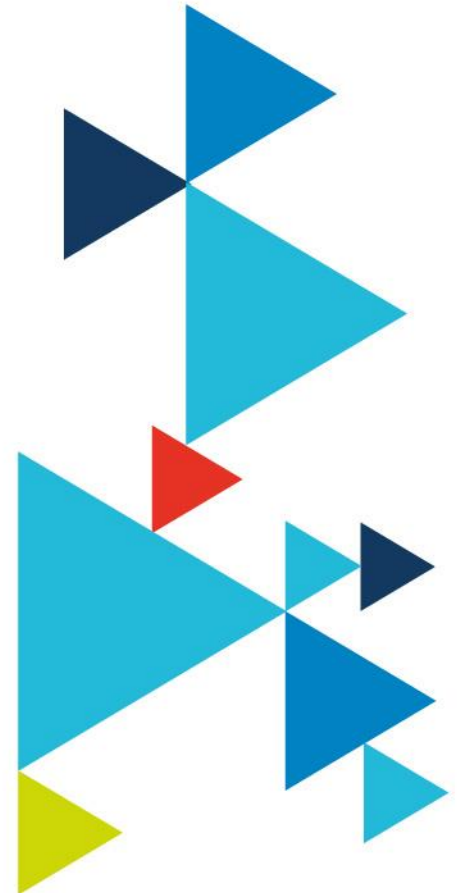


**TÜRK TELEKOM GROUP**  
**2017 YEAR END**  
**FINANCIAL AND OPERATIONAL**  
**RESULTS**

February 8, 2018



## **2017: Record Growth in Revenue, EBITDA and Subscriber**

Türk Telekom Group announced outstanding financial and operational results for 2017, marked by accelerated growth in revenue and EBITDA<sup>1</sup> and increasing momentum in subscriber acquisitions. The Group met its 2017 revenue and EBITDA guidance at the high end with record breaking growth rates in both financial metrics, while attaining the highest subscriber gains since IPO.

**Türk Telekom CEO Dr. Paul (Boulos H.B.) Doany said:** “2017 was a financially, operationally and strategically remarkable year for Türk Telekom Group. We executed well and delivered strong results as we focused on increasing penetration, accelerating innovation and putting the customer first. We entered 2018 with a great momentum and significant opportunities ahead.”

### **Full Year 2017 Financial Highlights**

Consolidated revenues increased 12.6% to TL 18.1 bn – the highest growth since IPO.

Excluding IFRIC 12, consolidated revenues increased 11.1% at the high end of the revenue guidance range of 10% - 11% annual growth.

Consolidated EBITDA grew 18.0% - the highest EBITDA growth since IPO - to TL 6.45 bn at the high end of the EBITDA guidance range of TL 6.3 bn – TL 6.4 bn for 2017.

EBITDA margin was at 35.6% - 1.6 ppt improvement compared to 2016, driven by accelerated revenue growth and effective cost management. Excluding the one-off impact of TL 144 mn settlement provision on treasury shares in Q4’17, EBITDA margin in 2017 increased to 36.4%.

Group invested TL 3.2 bn representing 17.8% of consolidated revenues - in line with CAPEX guidance at around TL 3.3 bn.

Net income was at TL 1.1 bn in 2017, a significant improvement compared to net loss of TL 724 mn a year ago, thanks to stronger operating performance and more moderate FX movements during 2017 compared to 2016.

### **4th Quarter 2017 Financial Highlights**

Consolidated revenues increased 12.9% YoY to TL 4.8 bn. Excluding IFRIC 12, consolidated revenue growth was at 9.9% YoY.

Consolidated EBITDA grew 6.3% YoY to TL 1.5 bn with an EBITDA margin of 31.8%. Underlying Q4’17 EBITDA margin was at 34.8%, excluding the one-off impact of TL 144 mn settlement provision on treasury shares.

Capex increased 79% YoY to TL 1.7 bn, as investments in 2017 were more skewed towards Q4.

Group reported a net loss of TL 113 mn in Q4’17 compared to TL 1.4 bn loss in Q4’16. Excluding the one-off treasury settlement, net income in Q4’17 was TL 79 mn.

<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).

## 4th Quarter 2017 Operational Highlights

Number of total Türk Telekom subscribers increased to 41.7 mn with 1.1 mn net additions in Q4 – the best subscriber additions in single quarter since IPO. For the full year, net subscriber acquisitions reached 2.8 mn – again the best annual net add since IPO.

Broadband subscribers were up by 368K in Q4 to 9.7 mn – the highest quarterly base growth since IPO. For the full year, net additions in broadband was at 1.1 mn – again the highest level since 2008.

Fiber subscriber base<sup>2</sup> expanded by 246K (67% of total net broadband adds) to 2.7 mn while the share of penetration focused “İnternet Bizden” was at around 30% in Q4 net broadband additions.

Mobile subscribers were up by 423K in Q4 and 1.0 mn in the full year, lifting total number of mobile subscribers up to 19.6 mn. Postpaid subscriber ratio reached to 55% compared to 53% a year ago.

LTE coverage expanded to 83% of the population in Q4’17 from 75% a year ago.

Positive momentum maintained in fixed voice segment at an accelerated pace. Following the first subscriber gain since IPO in Q3’17, number of fixed voice subscribers increased by 118K in Q4’17 to 9.6 mn. Combined with nDSL, total fixed access lines reached 13.7 mn with 251K net adds in Q4 – the highest base growth since IPO.

Acceleration in pay TV subscriber growth continued. Total pay TV subscribers reached 2.7 mn with 226K net additions in Q4 and 728K in the full year. Home TV segment maintained its strong trend, reaching 1.2 mn subscribers with 139K net adds – the highest quarterly net adds ever in this segment.

## 4th Quarter 2017 Strategic Highlights

Türk Telekom decided to establish a Capital Venture Company (CVC) to invest in early-stage and ‘scale-up’ enterprises that have scalable business models and also enable Türk Telekom to leverage the synergies within its operating ecosystem. This investment approach will foster innovation and add value to Türk Telekom in its core operations with particular focus on Health, Education, Transportation and Energy verticals, as well as Enterprise Digital Transformation technologies and Artificial Intelligence applications emerging from next generation technologies (5G/IoT), and general applications for smart cities.

Partnership with one of the electricity distribution companies has been initiated in European side, Istanbul. The electricity company will sell Türk Telekom’s penetration focused “İnternet Bizden” tariffs in the first phase and Türk Telekom product portfolio sold through these companies will be expanded going forward. Negotiations with other electricity companies in different regions of Turkey are ongoing. Other agreements with these electricity distribution companies are also aimed to build a joint growth segment in the energy vertical.

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

TAMBU, Turkey's first digital keyboard with unique Turkish content and with a platform feature for all mobile users, independent from the operator, reached 4.5 mn downloads in around 3 months since the launch.

Türk Telekom became a platinum member of ONAP (Open Network Automation Platform) that combines leading global operators and technology suppliers. Türk Telekom is the only representative from Turkey and the region, within this platform, which is developing the automation of communication networks together with the global players.

Argela has completed 3 successful integrations of its SDN (Software Defined Networking)-based RAN (Radio Access Network) framework ProGRAN, which creates virtual networks by sub-dividing the network into multiple slices. In Q4, ProGRAN was integrated into the Labs of Telefonica, Verizon and Orange.

Argela successfully completed MİLAT Project for the Turkish Under Secretariat for Defense Industries. The MİLAT Project provides an end-to-end SDN & NFV (Network Function Virtualization) based solution that can be utilized in military, public safety and commercial communication infrastructures enabling dynamic cybersecurity as well as cyberdefense mechanisms.

#### **Türk Telekom CEO Dr. Paul (Boulos H.B.) Doany's comments on 2017 YE results:**

"We left behind a great year where we delivered our revenue and EBITDA guidance at the high end of the range with record breaking results, reflecting strong growth in our broadband and mobile businesses and operating efficiencies under a more streamlined organizational structure.

Combined with solid financial results, we finished the year with a real momentum in subscriber additions in Q4. Specifically, broadband business had a standout performance with 1.1 million net gains in the full year, out of which 368 thousand was in Q4. These were the strongest results since IPO, demonstrating we are on the right track with our intensified focus on real growth, i.e., increasing product/service penetration. Around 30% of our broadband net additions came from "Internet Bizden" in Q4. We have recently expanded our penetration drive with regional offers targeting low-penetrated districts all around Turkey, and we are extending our customer contact points in partnership with electricity distribution companies. In mobile, growth in LTE customer base and data traffic continued with higher data plans and as a result, share of mobile data in mobile service revenues grew to 55% in Q4. In Pay TV, with mobile synergy activities, strong momentum continued. Pay TV is an under penetrated segment and it represents an attractive growth opportunity for the Group to better penetrate to what we call 'wireless' households, whose future data needs may be more cost-effectively met by wireless broadband, with entertainment delivered over satellite. Finally, the turnaround in fixed voice customer growth continued with positive net adds in Q4, which may now further benefit from the recent special communications tax reduction for fixed voice from 15% to 7.5%.

We have a distinctive path in our digitalization journey; on one hand, we have mobile apps like TAMBU, Turkey's first digital keyboard with very encouraging initial results. On the other hand, our subsidiaries are working on ICT projects such as smart cities and health campuses and commercialization of next generation technologies such as SDN and NFV to feed into small

cell access technology, with 5G/IoT future. Our CVC company that is in the process of establishment will support us further in this journey as we are planning to invest in new ideas with a bright future in the forthcoming period with important ‘verticals’, as well as some differentiated ‘horizontal’.

In all our activities, our focal point is our customers. We have the serious responsibility of serving 41.7 million customers. In 2017, we launched our “Empathy Program” - an exciting initiative for a better customer experience journey in Türk Telekom by putting ourselves in our customers’ shoes, led directly by myself. Each of Türk Telekom employees, starting from me play an important role in this project to identify the problems and deliver solutions. Since the launch of the project in August, the ratio of customer requests resolved at the first call increased significantly, and we have full commitment to deliver further improvement in 2018. Additionally, we are working for optimization of our own 250 Türk Telekom offices. We have recently launched our smart store concept, which we developed together with our subsidiary Innova, in pilot offices while increasing the range of products and services offerings at these offices. In this way, we aim to strengthen our end-to-end excellence in customer service and hence enhance company value.

Another point worth mentioning is that implementation of unified taxation of telecom services started as of January 1st. I would like to thank the sector authorities for the more transparent tax regime for all stakeholders of the Turkish telecom sector. On this opportunity, I also extend my gratitude to each member of Türk Telekom family for the successful performance in 2017. In 2018, we will continue to focus on our strategic differentiation to drive more value for our shareholders.”

## **Guidance for 2018 Consolidated Financial Results**

Under current circumstances, guidance for 2018 is as below:

- \* Consolidated revenue growth (excluding IFRIC 12) to be around 11% over 2017
- \* Consolidated EBITDA to be at TL 7.0 bn and TL 7.2 bn levels
- \* Consolidated CAPEX to be around TL 3.5 bn

## Financial Review

| (TL mn)                            | 2016    | 2017    | YoY Change | Q4'16   | Q4'17   | YoY Change |
|------------------------------------|---------|---------|------------|---------|---------|------------|
| Revenue                            | 16.109  | 18.140  | 12,6%      | 4.250   | 4.800   | 12,9%      |
| Revenue (exc. IFRIC 12)            | 15.696  | 17.435  | 11,1%      | 4.172   | 4.586   | 9,9%       |
| EBITDA                             | 5.470   | 6.452   | 18,0%      | 1.434   | 1.525   | 6,3%       |
| Margin                             | 34,0%   | 35,6%   |            | 33,7%   | 31,8%   |            |
| Depreciation and Amortisation      | (2.849) | (3.019) | 6,0%       | (776)   | (812)   | 4,6%       |
| Operating Profit                   | 2.621   | 3.433   | 31,0%      | 658     | 713     | 8,4%       |
| Margin                             | 16,3%   | 18,9%   |            | 15,5%   | 14,8%   |            |
| Financial Income / (Expense)       | (3.018) | (1.954) | (35,2)%    | (2.180) | (1.061) | (51,3)%    |
| FX & Hedging Gain / (Loss)         | (2.517) | (1.454) | (42,2)%    | (2.007) | (886)   | (55,8)%    |
| Interest Income / (Expense)        | (360)   | (340)   | (5,6)%     | (90)    | (91)    | 1,7%       |
| Other Financial Income / (Expense) | (141)   | (160)   | 13,5%      | (84)    | (84)    | (0,0)%     |
| Tax Expense                        | (328)   | (343)   | 4,6%       | 134     | 235     | 74,9%      |
| Net Income                         | (724)   | 1.136   | n.m        | (1.388) | (113)   | n.m.       |
| Margin                             | n.m     | 6,3%    |            | n.m     | n.m     |            |
| CAPEX                              | 3.027   | 3.221   | 6,4%       | 963     | 1.722   | 78,8%      |

## Revenues

Consolidated revenues increased by 12.6% YoY (up by TL 2,031 mn) to TL 18,140 mn in 2017 with 15.3% increase in mobile (up by TL 882 mn) and 15.4% increase in broadband (up by TL 655 mn). Excluding IFRIC 12, top line growth was 11.1% YoY (up by TL 1,739 mn) at the high end of the guidance range.

In Q4'17, topline growth was at 12.9% YoY (up by TL 550 mn) with 11.6% YoY growth (up by TL 177 mn) in mobile and 12.1% YoY growth (up by TL 140 mn) in broadband. Excluding IFRIC 12, top line growth was at 9.9% YoY (up by TL 414 mn).

## Operating Expenses Excluding Depreciation and Amortization (OPEX)

Operating expenses increased by 9.9% YoY (up by TL 1,049 mn) in 2017. Excluding IFRIC 12, the growth in operating expenses was 7.7% YoY (up by TL 791 mn) mainly due to 13.9% YoY (up by TL 215 mn) increase in network&technology expense and 13.0% YoY (up by TL 174 mn), increase in interconnection expenses and 13.6% YoY (up by TL 158 mn) increase in tax expense. Meanwhile, increase in personnel expense was just 3.1% YoY (up by TL 86 mn) in line with the Group's plans under a more streamlined organizational structure compared to previous year. Share of personnel expense in total opex declined to 24% in 2017 from 26% in 2016.

In Q4'17, increase in operating expenses was 16.3% YoY (up by TL 460 mn). Excluding IFRIC 12, operating expenses in Q4'17 increased 12.4% YoY (up by TL 340 mn) mainly due to 16.2% YoY (up by TL 68 mn) growth in commercial expenses driven by higher marketing and sales spending associated with stronger subscriber additions and 8.6% YoY (up by TL 62 mn) growth in personnel expenses.

## Operating Profit before Depreciation and Amortization (EBITDA)

In 2017, consolidated EBITDA increased to TL 6,452 mn, meeting the guidance range at the high end, with 18.0% YoY (up by TL 982 mn) growth – the highest annual growth since IPO. EBITDA margin in the same period improved by 1.6 ppt to 35.6%, driven primarily by strong revenue growth and operating efficiencies under the more streamlined organizational structure.

Group booked TL 144 mn expense in Q4'17 in other operating expenses due to provisions for treasury share settlement. Excluding this one-off item, EBITDA margin increased to 34.8% in Q4'17 and 36.4% in 2017.

## Depreciation and Amortization Expense

Depreciation and amortization expense increased by 6.0% YoY (up by TL 171 mn) to TL 3,019 mn in 2017.

## Operating Profit

Operating profit<sup>3</sup> increased 31.0% YoY (up by TL 811 mn) to TL 3,433 mn in 2017 on the back of the record breaking growth in EBITDA.

## Net Financial Income / Expense<sup>4</sup>

Net financial expenses declined 35.2% YoY (down by TL 1,064 mn) to TL 1,954 mn in 2017 driven by lower FX<sup>5</sup> losses during the year compared to 2016. In Q4'17, net FX losses was at TL 886 mn while TL 48 mn provisions associated with treasury settlement was recorded in interest expenses.

## Tax Expense

Tax expense increased 4.6% YoY (up by TL 15 mn) to TL 343 mn in 2017. In this item, TL 354 mn deferred tax income reported mainly due to capital increase of Avea in Q4'17 was also included.

<sup>3</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>4</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>5</sup> December'17 - USD/TL: 3.7719, EUR/TL: 4.5155 September'17 - USD/TL: 3.5521, EUR/TL: 4.1924, December'16 – USD/TL: 3.5192 EUR/TL: 3.7099, September'16 – USD/TL: 2.9959 EUR/TL: 3.3608.

## Net Income/Loss

Group generated TL 1,136 mn net income in 2017, recovering from net loss of TL 724 mn in 2016 thanks to stronger operational performance and lower financial expenses.

## Operational Performance

|                                                   | Q4'16 | Q3'17 | Q4'17        | QoQ Change | YoY Change |
|---------------------------------------------------|-------|-------|--------------|------------|------------|
| <b>Total Access Lines (mn) <sup>6</sup></b>       | 13.1  | 13.4  | <b>13.7</b>  | 1.9%       | 4.6%       |
| <i>Fixed Voice Subscribers (mn)</i>               | 9.6   | 9.5   | <b>9.6</b>   | 1.2%       | (0.7)%     |
| <i>Naked Broadband Subscribers (mn)</i>           | 3.4   | 4.0   | <b>4.1</b>   | 3.3%       | 19.3%      |
| <b>Fixed Voice ARPU (TL)</b>                      | 23.2  | 23.0  | <b>22.2</b>  | (3.3)%     | (4.1)%     |
| <b>Total Broadband Subscribers (mn)</b>           | 8.7   | 9.4   | <b>9.7</b>   | 3.9%       | 12.2%      |
| <b>Total Fiber Subscribers ('000)</b>             | 2,011 | 2,503 | <b>2,749</b> | 9.8%       | 36.7%      |
| <i>FTTH/B ('000)</i>                              | 869   | 986   | <b>1,065</b> | 8.0%       | 22.6%      |
| <i>FTTC ('000)</i>                                | 1,143 | 1,517 | <b>1,684</b> | 11.0%      | 47.4%      |
| <b>Broadband ARPU (TL)</b>                        | 44.7  | 44.1  | <b>44.8</b>  | 1.6%       | 0.3%       |
| <b>Total TV Subscribers (mn) <sup>7</sup></b>     | 2.0   | 2.5   | <b>2.7</b>   | 9.0%       | 36.2%      |
| <i>Tivibu Home (IPTV + DTH) Subscribers('000)</i> | 677   | 1,029 | <b>1,167</b> | 13.5%      | 72.4%      |
| <b>TV ARPU (TL)</b>                               | 19.2  | 16.4  | <b>16.4</b>  | (0.1)%     | (14.9)%    |
| <b>Mobile Total Subscribers (mn)</b>              | 18.6  | 19.2  | <b>19.6</b>  | 2.2%       | 5.5%       |
| <i>Mobile Postpaid Subscribers (mn)</i>           | 9.8   | 10.4  | <b>10.8</b>  | 4.2%       | 10.3%      |
| <i>Mobile Prepaid Subscribers (mn)</i>            | 8.8   | 8.8   | <b>8.8</b>   | (0.1)%     | 0.2%       |
| <b>Mobile Blended ARPU (TL)</b>                   | 26.1  | 28.8  | <b>27.9</b>  | (3.1)%     | 6.8%       |
| <i>Mobile Postpaid ARPU (TL)</i>                  | 34.0  | 36.8  | <b>35.7</b>  | (3.0)%     | 4.9%       |
| <i>Mobile Prepaid ARPU (TL)</i>                   | 17.1  | 18.5  | <b>18.0</b>  | (2.3)%     | 5.7%       |

<sup>6</sup>Naked DSL Lines and Fixed Voice Lines

<sup>7</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 13.7 million fixed access lines, 9.7 million broadband and 19.6 million mobile subscribers as of December 31, 2017. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 34,502 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 AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş., wholesale data and capacity service provider Türk Telekom International and its subsidiaries.

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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>