

TÜRK TELEKOM GROUP
2018 YEAR END
FINANCIAL AND OPERATIONAL
RESULTS

January 30, 2019

OUTSTANDING EBITDA, SUBSCRIBER GROWTH, AND CASH FLOW GENERATION

Türk Telekom Group announced outstanding financial and operational results for 2018 with outstanding subscriber performance and highest full year revenue and EBITDA growth since IPO, together with a strong cash flow generation. Group met its 2018 revenue guidance, while EBITDA¹ exceeded even the high end of the guidance on the back of solid fundamentals.

Türk Telekom CEO Dr. Paul (Boulos H.B.) Doany said: “In 2018, we continued to make progress towards our strategic goals. Excluding IFRIC adjustments, we recorded 12.8% revenue growth in line with our guidance and TL 8.4 bn EBITDA, well ahead of the guidance for the year. As the leading integrated telecommunications company in Turkey, we realized the highest annual subscriber gain of the last 10 years, reaching 46 million customers thanks to our growth-focused strategy, customer-focused approach, and diversified product portfolio. These results show that we are well positioned to leverage on the growth prospects offered by Turkish telecommunication market, and reconfirm the strength our strategy and our successful execution.”

2019 Guidance:

Under current circumstances, guidance for 2019 is as below:

- Consolidated revenue growth (excluding IFRIC 12) to be at 15% - 16% levels over 2018
- Consolidated EBITDA to be at TL 10.0 billion – TL 10.2 billion levels
- Consolidated CAPEX to be at TL 5.5 billion - TL 5.7 billion levels

Our company adopted IFRS 16 accounting standards starting from 1 January 2019. Guidance includes IFRS 16 impact on EBITDA (TL 650-700 million) and CAPEX (TL 850- 900 million).

¹EBITDA 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).

The Full Year 2018 Financial Highlights

Consolidated revenues increased by 12.6% YoY to TL 20.4 bn, the highest annual growth since IPO.

Excluding IFRIC 12, total revenue growth was 12.8% YoY, in line with the ~13% revenue growth guidance.

The Group delivered the highest annual EBITDA growth since IPO at 30.7% YoY - TL 8.4 bn EBITDA exceeded the high end of the EBITDA guidance range of TL 8.0 bn – TL 8.2 bn for 2018.

The turnaround in EBITDA margin continued in 2018. EBITDA margin was 41.3%, supported by revenue growth and efficiency measures undertaken in opex management. Excluding IFRS 15 impact, EBITDA margin was again outstanding at 38.1%, 2.6ppt higher than 2017.

Operating profit increased by 36.9% YoY to TL 4.7 bn from TL 3.4 bn in 2017.

The Group invested TL 4.1 bn in 2018, reflecting a disciplined and optimization focused approach; excluding IFRS 15 impact, capex/sales ratio declined by 1ppt YoY to 17% in 2018.

Net loss was TL 1.4 bn in 2018 due to unfavorable FX conditions as TL depreciated against USD and EUR by 39% and 34% respectively. On the other hand, excluding FX & FX Hedging impacts, net income was TL 3.4 bn compared to TL 2.4 bn in 2017.

Unlevered free cash flow² in 2018 at TL 3.5 bn more than doubled compared to 2017, thanks to robust EBITDA performance.

The Company decided to carry out the preparations for the issuance of debt instruments in the structure of a conventional Eurobond and/or sukuk up to the total amount of USD 500 mn or its equivalent depending on the market conditions and applied to Capital Markets Board for this purpose.

4th Quarter 2018 Financial Highlights

Consolidated Revenue increased to TL 5.4 bn, up by 12.5% YoY. Excluding IFRIC 12 revenue, revenue growth was 13.8% YoY.

Consolidated EBITDA grew 46.2% YoY to TL 2.2 bn with a strong EBITDA margin of 41.3%.

Operating profit also demonstrated strong performance with 74.5% YoY increase to TL 1.2 bn.

Net income was TL 2.2 bn in Q4'18, with a significant improvement compared to net loss of TL 113 mn in Q4'17, thanks to stronger operating performance and favorable FX environment in the last quarter of the year. Excluding FX & FX Hedging impacts, net income was TL 856 mn, 34.6% higher than Q4'17 adjusted net income.

Capex was TL 1.5 bn in Q4'18, while unlevered free cash flow was TL 431 mn during the same period.

²Unlevered free cash flow is defined as net cash provided by operating and investing activities from operations.

With a strong EBITDA performance and favorable FX environment, Net Debt/EBITDA ratio declined from 2.30x in Sep'18 to 1.86x in Dec'18.

Hedge ratio³ increased to 67% in 2018YE from 35% in 2017YE.

4th Quarter 2018 Operational Highlights

Total number of Türk Telekom subscribers reached 46.0 mn with 1.2 mn net additions in Q4'18 - the highest quarterly net subscriber gain since IPO. For the full year, net subscriber gain was 4.3 mn, outperforming the previous full year's record of 2.8 mn.

Broadband subscriber base increased by 11.9% YoY to 10.9 mn with 308K net additions in Q4'18. For the full year, net subscriber additions were 1,163K, the best performance of the last decade.

Fiber subscribers⁴ reached 3.6 mn with 254K net additions in Q4'18; more than 80% of total broadband subscriber net additions came via fiber offers.

Mobile subscriber base increased to 21.5 mn with 718K net additions in Q4'18 – the highest 4th quarter increase of the last decade; supported by strong performance both in postpaid and prepaid segments. Quarterly mobile churn rate decreased to 6% - lowest level since IPO. For the full year, net subscriber gains reached 1.9 mn – again the best annual net add since IPO.

LTE population coverage expanded to 91% in Q4'18 from 83% a year ago. The share of LTE users⁵ in mobile subscriber base increased to 46% in Q4'18 from 35% in Q4'17.

Number of total fixed voice subscribers continued its sustained increase for six sequential quarters, with 108K net additions in Q4. Including nDSL, total fixed access lines reached 14.4 mn with 768K annual net add – the highest annual net add since 2008.

Home TV subscribers reached 1.7 mn, up by 492K annually - the highest full year net add in this segment. With the strong performance in the past two years, Tivibu Home moved from the fourth player position in 2016 to the second player position in Q1'18 in the Pay TV market; this position was reinforced throughout 2018. The number of total Pay TV subscribers exceeded 3.6 mn, with 886K annual net additions - again the highest annual net add.

As of Q4 '18, the share of multiple product ownership among subscriber base (OVIT)⁶ increased to 63% from 59% in Q4'17.

³Hedge Ratio is defined as the ratio of hedged FX based debt plus FX based cash over gross FX debt. For further details, please see "Summary Financial and Operational Information" file at [Investor Relations Website](#)

⁴Fiber subscribers include FTTH/B & FTTC subscribers.

⁵Mobile subscribers who registered for LTE and have LTE compatible device and sim card.

⁶Among constant subscriber universe that provided consent for sharing and using their information within the Group, which accounts for 72% of total Group subscribers as of Q4'18.

4rd Quarter 2018 Strategic Highlights

Türk Telekom has integrated its Corporate Security Services in Ankara under the largest cyber Security Center in Turkey. In this center, end-to-end solutions in global standards addressing the cyber security needs of Türk Telekom customers will be provided, ensuring the continuity of uninterrupted and secure access of customers.

Türk Telekom offers the widest Cyber Security service portfolio in Turkey. In addition to corporate security services already offered, Türk Telekom Cyber Security Centre aims to offer all cyber security services and products required by customers such as cyber security management services including security incidence monitoring, analysis and intervention services, and consultancy Services which can served individually as well, and cyber threat Intelligence Services with the support of Türk Telekom's experience, assurance and quality.

The first pilot project launched in Ankara, Sincan with Vodafone within the scope of on Fixed Electronic Communication Infrastructure Leasing Protocol is completed. The protocol aims the efficient use of existing infrastructure and acceleration of new investments. While incremental capex of the project is financed by Vodafone, Türk Telekom became the owner of the new infrastructure under the agreement. After the first pilot project, different projects on the leasing of fixed infrastructure are being evaluated.

Türk Telekom believes contribution to make information accessible to groups who cannot participate to social life due to economic, social or physical reasons is its corporate social responsibility. “Life is Simple with Internet” project of Türk Telekom carried out with this vision, was selected as a model project in the United Nations’ G20 Inclusive Business Activities Update Report in December 2018. With the “Life is Simple with Internet” project, Türk Telekom targets people who have never used internet and pioneers in acquainting them with the online world with the internet literacy training it provides.

Tambu reached 8.3 million downloads in 2018YE, more than two times of its nearest competitor. The leading and innovative toolbar of Tambu was viewed 17 bn times and 36 bn interaction was generated over Tambu application (over toolbar, keypad, and main app) since its launch. Tambu, was renewed in December with a new design and interface. New features such as location-based eating and drinking venue search, web search engine, gamification module that increases efficiency and interaction, and keyword search for domestic content form stronger basis for monetization opportunities of Tambu.

Türk Telekom CEO Dr. Paul (Boulos H.B.) Doany's comments on Q4 2018 results:

Record growth in subscribers, leveraging on our strengths as an integrated telecom operator

We delivered outstanding results in the 4th quarter across all business lines with our integrated business model, unmatched diversified portfolio, and penetration initiatives. We cost-effectively executed our strategy of growing our customer base, seizing opportunities for cross-selling, and effective retention management. We now have the consent of 72% of our customers' for sharing their information within Türk Telekom Group Companies. Leveraging on our attractive multiproduct offers, we gained 4.3 million net subscribers in 2018, the highest annual figure since IPO.

Strategy to drive fixed broadband penetration is bearing its fruits

Our strategy to increase fixed broadband business penetration in Turkey continued to bear its fruits in the fourth quarter and 40% of our total broadband net additions came via our affordable entry-level penetration campaign "İnternet Bizden". İnternet Bizden continued to support our fixed voice segment also, where we have subscriber growth for six consecutive quarters. We continue to see strong demand for higher speed and quota packages within "İnternet Bizden" subscribers. Moreover, regional penetration campaigns also supported our growth. The contribution of partnerships with electricity companies in our growth is increasing in line with our strategy to drive broadband penetration using diverse distribution channels.

Investments in fiber network continue at full speed

In fixed broadband, we lifted fair usage quotas for unlimited tariffs and launched high capacity offers, providing our customers a wide variety of offerings building on our strength to provide abundant capacity efficiently. Additionally, fiber is also driving growth where customers enjoy super-fast speeds. The share of our subscribers who prefer more than 20mbps speed increased to 37% in 2018, which was 31% a year ago. As a customer-oriented company, we continue to invest for better connectivity and best-in-class customer services. As of 2018YE, with our new investments, we continued to strengthen our position in fiber ownership, increasing our fiber network to 282K km and fiber homepass to 18.6 mn.

Record net add in mobile, lowest churn over the decade

Mobile segment is a major contributor of net subscriber addition where we added 718 thousand net subscribers in the fourth quarter. We gained 1.9 million net mobile subscribers in 2018, which is a full year record supported by our cross-selling activities and synergy offers including with TV, better quality and coverage of our mobile services with our new frequencies and investments. LTE population coverage increased by 8 ppt during the year to 91%. These results show we are on track regarding our goal to capture one-third of the mobile market. With our customer-oriented initiatives and effective retention management, in Q4'18 quarterly churn rate declined to 6% - the lowest of the past decade.

Wireless home strategy on the right track

Our strategy to provide affordable Pay TV services to the mass market to penetrate as many homes as possible while also supporting main telco businesses is well on track. In TV business, we recorded best annual performance, increasing our Home TV subscriber base by 492K, reaching 1,660K Home TV subscribers. With this strong momentum, we have 23% market share in Pay TV market as of Q3'18, where we had just 6% three years ago. This performance will enable us to increase wireless household reach and simultaneously support our mobile operations. Going forward, continuing to focus on wireless home strategy, we will also target to monetize our existing customer base with a cost-effective approach.

Executed well on efficiency, turnaround in margins

In 2018, we continued to execute well on our efficiency program across Türk Telekom. We delivered a turnaround in underlying EBITDA margin, with 4.2ppt improvement over the past two years supported by a more streamlined organization, effective cost control, scale advantages, synergies brought by being an integrated operator, and efficiencies on the back of data growth and digitalization. The improvement of mobile margin and better customer retention performance was clearly a contributor for that strong performance.

Initiatives undertaken for capital efficiency making progress

We continued our initiatives to drive efficiency by utilizing infrastructure effectively. Within the scope of on Fixed Electronic Communication Infrastructure Leasing Protocol, we recently completed the pilot project with Vodafone in Sincan. We value infrastructure sharing opportunities to minimize duplicate investments for all players and support the Turkish economy. We are evaluating sharing opportunities within the framework of regulations with all players in mobile segment including active sharing, passive sharing and RAN leasing options building on our successful active sharing model with Vodafone in Zonguldak and also in fixed segment.

Investments to create value with digital and ICT solutions accelerating

Our investments position us well to create value with digital and ICT solutions in addition to core services. We continue to drive digital services such as Tivibu GO (new generation TV platform), Muud (digital music platform) and e-dergi (digital reading platform), and Tambu. In 4Q'18, we relaunched the renewed version of our digital keyboard Tambu, with additional features to monetize the product. Download number of Tambu increased to 8.3 million with 17 bn engagements via its toolbar. Our other customer-focused platform Online Self-Service app was downloaded 23.8 million times since its launch, supporting our strategy of providing best-in-class self-service customer experience and operational efficiency. TT Mobil subscribers using the app exceeded 10.0 million in 2018. Amid the increasing, cybersecurity risks for all customer groups, we integrated our Corporate Security Services under the largest Cyber Security Center in Turkey. We target to provide end-to-end solutions in global standards addressing the cyber security needs of our customers, leveraging in our strong position in telecommunications space and strong brand position.

Investing in priority verticals with Corporate Venture Capital initiative

We also support core products and services through scalable projects in our priority verticals, which are health, education, and energy. We target to invest in scalable ventures in our priority verticals via our Corporate Venture Capital initiative. Following the transaction in the healthcare vertical (Doctor Turkey), we completed our second transaction, acquiring 6.9% stake in MentalUP in the education vertical. MentalUP is a game based learning platform for K-12 students. MentalUP provides educational and develop mental brain training web and mobile games for students, focusing on improving mental skills of children with digital educational games, while addressing adults as well. MentalUP was among the entrepreneurs in our PILOTT program, the first start-up accelerator program run by a private company in Turkey and as Türk Telekom we will continue contributing to the Turkish entrepreneurship in the future.

Getting ready for the next generation technologies

As Türk Telekom we are getting ready for the redesign of fixed and mobile networks to respond to the customers' increasing connectivity needs in the most effective way and to use our existing assets more effectively. Additionally, we work together with global players by taking part in consortiums such as 5G PPP and ONF (Open Network Foundation) in order to develop the 5G activities and to set standards. Under the roof of ONF, Türk Telekom initiated SDN (Software Defined Network) and NFV (Network Function Virtualization) adaptation studies on the basis of open source software our with its subsidiary, Argela. Building on these studies, we carried the live field trial of RAN Slicing (Radio Access Network Slicing) developed by our subsidiary, Argela on the site established within the scope of the Universal Service Project.

We continue to move forward with our new shareholder

It was a groundbreaking quarter for Türk Telekom with key developments in the corporate structure. In December, our Company's majority shares (55% stake) were taken over by a special purpose vehicle Levent Yapılandırma Yönetimi A.Ş. (LYY) where banks including Akbank, Garanti Bankası and İsbank are main shareholders. Following this shareholder change, we announced the related board changes as well. With the valuable contribution of our new board members, we will implement our long-term business plan in a more determined manner, grow our company and in this way, we will continue to contribute to the economy of the country.

Additionally, we are proud to announce that one of our sustainability projects, "Life is Simple With İnternet was selected as a model project by the United Nations. We will continue with our sustainability initiatives with the vision to bridge the digital divide across the nation.

Looking ahead, we're confident in the steps we are taking to improve the performance of our company for all our stakeholders. I thank each and every member of Türk Telekom family for these encouraging results.

Financial Review

(TL mn)	2017	2018	YoY Change	Q4'17	Q4'18	YoY Change
Revenue	18,140	20,431	12.6%	4,800	5,398	12.5%
Revenue (Exc. IFRIC 12)	17,435	19,660	12.8%	4,586	5,220	13.8%
EBITDA	6,452	8,436	30.7%	1,525	2,229	46.2%
<i>Margin</i>	35.6%	41.3%		31.8%	41.3%	
Depreciation and Amortisation	(3,019)	(3,735)	23.7%	(812)	(986)	21.4%
Operating Profit	3,433	4,701	36.9%	713	1,244	74.5%
<i>Margin</i>	18.9%	23.0%		14.8%	23.0%	
Financial Income / (Expense)	(1,954)	(6,723)	244.0%	(1,061)	1,413	n.m.
FX & Hedging Gain / (Loss)	(1,454)	(5,982)	311.3%	(886)	1,736	n.m.
Interest Income / (Expense)	(340)	(659)	93.8%	(91)	(216)	136.8%
Other Financial Income / (Expense)	(160)	(82)	(48.7)%	(84)	(107)	27.9%
Tax Income / (Expense)	(343)	631	n.m.	235	(442)	n.m.
Net Income	1,136	(1,391)	n.m.	(113)	2,215	n.m.
<i>Margin</i>	6.3%	n.m.		n.m.	41.0 %	
Adjusted Net Income ⁷	2,416	3,354	38.8%	636	856	34.6%
CAPEX	3,221	4,087	26.9%	1,722	1,451	(15.8)%

Revenues

In 2018, top line increased by 12.6% YoY (up by TL 2,291 mn) to TL 20,431 mn with 13.5% YoY increase in mobile (up by TL 896 mn), 12.9% YoY increase in broadband (up by TL 634 mn) and 44.9% YoY increase in international revenues (up by TL 287 mn). Excluding IFRIC 12, top line growth was 12.8% YoY (up by TL 2,225 mn) which is in line with the guidance. Mobile service revenue growth was 3.5ppt higher than the reported mobile revenue growth in 2018 mostly due to the more segmented approach undertaken in the device business.

In Q4'18, consolidated revenues increased by 12.5% YoY (up by TL 599 mn) to TL 5,398 mn. Excluding IFRIC 12, top line growth was 13.8% YoY (up by TL 634 mn) mainly due to 14.9% YoY increase in broadband (up by TL 192 mn), 14.0% YoY increase in mobile (up by TL 238 mn) and 45.9% YoY increase in international revenues (up by TL 78 mn).

⁷Adjusted net income excludes the net impact of FX & FX hedging gain/loss (after tax) during respective period.

In Q4'18, the increase in mobile service revenues was ~20% YoY, while mobile revenue growth of 14.0% YoY (up by TL 238 mn) was lower mostly due to lower commissions on device sales and one-off provision (TL 32 mn) related to regulation on excess usage charges. Fixed voice segment recorded a revenue growth of 5% YoY (up by TL 32 mn) in Q4'18 compared to 6.0% YoY revenue decline (down by TL 40 mn) in Q4'17.

Operating Expenses Excluding Depreciation and Amortization (OPEX)

In 2018, operating expenses increased by 2.6% YoY (up by TL 307 mn). Excluding IFRS 15 impact (TL 661 mn on commercial expenses) and IFRIC 12 increase (up by TL 59 mn), growth in operating expenses was 8.2 % YoY (up by TL 910 mn).

The Law numbered 7061 which ruled a methodology change in calculation of frequency fees effective as of Jan 1st, 2018 lead to an increase in frequency fees (total YoY increase in frequency fees in 2018: TL 172 mn). Additionally, as of Q1'18, frequency fees with direct link to sales are reported under "Tax" expense. Before 2018, such frequency fees were reported under "Network and Technology" expense, as there were no direct link to sales at the prior calculation methodology. Accordingly, in 2018, "Network&Technology" expense & "Tax" expenses combined increased by 22.3% YoY (up by TL 686 mn) with the change in calculation methodology, higher cost of utilities and FX based technology expenses. Interconnection expenses increased by 17.2% YoY (up by TL 262 mn) mainly due to increase in Türk Telekom International's (TTI) sales volumes and FX.

Meanwhile, in 2018 increase in personnel expense was only 5.6% YoY (up by TL 161 mn), reflecting a further streamlined organizational structure. As a result of simplification efforts, share of personnel expense in total revenues declined to 17.2% in 2016 to 14.8% in 2018. As another positive development on opex side, thanks to a more prudent risk management policy and segmented approach in device business, provisions for doubtful receivables declined by 42.7% YoY (down by TL 200 mn) to TL 268 mn in 2018. Commercial expenses declined by 37.8% YoY (down by TL 661 mn) compared to 2017 mainly due to TL 661 mn IFRS 15 impact.

In Q4'18, operating expenses decreased by 3.2% YoY (down by TL 106 mn). Excluding IFRS 15 impact (TL 201 mn impact on commercial expenses) and IFRIC 12 decrease (down by TL 31 mn), growth in operating expenses was 4.1% YoY (up by TL 126 mn).

Network&technology and tax expense combined increased by 28.3% YoY (up by TL 226 mn) driven by higher cost of utilities, FX based technology expenses and calculation methodology change in frequency fees. Growth of interconnection expense was 19.6% YoY (up by TL 75 mn) in Q4'18 mostly due to increase in TTI sales volumes and FX. Personnel expenses increased by 2.3% YoY (up by TL 18 mn) in Q4'18. Provisions for doubtful receivables declined by 71.1% YoY (down by TL 94 mn). Commercial costs decreased by 48% YoY (down by TL 234 mn) mainly due to IFRS 15 impact (TL 201 mn).

Operating Profit before Depreciation and Amortization (EBITDA)

In 2018, Group EBITDA increased by 30.7% YoY (up by TL 1,984 mn) to TL 8,436 mn, registering the highest annual growth since IPO.

EBITDA exceeded the high end of guidance range of TL 8.0 – 8.2 bn mainly due to strong revenue performance and efficiency measures undertaken in opex management.

Even adjusted for IFRS 15, EBITDA growth was still strong with 21.0% YoY increase. EBITDA margin in 2018 was at 41.3%. Excluding IFRS 15 impact, underlying EBITDA margin in 2018 at 38.1% was 2.6 ppt higher than in 2017 with the support of strong revenue growth and opex efficiencies.

In Q4'18, Consolidated EBITDA increased by 46.2% YoY (up by TL 705 mn) to TL 2.2 bn with an EBITDA margin of 41.3%. Excluding IFRS 15 impact, underlying EBITDA margin was 37.8%, 6.0 ppt higher than Q4'17.

Depreciation and Amortization Expense

In 2018, depreciation and amortization (D&A) expense increased by 23.7% YoY (up by TL 716 mn) to TL 3,735 mn.

Operating Profit⁸

In 2018, Group recorded TL 4,701 mn operating profit, marking 36.9% increase (up by TL 1,268 mn) over TL 3,433 mn in 2017.

In Q4'18, operating profit increased 74.5% YoY (up by TL 531 mn) to TL 1,244 mn on the back of strong EBITDA. IFRS 15 had a limited impact of TL 58 mn on operating profit in Q4'18.

Net Financial Income / Expense⁹

Group recorded TL 6,723 mn net financial expense in 2018 vs. TL 1,954 mn expense in 2017 due to unfavorable FX environment.

In Q4'18, net financial income was supported with the appreciation of TL during the quarter and came at TL 1,413 mn compared to TL 1,061 mn net financial expense in Q4'17.

During the fourth quarter, the Group executed additional participating cross currency swap (PCCS) transactions with a notional value of USD 445 mn, while strengthening the protection level of the existing hedge positions. At the end of the quarter, the Group has USD 1.9 bn equivalent of PCCS position in total, corresponding to 67% hedge ratio including FX based cash of USD 624 mn.

⁸Operating 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.

⁹Net 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.

Tax Income/Expense

Group recorded TL 631 mn tax income in 2018 due to net loss before tax, while tax expense in 2017 was TL 343 mn TL.

Tax expense in Q4'18 came at TL 442 mn compared to TL 235 mn tax income in Q4 '17 as income-before-tax turned to positive thanks to strong operational performance and favorable FX conditions in Q4'18.

Net Income

Group reported TL 1,391 mn net loss in 2018 driven by financial expenses as TL depreciated against USD and EUR by 39% and 34% respectively during the year. Excluding FX & FX Hedging impacts, net income was at TL 3,354 mn, 39% higher than adjusted net income in 2017.

Net income jumped to TL 2,215 mn in Q4'18, compared to TL 113 mn net loss in Q4'17 thanks to strong underlying operating performance and a better FX environment in Q4'18.

Capital Expenses

Capex increased to TL 4,087 mn in 2018 from TL 3,221 mn in 2017. Excluding the impact of IFRS 15, underlying Capex was TL 3,425 mn.

Capex in Q4'18 was realized at TL 1,451 mn.

Cash Flow

Unlevered free cash flow in 2018 was TL 3.5 bn, more than double of in 2017 thanks to robust EBITDA performance.

Unlevered free cash flow² generated in Q4'18 was TL 431 mn.

Operational Performance

	Q4'17	Q3'18	Q4'18	QoQ Change	YoY Change
Total Access Lines (mn) ¹⁰	13.7	14.3	14.4	1.4%	5.6%
Fixed Voice Subscribers (mn)	9.6	9.8	9.9	1.1%	3.5%
Naked Broadband Subscribers (mn)	4.1	4.4	4.5	2.0%	10.5%
Fixed Voice ARPU (TL)	22.2	22.5	22.5	0.1%	1.4%
Total Broadband Subscribers (mn)	9.7	10.6	10.9	2.9%	11.9%
Total Fiber Subscribers ('000)	2,749	3,379	3,633	7.5%	32.2%
FTTH/B ('000)	1,065	1,258	1,356	7.8%	27.4%
FTTC ('000)	1,684	2,121	2,276	7.3%	35.2%
Broadband ARPU (TL)	44.8	44.4	45.9	3.3%	2.3%
Total TV Subscribers (mn) ¹¹	2.7	3.5	3.6	2.9%	32.3%
Tivibu Home (IPTV + DTH) Subscribers('000)	1,167	1,600	1,660	3.7%	42.2%
TV ARPU (TL)	16.4	14.9	15.1	1.3%	(7.5)%
Mobile Total Subscribers (mn)	19.6	20.8	21.5	3.5%	9.8%
Mobile Postpaid Subscribers (mn)	10.8	11.8	12.2	4.1%	13.1%
Mobile Prepaid Subscribers (mn)	8.8	9.0	9.3	2.6%	5.8%
Mobile Blended ARPU (TL)	27.9	31.8	31.0	(2.4)%	11.1%
Mobile Postpaid ARPU (TL)	35.7	39.6	39.5	(0.3)%	10.7%
Mobile Prepaid ARPU (TL)	18.0	20.1	19.2	(4.1)%	6.7%

¹⁰Naked DSL Lines and Fixed Voice Lines

¹¹Tivibu Home (IPTV, DTH) and Tivibu Go (Web TV+ Mobile TV +Smart TV subscribers)

About Türk Telekom Group

Türk Telekom, with 178 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 TT Mobil 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 14.4 million fixed access lines, 10.9 million broadband, 3.6 million TV and 21.5 million mobile subscribers as of December 31, 2018. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 33,417 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 TT Mobil 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., project development and corporate venture capital company TT Ventures Proje Geliştirme A.Ş., Electric Supply and Sales Company TTES Elektrik Tedarik Satış A.Ş., wholesale data 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. and counselling services company 11818 Rehberlik ve Müşteri Hizmetleri A.Ş.

Disclaimer

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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 TT Mobil 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>