



# **TURKCELL İLETİSİM HİZMETLERİ**

**FOURTH QUARTER AND FULL YEAR  
2018 RESULTS**

***“1440 STRATEGY LED TO SUPERIOR FINANCIAL  
AND OPERATIONAL PERFORMANCE”***

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- Please note that all financial data is consolidated and comprises that of Turkcell İletişim Hizmetleri A.Ş. (the “Company”, or “Turkcell”) and its subsidiaries and associates (together referred to as the “Group”), unless otherwise stated.
- We have three reporting segments:
  - “Turkcell Turkey” which comprises all of our telecom related businesses in Turkey (as used in our previous releases in periods prior to Q115, this term covered only the mobile businesses). All non-financial data presented in this press release is unconsolidated and comprises Turkcell Turkey only figures, unless otherwise stated. The terms “we”, “us”, and “our” in this press release refer only to Turkcell Turkey, except in discussions of financial data, where such terms refer to the Group, and except where context otherwise requires.
  - “Turkcell International” which comprises all of our telecom related businesses outside of Turkey.
  - “Other subsidiaries” which is mainly comprised of our information and entertainment services, call center business revenues, financial services revenues and inter-business eliminations.
- In this press release, a year-on-year comparison of our key indicators is provided, and figures in parentheses following the operational and financial results for December 31, 2018 refer to the same item as at December 31, 2017. For further details, please refer to our consolidated financial statements and notes as at and for December 31, 2018, which can be accessed via our website in the investor relations section ([www.turkcell.com.tr](http://www.turkcell.com.tr)).
- Selected financial information presented in this press release for the fourth quarter and for the full year 2017 and 2018 is based on IFRS figures in TRY terms unless otherwise stated.
- In accordance with our strategic approach and IFRS requirements, Fintur is classified as ‘held for sale’ and reported as discontinued operations as of October 2016. Certain operating data that we previously presented with Fintur included has been restated without Fintur.
- In the tables used in this press release totals may not foot due to rounding differences. The same applies to the calculations in the text.
- Year-on-year and quarter-on-quarter percentage comparisons appearing in this press release reflect mathematical calculation.

**FINANCIAL HIGHLIGHTS**

TRY million	Q417	Q418	y/y %	FY17	FY18	y/y %
Revenue	4,666	5,626	20.6%	17,632	21,292	20.8%
EBITDA <sup>1</sup>	1,739	2,239	28.8%	6,228	8,788	41.1%
EBITDA Margin (%)	37.3%	39.8%	2.5pp	35.3%	41.3%	6.0pp
Net Income	216	864	300.1%	1,979	2,021	2.1%

**FULL YEAR HIGHLIGHTS**

- Remarkable financial performance in a challenging macro environment:
  - All-time high revenue and EBITDA at the Group level
  - Group revenues up 21% year-on-year, 49% on two-year cumulative basis
  - Group EBITDA up 41% year-on-year, 90% on two-year cumulative basis, EBITDA margin at 41.3%
  - Strong group net income of TRY2,021 million
  - Operational capex over sales ratio<sup>2</sup> at 18.5%, in line with our plan
  - TRY1.9 billion dividends distributed
  - Guidance delivered thanks to effective cost control measures and business model hedging strategy comprising three pillars; right pricing, FX & interest rate hedging and liquidity management
- Solid operational performance:
  - 94% rise in digital services downloads worldwide to 169 million
  - 347 thousand net postpaid mobile subscriber additions in 2018
  - Data usage of 4.5G users at 8 GB in December
- 2019 Group guidance<sup>3</sup>; revenue growth target of 16%-18%, EBITDA margin target of 37%-40% and operational capex over sales ratio<sup>2</sup> of 16%-18%.

**FOURTH QUARTER HIGHLIGHTS**

- Strong financial results achieved:
  - Group revenues and EBITDA up 20.6% and 28.8%, respectively leading to an EBITDA margin of 39.8%
  - Group net income of TRY864 million; stable quarterly run-rate
- Operational momentum continued:
  - Mobile ARPU<sup>4</sup> growth of 15.8% year-on-year on the back of digital services focused strategy
  - Mobile multiplay subscriber ratio<sup>5</sup> reached 66.7%, up 10.9pp year-on-year; and multiplay with TV subscribers<sup>6</sup> reached 48.6%, up 4.2pp year-on-year
  - Leading NPS in the sector reflecting strong customer appreciation
- Binding agreement with respect to the transfer of our stake in Fintur to Sonera Holding B.V., the other shareholder of Fintur, signed on December 12, 2018; the deal is expected to be completed soon.

(1) EBITDA is a non-GAAP financial measure. See page 15 for the explanation of how we calculate Adjusted EBITDA and its reconciliation to net income.

(2) Excluding license fee

(3) Please note that this paragraph contains forward looking statements based on our current estimates and expectations regarding market conditions for each of our different businesses. No assurance can be given that actual results will be consistent with such estimates and expectations. For a discussion of factors that may affect our results, see our Annual Report on Form 20-F for 2017 filed with U.S. Securities and Exchange Commission, and in particular, the risk factor section therein

(4) Excluding M2M

(5) Share of mobile voice line users which excludes subscribers who have not used their line in the last 3 months. Multiplay refers to mobile customers who use voice, data and one of core digital services.

(6) Multiplay subscribers with TV: Fiber internet + IPTV users & fiber internet + IPTV + fixed voice users

For further details, please refer to our consolidated financial statements and notes as at and for December 31, 2018 which can be accessed via our website in the investor relations section ([www.turkcell.com.tr](http://www.turkcell.com.tr)).

**COMMENTS BY KAAAN TERZIOGLU, CEO**

As Turkcell Group, we have concluded another successful year of operations, having taken firm steps in accordance with our digital business model. While our digital transformation has reached its 4<sup>th</sup> year, our 1440 strategy focused on creating value for every minute of our customers' lives, has led to superior performance, both in operational and financial terms. I am delighted that we have accomplished the vision we set as the “Digital Operator”, having fulfilled the very definition of one, creating new business areas in a challenging environment, and reaching a point where this model is now extended to the wider world.

2018 was a year where challenging macroeconomic conditions shaped global and local markets, where global trade decelerated, the emerging markets saw capital outflows and the Turkish Lira depreciated against foreign currencies. And yet, we delivered a strong performance, actually exceeding our initial targets. Turkcell Group's total revenues grew 20.8% to TRY21.3 billion, while EBITDA<sup>1</sup> rose 41.1% to TRY8.8 billion leading to an EBITDA margin of 41.3%. 2-year cumulative growth in revenues reached 49% while EBITDA grew 90.2%. Despite the challenging macro environment, we reported a net income above that of 2017 at TRY2 billion. Our capital expenditures<sup>2</sup> were in line with our plans, at 18.5% of revenues.

As reflected by this solid set of results, our digital operator model and strong balance sheet and business model hedging strategies have successfully passed a significant stress test. I would like to share with you the main components of our strategy that have made this performance possible, and the progress we have achieved throughout the year.

**We increased our share of 1440 minutes with our digital services**

In 2018, we continued to expand and enrich our digital services portfolio with new features, a key pillar of our digital operator transition. We saw 169 million downloads of our digital services, receiving a higher share of our customers' 1440 minutes and creating greater value for them within those minutes.

Our digital communication and experience platform BiP has been equipped with two important capabilities this year. BiP now allows the use of two numbers on a single handset, as well as money transfer, in addition to its enriched messaging experience, multiuser video and voice call capability and subscription to service provider channels. We reached 34.6 million downloads and 11.5 million active users<sup>3</sup> of BiP on the back of rising customer appreciation in 2018.

fizy, over which 7 million songs were streamed daily in the fourth quarter, reached 3.2 million active users<sup>3</sup>, while TV+ became one of Turkey's largest digital TV platforms with its customers reaching 3.4 million users<sup>4</sup>. Dergilik, now with international magazines in its portfolio, led evening editions of newspapers to be published once again in Turkey. Reaching 12.5 million active users<sup>3</sup>, Dergilik continued to transform the publishing sector.

Turkey's search engine, Yaani, which we launched at the end of 2017, has been downloaded 7.6 million times to date, while its active users<sup>3</sup> have reached 3 million. Over Yaani, the web version of which we now also offer our customers, 2.7 million searches were performed on average every day.

In the attractive gaming market, we are committed to growth on multiple platforms including Playcell, BiP Gaming and TavlaGo. Playcell, a safe-zone for kids offering a variety of educational and entertaining games, had 18.7 million total visitors in 2018, while BiP Gaming users have reached 4.8 million as at the end of 2018.

**We took effective steps to grow the digital economy**

Our Fast Login application, which enables a secure and fast login experience to mobile applications, and mobile and online websites, has been used 232 million times to date by its 15.3 million registered users. Thanks to Fast Login, Turkey became the first market to meet the commercial sustainability criteria set by the GSMA (Global Mobile Operators Association) in digital authentication, an area we consider the cornerstone of the digital economy.

In techfin solutions, we strengthened the foundations of our business, deepened our competencies, and increased our customer interaction. One key focus, Paycell, continues its firm progress towards becoming one of the strongest players in the mobile payment world. The Paycell application has been downloaded 2.6 million times and more

than 1 million Paycell Cards have been issued. Financell, our consumer finance company, continued to facilitate our customers' access to smart devices supporting them with the loans it provided. This year we expanded our competencies in financial services establishing Güvencell Sigorta, our insurance agency; the first insurance product offered to our customers was a health insurance package aimed at women.

Our traffic management, digital authentication and mobile payment solutions introduced for online and mobile content and service providers to grow e-commerce, offered a seamless digital experience to numerous entrepreneurs this year.

**Our customers increasingly benefited from our products and services. We raised the bar in 4.5G.**

The average data consumption of 4.5G users reached 7.6 GB on the back of our innovative mobile services. Turkcell Turkey's multiplay customer ratio<sup>5</sup> on the mobile front reached 66.7% with a 10.9 percentage point increase, while the ratio of multiplay with TV+ users<sup>6</sup> reached 48.6% in the fixed segment.

Our infrastructure investments enable our customers to take full advantage of the digital world. In April, we reached a new milestone by serving at speeds in excess of 1 Gbps on our 4.5G network.

We initiated our NB-IoT services, deploying our products on our infrastructure. We started to serve our customers with our NB-IoT featured device, Filiz, together with its application aimed at increasing agricultural productivity through remote monitoring.

As part of steps taken to ensure seamless and high-speed communication, we launched Superbox, our FWA (Fixed Wireless Access) product, to great appreciation from our customers. Moreover, we developed Dronecell, which will enable us to provide 4.5G services in areas where intensive data traffic is likely to be experienced. Dronecell, Turkey's first flying base station, will play an important role in ensuring uninterrupted communication to save lives, particularly in emergencies and disasters.

**We opened up our digital model to the World, launching the digital export era.**

In 2018, we also transferred our digital competencies to those countries where Turkcell Group operates. lifecell, the first operator to implement 4.5G in Ukraine, is taking firm steps towards becoming the national digital operator. In accordance with our globalization vision, we aim to expand our digital footprint not only in the countries where we operate, but also throughout the wider world, by cooperating with other operators. Established for this purpose, our subsidiary lifecell Ventures was introduced to the international audience at the GSMA Mobile World Congress, the most prestigious event of our industry, in Barcelona in February 2018. lifecell Ventures conducted its first service export to Moldcell with BiP and lifebox.

Another important development of 2018 was the sale of Fintur subsidiaries, and ultimately the agreement to sell our stake in Fintur to Telia, signed in December. This transaction enhances our efficient balance sheet management and focus on growth through digital services, and will result in a cash inflow of EUR 350 million upon completion.

**We created value for our investors with our digital model and business model hedging strategy**

Strong operational performance combined with our Business Model Hedging strategy, enabled us to achieve strong profitability and create shareholder value, despite macroeconomic headwinds.

In a landmark development, with our 10-year, USD 500 million Eurobond issuance in April, we became the first Turkish company to issue a 10-year bond since 2015. This has strengthened our balance sheet under favorable financing conditions, while confirming market confidence in Turkcell. Going forward, we plan to keep the average tenure of our debt portfolio at 4-5 years. In addition to the bond issuance, we continued to strengthen our liquidity and diversify financing sources, while registering firsts for the market with vendor financing, lease certificates, asset-backed securities and other debt instruments.

On the back of hedging instruments, we maintained FX risk at a minimum level, generating solid profits, despite TL depreciation. Moreover, hedge accounting principles minimized volatility, allowing for predictable quarterly net profits throughout the year.

Including the TRY1.9 billion dividend paid out in 2018 with a yield of 7.2%, we have distributed nearly 60% of net profit recorded since 2010 to our shareholders.

**We have invested in Turkey's future with our technology, social responsibility awareness and now, our Foundation.**

We believe that investing in the future means investing in human capital. Accordingly, we welcomed 232 young friends to the Turkcell family within the scope of our GNCYTNK Project. Moreover, with the Whiz Kids project, we support the education of gifted children, while also supporting the education of children overcoming obstacles through the Education without Boundaries Project. We cooperate with DQInstitute in the area of DQ - Digital Intelligence, and help children to develop digital awareness in order to become confident digital citizens.

We support entrepreneurship through various projects and applications, primarily Beehive, our crowd funding platform.

"Hello Hope", our application dedicated to serving Syrian guests in Turkey, has reached nearly 1 million downloads. We will continue to leverage our technology for the benefit of those who most need it.

In this respect, we took another important step by establishing Turkcell Foundation. With a vision of developing Turkey into a technology producer, Turkcell Foundation aims to gather Turkcell's corporate social responsibility activities under one roof and work to increase employment opportunities by supporting scientists and the qualified labor force required across all fields of endeavor.

**The future is already here and we are ready for it**

The near future will be shaped by technologies such as 5G, artificial intelligence, block chain and augmented and artificial reality the world over. As Turkcell, we have launched strategic alliances with leading technology companies and universities domestically and abroad for the past two years with respect to our studies into 5G. Related activities continued in 2018.

The primary tool for processing the data generated by 5G will be artificial intelligence/machine learning technologies. As Turkcell, we are currently utilizing these technologies to enrich our applications, to make more effective and efficient contact with our customers, and to prevent identity fraud through image processing. Through our R&D Center and creative human capital, we will continue to employ artificial intelligence internally to the highest ethical standards in deploying our services.

**Our digital transformation process will keep up the pace.**

On the back of our solid fundamentals, in 2019, we target<sup>7</sup> Group revenue growth of 16% - 18%, an EBITDA margin of 37% - 40% and an operational capex to sales ratio<sup>2</sup> of 16% - 18%. Meanwhile, we will launch our DO1440 strategy at the GSMA Mobile World Congress next week.

I would like to thank all our stakeholders, primarily our shareholders, for their unyielding support during 2018, where we crowned our transformation process into a digital operator with notable achievements. I sincerely believe that our success story will continue with the trust and support of all our stakeholders in the upcoming period.

(1) EBITDA is a non-GAAP financial measure. See page 15 for the explanation of how we calculate Adjusted EBITDA and its reconciliation to net income.

(2) Excluding license fee

(3) 3-month active users

(4) IPTV users and OTT only cumulative active users

(5) Share of mobile voice line users which excludes subscribers who have not used their line in the last 3 months. Multiplay refers to mobile customers who use voice, data and one of core digital services.

(6) Multiplay subscribers with TV: Fiber internet + IPTV users & fiber internet + IPTV + fixed voice users

(7) Please note that this paragraph contains forward looking statements based on our current estimates and expectations regarding market conditions for each of our different businesses. No assurance can be given that actual results will be consistent with such estimates and expectations. For a discussion of factors that may affect our results, see our Annual Report on Form 20-F for 2017 filed with U.S. Securities and Exchange Commission, and in particular, the risk factor section therein

**FINANCIAL AND OPERATIONAL REVIEW**
**Financial Review of Turkcell Group**

Profit & Loss Statement (million TRY)	Quarter			Year		
	Q417	Q418	y/y %	FY17	FY18	y/y %
Revenue	4,666.0	5,626.3	20.6%	17,632.1	21,292.5	20.8%
Cost of revenue <sup>1</sup>	(2,315.7)	(2,607.3)	12.6%	(8,753.2)	(9,858.0)	12.6%
<b>Cost of revenue<sup>1</sup>/Revenue</b>	<b>(49.6%)</b>	<b>(46.3%)</b>	<b>3.3pp</b>	<b>(49.6%)</b>	<b>(46.3%)</b>	<b>3.3pp</b>
<b>Gross Margin<sup>1</sup></b>	<b>50.4%</b>	<b>53.7%</b>	<b>3.3pp</b>	<b>50.4%</b>	<b>53.7%</b>	<b>3.3pp</b>
Administrative expenses	(67.3)	(198.2)	194.5%	(645.2)	(673.4)	4.4%
<b>Administrative expenses/Revenue</b>	<b>(1.4%)</b>	<b>(3.5%)</b>	<b>(2.1pp)</b>	<b>(3.7%)</b>	<b>(3.2%)</b>	<b>0.5pp</b>
Selling and marketing expenses	(544.1)	(500.8)	(8.0%)	(2,005.4)	(1,626.7)	(18.9%)
<b>Selling and marketing expenses/Revenue</b>	<b>(11.7%)</b>	<b>(8.9%)</b>	<b>2.8pp</b>	<b>(11.4%)</b>	<b>(7.6%)</b>	<b>3.8pp</b>
Net impairment losses on financial and contract assets	-	(81.0)	n.m	-	(346.4)	n.m
<b>EBITDA<sup>2</sup></b>	<b>1,738.9</b>	<b>2,239.0</b>	<b>28.8%</b>	<b>6,228.3</b>	<b>8,788.0</b>	<b>41.1%</b>
<b>EBITDA Margin</b>	<b>37.3%</b>	<b>39.8%</b>	<b>2.5pp</b>	<b>35.3%</b>	<b>41.3%</b>	<b>6.0pp</b>
Depreciation and amortization	(700.5)	(1,287.0)	83.7%	(2,597.0)	(4,288.0)	65.1%
<b>EBIT<sup>3</sup></b>	<b>1,038.4</b>	<b>952.0</b>	<b>(8.3%)</b>	<b>3,631.3</b>	<b>4,500.0</b>	<b>23.9%</b>
Net finance income / (costs)	(106.7)	(18.5)	(82.7%)	(322.9)	(1,687.0)	422.5%
Finance income	385.9	(1,225.9)	(417.7%)	818.3	1,932.1	136.1%
Finance costs <sup>4</sup>	(492.5)	1,207.4	(345.2%)	(1,141.2)	(3,619.1)	217.1%
Other income / (expense)	(625.8)	46.5	(107.4%)	(698.9)	(140.1)	(80.0%)
Non-controlling interests	(20.5)	(77.7)	279.0%	(58.6)	(156.3)	166.7%
Share of profit of equity accounted investees	-	0.3	n.m	-	(0.1)	n.m
Income tax expense	(69.5)	(38.7)	(44.3%)	(571.8)	(495.5)	(13.3%)
<b>Net Income</b>	<b>215.9</b>	<b>863.9</b>	<b>300.1%</b>	<b>1,979.2</b>	<b>2,021.2</b>	<b>2.1%</b>

(1) Excluding depreciation and amortization expenses.

(2) EBITDA is a non-GAAP financial measure. See page 15 for the explanation of how we calculate Adjusted EBITDA and its reconciliation to net income.

(3) EBIT is a non-GAAP financial measure and is equal to EBITDA minus depreciation and amortization expenses.

(4) Fair value loss and interest expense in relation to derivative instruments reported under finance cost were netted off from respective fair value gain and interest income in relation to derivative instruments reported under finance income. Historical periods were restated to reflect this change.

**Revenue** of the Group grew by 20.6% year-on-year in Q418. Turkcell Turkey's strong ARPU performance on the back of dedicated execution of our digital services-focused strategy as well as our focus on customer satisfaction was the main driver of this growth.

Turkcell Turkey revenues, comprising 85% of Group revenues, rose by 18.4% to TRY4,785 million (TRY4,041 million).

- Data and digital services revenues grew by 16.1% to TRY3,177 million (TRY2,735 million).
  - o Higher number of data users, increased data consumption per user and rise in penetration of digital services along with upsell performance were the main drivers on the mobile front.
  - o On the fixed front, a larger subscriber base and increased ratio of multiplay subscribers with TV were the main drivers.
- Wholesale revenues grew by 42.0% to TRY217 million (TRY153 million) on the back of increased carrier traffic and the positive impact of TRY depreciation on FX based revenues.

Turkcell International revenues, at 7% of Group revenues, increased 46.3% to TRY422 million (TRY288 million), mainly with the rise in lifecell and BeST revenues.

Other subsidiaries' revenues, at 7% of Group revenues, and which includes information and entertainment services, call center revenues and revenues from financial services rose by 24.3% to TRY419 million (TRY337 million). This was mainly driven by the increase in the consumer finance company's revenues to TRY247 million (TRY183 million) in Q418.



For the full year, Turkcell Group revenues rose by 20.8%.

Turkcell Turkey revenues grew by 18.2% to TRY18,266 million (TRY15,450 million).

- Data and digital services revenues grew by 16.4% to TRY11,997 million (TRY10,304 million).
- Wholesale revenues grew by 54.9% to TRY910 million (TRY587 million).

Turkcell International revenues rose by 36.5% to TRY1,457 million (TRY1,067 million).

Other subsidiaries' revenues grew by 40.8% to TRY1,570 million (TRY1,115 million).

**Cost of revenue** (excluding depreciation and amortization) declined to 46.3% (49.6%) as a percentage of revenues in Q418. This was mainly due to the decline in radio expenses (1.8pp), interconnection costs (1.0pp) and other cost items (1.6pp), despite the rise in TRX expenses (1.1pp) as a percentage of revenues.

The impact of new IFRS standards is TRY264 million positive in cost of revenue items in Q418.

For the full year, cost of revenue decreased to 46.3% (49.6%) as a percentage of revenues. This was mainly due to the decrease in radio costs (2.4pp), interconnection costs (0.8pp) and other cost items (1.4pp), despite the increase in TRX costs (1.3pp) as a percentage of revenues.

**Administrative expenses** was at 3.5% (1.4%) as a percentage of revenues in Q418. Administrative expenses included a positive impact of TRY133 million in Q417 due to the change we made in our doubtful receivable provision assumptions based on improvement in collection performance.

The impact of new IFRS standards is TRY10 million positive in administrative expenses in Q418.

For the full year, administrative expenses was at 3.2% (3.7%) as a percentage of revenues. As explained above administrative expenses included a positive impact of TRY133 million in 2017.

Please note that starting from Q418 net impairment expense recognized on receivables reported under administrative expenses was classified under net impairment losses on financial and contract assets item. Prior years' financials have not been restated to reflect this change. Net impairment expense recognized on receivables amounted to TRY45 million in Q418 and TRY205 million for the full year.

**Selling and marketing expenses** was at 8.9% (11.7%) as a percentage of revenues in Q418. Selling expenses and marketing expenses declined 2.0pp and 0.6pp, respectively as a percentage of revenues.

The impact of new IFRS standards is TRY169 million positive in selling and marketing expenses in Q418.

For the full year, selling and marketing expenses as a percentage of revenues was at 7.6% (11.4%). Selling expenses and marketing expenses decreased 2.5pp and 0.4pp, respectively as a percentage of revenues.

Please note that starting from Q418 frequency usage fees related to prepaid subscribers reported under selling and marketing expenses were classified under net impairment losses on financial and contract assets item. Prior years' financials have not been restated to reflect this change. Frequency usage fees related to prepaid subscribers amounted to TRY36 million in Q418 and TRY142 million for the full year.

**Net impairment losses on financial and contract assets** was at TRY81 million in Q418. The impact of new IFRS standards is TRY21 million positive in net impairment losses on financial and contract assets in Q418. For the full year, net impairment losses on financial and contract assets amounted to TRY346 million.

**EBITDA<sup>1</sup>** rose by 28.8% year-on-year in Q418 leading to a 2.5pp increase in EBITDA margin to 39.8% (37.3%).

The impact of new IFRS standards on EBITDA is TRY476 million positive in Q418.

- Turkcell Turkey's EBITDA grew by 14.8% to TRY1,797 million (TRY1,566 million) with an EBITDA margin of 37.6% (38.8%) in Q418. The impact of new IFRS standards is TRY326 million positive.
- Turkcell International EBITDA<sup>2</sup> rose to TRY247 million (TRY64 million) leading to an EBITDA margin of 58.5% (22.2%). The impact of new IFRS standards is TRY146 million positive.
- The EBITDA of other subsidiaries rose by 79.0% to TRY195 million (TRY109 million) with the increasing contribution of our consumer finance company. The impact of new IFRS standards is TRY4 million positive.

(1) EBITDA is a non-GAAP financial measure. See page 15 for the explanation of how we calculate adjusted EBITDA and its reconciliation to net income.

(2) We started to capitalize the frequency usage fees of lifecell in Q418 in accordance with IFRS16 which led to a positive impact on Turkcell International EBITDA. The change was implemented retrospectively; impact regarding previous quarters of 2018 was booked in Q418.



For the full year, EBITDA grew by 41.1% resulting in an EBITDA margin of 41.3% (35.3%).

- Turkcell Turkey's EBITDA rose by 34.7% to TRY7,534 million (TRY5,594 million), while its EBITDA margin rose 5.0pp to 41.2% (36.2%).
- Turkcell International EBITDA increased to TRY613 million (TRY264 million), while the EBITDA margin reached 42.1% (24.7%).
- The EBITDA of other subsidiaries rose by 73.0% to TRY641 million (TRY370 million).

**Depreciation and amortization expenses** increased 83.7% in Q418. The impact of new IFRS standards is TRY356 million negative on depreciation and amortization expenses in Q418.

For the full year, depreciation and amortization expenses increased 65.1%.

**Net finance expense** declined to TRY18 million (TRY107 million) in Q418. Please note that the Group has started to apply hedge accounting as of July 1, 2018 for existing participating cross currency swap and cross currency swap transactions in accordance with the IFRS 9 hedge accounting requirement. Please see the IFRS report for details. Furthermore, the impact of new IFRS standards was TRY39 million negative on the net finance expense.

For the full year the net finance expense rose to TRY1,687 million (TRY323 million). This was mainly due to higher net foreign exchange losses and higher interest expenses resulting from a larger loan portfolio.

See Appendix A for details of net foreign exchange gain and loss.

**Income tax expense** declined 44.3% year-on-year in Q418. For the full year the income tax expense decreased by 13.3%. Please see Appendix A for details.

**Net income** of the Group rose to TRY864 million (TRY216 million) in Q418. Prudent financial risk management ensured a stable quarterly run-rate of net income during the year. Please note that the Q417 net income figure included a TRY575 million provision booked for tax settlement within the scope of Law No. 7061, which had a TRY500 million impact on net income after tax.

For the full year, we registered a net income of TRY2,021 million (TRY1,979 million). Solid operational performance and prudent financial risk management allowed us to register a strong net income for the full year, despite a challenging macro environment.

**Total cash & debt:** Consolidated cash as of December 31, 2018 decreased to TRY7,419 million from TRY8,749 million as of September 30, 2018. Excluding the FX swap transactions for TRY borrowing, 74% of our cash is in US\$ and 26% is in EUR.

Consolidated debt as of December 31, 2018 decreased to TRY20,156 million from TRY23,055 million as of September 30, 2018. Please note that TRY1,414 million of our consolidated debt is comprised of lease obligations resulting from the implementation of IFRS 16.

- Consolidated debt breakdown excluding lease obligations resulting from the implementation of IFRS 16:
  - Turkcell Turkey's debt was TRY13,717 million, of which TRY7,652 million (US\$1,455 million) was denominated in US\$, TRY5,775 million (EUR958 million) in EUR, TRY193 million (CNY254 million) in CNY and the remaining TRY96 million in TRY.
  - The debt balance of lifecell was TRY925 million, of which TRY895 million (UAH4,728 million) was denominated in UAH and the remaining TRY30 million (EUR5 million) in EUR.
  - Our consumer finance company had a debt balance of TRY4,096 million, of which TRY2,073 million (US\$394 million) was denominated in US\$, and TRY1,171 million (EUR194 million) in EUR with the remaining TRY853 million in TRY.
- TRY719 million of IFRS 16 lease obligations is denominated in TRY, TRY40 million (US\$8 million) in US\$, TRY195 million (EUR32 million) in EUR and the remaining balance in other local currencies (please note that the figures in parentheses refer to US\$ or EUR equivalents).

TRY 11,565 million of our consolidated debt is set at a floating rate. Excluding the consumer finance business borrowings, TRY4,154 million of consolidated debt will mature within less than a year.

Net debt as of December 31, 2018 was at TRY12,736 million with a net debt to EBITDA ratio of 1.4 times. Excluding consumer finance company consumer loans, our telco only net debt was at TRY8,565 million with a leverage of 1.0 times.

Turkcell Group's short FX position was at US\$224 million as at the end of Q418. *(Please note that this figure takes into account advance payments and hedging, but excludes FX swap transactions for TL borrowing).*

**Capital expenditures:** Capital expenditures, including non-operational items, amounted to TRY1,607.4 million (excluding the impact of new IFRS standards) in Q418.

For the full year, capital expenditures including non-operational items were at TRY4,643.8 million (excluding the impact of new IFRS standards).

In Q418 and FY18, operational capital expenditures (excluding license fees) at the Group level were at 25.7% and 18.5% of total revenues, respectively.

Capital expenditures (million TRY)	Quarter		Year	
	Q417	Q418	FY17	FY18
Turkcell Turkey	(1,716.6)	(1,479.3)	(3,821.5)	(3,793.0)
Turkcell International <sup>1</sup>	(82.8)	(121.6)	(246.6)	(831.0)
Other Subsidiaries <sup>1</sup>	(7.2)	(6.5)	(22.3)	(19.8)
<b>Capex and License</b>	<b>(1,806.6)</b>	<b>(1,607.4)</b>	<b>(4,090.4)</b>	<b>(4,643.8)</b>

(1) The impact from the movement of reporting currency (TRY) against local currencies of subsidiaries in other countries is included in these lines.

**Operational Review of Turkcell Turkey**

Summary of Operational Data	Quarter			Year		
	Q417	Q418	y/y %	FY17	FY18	y/y %
<b>Number of subscribers (million)</b>	<b>36.7</b>	<b>36.7</b>	<b>-</b>	<b>36.7</b>	<b>36.7</b>	<b>-</b>
Mobile Postpaid (million)	18.5	18.8	1.6%	18.5	18.8	1.6%
Mobile M2M (million)	2.3	2.4	4.3%	2.3	2.4	4.3%
Mobile Prepaid (million)	15.6	14.9	(4.5%)	15.6	14.9	(4.5%)
Fiber (thousand)	1,204.3	1,385.6	15.1%	1,204.3	1,385.6	15.1%
ADSL (thousand)	921.4	905.6	(1.7%)	921.4	905.6	(1.7%)
IPTV (thousand)	505.9	613.4	21.2%	505.9	613.4	21.2%
<b>Churn (%)<sup>1</sup></b>						
Mobile Churn (%) <sup>2</sup>	2.4%	2.9%	0.5pp	1.9%	2.1%	0.2pp
Fixed Churn (%)	1.9%	2.2%	0.3pp	1.8%	1.8%	-
<b>ARPU (Average Monthly Revenue per User) (TRY)</b>						
Mobile ARPU, blended	30.4	35.0	15.1%	29.8	33.9	13.8%
Mobile ARPU, blended (excluding M2M)	32.3	37.4	15.8%	31.6	36.2	14.6%
Postpaid	43.8	49.5	13.0%	43.0	48.2	12.1%
Postpaid (excluding M2M)	49.6	56.4	13.7%	48.5	54.9	13.2%
Prepaid	15.1	17.4	15.2%	14.9	16.9	13.4%
Fixed Residential ARPU, blended	55.2	56.6	2.5%	53.6	55.7	3.9%
<b>Average mobile data usage per user (GB/user)</b>	<b>4.3</b>	<b>5.9</b>	<b>37.2%</b>	<b>3.9</b>	<b>5.2</b>	<b>33.3%</b>
<b>Mobile MoU (Avg. Monthly Minutes of usage per subs) blended</b>	<b>353.4</b>	<b>356.4</b>	<b>0.8%</b>	<b>347.1</b>	<b>359.5</b>	<b>3.6%</b>

(1) Presentation of churn figures has been changed to demonstrate average monthly churn figures for the respective quarters.

(2) In Q117, our churn policy was revised to extend from 9 months to 12 months (the period at the end of which we disconnect prepaid subscribers who have not topped up above TRY10). Additionally, under our revised policy, prepaid customers who last topped up before March will be disconnected at the latest by year-end. Please note that figures for prior periods have not been restated to reflect this change in churn policy.

Our mobile subscriber base stood at 33.8 million by the end of the year. We registered 347 thousand net postpaid subscriber additions annually, while the share of postpaid subscribers reached 55.7% (54.2%) of our mobile subscriber base. Meanwhile, our prepaid subscribers declined by 676 thousand annually. Please note that 555 thousand prepaid subscribers, who last topped up between January and March, were disconnected in accordance with our churn policy in Q418.

Our fixed subscriber base reached 2.3 million on 166 thousand annual net additions. We registered 181 thousand annual net additions to our fiber subscribers. IPTV subscribers exceeded 613 thousand on 108 thousand annual net additions. Total TV subscribers including OTT only users reached 3.4 million<sup>3</sup> on 1.3 million annual additions. Turkcell TV+ mobile application downloads were at 11.8 million as of February.

In Q418, our average monthly mobile churn rate was at 2.9%. Excluding the impact of involuntarily deactivated prepaid mobile subscribers as explained above, our average monthly churn rate in Q418 would have been 2.4%. Our average monthly fixed churn rate was at 2.2% in Q418. For the full year, the average monthly mobile churn rate was at 2.1% and the average monthly fixed churn rate at 1.8%.

Mobile ARPU (excluding M2M) grew by 15.8% year-on-year in Q418, driven mainly by increased data and digital services usage and upsell performance. Mobile ARPU (excluding M2M) rose 14.6% for the full year.

Fixed Residential ARPU rose 2.5% in Q418 year-on-year and 3.9% for the full year, positively impacted by the rise in multiplay subscribers with TV<sup>4</sup> to 48.6% of total residential fiber subscribers.

Average mobile data usage per user rose by 37.2% in Q418 year-on-year and 33.3% for the full year, driven by higher data consumption of 4.5G users and rich digital services offerings. Accordingly, the average mobile data usage of 4.5G users was at 7.6 GB in Q418 and 8 GB in December.

4.5G compatible smartphones increased to 18 million on 2.3 million annual additions in 2018 comprising 80% of total smartphones on our network by the end of the year.

(3) IPTV users and OTT only cumulative active users

(4) Multiplay subscribers with TV: Fiber internet + TV users & fiber internet + TV + voice users

**TURKCELL INTERNATIONAL**

lifecell <sup>1</sup> Financial Data	Quarter			Year		
	Q417	Q418	y/y%	FY17	FY18	y/y%
Revenue (million UAH)	1,269.2	1,417.0	11.6%	4,876.0	5,268.5	8.0%
EBITDA (million UAH)	331.3	1,083.5	227.0%	1,326.5	2,762.2	108.2%
EBITDA margin (%)	26.1%	76.5%	50.4pp	27.2%	52.4%	25.2pp
Net income / (loss) (million UAH)	(179.6)	(730.1)	306.5%	(503.6)	(1,300.7)	158.3%
Capex (million UAH) <sup>2</sup>	414.3	933.3	125.3%	1,330.1	4,031.9	203.1%
Revenue (million TRY)	178.0	273.3	53.5%	664.7	924.0	39.0%
EBITDA (million TRY)	46.5	205.9	342.8%	180.7	489.4	170.8%
EBITDA margin (%)	26.1%	75.3%	49.2pp	27.2%	53.0%	25.8pp
Net income / (loss) (million TRY)	(25.2)	(126.3)	401.2%	(69.0)	(220.2)	219.1%

(1) Since July 10, 2015, we hold a 100% stake in lifecell.

(2) Excluding the impact of new IFRS standards

**lifecell (Ukraine)** revenues grew by 11.6% year-on-year in Q418 in local currency terms driven mainly by increased mobile data revenues with rising penetration of 4.5G users and higher data consumption. EBITDA in local currency terms increased to UAH1,084 million, which resulted in an EBITDA margin of 76.5%. This was led by effective cost control measures as well as the positive impact of new IFRS standards. Please also note that lifecell started to capitalize its radio frequency usage costs in Q418 in accordance with IFRS16, and that the overall impact including the retrospective adjustments for previous quarters of 2018, was booked in Q418.

lifecell revenues in TRY terms grew by 53.5% year-on-year, while its EBITDA rose to TRY206 million in Q418. The impact of new IFRS standards on lifecell's EBITDA is TRY125 million positive in Q418.

For the full year, lifecell revenues in local currency terms rose by 8.0% with an EBITDA margin of 52.4%. In TRY terms, lifecell registered revenue growth of 39.0% and an EBITDA margin of 53.0%.

lifecell Operational Data	Quarter			Year		
	Q417	Q418	y/y%	FY17	FY18	y/y%
Number of subscribers (million) <sup>3</sup>	11.1	9.9	(10.8%)	11.1	9.9	(10.8%)
Active (3 months) <sup>4</sup>	8.0	7.3	(8.8%)	8.0	7.3	(8.8%)
MOU (minutes) (12 months)	135.7	148.6	9.5%	129.4	144.9	12.0%
ARPU (Average Monthly Revenue per User), blended (UAH)	37.0	47.2	27.6%	33.8	42.8	26.6%
Active (3 months) (UAH)	52.3	63.1	20.7%	47.7	57.3	20.1%

(3) We may occasionally offer campaigns and tariff schemes that have an active subscriber life differing from the one that we normally use to deactivate subscribers and calculate churn.

(4) Active subscribers are those who in the past three months made a revenue generating activity.

lifecell's three-month active subscriber base declined to 7.3 million in Q418, mainly due to the declining multiple SIM card usage trend in the country. lifecell continued its strong ARPU performance registering 27.6% growth in Q418 on the back of increased mobile data consumption and price increases. The increasing share of higher ARPU customers preferring lifecell for its quality 4.5G and 3G networks and attractive digital services portfolio also contributed to the solid ARPU performance.

lifecell has continued to expand its 4.5G services in Q418. The penetration of 4.5G services continued to rise as reflected by the increased number of 3-month active 4.5G users, which reached 33% of total mobile data users. Overall, 3-month active data users on 3G and 4.5G networks in total exceeded 4 million, while average data

consumption per user rose by 128% year-on-year, mainly with the higher data consumption of 4.5G users. Meanwhile, lifecell continued to lead the Ukrainian market with 75.9% smartphone penetration.

In line with Turkcell's global digital services strategy, lifecell continued to enrich its digital services portfolio launching new services in Q418, and increase the penetration of these services within its customer base. Moreover lifecell became first in Ukrainian market to deploy NB-IoT network for smart devices.

BeST <sup>1</sup>	Quarter			Year		
	Q417	Q418	y/y%	FY17	FY18	y/y%
<b>Number of subscribers (million)</b>	<b>1.6</b>	<b>1.6</b>	-	<b>1.6</b>	<b>1.6</b>	-
Active (3 months)	1.3	1.2	(7.7%)	1.3	1.2	(7.7%)
<b>Revenue (million BYN)</b>	<b>30.4</b>	<b>32.9</b>	<b>8.2%</b>	<b>111.8</b>	<b>124.9</b>	<b>11.7%</b>
EBITDA (million BYN)	1.8	12.7	605.6%	4.3	27.9	548.8%
<b>EBITDA margin (%)</b>	<b>6.0%</b>	<b>38.6%</b>	<b>32.6pp</b>	<b>3.8%</b>	<b>22.3%</b>	<b>18.5pp</b>
Net loss (million BYN)	(9.4)	(8.3)	(11.7%)	(42.0)	(37.0)	(11.9%)
<b>Capex (million BYN)<sup>2</sup></b>	<b>5.1</b>	<b>1.6</b>	<b>(68.6%)</b>	<b>13.3</b>	<b>9.1</b>	<b>(31.6%)</b>
Revenue (million TRY)	58.2	83.8	44.0%	210.4	292.9	39.2%
<b>EBITDA (million TRY)</b>	<b>3.5</b>	<b>31.3</b>	<b>794.3%</b>	<b>8.0</b>	<b>66.1</b>	<b>726.3%</b>
EBITDA margin (%)	6.0%	37.4%	31.4pp	3.8%	22.6%	18.8pp
<b>Net loss (million TRY)</b>	<b>(18.0)</b>	<b>(21.3)</b>	<b>18.3%</b>	<b>(79.2)</b>	<b>(86.0)</b>	<b>8.6%</b>
Capex (million TRY) <sup>2</sup>	10.6	0.9	(91.5%)	25.4	22.2	(12.6%)

(1) BeST, in which we hold an 80% stake, has operated in Belarus since July 2008.

(2) Excluding the impact of new IFRS standards

**BeST** revenues rose by 8.2% year-on-year in Q418 in local currency terms, mainly driven by growth in mobile data and device sale revenues. BeST's EBITDA rose to BYN12.7 million, which resulted in an EBITDA margin of 38.6% positively impacted by the implementation of new IFRS standards.

BeST's revenues in TRY terms rose by 44.0% year-on-year in Q418, while its EBITDA margin increased to 37.4%. The impact of new IFRS standards on BeST's EBITDA is TRY30 million positive in Q418.

For the full year, revenues in local currency terms rose by 11.7% with an EBITDA margin of 22.3%. BeST registered revenue growth of 39.2% in TRY terms and an EBITDA margin of 22.6%.

BeST continued to increase the penetration of its 4G services, which leads to higher data consumption and allows for increased digital services usage. Accordingly, the average monthly data consumption of subscribers increased by 70% to 5.9 GB in Q418. BeST continued to increase the penetration of its digital services within its customer base, while expanding its digital services portfolio with additional services for all Belarus telecommunication market. BeST launched lifebox (personal cloud service) and TV+ (TV service), as well as lifecell Digital MIX offerings, which allows customers to curate different digital services on a single package.

Kuzey Kıbrıs Turkcell <sup>3</sup> (million TRY)	Quarter			Year		
	Q417	Q418	y/y%	FY17	FY18	y/y%
<b>Number of subscribers (million)</b>	<b>0.5</b>	<b>0.5</b>	-	<b>0.5</b>	<b>0.5</b>	-
Revenue	41.2	45.8	11.2%	158.2	180.1	13.8%
<b>EBITDA</b>	<b>10.6</b>	<b>11.6</b>	<b>9.4%</b>	<b>53.0</b>	<b>58.8</b>	<b>10.9%</b>
EBITDA margin (%)	25.7%	25.3%	(0.4pp)	33.5%	32.6%	(0.9pp)
<b>Net income</b>	<b>7.7</b>	<b>8.9</b>	<b>15.6%</b>	<b>34.0</b>	<b>32.9</b>	<b>(3.2%)</b>
Capex <sup>4</sup>	14.2	21.1	48.6%	41.8	51.0	22.0%

(3) Kuzey Kıbrıs Turkcell, in which we hold a 100% stake, has operated in Northern Cyprus since 1999.

(4) Excluding the impact of new IFRS standards

**Kuzey Kıbrıs Turkcell** revenues rose by 11.2% year-on-year in Q418, mainly on mobile data revenue growth, while EBITDA rose by 9.4%. The impact of new IFRS standards on Kuzey Kıbrıs Turkcell's EBITDA is TRY1.6 million positive in Q418.

For the full year, revenues rose by 13.8%, while EBITDA growth was 10.9% which led to an EBITDA margin of 32.6%.

**Fintur** had operations in Azerbaijan, Kazakhstan, Moldova and Georgia, and we hold a 41.45% stake in the company. In accordance with our strategic approach and IFRS requirements, Fintur is classified as 'held for sale' and reported as discontinued operations as of October 2016.

On March 5, 2018, Fintur transferred its 51.3% total shareholding in Azertel Telekomunikasyon Yatırım Dış Ticaret A.Ş. to Azerbaijan International Telecom LLC, a fully state-owned company of the Republic of Azerbaijan, for EUR221.7 million.

On March 20, 2018, Fintur completed the transfer of its 99.99% total shareholding in Geocell LLC to Silknet JSC, a joint stock company organized under the laws of Georgia, for a total consideration of US\$153 million.

On December 12, 2018, Fintur signed a binding agreement and on December 21, 2018 completed the transfer of its 51% total shareholding in Kcell JSC to Kazakhtelecom JSC, a fixed line operator controlled by the government of the Republic of Kazakhstan through the sovereign wealth fund Samruk-Kazyna. The transaction implied an enterprise value of US\$771 million for 100% shares.

These transactions have no impact on our financial statements since Fintur is classified as "assets held for sale" in our financials.

On December 12, 2018, Turkcell signed a binding agreement with respect to the transfer of its shares in Fintur to Sonera Holding B.V., the majority shareholder of Fintur. Based on the calculation over Fintur's financials as of November 30, 2018, the value of the transaction is anticipated to be approximately EUR 350 million. Following the regulatory procedures, the closing is expected in Q119 and the proceeds will be received.

### **Turkcell Group Subscribers**

Turkcell Group subscribers amounted to approximately 48.9 million as of December 31, 2018. This figure is calculated by taking the number of subscribers of Turkcell Turkey and each of our subsidiaries. It includes the total number of mobile, fiber, ADSL and IPTV subscribers of Turkcell Turkey, and the mobile subscribers of lifecell and BeST, as well as those of Kuzey Kıbrıs Turkcell and lifecell Europe.

<b>Turkcell Group Subscribers</b>	<b>Q417</b>	<b>Q318</b>	<b>Q418</b>	<b>y/y%</b>	<b>q/q%</b>
Mobile Postpaid (million)	18.5	19.0	18.8	1.6%	(1.1%)
Mobile Prepaid (million)	15.6	15.9	14.9	(4.5%)	(6.3%)
Fiber (thousand)	1,204.3	1,331.3	1,385.6	15.1%	4.1%
ADSL (thousand)	921.4	917.6	905.8	(1.7%)	(1.3%)
IPTV (thousand)	505.9	581.5	613.4	21.2%	5.5%
<b>Turkcell Turkey subscribers (million)<sup>1</sup></b>	<b>36.7</b>	<b>37.8</b>	<b>36.7</b>	<b>-</b>	<b>(2.9%)</b>
lifecell (Ukraine)	11.1	10.1	9.9	(10.8%)	(2.0%)
BeST (Belarus)	1.6	1.6	1.6	-	-
Kuzey Kıbrıs Turkcell	0.5	0.5	0.5	-	-
lifecell Europe <sup>2</sup>	0.3	0.2	0.2	(33.3%)	-
<b>Turkcell Group Subscribers (million)</b>	<b>50.2</b>	<b>50.3</b>	<b>48.9</b>	<b>(2.6%)</b>	<b>(2.8%)</b>

(1) Subscribers to more than one service are counted separately for each service.

(2) The "wholesale traffic purchase" agreement, signed between Turkcell Europe GmbH operating in Germany and Deutsche Telekom for five years in 2010, had been modified to reflect the shift in business model to a "marketing partnership". The new agreement between Turkcell and a subsidiary of Deutsche Telekom was signed on August 27, 2014. The transfer of Turkcell Europe operations to Deutsche Telekom's subsidiary was completed on January 15, 2015. Subscribers are still included in the Turkcell Group Subscriber figure. Turkcell Europe was rebranded as lifecell Europe on January 15, 2018.



## OVERVIEW OF THE MACROECONOMIC ENVIRONMENT

The foreign exchange rates used in our financial reporting, along with certain macroeconomic indicators, are set out below.

	Quarter					Year		
	Q417	Q318	Q418	y/y%	q/q%	FY17	FY18	y/y%
<b>GDP Growth (Turkey)</b>	<b>7.3%</b>	<b>1.6%</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>7.4%</b>	<b>n.a</b>	<b>n.a</b>
<b>Consumer Price Index (Turkey) (yoy)</b>	<b>11.9%</b>	<b>24.5%</b>	<b>20.3%</b>	<b>8.4pp</b>	<b>(4.2pp)</b>	<b>11.9%</b>	<b>20.3%</b>	<b>8.4pp</b>
<b>US\$ / TRY rate</b>								
Closing Rate	3.7719	5.9902	5.2609	39.5%	(12.2%)	3.7719	5.2609	39.5%
Average Rate	3.7942	5.5223	5.4369	43.3%	(1.5%)	3.6308	4.7577	31.0%
<b>EUR / TRY rate</b>								
Closing Rate	4.5155	6.9505	6.0280	33.5%	(13.3%)	4.5155	6.0280	33.5%
Average Rate	4.4747	6.4356	6.2121	38.8%	(3.5%)	4.1087	5.5977	36.2%
<b>US\$ / UAH rate</b>								
Closing Rate	28.07	28.30	27.69	(1.4%)	(2.2%)	28.07	27.69	(1.4%)
Average Rate	27.05	27.43	28.18	4.2%	2.7%	26.64	27.32	2.6%
<b>US\$ / BYN rate</b>								
Closing Rate	1.9727	2.1121	2.1598	9.5%	2.3%	1.9727	2.1598	9.5%
Average Rate	1.9812	2.0408	2.1307	7.5%	4.4%	1.9278	2.0338	5.5%

**RECONCILIATION OF NON-GAAP FINANCIAL MEASUREMENTS:** We believe Adjusted EBITDA, among other measures, facilitates performance comparisons from period to period and management decision making. It also facilitates performance comparisons from company to company. Adjusted EBITDA as a performance measure eliminates potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact of changes in effective tax rates on periods or companies) and the age and book depreciation of tangible assets (affecting relative depreciation expense). We also present Adjusted EBITDA because we believe it is frequently used by securities analysts, investors and other interested parties in evaluating the performance of other mobile operators in the telecommunications industry in Europe, many of which present Adjusted EBITDA when reporting their results.

Our Adjusted EBITDA definition includes Revenue, Cost of Revenue excluding depreciation and amortization, Selling and Marketing expenses and Administrative expenses, but excludes translation gain/(loss), finance income, finance expense, share of profit of equity accounted investees, gain on sale of investments, minority interest and other income/(expense).

Nevertheless, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations, as reported under IFRS. The following table provides a reconciliation of Adjusted EBITDA, as calculated using financial data prepared in accordance with IFRS as issued by the IASB, to net profit, which we believe is the most directly comparable financial measure calculated and presented in accordance with IFRS as issued by the IASB.

Turkcell Group (million TRY)	Quarter			Year		
	Q417	Q418	y/y%	FY17	FY18	y/y%
<b>Adjusted EBITDA</b>	<b>1,738.9</b>	<b>2,239.0</b>	<b>28.8%</b>	<b>6,228.3</b>	<b>8,788.0</b>	<b>41.1%</b>
Depreciation and amortization	(700.5)	(1,287.0)	83.7%	(2,597.0)	(4,288.0)	65.1%
Finance income	385.9	(1,225.9)	(417.7%)	818.3	1,932.1	136.1%
Finance costs	(492.5)	1,207.4	(345.2%)	(1,141.2)	(3,619.1)	217.1%
Other income / (expense)	(625.8)	46.5	(107.4%)	(698.9)	(140.1)	(80.0%)
Share of profit of equity accounted investees	-	0.3	n.m	-	(0.1)	n.m
<b>Consolidated profit from continued operations before income tax &amp; minority interest</b>	<b>305.8</b>	<b>980.4</b>	<b>220.6%</b>	<b>2,609.5</b>	<b>2,672.9</b>	<b>2.4%</b>
Income tax expense	(69.5)	(38.7)	(44.3%)	(571.8)	(495.5)	(13.3%)
<b>Consolidated profit from continued operations before minority interest</b>	<b>236.3</b>	<b>941.7</b>	<b>298.5%</b>	<b>2,037.8</b>	<b>2,177.4</b>	<b>6.9%</b>
Discontinued operations	-	-	-	-	-	-
<b>Consolidated profit before minority interest</b>	<b>236.3</b>	<b>941.7</b>	<b>298.5%</b>	<b>2,037.8</b>	<b>2,177.4</b>	<b>6.9%</b>



**NOTICE:** *This release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Safe Harbor provisions of the US Private Securities Litigation Reform Act of 1995. This includes, in particular, our targets for revenue, EBITDA and capex for 2019. More generally, all statements other than statements of historical facts included in this press release, including, without limitation, certain statements regarding the launch of new businesses, our operations, financial position and business strategy may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as, among others, "will," "expect," "intend," "estimate," "believe", "continue" and "guidance".*

*Although Turkcell believes that the expectations reflected in such forward-looking statements are reasonable at this time, it can give no assurance that such expectations will prove to be correct. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements. For a discussion of certain factors that may affect the outcome of such forward looking statements, see our Annual Report on Form 20-F for 2017 filed with the U.S. Securities and Exchange Commission, and in particular the risk factor section therein. We undertake no duty to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.*

*The Company makes no representation as to the accuracy or completeness of the information contained in this press release, which remains subject to verification, completion and change. No responsibility or liability is or will be accepted by the Company or any of its subsidiaries, board members, officers, employees or agents as to or in relation to the accuracy or completeness of the information contained in this press release or any other written or oral information made available to any interested party or its advisers.*

**ABOUT TURKCELL:** *Turkcell is a digital operator headquartered in Turkey, serving its customers with its unique portfolio of digital services along with voice, messaging, data and IPTV services on its mobile and fixed networks. Turkcell Group companies operate in 6 countries – Turkey, Ukraine, Belarus, Northern Cyprus, Germany, Moldova. Turkcell launched LTE services in its home country on April 1<sup>st</sup>, 2016, employing LTE-Advanced and 3 carrier aggregation technologies in 81 cities. Turkcell offers up to 10 Gbps fiber internet speed with its FTTH services. Turkcell Group reported TRY21.3 billion revenue in FY18 with total assets of TRY42.8 billion as of December 31, 2018. It has been listed on the NYSE and the BIST since July 2000, and is the only NYSE-listed company in Turkey. Read more at [www.turkcell.com.tr](http://www.turkcell.com.tr)*

## **For further information please contact Turkcell**

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*This press release can also be viewed using the Turkcell Investor Relation app, which can be downloaded [here](#) for iOS, and [here](#) for Android mobile devices.*

**Appendix A – Tables**
**Table: Net foreign exchange gain and loss details**

Million TRY	Quarter			Year		
	Q417	Q418	y/y%	FY17	FY18	y/y%
Turkcell Turkey	(284.7)	1,024.7	(459.9%)	(564.9)	(1,811.8)	220.7%
Turkcell International	(9.4)	5.7	(160.6%)	(8.3)	(117.9)	n.m
Other Subsidiaries	(62.7)	439.7	(801.3%)	(145.3)	(765.4)	426.8%
<b>Net FX loss before hedging</b>	<b>(356.7)</b>	<b>1,470.1</b>	<b>(512.1%)</b>	<b>(718.5)</b>	<b>(2,695.0)</b>	<b>275.1%</b>
Fair value gain on derivative financial instruments <sup>1</sup>	261.9	(1,551.9)	(692.6%)	316.8	1,223.3	286.1%
<b>Net FX gain / (loss) after hedging</b>	<b>(94.8)</b>	<b>(81.8)</b>	<b>(13.7%)</b>	<b>(401.6)</b>	<b>(1,471.7)</b>	<b>266.5%</b>

(1) Definition of fair value gain on derivative financial instruments has been extended to include the impact of interest income and expense in relation to derivative instruments and fair value of FX swaps engaged in during the period to manage operational cash flow balance.

**Table: Income tax expense details**

Million TRY	Quarter			Year		
	Q417	Q418	y/y%	FY17	FY18	y/y%
Current tax expense	(84.3)	(114.9)	36.3%	(438.0)	(655.0)	49.5%
Deferred tax income / (expense)	14.8	76.2	414.9%	(133.8)	159.5	(219.2%)
<b>Income Tax expense</b>	<b>(69.5)</b>	<b>(38.7)</b>	<b>(44.3%)</b>	<b>(571.8)</b>	<b>(495.5)</b>	<b>(13.3%)</b>

**TURKCELL İLETİŞİM HİZMETLERİ A.Ş.**  
**IFRS SELECTED FINANCIALS (TRY Million)**

	Quarter Ended Dec 31, <u>2017</u>	Quarter Ended Sep 30, <u>2018</u>	Quarter Ended Dec 31, <u>2018</u>	Year Ended Dec 31, <u>2017</u>	Year Ended Dec 31, <u>2018</u>
<b>Consolidated Statement of Operations Data</b>					
Turkcell Turkey	4,040.7	4,959.5	4,785.5	15,450.2	18,265.8
Turkcell International	288.3	424.2	421.9	1,067.1	1,457.0
Other	337.1	415.5	419.0	1,114.8	1,569.7
Total revenues	4,666.1	5,799.2	5,626.4	17,632.1	21,292.5
Direct cost of revenues	(3,016.3)	(3,745.0)	(3,894.5)	(11,350.2)	(14,146.0)
Gross profit	1,649.8	2,054.2	1,731.9	6,281.9	7,146.5
Administrative expenses	(67.3)	(162.0)	(198.2)	(645.2)	(673.4)
Selling & marketing expenses	(544.1)	(365.0)	(500.8)	(2,005.4)	(1,626.7)
Other Operating Income / (Expense)	(625.9)	(123.0)	46.5	(698.9)	(140.1)
Net impairment losses on financial and contract assets	-	(109.5)	(80.9)	-	(346.4)
Operating profit before financing costs	412.5	1,294.6	998.5	2,932.4	4,359.9
Finance costs	(492.5)	(3,002.6)	1,207.4	(1,141.2)	(3,619.1)
Finance income	385.9	2,134.0	(1,225.9)	818.3	1,932.1
Share of profit of equity accounted investees	-	(0.4)	0.3	-	(0.1)
Income before tax and non-controlling interest	305.9	425.6	980.3	2,609.5	2,672.8
Income tax expense	(69.6)	(144.4)	(38.8)	(571.8)	(495.5)
Income from continuing operations before non-controlling interest	236.3	281.2	941.5	2,037.7	2,177.3
Discontinued operations	-	-	-	-	-
Non-controlling interests	(20.4)	(39.9)	(77.8)	(58.6)	(156.3)
Net income	215.9	241.3	863.7	1,979.1	2,021.0
Net income per share	0.10	0.11	0.40	0.90	0.93
<b>Other Financial Data</b>					
Gross margin	35.4%	35.4%	30.8%	35.6%	33.6%
EBITDA(*)	1,739.0	2,392.8	2,239.0	6,228.3	8,788.0
Capital expenditures	1,807.6	1,263.7	1,607.4	4,090.4	4,643.8
<b>Consolidated Balance Sheet Data (at period end)</b>					
Cash and cash equivalents	4,712.3	8,749.2	7,419.2	4,712.3	7,419.2
Total assets	33,982.5	45,404.1	42,765.3	33,982.5	42,765.3
Long term debt	8,258.0	14,955.1	13,119.6	8,258.0	13,119.6
Total debt	12,536.1	23,055.1	20,155.5	12,536.1	20,155.5
Total liabilities	18,937.4	30,513.2	26,711.7	18,937.4	26,711.7
Total shareholders' equity / Net Assets	15,045.1	14,890.9	16,053.6	15,045.1	16,053.6

(\*) Please refer to the notes on reconciliation of Non-GAAP Financial measures on page 15

For further details, please refer to our consolidated financial statements and notes as at 31 December 2018 on our web site

**TURKCELL ILETISIM HIZMETLERI A.S.**  
**TURKISH ACCOUNTING STANDARDS SELECTED FINANCIALS (TRY Million)**

	Quarter Ended Dec 31, <u>2017</u>	Quarter Ended Sep 30, <u>2018</u>	Quarter Ended Dec 31, <u>2018</u>	Year Ended Dec 31, <u>2017</u>	Year Ended Dec 31, <u>2018</u>
<b>Consolidated Statement of Operations Data</b>					
Turkcell Turkey	4,040.7	4,959.5	4,785.5	15,450.2	18,265.8
Turkcell International	288.3	424.2	421.9	1,067.1	1,457.0
Other	337.1	415.5	419.0	1,114.8	1,569.7
Total revenues	4,666.1	5,799.2	5,626.4	17,632.1	21,292.5
Direct cost of revenues	(3,016.3)	(3,745.0)	(3,894.5)	(11,350.2)	(14,146.0)
Gross profit	1,649.8	2,054.2	1,731.9	6,281.9	7,146.5
Administrative expenses	(67.3)	(162.0)	(198.2)	(645.2)	(673.4)
Selling & marketing expenses	(544.1)	(365.0)	(500.8)	(2,005.4)	(1,626.7)
Other Operating Income / (Expense)	(348.3)	1,169.5	(500.8)	114.3	1,392.4
Operating profit before financing and investing costs	690.1	2,696.6	532.1	3,745.6	6,238.8
Net impairment losses on financial and contract assets	-	(109.5)	(80.9)	-	(346.4)
Income from investing activities	16.4	9.5	212.9	33.8	238.8
Expense from investing activities	(4.1)	(120.1)	58.1	(28.6)	(118.9)
Share of profit of equity accounted investees	-	(0.4)	0.3	-	(0.1)
Income before financing costs	702.4	2,476.1	722.5	3,750.8	6,012.2
Finance income	247.5	1,981.2	(1,533.0)	317.5	1,280.3
Finance expense	(644.0)	(4,031.7)	1,790.8	(1,458.8)	(4,619.7)
Income from continuing operations before tax and non-controlling interest	305.9	425.6	980.3	2,609.5	2,672.8
Income tax expense from continuing operations	(69.6)	(144.4)	(38.8)	(571.8)	(495.5)
Income from continuing operations before non-controlling interest	236.3	281.3	941.5	2,037.7	2,177.3
Discontinued operations	-	-	-	-	-
Income before non-controlling interest	236.3	281.3	941.5	2,037.7	2,177.3
Non-controlling interest	(20.4)	(39.9)	(77.8)	(58.6)	(156.3)
Net income	215.9	241.4	863.7	1,979.1	2,021.0
Net income per share	0.10	0.11	0.40	0.90	0.93
<b>Other Financial Data</b>					
Gross margin	35.4%	35.4%	30.8%	35.6%	33.6%
EBITDA	1,739.0	2,392.8	2,239.0	6,228.3	8,788.0
Capital expenditures	1,807.6	1,263.7	1,607.4	4,090.4	4,643.8
<b>Consolidated Balance Sheet Data (at period end)</b>					
Cash and cash equivalents	4,712.3	8,749.2	7,419.2	4,712.3	7,419.2
Total assets	33,982.5	45,404.1	42,765.3	33,982.5	42,765.3
Long term debt	8,258.0	14,955.1	13,119.6	8,258.0	13,119.6
Total debt	12,536.1	23,055.1	20,155.5	12,536.1	20,155.5
Total liabilities	18,937.4	30,513.2	26,711.7	18,937.4	26,711.7
Total shareholders' equity / Net Assets	15,045.1	14,890.9	16,053.6	15,045.1	16,053.6