

**TÜRK TELEKOM GROUP**  
**2019 YEAR END**  
**FINANCIAL AND**  
**OPERATIONAL RESULTS**

February 12, 2020

## **RECORD REVENUE, EBITDA GROWTH AND CASH FLOW WITH SOLID OPERATIONAL PERFORMANCE**

Türk Telekom Group announced record annual revenue and EBITDA growth since IPO on the back of strong operational performance together with a strong cash flow generation in 2019.

**Türk Telekom CEO Ümit Önal said:** “2019 was another remarkable year for Türk Telekom with strong financial and operational results. Our unmatched diversified portfolio under integrated business model combined with our strategy focused on increasing the penetration and a balanced growth in ARPU and subscriber metrics enabled us to deliver these strong results. While revising our EBITDA guidance upwards two times within the year, our EBITDA exceeded the recent guidance and our revenue growth was in line with the guidance. These results reaffirmed the success of our strategy and the growth opportunities offered by Turkish telecommunication sector.”

### **2020 Guidance:**

Under current circumstances, guidance for 2020 is as below:

- Consolidated revenue growth (excluding IFRIC 12) to be around 14% over 2019
- Consolidated EBITDA to be around TL 12.4 billion level
- Consolidated CAPEX to be around TL 5.8 billion level

## **The Full Year 2019 Financial Highlights**

In 2019, consolidated revenues increased by 15.8% YoY to TL 23.7 bn, the highest annual growth since Türk Telekom’s IPO.

Excluding IFRIC 12, total revenue growth was 15.1% YoY, in line with the guidance.

The Group’s EBITDA at TL 11.2 bn exceeded the TL 11.0 bn EBITDA guidance, increasing by 32.4% YoY, the highest annual EBITDA growth since IPO.

EBITDA margin continued to increase on the back of strong revenue growth and efficiency measures undertaken in OPEX management. The Group recorded 47.2% EBITDA margin in 2019, 5.9pp higher than 2018. Excluding IFRS 16 impact, EBITDA margin at 44.0% was again 2.7pp higher than 2018.

Operating profit increased by 36.7% YoY to TL 6.4 bn.

Capex increased by 20.9% YoY to TL 4.9 bn mainly due to capacity increases in mobile, fiber greenfield investments and fiber transformation projects.

Net income was TL 2,407 mn in 2019, with a significant turnaround compared to a net loss of TL 1,391 mn in 2018, thanks to strong operating performance, disciplined OPEX management and a more favorable FX environment.

Unlevered free cash flow<sup>1</sup> in 2019 increased to TL 6.4 bn from TL 3.5 bn in 2018, with robust EBITDA performance. Excluding IFRS 16 impact, unlevered free cash flow was 62% higher than 2018, at TL 5.6 bn.

With a strong EBITDA performance, and ongoing deleveraging, Net Debt/EBITDA ratio decreased to 1.41x in Q4'19 from 1.86x in Q4'18.

Group's net FX exposure<sup>2</sup> decreased to USD 370 mn from USD 1,238 mn in Q4'18 (Q4'17: USD 2,813 mn).

### 4th Quarter 2019 Financial Highlights

Consolidated revenues increased to TL 6.3 bn, up by 16.4% YoY. Excluding IFRIC 12, revenue growth was 14.8% YoY.

Consolidated EBITDA grew 26.9% YoY to TL 2.8 bn with a strong EBITDA margin of 45.0%. Excluding IFRS 16 impact, Q4'19 EBITDA margin was 41.7%.

Operating profit increased by 28.6% YoY to TL 1.6 bn.

Net income was TL 545 mn in Q4'19 compared to TL 2,215 mn in Q4'18 due to FX & Hedging gain in Q4'18 (TL 1,736 mn).

Capex was TL 2.1 bn in Q4'19 compared to TL 1.5 bn in Q4'18.

Unlevered free cash flow was TL 1,900 mn in Q4'19, more than four times of TL 431 mn in Q4'18.

### 4th Quarter 2019 Operational Highlights

Total number of Türk Telekom subscribers reached 47.8 mn in Q4'19. For the full year, net subscriber gain was 1.8 mn and 2.4 mn excluding one-off impacts.

The new regulation of The Information and Communication Technologies Authority (ICTA) requires the subscription of customers without Turkish or Foreigner ID needs to be cancelled by 1<sup>st</sup> December 2019. Within that scope, the number of customers churned in mobile segment was 284K in Q3'19 and 169K in Q4'19. In broadband and fixed voice segments, 21K and 29K subscriptions were cancelled to comply with this regulation, respectively. Additionally, as per company policy, 80K inactive subscriptions of a daily tariff in fixed broadband segment was cancelled. Excluding these one-off impacts, total Türk Telekom Group net additions was 459K in Q4.

Broadband subscriber base reached 11.4 mn with 39K net additions in Q4'19 (140K increase excluding one-off impacts). For the full year, net subscriber addition was 458K. Broadband ARPU increased by 13% YoY in Q4'19 - the highest annual growth since 2011.

Fiber subscribers reached 4.2 mn in Q4'19; 37% of total broadband subscriber base was on fiber tariffs.

Subscriptions for the penetration focused entry level campaign, İnternet Bizden, reached 1.1 mn. The tariffs of İnternet Bizden was renewed in Q4'19 with higher data packages.

<sup>1</sup>Unlevered free cash flow is defined as net cash provided by operating and investing activities from operations.

<sup>2</sup>Net FX exposure is calculated as FX based financial debt less FX hedge position less FX based cash and cash equivalents. Debt calculation excludes lease obligations.

Fiber homepass increased to 21.9 mn from 18.6 mn in Q4'18 reflecting increased focus on fiber transformation.

Fiber cable network length increased to 304K km in Q4'19 from 282K km in Q4'18.

Mobile subscriber base increased to 22.9 mn with 186K net additions in Q4'19. For the full year, net subscriber gain was 1.4 mn (1.9 mn excluding one-off impacts) mainly with the strong support of postpaid segment.

LTE population coverage expanded to 92% in Q4'19. 3G indoor coverage also improved by 32 pp in the last four years, reaching 89% (3G population coverage: 97%).

Share of LTE subscribers<sup>3</sup> in mobile subscriber base increased to 55% in Q4'19 from 46% in Q4'18. Average monthly data usage per LTE user increased to 8.6 GB in Q4'19 from 6.1 GB in Q4'18.

In Q4'19, number of fixed voice subscribers increased by 24K to 10.0 mn. Including nDSL, the number of total fixed access lines was strong at 14.6 mn - the highest level since Q2'12.

The ratio of subscribers who provided consent for sharing and using their information within the Group reached 79% in Q4'19 compared to 72% in Q4'18. As of Q4'19, the share of multiple product ownership among subscriber base (OVİT)<sup>4</sup> increased to 63% from 60% in Q4'18.

The company's customer-focused platform Online İşlemler was downloaded 36 mn times since its launch. Unique mobile subscribers using the application increased by 43% YoY to 17.8 mn in Q4'19.

<sup>3</sup>Mobile subscribers who registered for LTE and have LTE compatible device and sim card.

<sup>4</sup>Among constant subscriber universe that provided consent for sharing and using their information within the Group, which accounts for 79% of total Group subscribers as of Q4'19.

## **Türk Telekom CEO Ümit Önal's comments on 2019 year-end results:**

### **Another successful year is behind with our vision to connect Turkey to the future**

As the leader communication and technology company of Turkey, we had another successful year with our unmatched diverse products and the differentiation of being an integrated operator. The operational and financial performance we delivered, once again shows we are on the right track with our vision to pioneer the digital and technological transformation of our country.

In 2019, our consolidated revenues reached TL 23.7 billion with 16% YoY increase, which is the highest annual growth since the IPO. Our core business areas mobile and fixed broadband contributed to this performance with 18% and 20% YoY revenue growth, respectively. While we upgraded our EBITDA guidance two times during the year, our TL 11.2 billion EBITDA exceeded TL 11 billion guidance we provided in October. EBITDA grew 32% YoY with a 47.2% EBITDA margin. Excluding the impact of IFRS 16 which we started to implement in 2019, 44.0% EBITDA margin we achieved implies 2.7pp YoY increase on a comparable basis. With that, our net profit in 2019 reached the highest level of the last seven years and was realized at TL 2.4 billion.

The fact that there was 5 times subscription from 264 investors across 39 countries for our USD 500 million bond issuance with a maturity of 6 years in Q1'19 is an indicator that our strong operational and financial results are appreciated by investors.

### **We continued our sustainable growth in 2019**

In 2019, we reaped the fruits of our balanced ARPU and subscriber growth strategy. We raised the number of our Group subscribers to 47.8 million with 1.8 million YoY growth. Excluding the impact of cancellation of 583K subscriptions due one-off reasons, annual subscriber net additions was 2.4 million. Our initiatives to increase fixed broadband penetration, our mobile market share increase, fixed voice growth we delivered contrary to the trends across the world, and our cross-sell strategy contributed to this growth.

The ratio of our customers providing consent to share their information within Türk Telekom Group Companies increased to 79% in 2019 from 72% in 2018. Moreover, our multi-product ownership reached 63% with a 3.2pp YoY improvement.

### **We expect another strong growth in 2020**

With the contributions of our right strategies and more agile organization structure, we expect the strong performance to continue in 2020, when the economic indicators for Turkey are positive as well.

We expect our revenues to grow 14% YoY, our EBITDA to be TL 12.4 billion and our CAPEX to be TL 5.8 billion in 2020. In 2020, in both fixed broadband and mobile segments, we will increase capacity, increase our service quality and improve customer experience, while focusing on investments with short return periods. Additionally, within the scope of preparations for 5G, our investments on our core network will continue.

### **With our understanding of “Not just for some but for everyone”, our fiber infrastructure investments continue at full speed**

As Türk Telekom, we attach importance to pioneer the digital transformation process of Turkey. With our focus on increasing internet penetration, through the support of our İnternet Bizden

campaign which we launched in 2017 and now continue with new packages, household broadband penetration in Turkey increased from 48% to 58% in two years. As Türk Telekom, we will continue our work to increase broadband internet penetration of Turkey to 70% levels.

During the last 10 years, we have focused on digital transformation of Turkey and increasing the footprint of our fiber network which will be also the fixed infrastructure of 5G technology. We delivered a record number of fiber homepass in 2019 with an increase of 3.2 million, the highest annual growth and we raised our fiber homepass to 21.9 million at the end of 2019. While the total length of our fiber cable network reached 304 thousand kilometers, fiber core length was around 7.5 million kilometers. In line with our service approach of “not only for some, but to everyone”, we took it upon ourselves to provide same quality of service to all our customers from one individual who lives in remote parts of Turkey to crowded families and from smallest companies to largest enterprises. In this context, we have provided fiber internet not only to the people living in the central areas, but also to all towns of our 81 cities.

**We attach importance to each of our customers, customer experience is one of our most important priorities**

2020 will be a year that we make each of our customers feel valuable and that we will be working harder to increase customer satisfaction.

With the competitive customer experience approach we have adopted, in 2019 our customer satisfaction scores on fault resolution, transfer and installation continued to rise. Our customer oriented self-service application “Online İşlemler” that we launched in order to strengthen customer experience with digital transformation, has been downloaded 36 million times since its launch. The number of unique mobile subscribers using the application increased by 43% YoY in 2019 and reached 17.8 million.

In order to provide the best experience on wholistic channels to our customers, we will ensure the integration of physical and online channels in the coming period.

**We continued to strengthen our position in mobile**

In mobile segment, we completed 2019 with 1.4 million mobile net additions. In order to comply with the ICTA regulation related to subscriptions without ID numbers, we cancelled 169K mobile subscriptions in Q4 in addition to the 284K cancellations in Q3. Excluding this effect, we added 1.9 million net mobile subscribers in 2019.

Our mobile subscriber market share has reached 28% with 5pp increase in the last 5 years. As such, we have come closer to our target of reaching above 30% market share in a profitable way. With our mobile EBITDA margin which has risen to sustainable levels, the contribution of mobile segment to consolidated EBITDA continues to increase. Moreover, with our mobile investments and the advantage of our new frequencies, we increased our 3G indoor coverage by over 30pp in 4 years and we increased our LTE coverage to 92% level.

Türk Telekom continues to grow in the mobile segment with its partnerships with the companies that are pioneers of their sector. Following BİMcell, Pttcell and Teknosacell; we launched Vestelcell in December. Thanks to this cooperation, Vestel customers will be able to access Vestelcell tariffs from more than one thousand Vestel dealers.

The share of LTE subscribers among our customers increased from 46% to 55% in the last one year. With the effect of our loyalty program that we launched in the last quarter of the year in a way to

support data consumption, average monthly data consumption of our LTE users increased to 8.6 GB from 6.1 GB in last quarter of 2018. The data revenues grew by 24% annually, increasing its share in service revenues to 61% in the fourth quarter of 2019.

### **2019 has been a year in fixed broadband deserving our motto of “You are the Limit”**

In 2019, in fixed broadband segment, with our penetration focused offers particularly İnternet Bizden, our partnerships with electricity companies and our offers addressing different speed needs of our customers during the transition to unlimited era, we added 458K net subscribers. Within the scope of compliance with ICTA regulations and with the actions we undertook related to inactive daily fixed broadband tariff subscriptions, we cancelled 101K subscriptions in Q4. Excluding that effect, we added 559K net subscribers in 2019.

In fixed broadband, we lifted fair usage quota on unlimited tariffs and by benefiting from our power to offer high capacity, we provided a wide range of offers to our customers. In 2019, excluding İnternet Bizden subscribers, around 90% of our new subscribers preferred unlimited packages and more than 60% of our customers preferred unlimited packages during re-contracting period. With the support of upsell activities, our fixed broadband ARPU delivered a record growth of 13% in the last quarter of the year. Meanwhile, our fixed broadband revenues increased by 20% YoY.

In fixed broadband segment as well, we focused on synergy offers, benefiting from being an integrated operator. Within this scope, we expect our cross-sale campaign of fixed broadband and TV products launched at the end of 2019 to contribute to both our subscriber and ARPU growth in the coming period.

### **The sensitivity of the income statement against FX movements declined**

2019 was a year when Türk Telekom strengthened its balance sheet structure and significantly reduced the sensitivity of the income statement against FX movements. At the end of 2019, our net debt (excluding IFRS 16 effect) declined to 2,491 million USD from 3,004 million USD at the end of 2018. Thanks to our strong EBITDA margin and our capacity to generate strong cash flow, our net debt/EBITDA ratio declined to 1.41x, the lowest level in the last 5 years. Our net short FX position which was USD 2,813 million in Q4’17 declined to USD 370 million in Q4’19. Thanks to that, we ensured higher predictability of our net financial expense and net profit.

### **Carrying Turkey to the future through technology is among our priorities in 2020**

Offering the next generation technologies in the best way possible to our users is one of the most important priorities of Türk Telekom. In this scope, on our 5G live test network compliant with international 3GPP standards, our endeavors on all next generation technologies including 5G continue without halting.

On the test we carried on 5G test network, we broke a world record by reaching above 2.5 Gbps speed. With this test, Türk Telekom became the first operator in the world testing 5G New Radio Carrier Aggregation Technology, an important technology to be used in 5G, for the first time with commercial devices. With that, we have carried a first on top of our tests on next generation education technologies, Industry 4.0, public safety, smart cities and game areas. Recently, we enabled experience of Turkey’s first 5G live match via 360 degree VR technology over our 5G test network.



Considering the necessity to cover the 5G sites with fiber network for the best customer experience, with around 50% of our LTE base stations connected with fiber already, we are the readiest operator for 5G.

Our efforts to support Turkey's local and national technology move continues through our subsidiaries such as "Argela" and "İnnova" which generate value in information technologies. In the last quarter of 2019, within the scope of fiber access network virtualization sub-project, Argela continued its development and test activities on SEBA (SDN Enabled Broadband Access) architecture. We completed the live site installations of SEBA on Türk Telekom network and we started to provide triple service (HSI, VOIP and IPTV) to live subscribers. Particularly with the contributions of Argela's subsidiary in US, Netsia which owns 31 patents related to 5G, we aim to work harder to contribute more on 5G area.

### **We made agreements to keep the data of Turkey in Turkey**

While continuing to diversify our digital services, in order to provide higher quality and faster connection to digital platforms and to minimize the latency, we are concentrated on bringing data traffic going abroad to Turkey. In order to bring the internet content to Turkey, we worked with global OTTs and we signed contracts to host their cache servers in Türk Telekom switches. By this, we aim to improve user experience via enabling the mobile and fixed broadband users in Turkey access content fast and use resources efficiently via savings in the cost of bringing traffic from abroad. Additionally, in the corporate segment, in main product categories and with new generation products such as WAF (Web Application Firewall), pentest, corporate e-mail service and Centralized SIP TRUNK, we continued to offer a wider portfolio and solutions enriched with innovations addressing customer needs throughout 2019.

### **We are strengthening our position in Digital payment sector**

With the solutions in digital and ICT area, we work to add value to our customers. With our applications such as Tivibu GO (new generation TV platform), Muud (digital music platform), e-dergi (digital reading platform), we offer best in class customer experience. Moreover, in an environment where risks related to cyber security increases for all customer groups, we offer end-to-end corporate security services under the roof of the largest Cyber Security Center of Turkey.

In addition to these solutions, we also continue our initiatives in digital payment sector. Our subsidiary in digital financial services TT Ödeme ve Elektronik Para Hizmetleri A.Ş. received the license for electronic money issuance, all transactions to manage a payment account and money transfer transactions from BRSA in 2019. Within the scope of this authorization, in addition to the products and activities offered by our Payment Services company, we aim to strengthen its position in digital payment sector as an "electronic money institution".

With this license, we are able to offer safe, easy and innovative digital payment services to millions of people in Turkey. In the coming period, with the applications we will develop in this field, we aim to make our consumer subscribers payment systems users as well. With our high-level user experience understanding and our "big-data" oriented applications, we want to become the fundamental financial application of the users who have just joined or about to join the financial system.



## **We are supporting entrepreneurship in Turkey**

As Türk Telekom, we are working with the aim to support entrepreneurship in Turkey and to transform innovative ideas into value-added jobs. Within this scope, we established “TT Ventures”, the first Corporate Venture Capital company of telecommunication sector in Turkey, with the focus to invest in early stage and scale-up companies primarily in healthcare, energy and education verticals in 2018. We continued our investments with Eltemtek in the energy vertical and with MentalUP in the education vertical in 2019. We are planning to continue our investments in our focus verticals in 2020. Additionally, we support early stage technology initiatives with PİLOT, the first venture acceleration program launched in the private sector.

## **Sustainable development is among our priorities**

As Türk Telekom, we have adopted a sustainability approach aware of our economic, environmental and social responsibilities. In order to demonstrate our determination on sustainable development, we have committed to support 10 fundamental principles in the fields of Human Rights, Labour, Environment and Anti-Corruption by being a party to UN Global Compact.

Moreover, we are also working to ensure the efficient use of energy resources and to reduce our carbon emission systematically. According to the Global e-Sustainability GeIS report, despite the increase in the number of our customers and our bandwidth, we have been one of the very few operators in the world which succeeded to reduce energy consumption in the recent years.

In order to report our endeavors supporting low carbon economy, we are participating to the Carbon Disclosure Project (CDP). On evaluation of CDP in 2019, we achieved level B score, which is the highest level among the telecom operators in Turkey. We aim to reach higher levels in this field in the coming period.

Additionally, we are also working to expand the utilization of next generation technologies in energy, agriculture, industry, transportation, healthcare, building and urban areas and by doing so we aim to save resources and serve to a sustainable society. Our initiatives on smart cities that started in 2015 are one of the most current examples of this. Leading in this area, we are investing on smart city technologies which enable to build sustainable and efficient cities with high quality of life. We are leading Turkey’s largest smart city projects with our suitable solutions for new generation urbanism approach in the scope of the projects we carry together with the municipalities and Ministry of Environment and Urbanisation.

As a result, all of our investments allow Türk Telekom to enjoy a more sustainable growth. I believe the strategies we implement will generate value for all stakeholders of Türk Telekom in the coming period as well. I would like to thank all our stakeholders and employees who work hard every day for all the successful results achieved in 2019 for their valuable contributions. With our mission to connect Turkey to the future, we will continue working fully motivated with a vision to deliver more value for all our subscribers and our country.

## Financial Review

(TL mn)	2018	2019	YoY Change	Q4'18	Q4'19	YoY Change
<b>Revenue</b>	20,431	<b>23,657</b>	15.8%	5,398	<b>6,284</b>	16.4%
<b>Revenue (Exc. IFRIC 12)</b>	19,660	<b>22,634</b>	15.1%	5,220	<b>5,990</b>	14.8%
<b>EBITDA</b>	8,436	<b>11,170</b>	32.4%	2,229	<b>2,828</b>	26.9%
<i>Margin</i>	41.3%	<b>47.2%</b>		41.3%	<b>45.0%</b>	
<b>Depreciation and Amortisation</b>	(3,735)	<b>(4,746)</b>	27.1%	(986)	<b>(1,228)</b>	24.6%
<b>Operating Profit</b>	4,701	<b>6,424</b>	36.7%	1,244	<b>1,600</b>	28.6%
<i>Margin</i>	23.0%	<b>27.2%</b>		23.0%	<b>25.5%</b>	
<b>Financial Income / (Expense)</b>	(6,723)	<b>(3,689)</b>	(45.1)%	1,413	<b>(939)</b>	n.m.
FX & Hedging Gain / (Loss)	(5,982)	<b>(1,439)</b>	(75.9)%	1,736	<b>(366)</b>	n.m.
Interest Income / (Expense)	(659)	<b>(1,919)</b>	191.3%	(216)	<b>(542)</b>	150.8%
Other Financial Income / (Expense)	(82)	<b>(331)</b>	302.6%	(107)	<b>(30)</b>	(71.9)%
<b>Tax Income / (Expense)</b>	631	<b>(328)</b>	n.m.	(442)	<b>(117)</b>	(73.6)%
<b>Net Income</b>	(1,391)	<b>2,407</b>	n.m.	2,215	<b>545</b>	(75.4)%
<i>Margin</i>	n.m.	<b>10.2%</b>		41.0%	<b>8.7 %</b>	
<b>CAPEX</b>	4,087	<b>4,940</b>	20.9%	1,451	<b>2,149</b>	48.2%

## Revenues

In 2019, topline increased by 15.8% YoY (up by TL 3,226 mn) to TL 23,657 mn with 19.7% YoY increase in broadband (up by TL 1,093 mn), 18.1% YoY increase in mobile (up by TL 1,362 mn), and 18.5% YoY increase in international revenues (up by TL 171 mn). Excluding IFRIC 12, top line growth was 15.1% YoY (up by TL 2,974 mn), in line with the guidance. Fixed voice segment registered 3.2% YoY revenue growth (up by TL 82 mn) in 2019.

In Q4'19, consolidated revenues increased by 16.4% YoY (up by TL 886 mn) to TL 6,284 mn. Excluding IFRIC 12, top line growth was 14.8% YoY (up by TL 770 mn) mainly due to 19.9% YoY increase in broadband (up by TL 294 mn), 19.3% YoY increase in mobile (up by TL 374 mn), 9.3% YoY increase in corporate data (up by TL 41 mn) and 11.1% YoY increase in international (up by TL 27 mn) revenues.

## Operating Expenses Excluding Depreciation and Amortization (OPEX)

In 2019, operating expenses increased by 4.1% YoY (up by TL 492 mn). Excluding the impact of IFRS 16 (TL 508 mn impact on Network & Technology expenses & TL 261 mn other costs) and IFRIC 12 cost, operating expenses increased by 9.2% YoY (up by TL 1,038 mn).

- Tax expense increased by 17.6% YoY (up by TL 325 mn) mainly due to higher frequency and treasury fees which are linked to mobile revenues.
- Personnel expense increased by 13.7% YoY (up by TL 414 mn).
- Thanks to a prudent risk management policy and segmented approach in device business, provisions for doubtful receivables decreased by 28.2% YoY (down by TL 76 mn).
- Commercial expenses declined by 14.3% YoY (down by TL 156 mn) compared to 2018 on the back of efficiency measures and optimized marketing activity in line with the commercial plans.
- Network & Technology expenses decreased by 11.1% YoY (down by TL 213 mn) in 2019. Excluding IFRS 16 impact, growth in Network & Technology expenses increased by 15.3% YoY (up by TL 294 mn).

In Q4'19, operating expenses increased by 9.1% YoY (up by TL 287 mn) to TL 3,456 mn. Excluding IFRS 16 impact (TL 134 mn impact on Network & Technology expenses & TL 72 mn other costs) and IFRIC 12 cost (TL 260 mn), growth in operating expenses was 13.0% YoY (up by TL 391 mn).

- Increase in the tax expense was 17.9% YoY (up by TL 87 mn) in line with the increase in mobile revenues.
- Provisions for doubtful receivables increased by 19.7% YoY (up by TL 8 mn) because of the low base impact in Q4'18.
- With an increase in marketing activity, commercial expenses increased by 9.2% YoY (up by TL 23 mn) in Q4'19, compared to 21% decline in 9M'19.
- Personnel expense increased by 20.1% YoY (up by TL 159 mn) mainly due to compensation linked to higher performance and early retirement incentive program.
- Network & Technology expenses declined by 19.8% YoY (down by TL 106 mn) in Q4'19. Excluding IFRS 16 impact, growth in Network & Technology expenses was 5.1% YoY (up by TL 27 mn).

## Operating Profit before Depreciation and Amortization (EBITDA)

In 2019, Group EBITDA increased to TL 11,170 mn with TL 2,734 mn annual increase, exceeding the guidance of TL 11.0 bn. 32.4% YoY increase was the highest annual growth since IPO thanks to strong revenue growth and efficiency measures undertaken in OPEX management. EBITDA margin was realized at 47.2%, up by 5.9pp compared to 2018.

Excluding IFRS 16 impact, EBITDA growth was still strong with 23.3% YoY increase. EBITDA margin in 2019 was at 44.0%, 2.7pp higher than in 2018.

Meanwhile, mobile EBITDA margin continued its upward trend in 2019, while segment net income was positive in the past four quarters. Mobile EBITDA margin in 2019 was 32%, up from 22% in 2018

thanks to strong revenue growth, efficiencies in commercial spending, improvement in receivable management and group synergies.

In Q4'19, consolidated EBITDA increased by 26.9% YoY (up by TL 599 mn) to TL 2.8 bn with an EBITDA margin of 45.0%. Excluding IFRS 16 impact, underlying EBITDA margin was 41.7%.

### **Depreciation and Amortization Expense**

In 2019, depreciation and amortization (D&A) expense increased by 27.1% YoY (up by TL 1,011 mn) to TL 4,746 mn mainly due to TL 628 mn incremental D&A expenses stemming from IFRS 16 implementation.

D&A was realized at TL 1,228 mn in Q4'19 (up by 24.6% YoY).

### **Operating Profit**

In 2019, operating profit increased by 36.7% YoY (up by TL 1,723 mn) to TL 6,424 mn on the back of strong EBITDA.

In Q4'19, Group recorded TL 1.6 bn operating profit, marking 28.6% YoY increase (up by TL 356 mn).

### **Net Financial Income/Expense**

Group recorded TL 3,689 mn net financial expense in 2019 vs. TL 6,723 mn expense in 2018 with a more favorable FX environment. IFRS 16 implementation had TL 200 mn impact on financial expenses in 2019.

Given depreciation of TL in Q4'19 compared to appreciation in Q4'18, net financial expense was TL 939 mn compared to TL 1,413 mn net financial income in Q4'18.

During the fourth quarter, the Group executed additional participating cross currency swap (PCCS) transactions with a notional value of USD 50 mn. At the end of the quarter, the net FX exposure decreased to USD 370 mn, with USD 1,970 mn equivalent of PCCS position in total and FX based cash at USD 757 mn (Q4'18: USD 1,238 mn).

With the reduction in short FX position, the sensitivity of P&L statement to FX movements continued to decrease with 10% depreciation of TL having TL 455 mn impact on P&L in Dec'19 assuming all else constant (TL 1,347 mn impact in Dec'18).

### **Net Income**

Group reported TL 2,407 mn net income in 2019 compared to TL 1,391 mn net loss in 2018 thanks to strong underlying operating performance and lower financial expenses.

In Q4'19, net income was realized at TL 545 mn compared to TL 2,215 mn in Q4'18 as the company reported financial income in Q4'18 compared to financial expense in Q4'19.

### **Capital Expenses**

Capex increased TL 4,940 mn in 2019 from TL 4,087 mn in 2018 mainly due to capacity increases in mobile, fiber greenfield investments and fiber transformation projects.

Capex in Q4'19 was realized at TL 2,149 mn.

## Cash Flow

Unlevered free cash flow in 2019 was TL 6.4 bn compared to TL 3.5 bn in 2018 thanks to robust EBITDA performance and improvement in net working capital. Excluding IFRS 16 impact, unlevered cash flow was again strong at TL 5.6 bn.

Unlevered free cash flow generated in Q4'19 was TL 1.9 bn.

Net debt decreased by 3% QoQ to TL 15.9 bn. Net debt/EBITDA decreased to 1.41x from 1.55x in Q3'19 (Q4'18: 1.86x).

Net debt (excluding IFRS 16 impact) declined to USD 2,491 mn equivalent as of the end of 2019, down by USD 513 mn since the end of 2018.

## Operational Performance

	Q4'18	Q3'19	Q4'19	QoQ Change	YoY Change
<b>Total Access Lines (mn) <sup>5</sup></b>	14.4	14.6	<b>14.6</b>	0.1%	0.9%
Fixed Voice Subscribers (mn)	9.9	10.0	<b>10.0</b>	0.2%	1.0%
Naked Broadband Subscribers (mn)	4.5	4.6	<b>4.6</b>	(0.3)%	0.7%
<b>Fixed Voice ARPU (TL)</b>	22.5	22.5	<b>22.2</b>	(1.4)%	(1.5)%
<b>Total Broadband Subscribers (mn)</b>	10.9	11.3	<b>11.4</b>	0.3%	4.2%
<b>Total Fiber Subscribers ('000)</b>	3,633	4,029	<b>4,216</b>	4.6%	16.0%
FTTH/B ('000)	1,356	1,557	<b>1,645</b>	5.7%	21.3%
FTTC ('000)	2,276	2,472	<b>2,571</b>	4.0%	12.9%
<b>Broadband ARPU (TL)</b>	45.9	50.1	<b>52.0</b>	3.8%	13.4%
<b>Total TV Subscribers (mn) <sup>6</sup></b>	3.6	3.6	<b>3.5</b>	(2.5)%	(4.3)%
Tivibu Home (IPTV + DTH) Subscribers ('000)	1,660	1,641	<b>1,605</b>	(2.2)%	(3.3)%
<b>TV ARPU (TL)</b>	15.1	16.5	<b>18.0</b>	9.4%	18.9%
<b>Mobile Total Subscribers (mn)</b>	21.5	22.8	<b>22.9</b>	0.8%	6.6%
Mobile Postpaid Subscribers (mn)	12.2	13.5	<b>13.7</b>	1.3%	11.9%
Mobile Prepaid Subscribers (mn)	9.3	9.2	<b>9.3</b>	0.2%	(0.3)%
<b>Mobile Blended ARPU (TL)</b>	31.0	34.7	<b>33.4</b>	(3.7)%	7.7%
Mobile Postpaid ARPU (TL)	39.5	42.9	<b>42.7</b>	(0.3)%	8.1%
Mobile Prepaid ARPU (TL)	19.2	21.4	<b>18.9</b>	(11.3)%	(1.6)%

<sup>5</sup>Naked DSL Lines and Fixed Voice Lines

<sup>6</sup>Tivibu Home (IPTV, DTH) and Tivibu GO

**Notes:**

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

*Operating profit includes revenues, cost of sales, depreciation, amortization and impairment expenses, marketing, sales and distribution expenses, general administrative expenses, research and development expenses, other operating income/(expense), and income/(expense) from investing activities, but excludes financial income/(expenses) presented in other operating income/(expenses) on CMB financial statements (i.e. FX gain/(loss), interest and rediscount income/(expense) on current accounts excluding bank borrowings).*

*Net financial income/(expense) includes financial income/(expense) and FX gain/(loss), interest and rediscount income/(expense) on current accounts excluding bank borrowings which are presented in other operating income/(expenses) on CMB financial statements.*



## About Türk Telekom Group

Türk Telekom, with 179 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 14.6 million fixed access lines, 11.4 million broadband, 3.6 million TV and 22.9 million mobile subscribers as of December 31, 2019. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 32,180 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, provider of combined facilities support activities TT Destek Hizmetleri A.Ş. 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 ve Elektronik Para 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>