



TÜRK TELEKOM GROUP
2020 YEAR END
FINANCIAL AND OPERATIONAL
RESULTS

February 3, 2021

THE HIGHEST REVENUE GROWTH AND NET INCOME IN 2020

Türk Telekom Group completed 2020 with an outstanding performance. Consolidated revenues increased by 19.6% YoY; the highest annual growth since the IPO. EBITDA rose to TL 13.2 billion with an EBITDA margin of 46.8%. TL 3.2 billion of net income reached its highest level despite the unfavourable FX movements throughout the year. As of the year end, we reported USD 46 million of long FX position compared to USD 211 million of short FX position as of Q3'20, while net debt/EBITDA declined to 1.15x as a result of strong operating performance and diligent balance sheet management.

Türk Telekom CEO Ümit Önal said: “It has been almost a year we have lived with the pandemic and watched the entire world go through massive changes rapidly. In the telco space, people, businesses, networks and devices became more connected whilst physical distances grew farther with lockdowns and isolations. The resilience and capability of telecom infrastructures took on even greater importance during this unfolding era. In 2020, Türk Telekom played a vital role in keeping Turkey connected. We are proud to have shouldered this responsibility with great success. We will continue to stand by our country and our customers while extending our leading position in fibre into 5G and digitalisation. We completed 2020 with outstanding financial and operational performance and we are determined to keep this momentum in 2021. As Türk Telekom, we stand on solid foundations and look into the future confidently. We may have many challenges lying ahead, but our 2020 performance and financials speak volumes about our potential to deliver in the future. I would like to thank our employees for making 2020 a remarkable year for our Company. I feel truly blessed for having the opportunity to lead such a vibrant and devoted team. ”

2021 Guidance

2021 guidance is as follows:

- Consolidated revenue growth (excluding IFRIC 12) to be around 14% YoY
- Consolidated EBITDA to be around TL 15 billion level
- Consolidated CAPEX to be around TL 7.7 billion level

2020 Full Year Financial Highlights

Consolidated revenues increased to TL 28.3 bn, up by 19.6% YoY; the highest annual growth since the IPO. Excluding IFRIC 12 accounting impact, revenue growth was 17.2% YoY, ahead of the 2020 guidance of 16%.

Consolidated EBITDA grew by 18.5% YoY to TL 13.2 bn, ahead of the 2020 guidance. EBITDA margin was 46.8%. Excluding IFRIC 12 impact, EBITDA margin increased by 28 basis points YoY to 49.1%.

Operating profit increased by 22.4% YoY to TL 7.9 bn.

Net income reached TL 3.2 bn in 2020; its highest level, despite the unfavourable FX movements throughout the year.

Capex was TL 6.7 bn in 2020, slightly above the 2020 guidance of TL 6.6 bn.

Unlevered free cash flow¹ increased to TL 6.9 bn in 2020 from TL 6.4 bn in 2019, while net debt declined to TL 15.4 bn from TL 15.9 bn as of 2019.

4th Quarter 2020 Financial Highlights

Consolidated revenues increased to TL 7.7 bn, up by 21.7% YoY. Excluding IFRIC 12 accounting impact, revenue growth was 19.9% YoY. Fixed broadband revenues surged 31.7% YoY, whilst mobile revenue growth also inched up to 12.8%.

Consolidated EBITDA grew 25.4% YoY to TL 3.5 bn with an EBITDA margin of 46.3%. Excluding IFRIC 12 impact, EBITDA margin was 48.6%.

Operating profit increased by 30.6% YoY to TL 2.1 bn.

Net income increased to TL 1.1 bn in Q4'20 compared to TL 545 mn in Q4'19 and TL 432 mn in Q3'20.

Capex was realized at TL 2.8 bn in Q4'20.

Unlevered free cash flow¹ increased to TL 2.3 bn in Q4'20 from TL 1.9 bn in Q4'19.

4th Quarter & Full Year 2020 Operational Highlights

Total number of Türk Telekom subscribers reached 50.4 mn as of 2020 with 827K net additions in Q4'20. Net subscriber additions were 2.6 mn in 2020.

Broadband subscriber base increased by 17.9% annually to 13.4 mn with 639K net additions in Q4'20; the highest ever quarterly net additions since the IPO. Broadband ARPU growth continued its strong performance in the last quarter to reach 14.2% YoY in FY20.

Fibre subscribers exceeded 6.2 mn with around 2 million net additions in 2020; the highest ever net add performance in this segment. The number of FTTC subscribers reached 3.9 mn, while the number of FTTH/B subscribers increased to 2.3 mn.

Fibre network covers in excess of 26.8 million households as of 2020 year-end compared to 21.9 mn as of Q4'19, reflecting the increased focus on fibre rollouts. FTTC homepass reached 19.5 mn and FTTH/B homepass increased to 7.4 mn.

Fibre cable network length increased to 331K km in Q4'20 from 304K km in Q4'19.

Mobile subscriber base increased to 23.2 mn with 98K net additions in Q4'20. The full-year net additions were 240K. Postpaid base reached 64% of total with 1.1 mn net additions in 2020.

Share of LTE subscribers² in mobile subscriber base increased to 61% in Q4'20 from 55% in Q4'19. Average monthly data usage per LTE user increased to 9.0GB in Q4'20 from 8.6GB in Q4'19.

Number of fixed voice subscribers exceeded 10.6 mn with 138K net additions during the quarter. In 2020, net additions reached 631K; the highest level since the IPO. Including nDSL, the number of total fixed access lines increased to 16.3 mn; the highest level since Q3'10.

¹ Unlevered free cash flow defined as net cash provided by operating and investing activities from operations.

² Mobile subscribers who registered for LTE and have LTE compatible device and sim card.

The ratio of subscribers who provided consent for sharing and using their information within the Group reached 82% in Q4'20. The share of multiple product ownership among Türk Telekom subscriber base³ was 62% as of Q4'20.

³Among constant subscriber universe that provided consent for sharing and using their information within the Group.

Türk Telekom CEO Ümit Önal's comments on 2020 year end results:

The pandemic has reshaped our lives and the need for telecom services

It seems difficult to reach a consensus about how the year 2020 should be defined; as a year to remember or as a year to forget? No doubt, it was an extraordinary one, shaped by a global disaster. It has been almost a year we have lived with the pandemic and watched the entire world go through massive changes rapidly. Clearly, Covid-19 caused profound changes in the way we live and do business. In the telco space, people, businesses, networks and devices became more connected whilst physical distances grew farther with lockdowns and isolations.

During this period, seamless internet access through safe and high quality networks proved more important than ever. Telco operators played a crucial role in facilitating this need. The number of connected devices grew significantly as data usage increased and demand from individuals, businesses and private & public institutions turned more sophisticated. Consumers demanded fast and continued connection at their homes, while corporates required high capacity, increased security and digital solutions. On the other hand, public institutions prioritised seamless connection and interconnected systems to keep the pandemic under control and protect public health.

The resilience and capability of telecom infrastructures took on even greater importance during this unfolding era. The traffic on our core network surged as homes transformed into offices, schools and centres of entertainment; all at the same time.

In 2020, Türk Telekom played a vital role in keeping Turkey connected. We are proud to have shouldered this responsibility with great success. We will continue to stand by our country and our customers while extending our leading position in fibre into 5G and digitalisation.

2020 full year numbers speak volumes

We completed 2020 with outstanding financial and operational performance. Our consolidated revenues increased by 19.6% YoY, depicting the highest annual growth since the IPO. Our operating revenues grew by 17.2% YoY in 2020, ahead of our revised guidance of 16%. Fixed broadband segment supported the top-line with highest annual revenue growth of 25%.

Consolidated EBITDA rose 18.5% YoY to TL 13.2 billion with an EBITDA margin of 46.8%. Net income grew 32% YoY to TL 3.2 billion, despite the unfavourable FX movements throughout the year. As of the year-end, we recorded USD 46 million long FX position, while net debt/EBITDA declined to 1.15x pursuant to actions taken to reduce the sensitivity of P&L statement to FX movements. Our capex reached TL 6.7 billion in 2020, reflecting the impact of increase in fibre investments and weaker lira.

We are determined to keep the growth momentum in 2021

Our large subscriber base, rich portfolio and widespread network enabled us to stand on solid grounds even in times of crisis. We believe in our powerful brand and look to the future with confidence.

In 2021, we expect our revenues to grow 14% YoY, our EBITDA to be TL 15 billion and our capex to be TL 7.7 billion⁴. Fixed broadband segment will continue to support top line growth with subscriber expansion, upsell and fiberisation opportunities. We believe our mobile segment will improve together with the diminishing negative impact of the pandemic across the world. We will continue to invest in our core network and capacity while focusing on our strategy to lead fiberisation, 5G transition and digitalisation of Turkey.

We wrote a success story despite unprecedented soar in demand

2020 has been an impressive year for the fixed broadband segment. We acquired over 2 million new subscribers in the full year, with 639 thousand net adds in Q4. This is the highest ever quarterly and LTM net gain performance. We have served seamless and secure communication across Turkey, despite the ongoing disruptive pandemic.

In 2020, our broadband revenues recorded the highest growth of 25% since the IPO, with the last quarter reaching an amazing 32%. ARPU rose by 14% in the year, reflecting our efforts to find the right balance between pricing and mix.

Our upsell focus to achieve sustainable growth continues unabated. Besides, we take into account the changing needs of both individual and corporate customers and offer them value-added services in addition to best-in-class connectivity.

We have been investing in our fixed network for a long time, extending it to every part of this country. This strategy has enabled us to handle the surging demand from big cities to small towns in addition to the unforeseen 81% YoY increase in our network traffic throughout 2020. We kept investing in our infrastructure and added 69 Tbps of IP transport capacity, activated about 1 million new ports and passed close to 1 million new homes via greenfield fibre investments. Nonetheless, our strong and widespread network, agile and effective decisions have been the biggest supporters in this success story.

We work hard to stay ahead as digitalisation and needs evolve

In early 2020, we decided to accelerate our fibre rollout plans for the year. Our financial and operational performance and the fast-evolved trends did not only confirm the steps we took in the right direction, but also encouraged us to continue with our accurate strategy. In 2020, we increased our fibre subscribers by 2 million to 6.2 million. Our 331K km long fibre network as of 2020 covers 81 cities of Turkey (304K km as of 2019).

We work hard to stay ahead as the digitalisation process and customer demands evolve. Fibre investments play a crucial role in this rapidly transforming environment. We will continue to pursue our fibre rollout agenda with the ambition to make Turkey ready for next generation technologies.

⁴ 2021 guidance expectations represent approximate values

We focus on healthy growth and our medium-term targets in the mobile business

In the mobile segment, we felt the pressure of the pandemic conditions on our KPIs throughout 2020. The lockdowns, travel restrictions and intensified competition weighed on the mobile market. We added 98K subscribers in Q4, bringing the full-year net adds to 240K.

Despite the unfavourable conditions, the number of postpaid subscribers increased by 1.1m in 2020. On the prepaid side, we lost 882K subscribers mainly due to the pandemic-driven distortions and the cancellation of some subscriptions as per the regulations. Our prepaid ARPU grew 26% YoY in Q4'20 and 11% YoY in 2020, led by price adjustments and new offers that encouraged higher data usage. Blended ARPU growth was close to 11% in Q4'20; higher QoQ, but limited to 7% annually.

The mobile market recovered partially with some price increases in the third quarter, but competitive offers in acquisition packages took centre stage once again in the last quarter of the year. On our side, we avoided aggressive pricing as much as we could and focused more on value creation and balanced top-line progression. As a result, our mobile revenues grew 12.8% in the last quarter; a tad higher QoQ.

We deem 11% revenue increase in a year eclipsed by such negative developments a success; and foresee better prospects in the mobile segment under normalised conditions, which will hopefully settle back in the near future.

The share of LTE subscribers among our customers increased to 61% in 2020 from 55% in 2019. Although lockdown measures had a negative impact on mobile data usage QoQ, the average monthly data usage per LTE user increased to 9.0GB in Q4'20 from 8.6GB in Q4'19.

We left a challenging year behind. We will continue our core network investments to grow our capacity and service quality and get ready for 5G. As an integrated telco operator, we have a strong position in the market and we remain committed to our medium-term target to expand our market share in the mobile segment, whilst achieving a balanced and sustainable growth.

Our investments turn into significant improvement in network quality and customer experience

We continued to upgrade our mobile network and sites and increase capacity nationwide in 2020. As a result, we started seeing remarkable improvement in service parameters including download & upload speeds, call drop, outage, etc.

Our investments and efforts on both optimisation and operational enhancement carried us to the leading position in 4.5G upload and download speed. According to an independent third party analysis⁵; as of Dec'20, we outpaced other operators and reached the fastest 4.5G upload and download speeds in Turkey.

⁵ According to Ookla test

Another independent analysis⁶ shows that we are the number one mobile operator in upload, gaming and voice experience. We are number two in video and download experience, but treading on the number one operator's heels.

As of today, we are very satisfied to see this picture. After we acquired a very advantageous spectrum portfolio, we invested wisely in our mobile services and reinforced our footprint with a strong leadership in the fiber network.

Surely, these results confirm the steps we took in the right direction and give us the courage to foresee a stronger positioning for our Company in the mobile market.

We are expanding our horizon in TV to become Turkey's leading digital platform

We started our journey in the TV business back in 2010 with our IPTV offering. Today, we provide services on all platforms, including DTH, mobile, and web.

We completed 2020 as the second player in the market with 1.5 million Tivibu Home subscribers. Although our strategy to optimise the existing subscriber portfolio continued in Q4'20, we added 18K Home subscribers in total, thanks to increased internet bundled Tivibu sales amidst resumed lockdowns. As a result, our Home ARPU grew by 16% YoY in the last quarter. Overall, our TV revenue rose by 10% YoY in 2020.

Last year, we expanded our content in sports, documentaries and video-on-demand movies. As we announced earlier, we will focus on renewing our technical infrastructure this year to address the changing preferences and customer engagement trends. With this renovation, we aim for increased capacity and improved campaign management capabilities. 2021 will be the year of transition and change for our TV product, with our focus on creating Turkey's leading digital TV/OTT platform with rich content and innovative features.

We are enhancing our digital routes

The world has been pushed into a faster digital transformation by the global pandemic. We provide a superior digital experience along with differentiated services for a variety of customer segments including consumers, small and large corporations, government bodies and public institutions. As a result, our digital product revenues grew 48% YoY in 2020.

In 2020, online channels became an even more important component of user experience. Customers want to complete their transactions as fast and easily as they can. "Online İşlemler", our self-service online transactions app, through which we can provide customised offers, has been downloaded 47 million times since its launch. Unique subscribers⁷ using the application peaked at 25 million in 2020. We adopted a holistic approach to online channel management and combined the subscription transactions for different services in "Online İşlemler" under a single account in order to increase usage and efficiency. Today, customers are able to complete all kinds of transactions regarding their subscriptions in mobile and fixed services through a

⁶ Open Signal Dec'20 Report. <https://www.opensignal.com/reports/2020/12/turkey/mobile-network-experience>

⁷ 12-Month active user

single login. The 1.8 million credit cards registered in our application is a good reflection of customers' attachment to digital channels. "Online İşlemler" application allows us to achieve scale and efficiency as well as higher customer retention rates.

Our sales revenues⁸ through online channels increased by 50% YoY in 2020. TL uploads and invoice payments via online channels also increased by 71% YoY over the last year. The share of collections through digital channels, including banks, in the consumer segment increased to 77% in 2020; 5 percentage points higher YoY. We expect the rising trend in online channels to continue and help us create a more balanced and cost-efficient footprint.

We take on responsibility to create a better world

In 2020, we broadcasted Turkey's first 5G live match via 360 degrees VR technology and broke world speed records thanks to our long-standing R&D efforts. We continue with our preparations for the use of 5G technology in İstanbul Airport. As of today, Turkey does not have a defined timeline or framework for the 5G licensing. However, we are investing in fibre, connecting our base stations with fibre, and renewing our equipment with the newest technologies to become the readiest operator to the 5G transition. Around 45% of our base stations are connected with fibre as of 2020 year-end.

In the future, the number of connected devices around us is expected to increase dramatically with 5G technologies. As Türk Telekom, we provide services and solutions in strategic areas including transportation, healthcare, energy and security.

Our subsidiaries demonstrated remarkable performances in 2020

Our subsidiaries, Argela, Innova, Sebit, Assitt and TTI, sealed off another year full of great achievements. Not only did they expand their customer reach, but also contributed successfully to the Group's overall growth. Third party revenues of these subsidiaries grew around 56% YoY and made 8% of our consolidated revenues in 2020 compared to 6% in 2019. These revenues led 18% of annual growth in the Group's 2020 consolidated revenues.

Argela conducts next-generation telecommunication technologies, R&D, and innovation activities; and develops technology, products and intellectual property for the 5G ecosystem. Besides, the Company continues to develop strategic projects in cooperation with defence industry organizations in Turkey. Argela's solution portfolio includes programmable base station solutions (vRAN), software-defined networks, network performance monitoring, subscriber analytics, subscriber satisfaction management, LTE base station solutions, and software-defined fixed network access solutions and applications such as SEBA (SDN Enabled Broadband Access).

Based on the experience of ProgRAN, Argela continues to develop the vRAN project with the contribution of its subsidiary Netsia. vRAN technology provides operators with many operational benefits, including cost reduction, performance enhancement and scalability.

⁸ Additional package sales revenue through online transactions web platform and mobile application

Proving the success of the vRAN project, we announced that Türk Telekom and Netsia signed a sales and cooperation agreement with Juniper Networks Inc in 2020. Argela recorded USD 5 mn of revenues from this agreement in Q4'20, underlining its product development and sales capabilities in global scale. Argela/Netsia's knowledge and productisation capacity is expected to grow significantly when combined with Juniper's customer network and geographic reach.

Innova continues to be a big contributor in companies' digital transformation with its wide range of IT solutions. The Company provides end-to-end ICT services to several businesses from different sectors including fintech, IoT, administrative and legal debt tracking, health informatics and hospital management and aviation technologies. Innova supports Turkey's local and national technology movements besides contributing to Türk Telekom's digitalisation process.

Sebit drives the transformation in education with the effective use of technology. In 2020, the Company continued to provide exam and content support to EBA. Sebit also helped private schools go online with the VCloud platform. Today, Vcloud accesses around 100,000 students, teachers and administrators in around 800 private schools. Sebit's online solutions, Vitamin and Raunt, have become the students' biggest supporters during the pandemic.

Beyond a traditional call centre services provider, AssisTT has become a “Customer Experience Center”, offering solutions as a strategic partner to its customers in many areas including sales & marketing, social media management, face-to-face services, revenue management, quality management, new technologies and digital solutions. AssisTT expanded its business partnership portfolio over 2020 with rapid growth in both the private and public sectors.

Our international arm TTI, owns a strong infrastructure that provides high-speed access and capacity to its clients. By offering IP services to leading foreign-based service and content providers, TTI enables companies with international content to reach İstanbul and host their servers in our data centre in İstanbul. In 2020, important cloud and content providers such as Microsoft, Amazon, Limelight, Cloudflare started their activities in İstanbul.

We move forward on our sustainability agenda

In 2020, we intensified our efforts on sustainability issues. At the beginning of 2020, we announced our commitment to support 10 fundamental principles in the fields of Human Rights, Labour, Environment and Anti-Corruption by becoming a party to the UN Global Compact. We keep working on our detailed agenda to harmonize our strategies and operations with these principles. We will soon publish the 2021 progression report as part of this voluntary cooperation.

On the other hand, Türk Telekom managed to improve its ESG score consecutively during the last 3 years on the FTSE4GOOD index thanks to the steps we took on environmental, social and governance areas. The index measures companies' performance in ESG standards, and on the 2020 report, Türk Telekom's score beat the sector average.

Starting from 2021, we aim to disclose Türk Telekom’s environmental, social and governance performance in our first sustainability report. With this report, we aim to present our holistic approach to sustainability and value creation for our employees, shareholders, and partners; all at the same time.

We keep developing strategies to create value

The pandemic and its effects heavily occupied the global agenda throughout 2020. Despite the uncertainties, we generated strong cash flow, distributed dividends, and continued deleveraging our balance sheet. We proactively reduced the sensitivity of income statement to FX movements. As a result, we achieved greater operational efficiency and strengthened our balance sheet against risks.

We continue to create value for our shareholders. In 2020, we distributed 25% of 2019 net income due to the temporary dividend cap regulation. In January 2021, we announced our proposal to pay additional TL 601 million of dividend soon after the expiry of the restriction on 2019 dividend payments, in order to show our commitment to shareholder remuneration and our confidence in our Company’s robust financial standing.

As Türk Telekom, we stand on solid foundations and look into the future confidently. We will continue to focus on financial excellence, digitalisation, efficiency, superior customer experience and agile management while supporting the local society and environment through responsible practices. We may have many challenges lying ahead, but our 2020 performance and financials speak volumes about our potential to deliver in the future.

As a closing remark, I would like to thank our employees for making 2020 a remarkable year for our Company. I feel truly blessed for having the opportunity to lead such a vibrant and devoted team.

Financial Review

(TL mn)	2019	2020	YoY Change	Q4'19	Q4'20	YoY Change
Revenue	23,657	28,289	19.6%	6,284	7,650	21.7%
Revenue (Exc. IFRIC 12)	22,634	26,519	17.2%	5,990	7,181	19.9%
EBITDA	11,170	13,237	18.5%	2,828	3,546	25.4%
Margin	47.2%	46.8%		45.0%	46.3%	
Depreciation and Amortisation	(4,746)	(5,375)	13.3%	(1,228)	(1,457)	18.6%
Operating Profit	6,424	7,862	22.4%	1,600	2,089	30.6%
Margin	27.2%	27.8%		25.5%	27.3%	
Financial Income / (Expense)	(3,689)	(4,060)	10.0%	(939)	(907)	(3.4)%
FX & Hedging Gain / (Loss)	(1,439)	(1,765)	22.6%	(366)	(337)	(8.0)%
Interest Income / (Expense)	(1,919)	(2,049)	6.8%	(542)	(479)	(11.7)%
Other Financial Income / (Expense)	(331)	(246)	(25.7)%	(30)	(91)	202.7%
Tax Income / (Expense)	(328)	(624)	90.3%	(117)	(78)	(33.2)%
Net Income	2,407	3,178	32.0%	545	1,104	102.8%
Margin	10.2%	11.2%		8.7%	14.4%	
CAPEX	4,940	6,739	36.4%	2,149	2,785	29.6%

Revenues

In 2020, consolidated revenues increased by 19.6% YoY to TL 28.3 bn. Excluding IFRIC 12, top line growth was 17.2% YoY with 25.4% increase in fixed broadband, 10.9% increase in mobile, 34.0% increase in international and 44.3% increase in other revenues.

In Q4'20, consolidated revenues increased by 21.7% YoY to TL 7.7 bn. Excluding IFRIC 12, top line growth was 19.9% YoY with 31.7% increase in fixed broadband, 12.8% increase in mobile, 48.1% increase in international and 27.0% increase in other revenues.

Operating Expenses Excluding Depreciation and Amortization (OPEX)

In 2020, operating expenses increased by 20.5% YoY to TL 15.1 bn. Excluding IFRIC 12 cost, growth in operating expenses was 16.5% YoY.

- Interconnection costs increased by 22.9% YoY, mainly due to increase in Türk Telekom International traffic volume and higher FX rates during the year.
- Personnel expense increased by 12.6% YoY, below 2020 annual inflation.
- Network and Technology expenses grew 24.7% YoY, mainly due to depreciation of TL, increased energy costs and technology repair & maintenance costs.

- Cost of Equipment and Technology Sales increased by 73.9% YoY, owing to strong broadband net additions and surge in project based equipment and license sales.
- 14.6% YoY increase in the tax expense was led by higher frequency and treasury fees attached to mobile revenues.
- Provisions for Doubtful Receivables increased by 44.7% YoY mainly due to volume and price increases in device sales, as well as a small one-off expense we took in Q4 owing to methodology change.

In Q4'20, operating expenses increased by 18.8% YoY to TL 4.1 bn. Excluding IFRIC 12 cost, growth in operating expenses was 15.4% YoY.

- Network and Technology expenses grew 35.3% YoY.
- Interconnection costs increased by 29.2% YoY, but declined by 10.1% QoQ as the traffic and lira depreciation had peaked in Q3'20.
- Tax expense increased by 16.8% YoY.
- Personnel expense increased by 9.9% YoY, but 10.7% QoQ mainly due to early retirement incentive program.
- Cost of Equipment and Technology Sales increased by 42.9% YoY, along with solid broadband net additions and increased project based equipment and license sales.
- Other costs turned to positive in Q4'20 led by one-off compensation revenue from a third party vendor.

Operating Profit before Depreciation and Amortization (EBITDA)

In 2020, consolidated EBITDA increased by 18.5% YoY to TL 13.2 bn with an EBITDA margin of 46.8% on the back of strong growth in broadband revenues and careful opex management. Excluding IFRIC 12 accounting impact, EBITDA margin was 49.1%.

In Q4'20, consolidated EBITDA increased by 25.4% YoY to TL 3.5 bn with an EBITDA margin of 46.3%. Excluding IFRIC 12 accounting impact, EBITDA margin was 48.6%.

Depreciation and Amortization Expense

Depreciation and amortization expense increased by 13.3% YoY to TL 5.4 bn in 2020 and 18.6% YoY to TL 1.5 mn in Q4'20.

Operating Profit

Operating profit increased by 22.4% YoY to TL 7.9 bn in 2020 and 30.6% YoY to TL 2.1 bn in Q4'20.

Net Financial Income/Expense

Net financial expense was realized at TL 4.1 bn in 2020 compared to TL 3.7 bn in 2019 despite around 25% and 35% increase in USD/TL and EUR/TL, respectively in 2020; thanks mainly to our active FX exposure and financing cost management throughout the year.

Net financial expense was TL 907 mn in Q4'20 compared to TL 939 mn in Q4'19 and TL 1.6 bn in Q3'20.

According to the sensitivity of P&L statement to FX movements, 10% depreciation in lira would have TL 59 mn negative impact on pre-tax income as of Dec'20 assuming all else constant (vs TL 953 mn negative impact as of Sep'20 and TL 455 mn negative impact as of Dec'19).

Tax Income/Expense

The Group reported TL 624 mn tax expense in 2020 compared to TL 328 mn in 2019.

In Q4'20, tax expense decreased to TL 78 mn from TL 117 mn in Q4'19. The Group recognized a deferred tax income of TL 180 mn mainly due to TT Mobile's carry forward losses and unused tax incentives.

Net Income

Net income reached the highest level of TL 3.2 bn in 2020 despite the unfavourable FX movements throughout the year.

The Group generated TL 1.1 bn net income in Q4'20 compared to TL 545 mn in Q4'19.

Capital Expenditures

Capex was TL 6.7 bn in 2020 compared to TL 4.9 in 2019, reflecting the impact of increase in fibre investments and weaker lira. Capex/Sales ratio was 24% in 2020 compared to 21% in 2019.

Capex in Q4'20 was realized at TL 2.8 bn.

Cash Flow and Leverage

Unlevered free cash flow generated in 2020 grew to TL 6.9 billion compared to TL 6.4 billion in 2019 thanks to robust EBITDA performance.

In Q4'20, unlevered free cash flow was TL 2.3 billion vs. TL 1.8 billion in Q3'20 and TL 1.9 billion in Q4'19.

Net debt⁹ decreased to TL 15.4 billion as of Q4'20 compared to TL 17.1 bn as of Q3'20, while excluding the IFRS 16 impact, it was TL 14.0 billion.

Net debt/EBITDA¹⁰ ratio declined to 1.15x from 1.35x a quarter ago, led by strong operating performance, debt payments and appreciation of TL against USD and EUR in the quarter.

Net debt (excluding the IFRS 16 impact) declined to USD 1.9 bn equivalent as of Dec'20, down by USD 117 mn QoQ (Sep'20: USD 2.0 bn; Dec'19: USD 2.5 bn).

As of Dec'20, FX based debt (excluding the IFRS 16 impact) declined to USD 2.3 bn equivalent (Sep'20: USD 2.6 bn; Dec'19: USD 3.1 bn) led by continued deleveraging. The share of TL debt climbed to 14.5% as of Q4'20 from 11.2% in Q3'20 along with the increased TL based financing (Dec'19: 6.3%).

⁹ Net debt includes MTM from FX to TRY Currency Swaps.

¹⁰ Net debt includes MTM from FX to TRY Currency Swaps. Net Debt/EBITDA calculation excludes extraordinary claims on EBITDA calculation.

Including the USD 1,810 mn equivalent of participating cross currency swap (PCCS) and forward contracts positions in total and the FX based cash of USD 554 mn, the net FX exposure turned to USD 46 mn long position as of year-end from USD 211 mn short position as of Q3'20.

Operational Performance

	Q4'19	Q3'20	Q4'20	QoQ Change	YoY Change
Total Access Lines (mn) ¹¹	14.6	15.7	16.3	3.6%	11.7%
Fixed Voice Subscribers (mn)	10.0	10.5	10.6	1.3%	6.3%
Naked Broadband Subscribers (mn)	4.6	5.2	5.6	8.2%	23.4%
Fixed Voice ARPU (TL)	22.2	22.0	21.6	(2.0)%	(2.8)%
Total Broadband Subscribers (mn)	11.4	12.8	13.4	5.0%	17.9%
Total Fibre Subscribers (mn)	4.2	5.2	6.2	18.3%	47.2%
FTTH/B (mn)	1.6	2.0	2.3	11.5%	38.4%
FTTC (mn)	2.6	3.2	3.9	22.7%	52.9%
Broadband ARPU (TL)	52.0	57.1	59.4	4.1%	14.3%
Total TV Subscribers (mn) ¹²	3.5	3.2	3.1	(1.5)%	(9.8)%
Tivibu Home (IPTV + DTH) Subscribers (mn)	1.6	1.5	1.5	1.2%	(4.1)%
TV ARPU (TL)	18.0	19.4	20.8	7.2%	15.7%
Mobile Total Subscribers (mn)	22.9	23.1	23.2	0.4%	1.0%
Mobile Postpaid Subscribers (mn)	13.7	14.5	14.8	2.3%	8.2%
Mobile Prepaid Subscribers (mn)	9.3	8.6	8.4	(2.7)%	(9.5)%
Mobile Blended ARPU (TL)	33.4	37.1	36.9	(0.6)%	10.6%
Mobile Postpaid ARPU (TL)	42.7	44.5	44.3	(0.4)%	3.6%
Mobile Prepaid ARPU (TL)	18.9	24.2	23.8	(1.6)%	25.5%

¹¹ PSTN and WLR Subscribers

¹² Tivibu Home (IPTV, DTH) and Tivibu GO subscribers

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/(expense) presented in other operating income/(expense) (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/(expense) presented in other operating income/(expense) 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/(expense) on CMB financial statements.

About Türk Telekom Group

Türk Telekom, with 180 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 16.3 million fixed access lines, 13.4 million broadband, 3.1 million TV and 23.2 million mobile subscribers as of December 31, 2020. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 34,748 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 TT International Telekomünikasyon Sanayi ve Ticaret Limited Şirketi and provider of combined facilities support activities TT Destek Hizmetleri A.Ş. and indirectly owns 100% of subsidiaries of TT Holding BV, 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., counselling services company 11818 Rehberlik ve Müşteri Hizmetleri A.Ş. (in receivership) and web portal and computer programming company APPYAP Teknoloji ve Bilişim A.Ş.

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