

TÜRK TELEKOM GROUP
2020 FIRST QUARTER
FINANCIAL AND
OPERATIONAL RESULTS

May 13, 2020

SOLID START WITH STRONG FINANCIAL AND OPERATIONAL PERFORMANCE

Türk Telekom Group announced its financial and operational results for the first quarter of 2020. The Group started 2020 with strong operational and financial performance along with robust cash flow generation. In Q1'20, consolidated revenues grew by 16.6% YoY while EBITDA increased to TL 3.0 bn with an EBITDA margin of 47.2%. Thanks to solid operational performance, strong balance sheet and declining sensitivity of P&L to FX movements, the Group recorded TL 661 mn net income in Q1'20. With strong cash flow generation, Net debt/EBITDA ratio continued its downward trend, reaching 1.38x - the lowest level over the past five years.

Türk Telekom CEO Ümit Önal said: “During the COVID-19 epidemic, which affects the whole globe, our priority has been to provide uninterrupted communication services for our citizens required for remote working and education, as well as the telecommunication infrastructure for the public and private sector, while ensuring the health of our employees. In this period of significant increase in fixed broadband demand and data usage; our focus on best-in-class customer experience and our ever-continued fiber transformation investments across the country bear fruits. The strong first-quarter results, both financially and operationally attest to the soundness and successful execution of our strategies.”

1st Quarter 2020 Financial Highlights

Consolidated revenues increased to TL 6.3 bn, up by 16.6% YoY. Excluding IFRIC 12 accounting impact, revenue growth was 13.4% YoY.

Consolidated EBITDA grew by 12.1% YoY to TL 3.0 bn with an EBITDA margin of 47.2%. Excluding IFRIC 12 impact, EBITDA margin was 48.9%.

Operating profit increased by 14.3% YoY to TL 1.7 bn.

Net income was TL 661 mn in Q1'20 compared to TL 310 mn in Q1'19 on the back of strong underlying operating performance and lower financial expenses with the reduced FX exposure.

Profit before tax in Q1'20 increased by 287% YoY to TL 834 mn.

Capex was TL 896 mn in Q1'20 compared to TL 637 mn in Q1'19.

Unlevered free cash flow¹ was TL 1,585 mn in Q1'20 compared to TL 1,443 mn in Q1'19 due to strong EBITDA growth and improvement in working capital.

Net FX exposure² continued its downward trend. Net FX exposure decreased from USD 2,600 mn in Mar'18 to USD 225 mn in Mar'20 (down by USD 2,375 mn).

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

² 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.

1st Quarter 2020 Operational Highlights

Total number of Türk Telekom subscribers reached 48.4 mn with 563K net additions in Q1'20. Net subscriber additions were 1.7 mn during the last twelve months.

Broadband subscriber base reached 11.6 mn with 262K net additions in Q1'20 with strong growth in fiber customers. Broadband ARPU growth continues its strong performance and increased by 14% YoY in Q1'20 - the highest annual growth since 2011.

Fiber subscribers increased to 4.4 mn with 231K net additions in Q1'20 and 22% YoY growth. The number of FTTC subscribers reached 2.7 mn, while the number of FTTH/B subscribers reached 1.7 mn.

Fiber homepass increased to 22.6 mn from 19.0 mn in Q1'19 on the back of focus on fiber transformation across Turkey. FTTC homepass exceeded 16.1 mn and FTTH/B homepass exceeded 6.4 mn.

Fiber cable network length increased to 308K km in Q1'20 from 285K km in Q1'19.

Mobile subscriber base increased to 23.2 mn with 253K net additions in Q1'20.

Share of LTE subscribers³ in mobile subscriber base increased to 58% in Q1'20 from 49% in Q1'19. Average monthly data usage per LTE user increased to 8.2GB in Q1'20 from 6.2GB in Q1'19.

Number of fixed voice subscribers continued to increase with 103K net additions during the quarter, the highest first quarter net add since the IPO. Including nDSL, the number of total fixed access lines was strong at 14.8 mn - the highest level since Q2'12.

The ratio of subscribers who provided consent for sharing and using their information within the Group increased by 6 percentage points YoY and reached 80% in Q1'20. As of Q1'20, the share of multiple product ownership among Türk Telekom subscriber base⁴ increased by 3.4 percentage points YoY to 63%.

With "Online İşlemler" application, which is an essential component of the best-in-class customer experience, Türk Telekom customers can easily carry out numerous transactions online such as invoice payments, TL uploads, upsells, and application for new subscription while keeping the social distance. The application has been downloaded 38 million times since its launch. Unique subscribers using the app increased by 2 million QoQ to 19.8 million in Q1'20.

Addressing the decline in mobility and to minimize face-to-face interactions, we directed our customers to our online and alternative channels. Sales revenue⁵ through online channels increased by 73% YoY (34% higher vs Q4'19 monthly average) in Mar'20. Meanwhile, TL uploads and invoice payments via online channels also increased by 48% YoY (31% higher than Q4'19 monthly average). In this period, with the support of online channels and robust integration with banks, the share of collection through digital channels (including the banks) in the consumer segment increased by around 6 percentage points from February to 80% in April.

³ Mobile subscribers who registered for LTE and have LTE compatible device and sim card.

⁴ Among constant subscriber universe that provided consent for sharing and using their information within the Group.

⁵ Additional package sales revenue through online transactions web platform and mobile application

2020 Guidance Revision

In the first quarter of 2020, we recorded strong financial and operational results.

The Covid-19 outbreak that is declared by the World Health Organization to be pandemic on 11 March has effects on the global economy and consumer habits. On the positive side, we have observed a strong performance in the fixed segment with the support of increasing the internet demand during this period. However, we prefer a cautious approach, even though the gradual ease of precautions regarding the outbreak is positive in terms of reducing risks. Within this scope, we are slightly revising down our revenue guidance for 2020, incorporating overall risk factors.

We are increasing our EBITDA guidance upwards reflecting the favorable change in product mix in sales along with disciplined opex management.

The capacity to provide high speed will be even more critical in the coming period due to remote working and distance education models. Accordingly, on our country-wide network, we decided to advance some of our fiber investments with fast returns. Also incorporating the FX movements, we have revised our CAPEX guidance upwards.

Accordingly, under current circumstances, guidance for 2020 is as below:

- Consolidated revenue growth (excluding IFRIC 12) to be around 13% over 2019
- Consolidated EBITDA to be at TL 12.4 billion - TL 12.6 billion level
- Consolidated CAPEX to be around TL 6.4 billion

	Previous Guidance	Revised Guidance
Revenue Growth (exc. IFRIC 12)	Around 14%	Around 13%
EBITDA	Around TL 12.4 bn	TL 12.4 bn – 12.6 bn
CAPEX	Around TL 5.8 bn	Around TL 6.4 bn

Türk Telekom CEO Ümit Önal's comments on 2020 first quarter results:

We are on duty to ensure uninterrupted communication in all parts of Turkey

2020 has been making its mark on history as a year impacting whole world in a disruptive way. On the COVID-19 front which emerged at the end of 2019 and was declared as “pandemic” on March 11 by WHO, this challenging process is managed successfully in our country thanks to the extraordinary efforts put forward by our government, all relevant institutions of the government, particularly Ministry of Health and the devoted healthcare personnel. We are now in the process of normalization thanks to the delicate work of the authorities and our citizens heeding the warnings and taking the precautions since March 10th, when the first case was detected in Turkey.

The importance of the telecommunication services has come to the forefront in this process. Within the scope of the precautions taken to ensure social distancing, an important goal falls to us as the leader operator of Turkey. Our mission is to ensure the uninterrupted provision of the necessary telecommunication services for remote working and education to our citizens and communication infrastructure for both public and private sectors without interruption. With the strong motivation emanating from this responsibility, we are working in order to contribute to customer and public health, solidarity and national economy and also to keep Turkey connected.

With the changing usage habits, we have seen significant surge in both in data traffic and new acquisitions in fixed broadband segment. Thanks to our rich portfolio, including fixed broadband, mobile, TV and digital products, and our wide and strong infrastructure footprint throughout the country, we are able to meet the increased demand smoothly.

We have made a strong start to the year

We have started 2020 with strong financial and operational results. Our consolidated revenue recorded 17% YoY growth in Q1'20 particularly with the support of 19% YoY growth in fixed broadband segment. Thanks to solid revenue growth, EBITDA reached 3.0 billion TL with 12% YoY increase, with an EBITDA margin of 47%. Our profit before tax almost quadrupled compared to a year ago to 834 million TL.

We are updating our guidance to reflect the 2020 developments

The COVID-19 outbreak is impacting the global economy and consumer habits. On the positive side, we have observed a strong performance in the fixed segment with the support of increasing the internet demand during this period. However, we prefer a cautious approach, even though the gradual ease of precautions regarding the outbreak is positive in terms of reducing risks. Within this scope, we are slightly revising down our revenue guidance for 2020, incorporating overall risk factors. Accordingly, we anticipate that the growth in our revenues will be around 13% in 2020.

We are increasing our EBITDA guidance upwards reflecting the favorable change in product mix in sales along with disciplined opex management. We expect our EBITDA to be around 12.4 billion TL – 12.6 billion TL in 2020.

In this period, we have seen a high increase in fixed broadband demand within a short time not only in big cities but across Turkey, and we are successfully meeting all the requests. We are pleased to see the soundness of our strategy to invest in fiber transformation given their fast returns. These results will be a reference for our future investments. We believe that the capacity to provide high speed will be even more critical in the coming period due to remote working and distance education models. Accordingly, on our country-wide network, we decided to advance some of our fiber

investments with fast returns. Also incorporating the FX movements, we have revised our CAPEX guidance upwards. We plan our Capex to be at the level of 6.4 billion TL in 2020.

We are providing uninterrupted service to our customers with our power to offer high capacity

With the support of our penetration focused offers, our rich campaigns opening up to the unlimited world and particularly with the increased importance of staying at home since the beginning of March, our fixed broadband segment demonstrated a strong performance in this quarter. Thanks to the investments we have made in 81 provinces of Turkey, we have met the rapidly increasing demand during post-coronavirus era. Additionally, in order to provide a faster and best in-class customer experience, we have doubled the upload speeds of fiber and VDSL subscribers.

Total number of subscribers in fixed broadband increased by 262K and reached 11.6 million in Q1'20 with a strong growth in fiber customers. The number of our fiber subscribers increased by 231K in Q1'20 to 4.4 million with 22% YoY growth, while its share within our total subscriber base reached 38%.

As a result of the precautions taken nationwide since mid-March, education, work, events and other activities are transferred to online environments. This reflected on the internet traffic and also accelerated upselling. On fixed broadband side, average daily data usage increased by 20% in March and by 45% in April compared to February. Furthermore, the share of our subscribers who experience 24 Mbps or above high-speed internet among our total subscriber base⁶ was 40% in Q1'20.

With the strong growth in fiber and accelerated upsell performance, ARPU increased by 14%, the highest annual growth since 2011. Thanks to our infrastructure investments which have been continuing without halt, our strong fiber network of 308K km covering all parts of Turkey and our fiber household footprint which reached 22.6 million with 3.5 million increase during the last 12 months, we continue to ensure uninterrupted and secure communication without any capacity issues even at the peak hours of the traffic.

During this period, there has been a significant increase in our international internet traffic led by the OTT content usage. Despite the increase, via hosting the cache servers of prominent global OTT players in our centers, we are able to connect our customers faster to these content providers and contribute to cost efficiency by reducing sudden surges in international traffic.

On the fixed voice segment, reflecting the increased demand on calls during this tough period that we stay at home and with increased fixed broadband demand, the number of subscribers reached 10.1 million with 103K increase in Q1'20 which landmarks the highest first quarter net subscriber additions since IPO. Regarding the government's precautionary decision within the scope of COVID-19 pandemic asking the people aged 65 and older to stay at home, as Türk Telekom, we have given free monthly 500 fixed voice minutes to all directions to be valid for April and May to these customers, allowing them to talk with their loved ones freely.

We are increasing the fixed broadband speed of Turkey

With our service understanding of "Not just for some, but for everyone", as Türk Telekom, we continue to pioneer the digital transformation process of Turkey with the investments we have

⁶ Excluding penetration focused İnternet Bizden campaign

made in all parts of Turkey. We continue to present innovative and wide range of offers to our customers.

As of April, we have renewed our customer acquisition campaigns to increase the internet speed of our country and to enable customers meet with Türk Telekom's robust infrastructure and higher speeds. The new portfolio allows us to generate experience areas addressing all individuals of a family through comprehensive digital services of Türk Telekom from music to online education and from security to storage in addition to the internet. With our new portfolio structure, we have increased our entry speed level from 8Mbps to 12Mbps in order to ensure faster connection for our customers. This way, we aim to serve better to our customers and to enable strong ARPU growth by increasing the opportunities for customer acquisition and upselling.

We continue our investments in mobile in line with our long-term strategies

On our journey to become the first integrated operator of Turkey, in Q1'20, we have paid the last installment as a part of the deal to acquire the remaining 10% shares of TT Mobil. Thanks to the investments we have made without halt so far, our strong spectrum position, increased quality and network coverage with fiber-connected base stations and competitive customer experience our market share reached 29% in Q1'20 compared to 24% in 2015.

As an integrated operator, we continue our core network investments in mobile in order to provide the best customer experience and to get ready for 5G. Together with capacity increase in mobile segment, we continue to improve customer experience by increasing our service quality. Moreover, in order to provide uninterrupted high speed to our customers, we continue to connect our sites, that would provide 5G service, with fiber network and in this scope, we have connected around 45% of our LTE base stations with fiber.

While continuing our investments for capacity increase, we carried out refarming process in Q1'20 for efficient use of frequencies. We started to use 10MHz of the bandwidth used for 2G at 1800 MHz band for LTE, hence increased the bandwidth to 30MHz at 1800Mhz band for LTE.

We aim to contribute more on 5G area in the coming periods with the help of Netsia, Argela's subsidiary in the U.S., which owns 37 patents related to 5G. As the readiest operator for 5G, while our tests and studies with global players continue at full speed, we are working to ensure Turkey's access to this new technology quickly.

We help our customers to preserve social distancing through our digital services

With "Online İşlemler" application, which is an essential component of the best in-class customer experience, Türk Telekom customers can easily carry out numerous transactions online such as payment of invoices, TL uploads, upsells, and application for new subscription while keeping the social distance. The application has been downloaded 38 million times since its launch. Unique subscribers using the app increased by 2 million QoQ to 19.8 million in Q1'20.

Addressing the decline in mobility and to minimize face-to-face interactions, we directed our customers to our online and alternative channels. Sales revenue⁷ through online channels increased by 73% YoY (34% higher than Q4'19 monthly average) in Mar'20. Meanwhile, TL uploads and invoice payments via online channels also increased by 48% YoY (31% higher than Q4'19 monthly average). In this period, with the support of online channels and robust integration with banks, the share of collection through digital channels (including the banks) in the consumer segment increased by

⁷ Additional package sales revenue through online transactions web platform and mobile application

around 6pp from February to 80% in April.

We continue to add joy to our customers for the time they spend at home with our digital service portfolio. The number of monthly downloads of our online magazine application, “e-dergi”, which we started to offer free to all mobile users at the end of March, increased by 86% MoM in March. Furthermore, since the start of remote education, the number of monthly downloads of Tivibu Go application, increased by 36% MoM in March.

We support online education fully with both our infrastructure and our education content

Upon the remote education decision made by the Ministry of Education (MEB) within the framework of the coronavirus measures, we added another 5GB to our mobile internet support and provided monthly 8GB to students within the scope of the Education Information Network (EBA) platform of the Ministry. Since the start of remote education, we have taken all the needed precautions to ensure smooth access of students to education content and we provided an uninterrupted service despite the high traffic.

We contribute to the education system of Turkey and its digitalization process with not only infrastructure support but also our online education solutions. With over 30 years of experience of our educational technologies subsidiary Sebit, we provide platforms that offer qualified digital content and wholistic solutions to meet the needs of our time by using technology innovatively and effectively. Through Sebit, we offer content support for courses and exams to the EBA platform in the framework of a sustainable education approach during the coronavirus period.

On the other hand, Vitamin, the leading and comprehensive digital learning environment and Sebit VCloud, the innovative educational sharing platform, both developed by Sebit, are used by millions of students. Raunt, Sebit's personalized university preparation product, prepares students for university exams with its AI infrastructure, smart suggestion system, and detailed performance monitoring. Since the first day of remote education, Sebit has provided the live lesson infrastructure to the educational institutions, enabling students to conduct synchronous lessons with teachers. Sebit integrated a similar solution to the EBA platform of MEB to allow all teachers and students to have live lessons. Our applications developed by Sebit are used successfully in many public schools and more than 800 private schools.

We are more resilient against FX risks with our strong balance sheet

We have started 2020 with a strong balance sheet and a reduced sensitivity of P&L to FX movements. In 1Q'20, we continued to execute hedge transactions and we increased the share of TL based borrowings. Our net debt, which was 3,039 million USD in Q1'19, declined to 2,524 million USD in Q1'20. Thanks to hedge transactions and reduced leverage, our net short FX position come down to 225 million USD and this is the lowest level since IPO. With our strong EBITDA margin and cash flow generation capacity, our Net Debt/EBITDA ratio continued to decline to 1.38x, the lowest level over the past five years.

While our cash generation capacity continues to increase, declining sensitivity of P&L to FX movement allowed us to have predictable financial expenses and net income even during the extraordinary period we are in.

Our 500 million USD bond issuance which received 5 times more demand from 264 investors from 39 countries in 2019, has been awarded as “The Corporate Bond Issuance of the Year” by Bonds & Loans Awards in February. The success of the Eurobond issuance and the award it received shows

that Türk Telekom has won the confidence of international investors with the strong financial structure of the company and the transparent and effective communication activities achieved in years.

We support the digitalization of health sector in Turkey as well

With our subsidiary TT Ventures, the first venture capital company of the sector, we continued to support innovative entrepreneurs for production and diversification of domestic and national technologies. We are aware of the important of digitalization in the healthcare area and we attach importance to investments in health vertical. In addition to our DoctorTurkey investment in 2018 which offers remote healthcare consultancy, in April, we acquired 12.2% shares of Virasoft Yazılım in digital health area. Hence, we have completed the fourth investment of TT Ventures. Being the only local initiative in Turkey on digital pathology area, Virasoft stands out with its software and communication systems it develops and it offers products in pathology area through AI based analysis. This way, we will have the opportunity to offer alternative digital products while continuing to provide infrastructure and access services to hospitals and healthcare institutions.

We attach importance to sustainable business approaches

We are in a period when all companies are going through a stress test in terms of their sustainability approaches. The importance of sustainability is better understood all around the world with COVID-19 pandemic. Particularly social issues (occupational health and safety, employee rights, support to local communities, support for vulnerable groups), business continuity and risk management have come forefront in all critical decision-making processes of the companies. The value of the companies is determined with not only their financial performances, but also with the contribution they provide to society, and during this pandemic, the importance of the contribution of the telecommunication sector to society has increased. As Türk Telekom, we continue to act with a sustainability approach, aware of all economic, environmental and social responsibilities, and with the principle of “Accessible communication for everyone”. By placing our employees, customers, dealers, contractors, other ISPs and our business partners to forefront, we will come out of this challenging period all together by getting stronger through constructive approaches and solidarity.

As Türk Telekom, we are getting ready for the long-term opportunities to be presented by the outbreak

COVID-19 pandemic will pose significant long-term impacts for all sectors. With this crisis, the telecom sector has undertaken another important role in the public health area on top of its critical role regarding access to information and developing solutions to enrich the lives of its customers. Even though we will get back to working from offices and traditional education with the normalization process, remote working, digital meetings and online education will increase their place in our lives as complementary elements. In the new period, we expect our consumer segment customers to increase their demand for high-speed and capacity. We are ready in terms of our solutions to meet this demand with our wide fiber footprint all around the country and our strong investment plans for fiber transformation.

With the removal of sharp line between work and home, we expect the importance of hybrid solutions including cyber security addressing both consumer and corporate segments to increase. As Türk Telekom, we will make our preparations for both segments to provide suitable offers for this new world with our strong product portfolio, integrated structure and cyber security products.

Moreover, we stipulate the digitalization to speed up in sales, customer care, network management and installation services in post-coronavirus period. In the coming period, we will speed up the integration of our online and physical channels in order to provide the best experience to our customers on wholistic channels. On the virtual network management front, we continue our development and test activities on SEBA (SDN supported Broadband Access) architecture at full speed via our subsidiary Argela. We will prioritize the solutions to support the digitalization of enterprises including SMEs further in the coming period.

We are working day and night to “Make our customers feel valuable”

We have determined our word and compass in every work we take over as “Türk Telekom makes you feel valuable”. With the discourse we have developed by putting human at the core, all our employees, customers, vendors and stakeholders will feel more valuable now. We will continue to take part in every step of national technology transformation by focusing on customer experience even in this challenging year of 2020. While doing all so, our priority will be making everyone “Feel valuable” in every area we touch upon by going beyond just being a technology company.

On this wise, I wholeheartedly present my gratitude to all employees of Türk Telekom family, who put their best foot forward in our offices, dealers, call centers and in their homes, and to all who contributed to these successful results in this challenging period and those who roll-out infrastructure and provide installation services to everyone without saying village or district.

Actions Taken to Manage COVID-19 Implications

Before the first confirmed coronavirus case in the country, our Company established Business Continuity COVID-19 Crisis Management Committee and started planning proactively with the highest level of participation. Accordingly, actions were taken to prevent the spread of the epidemic and to protect the health of our employees, customers, business partners and the society. Besides, measures have been taken in line with the interests of all stakeholders to ensure uninterrupted provision of communication services of Türk Telekom.

Employee and Community Health

- Visitor access to company locations has been restricted. Until the coronavirus threat is over, we enable our business partners to support company processes remotely and participate in meetings online.
- In accordance with the value given to employee health, remote home working model has been adopted for employees whose roles and responsibilities are appropriate. To ensure continuity of customer service, we adopted home-agent model for our call center customer representatives (totaling more than 20K employees).
- Within the scope of occupational health, personal protective equipment is provided to our field and office employees.
- We temporarily closed around 120 stores in the shopping malls.
- Hygiene measures were elevated in offices and dealers.
- Long-term shift system was implemented for our teams, which carry critical processes in the field and office sales channel. Hence staff back-up and isolation were ensured.
- For transactions that could only be made through face-to-face channels, process changes were carried to enable processing of these transactions remotely.
- A comprehensive disinfection program is implemented in all company facilities and vehicles.
- While we prohibit physical attendance to all internal and external trainings, seminars, and conferences, we only attend meetings outside the company remotely.
- 2019 Ordinary General Assembly Meeting to be held on 31 March 2020 was cancelled to be made at a later date due to coronavirus outbreak.

Customers

- We provided additional voice & data quotas for TT Mobil customers staying in quarantine abroad. We stayed by our customers who have a flight ban and could not return to our country due to quarantine, and we provided free voice, internet, and SMS for their communication needs.
- Upon the remote education decision taken by the Ministry of Education within the framework of the coronavirus measures, we added incremental 5GB to the mobile data support within the scope of the Education Information Network (EBA) project, providing 8GB per month to the students.

- To support the Higher Education Council's (YÖK) remote education process, we provide monthly 6GB mobile internet to students for the use of the contents of the universities in the YÖK Courses Platform.
- During the remote working and remote education period due to the coronavirus epidemic, we have doubled the data upload speed of fiber and VDSL subscribers of Türk Telekom and internet service providers using the Türk Telekom infrastructure until June 2020 to provide a better experience.
- We directed our customers for their transactions to online and alternative channels. We shifted the distribution of invoices to SMS and e-mail channels.
- We provide 500 minutes and 5GB per month to our healthcare community for two months.
- In this challenging period, when we need to stay at home, we provide our aged 65 and older customers, who want to talk to their loved ones freely, 500 fixed voice minutes in all directions for two months.
- Our "e-dergi" application, which includes hundreds of magazines and daily newspapers from fashion to economy, from technology to magazine, is offered to everyone free of charge in this period.
- On Tivibu DTH and IPTV platforms, we made all cinema channels accessible to all subscribers free of charge until May 15, regardless of their packages.
- MentalUP, the education platform, which we invested in via our Corporate Venture Capital company TT Ventures, continues to support children's cognitive skill development during the remote education period. MentalUP made a 30% discount in its membership fees and reached 5.5 million users, adding 500 thousand new subscribers.

Social Support

- As the Türk Telekom family, working with full force to provide uninterrupted communication, we donated TL 40 mn to the National solidarity campaign led by our President.
- We continued to support women entrepreneurship through online trainings within the scope of the project, "Life is Easier with the Internet for the Targeted Woman," which we launched in cooperation with TOBB, Habitat Association, and the United Nations Development Program (UNDP). As Türk Telekom, we carried out online training to "İmece 2006" volunteers, who provide scholarships to university students by displaying their handcrafted products at charity events, on subjects such as information and communication technologies, e-services, effective use of social platforms for promotion and sales, and e-commerce.
- To monitor the spread of its virus and help citizens to live a more isolated life, the "Hayat Eve Sığar" (Life Fits inside the Home) mobile application, developed only in 18 days with the cooperation of the Ministry of Health, Information Technologies and Communications Authority (ICTA) and operators, was launched and reached 8 million users as of end of April.

Network Continuity

- With our highly automated infrastructure in Turkey and remote access capabilities, we ensure uninterrupted services via carrying out numerous operations remotely.
- International internet gateways, intra and intercity data traffic and capacity are monitored 7/24. Areas with high traffic increase are identified, and necessary capacity increase is carried

out for uninterrupted and high-speed communication. With its redundant infrastructure, Türk Telekom can manage the current traffic increase on its core network effectively.

- Via locating the cache servers of prominent global OTT players in our network, we managed to reduce sudden surges in international traffic and its load on the core network capacity.
- The inventory levels of telecommunication and IT hardware and components has been increased for the potential interruption risks in the supply chain. With the supplier diversification and efficient inventory management, there has not been any interruption in our supply processes.
- In this period, we increased our cybersecurity measures to protect all our citizens working from their homes and learning through distance education from cyber threats. We increased the capacity of SIEM (Central Security Monitoring and Analysis Systems), which facilitates the detection of and response to cyber incidents and violations, and integrated critical applications and systems within the Türk Telekom Group into this structure.
- For the EBA platform, we activated Anti-DDoS service in Ankara-Ümitköy data center and Anti-DDoS, Firewall and IPS security services in İstanbul-Esenyurt data center.
- We increased the shared security capacity in the Esenyurt data center from 40Gbps to 60Gbps.

Financial Measures

- We increased our cash position by giving priority to our liquidity position amid the increasing volatility in the financial markets (Dec'19: TL 4.9 bn, Mar'20: TL 6.5 billion). Considering our strong cash flow forecast for 2020, our financing needs are limited in the next 12 months.
- To reduce the sensitivity of P&L to FX movements, we increased the share of our TL denominated debt and executed new derivative transactions in the first quarter.
- We are monitoring the receivable risk daily. In the corporate segment, we manage the receivable risk by evaluating debt restructuring, line freezing and contract renewal requests on a customer basis (the share of SMEs in consolidated revenues is between 5%-10%. The share of corporate customers -including SMEs- in consolidated revenues is around 20%).
- To direct our customers to online and alternative channels (TT Online Transactions, TT call center, online bank, bank order) for collection transactions, we have taken various actions including customer notifications; cooperation and customer channeling meetings with the banks; and updates on system flow and processes.
- We optimize our expenditures on investment and operating expenses. In the light of pandemic developments, we prepare financial and operational plans for different scenarios and provide revenue and cost control.

Financial Review

(TL mn)	Q1'19	Q4'19	Q1'20	QoQ Change	YoY Change
Revenue	5,403	6,284	6,303	0.3%	16.6%
Revenue (Exc. IFRIC 12)	5,304	5,990	6,016	0.4%	13.4%
EBITDA	2,655	2,828	2,977	5.3%	12.1%
Margin	49.1%	45.0%	47.2%		
Depreciation and Amortisation	(1,164)	(1,228)	(1,273)	3.6%	9.4%
Operating Profit	1,491	1,600	1,704	6.5%	14.3%
Margin	27.6%	25.5%	27.0%		
Financial Income / (Expense)	(1,276)	(939)	(870)	(7.3)%	(31.8)%
FX & Hedging Gain / (Loss)	(825)	(366)	(294)	(19.7)%	(64.3)%
Interest Income / (Expense)	(370)	(542)	(561)	3.5%	51.5%
Other Financial Income / (Expense)	(81)	(30)	(15)	(49.7)%	(81.2)%
Tax Income / (Expense)	95	(117)	(173)	48.3%	n.m.
Net Income	310	545	661	21.3%	113.2%
Margin	5.7%	8.7%	10.5 %		
CAPEX	637	2,149	896	(58.3)%	40.5%

Revenues

In Q1'20, consolidated revenues increased by 16.6% YoY (up by TL 899 mn) to TL 6,303 mn. Excluding IFRIC 12, top line growth was 13.4% YoY (up by TL 713 mn) with 18.7% YoY increase in fixed broadband (up by TL 289 mn), 12.4% YoY increase in mobile (up by TL 250 mn), 37.5% YoY increase in international (up by TL 83 mn) and 8.0% YoY increase in corporate data (up by TL 36 mn) revenues.

Operating Expenses Excluding Depreciation and Amortization (OPEX)

In Q1'20, operating expenses increased by 21.0% YoY (up by TL 577 mn) to TL 3,325 mn. Excluding IFRIC 12 cost, growth in operating expenses was 15.5% YoY (up by TL 412 mn).

- Personnel expense increased by 17.0% YoY (up by TL 132 mn).

- Interconnection costs increased by 21.3% YoY (up by TL 90 mn) due to increase in Türk Telekom International volume and partly to FX.
- Increase in the tax expense was 15.6% YoY (up by TL 77 mn) mostly due to higher frequency and treasury fees which are mostly linked to mobile revenues.
- Network and Technology expenses increased by 9.8% YoY (up by TL 42 mn) mainly due to increase in technology repair and maintenance costs.
- Commercial costs was up by 8.1% (up by TL 16 mn) on a low base with increase in corporate communication activity.
- The Group contributed TL 40 mn to the National Solidarity Campaign to aid those impacted by pandemic. The one-off cost was recorded under Other Costs item.

Operating Profit before Depreciation and Amortization (EBITDA)

In Q1'20, consolidated EBITDA increased by 12.1% YoY (up by TL 322 mn) on a high comparable base to TL 3.0 bn with an EBITDA margin of 47.2% with the support of strong revenue growth. Excluding IFRIC 12 accounting impact, EBITDA margin was 48.9%.

Depreciation and Amortization Expense

Depreciation and amortization expense increased by 9.4% YoY to TL 1,273 mn in Q1'20.

Operating Profit

In Q1'20, the Group recorded TL 1,704 mn operating profit with a 14.3% YoY increase (up by TL 213 mn).

Net Financial Income/Expense

Net financial expense decreased to TL 870 mn in Q1'20 from TL 1,276 mn in Q1'19 despite the unfavorable FX environment, with the support of decline in net FX exposure.

With the decline in short FX position, the sensitivity of P&L statement to FX movements continued to decrease with 10% depreciation of TL having TL 344 mn impact on P&L in Mar'20 assuming all else constant (TL 776 mn impact in Mar'19).

Tax Income/Expense

The Group reported TL 173 mn tax expense in Q1'20 compared to TL 95 mn tax income Q1'19, as there was one-off deferred tax income in Q1'19.

Net Income

Net income was realized at TL 661 mn in Q1'20 compared to TL 310 mn in Q1'19. Strong operating performance and lower net FX exposure of the balance sheet offset the adverse impact of the depreciation of TL.

Capital Expenses

Capex was realized at TL 896 mn in Q1'20.

Cash Flow and Leverage

Unlevered free cash flow generated in LTM Q1'20 was TL 6.5 bn compared to TL 5.1 bn in LTM Q1'19 thanks to strong EBITDA performance and improvement in net working capital.

In Q1'20, unlevered free cash flow was TL 1.6 bn.

Net debt increased by 1% QoQ to TL 16.0 bn, while was unchanged QoQ at TL 14.8 bn excluding IFRS 16 impact.

Net debt/EBITDA ratio continued its downward trend, reaching 1.38x - the lowest level over the past five years.

Net debt (excluding IFRS 16 impact) declined to USD 2,268 mn equivalent as of Mar'20, down by USD 571 mn YoY (Mar'19: USD 2,839 mn; Dec'19: USD 2,491 mn).

In Mar'20, FX based debt declined to USD 2,996 mn equivalent (Dec'19: USD 3,097 mn; Mar'19: USD 4,145 mn) with the ongoing deleveraging and increase in share of TL based financing. In Mar'20, the share of TL financing increased to 10.0% from 6.3% in Dec'19 (Mar'19: 0.1%).

In Q1'20, the Group executed participating cross currency swap (PCCS) transactions with a notional value of USD 100 mn. The net FX exposure declined to USD 225 mn with USD 2,011 mn equivalent of PCCS position in total and FX based cash at USD 760 mn.

Operational Performance

	Q1'19	Q4'19	Q1'20	QoQ Change	YoY Change
Total Access Lines (mn) ⁸	14.5	14.6	14.8	1.2%	2.0%
Fixed Voice Subscribers (mn)	9.9	10.0	10.1	1.0%	2.0%
Naked Broadband Subscribers (mn)	4.6	4.6	4.6	1.6%	1.9%
Fixed Voice ARPU (TL)	22.7	22.2	22.3	0.4%	(1.6)%
Total Broadband Subscribers (mn)	11.0	11.4	11.6	2.3%	5.3%
Total Fiber Subscribers ('000)	3,654	4,216	4,447	5.5%	21.7%
FTTH/B ('000)	1,391	1,645	1,740	5.8%	25.1%
FTTC ('000)	2,263	2,571	2,707	5.3%	19.6%
Broadband ARPU (TL)	47.1	52.0	53.5	2.8%	13.6%
Total TV Subscribers ('000) ⁹	3,660	3,470	3,414	(1.6)%	(6.7)%
Tivibu Home (IPTV + DTH) Subscribers ('000)	1,681	1,605	1,595	(0.6)%	(5.1)%
TV ARPU (TL)	15.1	18.0	18.2	1.1%	20.8%
Mobile Total Subscribers (mn)	22.1	22.9	23.2	1.1%	5.0%
Mobile Postpaid Subscribers (mn)	12.8	13.7	14.0	1.9%	9.2%
Mobile Prepaid Subscribers (mn)	9.3	9.3	9.2	(0.1)%	(0.7)%
Mobile Blended ARPU (TL)	30.6	33.4	32.5	(2.7)%	6.1%
Mobile Postpaid ARPU (TL)	38.4	42.7	40.1	(6.1)%	4.3%
Mobile Prepaid ARPU (TL)	19.6	18.9	20.6	9.0%	5.4%

⁸ Naked Broadband and Fixed Voice subscribers

⁹ 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 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 TNET 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 14.8 million fixed access lines, 11.6 million broadband, 3.4 million TV and 23.2 million mobile subscribers as of March 31, 2020. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 32,499 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 TNET 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.

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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 TNET 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>