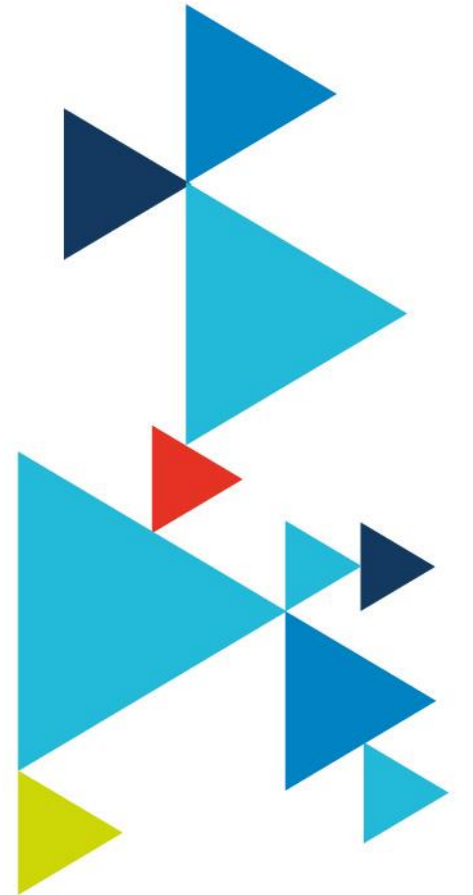


TÜRK TELEKOM GROUP
2016 YEAR END
FINANCIAL AND OPERATIONAL
RESULTS

February 8, 2017



RECORD REVENUE GROWTH ON THE BACK OF INTEGRATION AND SYNERGY

Türk Telekom Group successfully completed 2016 with record revenue generation and outstanding operational performance. Group revenues for the year increased to TL 16.1 bn with a growth rate of 10.9% YoY – the highest annual growth since IPO. Excluding construction revenue adjustment, double digit YoY topline growth at 10.6% was achieved, exceeding the guidance. Group delivered an EBITDA¹ of TL 5.5 bn with 34% EBITDA margin, while capex was TL 3 bn corresponding to 19% capex/sales ratio.

2016 YE OPERATIONAL HIGHLIGHTS

- ❖ Total number of Group subscribers reached 38.9 mn with 1.5 mn net additions in 2016. This was the highest annual net subscriber gain since IPO.
- ❖ Having 262K net additions in Q4, broadband subscriber base reached 8.7 mn in 2016 with 691K increase in full year – the highest since 2008. The net additions were accompanied by a strong increase in broadband ARPU in Q4, up by 7.3% YoY.
- ❖ Number of fiber subscribers² exceeded 2 mn with an accelerated net addition of 164K in Q4. In the full year, 80% of total broadband net additions were at fiber packages.
- ❖ Net additions in mobile segment gained momentum. Following 932K net additions in 2015, group expanded its mobile subscriber base by 1.3 mn to 18.6 mn in 2016. Blended ARPU increased 9.7% YoY in Q4'16 – the highest pace of growth since Q2'13 driven by strong focus on postpaidization and rising demand for higher data packages.
- ❖ Smartphone penetration was higher at 75% compared to 66% a year ago, while share of data revenues increased to 39% of mobile service revenues – 7 ppt improvement YoY.
- ❖ Fixed voice subscribers declined by 652K in 2016, at a 40% YoY lower pace. After bottoming out at 12.9 mn for the last 6 quarters, total number of fixed access lines (including naked DSL) increased to 13.1 mn in Q4'16
- ❖ Home TV subscribers reached 677K with a record high net addition of 293K in 2016 thanks to its rich content, 4K technology and wide platform options.

¹EBITDA is a non-GAAP financial measure. The EBITDA definition used in this press release includes revenues, cost of sales, selling and marketing expenses, administrative expenses, other operating income/(expense), and income/(expense) from investing activities, but excludes depreciation and amortization expenses, financial income/(expenses) presented in other operating income/(expenses) (i.e. FX gain/(loss), interest income/(expenses), and discount income/(expense) on receivables and payables excluding financial borrowings), income on unconsolidated subsidiaries, and minority interest.

²Fiber subscribers include FTTH/B & FTTC subscriber

Türk Telekom CEO Dr. Paul (Boulos H.B.) Doany's comments on 2016 YE results:

We are pleased to report our financial and operational results for 2016, a landmark year for Türk Telekom, in which we continued to take solid steps in reinforcing our position as the pioneer sector-convergence player. We started the year with one of the largest brand unifications in Turkey, unifying our mobile, fixed broadband, fixed voice, and TV brands with a complete range of converged offerings from our one-stop shops. We successfully harmonized our group capabilities with an effective synergy, which clearly reflected to our results.

Supported by the strength of our unified brand, infrastructure, distribution channels and value added services, we achieved an outstanding operational success. In 2016, we realized record high annual subscriber additions since IPO; reaching 38.9 million Türk Telekom Group subscribers. In terms of revenues, we also delivered record high annual growth at 10.9%. Excluding construction revenue adjustment, annual revenue growth was 10.6%, exceeding our guidance.

2016 was an important milestone for our mobile services, which combined an accelerated rollout of 900 MHz band for 3G services with improved indoor coverage and a confident start to LTE services as we acquired the most essential bands for LTE, resulting in improved network quality and enhanced data growth. In Q4'16, 53% of our smartphone users are on LTE compatible devices, and average monthly mobile data usage of LTE users reached 3.9 GB.

We are also very proud of our extensive fiber network reaching all cities in Turkey, with 228 thousand kilometres length and 13.9 million homepasses, covering around 60% of households in Turkey. We also focus heavily on extending Türk Telekom's strength in infrastructure to superstructure services. Our first examples are Turkey's most loved online digital music platform Türk Telekom Müzik, TV platform Tivibu with UEFA content, leader digital gaming platform Playstore, and Turkey's leading online educational support service Vitamin.

We will continue our focus on upselling, cross-selling, and providing added value to our customers via our premier line-up of products. In addition, we will further target to cover hitherto untapped customer segments with our wide range of convergence products, an area where we can clearly differentiate ourselves, and are in a position to offer these customer segments unmatched value.

We are also proactively taking bold steps towards placing Turkey among the global technology giants and contributing to the digital convergence of the country. Through our subsidiary, Argela, we develop and lead 5G-enabling technologies in Turkey with various patent applications to the US Patent and Trademark Office. Moreover, Health Campuses project contributes to the digital transformation of health services in Turkey. Within this project in coordination with our subsidiaries, Innova and Assistt, we will serve in various segments ranging from data center preparation, information management system implementation and integration, and call center services. We will

support our subsidiaries in extending their services to new verticals, as they are uniquely placed in the market.

Last but not least, towards the end of 2016, we made organizational changes which enable us to operate under a more streamlined structure with better operational agility. With the new structure, we streamlined top level positions, to be extended to the rest of the organization, and our aim is to achieve maximum benefit from the synergies of shared operations and strengthen execution, while keeping the previous underlying market segmentation structure, i.e., Consumer and Corporate Customers. I believe the new organization will be extremely effective in preparing the company for the next market stages.

I would like to thank our employees for all their contributions and efforts in 2016. Looking ahead, we will continue to capitalize on our integrated structure, explore and implement efficiencies to create value for all our stakeholders.

Guidance for 2017 Consolidated Financial Results

Under current circumstances, guidance for 2017 is as below:

- * Consolidated revenue growth (excluding construction revenue adjustment) to be 8% to 9% over 2016
- * Consolidated EBITDA to be at TL 5.8 billion and TL 6.0 billion levels
- * Consolidated CAPEX to be around TL 3 billion

Financial Review

(TL mn)	2015	2016	YoY Change	Q4'15	Q4'16	YoY Change
Revenue	14,523	16,109	10.9%	3,867	4,250	9.9%
Revenue (exc. Construction adjustment)	14,190	15,696	10.6%	3,706	4,171	12.6%
EBITDA	5,334	5,470	2.6%	1,416	1,434	1.3%
Margin	36.7%	34.0%		36.6%	33.8%	
Depreciation and Amortisation	(2,272)	(2,849)	25.4%	(615)	(776)	26.2%
Operating Profit	3,062	2,621	(14.4%)	801	658	(17.8%)
Margin	21.1%	16.3%		20.7%	15.5%	
Financial Income / (Expense)	(1,801)	(3,018)	67.6%	470	(2,180)	n.m.
FX & Hedging Gain / (Loss)	(1,659)	(2,517)	51.7%	469	(2,007)	n.m.
Interest Income / (Expense)	(1)	(360)	n.m.	72	(90)	n.m.
Other Financial Income / (Expense)	(141)	(141)	0.0%	(71)	(84)	18.2%
Tax Expense	(398)	(328)	(17.7%)	(232)	134	n.m.
Net Income	907	(724)	n.m.	1,039	(1,388)	n.m.
Margin	6.2%	n.m.		26.9%	n.m.	
CAPEX*	2,929	3,027	3.4%	1,156	963	(16.7%)

*Excluding licence fees

Revenues

Consolidated revenues increased by 10.9% YoY (up by TL 1,586 mn) to TL 16,109 mn in 2016 with 16.2% increase in mobile (up by TL 802 mn) and 12.6% increase in broadband (up by TL 476 mn). Excluding non-operational construction revenue adjustment, top line growth was 10.6% YoY (up by TL 1,506 mn) in 2016, exceeding guidance. Stronger than expected revenue growth in 2016 was attributable to better than expected impact of integration and brand unification on top line during the year alongside with higher than expected growth in project base revenues in Q4.

In Q4'16, topline growth was at 9.9% (up by TL 382 mn) with 19.3% growth (up by TL 246 mn) in mobile and 16.5% growth (up by TL 162 mn) in broadband. Excluding non-

operational construction revenue adjustment, top line growth accelerated to 12.6% YoY (up by TL 466 mn) in Q4'16.

Operating Expenses Excluding Depreciation and Amortization (OPEX)

Operating expenses increased by 15.8% YoY (up by TL 1,450 mn) in 2016. Specifically, personnel expenses increased by 11.8% YoY (up by TL 295 mn), tax expenses increased by 17.0% YoY (up by TL 210 mn) and commercial expenses increased by TL 20.6% YoY (up by TL 206 mn).

In Q4'16, increase in operating expenses was 14.8% YoY (up by TL 364 mn). Specifically, tax expenses increased by 18.2% (up by TL 59 mn) and personnel expenses increased by 7.6% (up by TL 51 mn). Adjusted for the following factors: (1) TL 146 mn one off gain in Q4'15 a result of settlement with Turkcell Group regarding court cases, executive proceedings and disputes, (2) TL 67 mn provision in Q4'16 related to treasury share notifications declared by Undersecretariat of Treasury, the Opex growth is 5.8% YoY in Q4'16.

Operating Profit before Depreciation and Amortization (EBITDA)

Consolidated EBITDA was TL 5.5 bn with 2.6% YoY growth and an EBITDA margin of 34.0%. Group EBITDA margin was partly affected by TL 67 mn provision realized in Q4'16 related to treasury share notifications. Adjusted for this impact, Q4'16 EBITDA margin is 35.3%. Additionally, underlying Q4'16 EBITDA growth is 18.2% year on year when adjusted for the provision in Q4'16 and one-off gain of TL 146 mn in Q4'15 on settlement with Turkcell.

Depreciation and Amortization Expense

Depreciation and amortization expense increased by 25.4% YoY to TL 2,849 mn in 2016, partly due to amortization of new spectrums.

Operating Profit

Operating profit³ declined 14.4% yoy (down by TL 441 mn) to TL 2,621 mn in 2016 due to acceleration in depreciation and amortization expense. Adjusted for the effects explained under OPEX part above, decline in operating profit in 2016 is 7.8% yoy, while adjusted operating profit increased by 10.7% yoy in Q4'16.

Net Financial Income / Expense⁴

Group recorded TL 3,018 mn net financial expense in 2016 due to FX losses on the back of sharp depreciation of Turkish Lira against USD and EUR in 2016. (December'16 – USD/TRY: 3.5192; EUR/TRY: 3.7099, December'15 – USD/TRY: 2.9076; EUR/TRY: 3.1776)

Tax Expense

Tax expense was down by TL 71 mn to TL 328 mn in 2016 due to lower profit before tax mainly due to FX losses.

Net Income/Loss

Group realized a net loss of TL 724 mn in 2016 due to FX losses driven by TL depreciation against USD and EUR.

Capital Expenditures (CAPEX)

Group invested TL 3.0 bn in 2016 corresponding to 19% capex to sales.

³Operating profit includes revenues, cost of sales, depreciation and amortization, selling and marketing expenses, administrative expenses, other operating income/(expense), and income/(expense) from investing activities, but excludes financial income/(expenses) presented in other operating income/(expenses) (i.e. FX gain/(loss), interest income /(expenses), and discount income/(expense) on receivables and payables), income on unconsolidated subsidiaries, and minority interest. Reported operating profit on CMB financial statements is different due to reclassification requirements of the POA/CMB since 2013 Q3 financial statements.

⁴Net financial income/(expense) includes financial income/(expense) and FX gain/(loss), interest income /(expenses), discount income/(expense) on receivables and payables excluding financial borrowings which are presented in other operating income/(expenses). Net financial income/ (expense) on CMB financial statements is different due to reclassification requirements of the POA/CMB since 2013 Q3 financial statements.

Operational Highlights

	Q4'15	Q3'16	Q4'16	QoQ Change	YoY Change
Total Access Lines (mn)¹	12.9	12.9	13.1	1.1%	1.4%
<i>Fixed Voice Subscribers (mn)</i>	10.3	9.8	9.6	(1.6%)	(6.3%)
<i>Naked Broadband Subscribers (mn)</i>	2.6	3.1	3.4	9.2%	32.1%
Fixed Voice ARPU (TL)²	23.4	23.3	23.2	(0.5%)	(1.1%)
Total Broadband Subscribers (mn)	8.0	8.4	8.7	3.1%	8.6%
<i>Total Fiber Subscribers ('000)</i>	1,465	1,848	2,011	8.9%	37.3%
<i>FTTH/B ('000)</i>	768	828	869	4.9%	13.0%
<i>FTTC ('000)</i>	696	1,020	1,143	12.0%	64.1%
Broadband ARPU (TL)³	41.6	42.6	44.7	4.9%	7.3%
Total TV Subscribers (mn)⁴	1.9	1.9	2.0	3.4%	7.1%
<i>Tivibu Home Subscribers ('000)⁵</i>	384	590	677	14.8%	76.2%
TV ARPU (TL)	19.9	18.7	19.2	2.9%	(3.3%)
Mobile Total Subscribers (mn)	17.3	18.4	18.6	1.0%	7.5%
<i>Mobile Postpaid Subscribers (mn)</i>	8.7	9.5	9.8	3.3%	12.4%
<i>Mobile Prepaid Subscribers (mn)</i>	8.5	8.9	8.8	(1.4%)	2.6%
Mobile Blended ARPU (TL)	23.8	26.0	26.1	0.6%	9.7%
<i>Mobile Postpaid ARPU (TL)</i>	31.7	33.9	34.0	0.5%	7.4%
<i>Mobile Prepaid ARPU (TL)</i>	15.3	16.8	17.1	1.4%	11.6%

(1) Naked DSL Lines and Fixed Voice Lines

(2) As of Q2'16, Fixed Voice ARPU is reclassified. Domestic and international fixed line incoming call interconnection revenues are included at fixed voice ARPU. The reclassification is applied retrospectively back to Q1'14.

(3) As of Q2'16, TV revenues are excluded from Broadband ARPU calculation. The reclassification is applied retrospectively back to Q1'14.

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

(5) Tivibu Home subscribers include IPTV and DTH subscribers

Conference Call & Webcast Invitation
2016 YE Financial & Operational Results
Date: Thursday, February 9, 2017
Time: 3:00 pm Turkish Time – GMT +3.

Türk Telekom Group senior management chaired by Dr. Paul Doany will present 2016 YE financial and operational results. The presentation will be followed by a Q&A session.

In order to participate in our investor call, you may;

1. JOIN THE CONFERENCE CALL (961320): You may choose to dial-in and listen to the conference call on your telephone. In order to participate, please register at the provided link below. Upon registration, each participant will be allocated the conference call number, a participant user pin, conference pin and instructions on how to join the conference call. This gives you direct access to the conference without having to speak to an operator.

You may also dial-in below numbers to join the conference call should you have no access to internet at your convenience to register. However, we suggest you to obtain your telephone details by pre-registering as this will ensure you will be connected to the call automatically and will not be held up in any potential queues.

You may test the audio via <http://event.on24.com/view/help/index.html> to check whether your system meets the minimum requirements for the webcast stream. If you have issues with the webcast, please dial into the operator assisted audio call via your telephone.

BACK-UP NUMBERS FOR CONFERENCE CALL PARTICIPANTS	
PARTICIPANTS MUST PROVIDE “961320”	
Description	Phone Number
Participant - UK:	+44 (0)20 7162 0077
Participant - US:	+1 646 851 2407

2. JOIN THE WEBCAST: You may join our webcast by simply registering at the provided link below. Webcast will allow participants to see/download slides and listen to the streaming audio without dialing-in.

IMPORTANT NOTE: Q&A session will only be available for conference call participants. In order to ask questions during the Q&A session you should connect via telephone and join the conference call.

We recommend you to start dialing in 5-10 minutes prior to the call to ensure a timely start to the conference.

Please click the link to register:

[REGISTRATION LINK FOR CONFERENCE CALL AND WEBCAST](#)

About Türk Telekom Group

Türk Telekom, with 176 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 Avea 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 13.1 million fixed access lines, 8.7 million broadband and 18.6 million mobile subscribers as of December 31, 2016. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 33,224 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, owns 100% of mobile operator Avea İletişim Hizmetleri A.Ş., retail internet services, IPTV, satellite TV, Web TV, Mobile TV, Smart TV services provider TTNET A.Ş., TV Broadcasting and VOD services provider Net Ekran Companies, 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., wholesale data and capacity service provider Türk Telekom International and its subsidiaries.

DISCLAIMER

The information contained herein has been prepared by Türk Telekomünikasyon A.Ş. (the Company) in connection with the operations of Türk Telekom Group companies. The opinions presented herein are based on general information gathered at the time of writing and are subject to change without notice. The Company relies on the information gathered from the reliable sources however does not guarantee completeness and accuracy of such information.

These materials contain statements about future events and expectations that are forward-looking statements. Any statement in these materials that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except to the extent required by law, we assume no obligations to update the forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements. This press release does not constitute an offer or invitation to sell, or any solicitation of any offer to subscribe for or purchase any securities and nothing contained herein shall form the basis of any contract or commitment whatsoever. No reliance may be placed for any purposes whatsoever on the information contained in this press release or on its completeness, accuracy or fairness. The information contained in this press release may be required to be confirmed, completed and amended. Therefore, no declaration or commitment has been given or implied on the name of the Company or its shareholders, directors, employers or other third persons depending on the authenticity, completeness and accuracy of the information. None of the Company nor any of its shareholders, directors or employees nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of this press release or its contents or otherwise arising in connection therewith.

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 Avea 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>