

# Investor Presentation

2017 Q4



March 2018

Türk Telekom 

# Notice



*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 presentation 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 presentation or on its completeness, accuracy or fairness. The information contained in this presentation 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 presentation 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 presentation is the joint brand of Turk Telekom Group companies. All group companies legal entities remain intact. There may be differences between the data provided in this presentation and ICTA's market reports. These discrepancies are due differences in basis of financial reporting (standalone vs. consolidated) and differences in ARPU calculation methodologies.

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



# Türk Telekom Highlights



**Leading**  
**COMPANY IN TURKEY**  
Offering  
**Integrated telecom services**



Most valuable  
telco brand for  
**10 CONSECUTIVE**  
**YEARS**



Serving  
**41.7mn**  
Subscribers



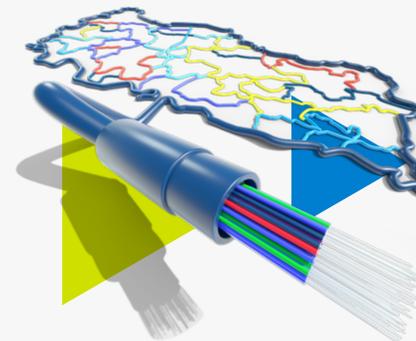
**~60%**  
fiber connected  
LTE Base Stations



**83%**  
**LTE**  
Population Coverage



**98%**  
Fixed line  
household coverage



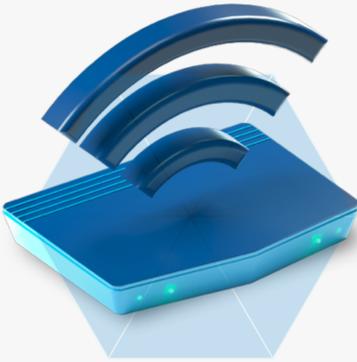
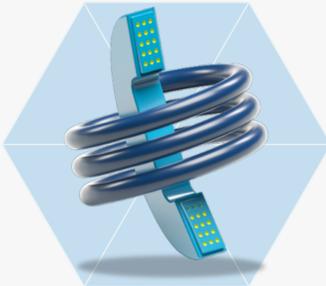
**256Kkm**  
fiber network in  
**81 cities**



**16.2mn**  
**Fiber Homepass\***

\*Homepass includes FTTC & FTTH/B

# Net Subscriber Additions

<b>Broadband</b>	<b>368k</b> Q4 '17	<b>1.1mn</b> 2017	
<b>Mobile</b>	<b>423k</b> Q4 '17	<b>1.0mn</b> 2017	
<b>Home TV</b>	<b>139k</b> Q4 '17	<b>490k</b> 2017	
<b>Fixed Voice</b>	<b>118k</b> Q4 '17	<b>-65k</b> 2017	

# Financial Performance

(TL mn)	2016	2017	Growth (YoY)	2016 Q4	2017 Q4	Growth (YoY)
Revenue	16,109	18,140	12.6%	4,250	4,800	12.9%
Revenue (exc. IFRIC12) <sup>1</sup>	15,696	17,435	11.1%	4,172	4,586	9.9%
EBITDA	5,470	6,452	18.0%	1,434	1,525	6.3%
EBITDA Margin	34.0%	35.6%		33.7%	31.8%	
Net Income	(724)	1,136	n.m.	(1,388)	(113)	n.m.
CAPEX	3,027	3,221	6.4%	963	1,722	78.8%

(1) IFRIC 12 is a non-operational revenue line booked in conjunction with upgrades to fixed line infrastructure, such as the upgrade

# Focused on High Growth Areas

## Fixed Broadband

(TL mn)

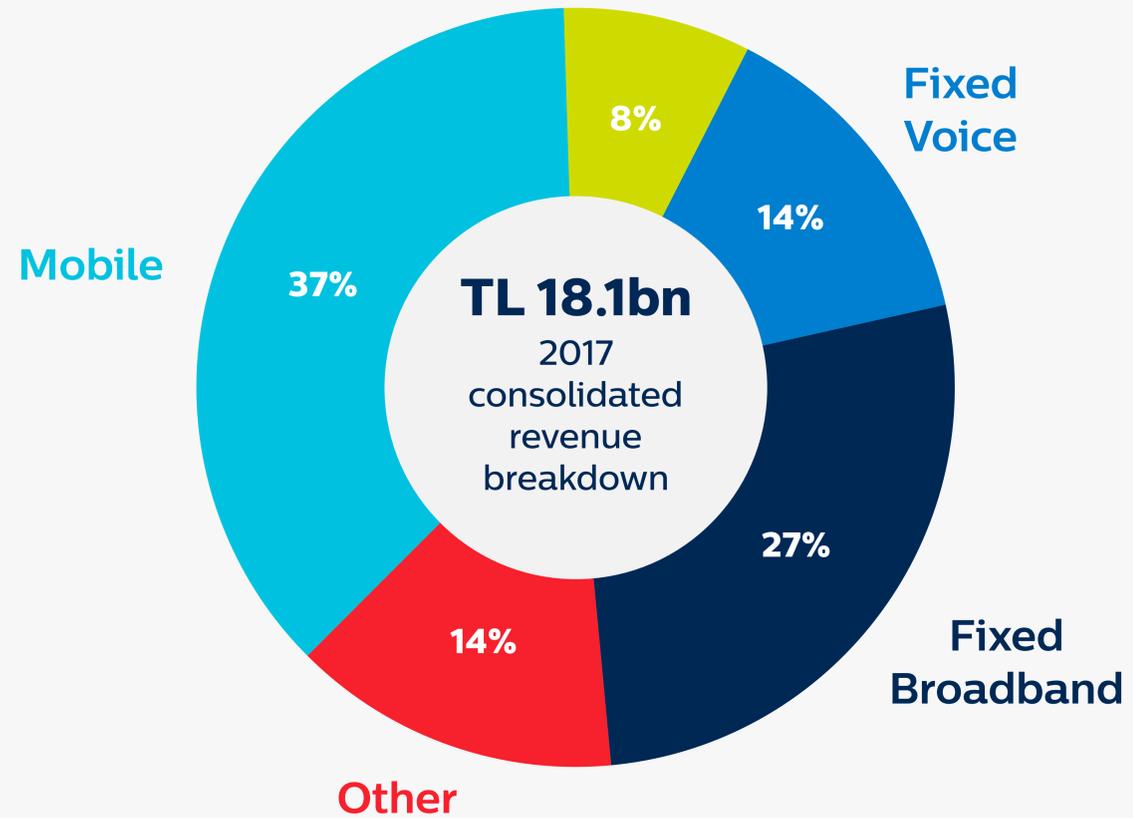


## Fixed Voice

(TL mn)



## Corporate Data



## Mobile

(TL mn)



## Corporate Data

(TL mn)



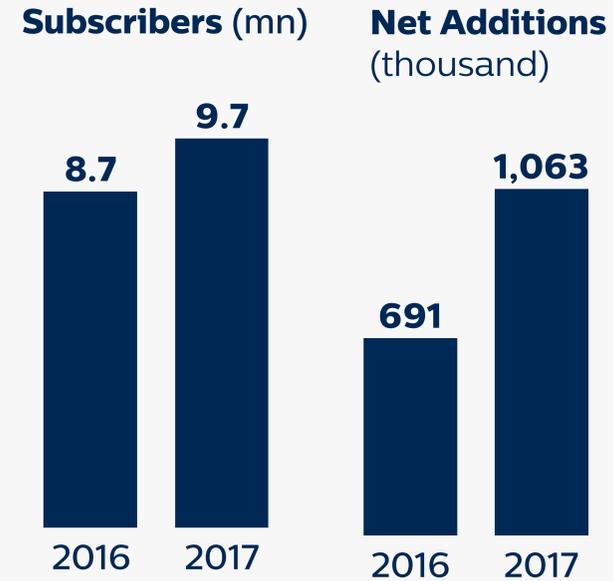
# Accelerated Net Additions

## Subscriber Breakdown (mn)

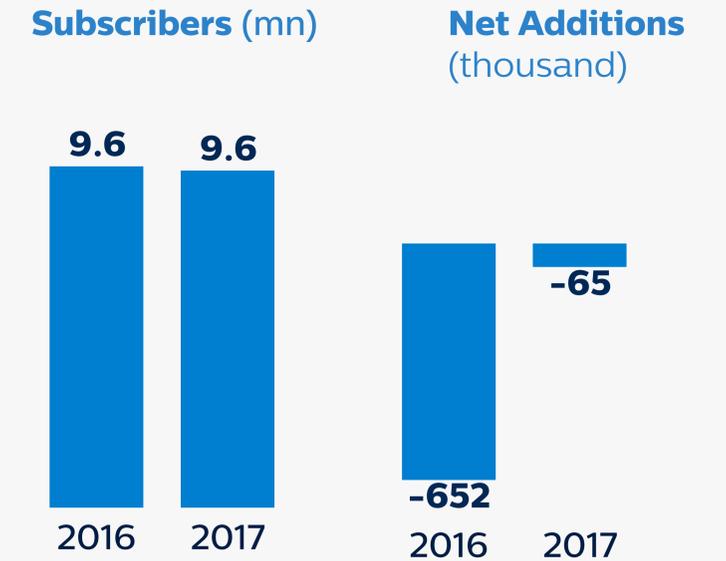
- Fixed Broadband
- Mobile
- Fixed Voice
- TV
- Total Subscriber



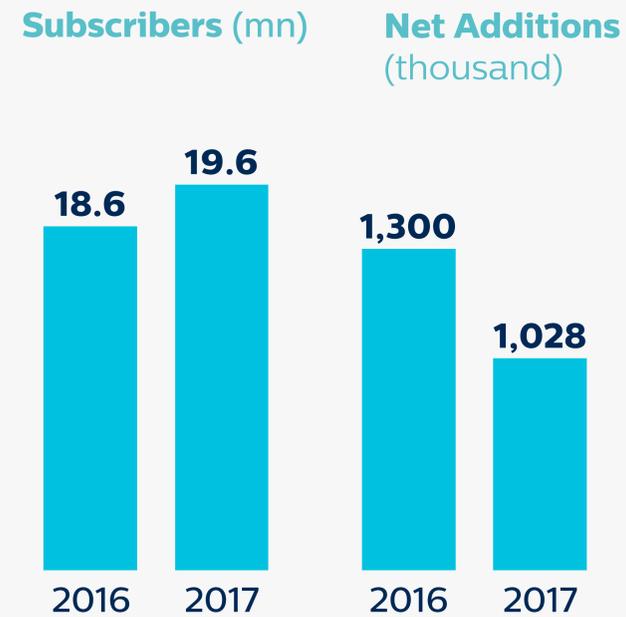
## Fixed Broadband



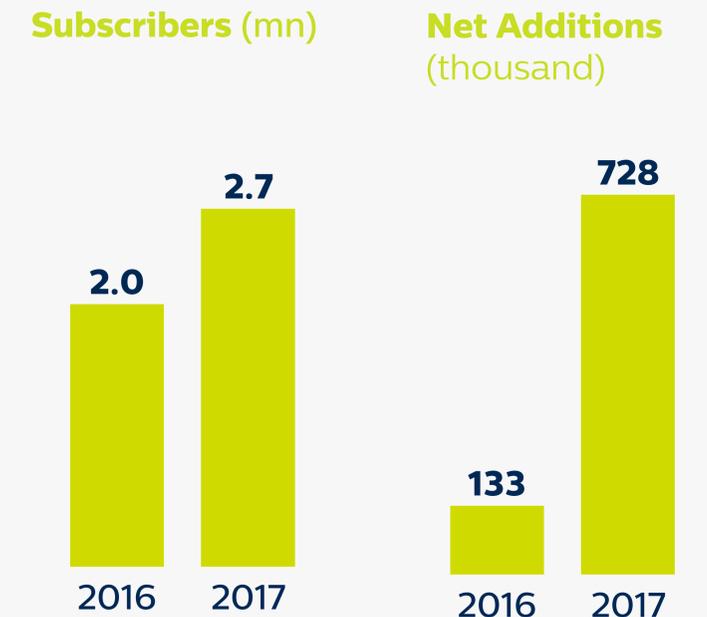
## Fixed Voice



## Mobile



## TV

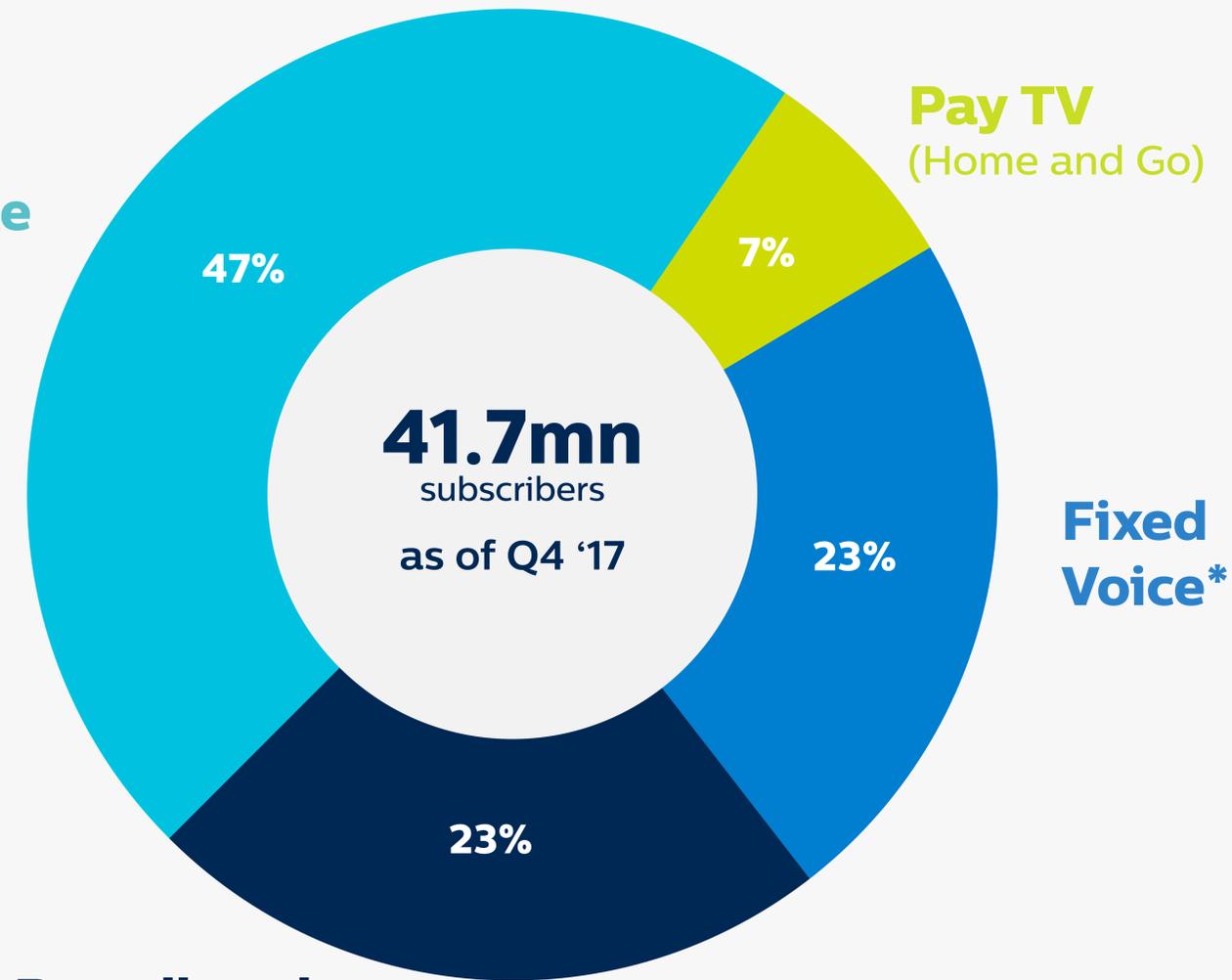


# Strongest Position in Multiplay Offers

## ARPU Generation (Q4 '17)

Mobile	TL 27.9
Broadband	TL 44.8
Pay TV	TL 16.4
Fixed Voice	TL 22.2

Mobile



Broadband

**Türk Telekom**

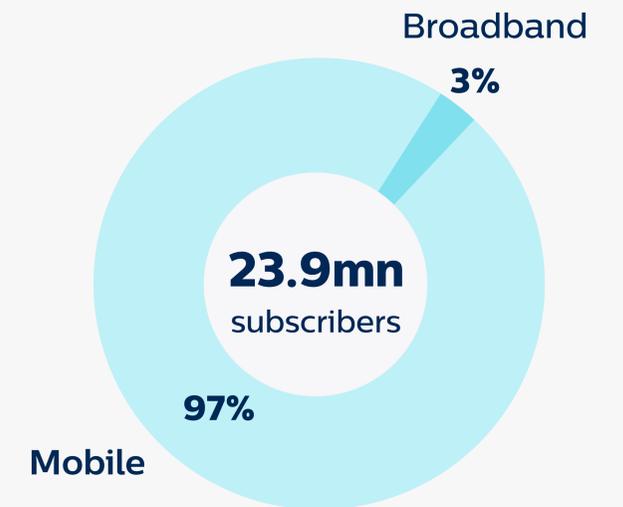
Pay TV (Home and Web) 6% 6% Broadband



Mobile

**Turkcell**

Broadband



Mobile

**Vodafone**

Turkcell and Vodafone data are from their own publications as of Q4 '17.  
\* VOIP is not included.

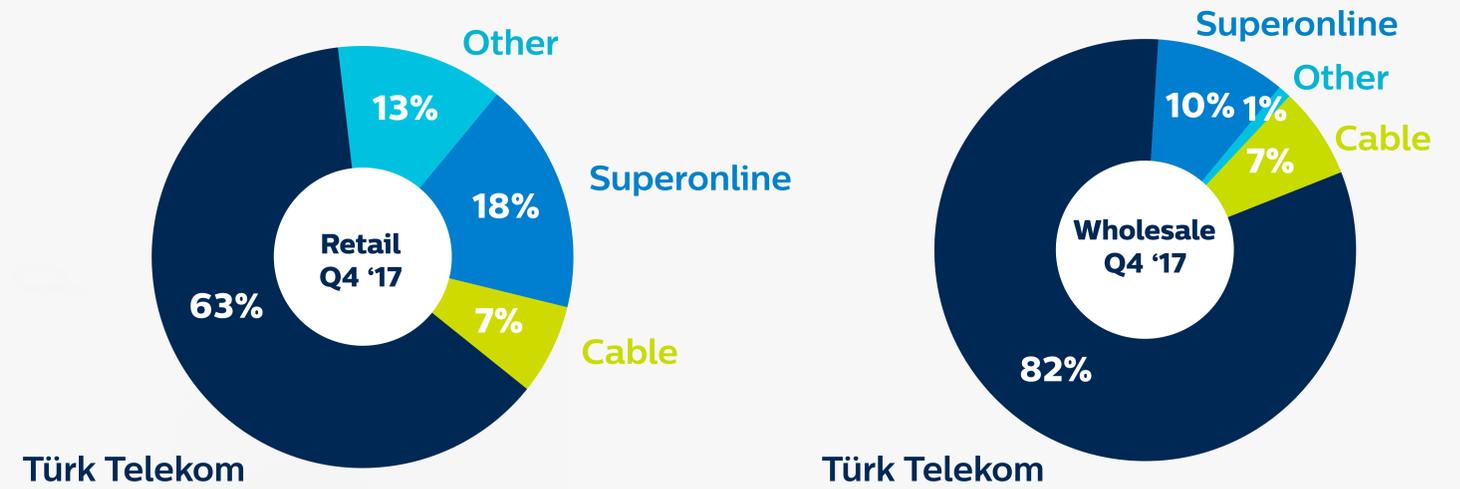
# Business Lines



# Fixed Broadband Market



## Subscriber Market Share



Source: Other operators' data are from ICTA Q4 '17 report

## Subscribers & Avg. Monthly Data Usage



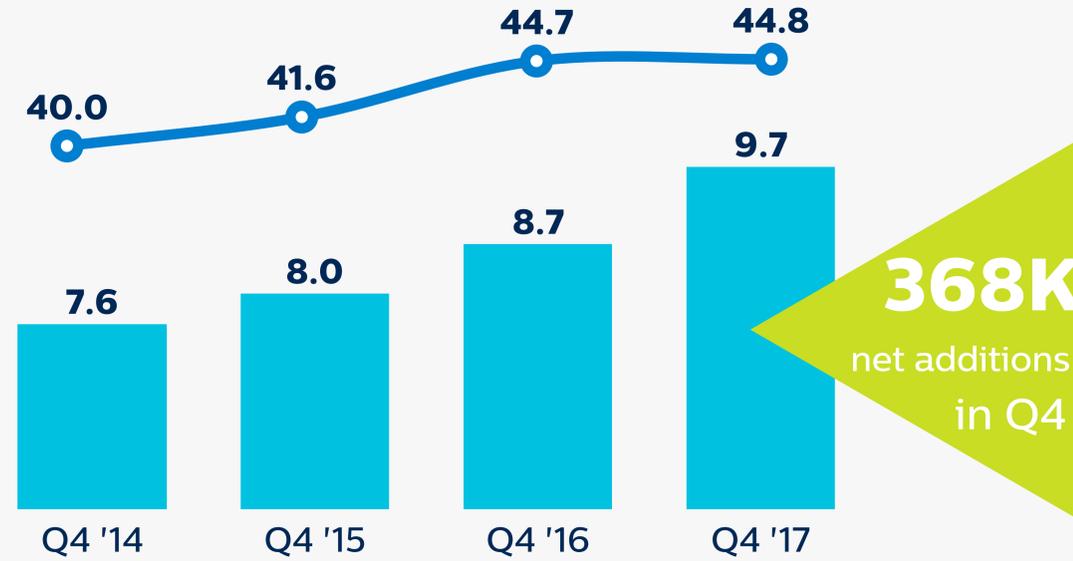
Source: ICTA Q4 '17 report

Source: Analysys Mason, Q3'17 CEE&WE Telecom Matrix, TR data is from ICTA, Q4 '17 Market Report  
European countries include Austria, Denmark, Finland, Italy, Bulgaria, Estonia and Romania

# Fixed Broadband Performance

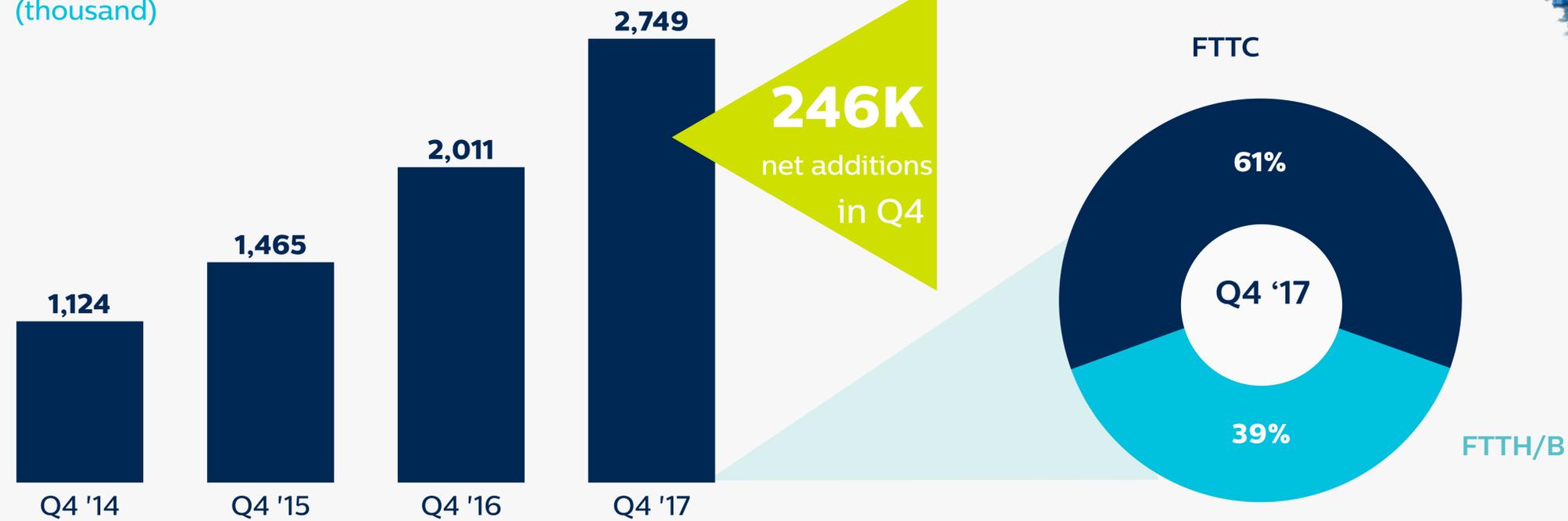
## ARPU & Subscribers

■ Subscribers (mn)    ○ ARPU (TL)



## Fiber Subscribers

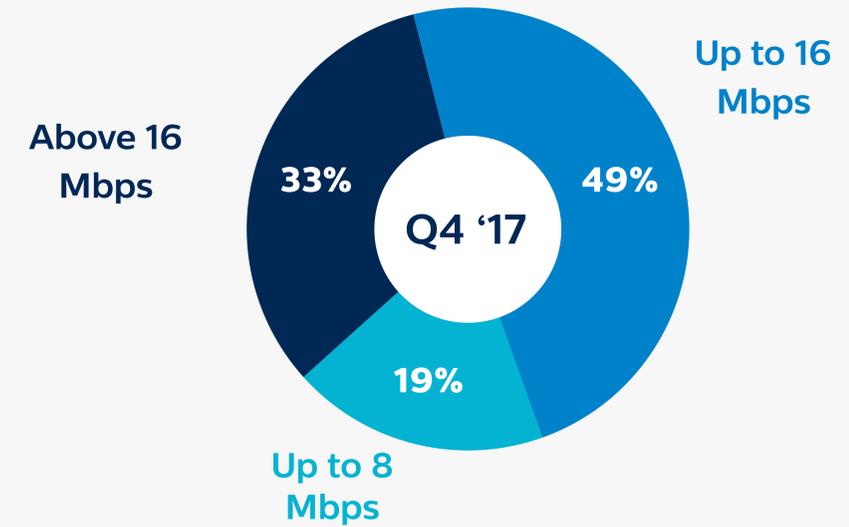
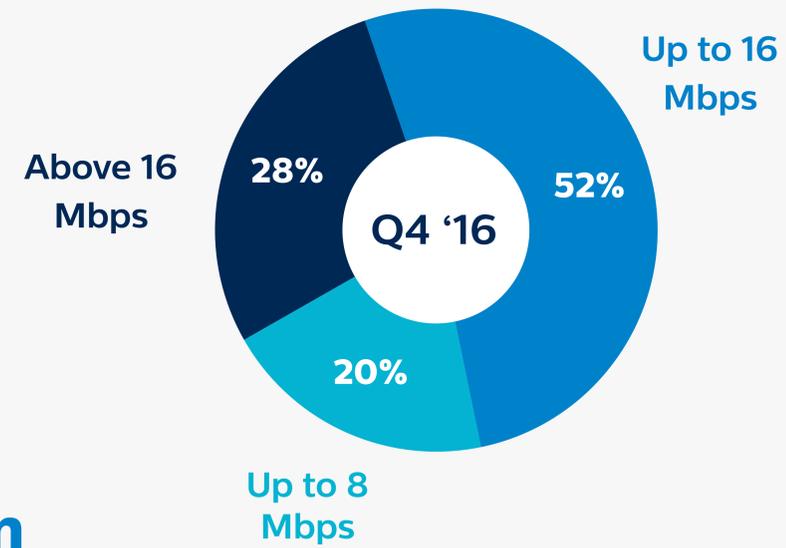
(thousand)



# Upsell Dynamics in Fixed Broadband

## Speed Breakdown

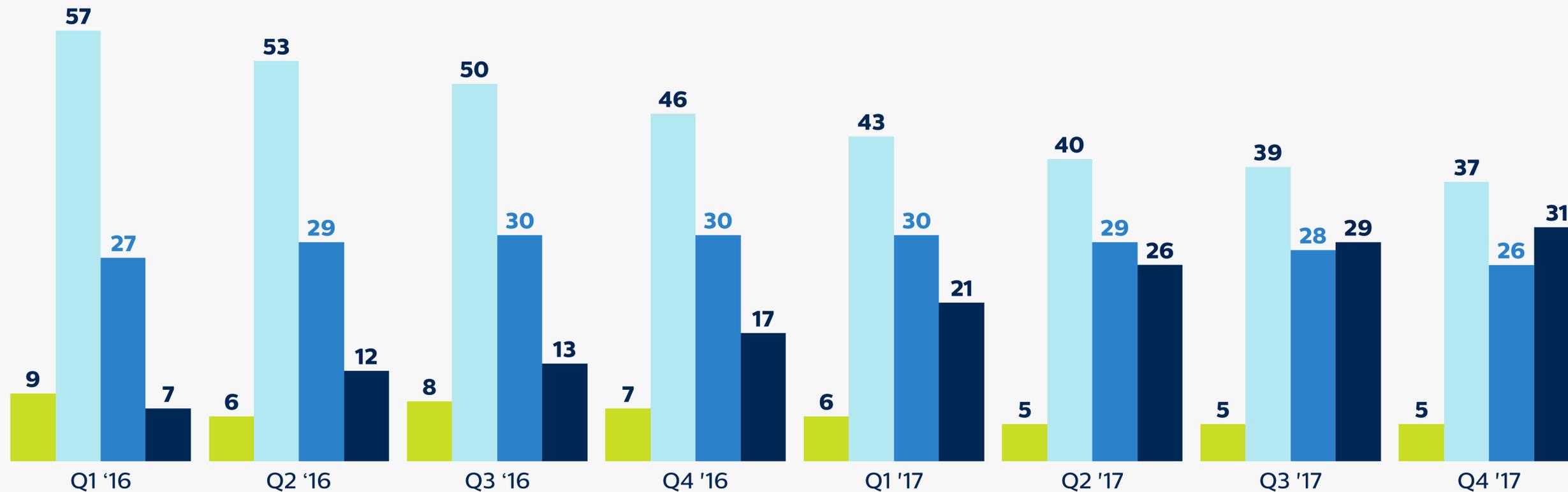
(% of Subscribers)



## Capacity Breakdown

(% of Subscribers)

■ 25 GB & Below ■ 25 to 50 GB ■ 50 to 75GB ■ Above 75 GB



All figures are based on Turk Telekom's retail subscribers

# Nationwide Fiber

## Türk Telekom Fiber Network



## Superonline Fiber Network

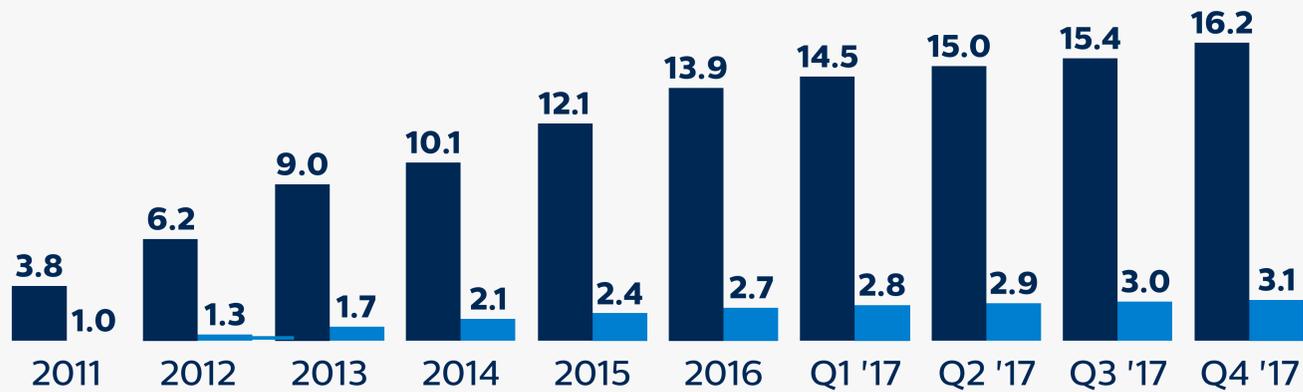


- ▶ Presence in 21 cities of Turkey
- ▶ 40.2K km fiber length
- ▶ Wholesale customer of Türk Telekom

Based on Turkcell's own publications as of March, 2018

## Fiber Homepass (mn)

■ Türk Telekom ■ Superonline



Fiber homepass includes FTTH/B & FTTC  
16.2mn homepass consists 4.5mn FTTH/B and 11.7 mn FTTC

## Fiber Subscribers (thousands)

■ Türk Telekom ■ Superonline



Fiber subscribers include FTTH/B & FTTC subscribers

# Mobile Market

Population penetration in Europe  
**133%**

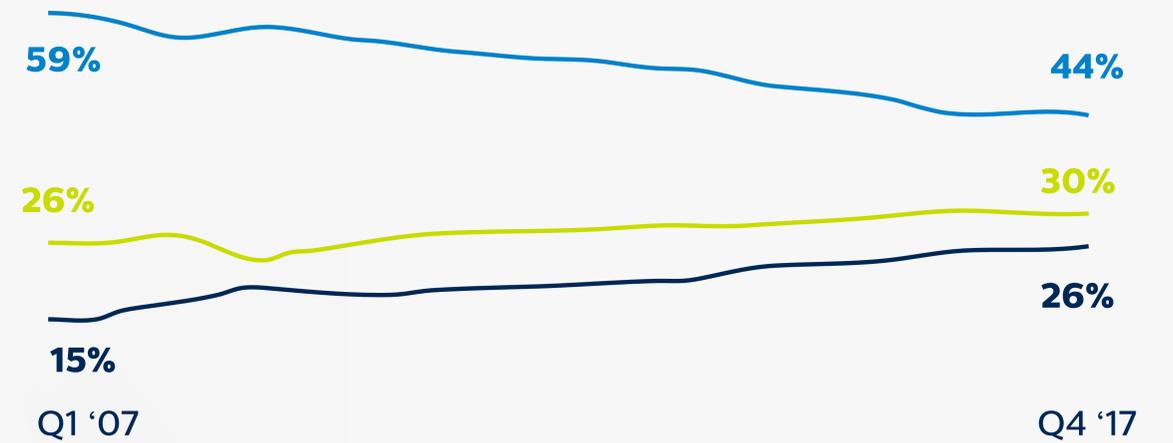
Mobile broadband population penetration in Europe  
**91%**

Mobile broadband population penetration in Turkey  
**70%**

Population penetration in Turkey  
**96%**

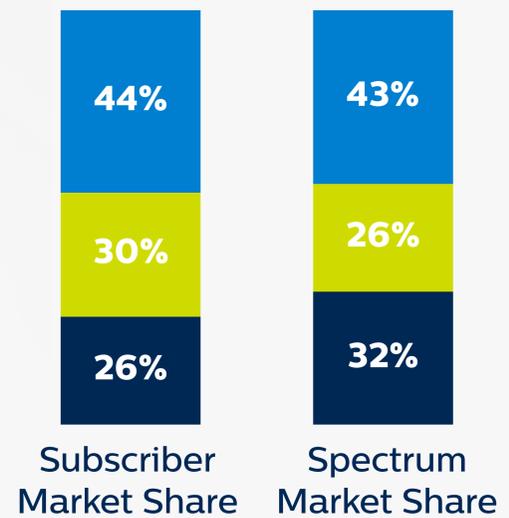
## Subscriber Market Share

— Türk Telekom — Vodafone — Turkcell



## Subscriber vs. Spectrum Market Share

■ Türk Telekom ■ Vodafone ■ Turkcell



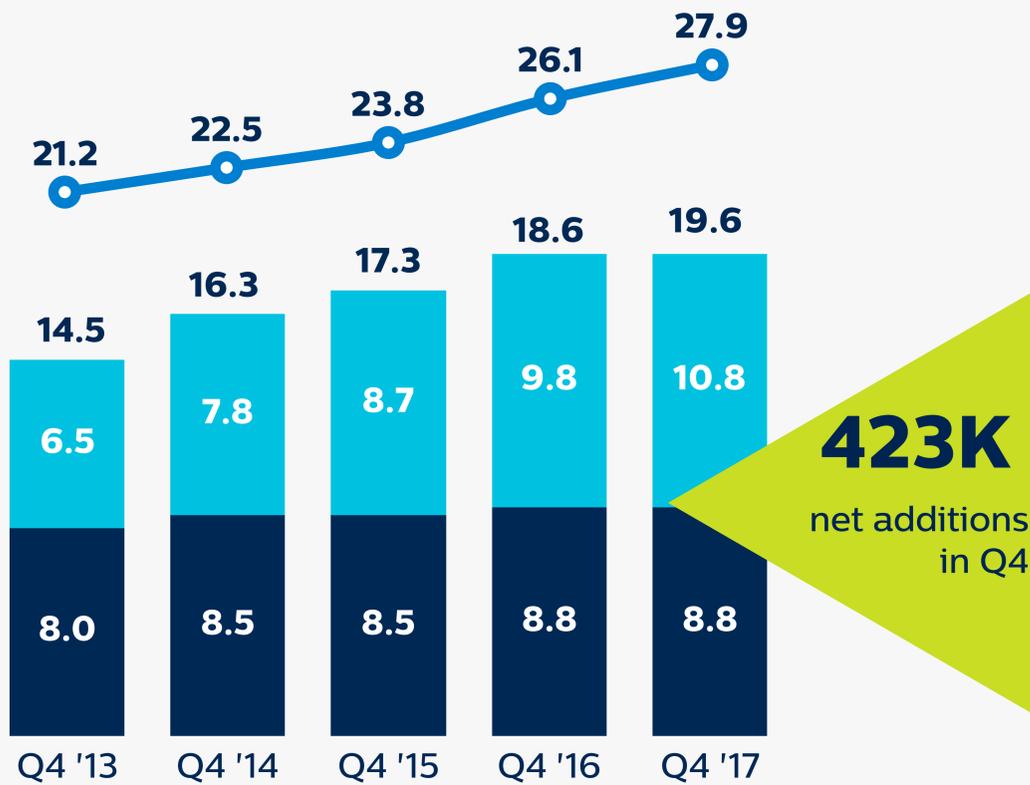
Source: ICTA, Q4 '17 Market Report  
European countries include: FIN, DEN, GRE, AUS, SWE, POR, SWI, IT, GER, NOR, BEL, UK, NL, SP, FR

Other operators' data are from their own publications as of Q4 '17

# Mobile Performance

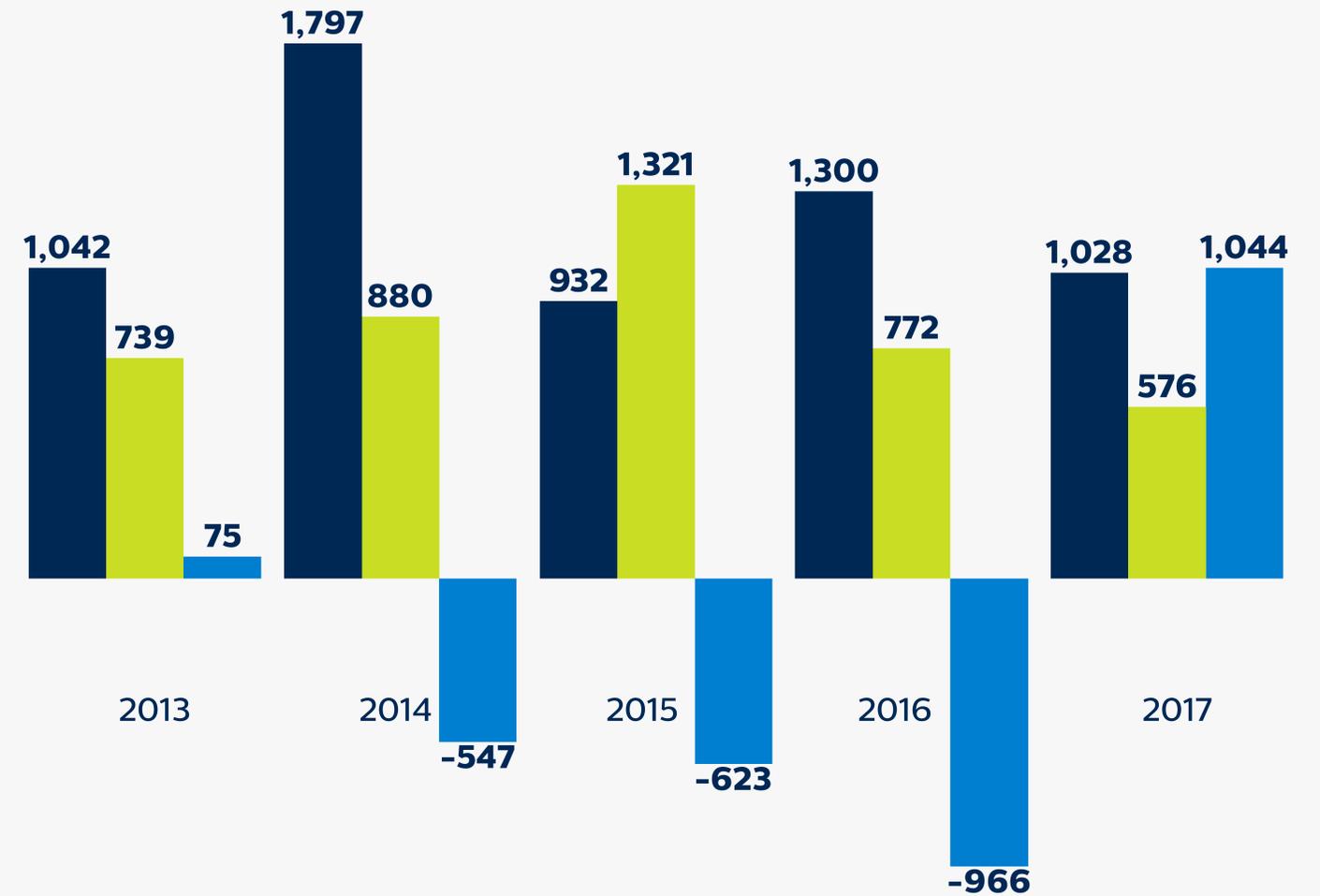
## Growing ARPU & Subscribers

- Blended ARPU (TL)
- Prepaid (mn) ■ Postpaid (mn)



## Net Subscriber Addition

- Türk Telekom
- Vodafone
- Turkcell



Other operators' data are from their own publications.

# Mobile Data

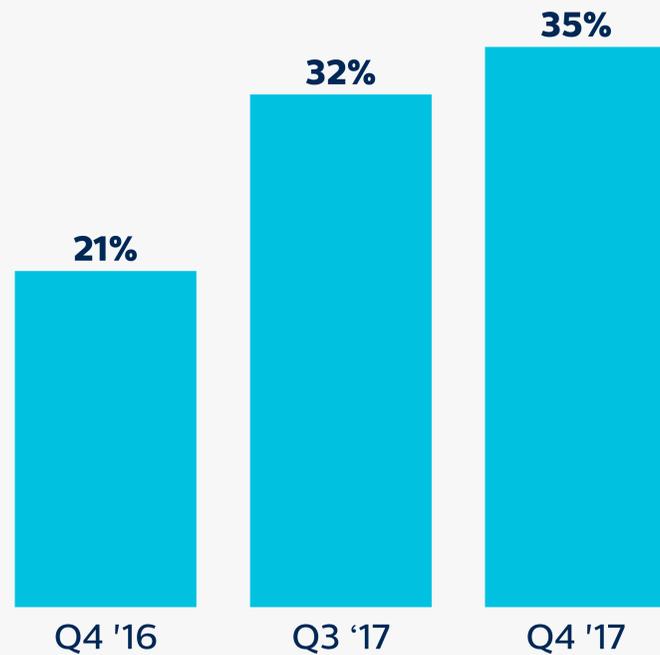
## Data Revenue

(Mobile service revenue share)

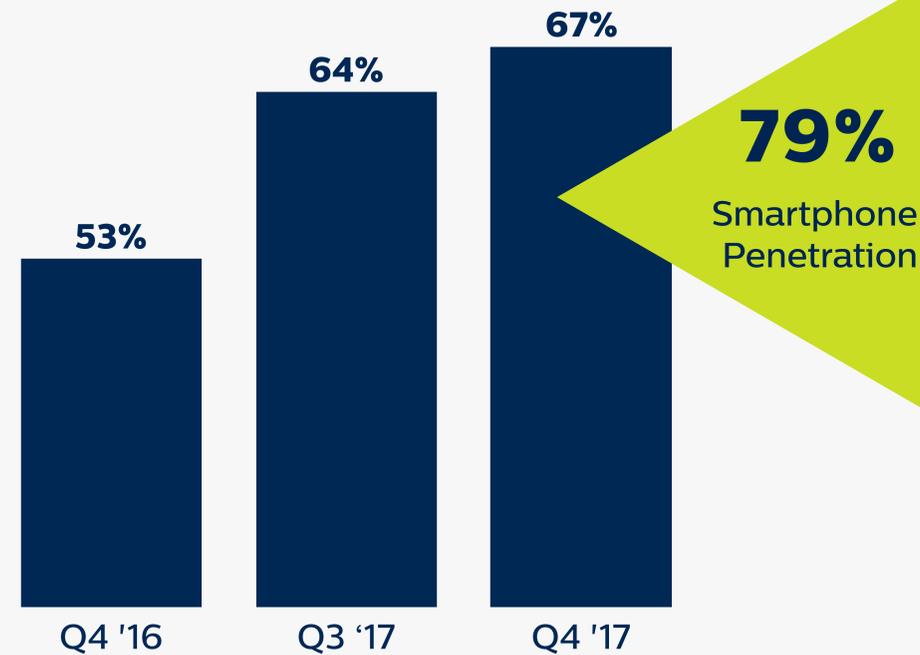


## LTE Users\*

(Total subscriber share)

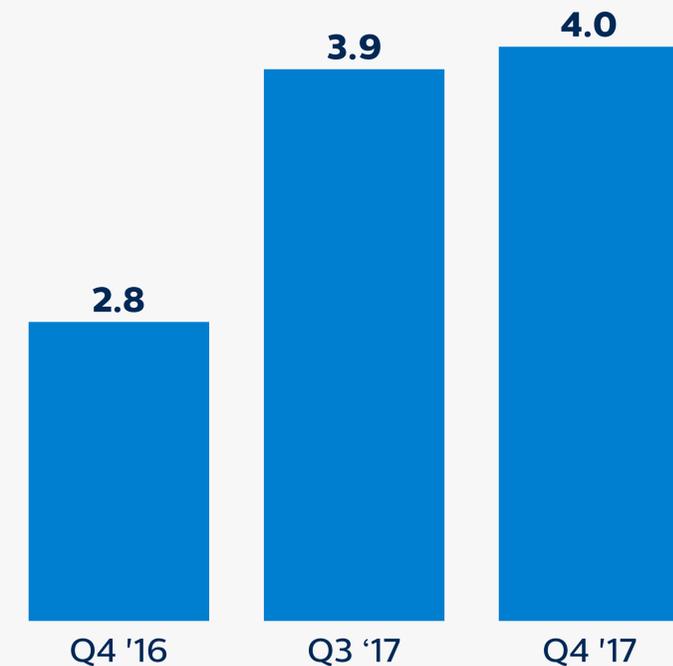


## LTE Compatible Smartphone



## Avg. Monthly Mobile Data Usage

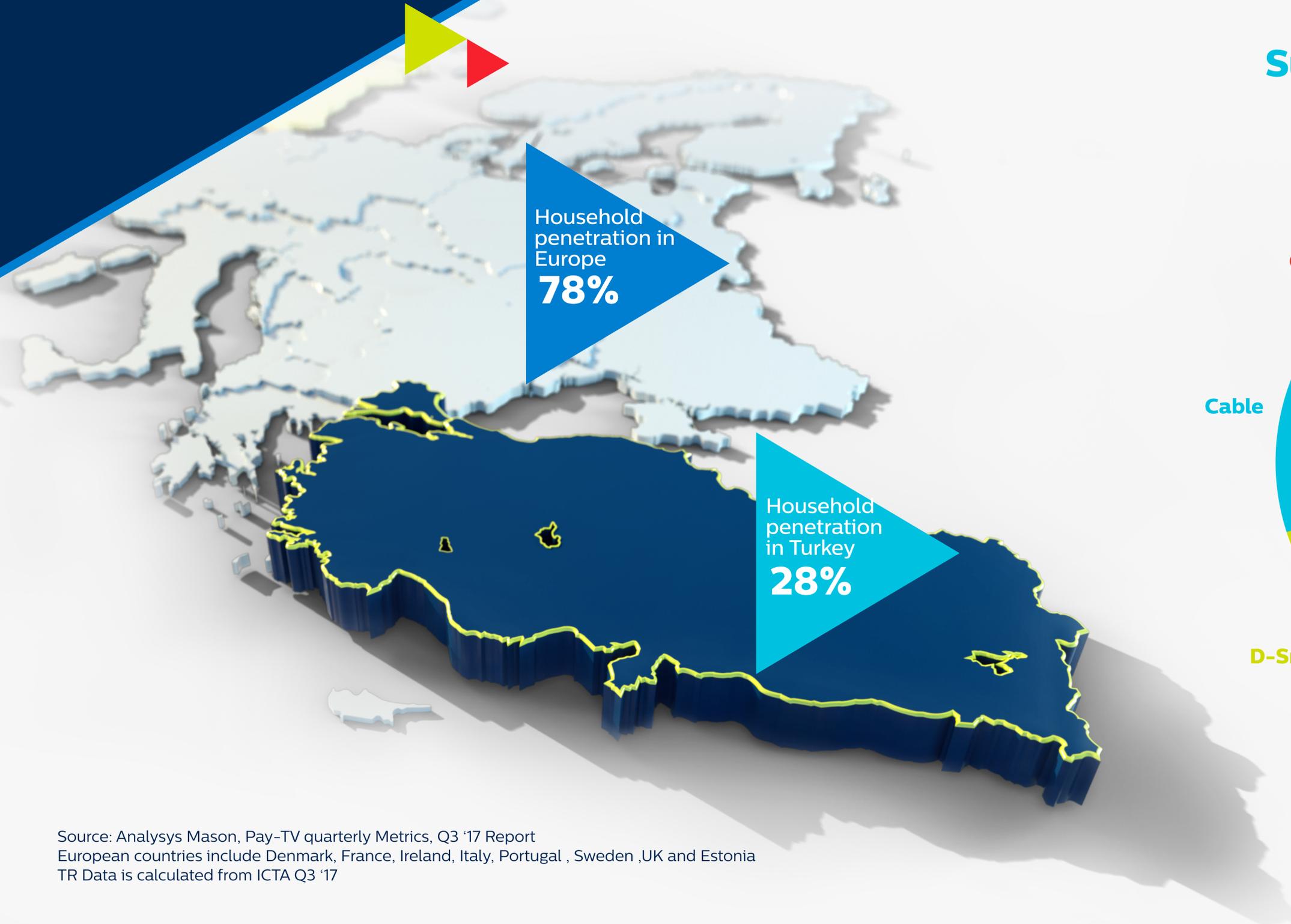
(GB per user<sup>1</sup>)



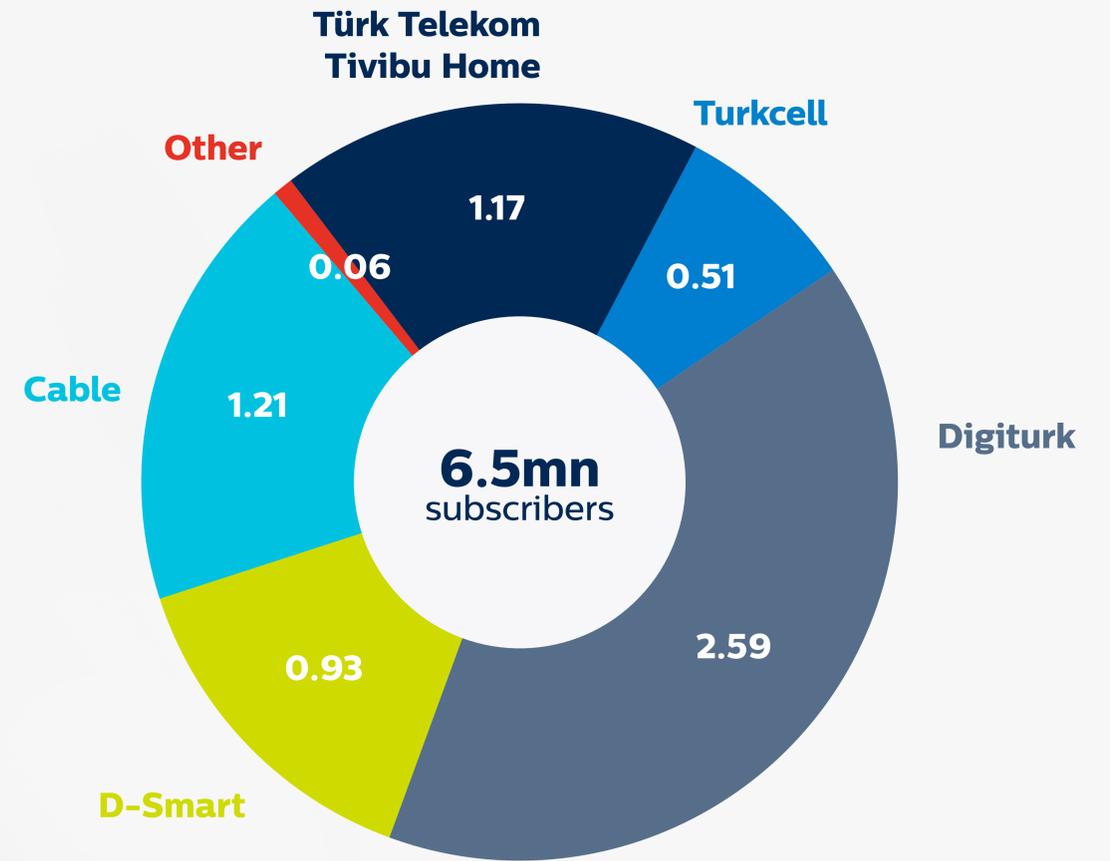
\*Subscribers who  
1) registered for LTE  
2) have LTE compatible device and simcard

(1) Türk Telekom smartphone users

# Pay TV Market



## Subscribers (mn)



Source: ICTA Q4 '17 report

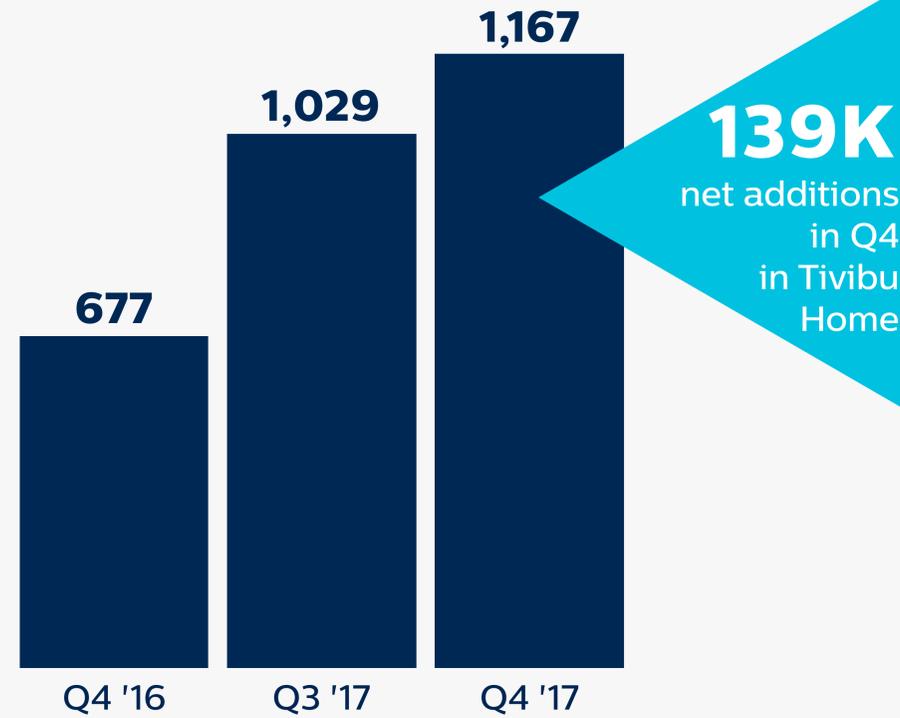
Source: Analysys Mason, Pay-TV quarterly Metrics, Q3 '17 Report  
European countries include Denmark, France, Ireland, Italy, Portugal, Sweden, UK and Estonia  
TR Data is calculated from ICTA Q3 '17

# TV Performance

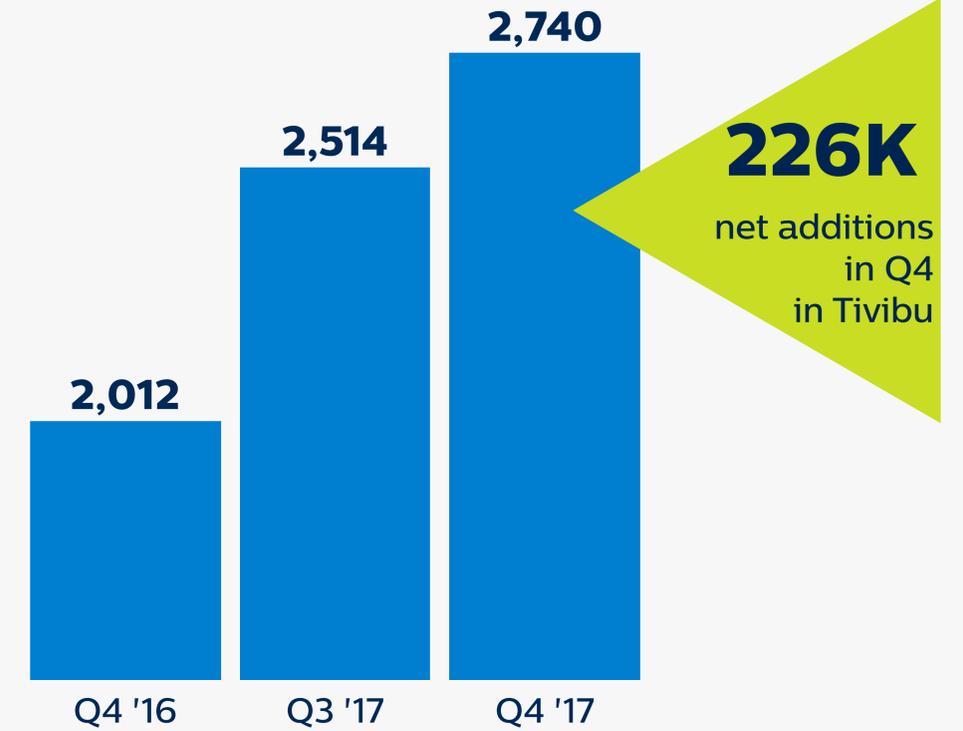
Türk Telekom  
Tivibu

## Subscribers (thousand)

■ Tivibu Home



■ Total TV (Tivibu Home + Tivibu Go)



## Platform

IPTV + DTH + Web TV + Smart TV

## Content

- ▶ Champions League
- ▶ UEFA Europe League
- ▶ Italia Serie A
- ▶ NBA
- ▶ English Premier League

- ▶ 3 Cinema & 5 Sports Inhouse Channels
- ▶ Kids & Documentary Channels
- ▶ 8500+ on demand assets

Number  
**2 player\***

\* In pay TV market including OTT

# Fixed Voice

## Access Lines and ARPU

■ Fixed Voice (mn) ■ Naked Broadband (mn)  
○ Fixed Voice ARPU (TL)



**118K**  
net additions  
in Q4

# Digital Transformation

## Technology

Custom solutions by using both internal and subsidiary resources for serving both Turk Telekom and 3rd parties

Türk Telekom

innova

ARGELA

sebit

## Marketing

Diverse portfolio addressing the consumer segment with 200+ value added services and mobile applications



Tambu



Tivibu Go



Türk Telekom Music



Wirofon



e-dergi

## Branding & Comm.

Utilization of internal products for external sale

Segmented digital advertises

## PROGRAMATİK

## Sales

Diversification towards virtual channels

Easy, quick, secure online payment



Direct Carrier Billing



Web-sites / Applications

## Customer Services

Improved customer services via online channels



Visual IVR

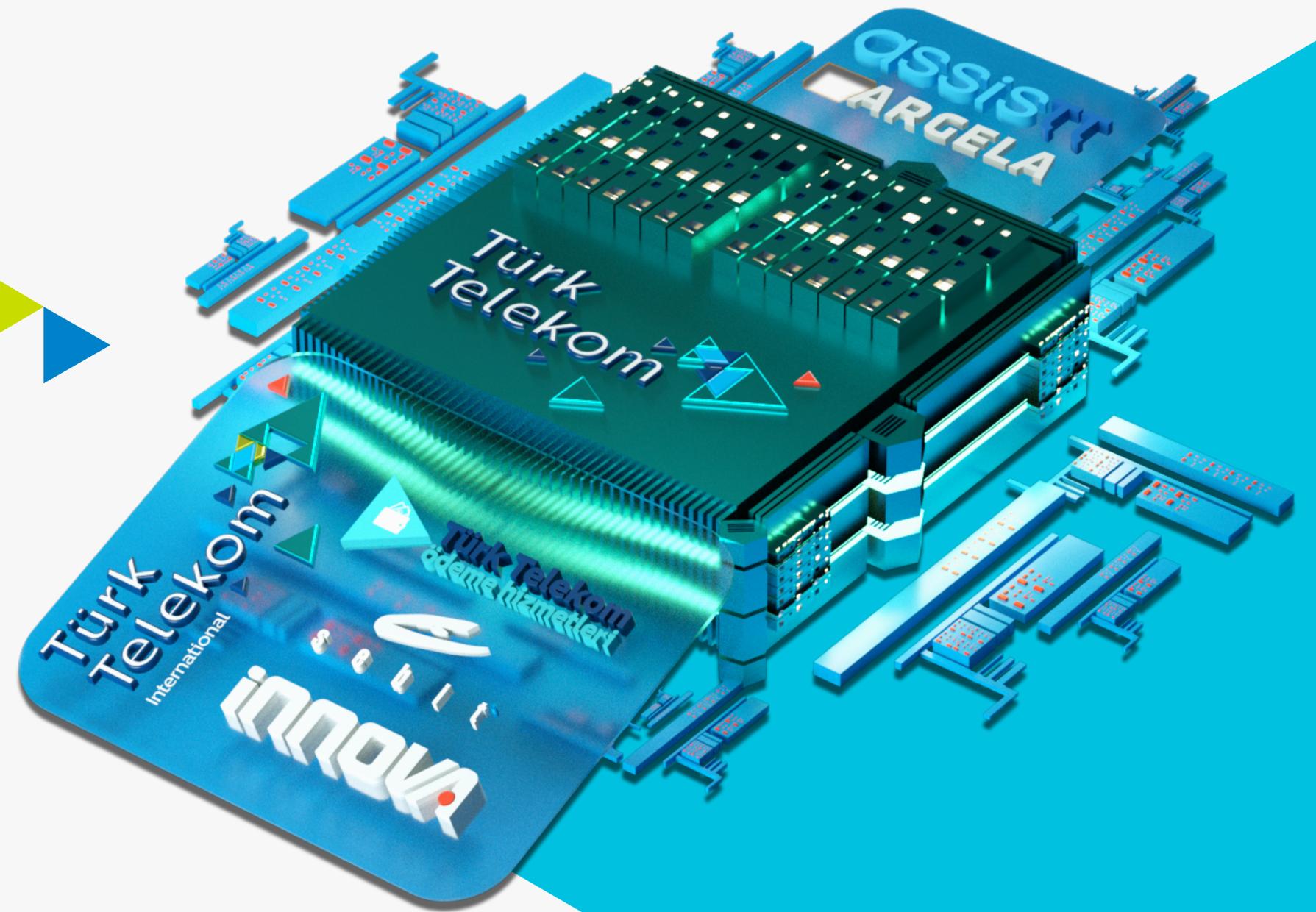


Account Management



Jetfix

# Group Companies



The logo for Innova, featuring the word "innova" in a bold, blue, sans-serif font with a red dot above the final 'a'.

innova

## Leading software developer & integrator in Turkey

- End-to-end solutions for large scale ICT projects
  - Smart Cities
  - Health Campuses
  - E-education transformation project (FATIH)
- PayFlex Innova: Payment, collection and loyalty solutions platform
- Kiosk Innova: Self-service solutions (in banks, hospitals, airports etc.)

The logo for ARGELA, featuring the word "ARGELA" in a bold, blue, sans-serif font with an orange square icon containing three white dots to the left.

ARGELA

## Next generation telco technologies R&D company

- ProgRAN: SDN based RAN solutions for LTE and 5G with 20 patent applications
- ULAK: Turkey's first and only LTE base station development project
- MILAT: SDN & NFV based cybersecurity & cyberdefence solutions
- From pure R&D to commercialization
  - Developer of Turkey's first national digital keyboard, TAMBU
- Member of ONF and ONAP via US based subsidiary NETSIA

The logo for sebit, featuring a stylized blue 's' icon above the word "sebit" in a blue, sans-serif font.

sebit

## Leading and largest edtech company in Turkey

- E-educational products, covering all Grades from Pre-School to High School
- Leading education products: Raunt, VCloud and Vitamin
- Content and platform support to national E-education transformation project (FATIH)

The logo for ASSiSTT, featuring the word "ASSiSTT" in a blue, sans-serif font. The background is a light blue gradient with a white triangle pointing right, and several smaller triangles in yellow, blue, and red scattered around.

## Leader customer service solutions company

- Beyond traditional call center services, solutions such as sales and marketing, social media management, e-mailing and payroll
- Serving largest private and public institutions with more than 10 thousand employees

The logo for Türk Telekom International, featuring the text "Türk Telekom" in a bold, black font above "International" in a smaller, black font. To the right is a colorful graphic of several overlapping triangles in yellow, blue, and red.

## International arm of the Group in wholesale data, voice and roaming services

- Over 40K km fiber network in CEE, Turkey, the Middle East and the Caucasus
- More than 70 major POPs in Europe, ME and Asia
- Unique Solutions
  - AMEERS: New path connecting WE to ME
  - SEA-ME-WE-5: Submarine cable system connecting Europe to Africa, ME and Asia

The logo for Türk Telekom ödeme hizmetleri, featuring a small icon of a house with a checkmark inside a blue square, followed by the text "Türk Telekom" in bold black and "ödeme hizmetleri" in a smaller black font.

## Payment services company

- Payment services license from the Banking Regulation and Supervision Agency (BRSA)
- Strong position in Direct Carrier Billing (DCB)
- Expansion plans in other payment related services & products (Digital Wallets, Carrier-Billing, Money Transfers, Tax/Bill payments, E-money)

# Financials



# Income Statement

(TL mn)	2016	2017	YoY Change	Q4 '16	Q4 '17	YoY Change
Revenues	16,109	18,140	12.6%	4,250	4,800	12.9%
EBITDA	5,470	6,452	18.0%	1,434	1,525	6.3%
Margin	34.0%	35.6%		33.7%	31.8%	
Operating Profit	2,621	3,433	31.0%	658	713	8.4%
Margin	16.3%	18.9%		15.5%	14.8%	
Financial Income / (Expense)	(3,018)	(1,954)	(35.2%)	(2,180)	(1,061)	(51.3%)
FX & Hedging Gain / (Loss)	(2,517)	(1,454)	(42.2%)	(2,007)	(886)	(55.8%)
Interest Income/(Expense)	(360)	(340)	(5.6%)	(90)	(91)	1.7%
Other Financial Income/ (Expense)	(141)	(160)	13.5%	(84)	(84)	(0.0%)
Tax Expense	(328)	(343)	4.6%	134	235	74.9%
Net Income	(724)	1,136	n.m.	(1,388)	(113)	(91.8%)
Margin	n.m.	6.3%		n.m.	n.m.	

Note: FX Rates used in financial income/expense calculation are as follows:

# Balance Sheet

(TL mn)	31.12.2016	30.09.2017	31.12.2017
<b>Total Assets</b>	<b>26,874</b>	<b>26,519</b>	<b>29,149</b>
Intangible Assets <sup>1</sup>	8,341	8,148	<b>8,438</b>
Tangible Assets <sup>2</sup>	8,760*	8,362	<b>9,138</b>
Other Assets <sup>3</sup>	6,757*	7,247	<b>7,473</b>
Cash and Equivalents	3,016	2,761	<b>4,100</b>
<b>Total Equities and Liabilities</b>	<b>26,874</b>	<b>26,519</b>	<b>29,149</b>
Share Capital	3,260	3,260	<b>3,260</b>
Reserves, Retained Earnings and Other Equity Items	126	1,389	<b>1,295</b>
Interest Bearing Liabilities <sup>4</sup>	15,041	15,398	<b>16,492</b>
Provisions for Employee Termination Benefits	696	673	<b>711</b>
<b>Other Liabilities<sup>5</sup></b>	<b>7,751</b>	<b>5,798</b>	<b>7,391</b>

(1) Intangible assets excluding goodwill

(2) Tangible assets include property, plant and equipment and investment property

(3) Major items within other assets are trade receivables, prepaid expenses, other current assets and

(4) Includes short-term and long-term borrowing and short-term and long-term obligations under finance leases

(5) Major items within other liabilities are deferred tax liability, trade payables, provisions, income tax payable, employee benefit obligations, deferred revenue, other current liabilities

\*As of 2017 YE, set-top boxes and satellite receivers amounting to TL 49 mn for the year ended 31 December 2016 which were previously presented in inventory in consolidated financial statements, are classified in property, plant and equipment

# Cash Flow Statement

(TL mn)	2016	2017	YoY Change	Q4 '16	Q4 '17	YoY Change
Operating Cash Flow	4,933	5,944	20.5%	2,243	3,063	36.5%
Investing Cash Flow	(4,612)	(4,278)	(7.3%)	(1,910)	(1,674)	(12.4%)
CAPEX	(4,667)	(4,224)	(9.5%)	(1,943)	(1,713)	(11.8%)
Other Investing Activites	55	(54)	n.m.	33	39	18.2%
Financing Cash Flow <sup>1</sup>	(219)	(595)	171.2%	(503)	(12)	(97.5%)
Net Change in Cash Position <sup>2</sup>	102	1,072	951.7%	(170)	1,376	n.m.

(1) Includes currency translation differences

(2) Blocked deposits are included in operating activities rather than net cash position

# Revenue Breakdown

(TL mn)	2016	2017	YoY Change	Q4 '16	Q4 '17	YoY Change
Fixed Voice	2,798	2,603	(7.0%)	675	635	(6.0%)
Broadband	4,244	4,899	15.4%	1,150	1,289	12.1%
TV	177	228	29.0%	50	62	23.7%
Mobile	5,756	6,639	15.3%	1,524	1,701	11.6%
Corporate Data <sup>1</sup>	1,315	1,492	13.5%	340	391	15.1%
International Revenue	510	639	25.3%	126	170	34.6%
Domestic Interconnection	18	12	(31.8%)	5	3	(40.5%)
Rental income from GSM Operators	77	80	3.8%	21	18	(14.5%)
Other <sup>2</sup>	896	929	3.7%	303	338	11.4%
IFRIC-12	413	704	70.7%	78	214	173.6%
Eliminations	(95)	(87)	(8.1%)	(23)	(21)	(7.2%)
<b>Total Revenue</b>	<b>16,109</b>	<b>18,140</b>	<b>12.6%</b>	<b>4,250</b>	<b>4,800</b>	<b>12.9%</b>

(1) Includes leased line and data services

(2) Includes ICT companies, device sales, other

# OPEX Breakdown

(TL mn)	2016	2017	YoY Change	Q4 '16	Q4 '17	YoY Change
<b>Direct Costs</b>	<b>3,581</b>	<b>4,075</b>	<b>13.8%</b>	<b>967</b>	<b>1,141</b>	<b>18.0%</b>
Interconnection	1,344	1,519	13.0%	345	381	10.5%
Tax	1,156	1,313	13.6%	307	343	11.9%
Provisions for Doubtful Receivables	370	468	26.4%	91	133	46.1%
Cost of Equipment and Technology Sales	437	493	12.8%	151	211	39.5%
Other Direct Costs	273	282	3.4%	74	73	(0.3%)
<b>Commercial Costs</b>	<b>1,639</b>	<b>1,748</b>	<b>6.7%</b>	<b>419</b>	<b>487</b>	<b>16.2%</b>
<b>Other Costs</b>	<b>5,054</b>	<b>5,241</b>	<b>3.7%</b>	<b>1,360</b>	<b>1,458</b>	<b>7.2%</b>
Network & Technology	1,549	1,764	13.9%	415	454	9.5%
Personnel	2,768	2,854	3.1%	714	776	8.6%
Other	737	623	(15.5%)	232	228	(1.5%)
<b>Sub Total</b>	<b>10,273</b>	<b>11,064</b>	<b>7.7%</b>	<b>2,746</b>	<b>3,086</b>	<b>12.4%</b>
IFRIC-12	365	623	70.7%	69	189	173.5%
<b>Total OPEX</b>	<b>10,639</b>	<b>11,688</b>	<b>9.9%</b>	<b>2,815</b>	<b>3,275</b>	<b>16.3%</b>

(1) Note: Please find the reclassifications as of 31 March 2017 related to operational expenses on our website in Summary Financial Operational Information xls.

# Debt Profile

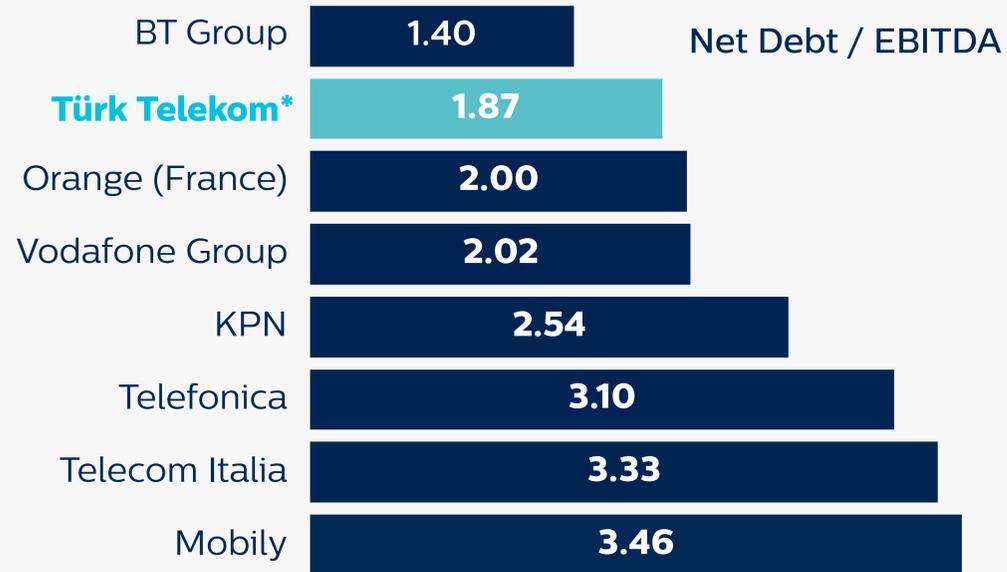
## Net Debt

■ Net Debt (TL bn)    ○ Net Debt/EBITDA    ● Adj. Net Debt/EBITDA



Note: Net Debt/EBITDA calculation excludes extraordinary claims.  
Adjusted Net Debt/EBITDA includes MTM from USDTRY CCS

## Low debt burden compared to peers



Source: Bloomberg  
Türk Telekom's ratio is based on Q4'17 financials; other's based on their latest data

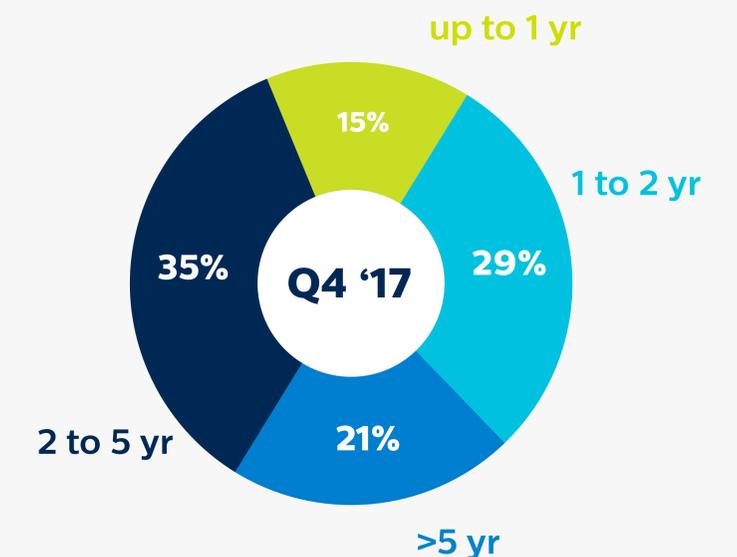
## Hedge Ratio

■ Gross FX Debt (bn USD)    ○ Hedge Ratio



Hedge Ratio includes participating CCS & FX swaps & FX based cash

## Maturity Profile



# Operational Highlights

	2016 Q4	2017 Q3	2017 Q4	YoY Change	QoQ Change
<b>Total Access Line (mn)</b>	13.1	13.4	13.7	4.6%	1.9%
Fixed Voice Lines <sup>1</sup> (mn)	9.6	9.5	9.6	(0.7%)	1.2%
Naked DSL Lines (mn)	3.4	4.0	4.1	19.3%	3.3%
<b>Fixed Voice ARPU (TL)</b>	23.2	23.0	22.2	(4.1%)	(3.3%)
<b>Broadband Total Subscribers (mn)</b>	8.7	9.4	9.7	12.2%	3.9%
FTTH/B Subscribers ('000)	869	986	1,065	22.6%	8.0%
FTTC Subscribers ('000)	1,143	1,517	1,684	47.4%	11.0%
<b>Broadband ARPU (TL)</b>	44.7	44.1	44.8	0.3%	1.6%
<b>Total Tivibu Subscribers<sup>2</sup> (mn)</b>	2.0	2.5	2.7	36.2%	9.0%
Tivibu Home Subscribers <sup>3</sup> ('000)	677	1,029	1,167	72.4%	13.5%
<b>Tivibu Home ARPU (TL)</b>	19.2	16.4	16.4	(14.9%)	(0.1%)
<b>Mobile Total Subscribers (mn)</b>	18.6	19.2	19.6	5.5%	2.2%
Mobile Postpaid Subscribers (mn)	9.8	10.4	10.8	10.3%	4.2%
Mobile Prepaid Subscribers (mn)	8.8	8.8	8.8	0.2%	(0.1%)
<b>Mobile Blended ARPU (TL)</b>	26.1	28.8	27.9	6.8%	(3.1%)
Mobile Postpaid ARPU (TL)	34.0	36.8	35.7	4.9%	(3.0%)
Mobile Prepaid ARPU (TL)	17.1	18.5	18.0	5.7%	(2.3%)

(1) Includes PSTN and WLR Lines

(2) Includes IPTV, DTH, and Tivibu Go (Web TV + Smart TV) subscribers

(3) Includes IPTV and DTH subscribers

# Guidance

TL mn	2017 YE	2018 Guidance
<b>Revenue</b> (exc. IFRIC 12) <sup>1</sup>	17,435	~11% growth
<b>EBITDA</b>	6,452	TL 7.0 to 7.2 bn
<b>CAPEX</b>	3,221	~TL 3.5 bn

(1) IFRIC 12 is adjustment is a non-operational revenue line booked in conjunction with upgrades to our fixed line infrastructure such as the upgrade from copper to fiber based network

# Strategy

## ▶ GROWTH

- ▶ FBB penetration drive & upsell focus, partnerships with electricity companies
- ▶ Mobile market share growth
- ▶ TV reach increase, Wireless Homes
- ▶ Synergy offers & crossells
- ▶ New revenue streams: Smart Cities, Health Campuses etc.

## ▶ EFFICIENCY

- ▶ Go-to-market & customer care effectiveness
- ▶ Strict cost control
- ▶ Streamlined organization
- ▶ Simple and effective portfolio
- ▶ Rigorous CAPEX management & asset efficiency initiatives

## ▶ STRATEGIC INITIATIVES

- ▶ Customer Experience Program: EMPATHY
- ▶ Enhanced value creation for subsidiaries, Argela (R&D and innovation centre), Innova (Large scale ICT projects), Sebit (edtech) and others
- ▶ Focus on verticals: Energy, Healthcare & Education
- ▶ Network and IT transformation: Commercialization of SDN & NFV
- ▶ Digitalization for consumers ( Muud, e-dergi, Tambu, Tivibu Go) and enterprise digital transformation
- ▶ CVC initiative: Türk Telekom Ventures

## FBB Penetration Drive

Internet Bizden & Regional Campaigns

**c.30%**

of Q4 '17 FBB net adds via Internet Bizden campaign



## Wireless Homes

**c.80%**

of Q4 '17 of gross DTH subs adds via mobile synergy offers



## Partnerships with Electricity Companies



## TÜRK TELEKOM VENTURES

# tambou

Turkey's Digital Keyboard

**4.5 mn**

downloads

**1.6 mn**

monthly active users

## Network Transformation

SDN & NFV solutions for NextGen Technologies

# ARGELA



## Enterprise Digital Transformation



## Differentiated Verticals



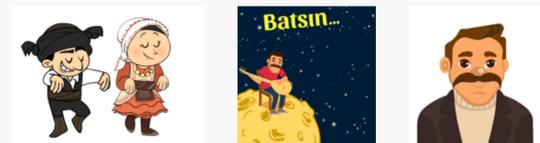
# Tambu

Keyboard app  
evolving into  
platform

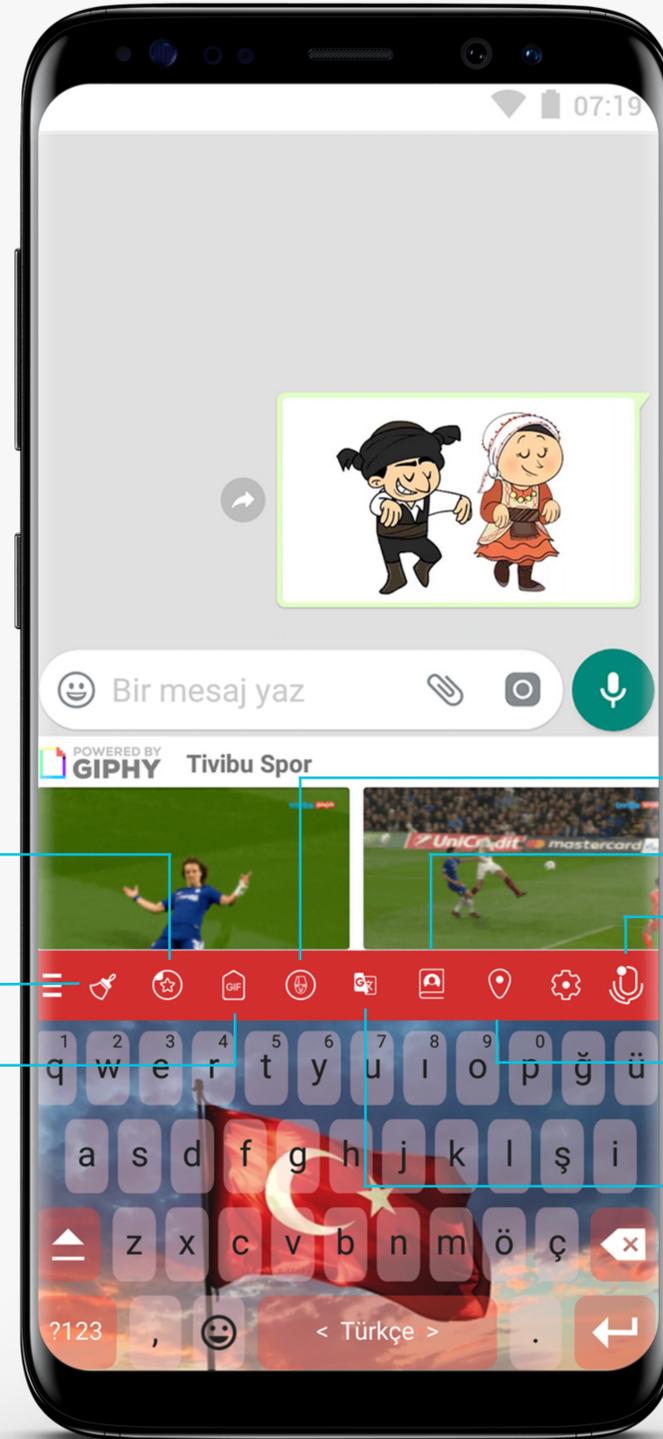


Hyper local animated stickers to  
express yourself  
**1st in Turkey**

Customizable themes;  
personalized background and  
colors



Exclusive GIFs for Tambu  
including videos from Champions  
League and music videos



Rich set of proverbs to  
discover, learn and share

Personalized dictionary for  
frequently used text  
shortcuts

Speech to Text

Share location in all  
platforms

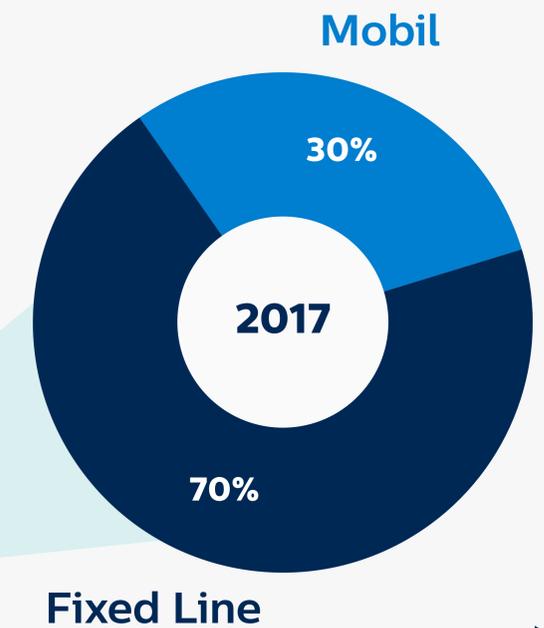
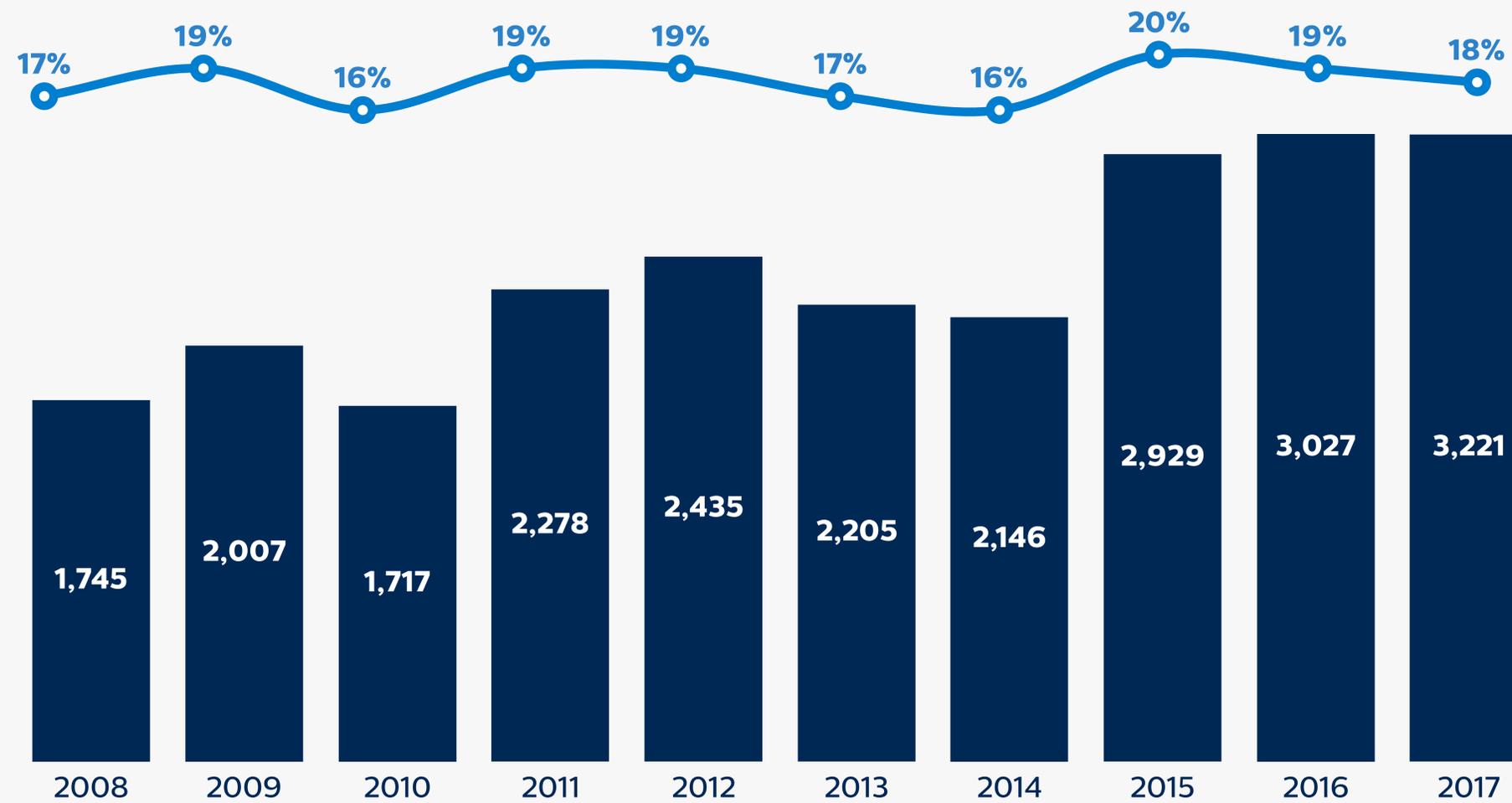
Translation in more than  
100 language

# Capex

- Major Capex areas are fiber network roll-out in fixed line, network investments in mobile and IT transformation projects

## Capex\* & Capex / Sales

■ CAPEX (TL mn)    ○ CAPEX/Sales



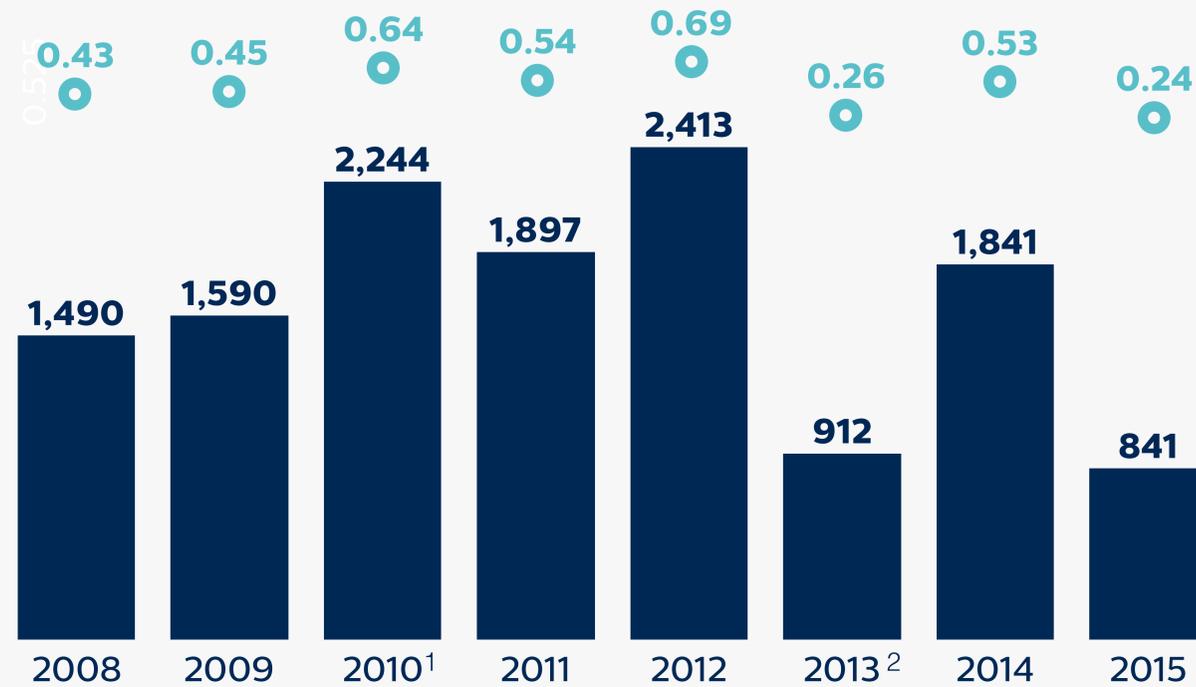
\* Capex figures exclude license fees

# Shareholder Remuneration

- ▶ Dividend policy is to distribute the maximum amount of distributable profit subject to relevant articles of the Company's Articles of Association

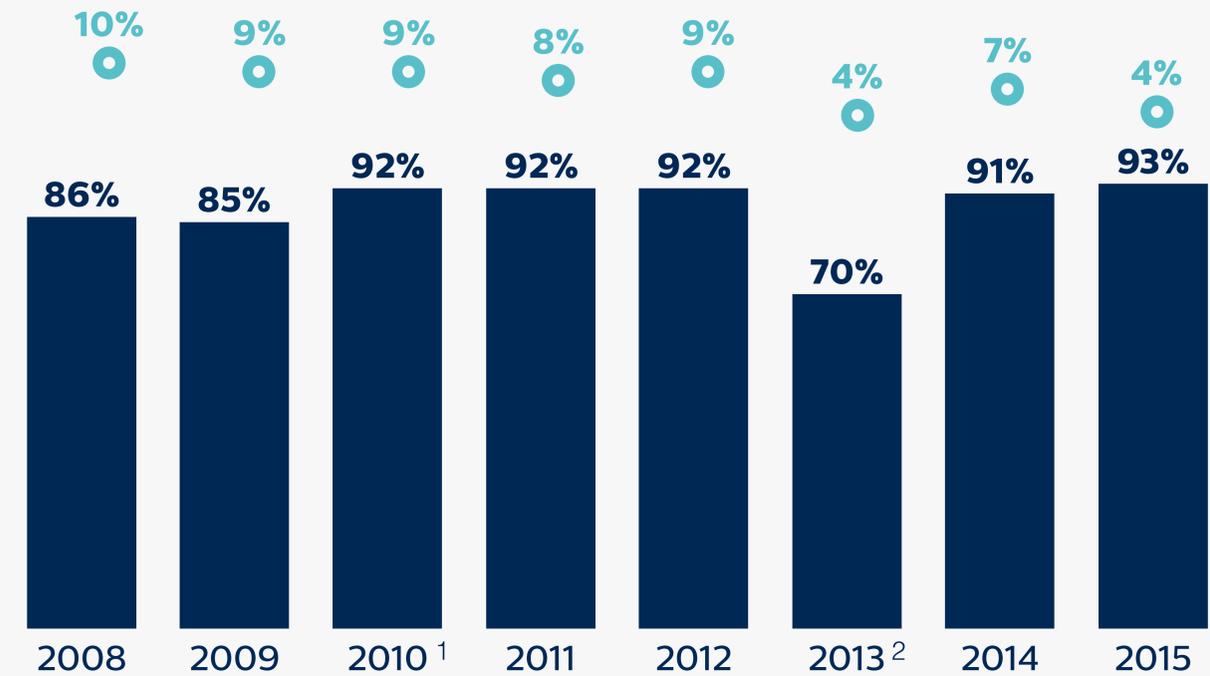
## Dividend Distribution

■ Dividend (TL mn) ○ Dividend per Share (TL)



## Dividend Yield & Payout Ratio

■ Dividend Payout Ratio ○ Dividend Yield

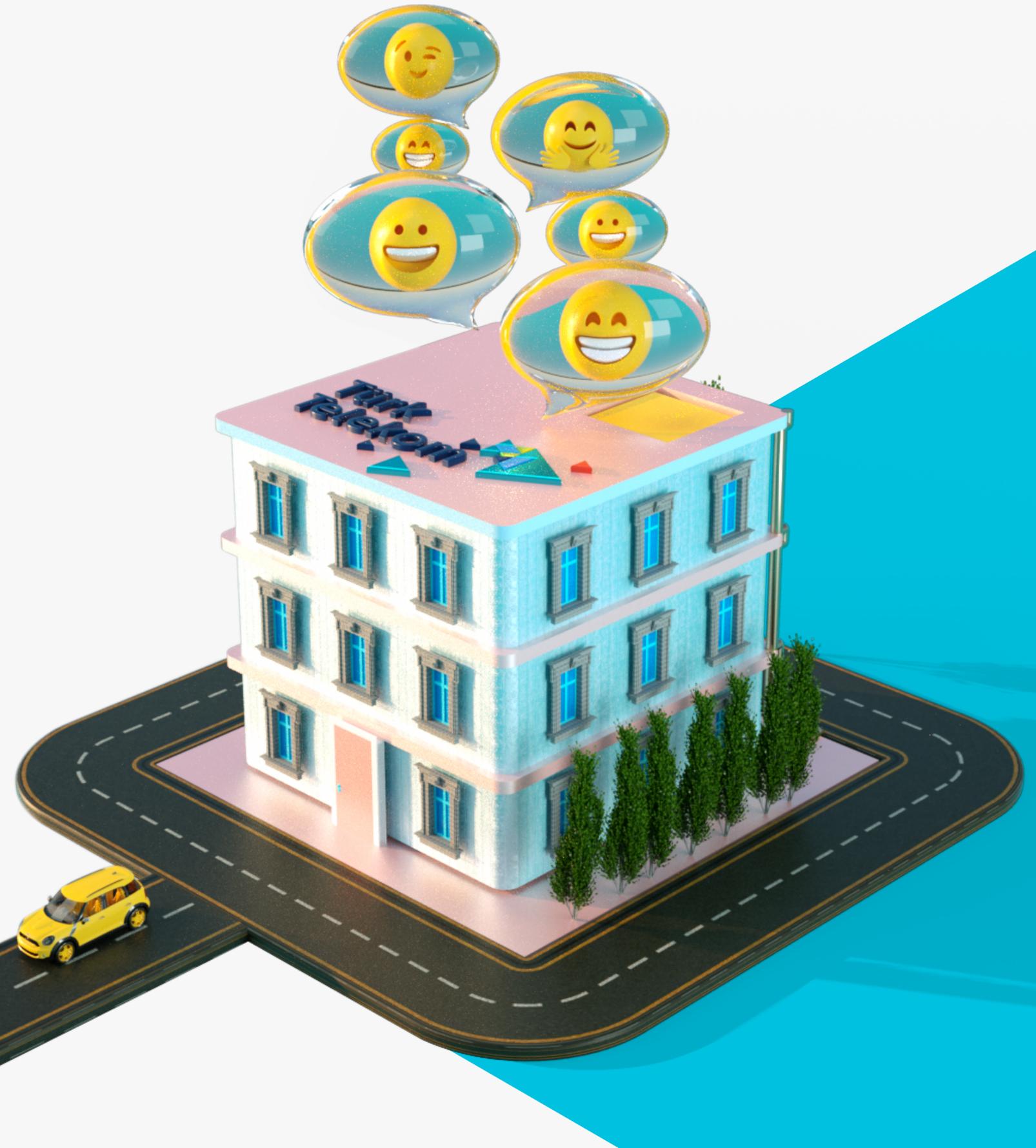


1) The cap in the first legal reserve was reached in 2010

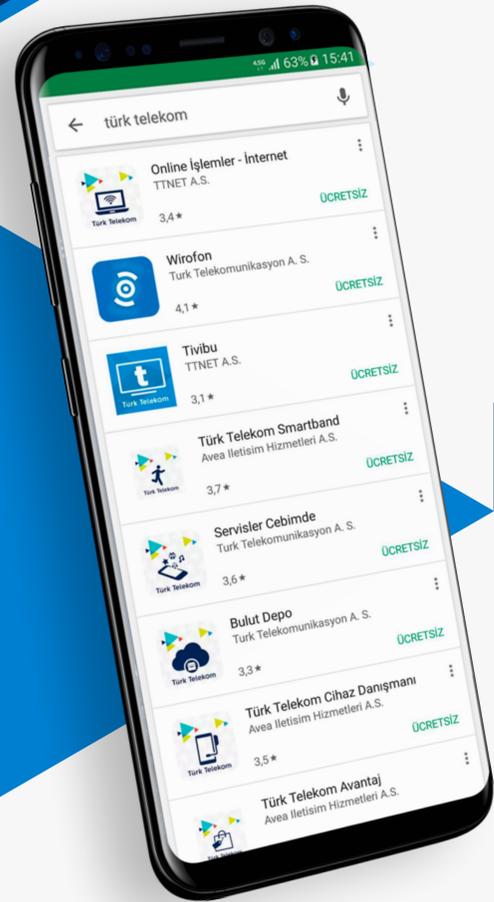
2) 2013 dividend payout ratio was revised to 70% with BoD decision to prepare for any potential transaction for implementation of integration of the group

Note: No dividend distributed for the activity year 2016 according to General Assembly Decision

# Appendix



# Digital Service Portfolio



Türk Telekom has **40+ mobile applications**, and **200+ value added services**.



## Turkey's New Generation TV Platform: **Tivibu GO** Launch: 2010

Türk Telekom's TV platform which provides national and exclusive linear channels, VoDs, and catchup programs in HD quality



## Turkey's Enriched Digital Music Platform: **Türk Telekom Music** Launch: 2008

Turkey's most preferred digital music platform to listen and download millions of songs and watch videos



## Turkey's Leader Digital Gaming Platform: **Playstore** Launch: 2011

Turkey's first and leader digital game platform and e-pin sales platform



## Turk Telekom's Education Platform: **Turk Telekom Akademi** Launch: 2018

Education platform for Turk Telekom employees has been relaunched and now available to all Turk Telekom internet subscribers



## Turkey's First Interactive Education Platform Launch: 2008

Turkey's biggest online education platforms: Vitamin for pre-school to high grades students, Raunt for university preparation, ProG for professionals



## Turkey's first smart and hyperlocal digital keyboard Launch: 2017

Turkey's first local and customized smart digital keyboard



## Turkey's Most Comprehensive Online Reading Platform: **E-Dergi** Launch: 2017

Turkey's online magazine and newspaper reading platform with advantageous campaigns for Turk Telekom mobile users



## Turkey's Most Comprehensive Security Platform: **TT Security** Launch: 2009

Turkey's most comprehensive and secure anti-virus and family protection service



## Turk Telekom's Advantageous Cloud Solution: **Netdisk** Launch: 2010

Turk Telekom's cloud storage solution specialized for Turk Telekom internet subscribers



## Turkey's Real-Time Integrated Sport Platform: **Tivibuspor** Launch: 2010

Türk Telekom's sport platform presents sport news, videos, UEFA matches and instant match video delivery



## Turkey's Widest Wifi Broadband Network: **TT WiFi** Launch: 2006

Turkey's widest WiFi hotspot coverage and services for Turkish Airlines flights

# Corporate Credit Rating

Investment grade  
from Fitch and S&P

## Fitch Ratings

### BBB- Rating

Negative Outlook

Fixed-mobile and pay-TV convergent service offering is built on the company's leading fixed line position

Broadband subscribers and ARPU continue to grow, helped by increasing demand for high-speed connectivity

Improved mobile service capability, helped by spectrum bought in the 2015 auction

## S&P Global Ratings

### BBB- Rating

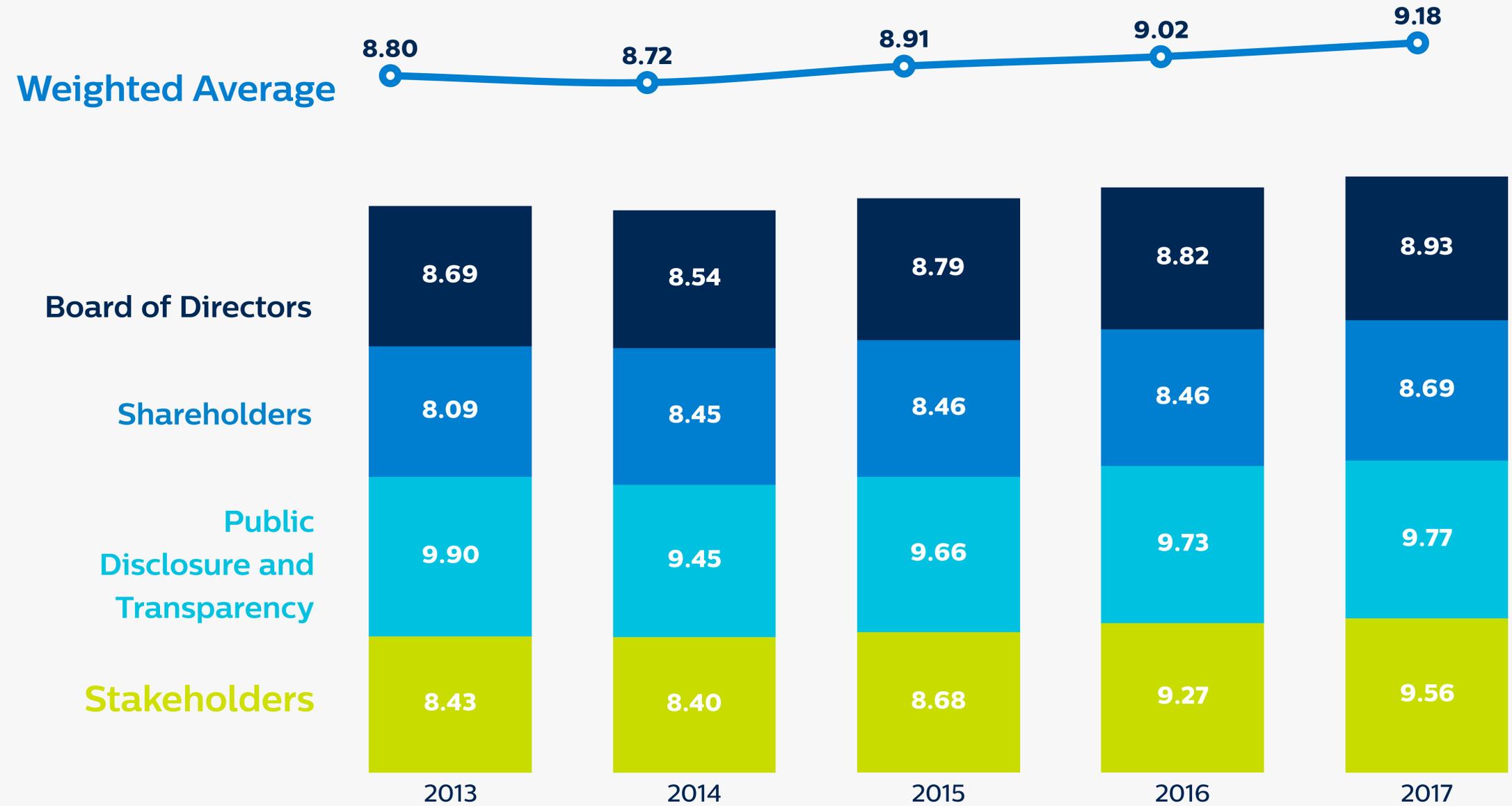
Negative Outlook

Strong leadership position in domestic fixed-line business

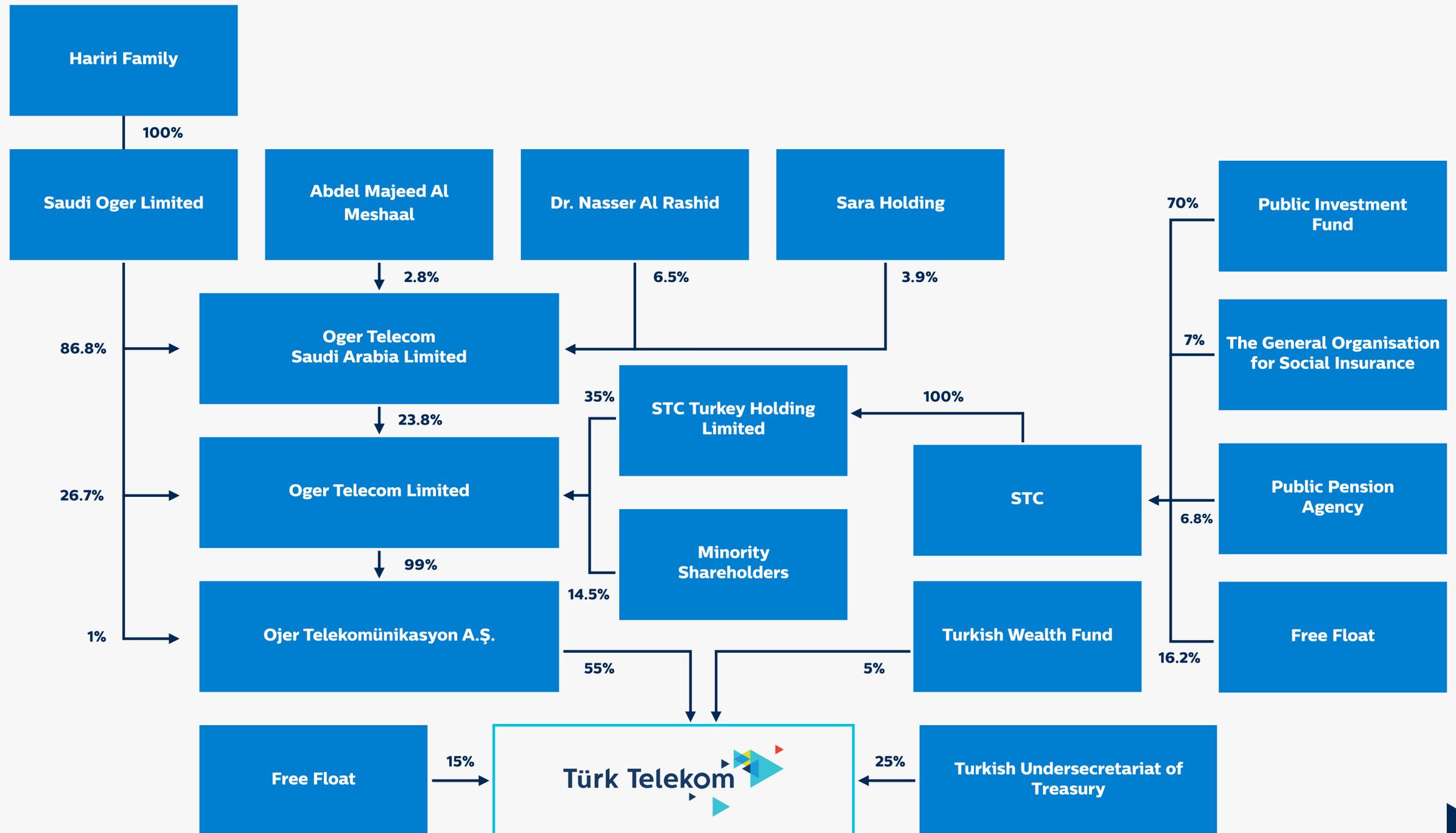
Good growth prospects, solid profitability

# Corporate Governance

- ▶ Türk Telekom is member of BIST Sustainability Index since creation with its long lasting emphasis on Environmental, Social and Governance policies and exemplary practices
- ▶ The only telecom company qualified to be included in the BIST Corporate Governance Index since 2009



# Shareholder Structure

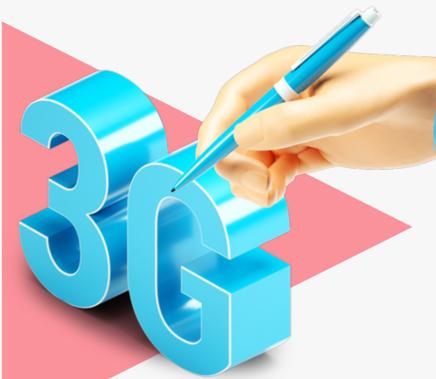


Note: Turkish Wealth Fund has 1.68% share in free float

# Regulatory Actions

## 2008

- ▶ **April**
  - Interconnection rate decrease in Fixed (10%) and Mobile (33%)
- ▶ **November**
  - 3G tender held
  - Mobile Number Portability introduced
  - New Electronic Communications Law passed



## 2009

- ▶ **January**
  - About 50%-55% reduction in MTRs on SMS
- ▶ **March**
  - Reduction in SCT rate (25% to 5%) on internet services
- ▶ **April**
  - On-net price floor for TCELL
- ▶ **May**
  - About 29% reduction in MTRs
  - MVNO regulation in place
- ▶ **July**
  - 3G service launch
- ▶ **September**
  - Fixed number portability introduced
  - Local call liberalization

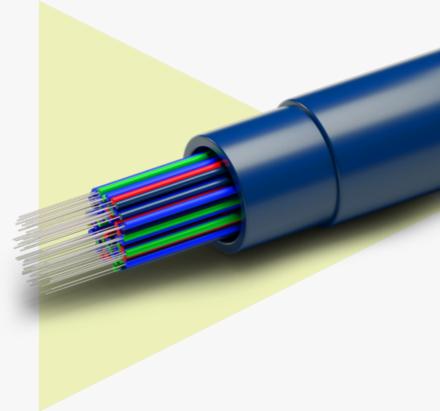
## 2010

- ▶ **April**
  - About 52% reduction in MTRs
  - 17% cut in double tandem FTR
  - 38% decrease in GSM to GSM retail price cap
  - TL per minute pricing introduced
- ▶ **December**
  - Naked DSL services started



## 2011

- ▶ **April**
  - Mobile off-net price cap was increased by 4%
  - SMS price cap was decreased by 48%
- ▶ **September**
  - Deregulation on MTRs on international calls and liberalization on their pricing
- ▶ **October**
  - ICTA's fiber decision: FTTH/B will be excluded from the market analysis process until 25% fiber market share or for 5 years



## 2012

- ▶ **January**
  - WLR was introduced
- ▶ **November**
  - Deregulation on FTRs on international calls and liberalization on their pricing



## 2013

- ▶ **March**
  - Mobile on-net price floor for TCELL formulated by Mobile Termination Rate 1.7x
- ▶ **April**
  - 75% reduction in MTRs on SMS
- ▶ **July**
  - 20% reduction in MTRs
- ▶ **September**
  - Duct Sharing officially started

## 2014

- ▶ **July**
  - Calls over fixed line infrastructure was deregulated. Accordingly, Türk Telekom is no longer designated as having SMP (significant market power) in fixed voice market



## 2015

- ▶ **August**
  - LTE tender was held

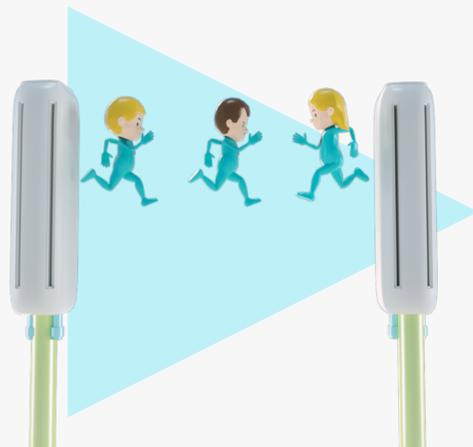
## 2016

- ▶ **April**
  - LTE Service Launch
- ▶ **August**
  - Mobile on-net price floor regulation for TCELL was lifted
- ▶ **October**
  - The deadline to shift Port Transmission Model

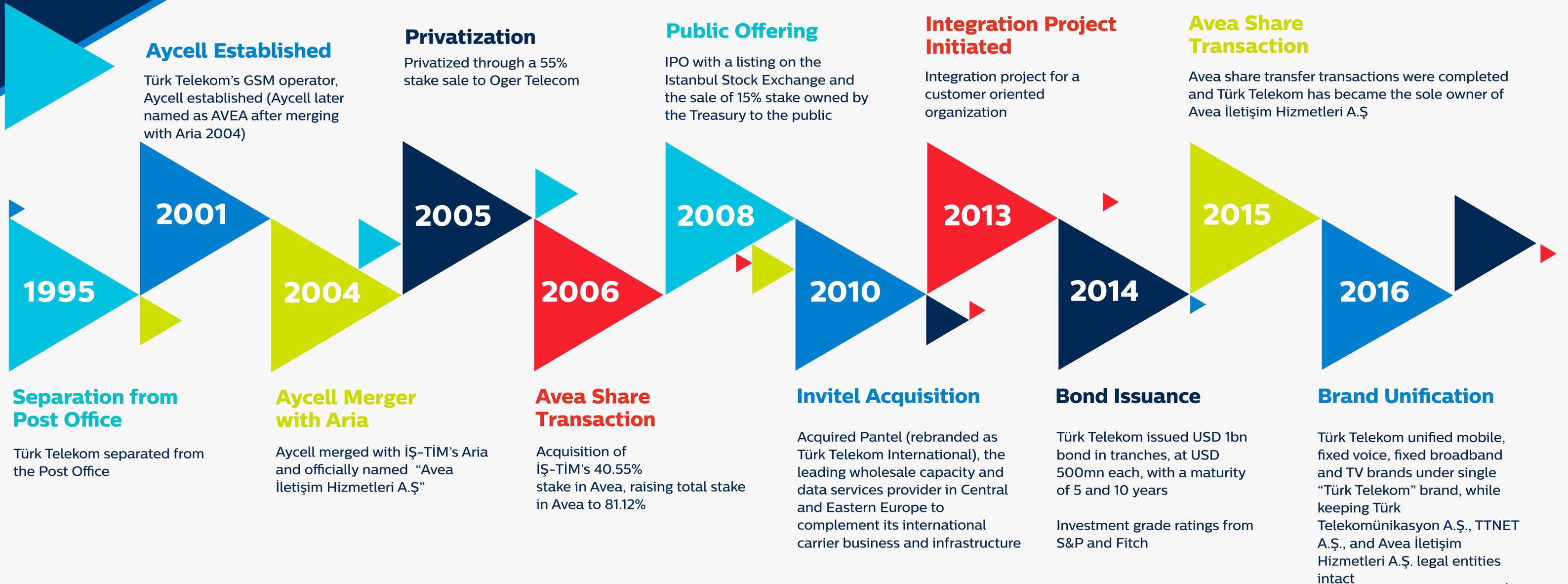


## 2018

- ▶ **January**
  - SCT rates for mobile voice, fixed voice, mobile data, and fixed data was determined as 7.5%



# History





## Türk Telekom Investor Relations

[investorrelations@turktelekom.com.tr](mailto:investorrelations@turktelekom.com.tr) | +90 212 309 96 30 | [ttinvestorrelations.com](http://ttinvestorrelations.com) | [twitter.com/ttkomir](https://twitter.com/ttkomir)

