

# Investor Presentation

June 2017

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Note: EBITDA is a non-GAAP financial measure. In this presentation, EBITDA represents revenue less cost of sales and other operating expenses plus other operating income/ (expense) plus income/(expense) from investing activities but excluding financial income/ (expense) presented in other operating income/(expense) (i.e., foreign exchange gain/ (loss), interest income / (expense) and discount income/(expense) on receivables and payables excluding financial borrowings), depreciation, amortization and impairment, income on unconsolidated subsidiaries and minority interest.

# Türk Telekom Highlights



**Leading  
COMPANY  
IN TURKEY**

Offering  
**Integrated telecom  
services**



Most valuable  
telco brand for

**9** CONSECUTIVE  
**YEARS**



Serving  
**39.2mn**  
**SUBSCRIBERS**



**CAPEX**  
**TL26bn**  
since privatization  
(2005)



**75%**

**LTE**  
Population  
Coverage



**98%**

Fixed line  
**household  
coverage**



**235K** km  
fiber network in  
**81 cities**



**14.5mn**  
**FIBER  
HOMEPASS\***

\*Homepass includes FTTC & FTTH/B

# Turkey's Pioneer Convergence Player



**Integrated  
Distribution Channels  
(One Stop Shop)**



**Integrated  
Business Lines**



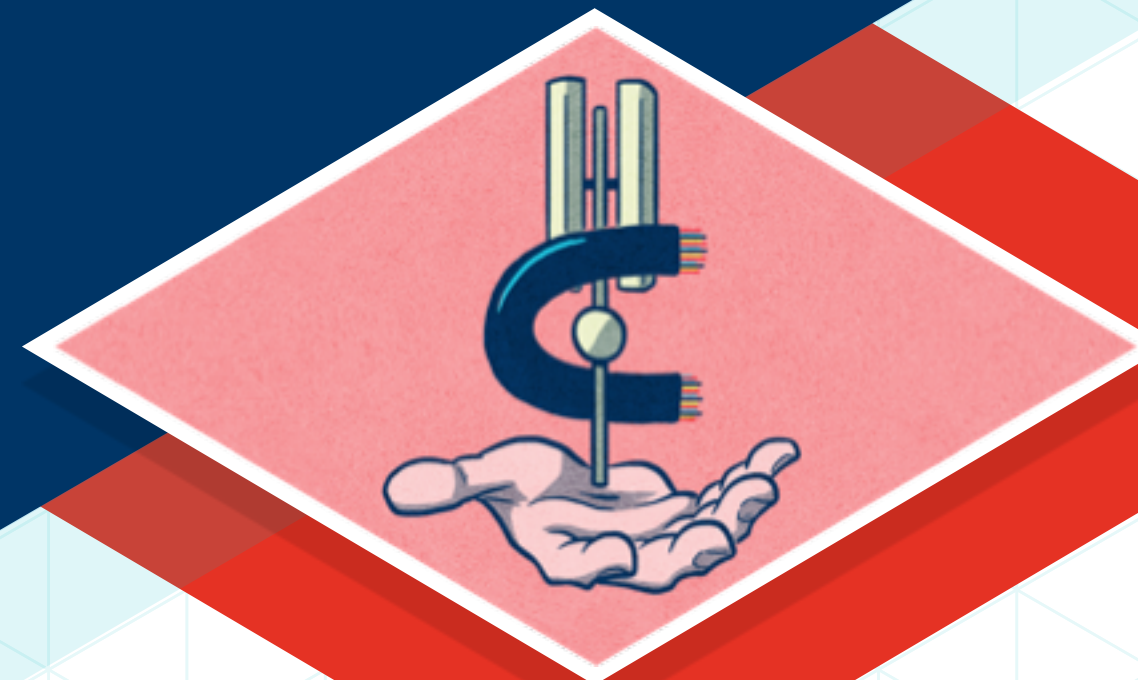
**Türk Telekom**

**Unified Brand**

**Joint Customer  
Database\***



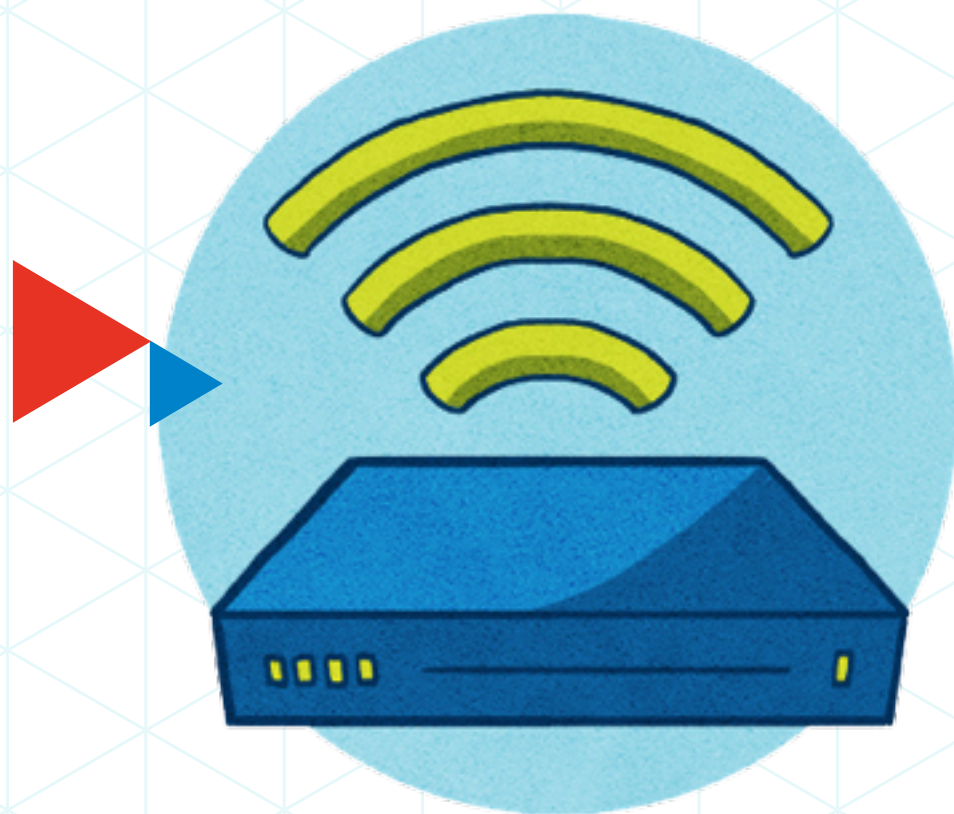
**Joint Fixed & Mobile  
Network Management**



\* Subject to consent of the customers

# Operational Highlights

Strong net subscriber gains



**Broadband**

**218K**

Q1 '17

**712K**

LTM



**Mobile**

**142K**

Q1 '17

**981K**

LTM



**Home TV**

**97K**

Q1 '17

**306K**

LTM

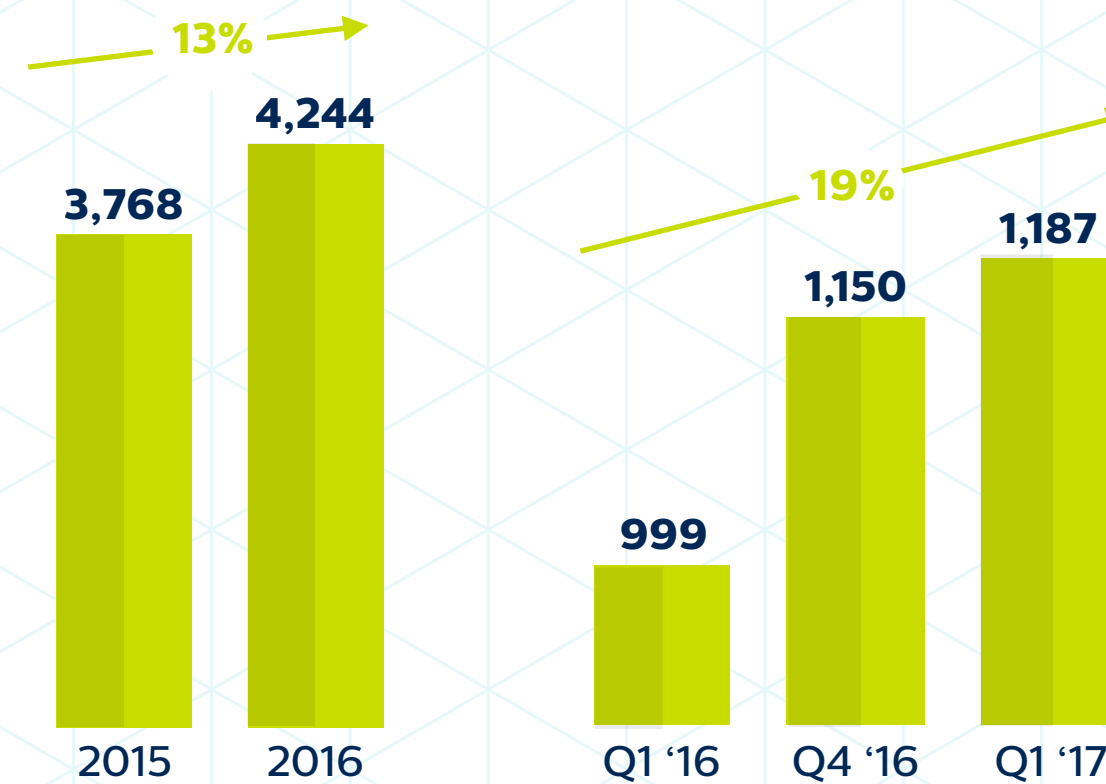
# Financial Performance

(TL mn)	2016 Q1	2016 Q4	2017 Q1	Growth (YoY)	Growth (QoQ)
Revenue	3,801	4,250	4,307	13.3%	1.4%
Revenue (exc. construction adj) <sup>1</sup>	3,761	4,171	4,138	10.0%	(0.8%)
EBITDA	1,262	1,434	1,528	21.1%	6.5%
EBITDA Margin	33.2%	33.8%	35.5%		
Net Income	408	(1,388)	66	(83.9%)	n.m.
CAPEX <sup>2</sup>	708	963	400	(43.5%)	(58.4%)

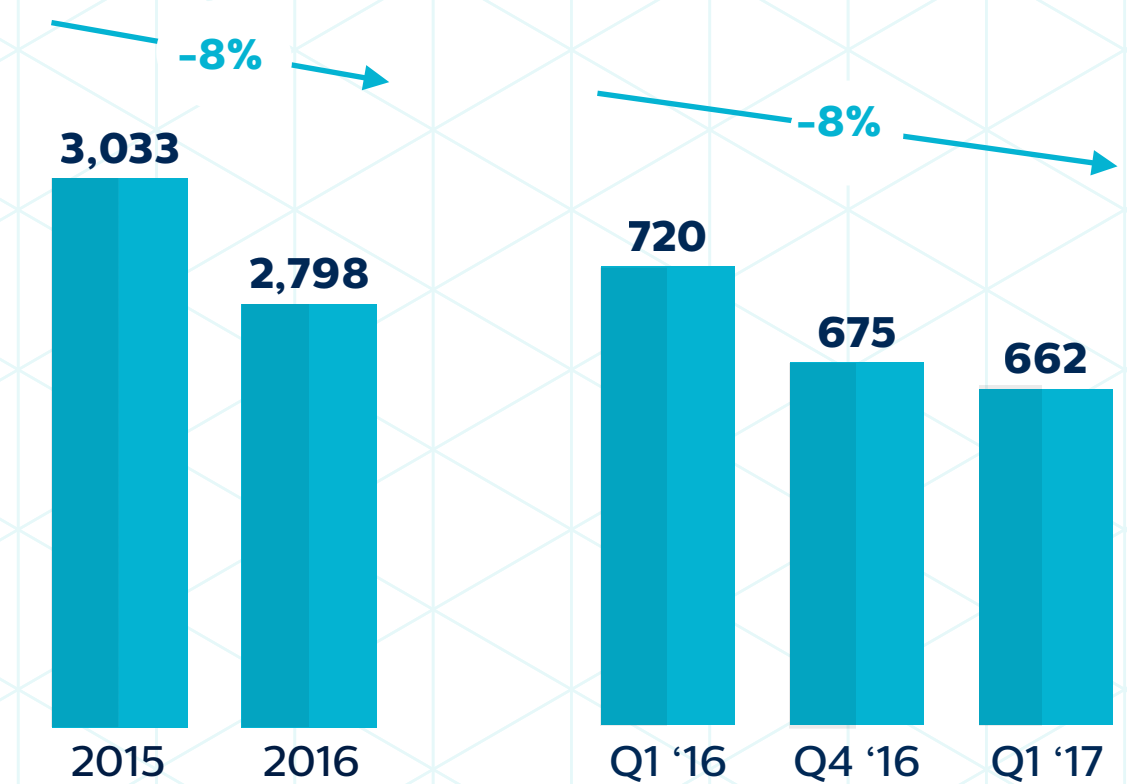
(1) Construction accounting adjustment is a non-operational revenue line booked in conjunction with upgrades to fixed line infrastructure, such as the upgrade from copper to fiber based network  
(2) Excluding license fees

# Focused on High Growth Areas

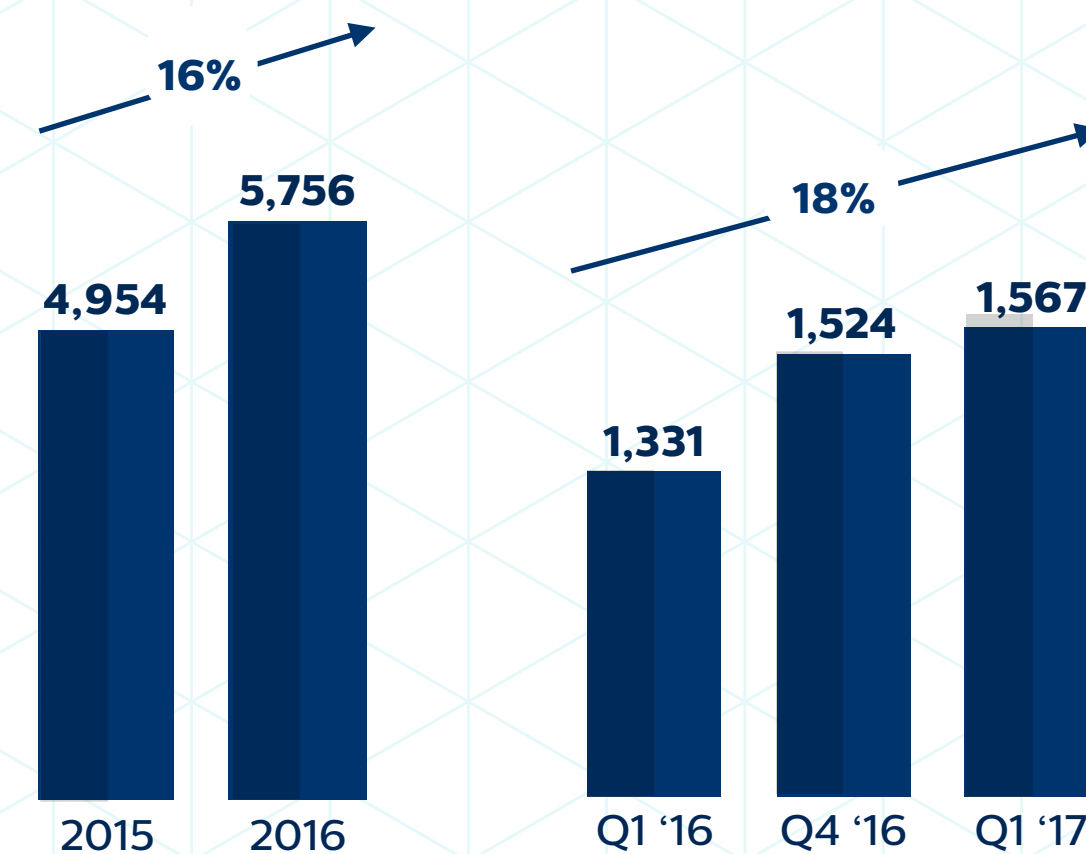
## Fixed Broadband (TL mn)



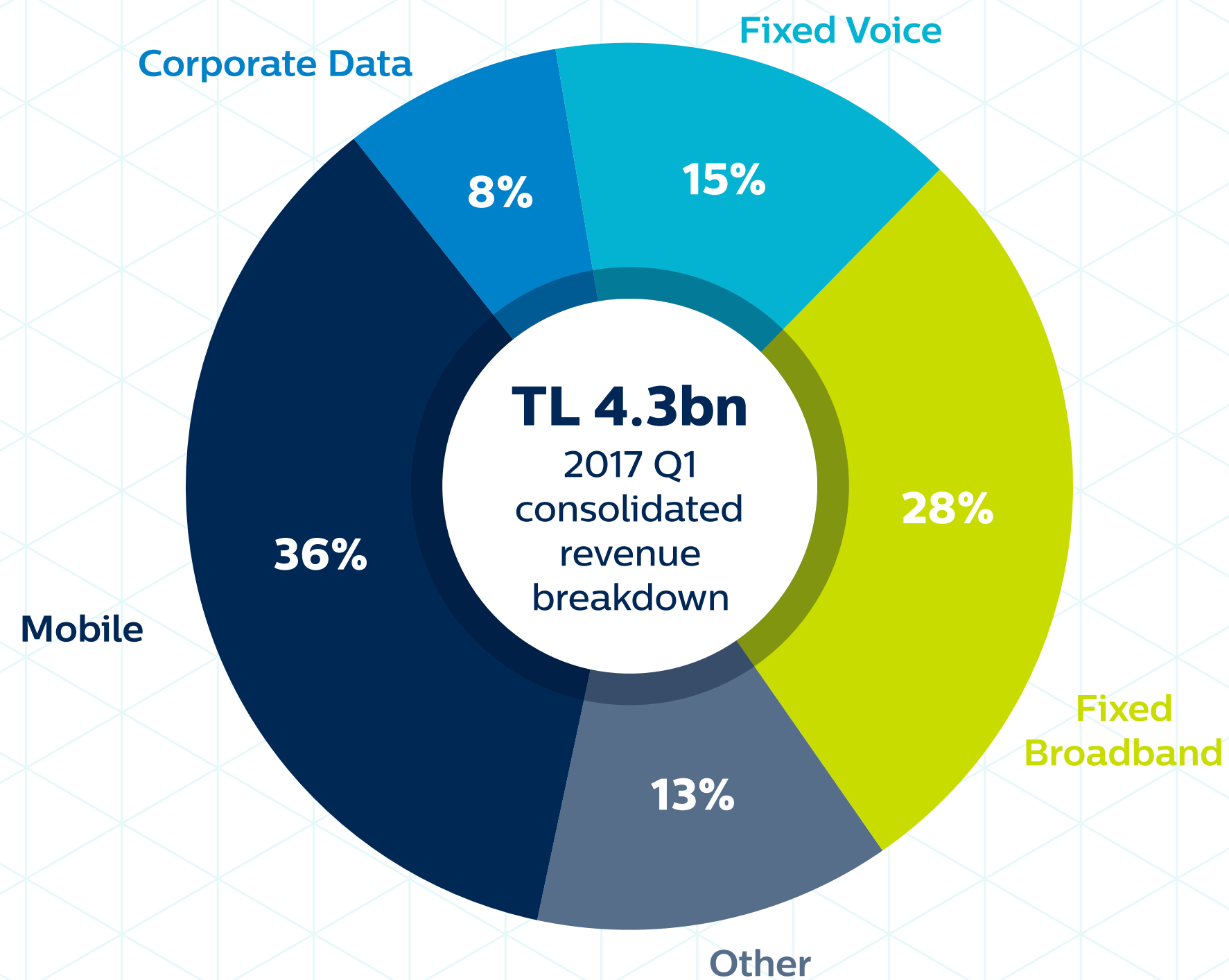
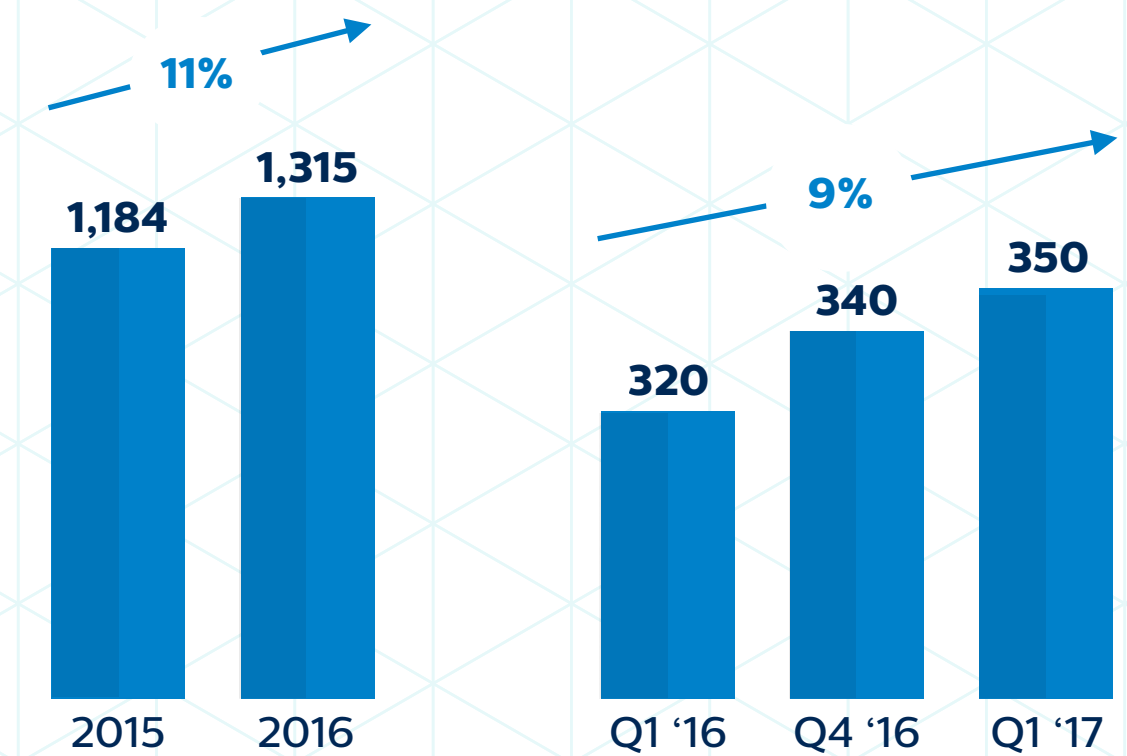
## Fixed Voice (TL mn)



## Mobile (TL mn)

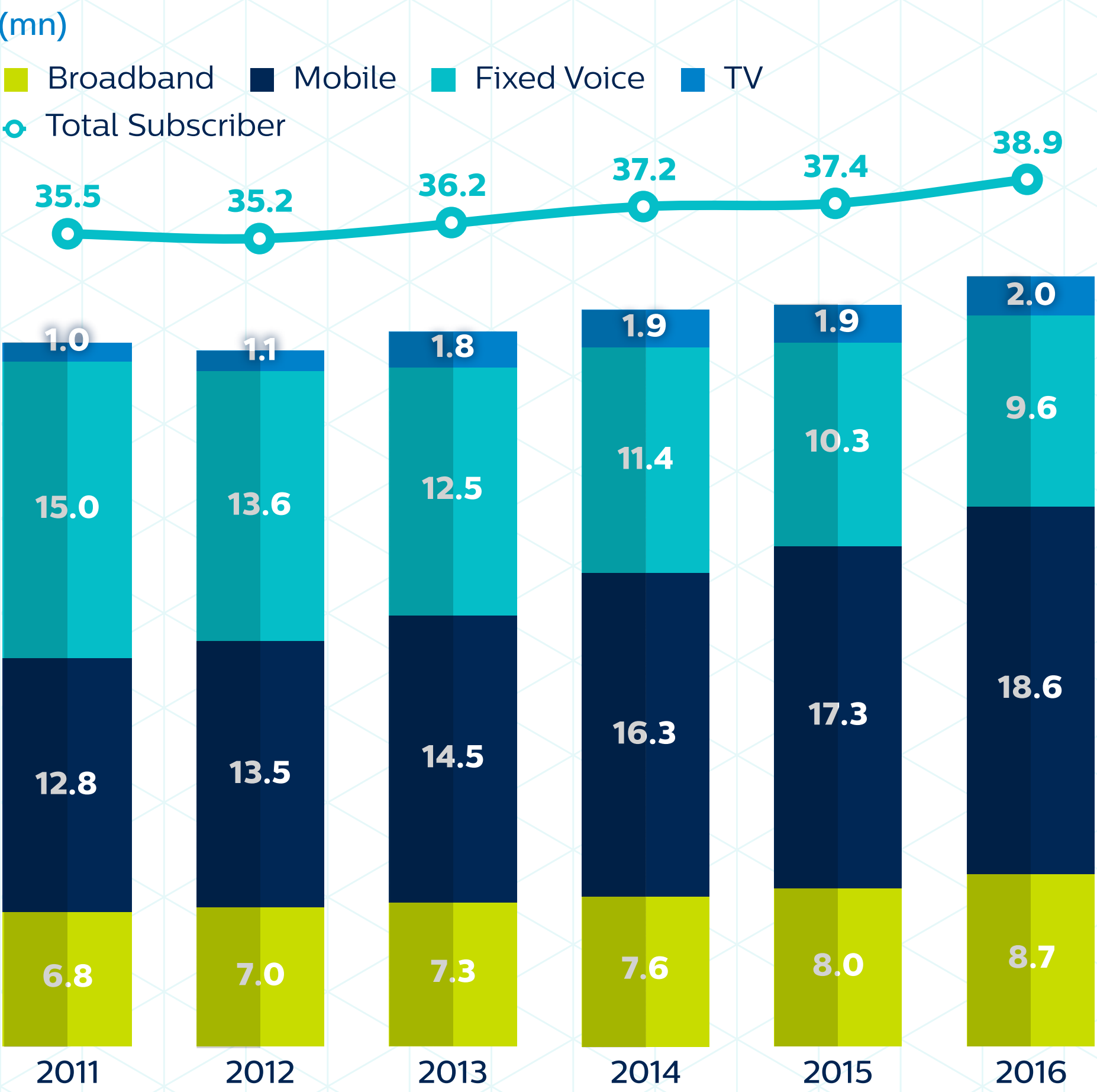


## Corporate Data (TL mn)

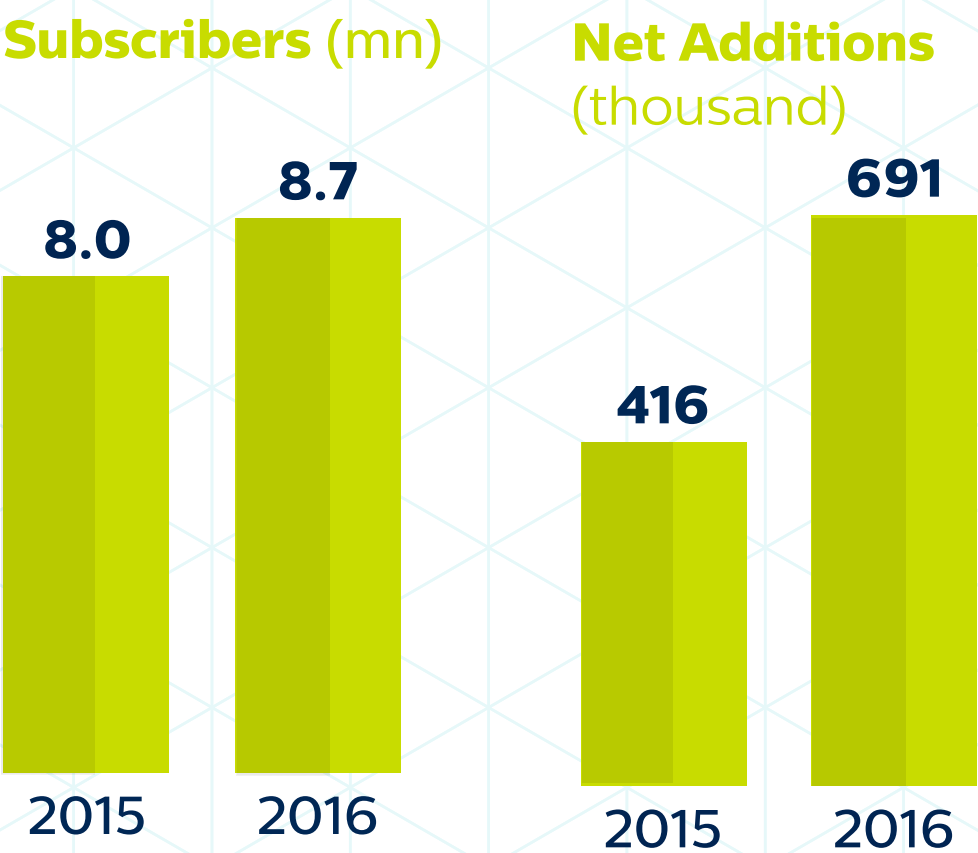


# Accelerated Net Additions

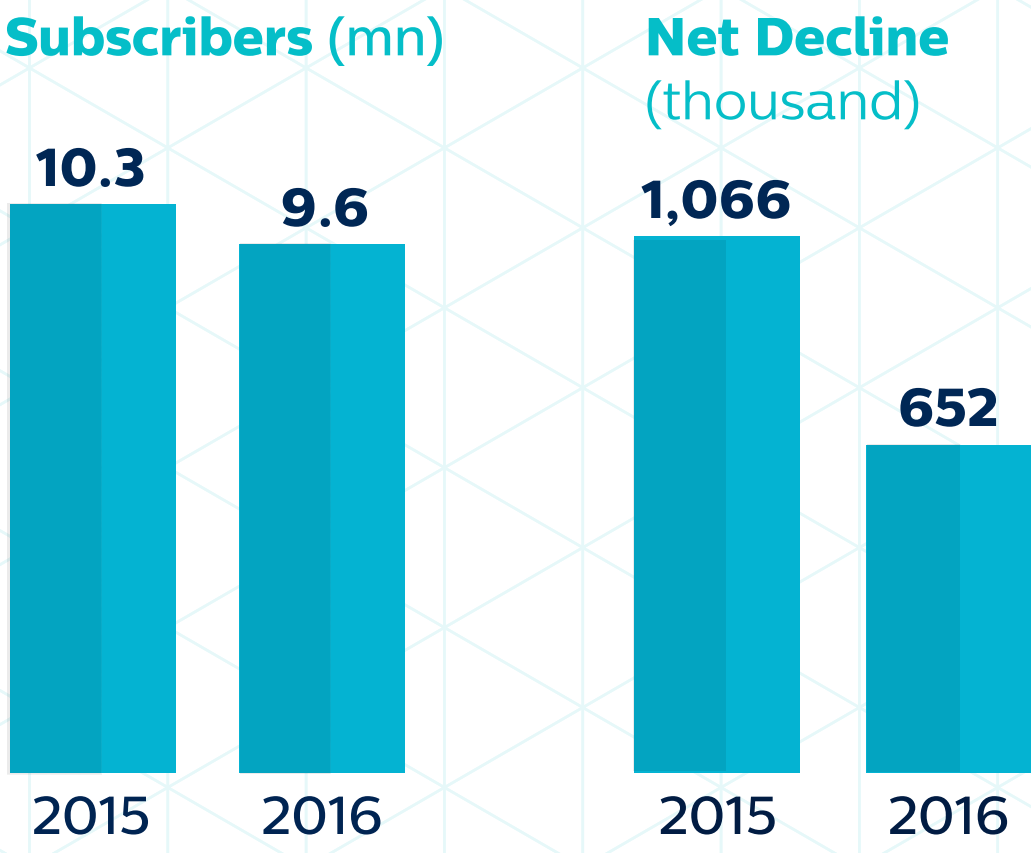
## Subscriber Breakdown



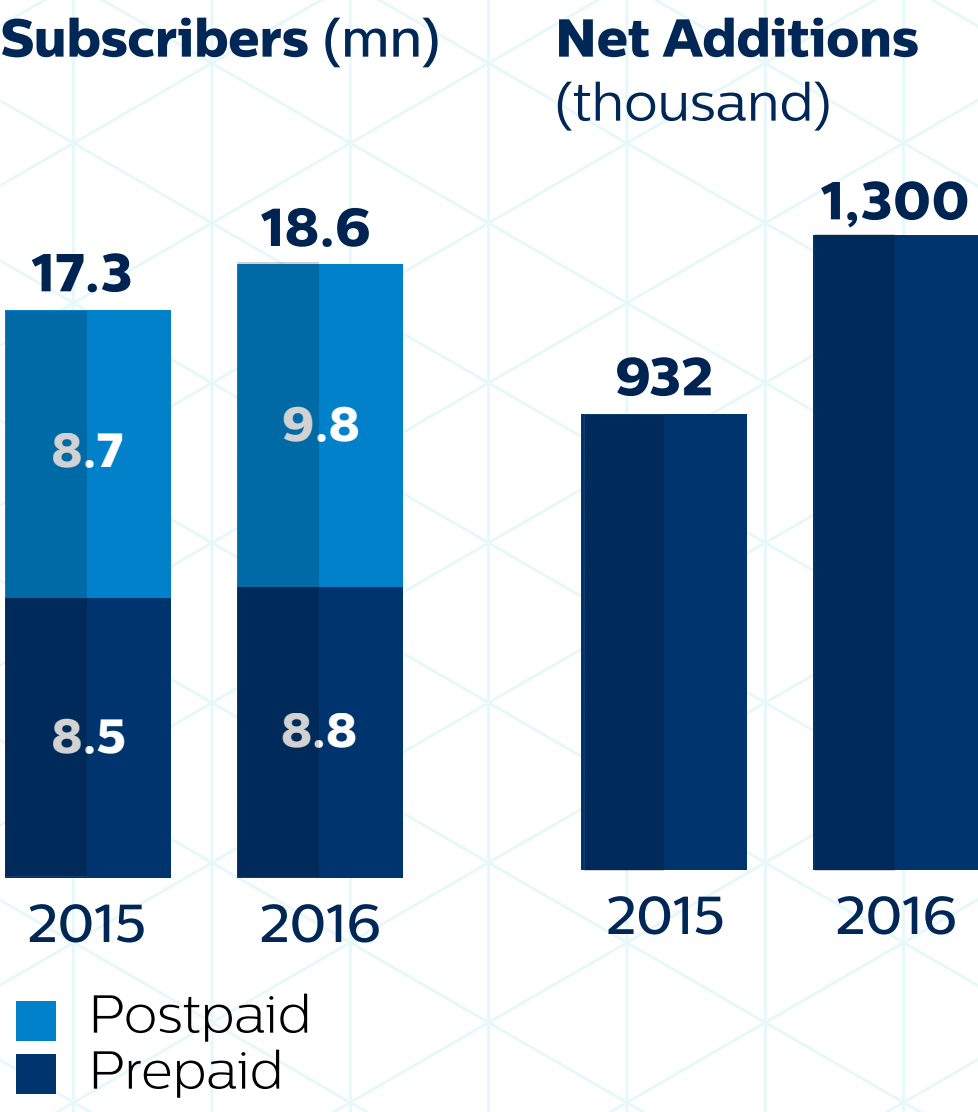
## Fixed Broadband



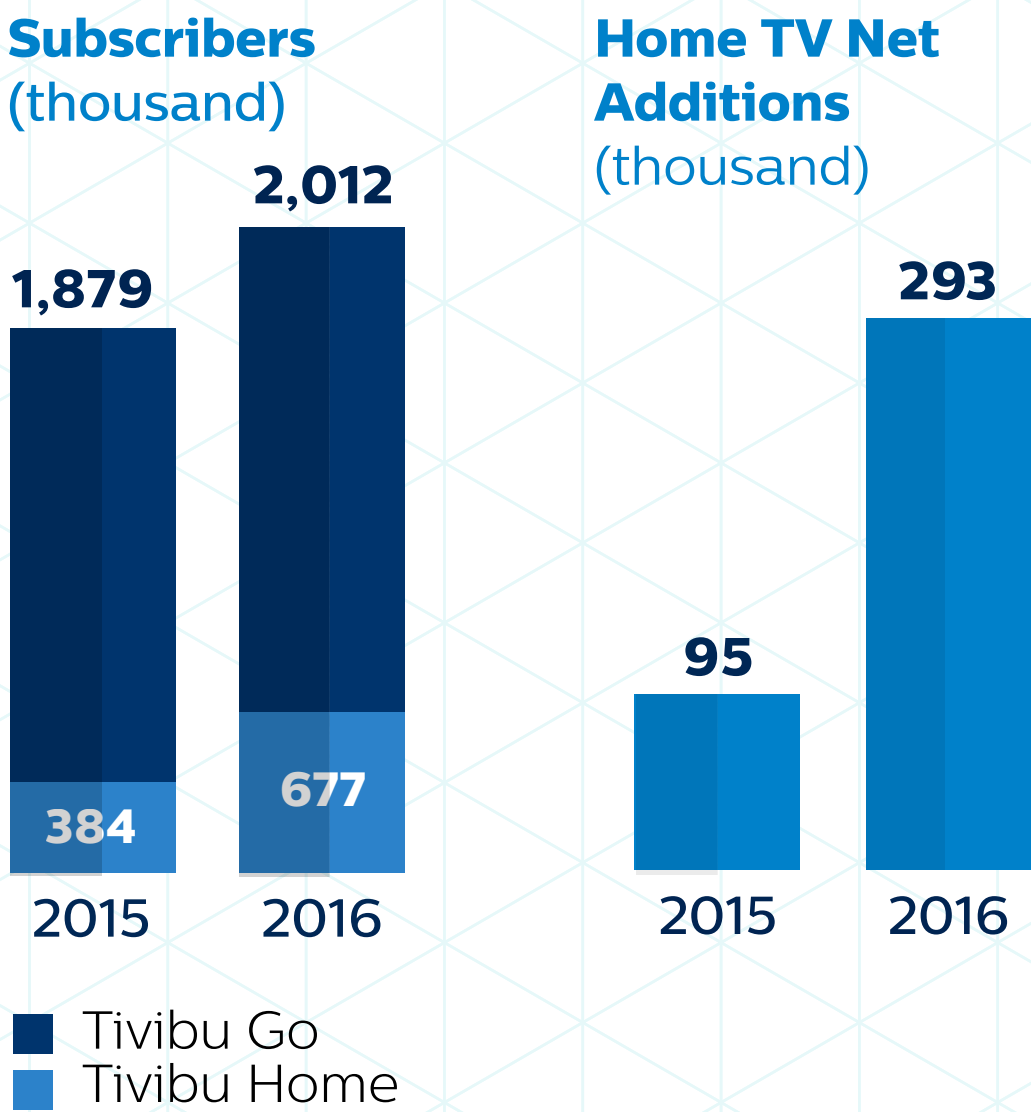
## Fixed Voice



## Mobile



## TV



# Strongest Position in Multiplay Offers

Key building blocks of customer proposition



## Broadband



## Mobile



## Pay TV



## Fixed Voice

### Türk Telekom

- ▶ 98% fixed broadband coverage
- ▶ Nationwide fiber availability
- ▶ Best in class customer service
- ▶ Widest variety of value added services

- ▶ 900 MHz disadvantage eliminated after spectrum auction
- ▶ Only operator with spectrum market share higher than subscriber market share
- ▶ Nationwide fiber network and optimum spectrum to enable best LTE experience

- ▶ UEFA Champions League and Europe League Turkey media rights
- ▶ Nationwide coverage through IPTV and satellite
- ▶ Rich content library

- ▶ Nationwide fixed voice services
- ▶ Additional benefits (data packages, home security and other 3<sup>rd</sup> party benefits)
- ▶ VOIP available

### Turkcell

- ▶ Fiber infrastructure in 15 out of 81 cities
- ▶ Wholesale customer of Türk Telekom

- ▶ Incumbent mobile operator

- ▶ English Premier League broadcasting rights
- ▶ No satellite platform
- ▶ Limited access

- ▶ Wholesale customer of Türk Telekom
- ▶ VOIP available

### Vodafone

- ▶ Wholesale customer of Türk Telekom

- ▶ Number two mobile operator

- ▶ No Home TV

- ▶ Wholesale customer of Türk Telekom
- ▶ VOIP available

Other operators' data are from their own publications and ICTA report

# The Most Diversified Product Portfolio

Unique position in convergence

## Robust ARPU Generation

Q1 '17 ARPU

Mobile

Broadband

Pay TV

Fixed Voice

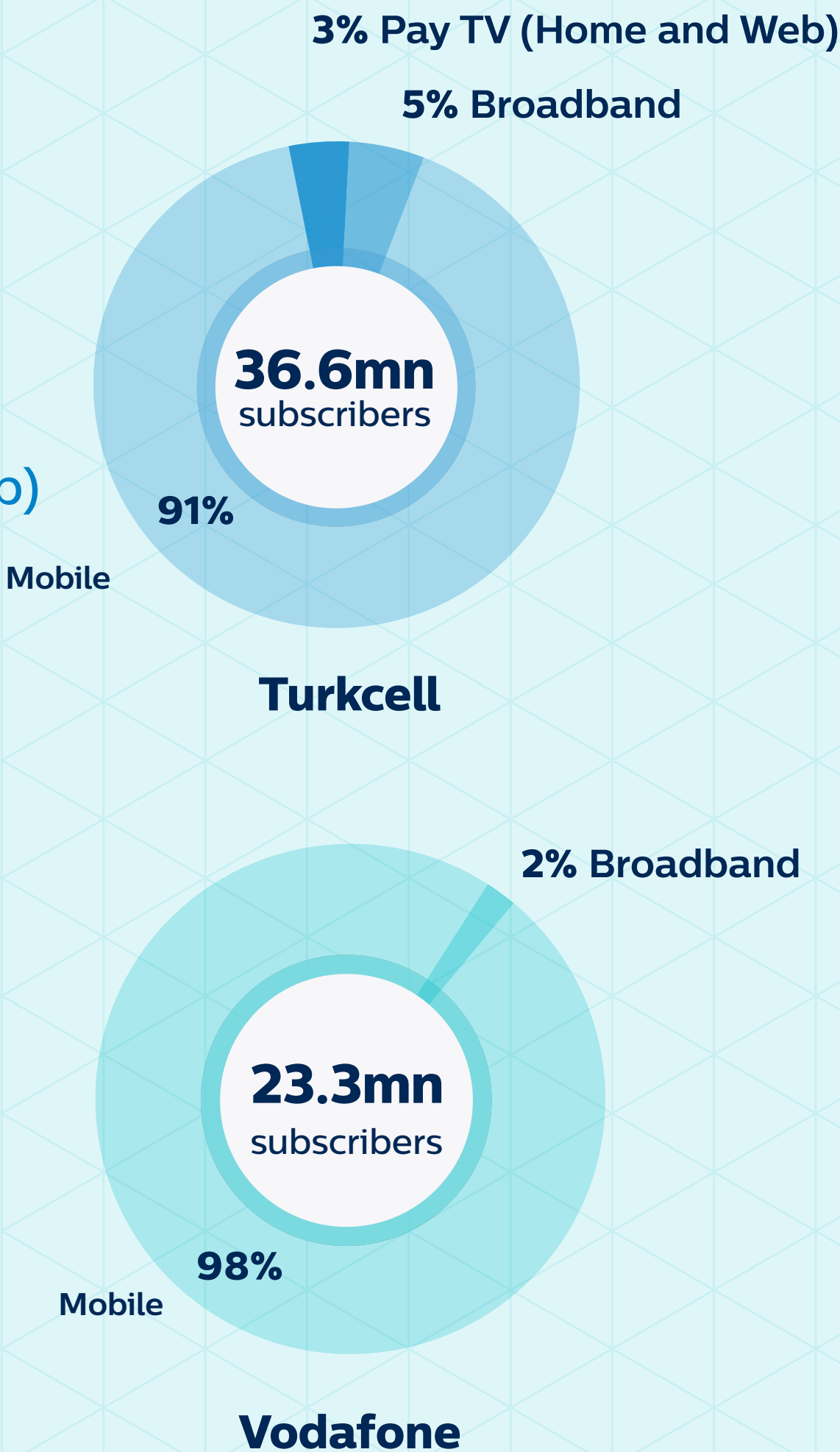
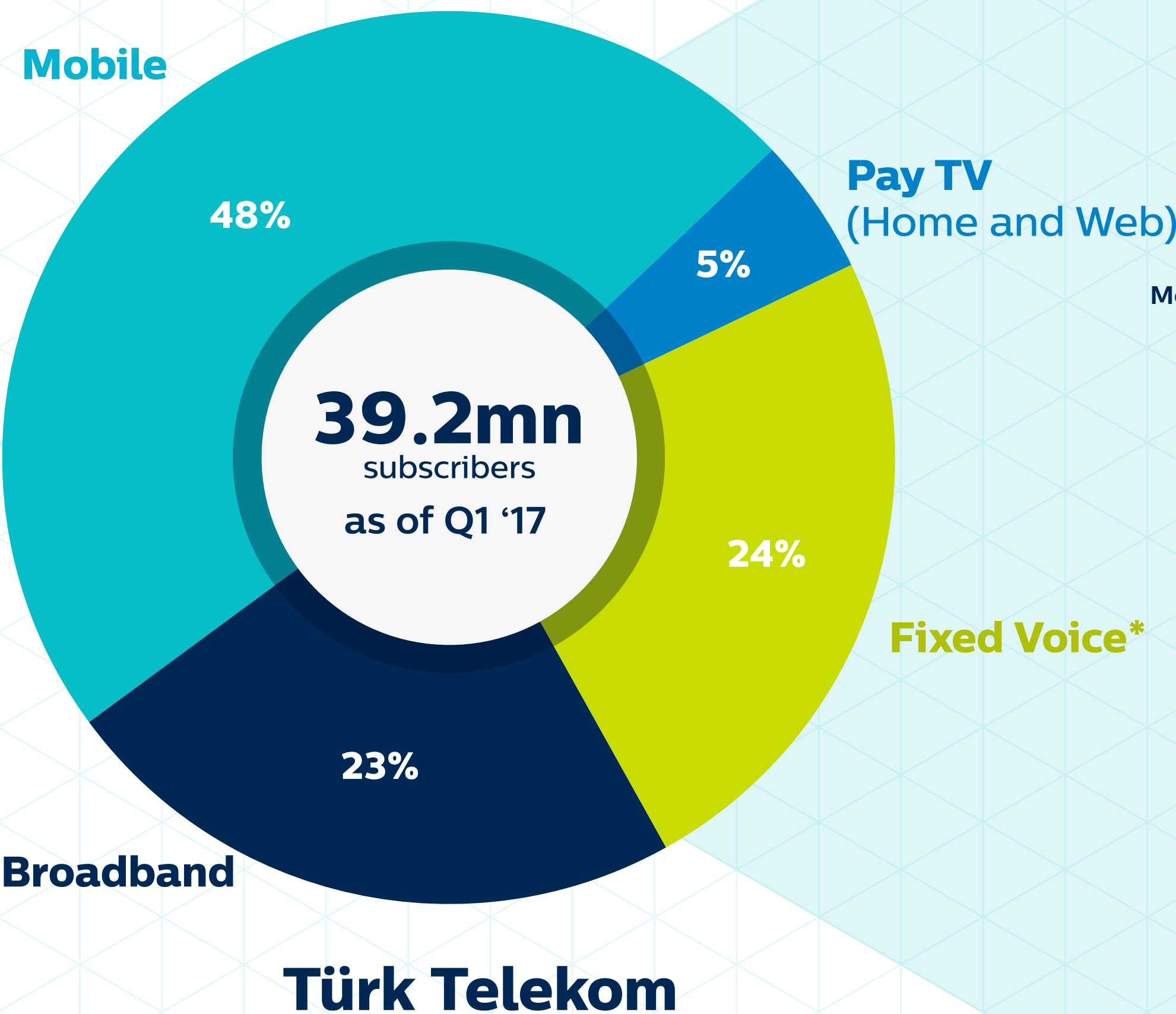
Türk Telekom

TL 26.7

TL 45.0

TL 17.9

TL 23.1



Other operators' data are from their own publications as of Q1 '17  
\*VOIP is not included.

# Türk Telekom's Digital Service Portfolio

## Turkey's Most Preferred Value Added Services



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

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



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

Turkey's most preferred and loved digital music platform with millions of Turkish and foreign songs to download and to listen in HD quality, and numerous videos



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

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



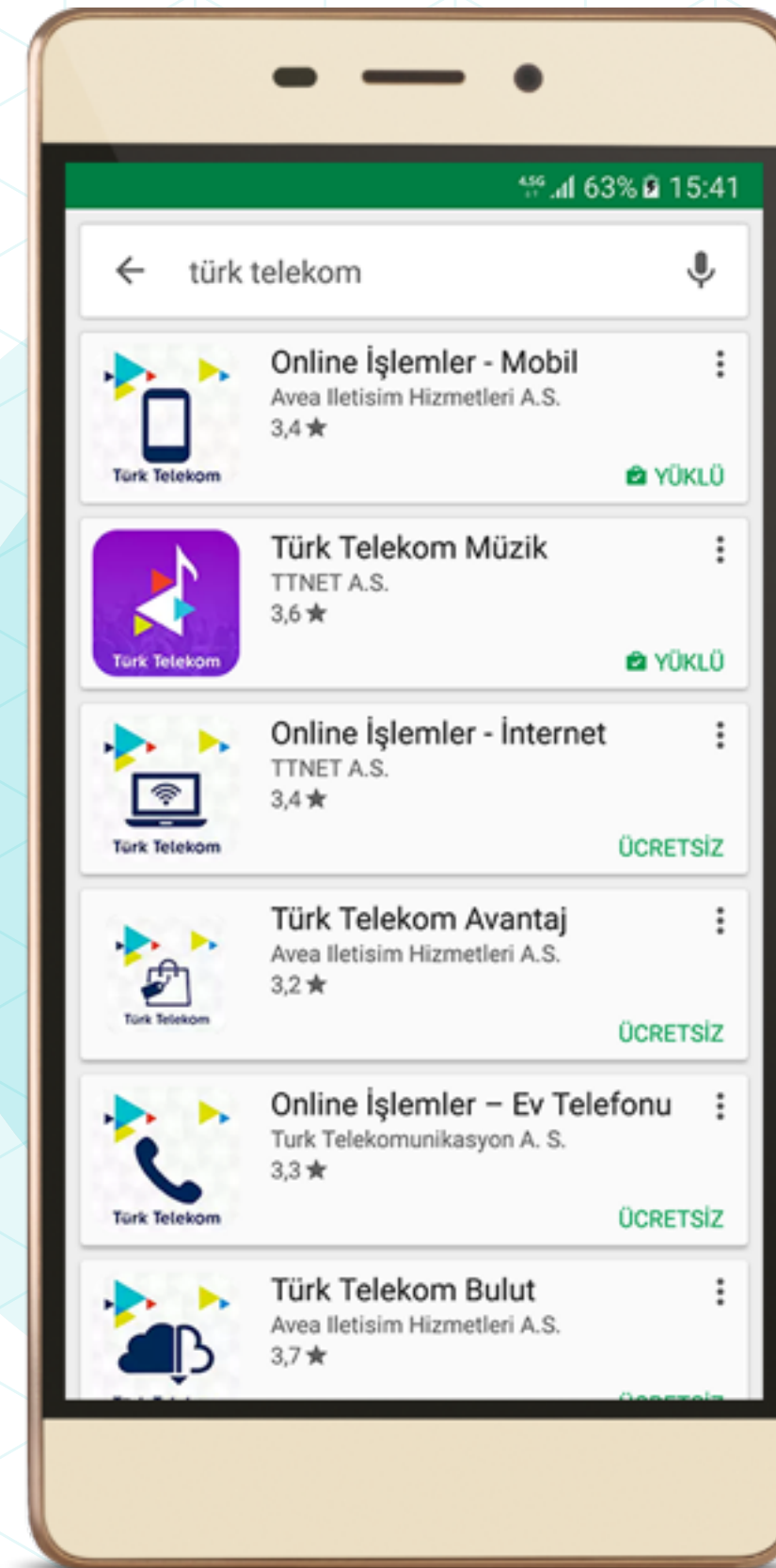
### Turkey's First Interactive Education Platform Launch: 2008

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



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

Turkey's widest broadband network by covering 5K WiFi hotspot points and giving service more 2.5K Turkish Airlines flights



**Türk Telekom Mobile Payment Service;** Mobile Payment is a service that enables Türk Telekom mobile customers to pay easily, quickly and securely via mobile phones.

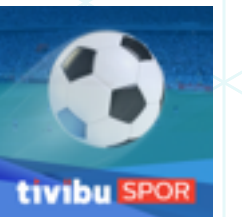
### Turkey's Domestic OTT Messaging Platform: **Wirofon** Launch: 2008

Türk Telekom's HD videocall, OTT messaging and VoIP platform which enables operator independent usage of Turk Telekom PSTN minutes on mobile devices.



### 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 Online Technology Magazine Platform: **TT Mobile Magazine** Launch: 2013

Turkey's online magazine with a wide selection of technology tips, special devices and mobile application researches



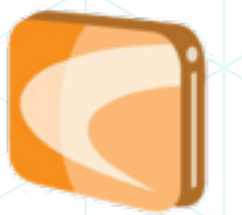
### Turkey's Most Comprehensive Security Platform: **TT Security** Launch: 2009

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



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

Türk Telekom's cloud storage solution exclusive for Türk Telekom broadband subscribers



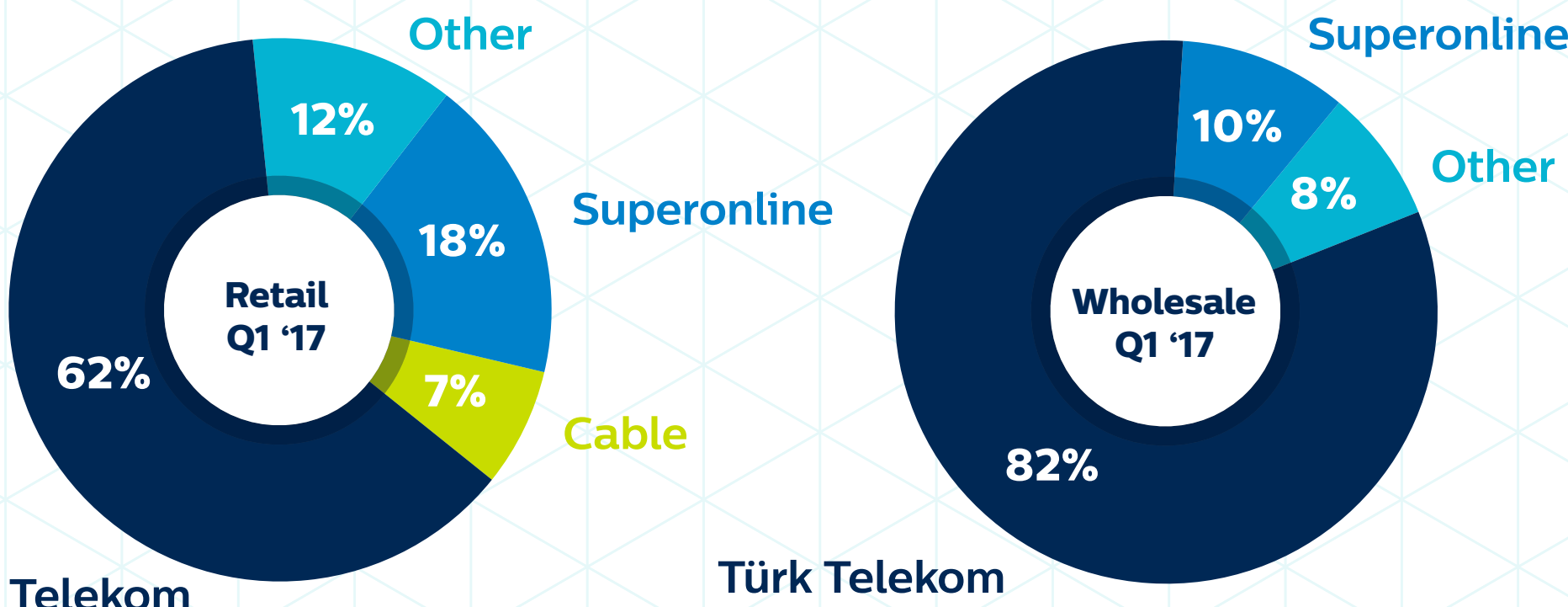
Türk Telekom has **40+ mobile applications**, and **200+ value added services**. In near future will launch **"Selfy & Prime"** applications to support segments' digital strategies, **"Life is Simple with Internet"** application to increase internet literacy and **Launcher** application to provide exclusive TT branded smartphone usage.

# Business Lines



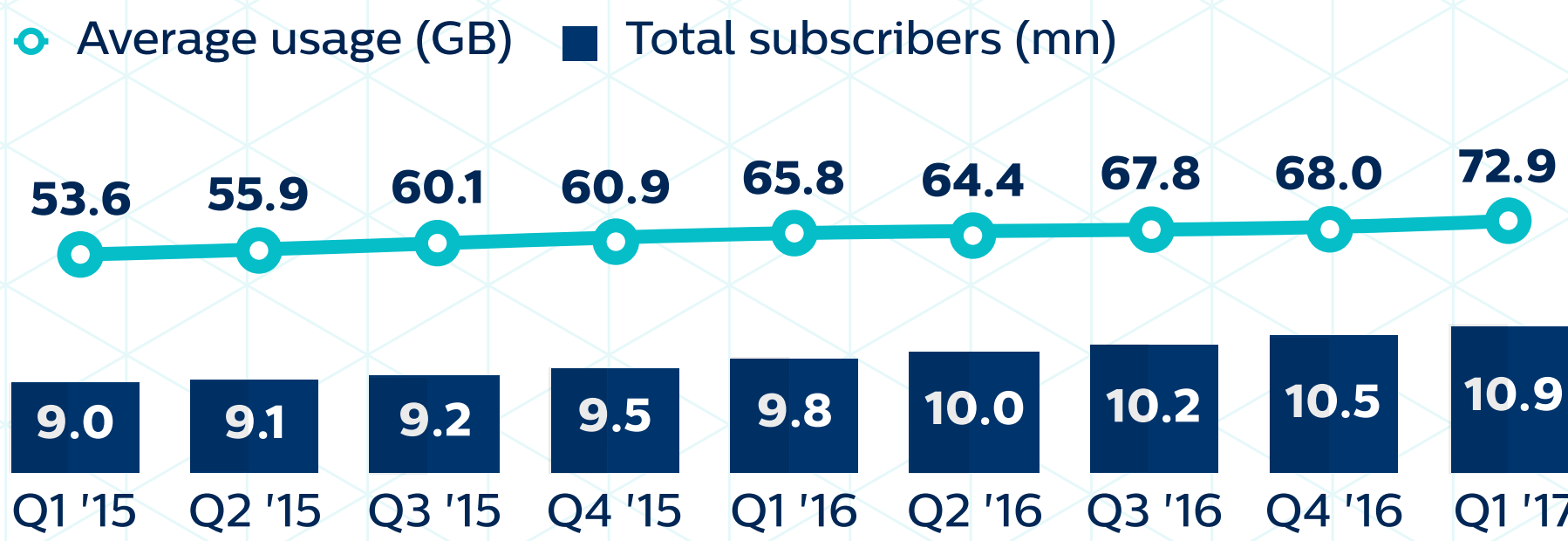
# Fixed Broadband Market

## Subscriber Market Share

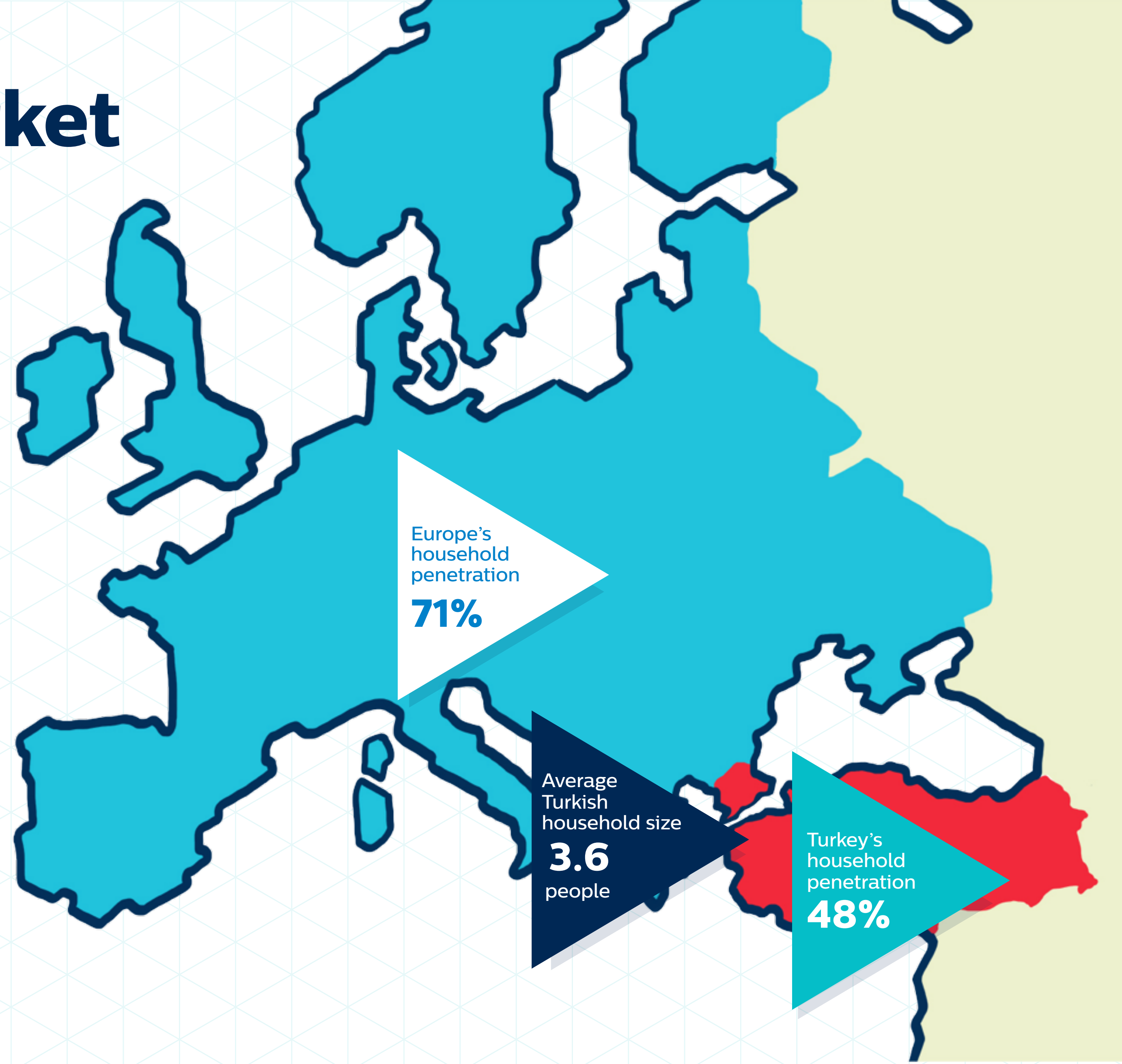


Source: Other operators' data are from ICTA Q1 '17 report

## Subscribers & Avg. Monthly Data Usage



Source: ICTA Q1 '17 report



Source: Analysys Mason, Q4 '16 CEE&WE Telecom Matrix, TR data is from ICTA, Q1 '17 Market Report  
European countries include DK, LT, SP, CZ, SL, SK, BG

# Fixed Broadband Performance

## ARPU & Subscribers

○ ARPU (TL) ■ Subscribers (mn)



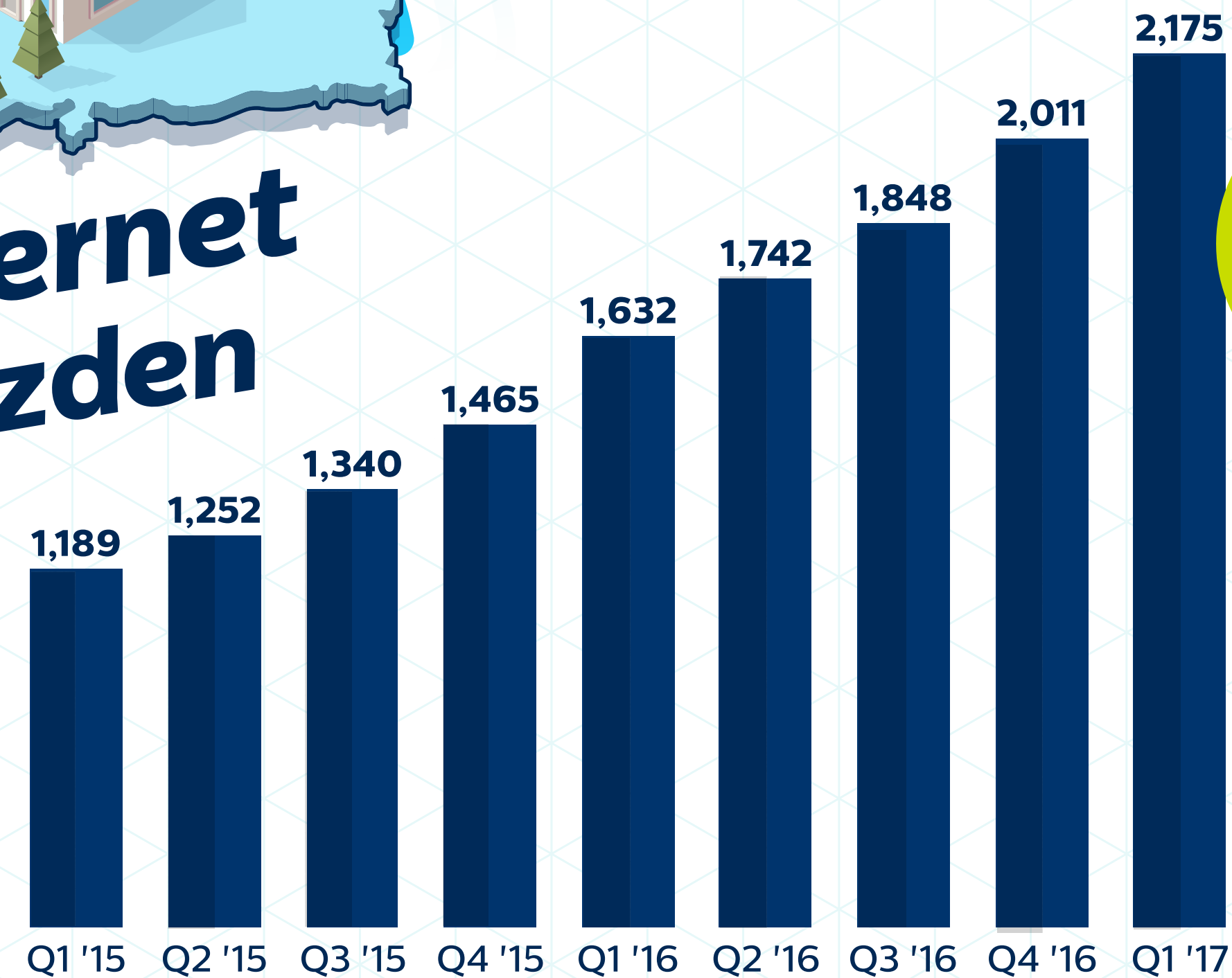
**218k**  
net  
additions  
in Q1



**Internet  
Bizden**

## Fiber Subscribers

(thousand)



**164k**  
net  
additions  
in Q1

FTTH/B

41%

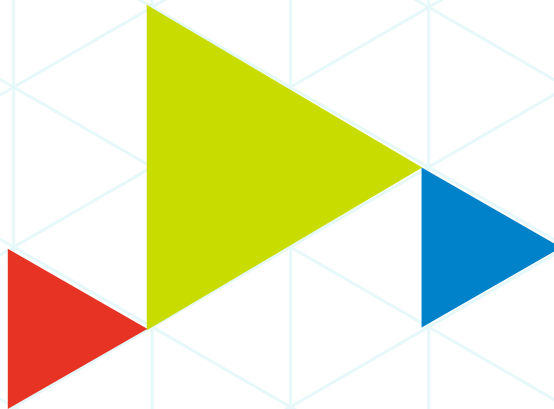
59%

FTTC

FTTH/B & FTTC tariffs have same prices for a given speed/quota



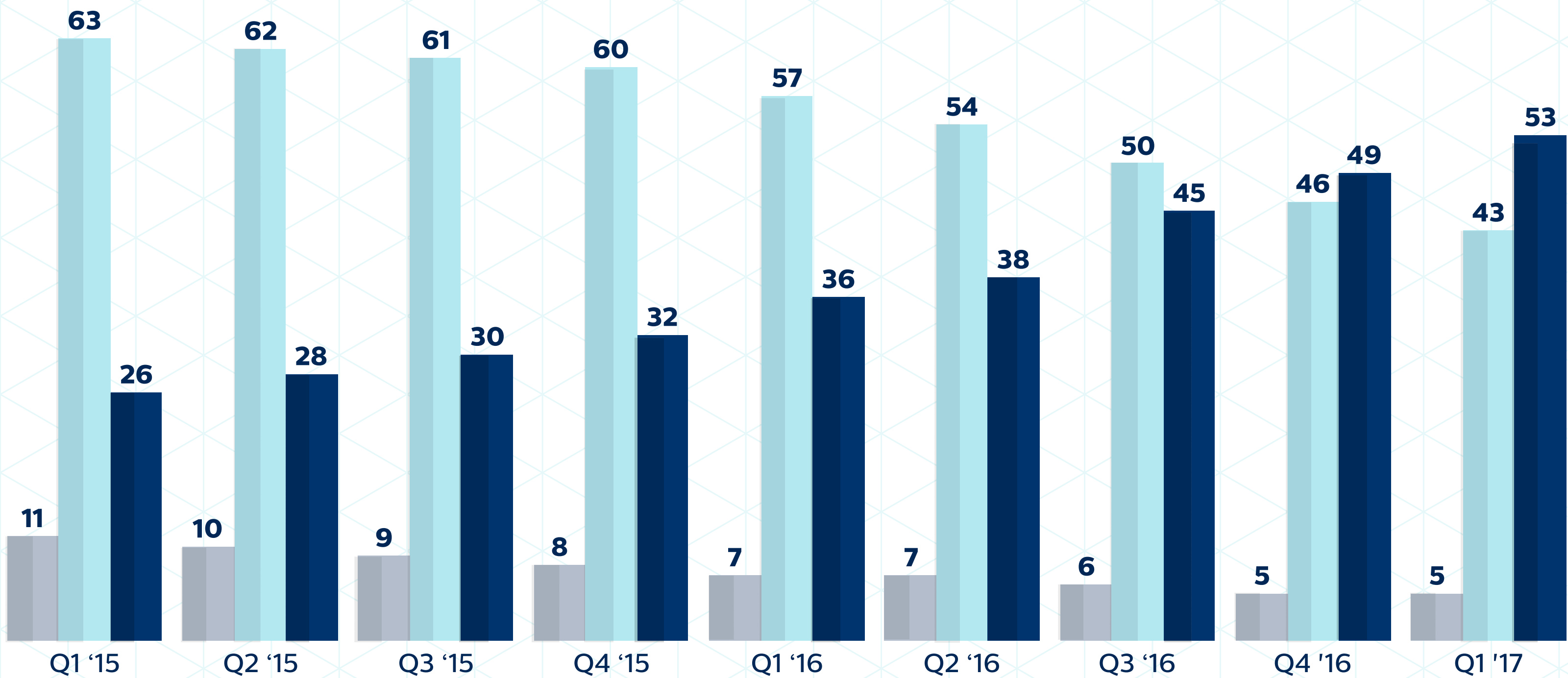
# Upselling Dynamics in Fixed Broadband



## Capacity Breakdown

(% of Subscribers)

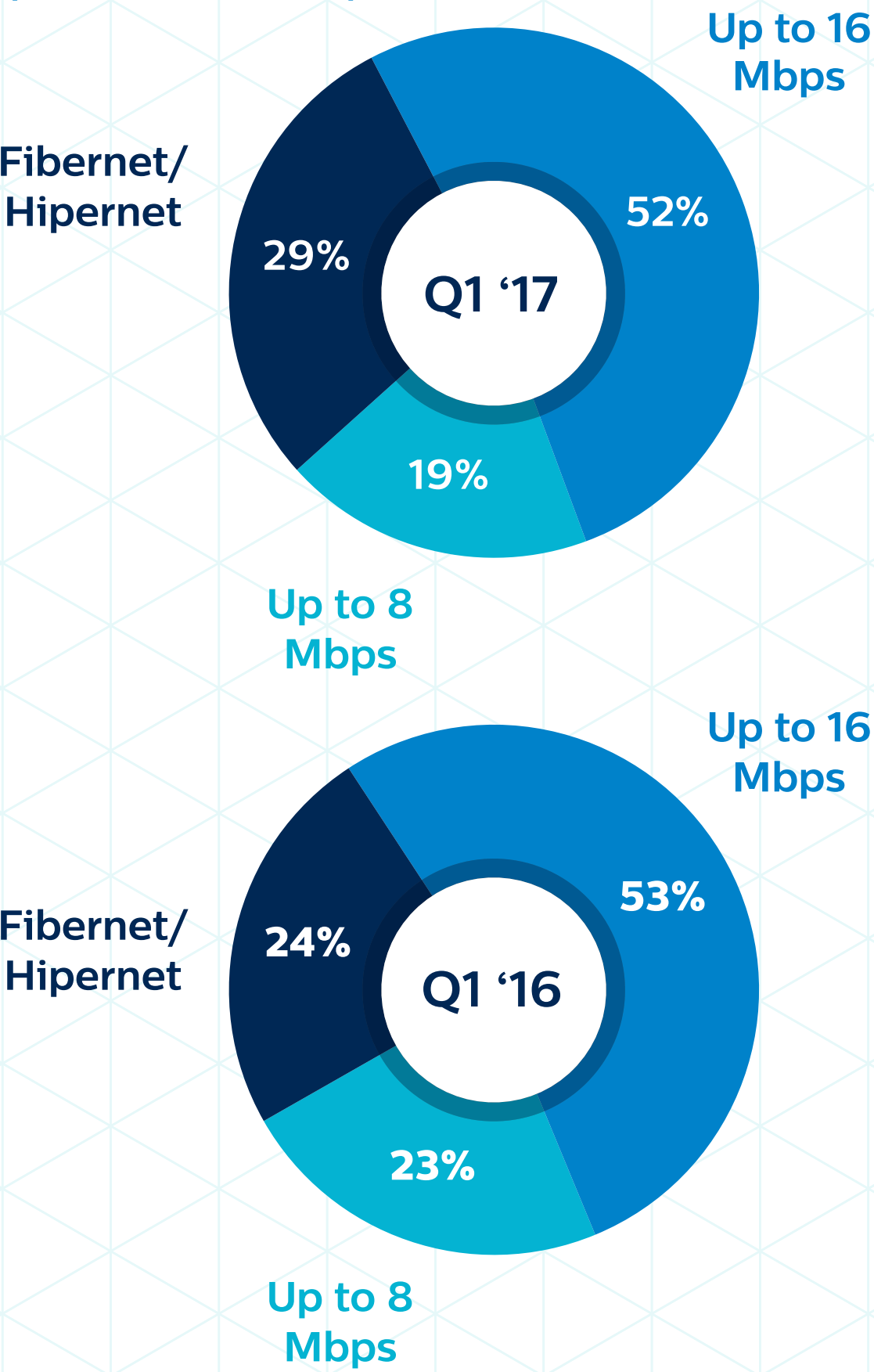
■ 25 GB & Below ■ 25 to 50 GB ■ Above 50 GB



All figures are based on Türk Telekom's retails subscribers

## Speed Breakdown

(% of Subscribers)



# Nationwide Fiber

Türk Telekom Fiber Network



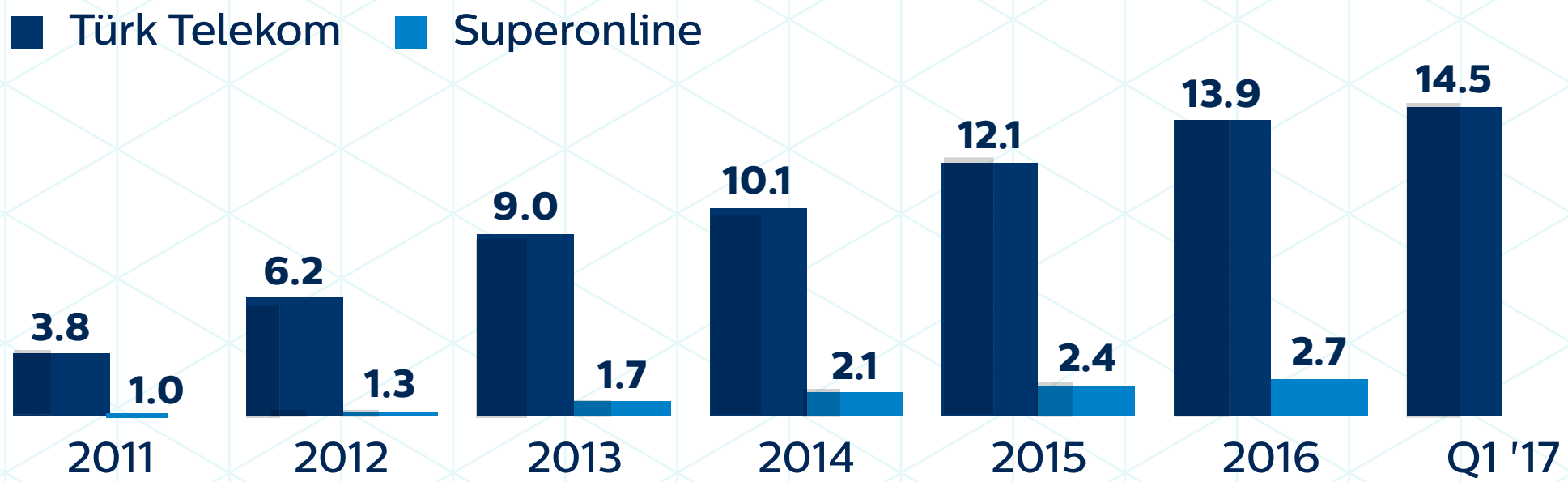
Superonline Fiber Network



37.2K km fiber length  
Wholesale customer of Türk Telekom

## Fiber Homepass

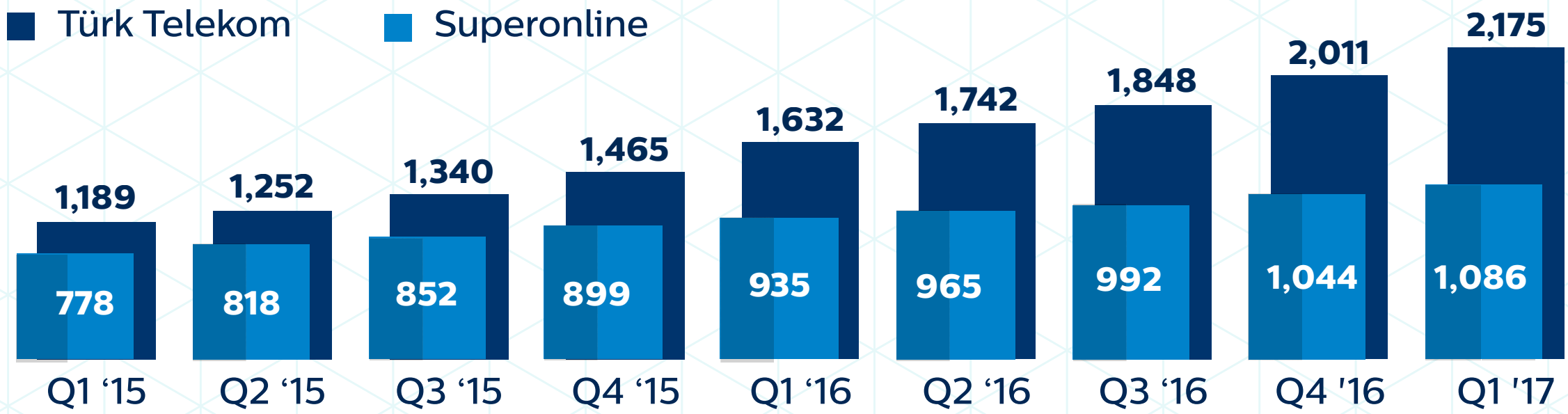
(mn)



Fiber homepass includes FTTH/B & FTTC

## Fiber Subscribers

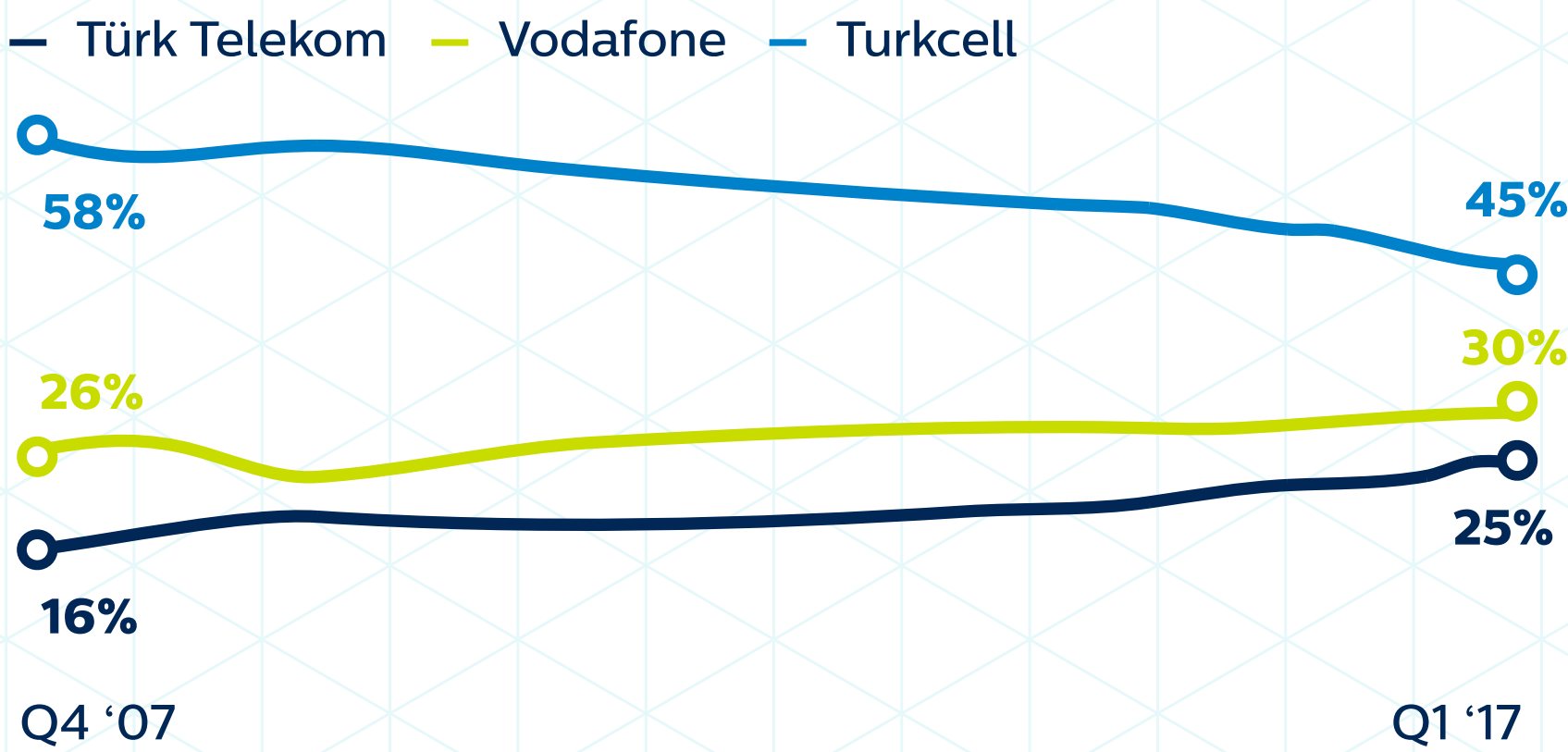
(thousand)



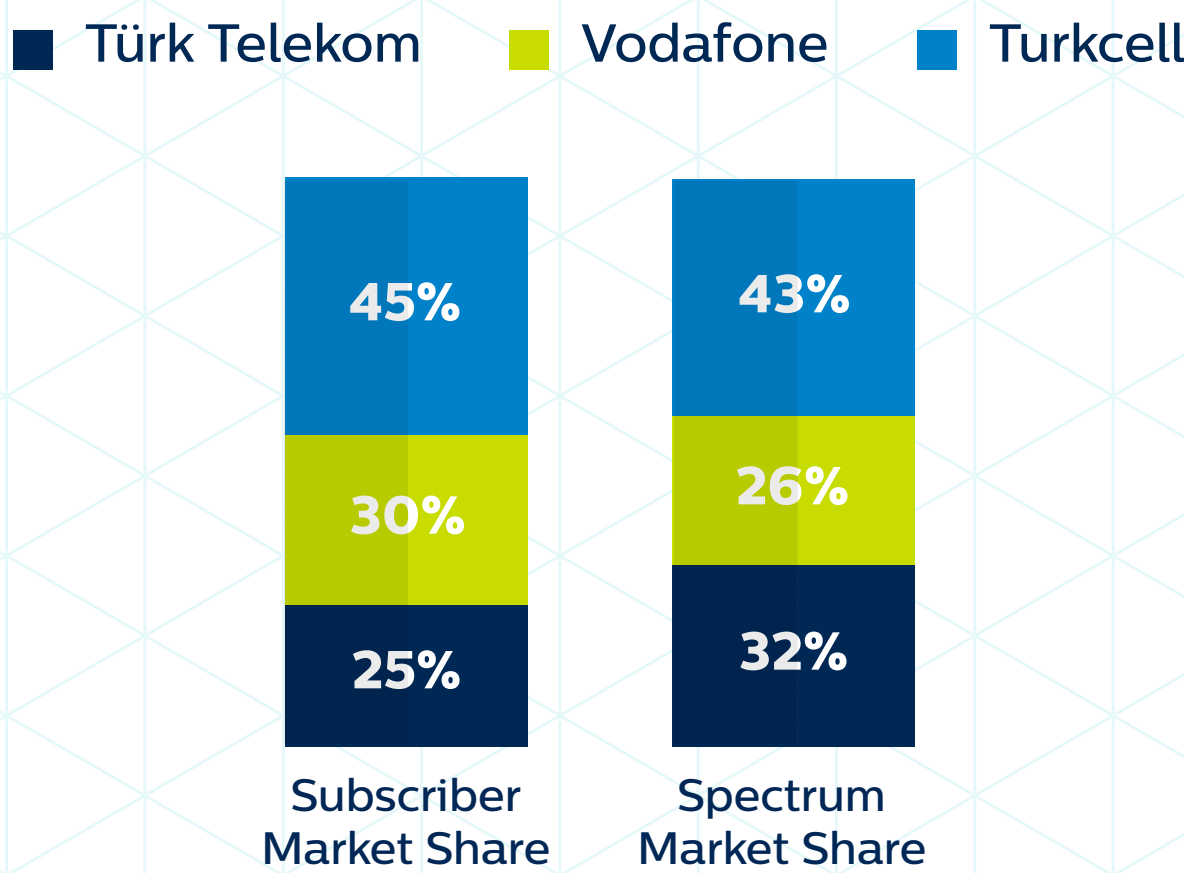
Fiber subscribers include FTTH/B & FTTC subscribers

# Mobile Market

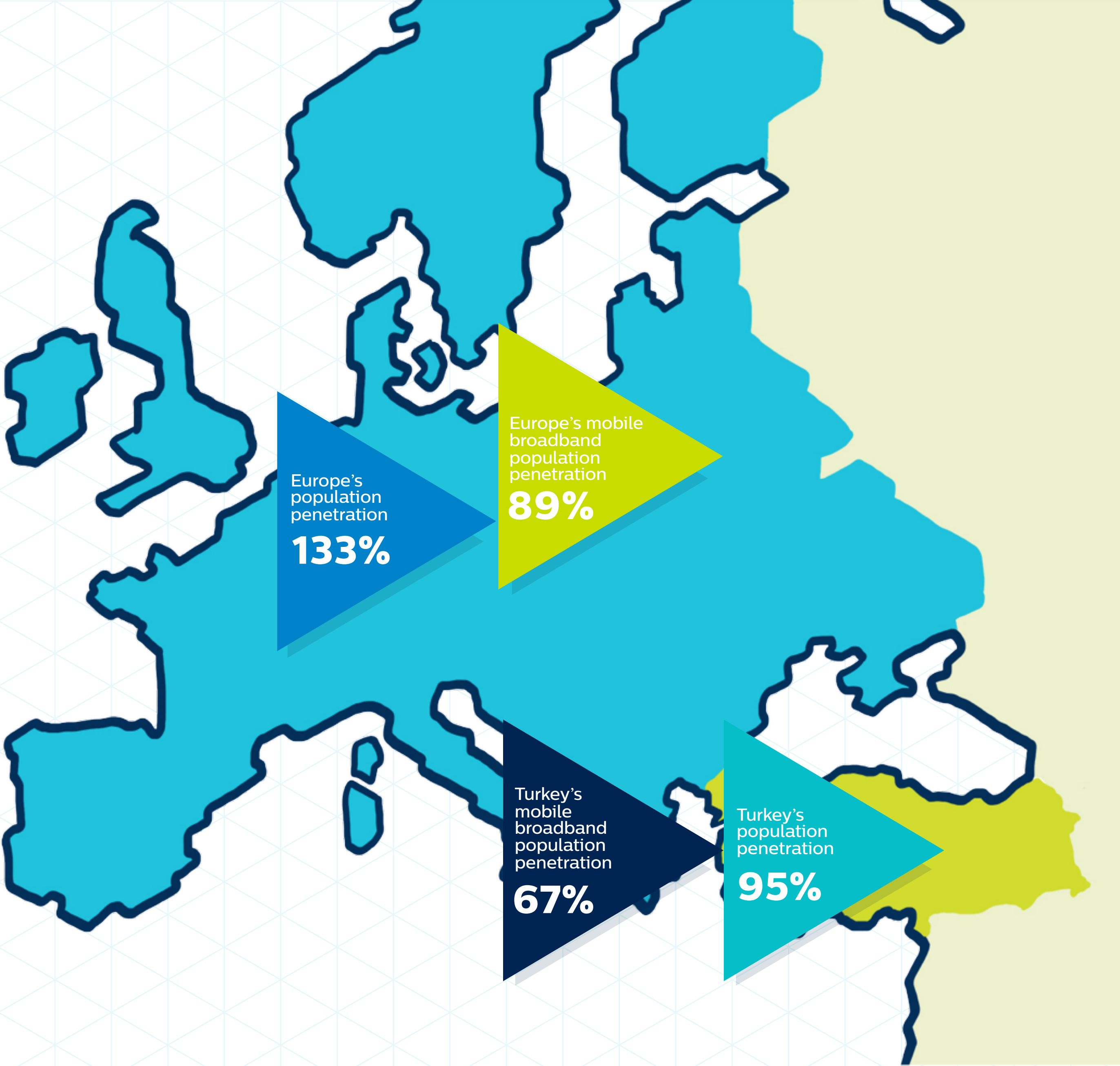
## Subscriber Market Share



## Subscriber vs. Spectrum Market Share



Other operators' data are from their own publications as of Q1 '17



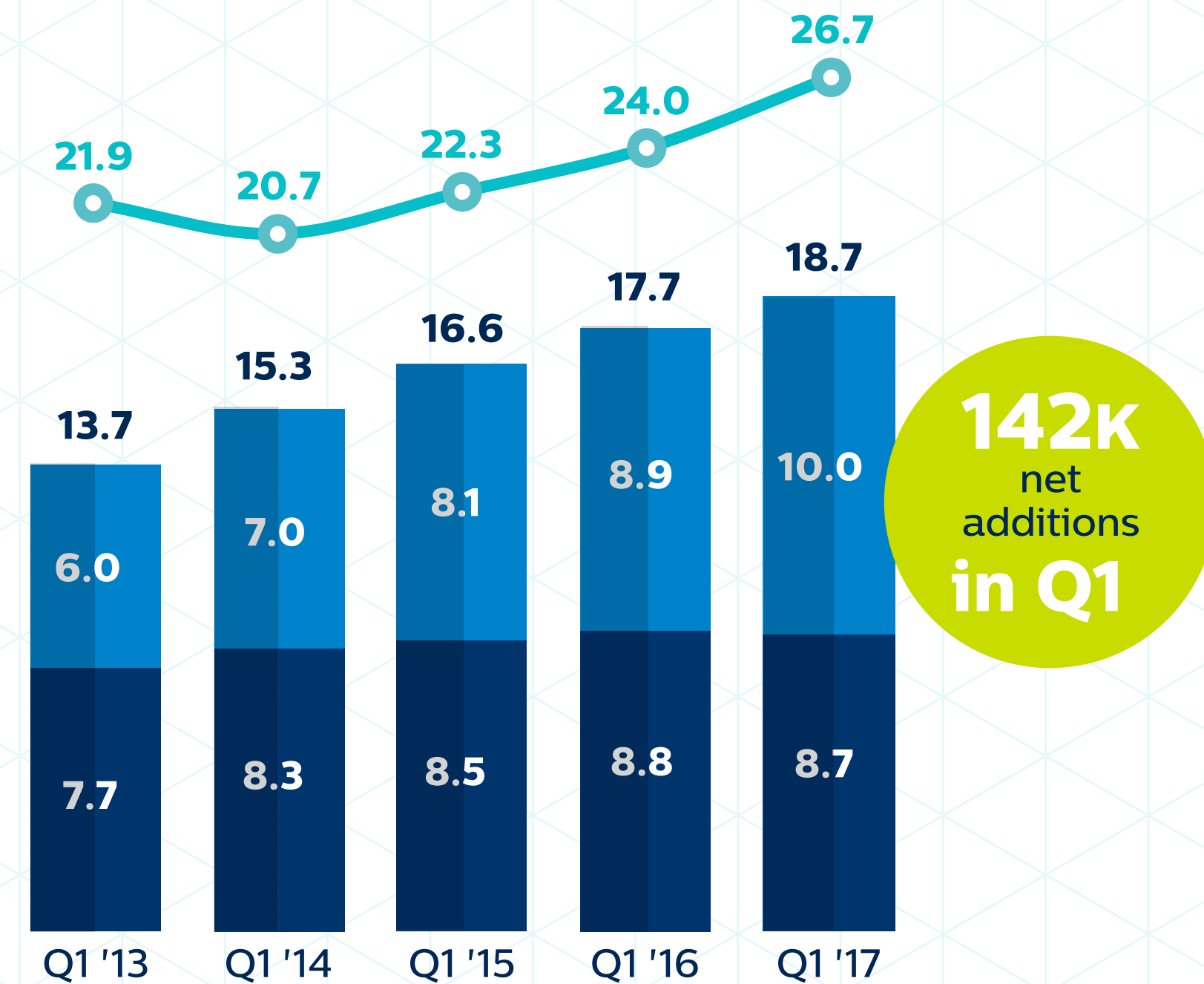
Source: ICTA, Q1 '17 Market Report  
European countries include: FIN, DEN, GRE, AUS, SWE, POR, SWI, IT, GER, NOR, BEL, UK, NL, SP, FR

# Mobile Performance

## Growing ARPU & Subscribers

Blended ARPU (TL)

Prepaid (mn) Postpaid (mn)

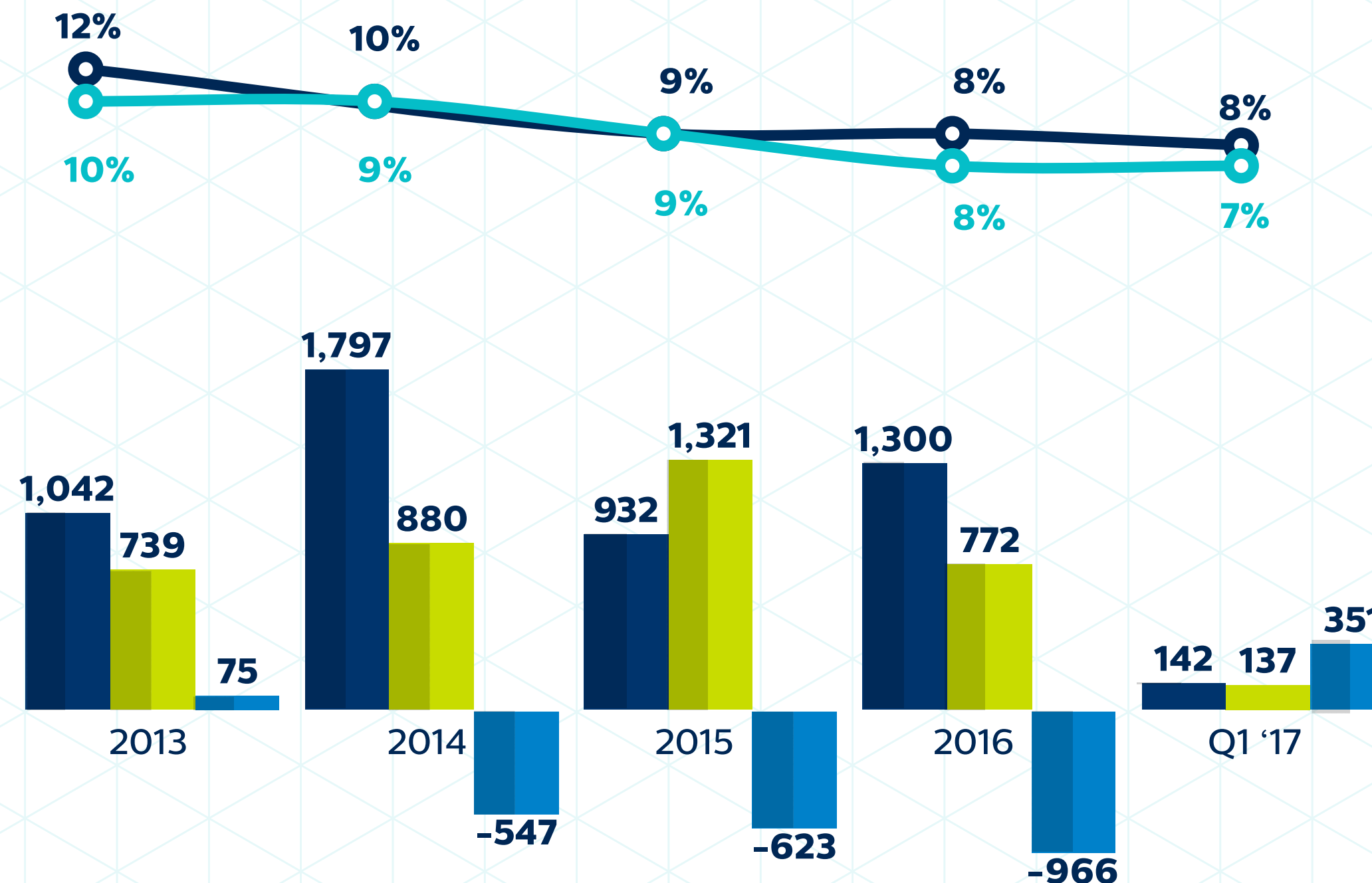


## Net Subscriber Addition & Churn Rate

Türk Telekom Vodafone Turkcell

Market Quarterly Avg. Churn Rate

Türk Telekom Quarterly Avg. Churn Rate



Other operators' data are from their own publications.

# LTE Key Metrics

**75%**  
LTE population  
coverage

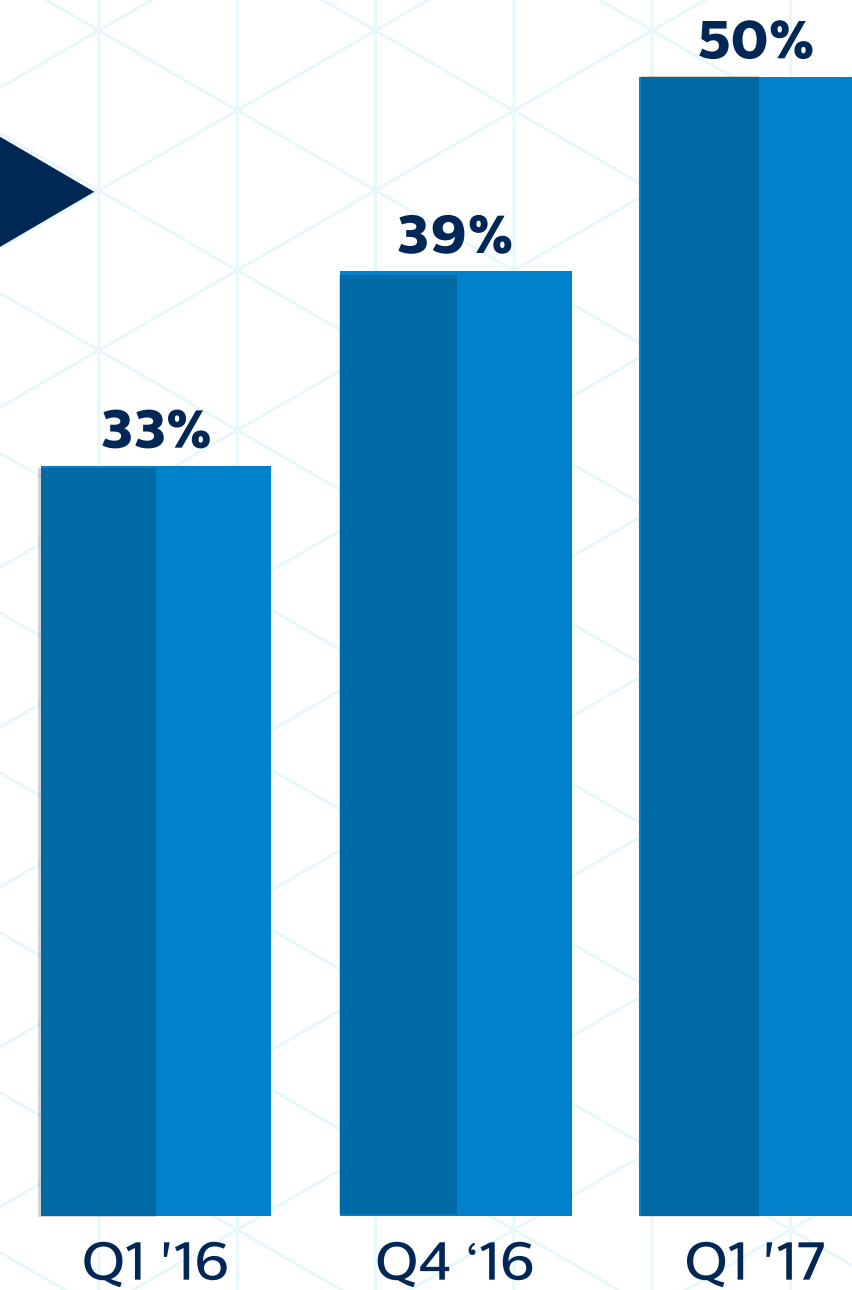
**57%**  
of smartphone  
users on LTE devices

**~70%**  
of LTE base stations  
fiber-connected

# Monetizing Data

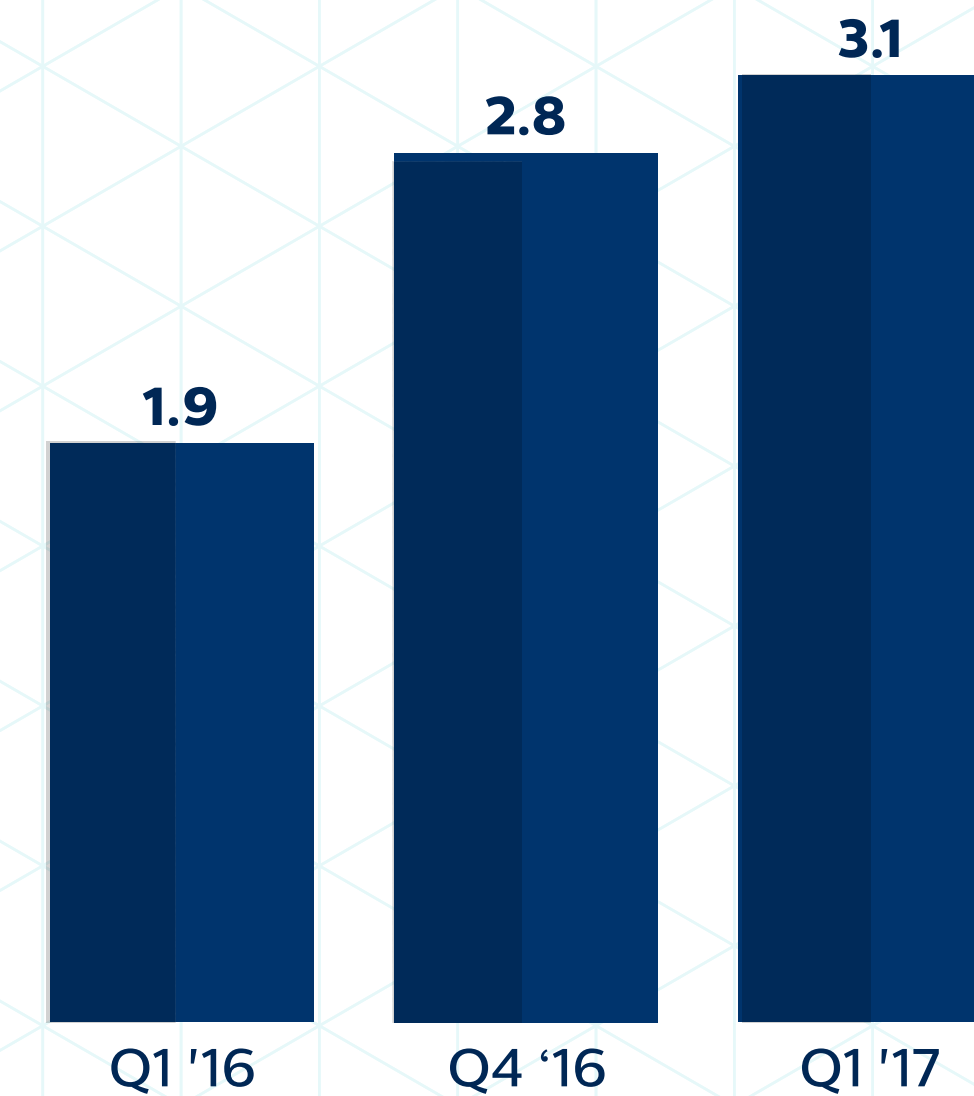
## Data Revenue

(Service revenue shares)



## Avg. Monthly Mobile Data Usage

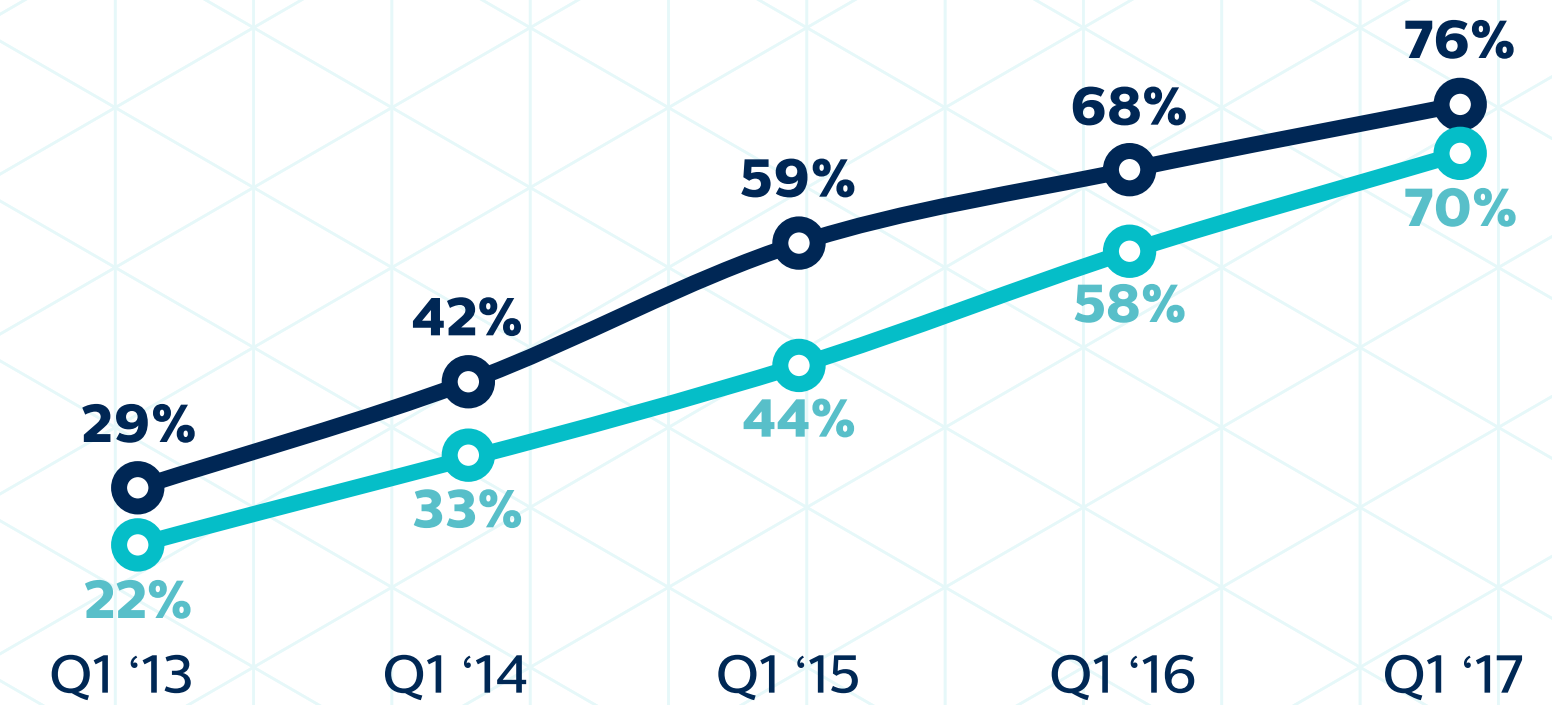
(GB per user<sup>1</sup>)



(1) Türk Telekom smartphone users

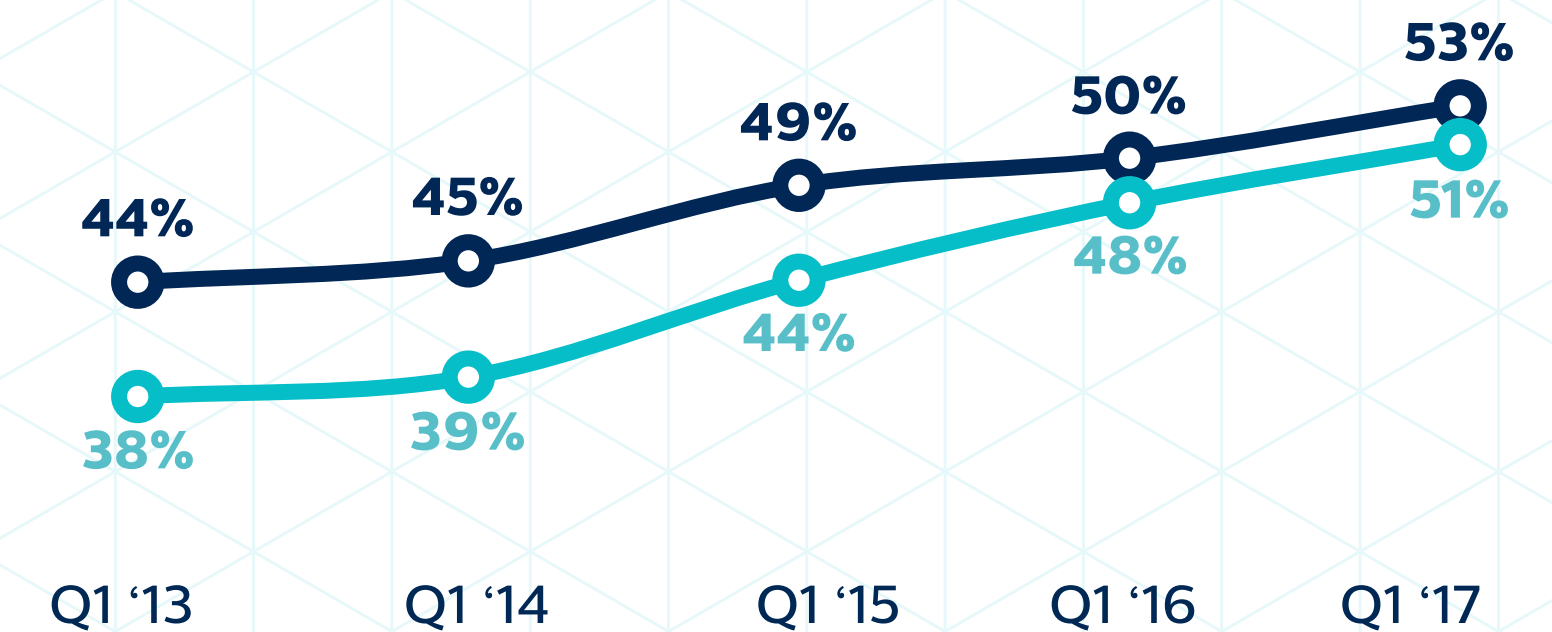
## Smartphone Penetration

Rest of the Market Türk Telekom



## Postpaid Ratio

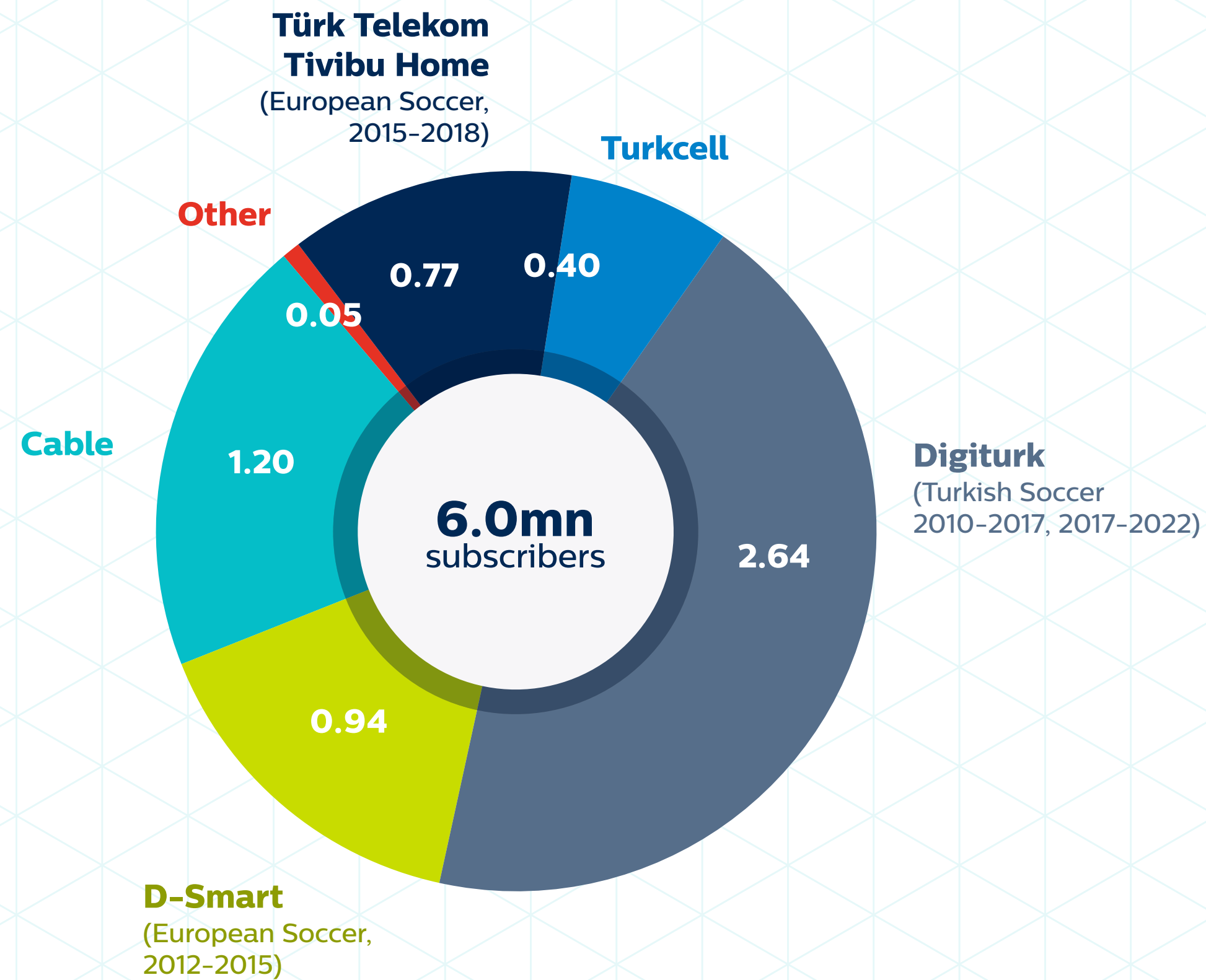
Rest of the Market Türk Telekom



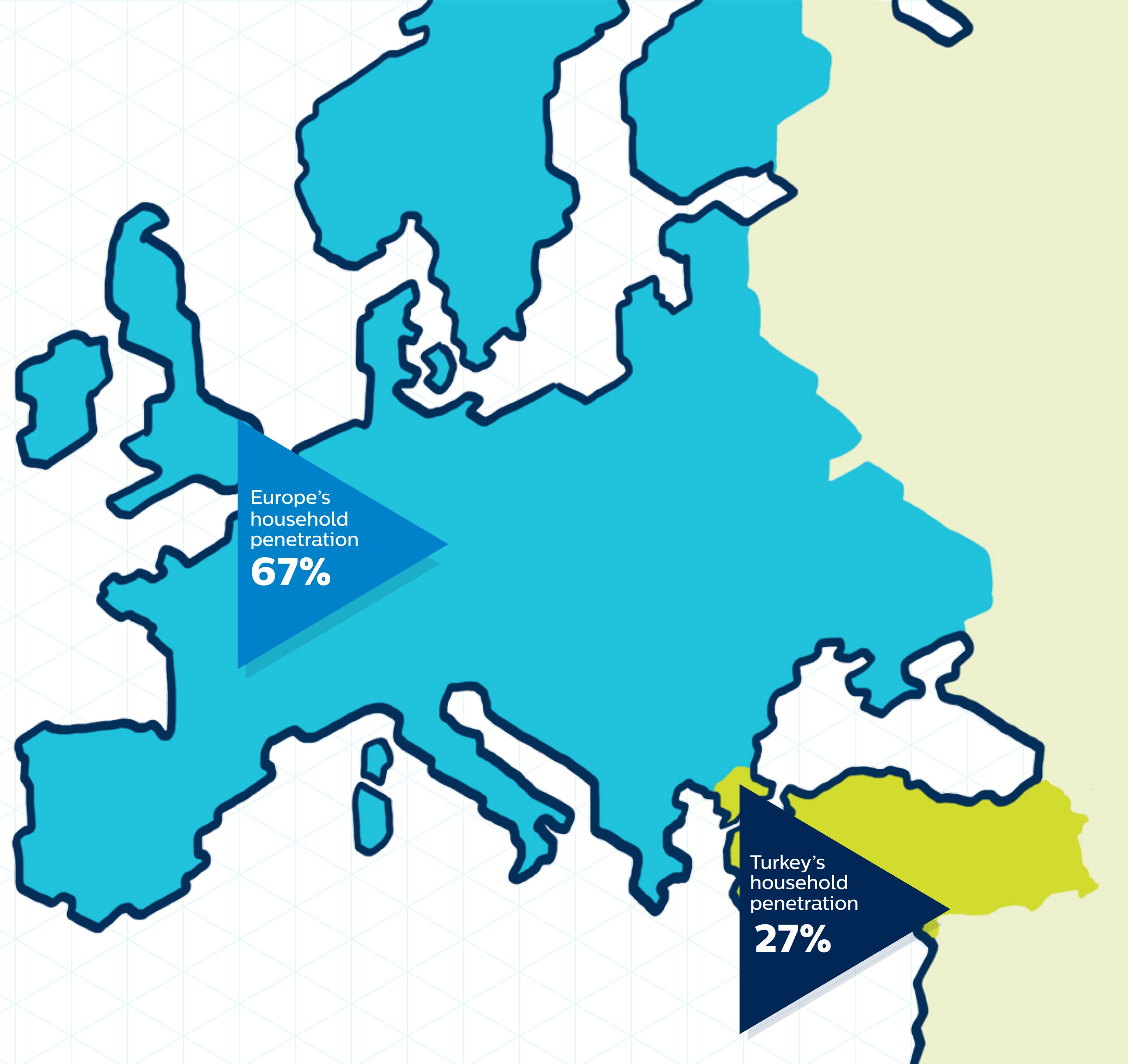
# Pay TV Market

## Subscribers

(mn)



Source: ICTA Q1 '17 report



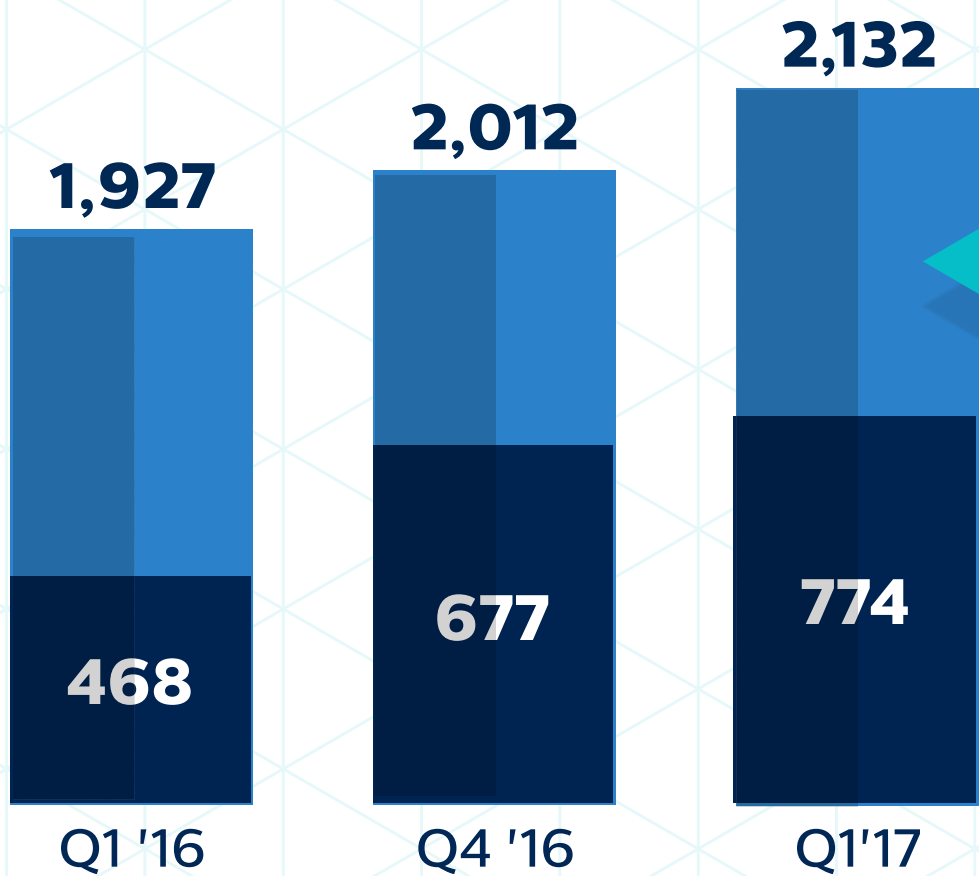
Source: Analysys Mason, Pay-TV quarterly Metrics, Q4 '16 Report  
European countries include FR, DE, IE, IT, PT, ES, UK, SWE

# TV Performance

Türk Telekom Tivibu

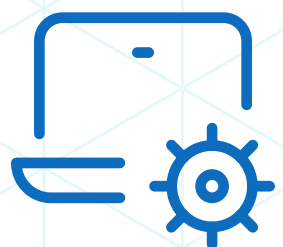
## Subscribers (thousand)

■ Tivibu Go ■ Tivibu Home



Q1 Tivibu  
Home ARPU  
**TL 17.9**

**97K** net additions in Q1 '17  
in Tivibu Home



### Technology



### Exclusive Content

#### Türk Telekom

IPTV + DTH

- ▶ Champions League
- ▶ UEFA Europe League

#### Turkcell

IPTV

English Premier League

#### Digiturk

DTH

Turkish Soccer League

#### D-Smart

DTH

None

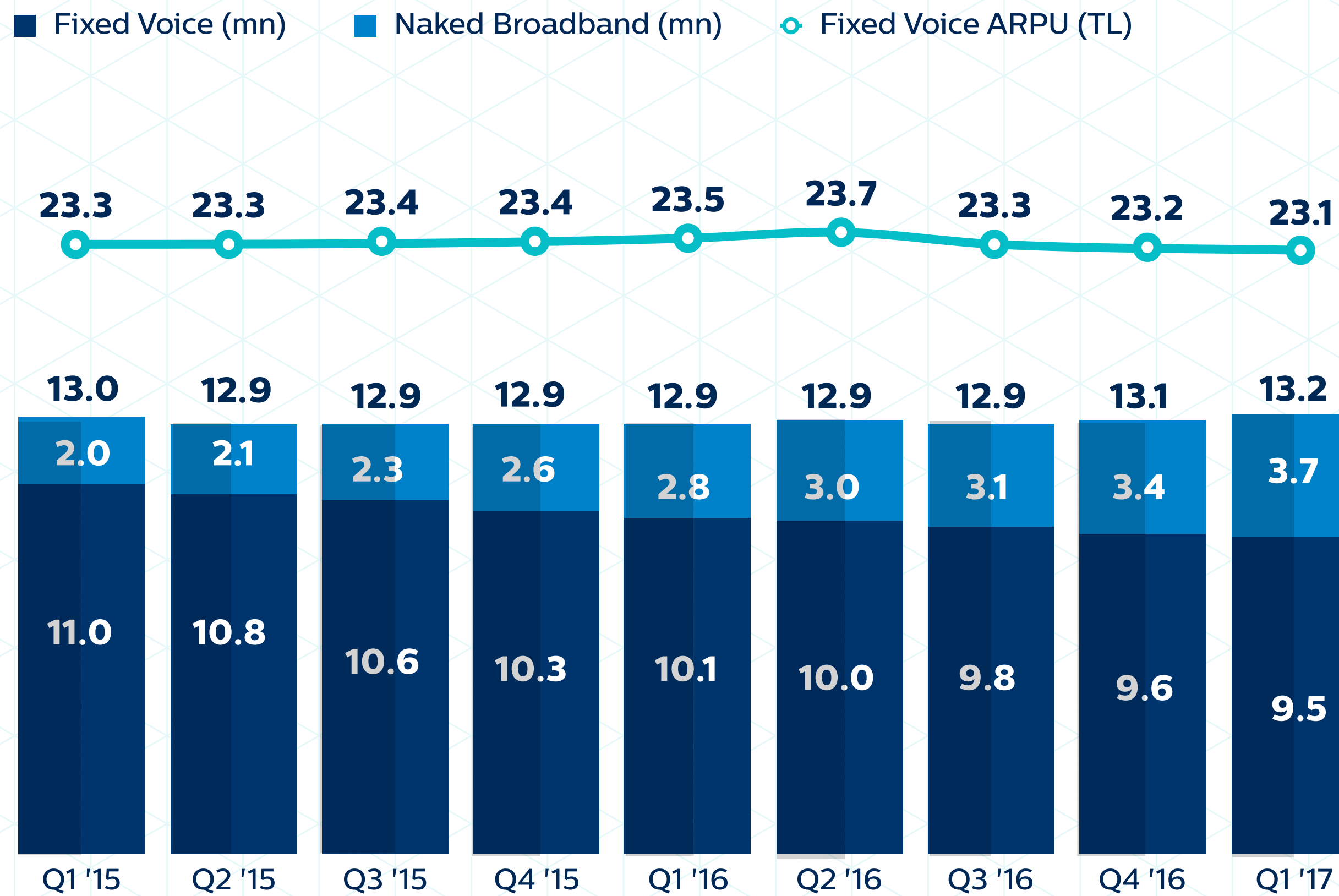
#### Cable

Cable

None

# Fixed Voice

## Access Lines and ARPU

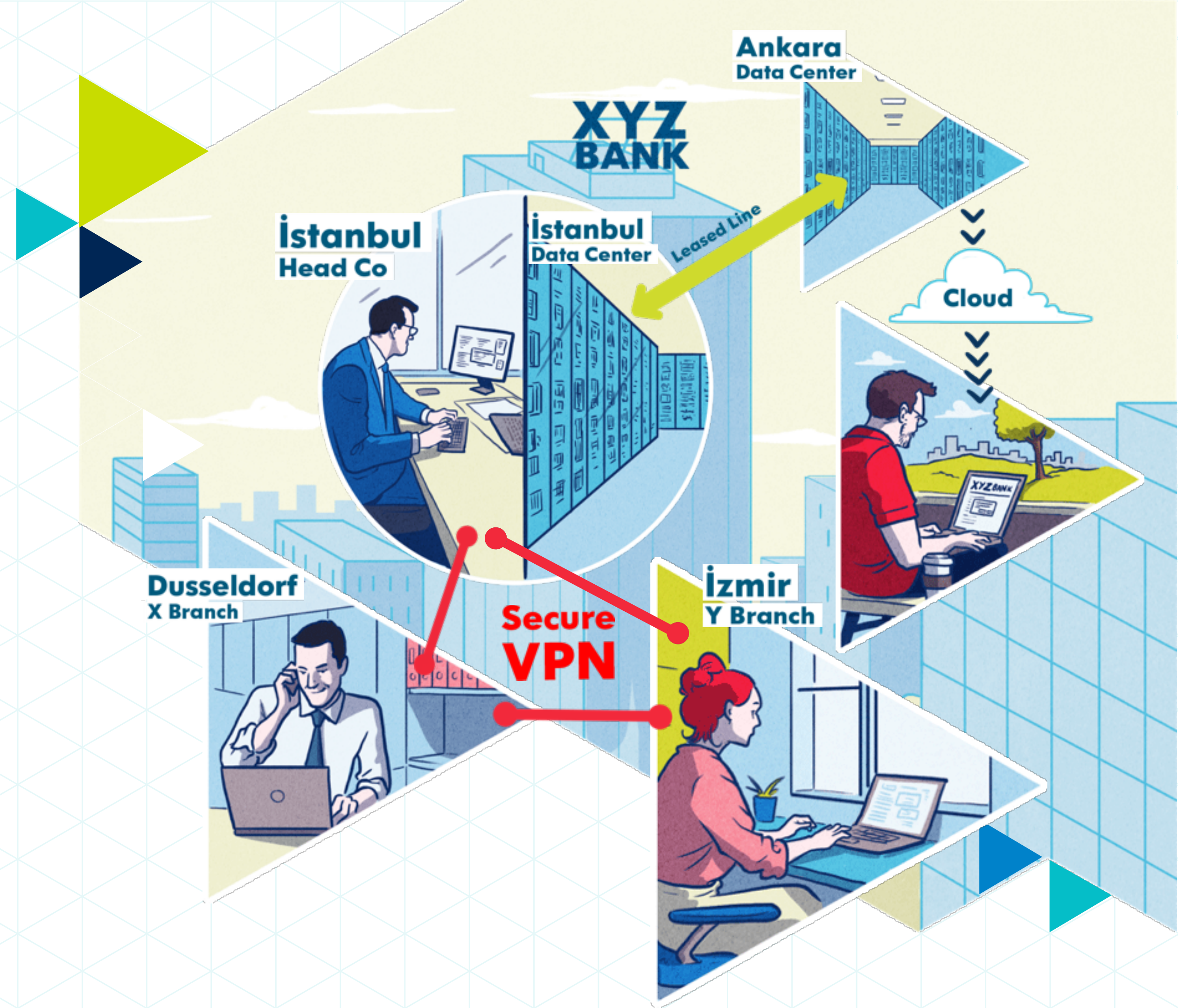
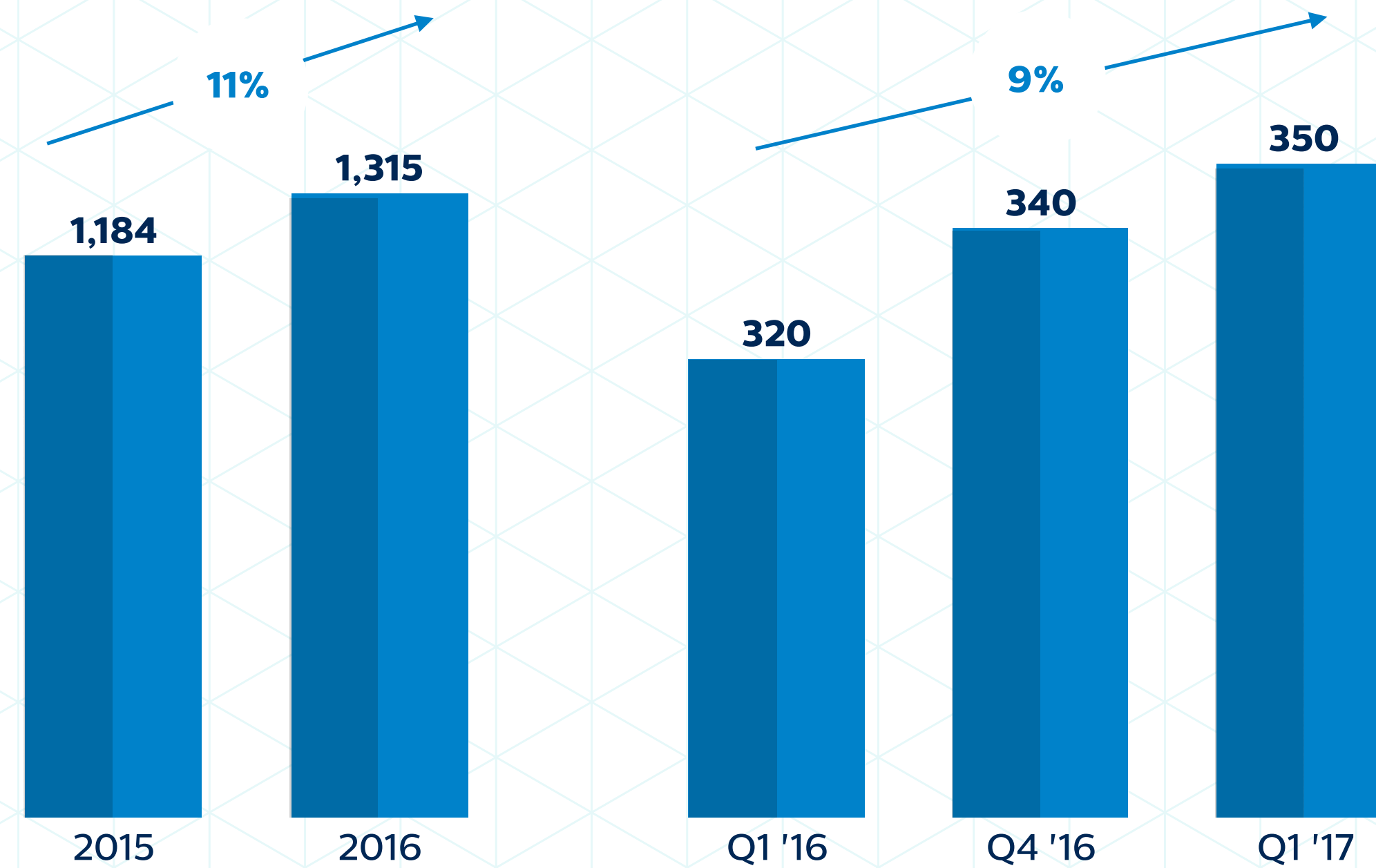


# Corporate Data

- ▶ 8% of our total revenues are generated by corporate data business in Q1 '17
- ▶ Corporate data revenue growth is mainly driven by Ttunnel revenues

## Revenues

(TL mn)





# Financials

# Summary Income Statement



(TL mn)	2016 Q1	2016 Q4	2017 Q1	YoY Change	QoQ Change
Revenues	3,801	4,250	4,307	13.3%	1.4%
EBITDA	1,262	1,434	1,528	21.1%	6.5%
Margin	33.2%	33.8%	35.5%		
Operating Profit	604	658	807	33.7%	22.7%
Margin	15.9%	15.5%	18.7%		
Financial Income / (Expense)	(30)	(2,180)	(622)	1,960.0%	(71.5%)
FX & Hedging Gain / (Loss)	76	(2,007)	(509)	n.m.	(74.6%)
Interest Income/(Expense)	(75)	(90)	(76)	1.0%	(15.4%)
Other Financial Income/ (Expense)	(31)	(84)	(37)	19.6%	(55.3%)
Tax Expense	(166)	134	(119)	(28.3%)	n.m.
Net Income	408	(1,388)	66	(83.9%)	n.m.
Margin	10.7%	n.m.	1.5%		

Note: FX Rates used in financial income/expense calculation are as follows: **March - 17:** USD/TL: 3.6386; EUR/TL: 3.9083; **December -16:** USD/TL: 3.5192; EUR/TL: 3.7099.

# Summary Balance Sheet



(TL mn)	31.03.2016	31.12.2016	31.03.2017
<b>Total Assets</b>	<b>27,840</b>	<b>26,874</b>	<b>26,702</b>
Intangible Assets <sup>1</sup>	8,064	8,341	8,480
Tangible Assets <sup>2</sup>	8,752	8,710	8,313
Other Assets <sup>3</sup>	6,383	6,806	7,273
Cash and Equivalents	4,640	3,016	2,636
<b>Total Equities and Liabilities</b>	<b>27,840</b>	<b>26,874</b>	<b>26,702</b>
Share Capital	3,260	3,260	3,260
Reserves, Retained Earnings and Other Equity Items	2,041	126	211
Interest Bearing Liabilities <sup>4</sup>	13,484	15,041	15,594
Provisions for Employee Termination Benefits	579	696	637
Other Liabilities <sup>5</sup>	8,476	7,751	7,000

(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 deferred tax asset

(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, and minority put option liability



# Summary Cash Flow Statement



(TL mn)	2016 Q1	2016 Q4	2017 Q1	YoY Change	QoQ Change
Operating Cash Flow	496	2,243	429	(13.5%)	(80.9%)
Investing Cash Flow	(460)	(1,910)	(615)	33.9%	(67.8%)
CAPEX	(468)	(1,943)	(442)	(5.6%)	(77.2%)
Other Investing Activites	9	33	(173)	n.m.	n.m.
Financing Cash Flow <sup>1</sup>	1,750	(503)	(184)	n.m.	(63.3%)
Net Change in Cash Position <sup>2</sup>	1,787	(170)	(370)	n.m.	117.6%

\*Cash flow statements include a reclassification described in Q1 '16 CMB report (note 2.2). The reclassification is applied retrospectively from Q1 '14.

(1)Includes currency translation differences

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



# Summary Revenue Breakdown



(TL mn)	2016 Q1	2016 Q4	2017 Q1	YoY Change	QoQ Change
Fixed Voice	720	675	662	(8.1%)	(2.0%)
Broadband	999	1,150	1,187	18.8%	3.3%
TV	41	50	51	23.5%	2.2%
Mobile	1,331	1,524	1,567	17.7%	2.8%
Corporate Data <sup>1</sup>	320	340	350	9.4%	2.9%
International Revenue	119	126	135	13.5%	7.0%
Domestic Interconnection	5	5	3	(35.5%)	(41.7%)
Rental income from GSM Operators	19	21	22	16.4%	4.4%
Other <sup>2</sup>	229	303	182	(20.9%)	(40.2%)
Construction Adjustment (IFRIC-12)	40	78	170	326.4%	117.2%
Eliminations	(23)	(23)	(21)	(9.1%)	(10.5%)
<b>Total Revenue</b>	<b>3,801</b>	<b>4,250</b>	<b>4,307</b>	<b>13.3%</b>	<b>1.4%</b>

(1) Includes leased line and data services

(2) Includes ICT companies, device sales, other

# Summary OPEX Breakdown

(TL mn)	2016 Q1	2016 Q4	2017 Q1	YoY Change	QoQ Change
<b>Direct Costs</b>	<b>851</b>	<b>967</b>	<b>916</b>	<b>7.7%</b>	<b>(5.3%)</b>
Interconnection	314	345	348	11.0%	1.0%
Tax	266	307	308	15.8%	0.5%
Provisions for Doubtful Receivables	88	91	113	28.3%	24.6%
Cost of Equipment and Technology Sales	117	151	78	(33.1%)	(48.0%)
Other Direct Costs	65	74	68	4.7%	(7.6%)
<b>Commercial Costs</b>	<b>452</b>	<b>425</b>	<b>390</b>	<b>(13.8%)</b>	<b>(8.3%)</b>
<b>Other Costs</b>	<b>1,201</b>	<b>1,354</b>	<b>1,323</b>	<b>10.1%</b>	<b>(2.3%)</b>
Network & Technology	362	415	439	21.2%	5.8%
Personnel	689	714	734	6.5%	2.7%
Other	150	225	150	0.2%	(33.2%)
<b>Sub Total</b>	<b>2,504</b>	<b>2,746</b>	<b>2,629</b>	<b>5.0%</b>	<b>(4.3%)</b>
Construction Cost Adjustment (IFRIC - 12)	35	69	151	327.0%	117.6%
<b>Total OPEX</b>	<b>2,539</b>	<b>2,816</b>	<b>2,780</b>	<b>9.5%</b>	<b>(1.3%)</b>

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

# Operational Highlights



	2016 Q1	2016 Q4	2017 Q1	YoY Change	QoQ Change
<b>Total Access Line (mn)</b>	<b>12.9</b>	<b>13.1</b>	<b>13.2</b>	<b>1.9%</b>	<b>0.7%</b>
-Fixed Voice Lines <sup>1</sup> (mn)	10.1	9.6	9.5	(6.1%)	(1.5%)
-Naked DSL Lines (mn)	2.8	3.4	3.7	30.7%	6.6%
<b>Fixed Voice ARPU (TL)</b>	<b>23.5</b>	<b>23.2</b>	<b>23.1</b>	<b>(1.9%)</b>	<b>(0.5%)</b>
<b>Broadband Total Subscribers (mn)</b>	<b>8.2</b>	<b>8.7</b>	<b>8.9</b>	<b>8.7%</b>	<b>2.5%</b>
-FTTH/B Subscribers ('000)	795	869	902	13.6%	3.9%
-FTTC Subscribers ('000)	838	1,143	1,273	51.9%	11.4%
<b>Broadband ARPU (TL)</b>	<b>41.1</b>	<b>44.7</b>	<b>45.0</b>	<b>9.3%</b>	<b>0.7%</b>
<b>Total Tivibu Subscribers<sup>2</sup> (mn)</b>	<b>1.9</b>	<b>2.0</b>	<b>2.1</b>	<b>10.6%</b>	<b>6.0%</b>
-Tivibu Home Subscribers <sup>3</sup> ('000)	468	677	774	65.5%	14.3%
<b>Tivibu Home ARPU (TL)</b>	<b>21.9</b>	<b>19.2</b>	<b>17.9</b>	<b>(18.3%)</b>	<b>(6.8%)</b>
<b>Mobile Total Subscribers (mn)</b>	<b>17.7</b>	<b>18.6</b>	<b>18.7</b>	<b>5.5%</b>	<b>0.8%</b>
-Mobile Postpaid Subscribers (mn)	8.9	9.8	10.0	12.1%	1.9%
-Mobile Prepaid Subscribers (mn)	8.8	8.8	8.7	(1.1%)	(0.5%)
<b>Mobile Blended ARPU (TL)</b>	<b>24.0</b>	<b>26.1</b>	<b>26.7</b>	<b>11.3%</b>	<b>2.2%</b>
Mobile Postpaid ARPU (TL)	32.1	34.0	35.0	9.2%	2.9%
Mobile Prepaid ARPU (TL)	15.4	17.1	16.9	9.9%	(0.9%)

(1) Includes PSTN and WLR Lines

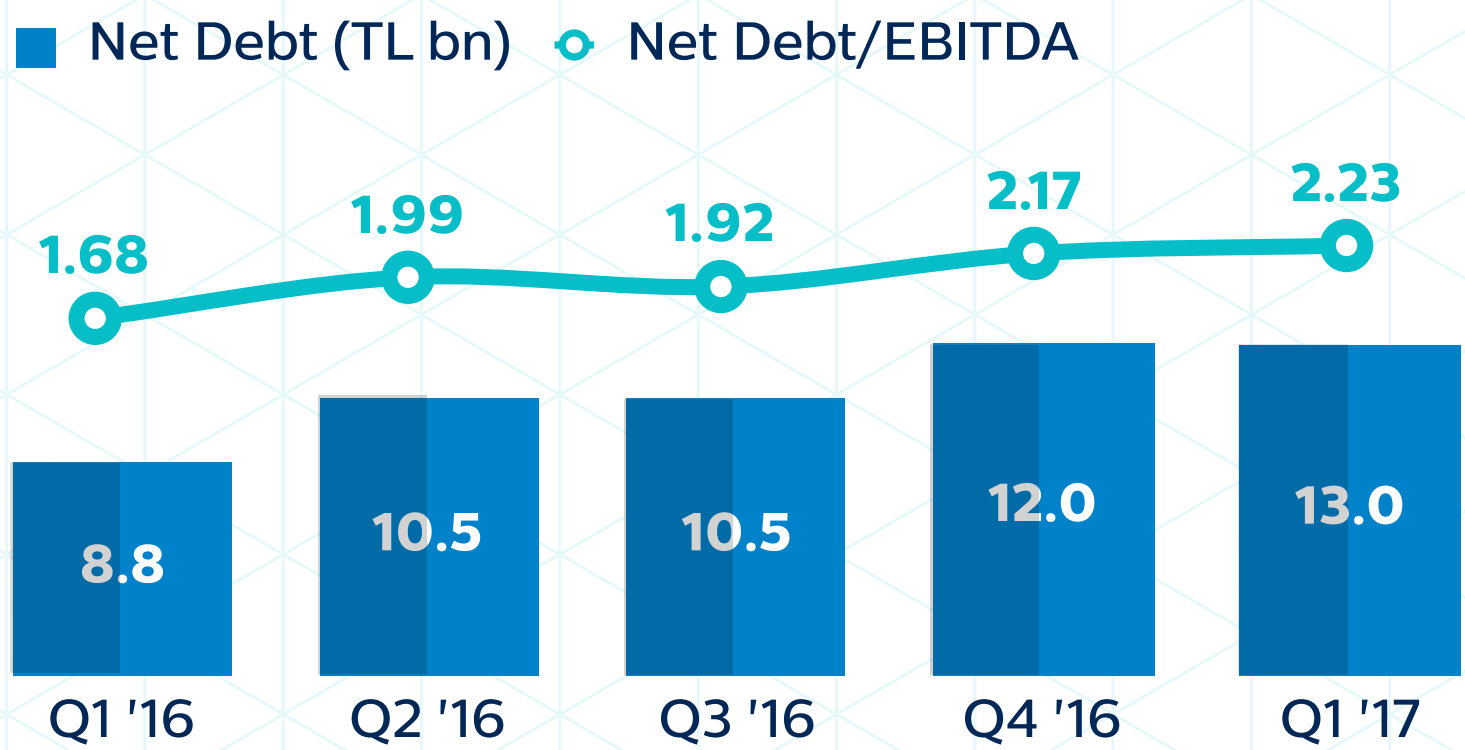
(2) Includes IPTV, DTH, and Tivibu Go (Web TV + Smart TV) subscribers

(3) Includes IPTV and DTH subscribers



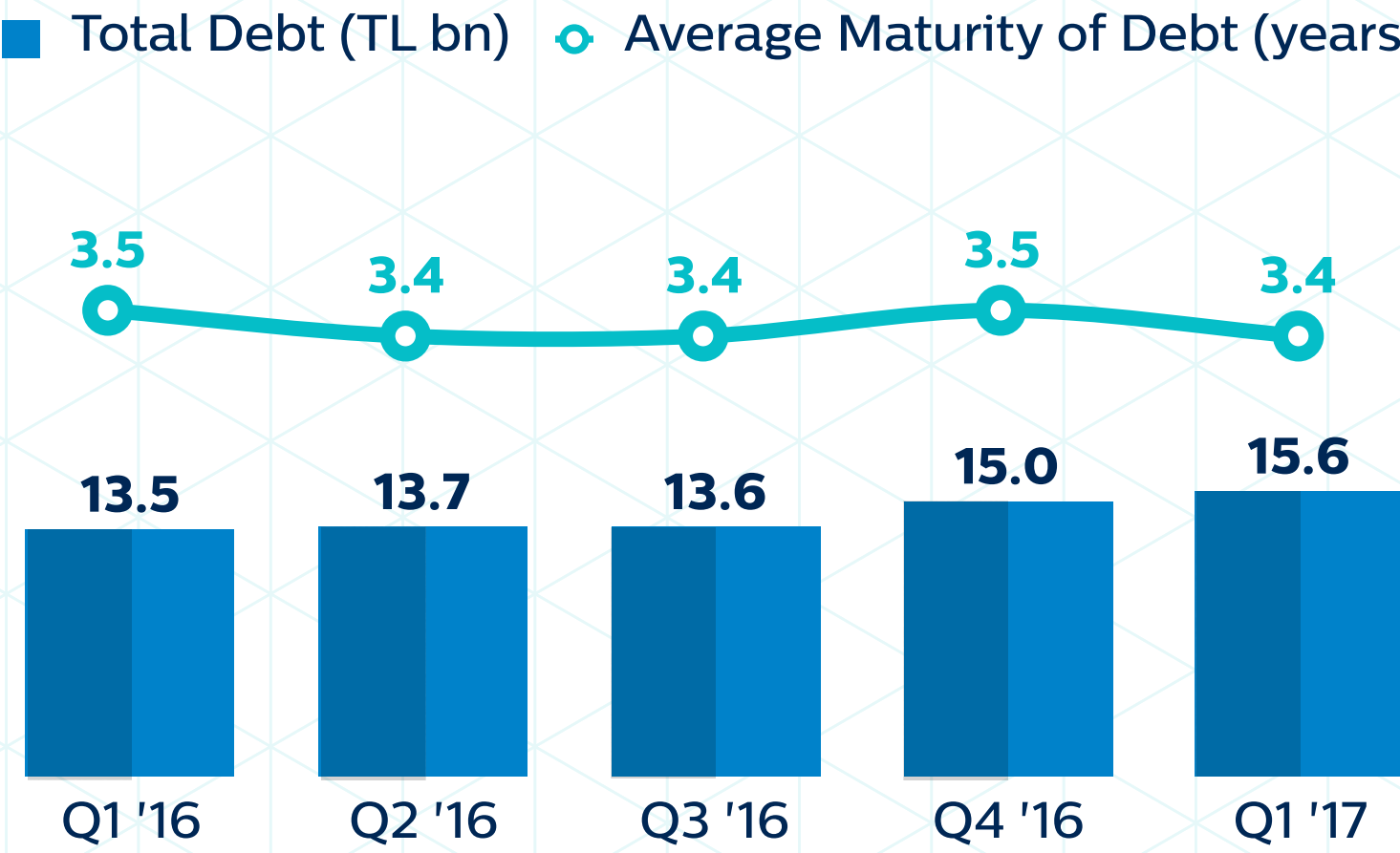
# Debt Profile

## Net Debt

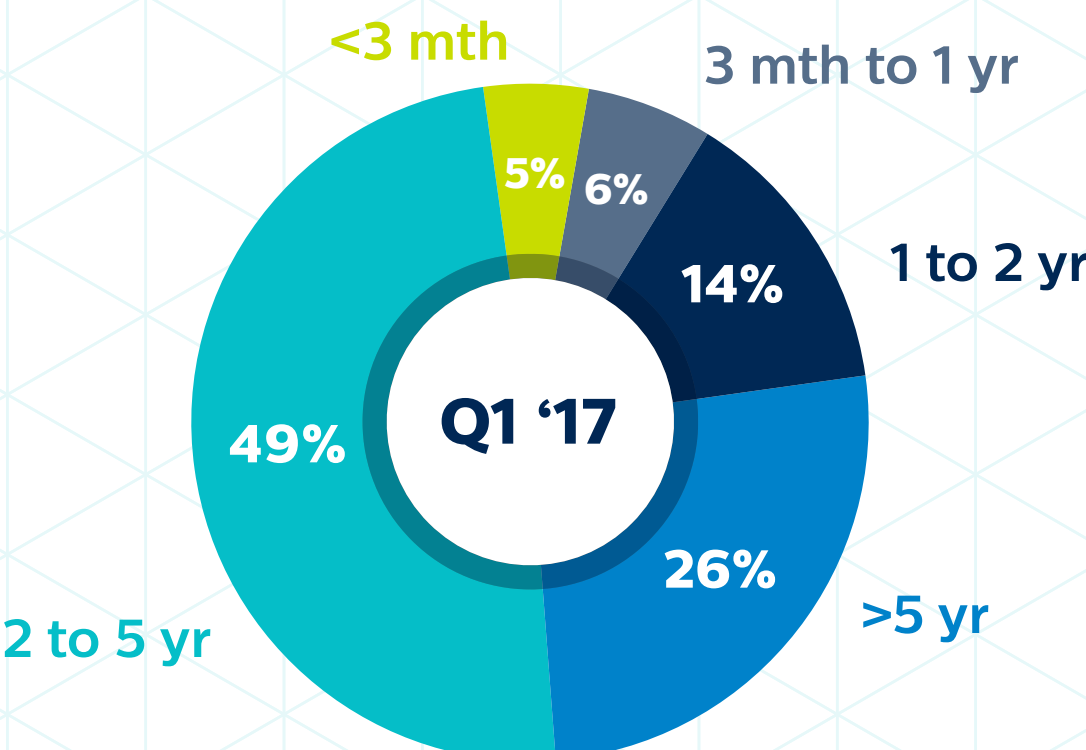


Note: In Q4 '16 and Q1 '17, Net Debt/EBITDA calculation excludes extraordinary claims.

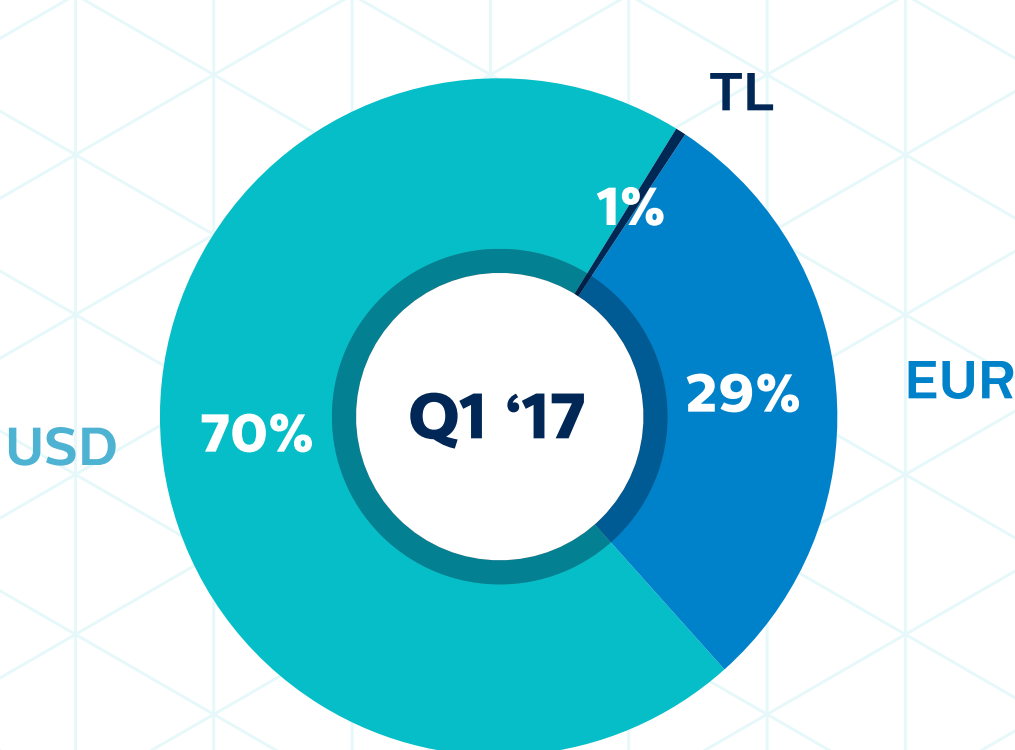
## Average Maturity of Debt



## Maturity Profile

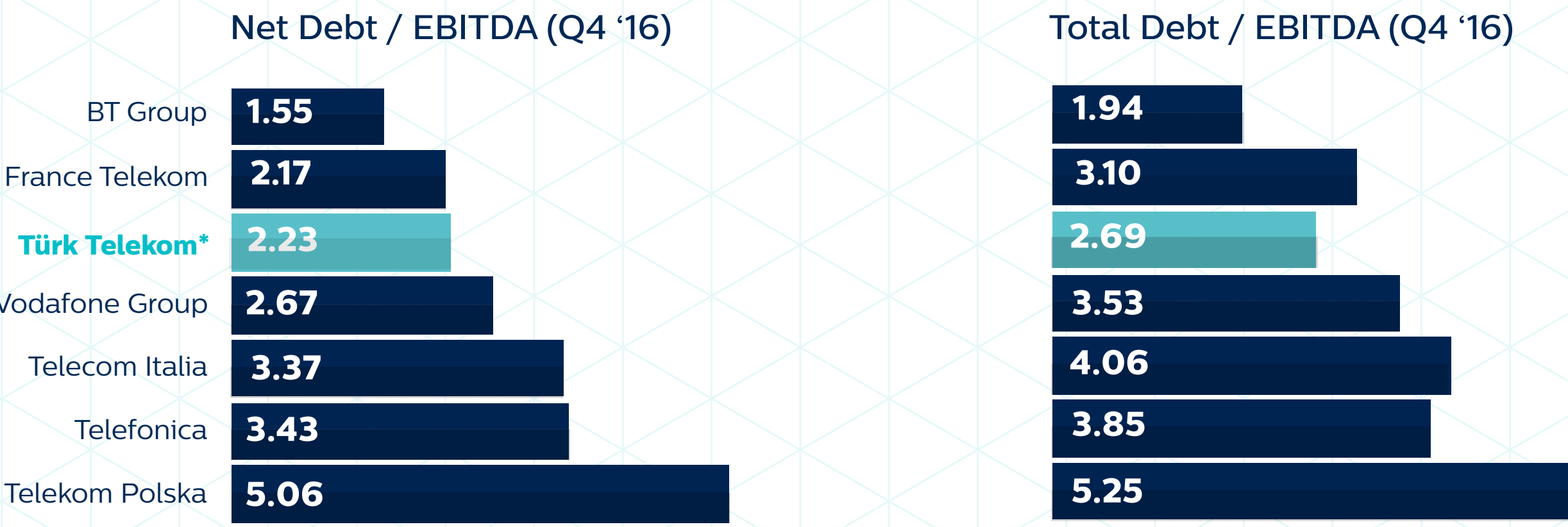


## Debt Breakdown



Note: Hedging activities are available on financial footnotes

## Low debt burden compared to peers



\*Türk Telekom's ratios are calculated from Q1 '17 numbers

# Guidance

TL mn	2015 YE	2016 YE	2017 Guidance
<b>Revenue</b> (exc. construction adjustment) <sup>1</sup>	<b>14,190</b>	<b>15,696</b>	<b>8% to 9% growth</b>
<b>EBITDA</b>	<b>5,334</b>	<b>5,470</b>	<b>TL 5.8 to 6.0bn</b>
<b>CAPEX<sup>2</sup></b>	<b>2,929</b>	<b>3,027</b>	<b>~TL 3bn</b>

(1) Construction accounting 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

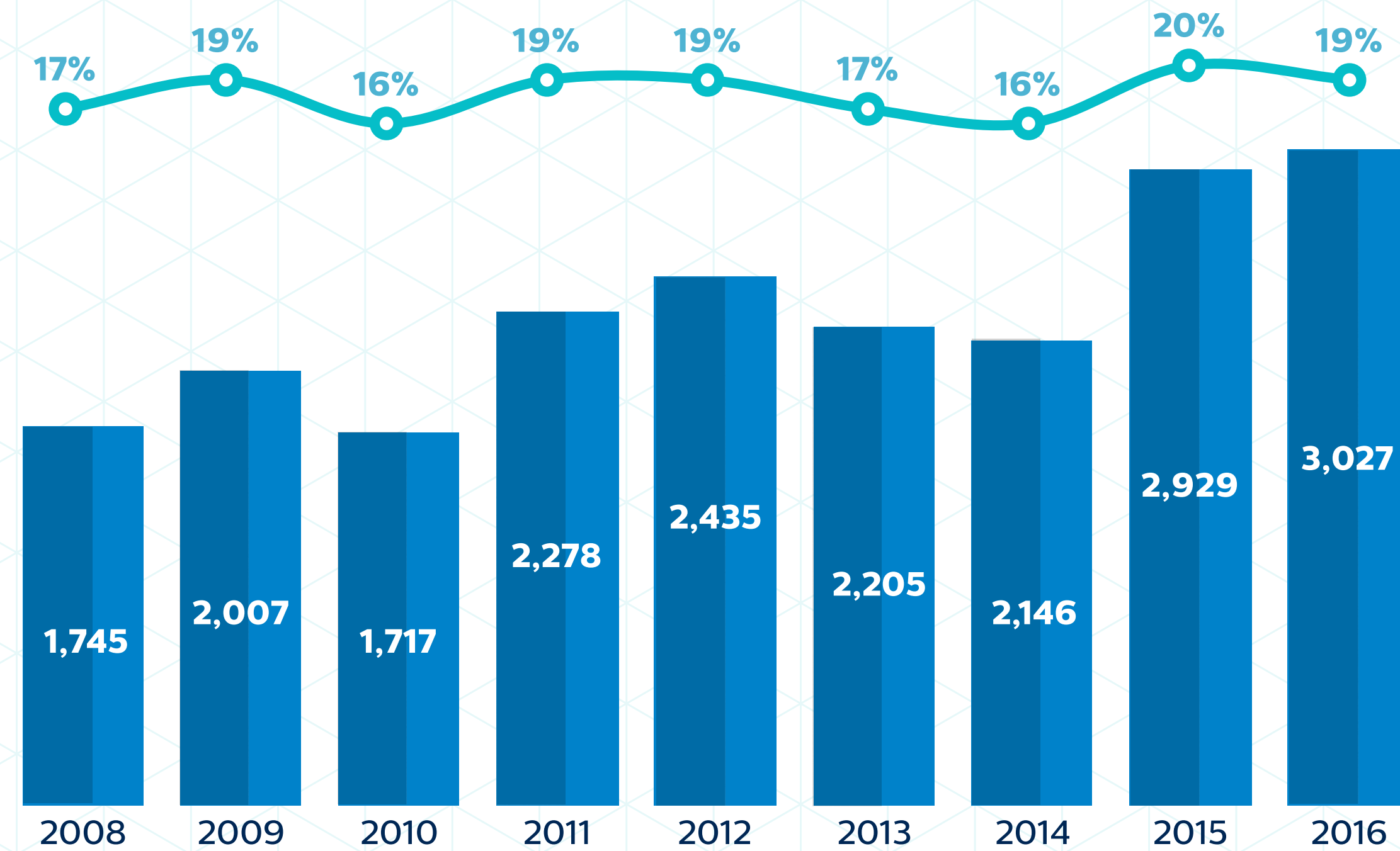
(2) Excluding license fees

# Capex

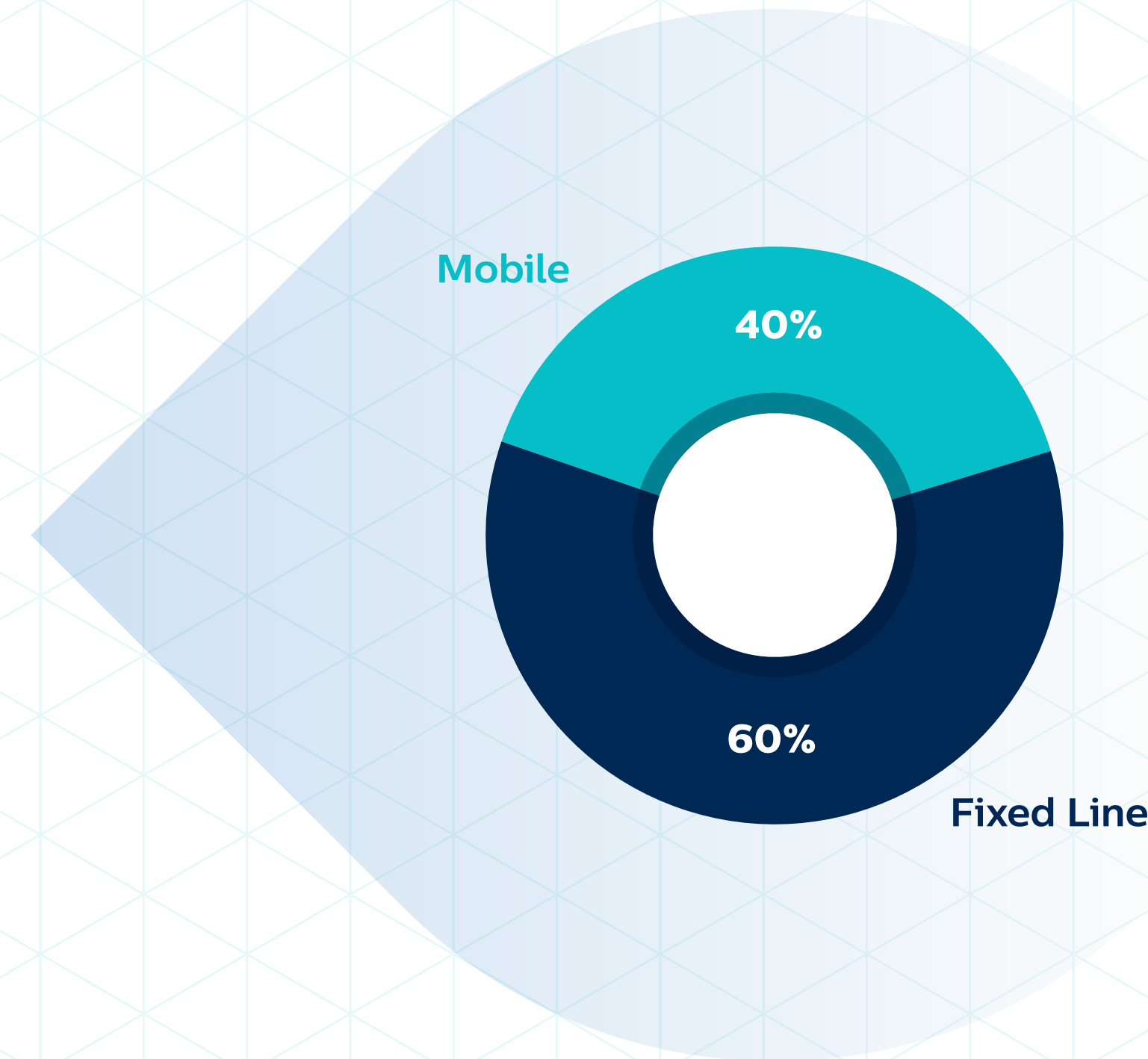
- ▶ Major Capex areas are fiber network roll-out in fixed line and network investments in mobile
- ▶ Türk Telekom's length of total fiber in Turkey is **235K kilometers** as of Q1 '17

## Capex\* & Capex / Sales

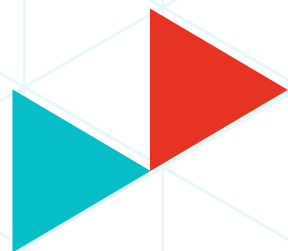
■ CAPEX (TL mn)    ● CAPEX/Sales



\* Capex figures exclude license fees



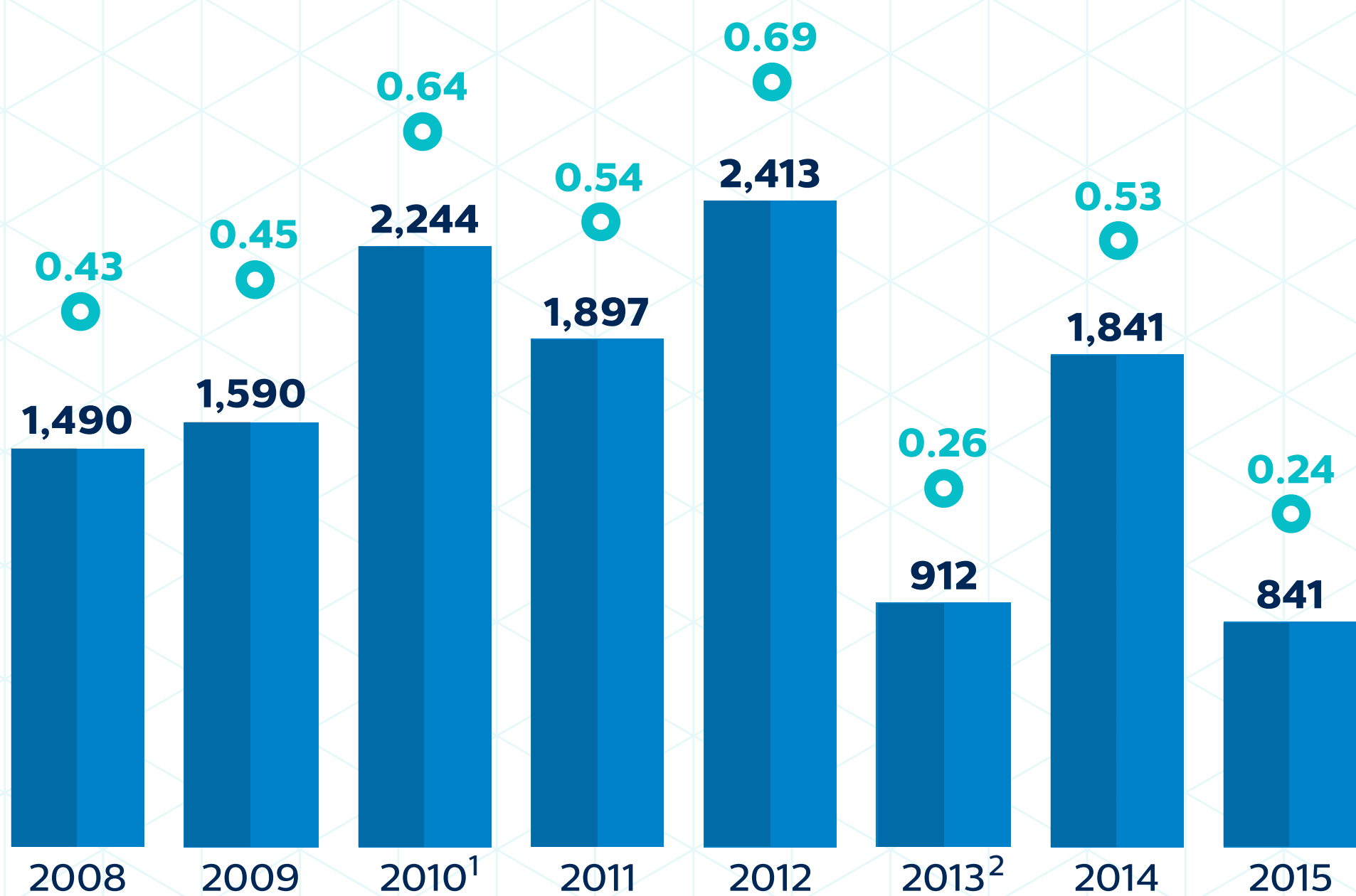
# Shareholder Remuneration



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)

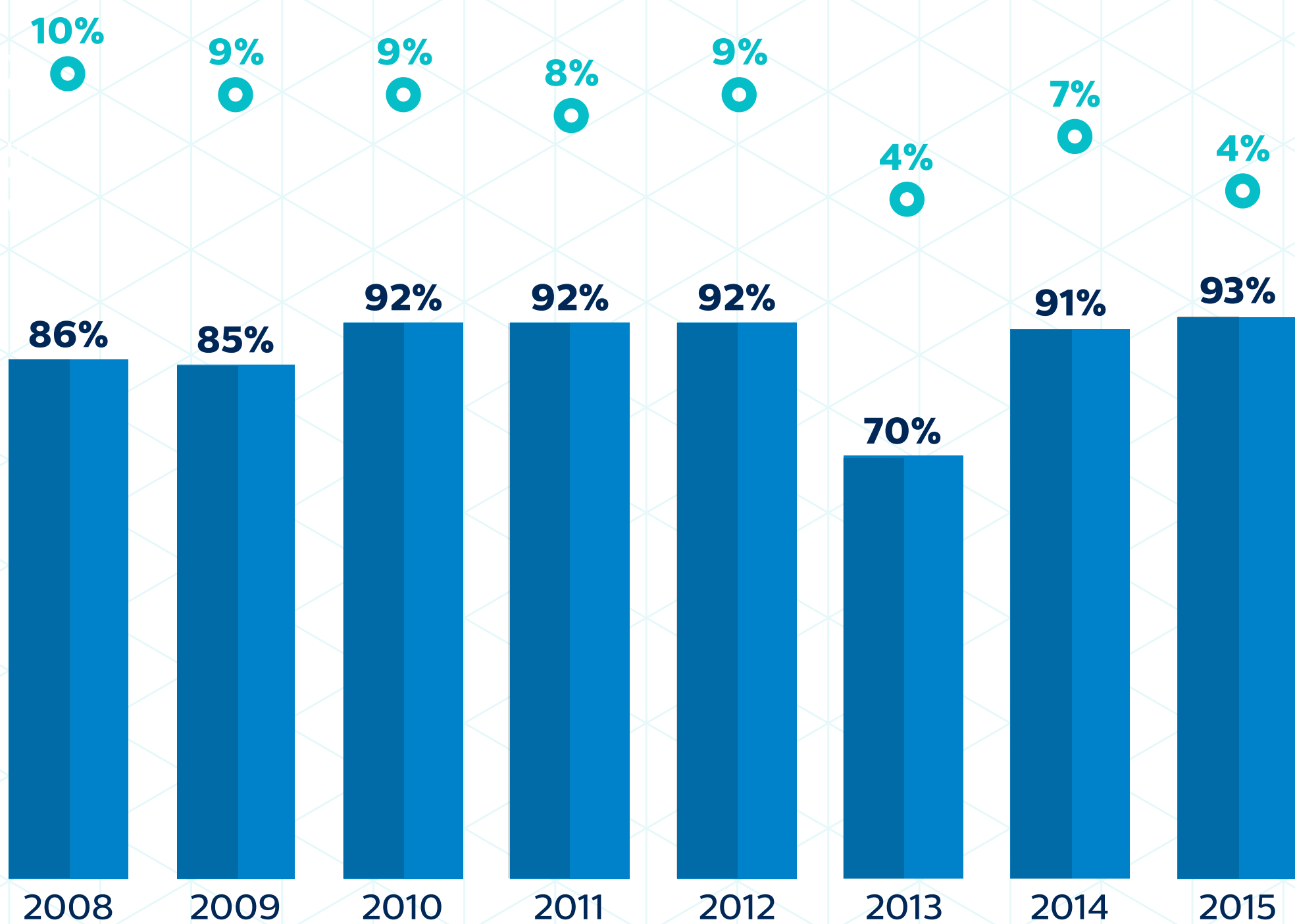


1) The cap in the first legal reserve was reached in 2010

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

## Dividend Yield & Payout Ratio

■ Dividend Payout Ratio    ○ Dividend Yield



# Group Companies

**Türk Telekom**  
INTERNATIONAL

A full range of international data infrastructure, internet, and wholesale voice services  
Operating in over 40 countries.  
Over 40,000 km of own fiber optic network

**ARGELA**

R&D innovation company focusing on the next generation telecommunication technologies  
Developing intellectual property for 5G and 5G enabling technologies  
Partner of Turkey's first and only national 4G-LTE/5G base station development project "ULAK"

**innova**

Leading software developer and system integrator  
ICT consulting, design, application development, integration and support services.  
End-to-end solutions in Healthcare Campus Projects

**Türk Telekom**

**aSSiSTT**

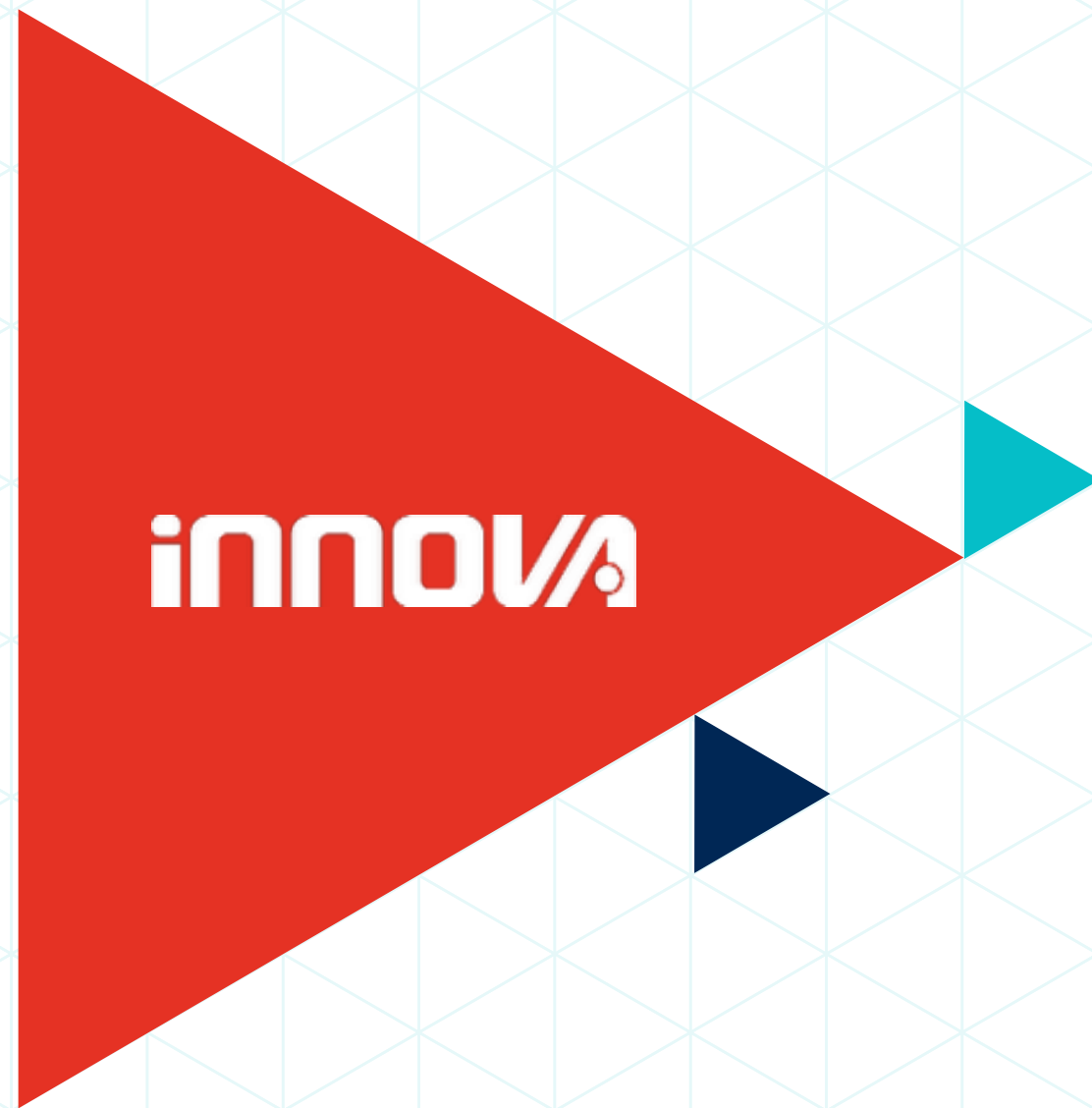
Strategic partner for leading private enterprises and public institutions providing call center services as well as value added services for their sales and marketing activities

**s e b i t**

Largest educational technologies with 29 years of R&D experience  
interactive E-Education products: Raunt, Vitamin  
Providing content and platform to E-Education Transformation project (FATİH)

While Türk Telekom unified mobile, fixed voice, fixed broadband and TV brands under single "Türk Telekom" brand, TTNET A.Ş., and Avea İletişim Hizmetleri A.Ş. legal entities remain intact

# Group Companies



## Innova

- ▶ Leading software developer and integrator in Turkey, providing turnkey innovative software solutions and services including ICT consulting, design, application development, integration, and support services to several sectors ranging from telecommunication to finance, and from healthcare to retail
- ▶ Innova offers both customized/developed products and off-the-shelf solutions of leading global business partners (SAP, HP, Cisco, IBM, Huawei, Microsoft, etc.)
- ▶ Strong contributor of the development and implementation of large-scale projects such as **Smart City** and **Health Campus** projects especially through its system integration capabilities and a partner for third parties like **Turkish Airlines**, **Municipality of Istanbul**, **Teknosa**.
- ▶ Delivering end-to-end solutions in **Healthcare Campus Projects** in Mersin and Bilkent: Providing equipment, application development and services including data center preparation, hospital information management system (HIMS) implementation and integration, and selection and training of personnel
- ▶ Innova patented solutions: **PayFlex**: loyalty, payment and collections technologies and **Kiosk**: self- service and automation solutions including kiosk and digital signage

# Group Companies



## Argela

- ▶ R&D and innovation company focusing on the next-generation telecommunications technologies field and developing intellectual property for enabling technologies for 5G
- ▶ Leading projects;
  - ▶ **ProgRAN**; fully programmable, software defined networking (SDN)-based Radio Access Network solution for LTE and 5G developed by Argela. The company submitted **28 patent applications** so far under the project
  - ▶ **Partner of Turkey's first and only 4G-LTE/5G base station development project "ULAK"**, which will make national production of the next generation mobile communications infrastructures possible
  - ▶ **MILAT Project**; which will enable cybersecurity and cyber defense mechanisms to enhance public security

# Group Companies

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## Sebit

- ▶ Leading and largest educational technologies company with 29 years of R&D experience
- ▶ Contributing to the educational transformation in Turkey, with **IT Supported Interactive Education vision**
- ▶ Popular products developed by Sebit;
  - ▶ **Raunt:** personalized university exam preparation platform
  - ▶ **Vitamin:** online educational support service, providing comprehensive educational solutions for all students and teachers, from pre-school to high school grades
- ▶ Providing content and platform to national **E-Education Transformation Project (FATİH)**



# Group Companies



## Assistt

- ▶ Strategic partner for leading private enterprises and large public institutions providing traditional call center services as well as value added services for their sales and marketing activities
- ▶ Call center for MHRS9, the ninth phase of the “Turkish Ministry of Health Centralized Hospital Appointment System” project, viewed as one of the largest call center projects
- ▶ Contributor to Turkey’s economic development serving in 19 cities and 25 centers throughout Turkey with more than 10 thousand employees
- ▶ Ranked first in the category of “Best Contact Center” in the Contact Center World Awards 2016, one of the most prestigious award in call center sector



# Group Companies



## Türk Telekom International

- ▶ Providing a full range of international data infrastructure, internet, and wholesale voice services
- ▶ Operating in over 40 countries across Central and Eastern Europe, Turkey, the Middle East and the Caucasus
- ▶ Contributing to Turkey's goal of becoming a telecoms bridge and data hub between Europe and Asia thanks to its own +40K fiber optic network and its solid partnerships with major players in telecommunications industry
- ▶ A full consortium member of **SEA-ME-WE-5**, the new undersea cable system that will connect 17 countries in Europe, Middle East and Asia



# Appendix



# 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

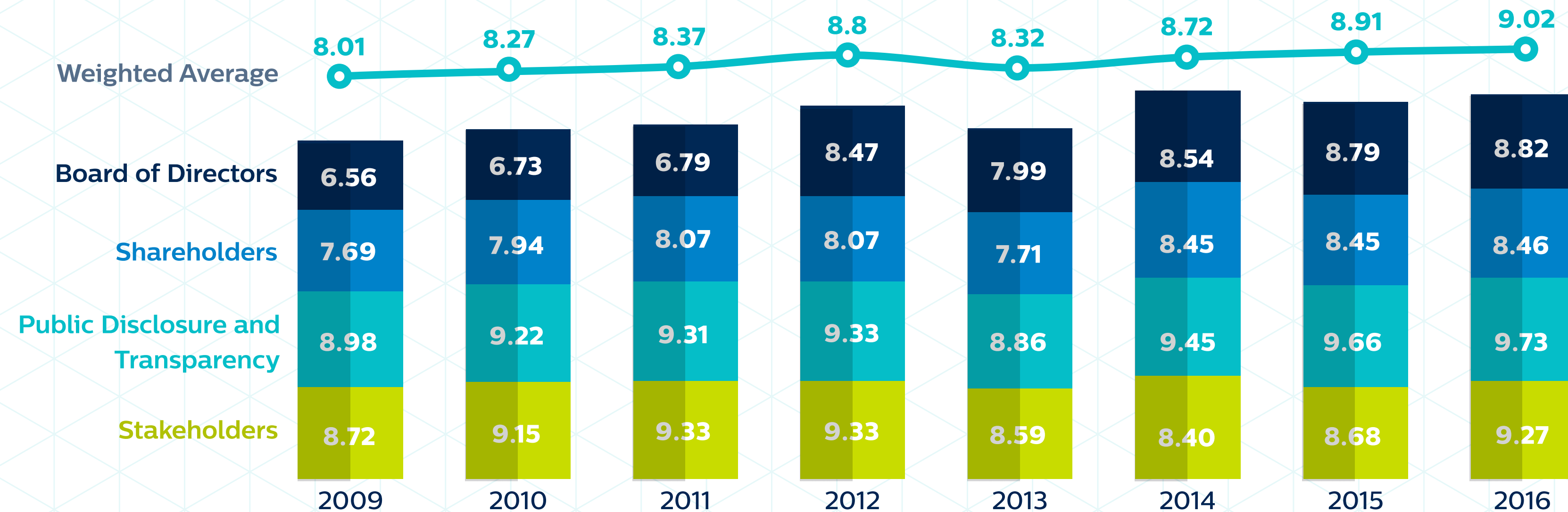
Strong leadership position in domestic fixed-line business

Good growth prospects, solid profitability

# Corporate Governance and Sustainability

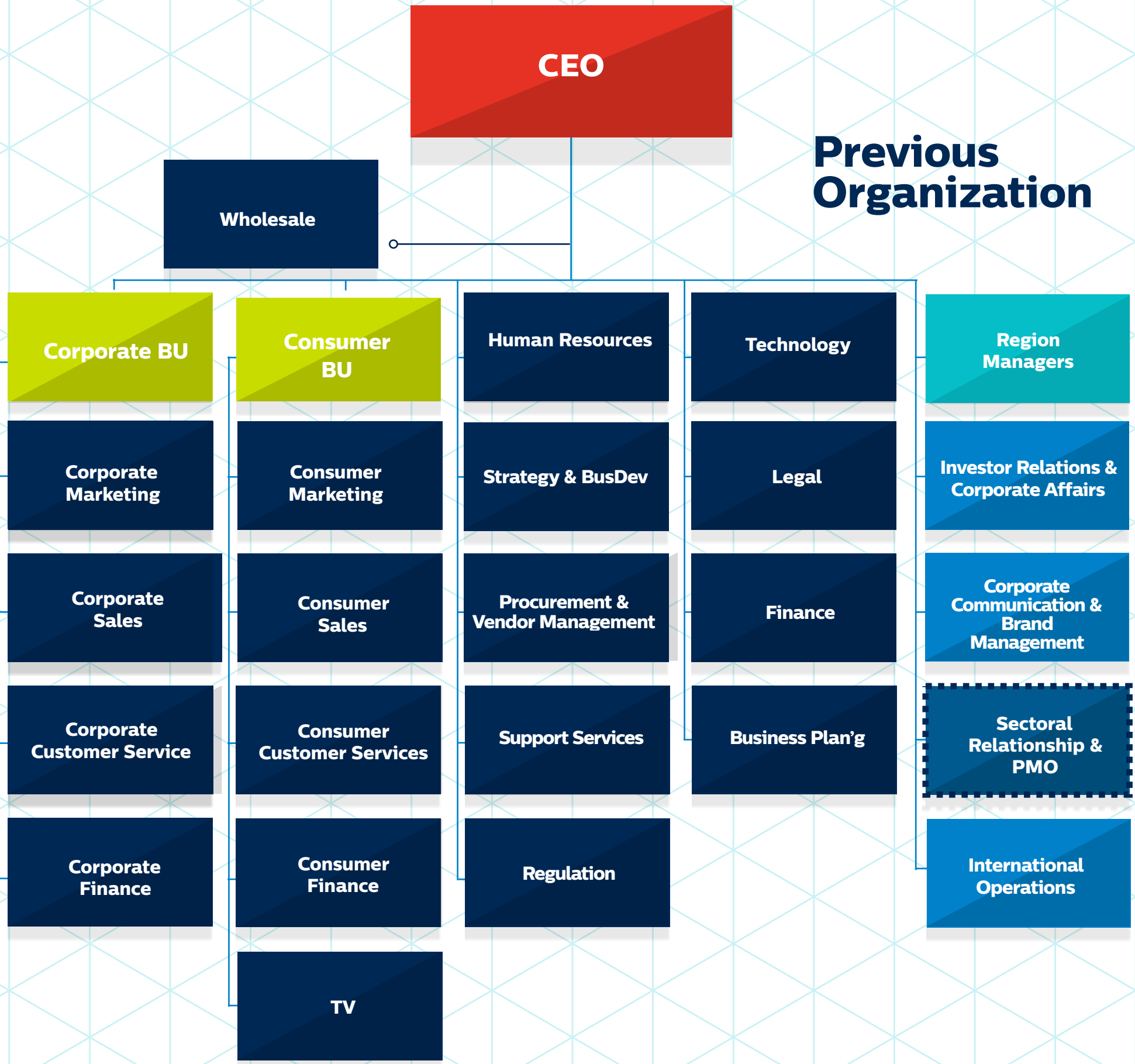
## Demonstrates exemplary practices

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



\*The decline in ratings in 2013 is a result of rating methodology change by CMB rather than any deterioration in the Company's corporate governance practices. 2013 weighted average rating with the old methodology would have been 8.8

# Organization Chart

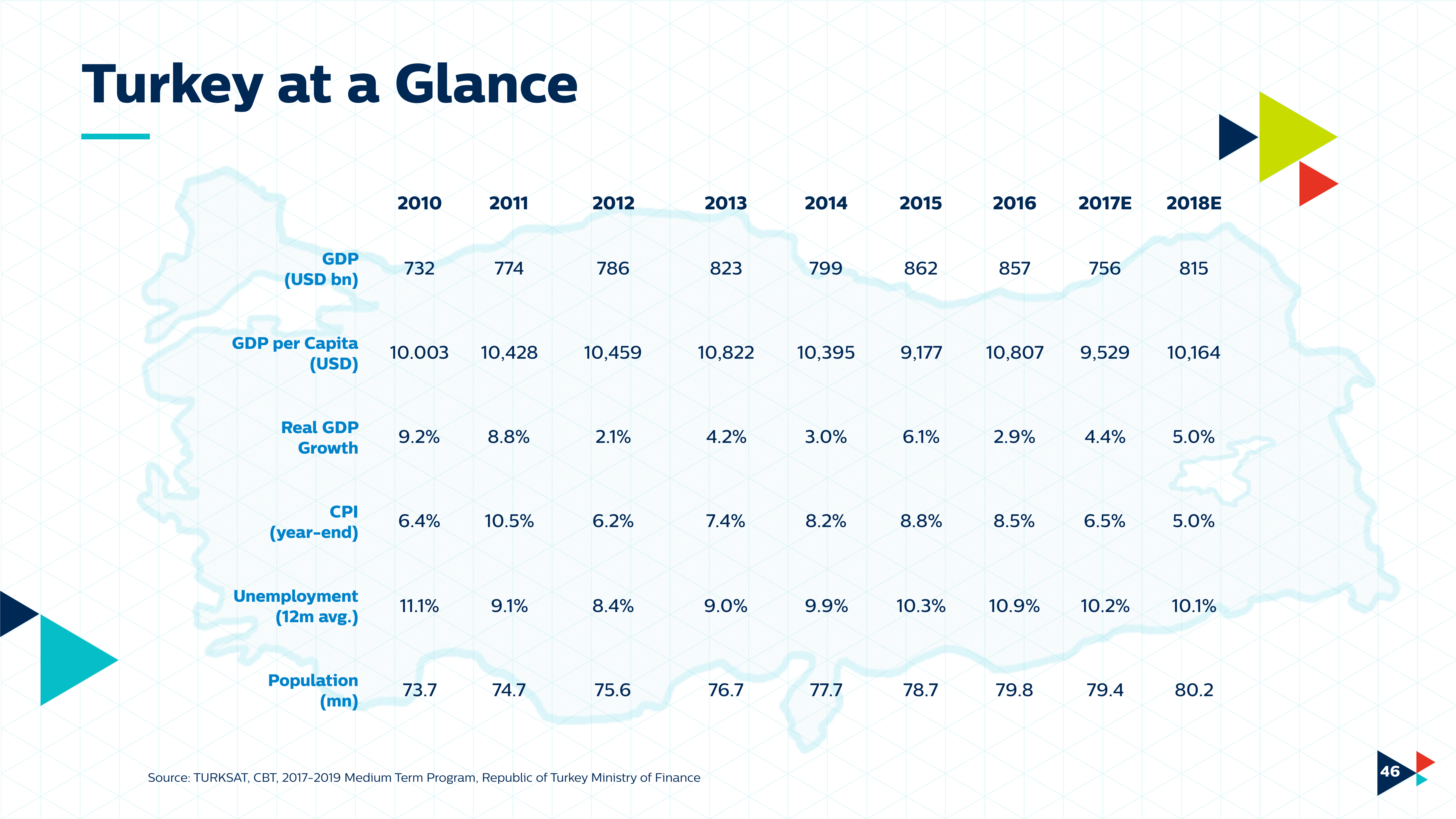


CEO CXO Coordinator Director



AGM Director

# Turkey at a Glance



	2010	2011	2012	2013	2014	2015	2016	2017E	2018E
<b>GDP (USD bn)</b>	732	774	786	823	799	862	857	756	815
<b>GDP per Capita (USD)</b>	10,003	10,428	10,459	10,822	10,395	9,177	10,807	9,529	10,164
<b>Real GDP Growth</b>	9.2%	8.8%	2.1%	4.2%	3.0%	6.1%	2.9%	4.4%	5.0%
<b>CPI (year-end)</b>	6.4%	10.5%	6.2%	7.4%	8.2%	8.8%	8.5%	6.5%	5.0%
<b>Unemployment (12m avg.)</b>	11.1%	9.1%	8.4%	9.0%	9.9%	10.3%	10.9%	10.2%	10.1%
<b>Population (mn)</b>	73.7	74.7	75.6	76.7	77.7	78.7	79.8	79.4	80.2

Source: TURKSAT, CBT, 2017-2019 Medium Term Program, Republic of Turkey Ministry of Finance

# Regulatory Actions

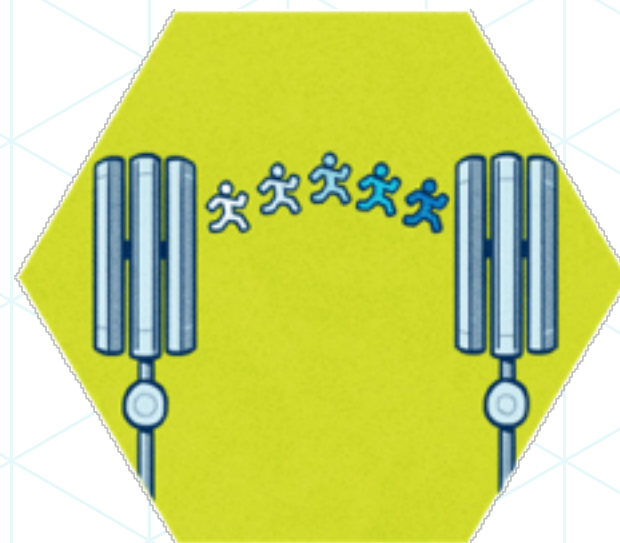
- **April**
  - Interconnection rate decrease in Fixed (10%) and Mobile (33%)
- **November**
  - 3G tender held
  - Mobile Number Portability introduced
  - New Electronic Communications Law passed



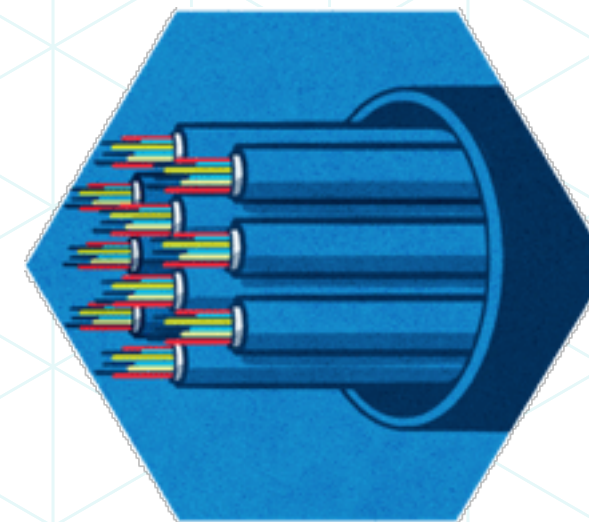
## 2009

- **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

## 2008



- **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



## 2010

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

## 2012



## 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

- **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

## 2014



## 2015

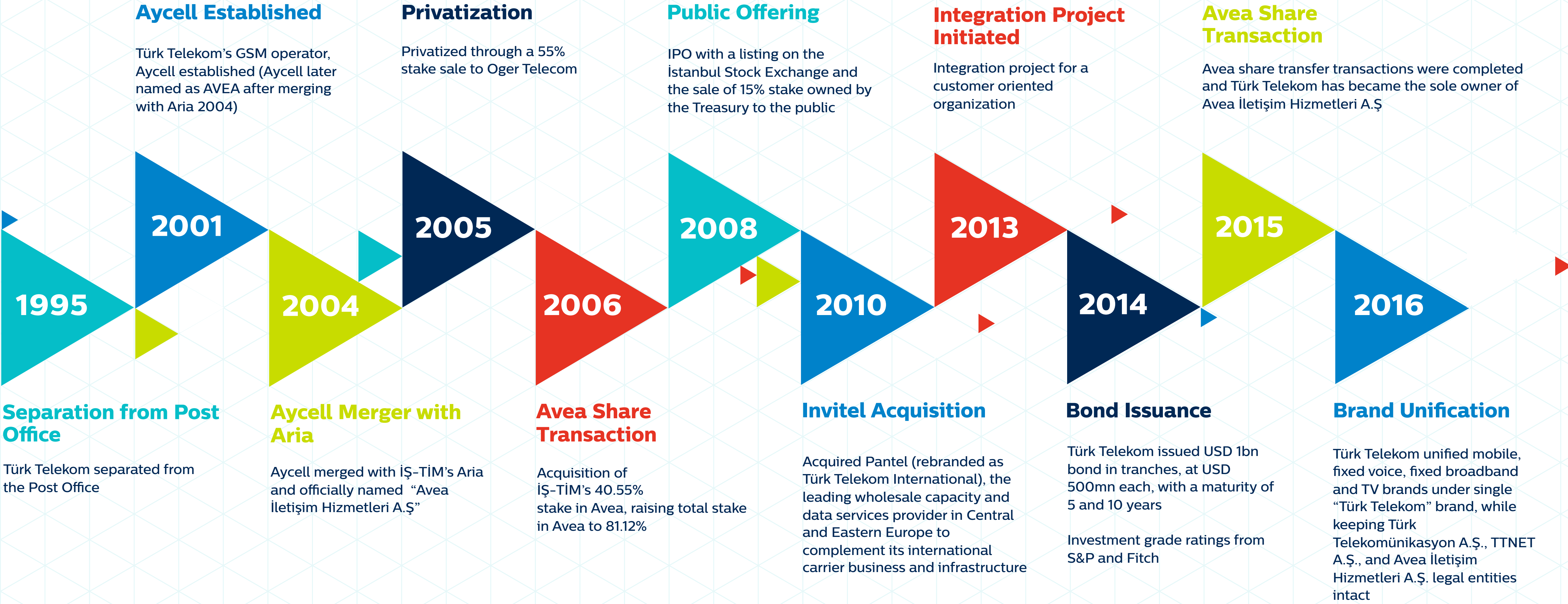
- **August**
  - LTE tender was held



## 2016

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

# Telekom History



# Notes

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# Notes

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# Notes

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# Notes

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# Thank you



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