

# Investor Relations

December 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  
**40.5m**  
**SUBSCRIBERS**



**CAPEX\***  
**TL29bn**  
since privatization  
(2005)



**81%**

**LTE**  
Population  
Coverage



**98%**

Fixed line  
**household  
coverage**



**246K** km  
fiber network in  
**81 cities**

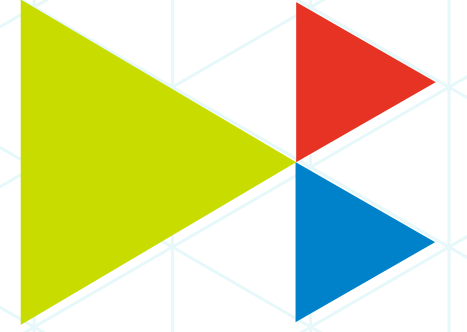


**15.4mn**  
**FIBER  
HOMEPASS\*\***

\* Includes license fees  
\*\*Homepass includes FTTC & FTTH/B



# Turkey's Pioneer Convergence Player



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



**Integrated  
Business Lines**



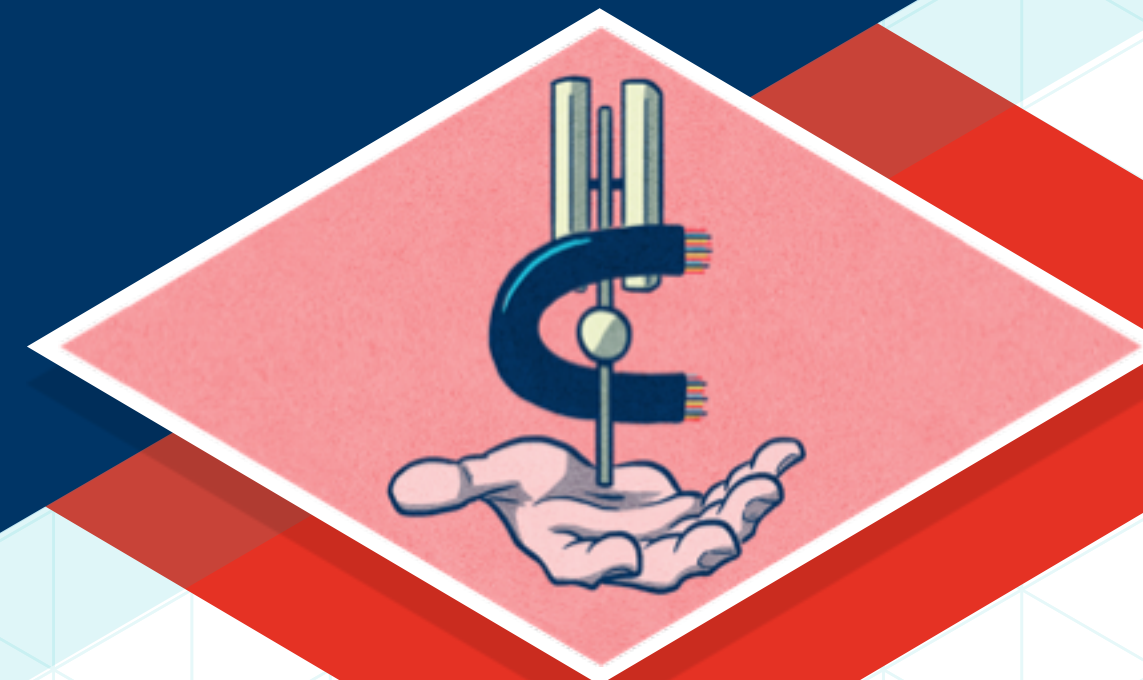
**Türk Telekom**

**Unified Brand**

**Joint Customer  
Database\***



**Joint Fixed & Mobile  
Network Management**

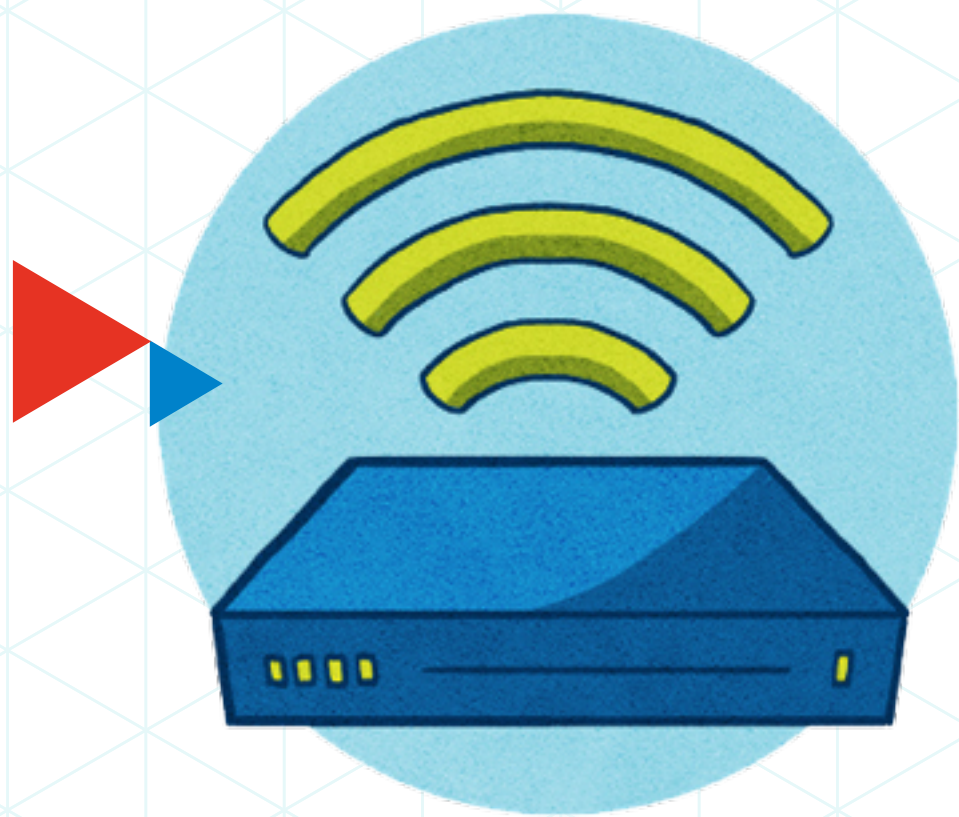


\* Subject to consent of the customers



# Operational Highlights

Strong net subscriber gains



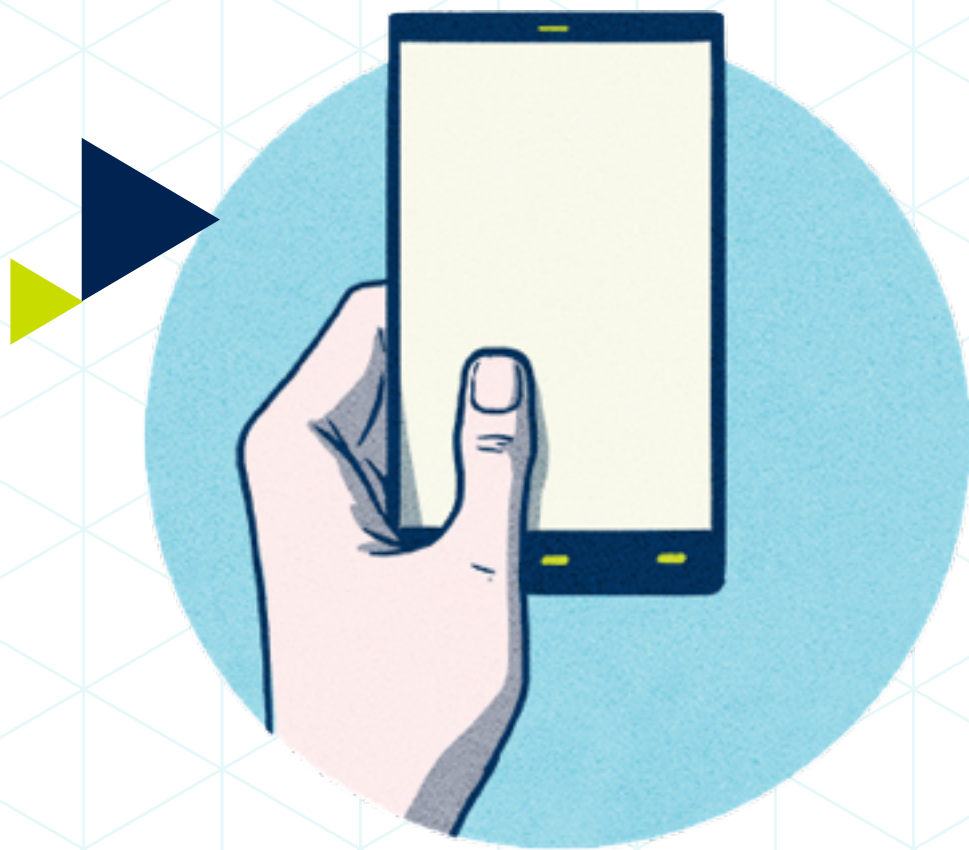
**Broadband**

**289K**

Q3 '17

**956K**

LTM



**Mobile**

**414K**

Q3 '17

**792K**

LTM



**Home TV**

**135K**

Q3 '17

**439K**

LTM





# Financial Performance

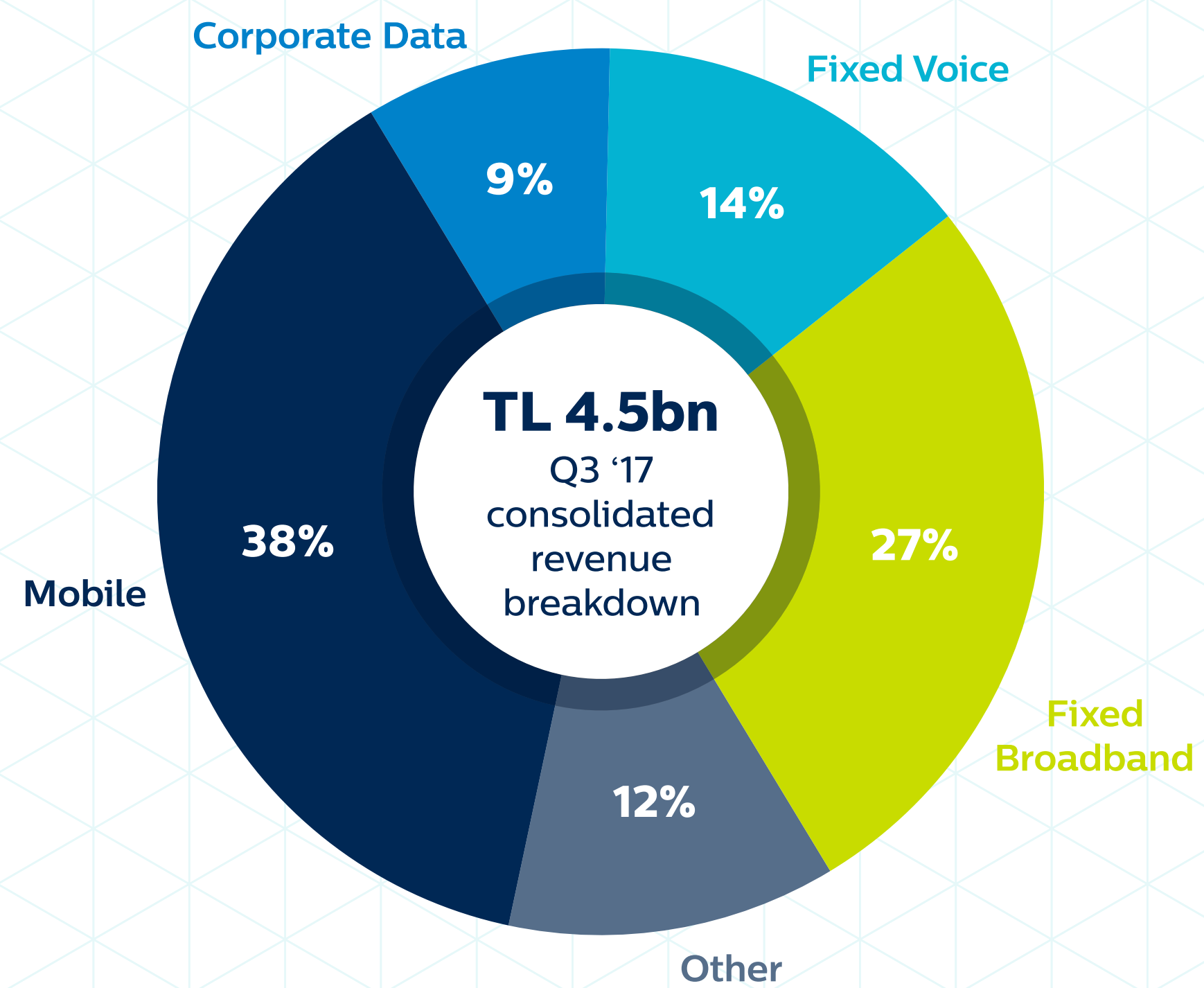
(TL mn)	2016 Q3	2017 Q2	2017 Q3	Growth (YoY)	Growth (QoQ)
<b>Revenue</b>	<b>4,118</b>	<b>4,501</b>	<b>4,532</b>	<b>10.1%</b>	<b>0.7%</b>
Revenue (exc. construction adj) <sup>1</sup>	3,943	4,292	4,420	12.1%	3.0%
<b>EBITDA</b>	<b>1,452</b>	<b>1,712</b>	<b>1,687</b>	<b>16.2%</b>	<b>(1.4%)</b>
<i>EBITDA Margin</i>	35.3%	38.0%	37.2%		
<b>Net Income</b>	<b>9</b>	<b>890</b>	<b>293</b>	<b>n.m.</b>	<b>(67.0%)</b>
<b>CAPEX<sup>2</sup></b>	<b>666</b>	<b>545</b>	<b>554</b>	<b>(16.8%)</b>	<b>1.7%</b>

(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

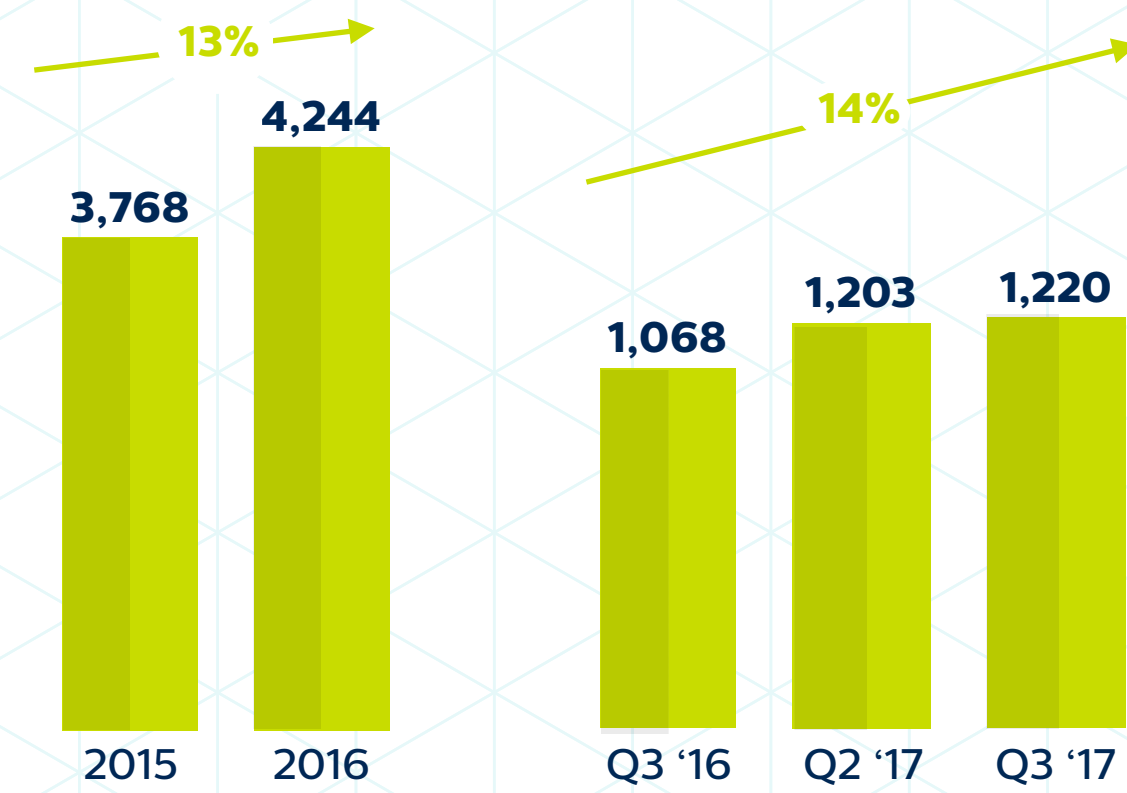
(2) Excluding license fees



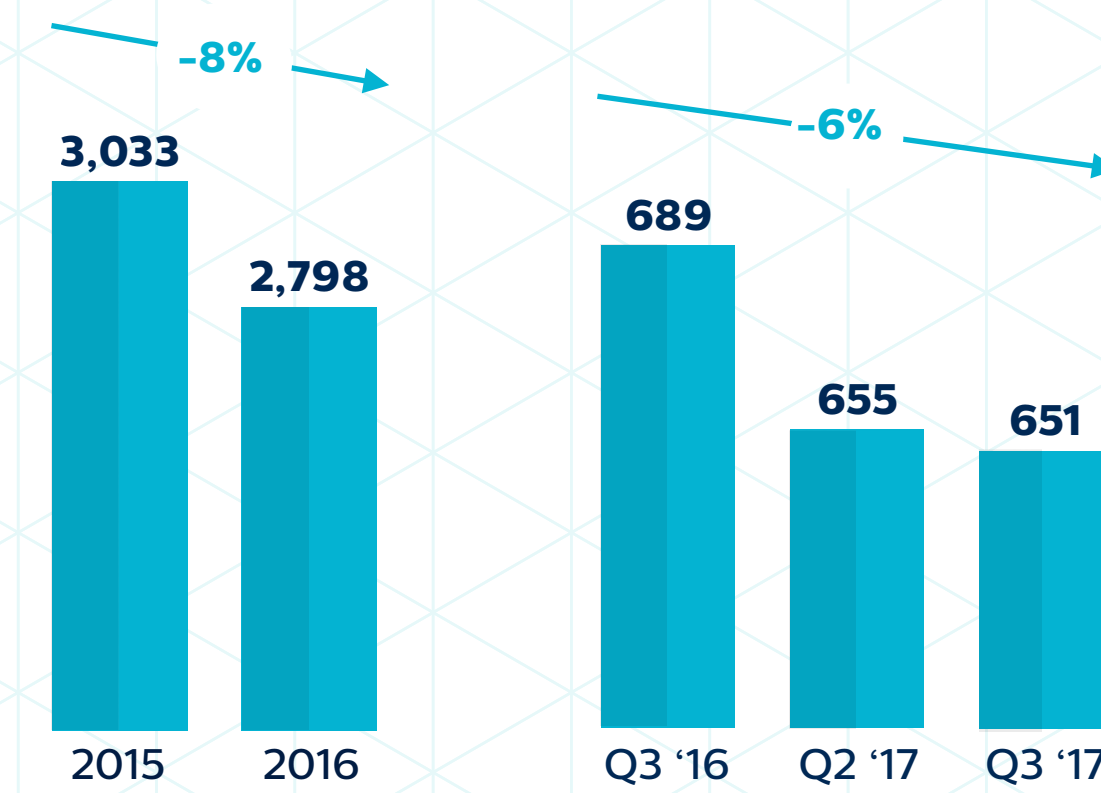
# Focused on High Growth Areas



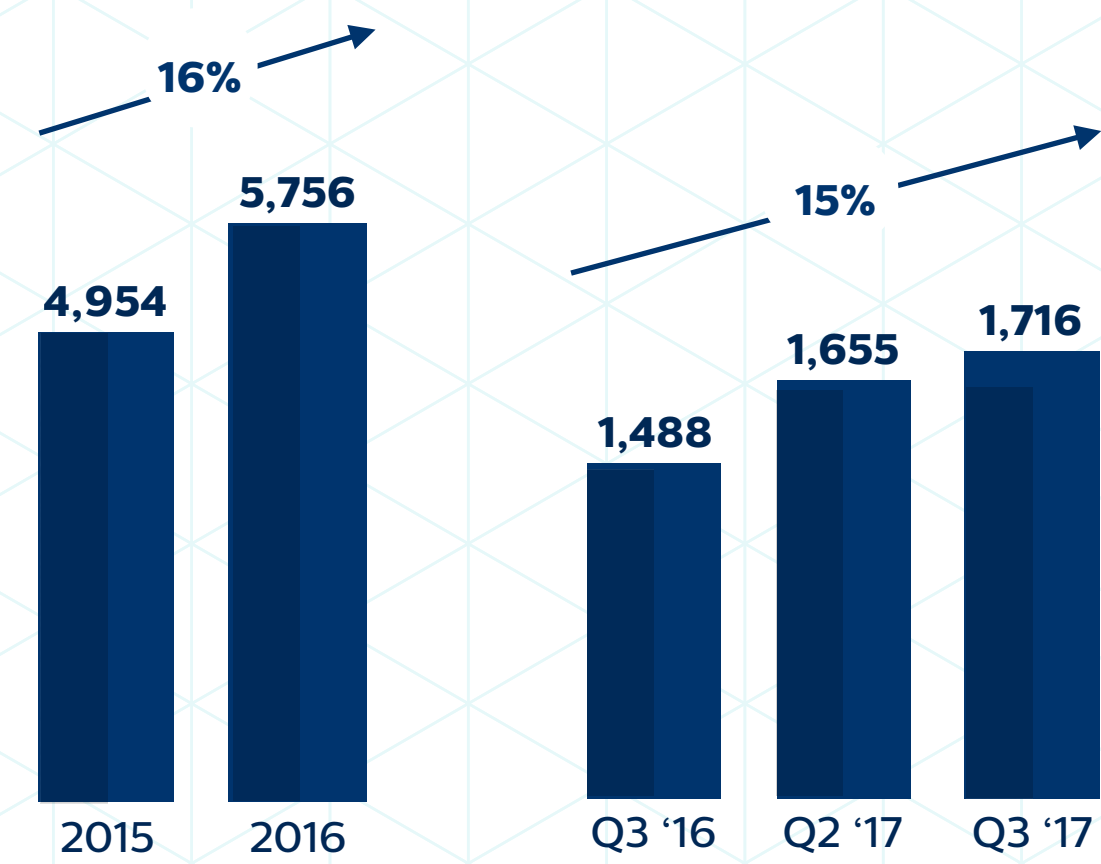
## Fixed Broadband (TL mn)



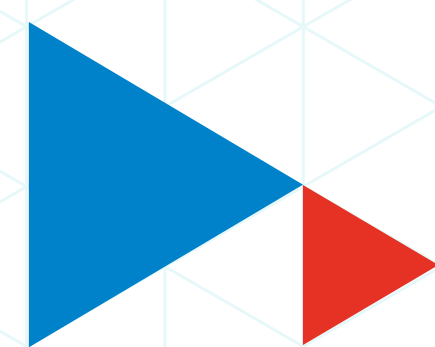
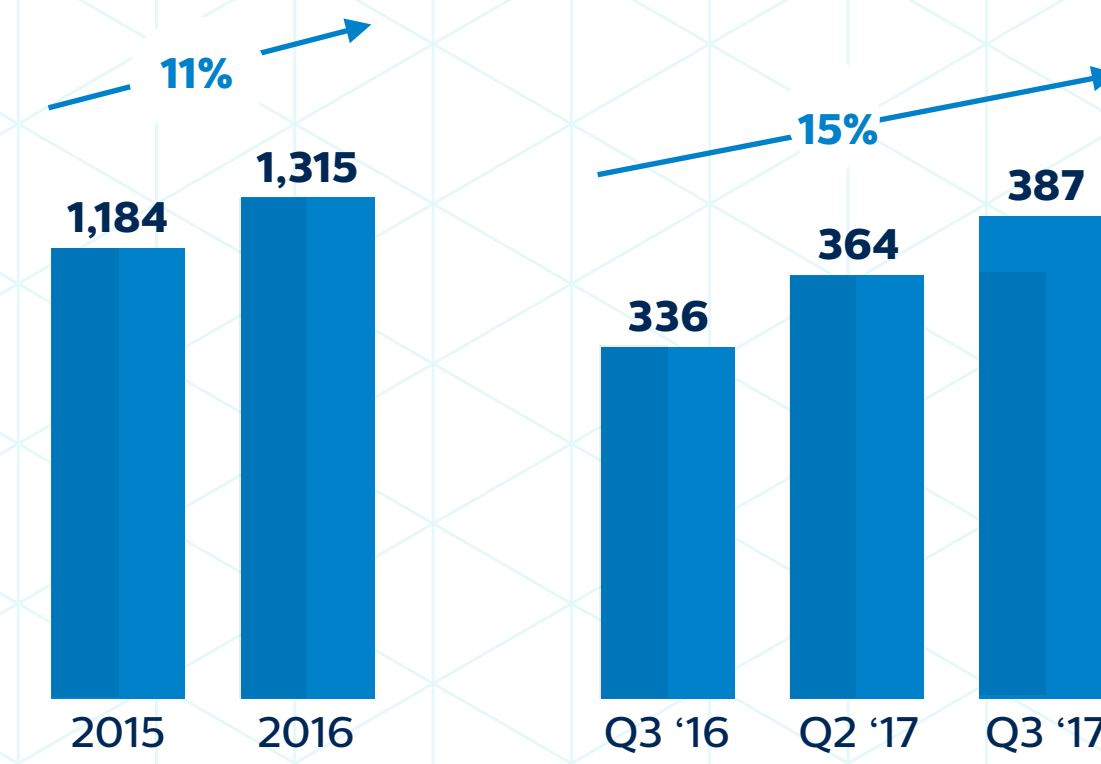
## Fixed Voice (TL mn)



## Mobile (TL mn)



## Corporate Data (TL mn)





# Strongest Position in Multiplay Offers

Unique position in convergence

## Robust ARPU Generation

### Q3 '17 ARPU

Mobile

Broadband

Pay TV

Fixed Voice

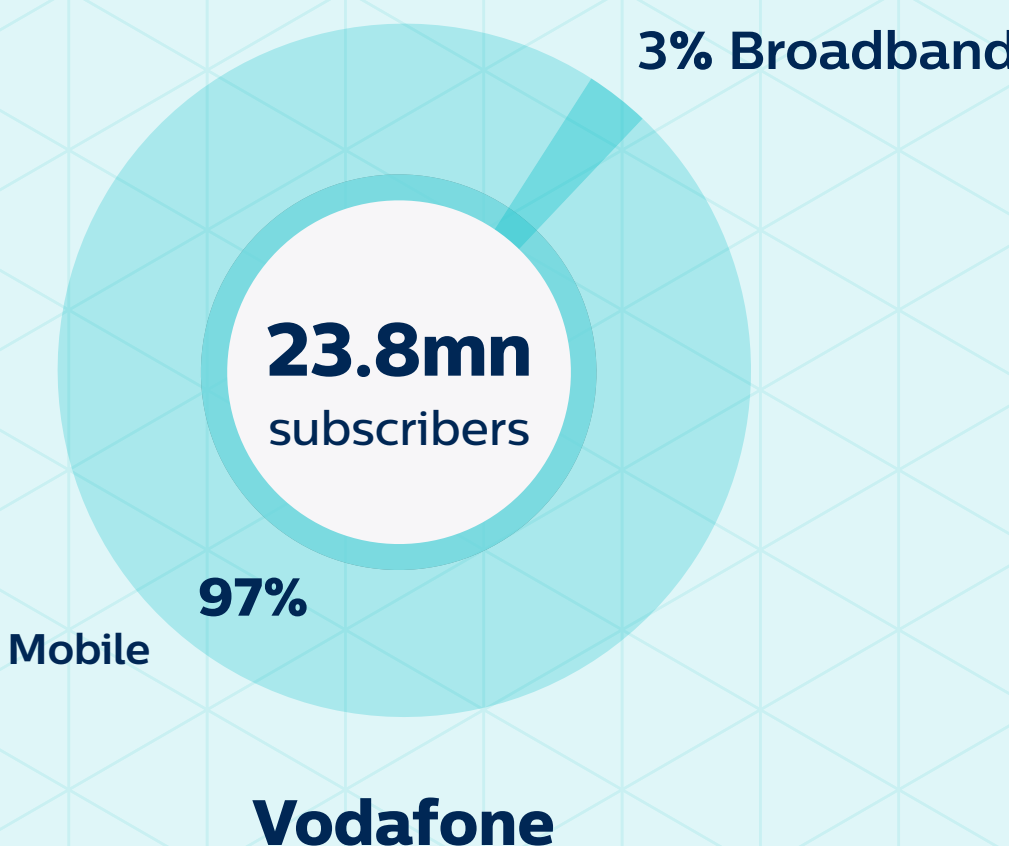
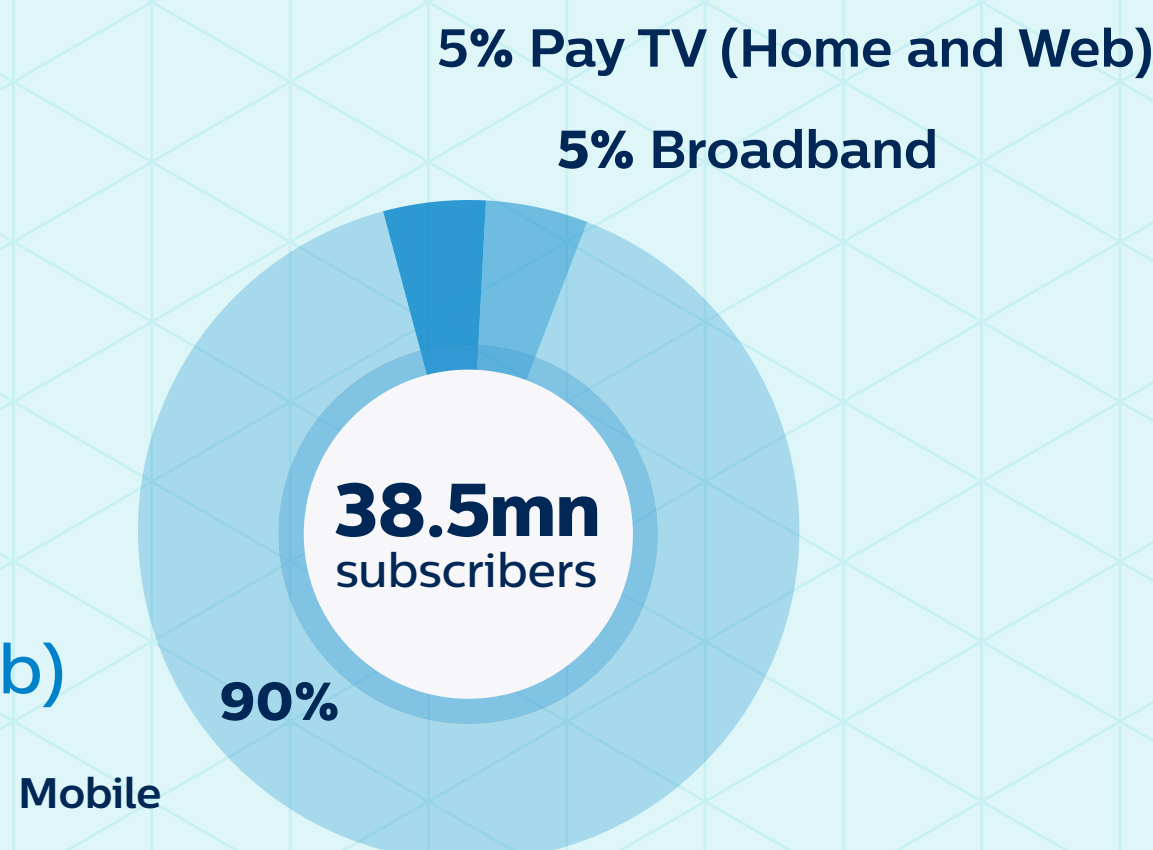
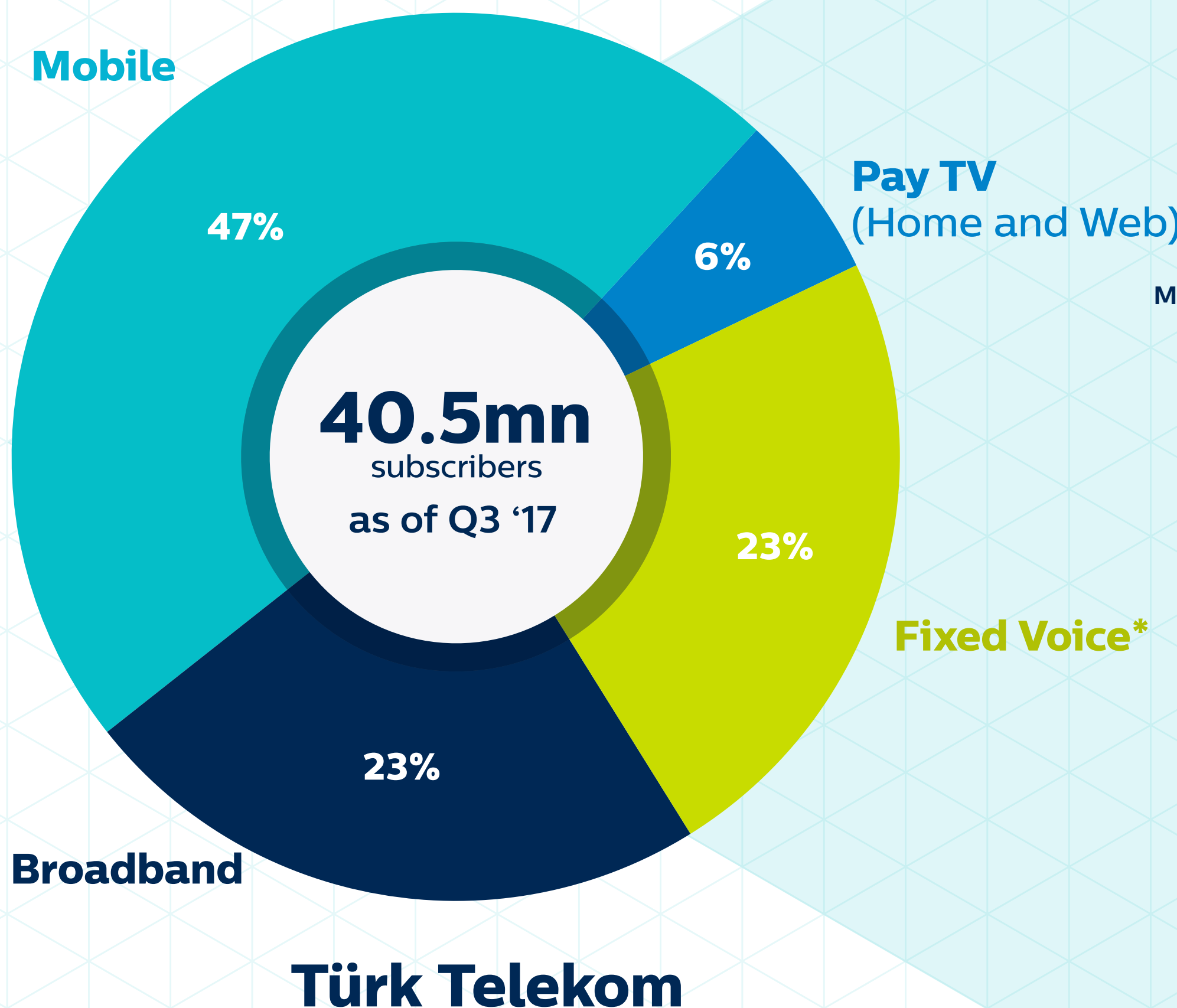
### Türk Telekom

TL 28.8

TL 44.1

TL 16.4

TL 23.0



Turkcell and Vodafone data are from their own publications as of Q3'17  
\*VOIP is not included.



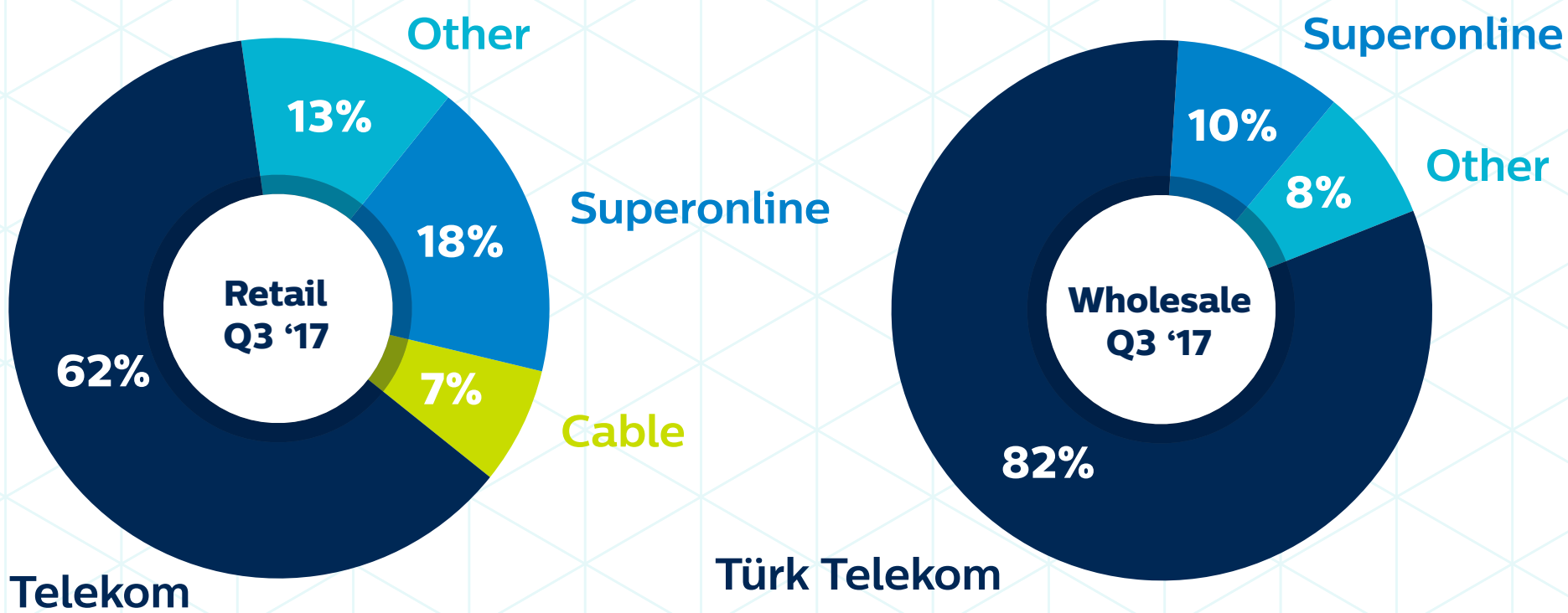
# Business Lines





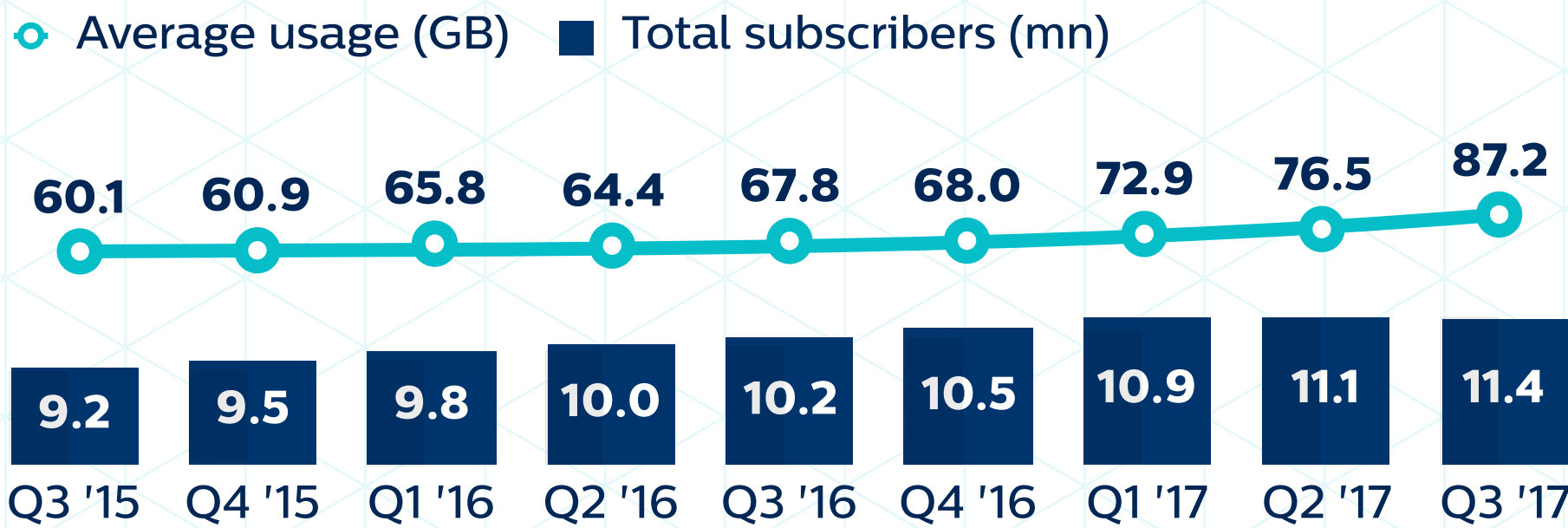
# Fixed Broadband Market

## Subscriber Market Share



Source: Other operators' data are from ICTA Q3'17 report

## Subscribers & Avg. Monthly Data Usage



Source: ICTA Q3 '17 report



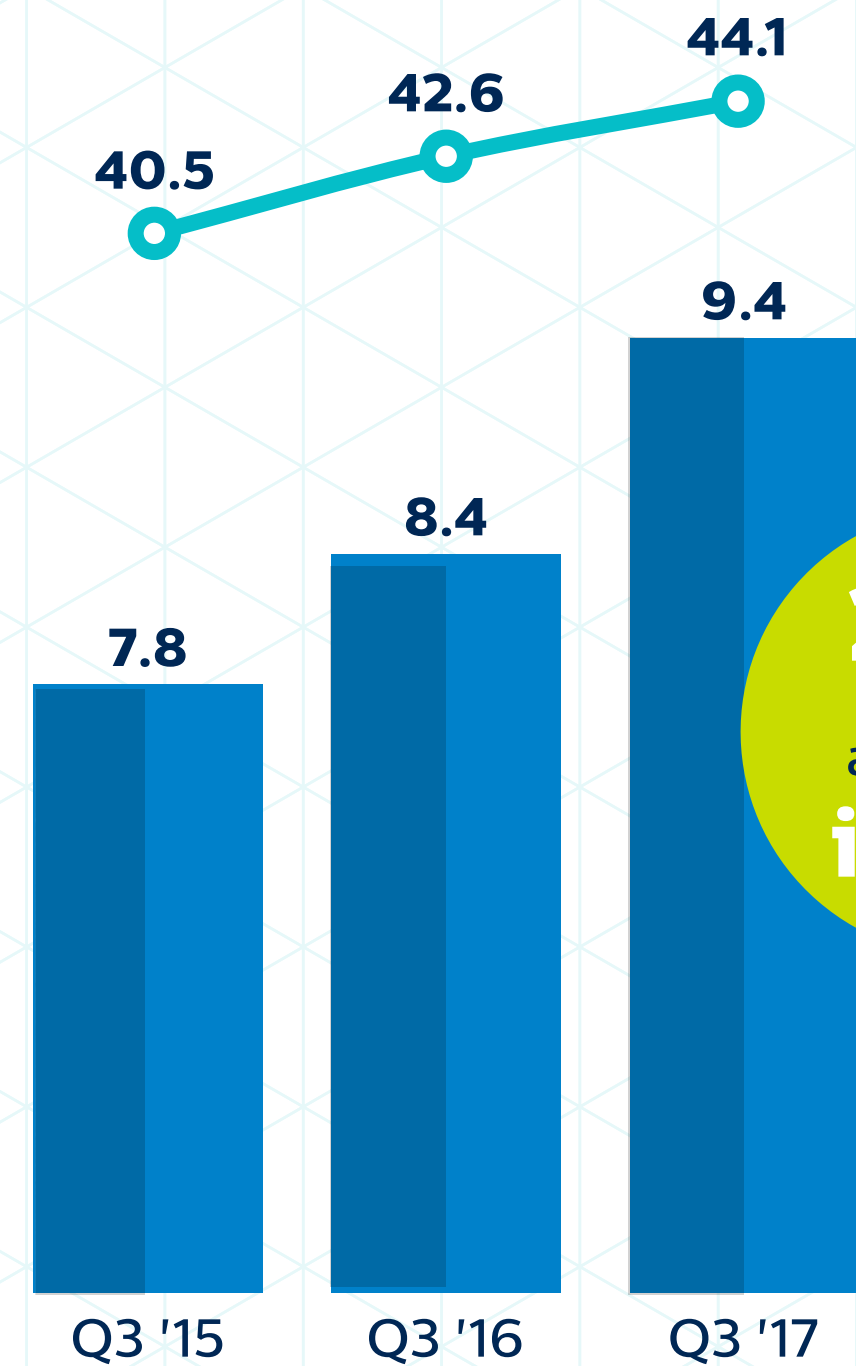
Source: Analysys Mason, Q2 '17 CEE&WE Telecom Matrix, TR data is from ICTA, Q3 '17 Market Report  
European countries include DK, ES, BG, FI, IT, AT, RO



# Fixed Broadband Performance

## ARPU & Subscribers

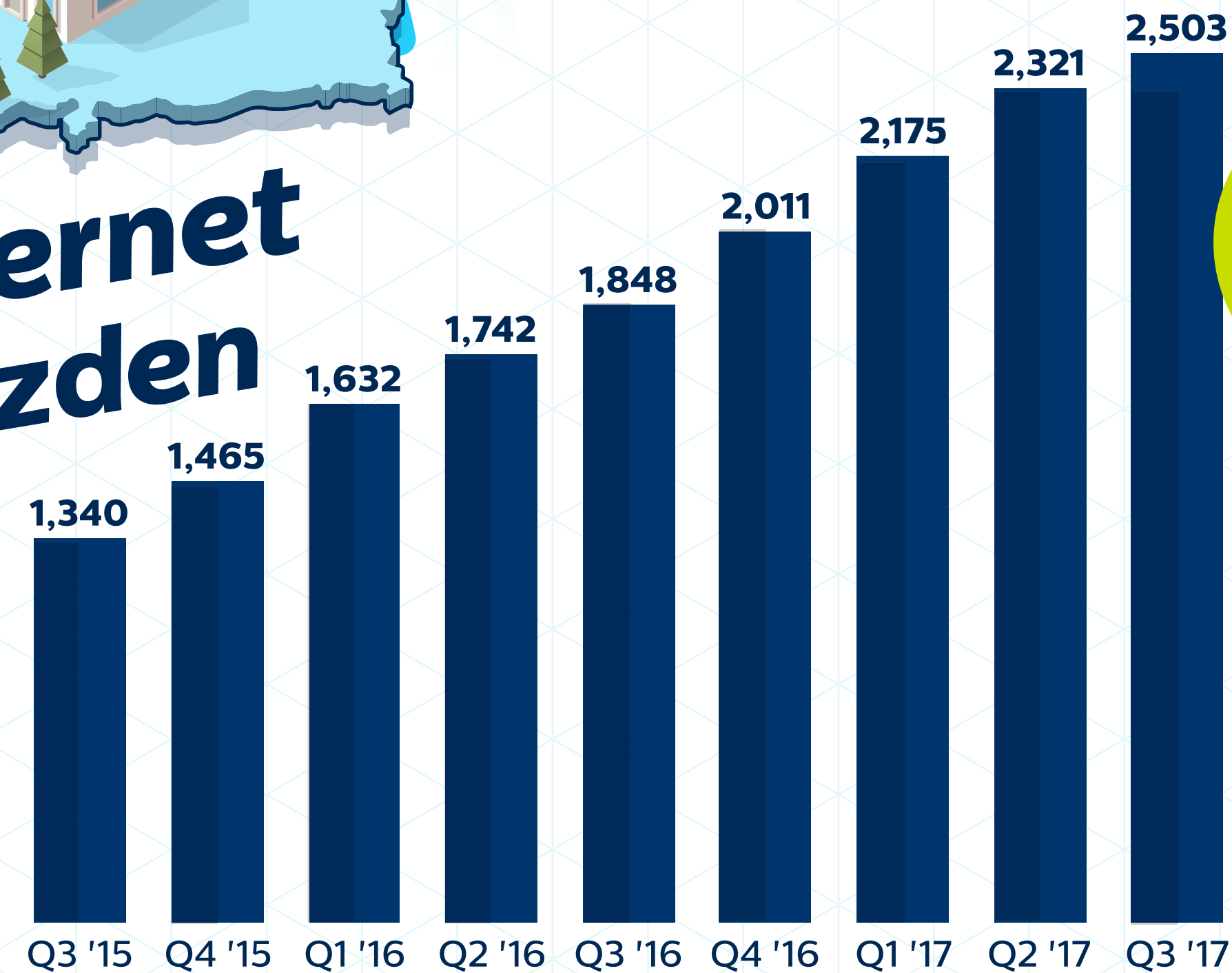
○ ARPU (TL) ■ Subscribers (mn)



**289K**  
net  
additions  
in Q3



## Internet Bizden

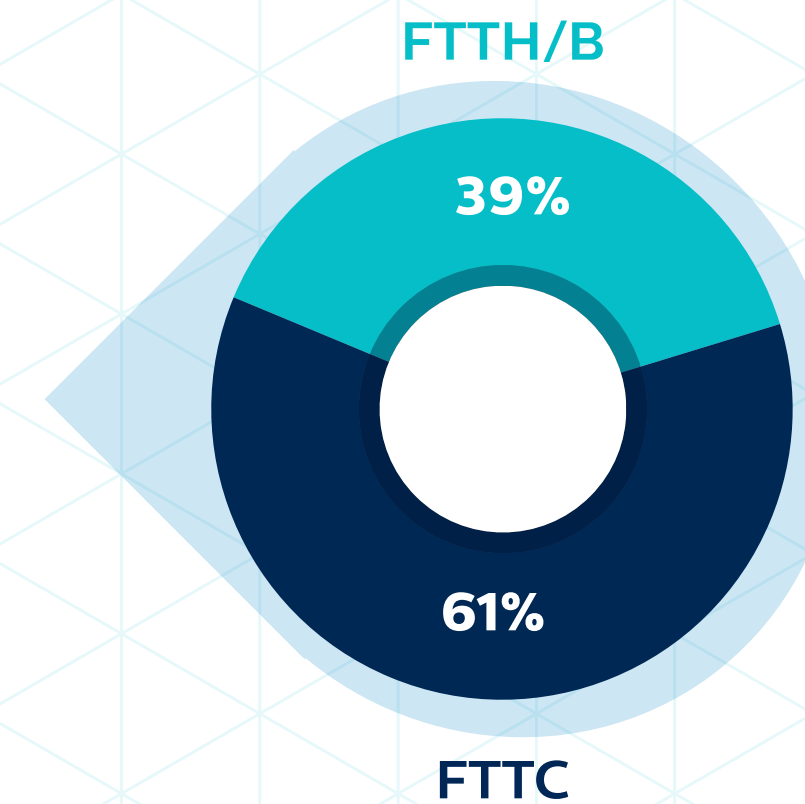


FTTH/B & FTTC tariffs have same prices for a given speed/quota

## Fiber Subscribers

(thousand)

**182K**  
net  
additions  
in Q3





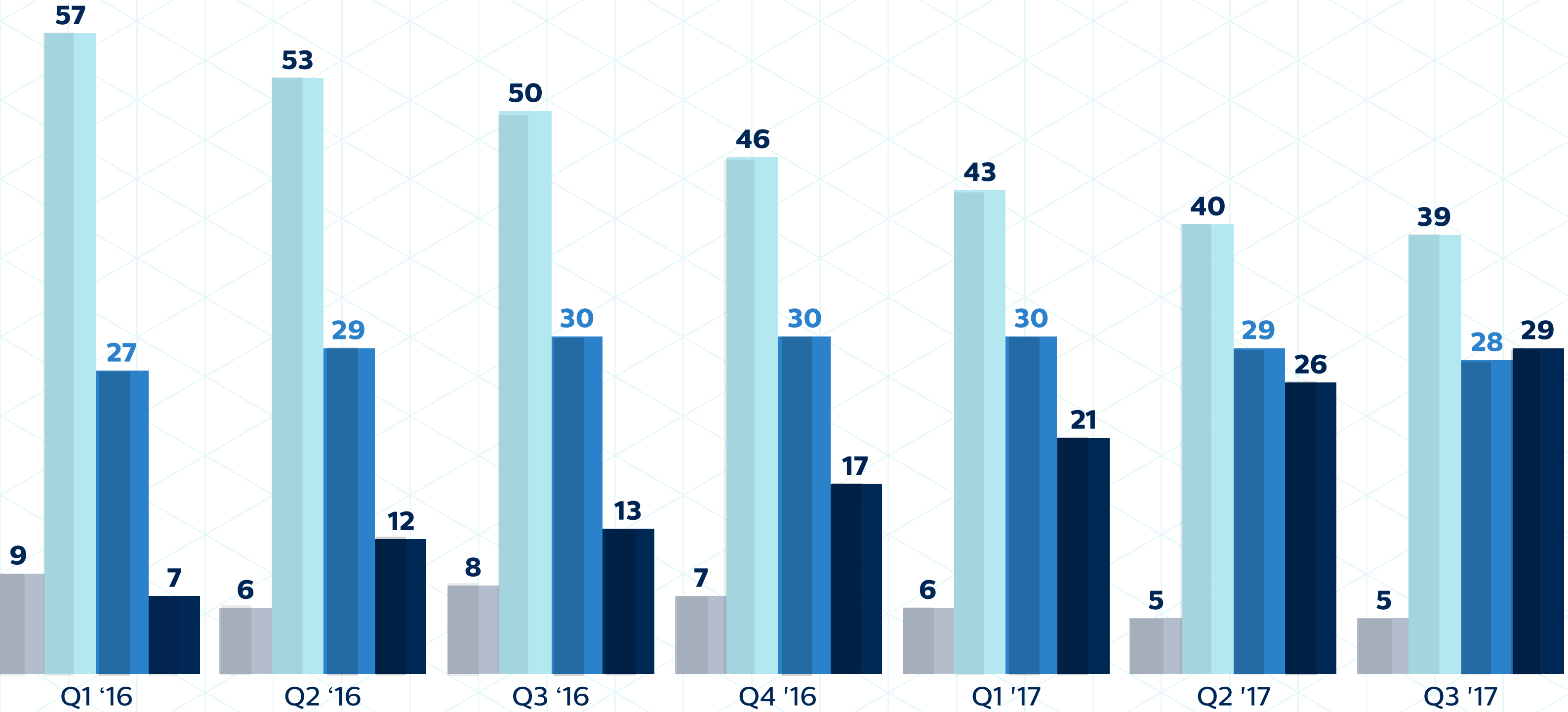
# Upselling Dynamics in Fixed Broadband



## Capacity Breakdown

(% of Subscribers)

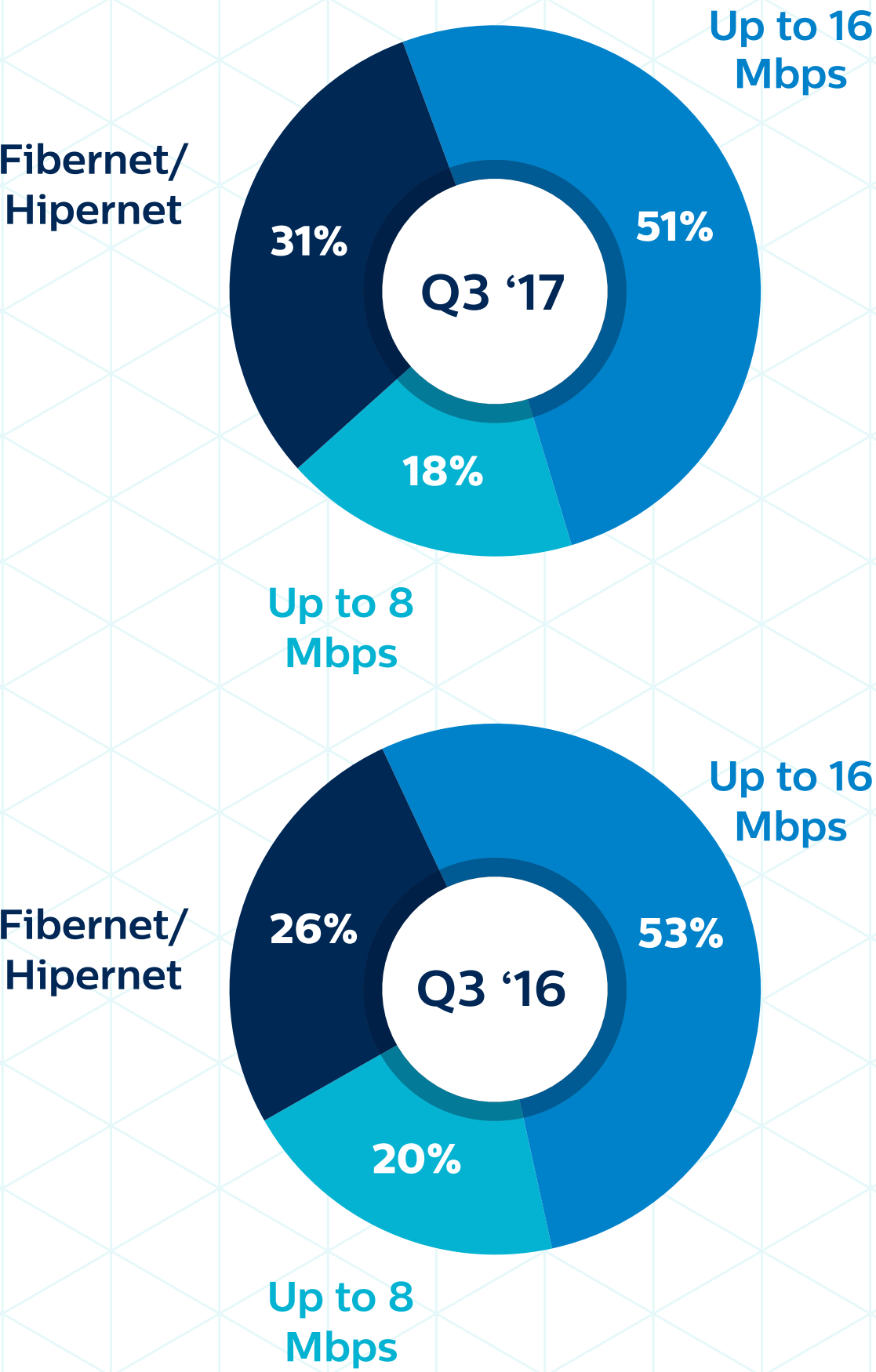
■ 25 GB & Below ■ 25 to 50 GB ■ 50 to 75GB ■ Above 75 GB



All figures are based on Türk Telekom's retail subscribers

## Speed Breakdown

(% of Subscribers)





# Nationwide Fiber

Türk Telekom Fiber Network



Superonline Fiber Network



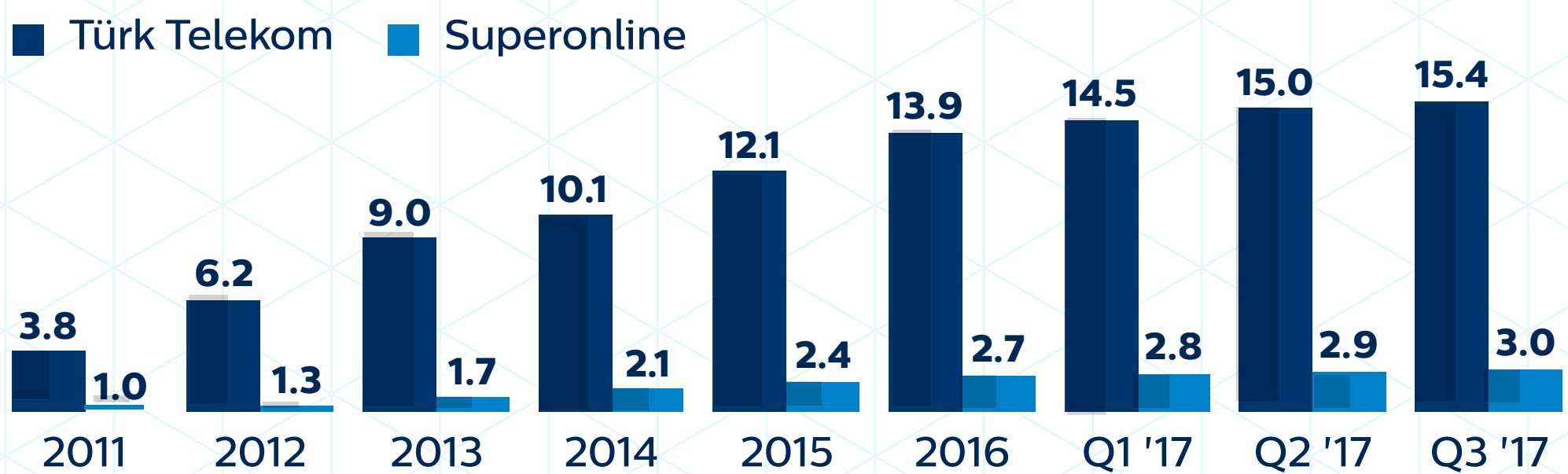
38.5K km fiber length

Wholesale customer of Türk Telekom

Based on Turkcell's own publications as of Q3 '17

## Fiber Homepass

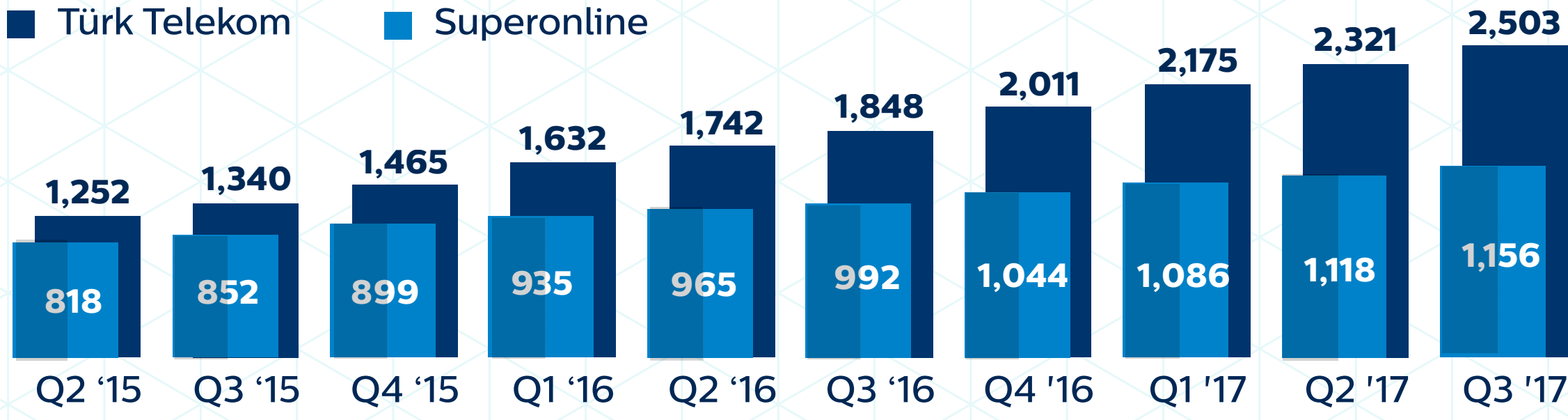
(mn)



Fiber homepass includes FTTH/B & FTTC  
15.4 mn homepass consists of 4.3 mn FTTH/B and 11.1 mn FTTC

## Fiber Subscribers

(thousand)

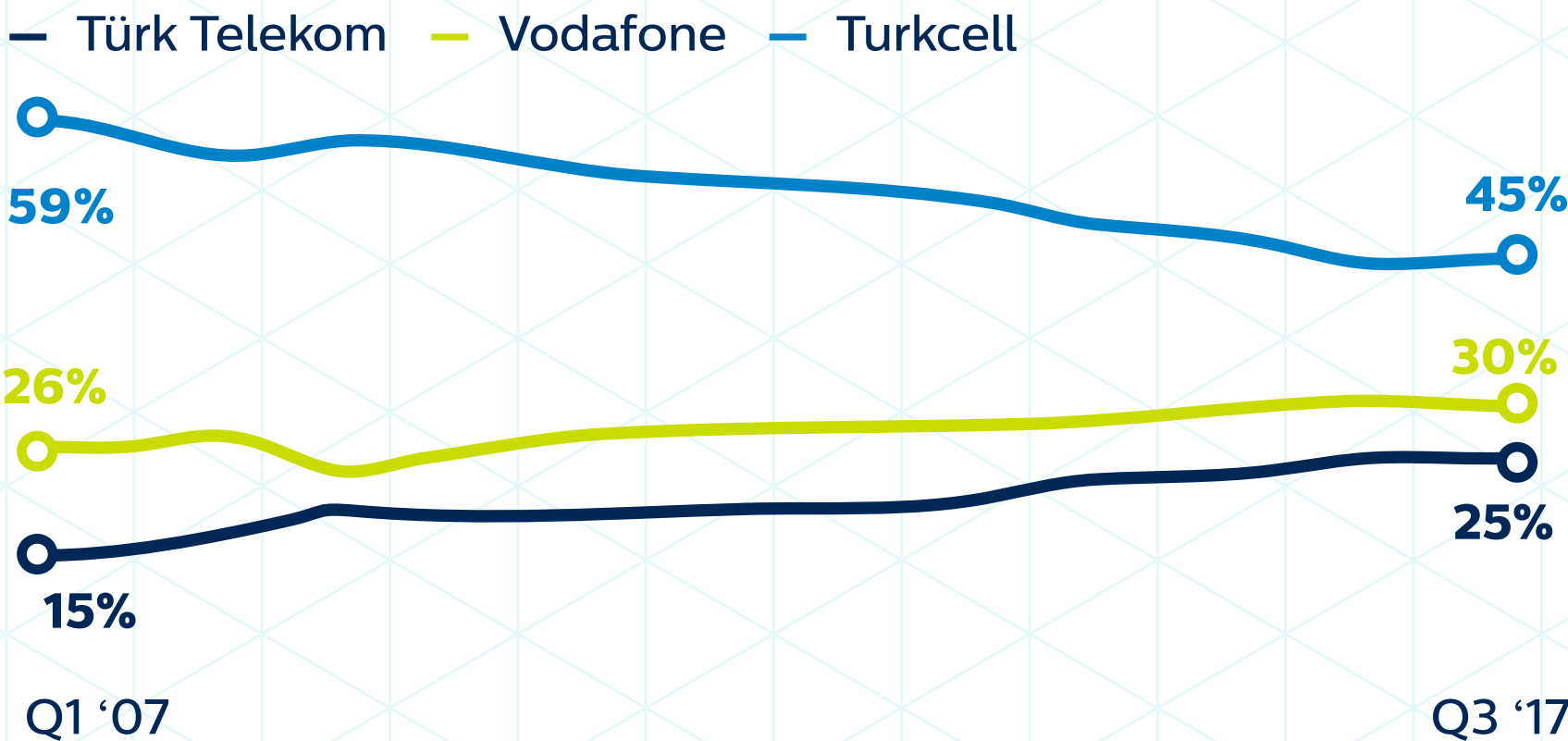


Fiber subscribers include FTTH/B & FTTC subscribers

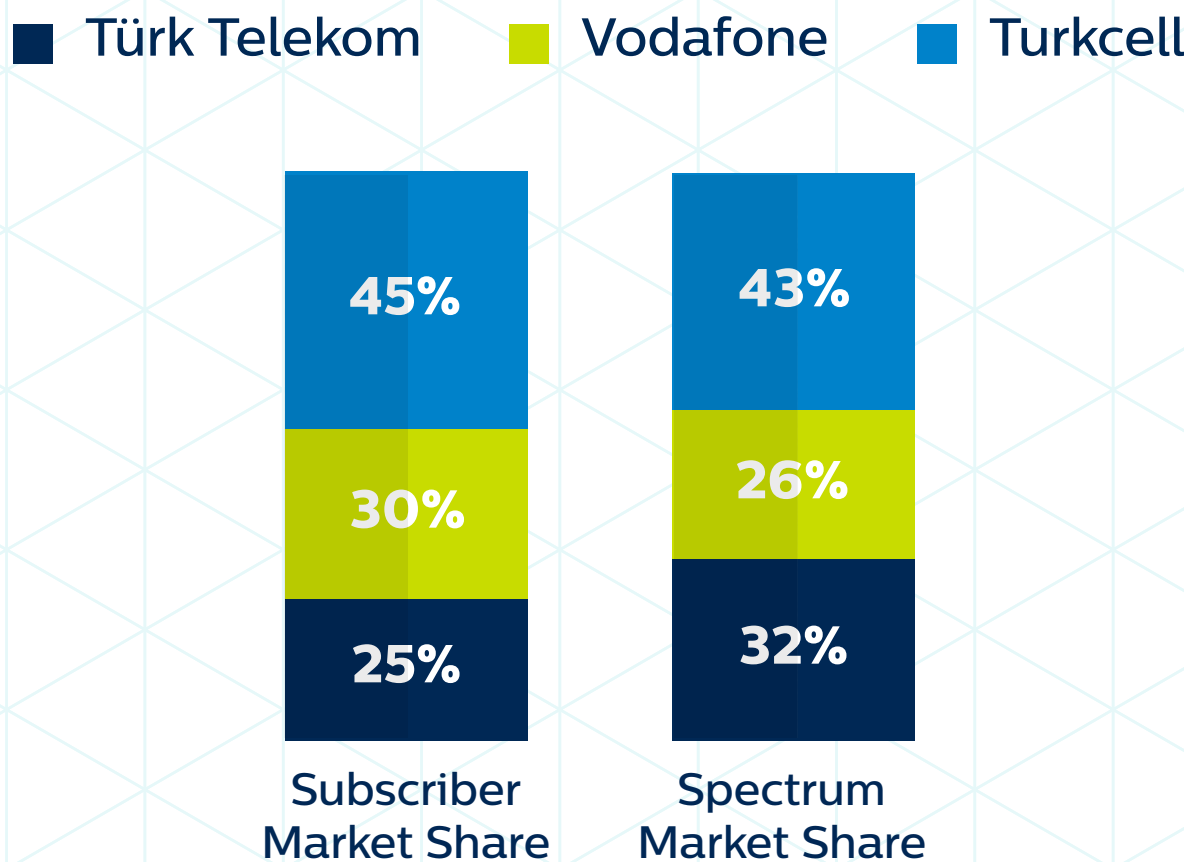


# Mobile Market

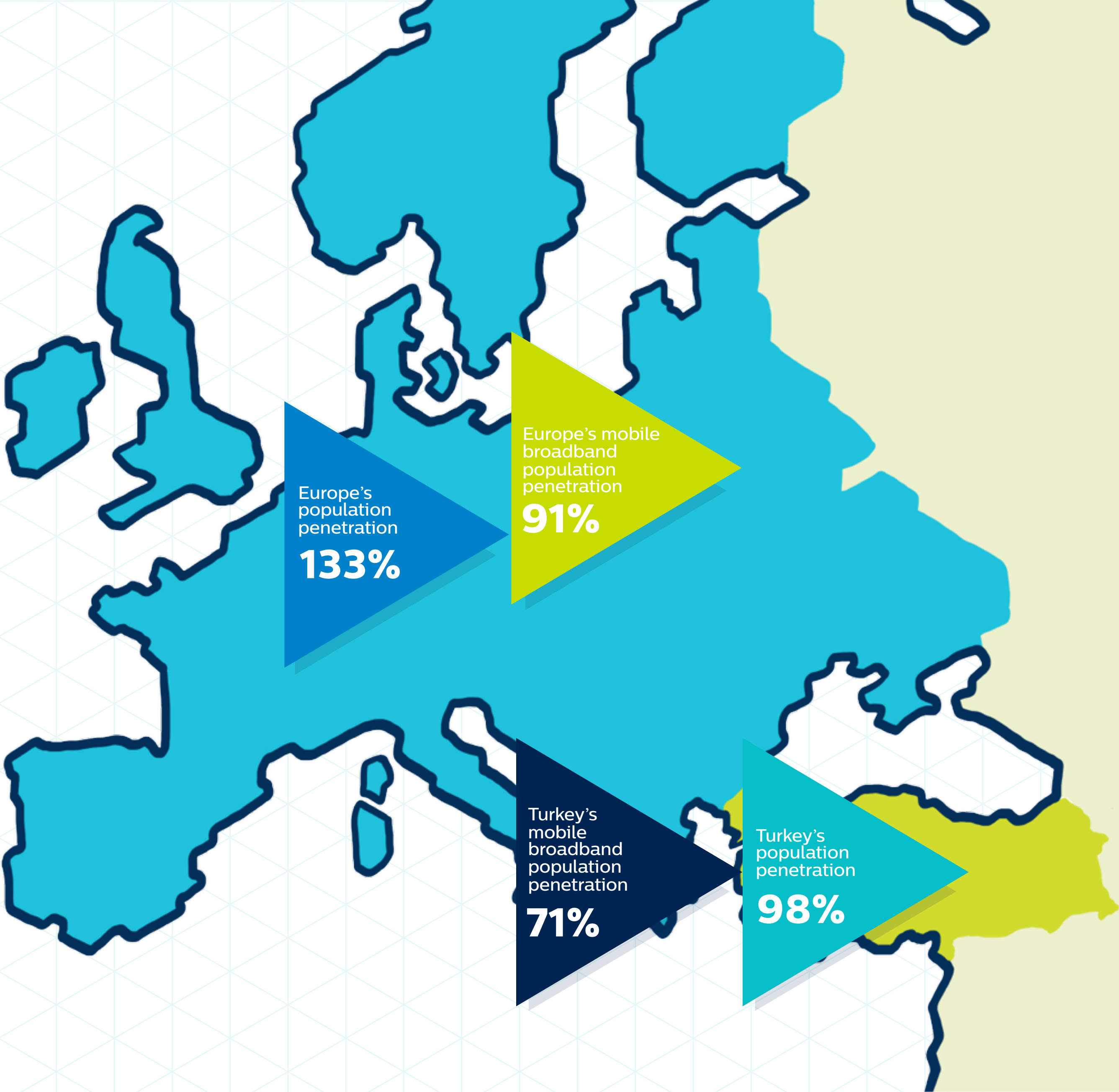
## Subscriber Market Share



## Subscriber vs. Spectrum Market Share



Other operators' data are from their own publications as of Q3 '17



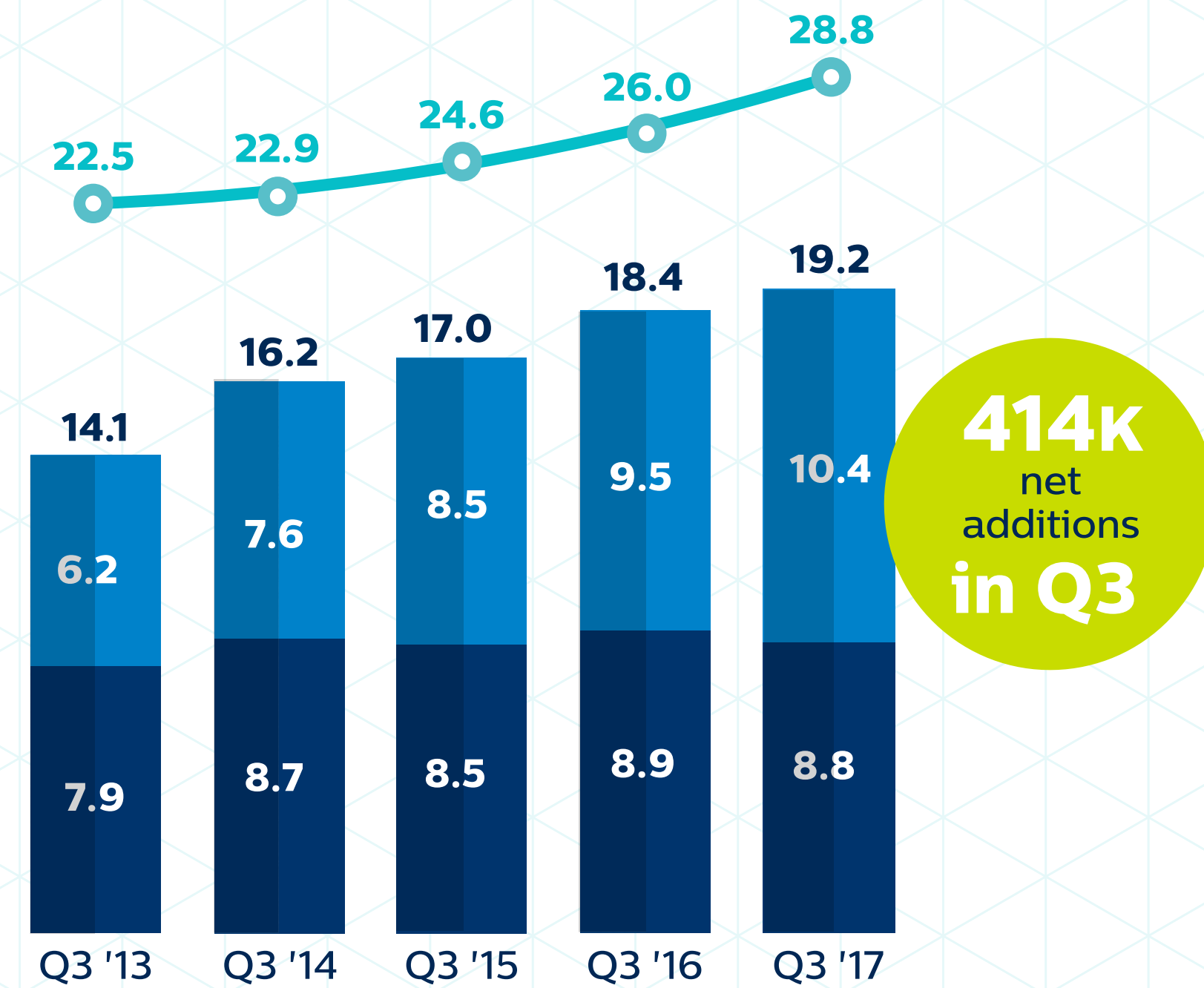
Source: ICTA, Q3 '17 Market Report  
European countries include: FIN, DEN, GRE, AUS, SWE, POR, SWI, IT, GER, NOR, BEL, UK, NL, SP, FR



# Mobile Performance

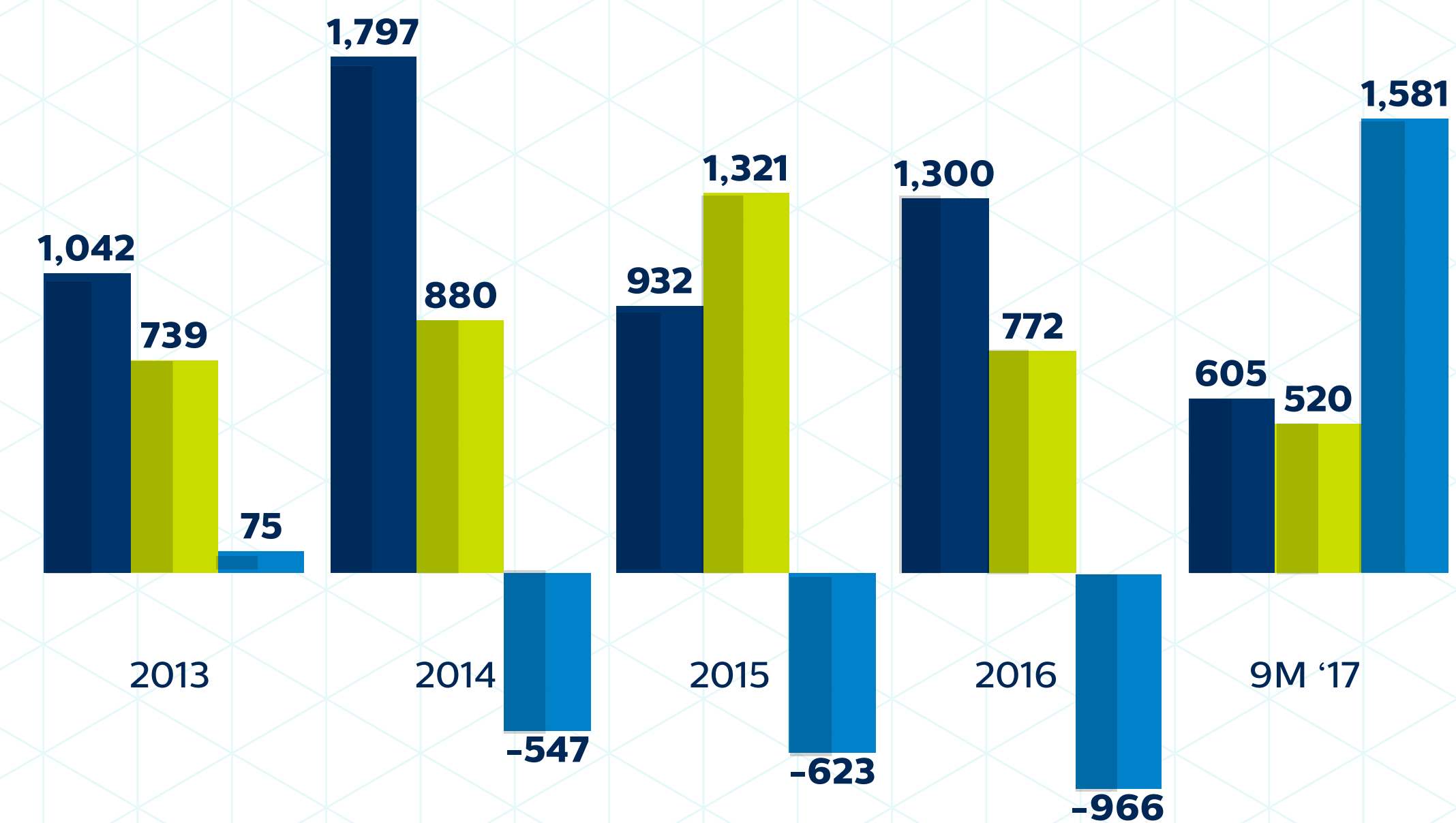
## Growing ARPU & Subscribers

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



## Net Subscriber Addition

■ Türk Telekom ■ Vodafone ■ Turkcell



Other operators' data are from their own publications.





# LTE Key Metrics

**81%**  
LTE population  
coverage

**64%**  
of smartphone  
users on LTE devices

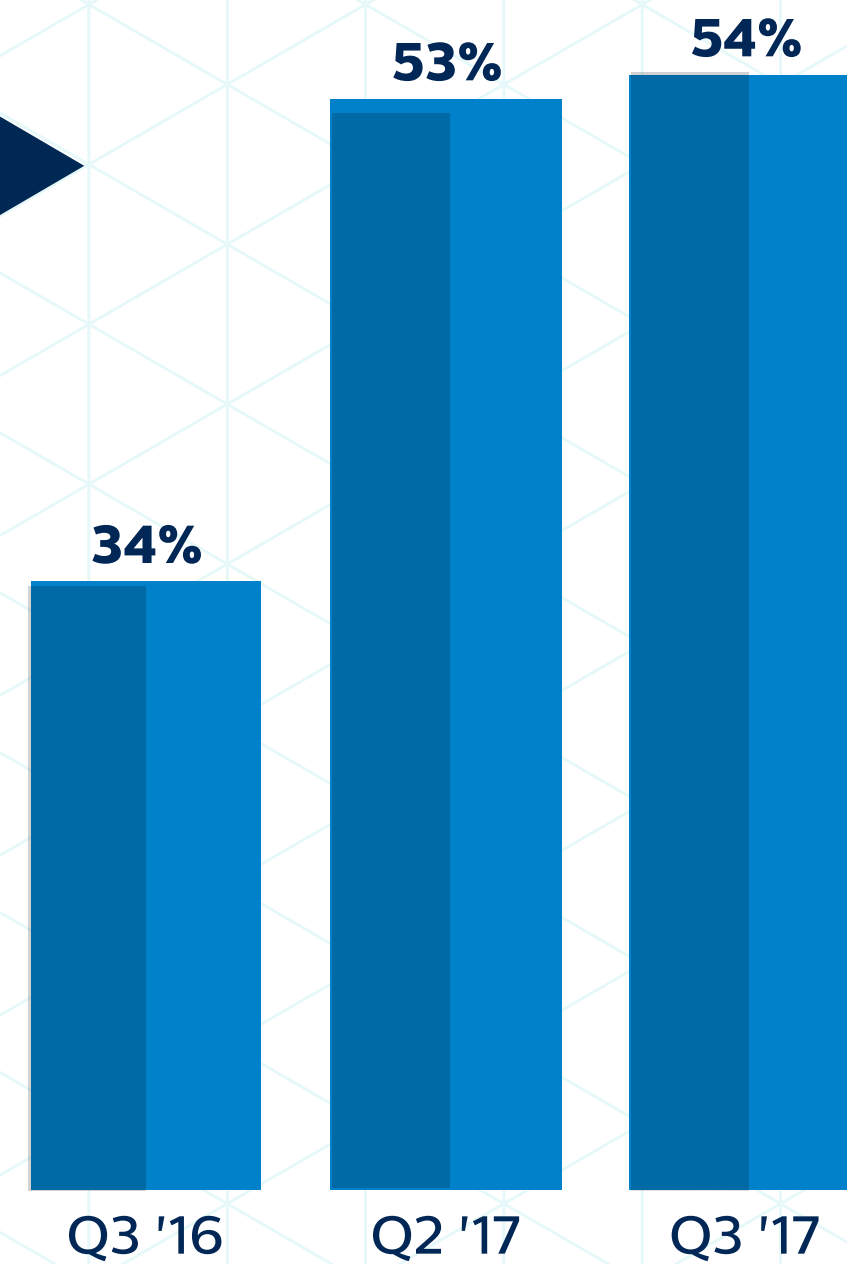
**60%**  
of LTE base stations  
fiber-connected



# Monetizing Data

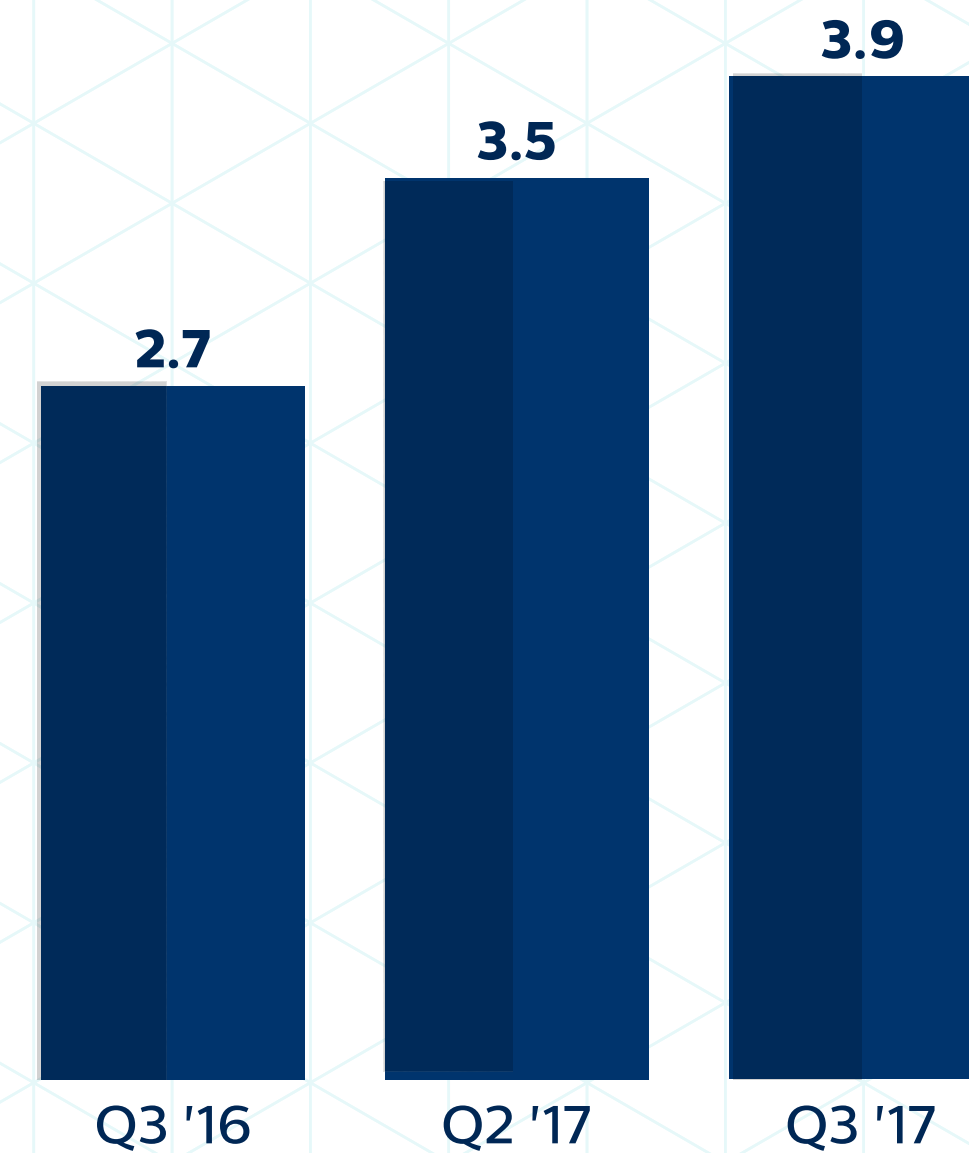
## Data Revenue

(Service revenue shares)



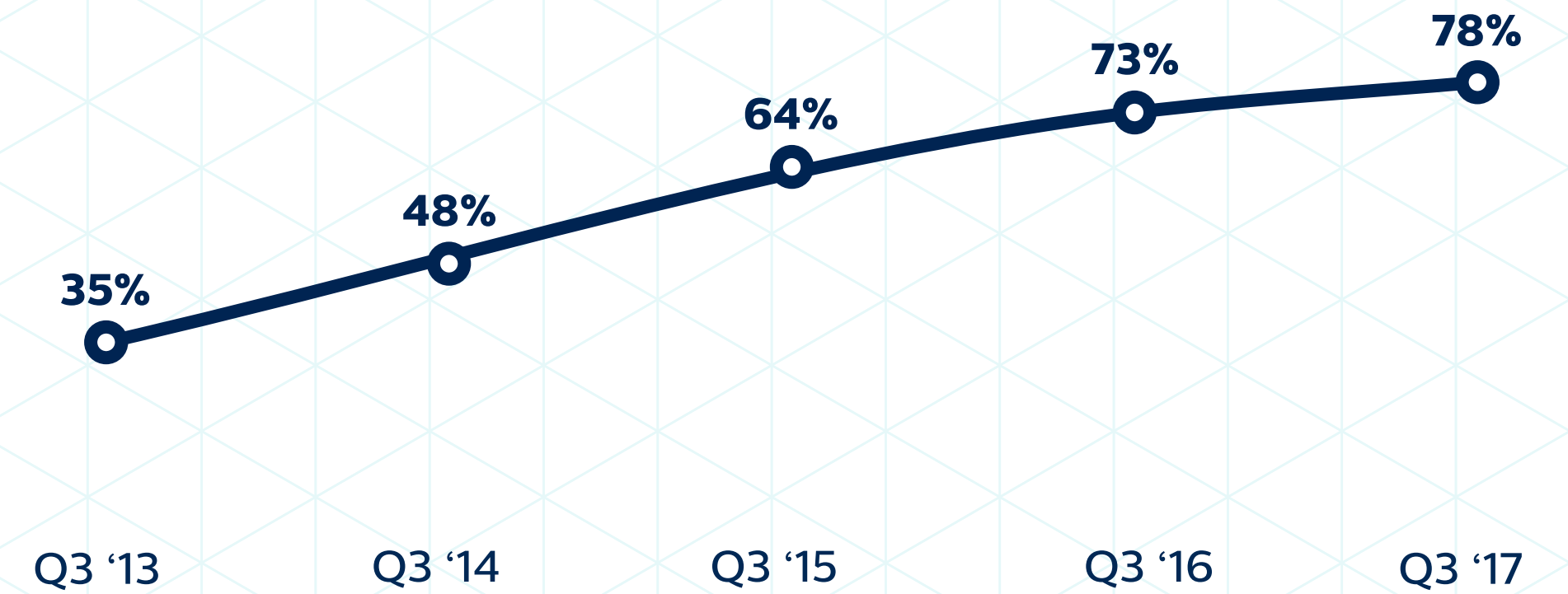
## Avg. Monthly Mobile Data Usage

(GB per user\* )

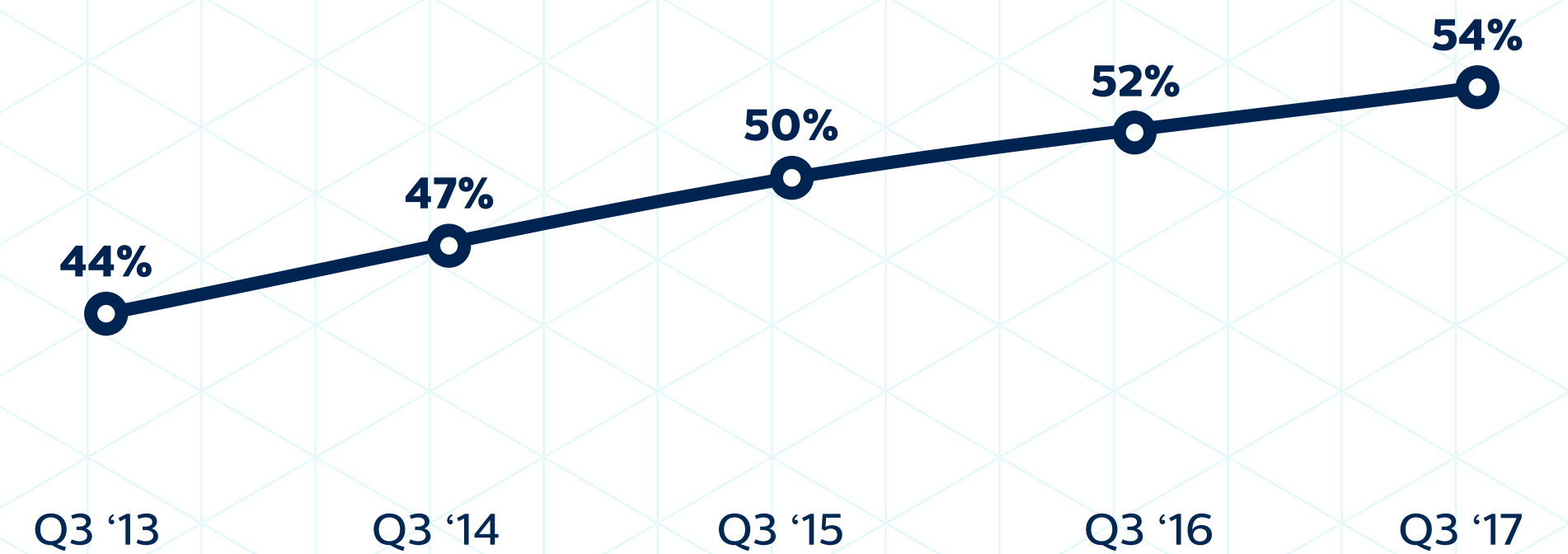


\* Türk Telekom smartphone users

## Smartphone Penetration



## Postpaid Ratio

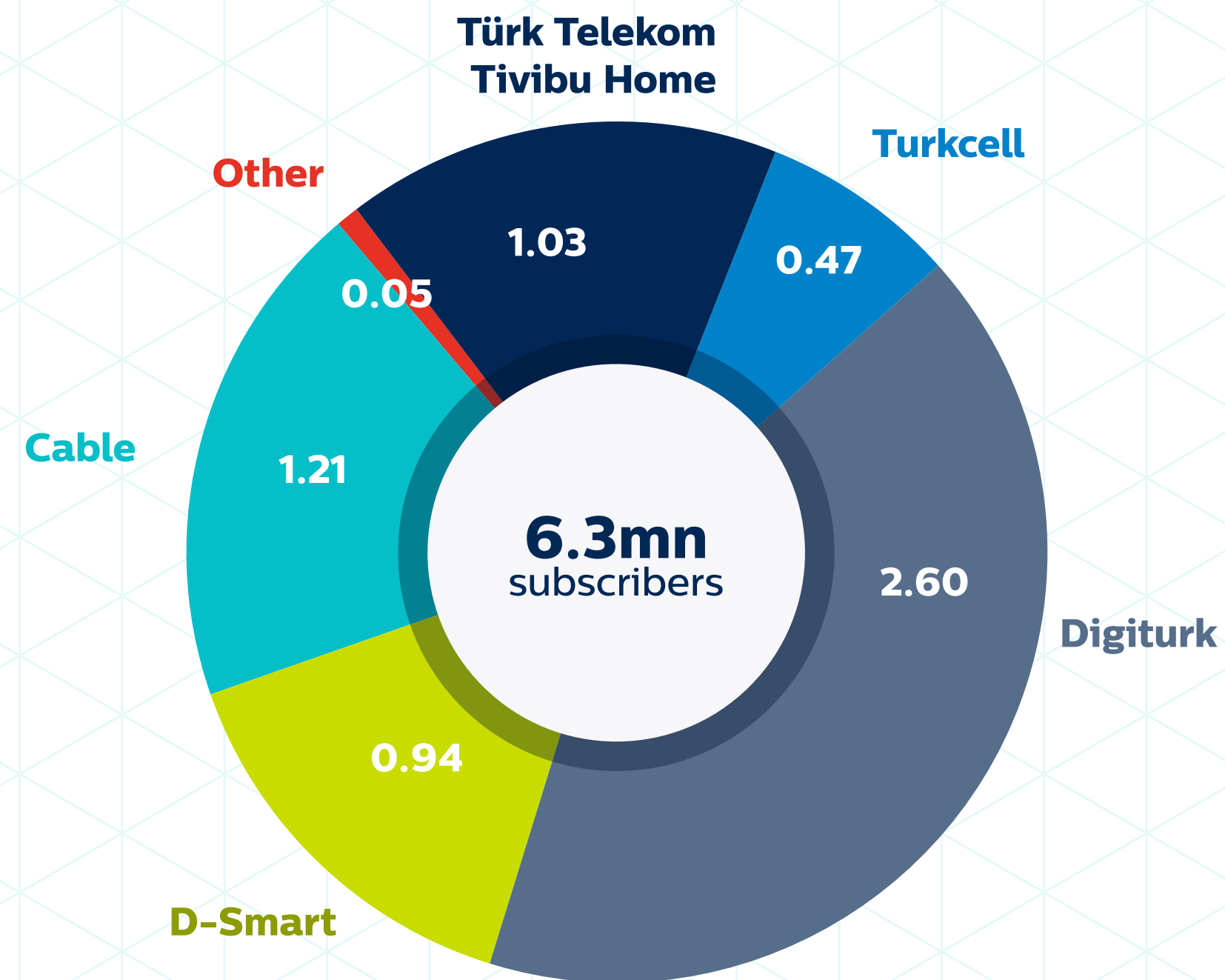




# Pay TV Market

## Subscribers

(mn)



Source: ICTA Q3 '17 report



Source: Analysys Mason, Pay-TV quarterly Metrics, Q2 '17 Report  
European countries include FR, DE, IE, IT, PT, ES, UK, SWE  
TR data is calculated from ICTA, Q3 '17 Market Report

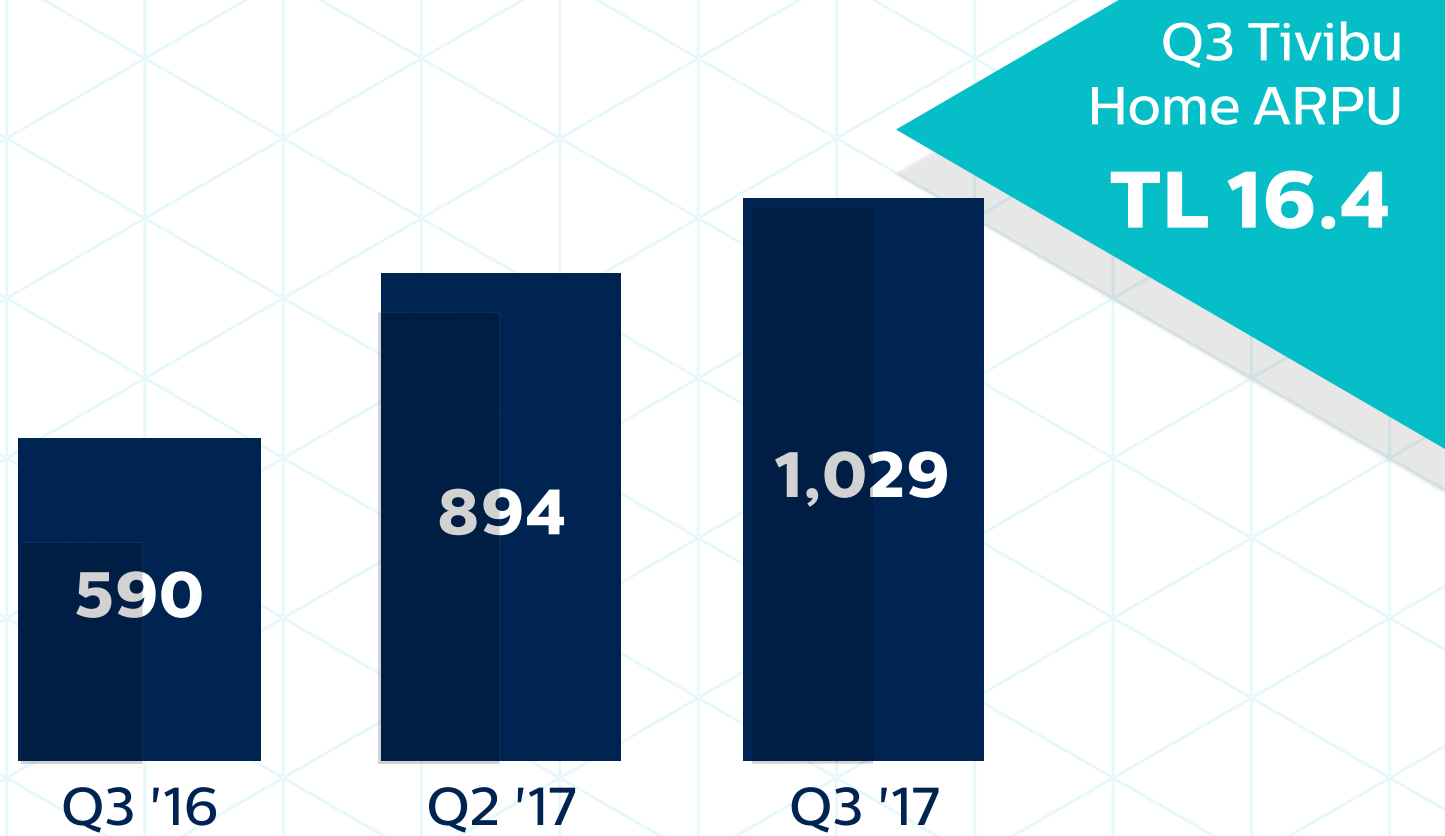


# TV Performance

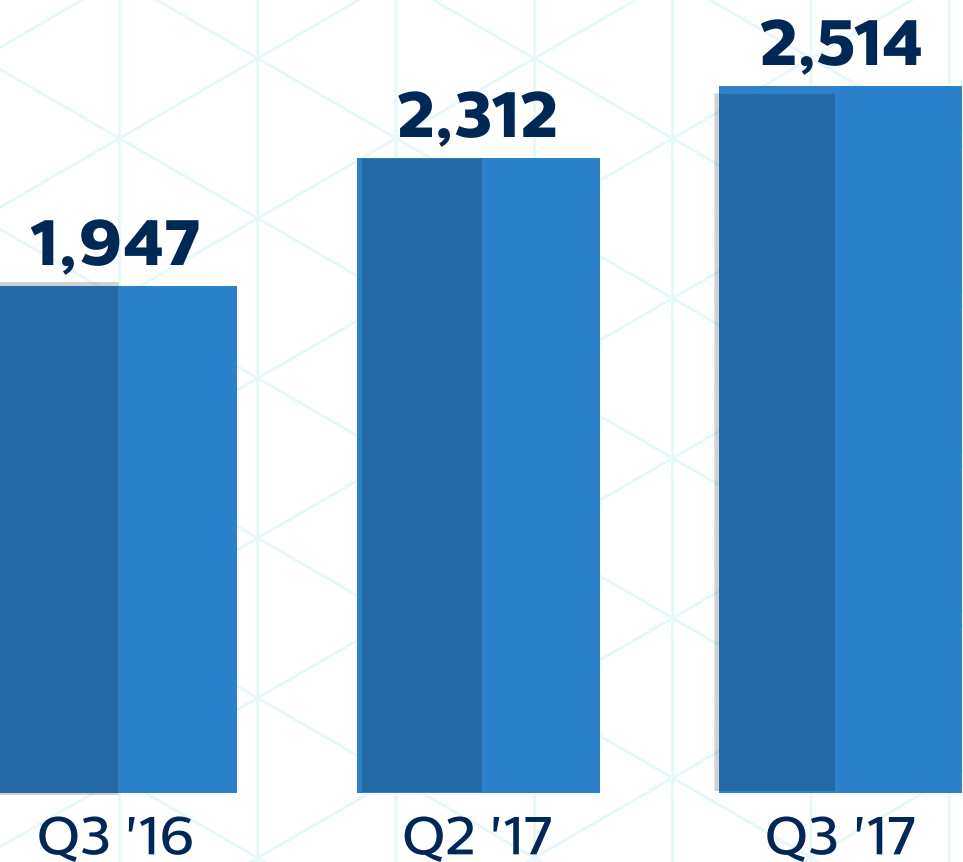
Türk Telekom Tivibu

**Subscribers**  
(thousand)

■ Tivibu Home



■ Total TV (inc. Tivibu Home)



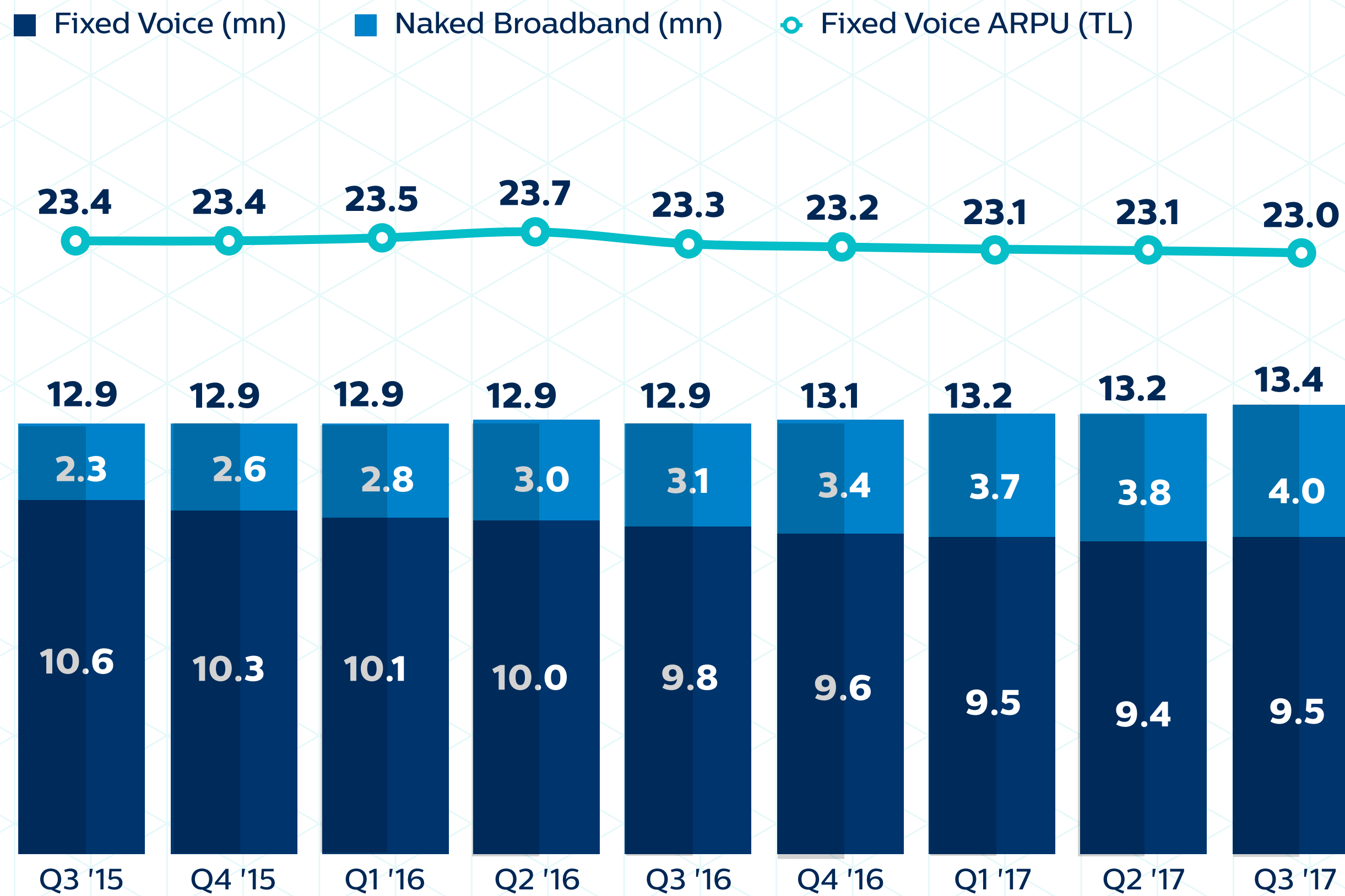
**135K** net additions in Q3 '17  
in Tivibu Home





# Fixed Voice

## Access Lines and ARPU





# Digital Transformation

Taking steps to lead digital transformation

## Türk Telekom Group Value Chain

### Technology

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

Türk Telekom

ARGELA



s e b i t

### Marketing

Diverse portfolio addressing the consumer segment; with 200+ value added services and 40+ mobile applications



Wirofon



Tambu



Playstore

muud

TT Music



Education



Tivibu Go

### 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





# Financials



# Summary Income Statement



(TL mn)	2016 9M	2017 9M	YoY Change	Q3 '16	Q3 '17	YoY Change
Revenues	11,859	13,340	12.5%	4,118	4,532	10.1%
EBITDA	4,036	4,927	22.1%	1,452	1,687	16.2%
Margin	34.0%	36.9%		35.3%	37.2%	
Operating Profit	1,964	2,720	38.5%	733	973	32.8%
Margin	16.6%	20.4%		17.8%	21.5%	
Financial Income / (Expense)	(837)	(893)	6.6%	(595)	(519)	(12.8%)
FX & Hedging Gain / (Loss)	(510)	(568)	11.5%	(498)	(398)	(20.0%)
Interest Income/(Expense)	(271)	(249)	(8.1%)	(103)	(88)	(14.2%)
Other Financial Income/ (Expense)	(57)	(76)	33.4%	5	(33)	n.m.
Tax Expense	(462)	(578)	25.0%	(129)	(161)	24.6%
Net Income	664	1,249	88.1%	9	293	n.m.
Margin	5.6%	9.4%		0.2%	6.5%	

Note: FX Rates used in financial income/expense calculation are as follows: **September-17:** USD/TL: 3.5521; EUR/TL: 4.1924



# Summary Balance Sheet



(TL mn)	30.09.2016	30.06.2017	30.09.2017
<b>Total Assets</b>	<b>26,590</b>	<b>25,733</b>	<b>26,519</b>
Intangible Assets <sup>1</sup>	8,038	8,252	8,148
Tangible Assets <sup>2</sup>	8,761	8,358	8,362
Other Assets <sup>3</sup>	6,641	7,000	7,247
Cash and Equivalents	3,150	2,123	2,761
<b>Total Equities and Liabilities</b>	<b>26,590</b>	<b>25,733</b>	<b>26,519</b>
Share Capital	3,260	3,260	3,260
Reserves, Retained Earnings and Other Equity Items	1,433	1,084	1,389
Interest Bearing Liabilities <sup>4</sup>	13,615	14,754	15,398
Provisions for Employee Termination Benefits	614	651	673
Other Liabilities <sup>5</sup>	7,669	5,983	5,798

(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 9M	2017 9M	YoY Change	Q3 '16	Q3 '17	YoY Change
Operating Cash Flow	2,690	2,881	7.1%	1,314	952	(27.6%)
Investing Cash Flow	(2,702)	(2,603)	(3.6%)	(729)	(570)	(21.7%)
CAPEX	(2,724)	(2,510)	(7.9%)	(730)	(618)	(15.3%)
Other Investing Activites	22	(93)	n.m.	1	48	7,313.3%
Financing Cash Flow <sup>1</sup>	283	(582)	n.m.	(642)	183	n.m.
Net Change in Cash Position <sup>2</sup>	272	(304)	n.m.	(57)	564	n.m.

(1)Includes currency translation differences

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





# Summary Revenue Breakdown



(TL mn)	2016 9M	2017 9M	YoY Change	Q3 '16	Q3 '17	YoY Change
Fixed Voice	2,123	1,968	(7.3%)	689	651	(5.6%)
Broadband	3,094	3,610	16.7%	1,068	1,220	14.2%
TV	127	166	30.7%	44	58	32.2%
Mobile	4,233	4,938	16.7%	1,488	1,716	15.3%
Corporate Data <sup>1</sup>	975	1,101	13.0%	336	387	15.3%
International Revenue	384	469	22.3%	146	188	28.4%
Domestic Interconnection	12	9	(28.1%)	3	3	(16.3%)
Rental income from GSM Operators	56	62	10.6%	19	20	7.8%
Other <sup>2</sup>	593	591	(0.2%)	177	201	13.1%
Construction Revenue Adjustment (IFRIC-12)	334	491	46.7%	175	112	(35.8%)
Eliminations	(72)	(66)	(8.8%)	(27)	(23)	(16.7%)
<b>Total Revenue</b>	<b>11,859</b>	<b>13,340</b>	<b>12.5%</b>	<b>4,118</b>	<b>4,532</b>	<b>10.1%</b>

(1) Includes leased line and data services

(2) Includes ICT companies, device sales, other





# Summary OPEX Breakdown

(TL mn)	2016 9M	2017 9M	YoY Change	Q3 '16	Q3 '17	YoY Change
<b>Direct Costs</b>	<b>2,614</b>	<b>2,935</b>	<b>12.3%</b>	<b>900</b>	<b>1,041</b>	<b>15.6%</b>
Interconnection	1,000	1,138	13.8%	358	422	17.8%
Tax	849	970	14.3%	297	336	13.2%
Provisions for Doubtful Receivables	279	335	19.9%	97	113	16.1%
Cost of Equipment and Technology Sales	286	283	(1.3%)	82	105	28.4%
Other Direct Costs	200	209	4.8%	66	65	(2.0%)
<b>Commercial Costs</b>	<b>1,220</b>	<b>1,261</b>	<b>3.4%</b>	<b>363</b>	<b>441</b>	<b>21.4%</b>
<b>Other Costs</b>	<b>3,693</b>	<b>3,783</b>	<b>2.4%</b>	<b>1,248</b>	<b>1,263</b>	<b>1.2%</b>
Network & Technology	1,134	1,310	15.4%	378	440	16.5%
Personnel	2,054	2,078	1.2%	691	690	(0.1%)
Other	505	394	(21.9%)	180	133	(25.6%)
<b>Sub Total</b>	<b>7,527</b>	<b>7,979</b>	<b>6.0%</b>	<b>2,511</b>	<b>2,745</b>	<b>9.3%</b>
Construction Cost Adjustment (IFRIC - 12)	296	434	46.7%	155	99	(35.8%)
<b>Total OPEX</b>	<b>7,823</b>	<b>8,413</b>	<b>7.5%</b>	<b>2,666</b>	<b>2,845</b>	<b>6.7%</b>

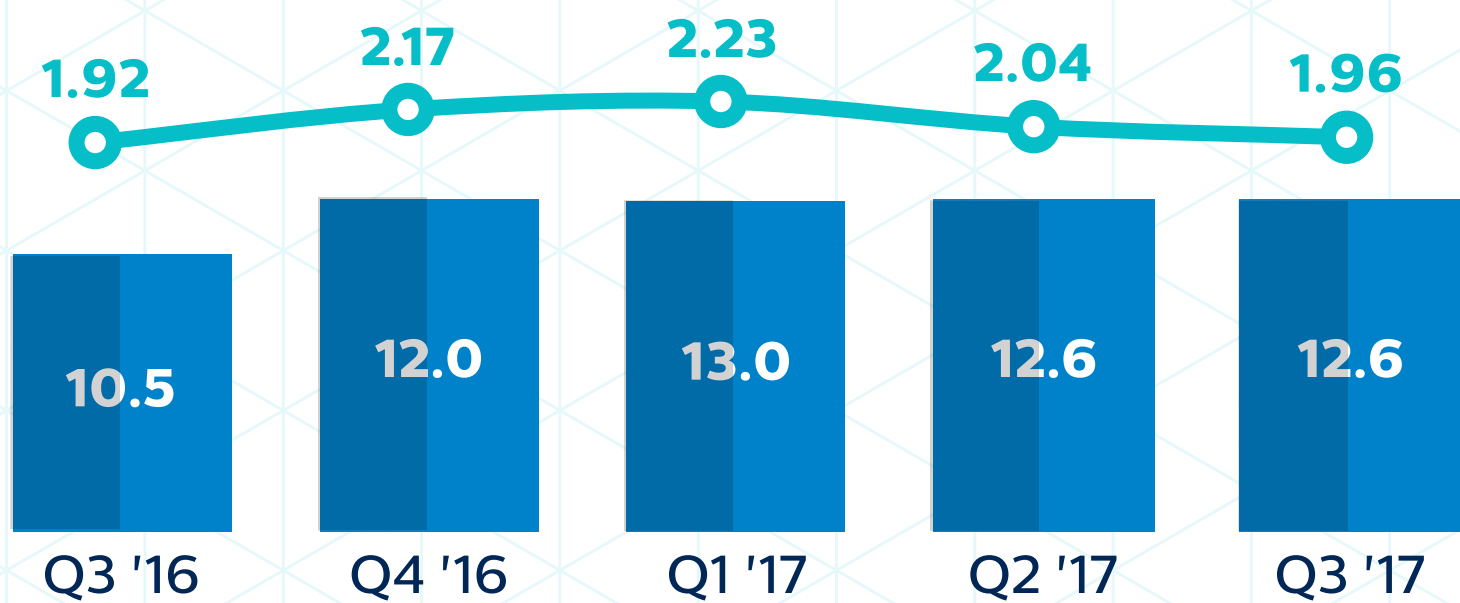
Note: Please find the reclassifications as of 31 March 2017 related to operational expenses on our website in Summary Financial Operational Information xls.



# Debt Profile

## Net Debt

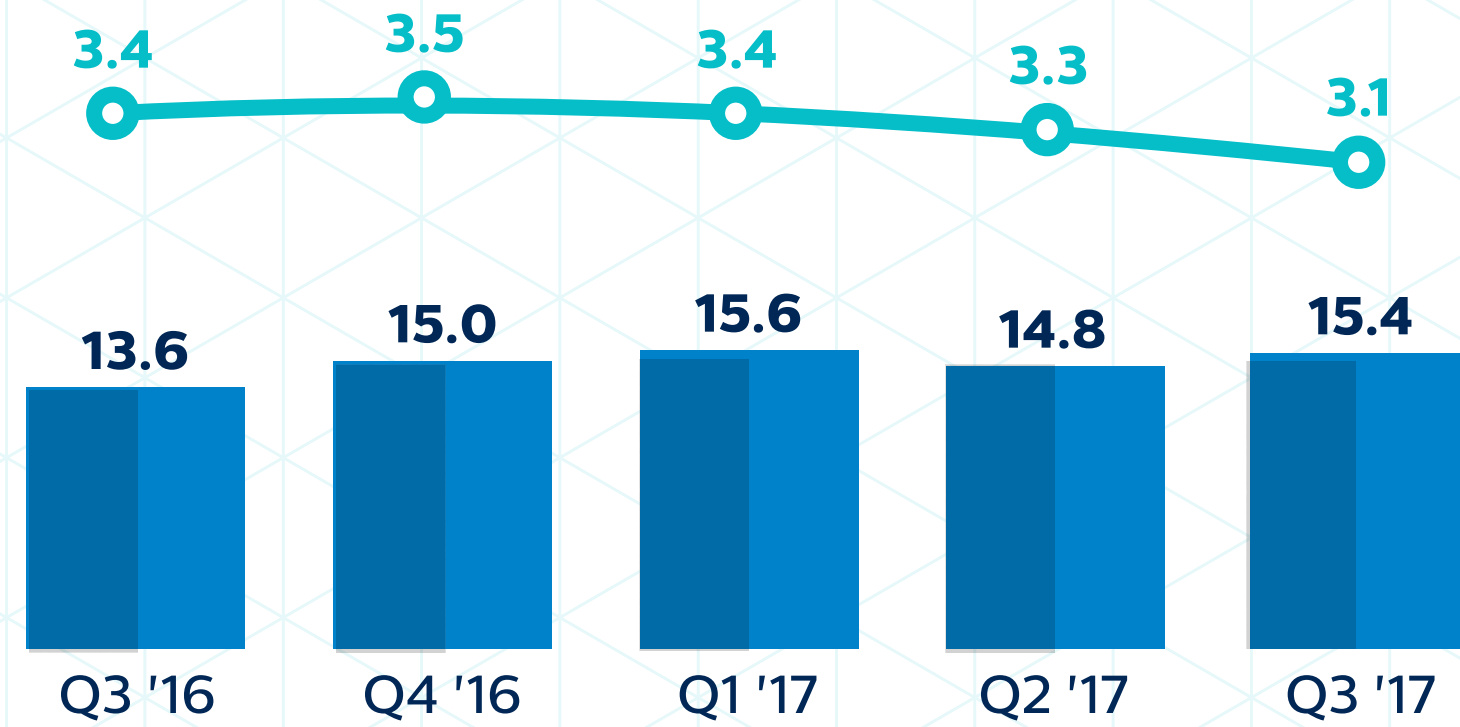
■ Net Debt (TL bn)    ● Net Debt/EBITDA



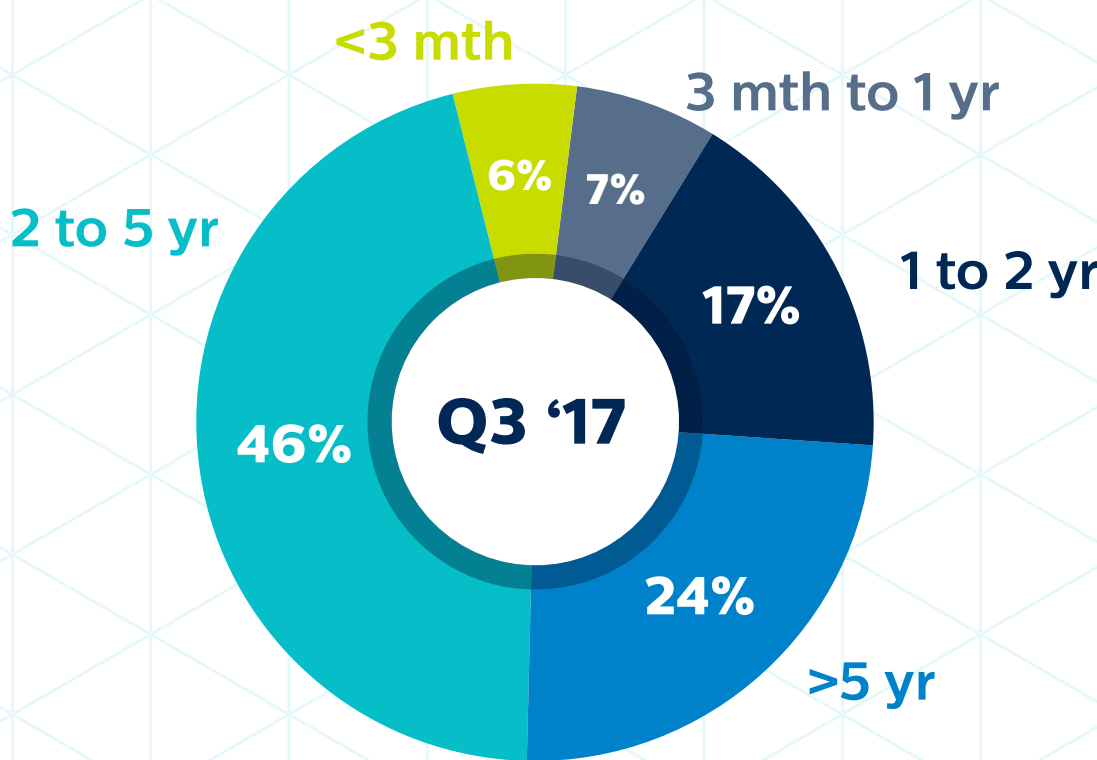
Note: In Q4 '16, Q1 '17 and Q2 '17 Net Debt/EBITDA calculation excludes extraordinary claims.

## Average Maturity of Debt

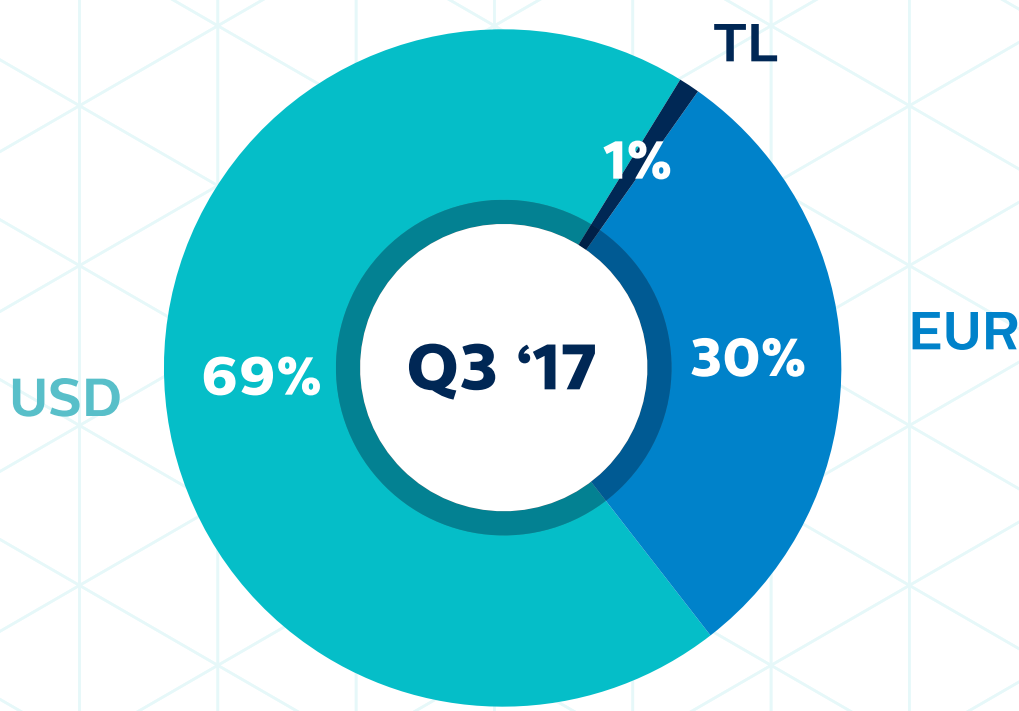
■ Total Debt (TL bn)    ● Average Maturity of Debt (years)



## Maturity Profile

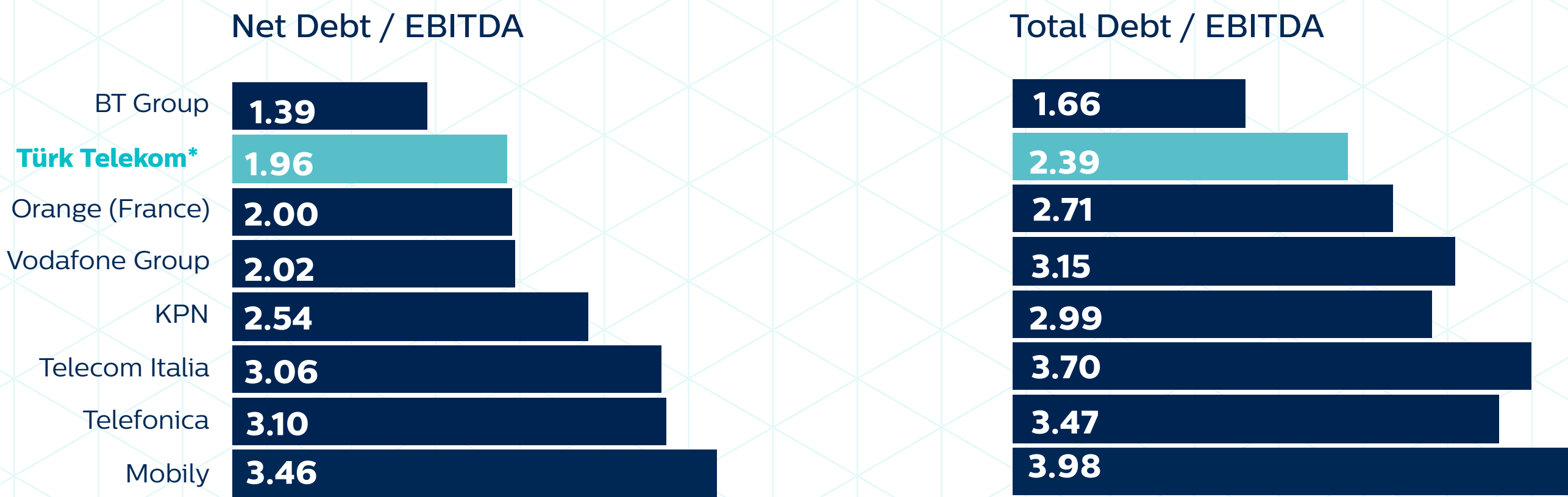


## Debt Breakdown



Note: Hedging activities are available on financial footnotes

## Low debt burden compared to peers



Source: Bloomberg

Türk Telekom's ratios are based on Q3 financials; others' based on their latest data



# Operational Highlights



	2016 Q3	2017 Q2	2017 Q3	YoY Change	QoQ Change
<b>Total Access Line (mn)</b>	<b>12.9</b>	<b>13.2</b>	<b>13.4</b>	<b>3.7%</b>	<b>1.4%</b>
Fixed Voice Lines <sup>1</sup> (mn)	9.8	9.4	9.5	(3.4%)	0.3%
Naked DSL Lines (mn)	3.1	3.8	4.0	26.1%	4.2%
<b>Fixed Voice ARPU (TL)</b>	<b>23.3</b>	<b>23.1</b>	<b>23.0</b>	<b>(1.2%)</b>	<b>(0.4%)</b>
<b>Broadband Total Subscribers (mn)</b>	<b>8.4</b>	<b>9.1</b>	<b>9.4</b>	<b>11.4%</b>	<b>3.2%</b>
FTTH/B Subscribers ('000)	828	931	986	19.1%	5.9%
FTTC Subscribers ('000)	1,020	1,389	1,517	48.7%	9.2%
<b>Broadband ARPU (TL)</b>	<b>42.6</b>	<b>44.6</b>	<b>44.1</b>	<b>3.5%</b>	<b>(1.1%)</b>
<b>Total Tivibu Subscribers<sup>2</sup> (mn)</b>	<b>1.9</b>	<b>2.3</b>	<b>2.5</b>	<b>29.2%</b>	<b>8.8%</b>
Tivibu Home Subscribers <sup>3</sup> ('000)	590	894	1,029	74.4%	15.1%
<b>Tivibu Home ARPU (TL)</b>	<b>18.7</b>	<b>17.4</b>	<b>16.4</b>	<b>(12.3%)</b>	<b>(5.9%)</b>
<b>Mobile Total Subscribers (mn)</b>	<b>18.4</b>	<b>18.8</b>	<b>19.2</b>	<b>4.3%</b>	<b>2.2%</b>
Mobile Postpaid Subscribers (mn)	9.5	10.1	10.4	9.3%	2.3%
Mobile Prepaid Subscribers (mn)	8.9	8.6	8.8	(1.1%)	2.0%
<b>Mobile Blended ARPU (TL)</b>	<b>26.0</b>	<b>28.2</b>	<b>28.8</b>	<b>10.9%</b>	<b>2.2%</b>
Mobile Postpaid ARPU (TL)	33.9	36.6	36.8	8.7%	0.6%
Mobile Prepaid ARPU (TL)	16.8	17.9	18.5	9.7%	3.3%

(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 **2016 YE**

**Revenue**  
(exc. construction  
adjustment)<sup>1</sup> **15,696**

**EBITDA** **5,470**

**CAPEX<sup>2</sup>** **3,027**

**2017 Guidance**

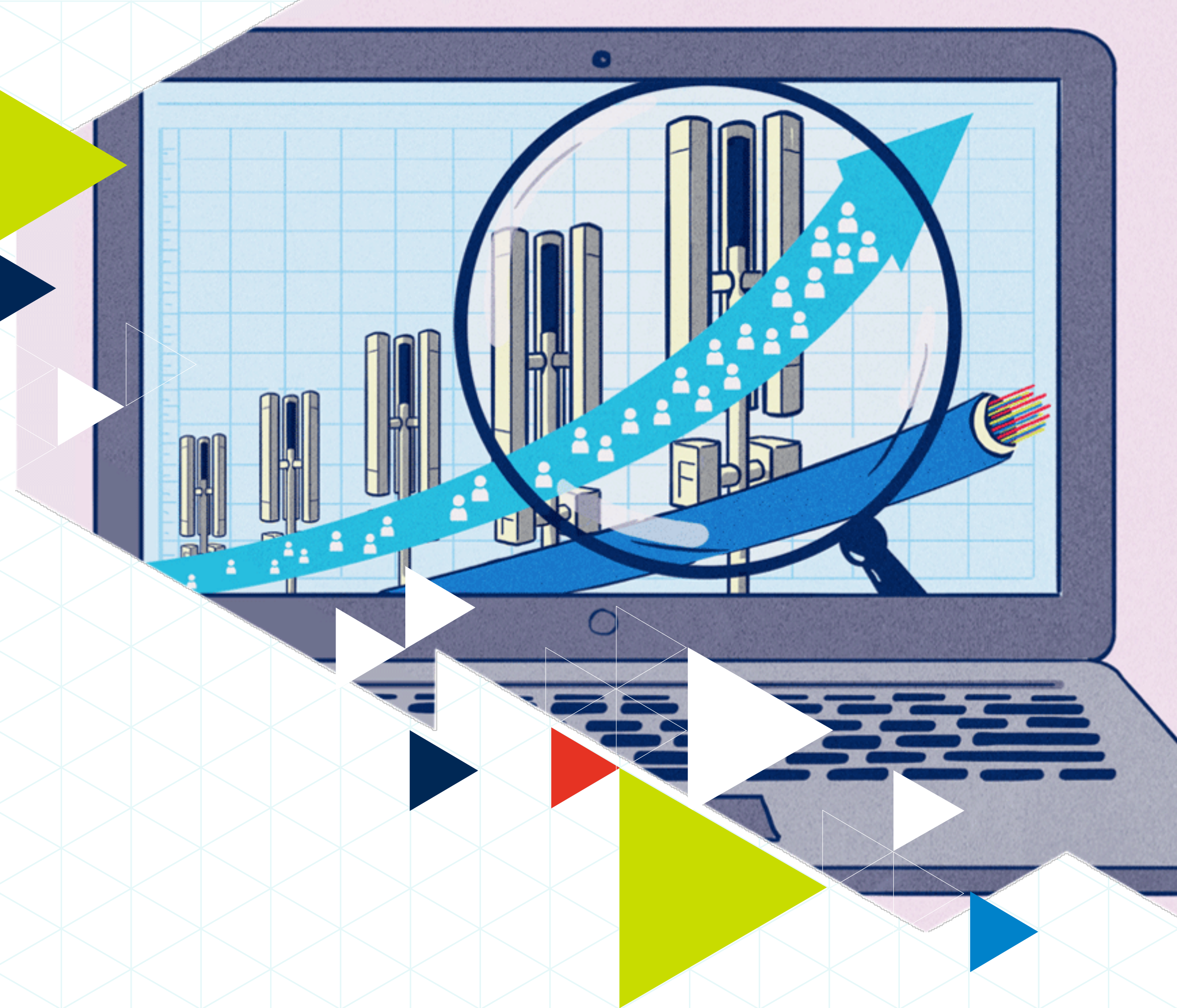
**10% to 11% growth**

**TL 6.3 to 6.4bn**

**~TL 3.3bn**

(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



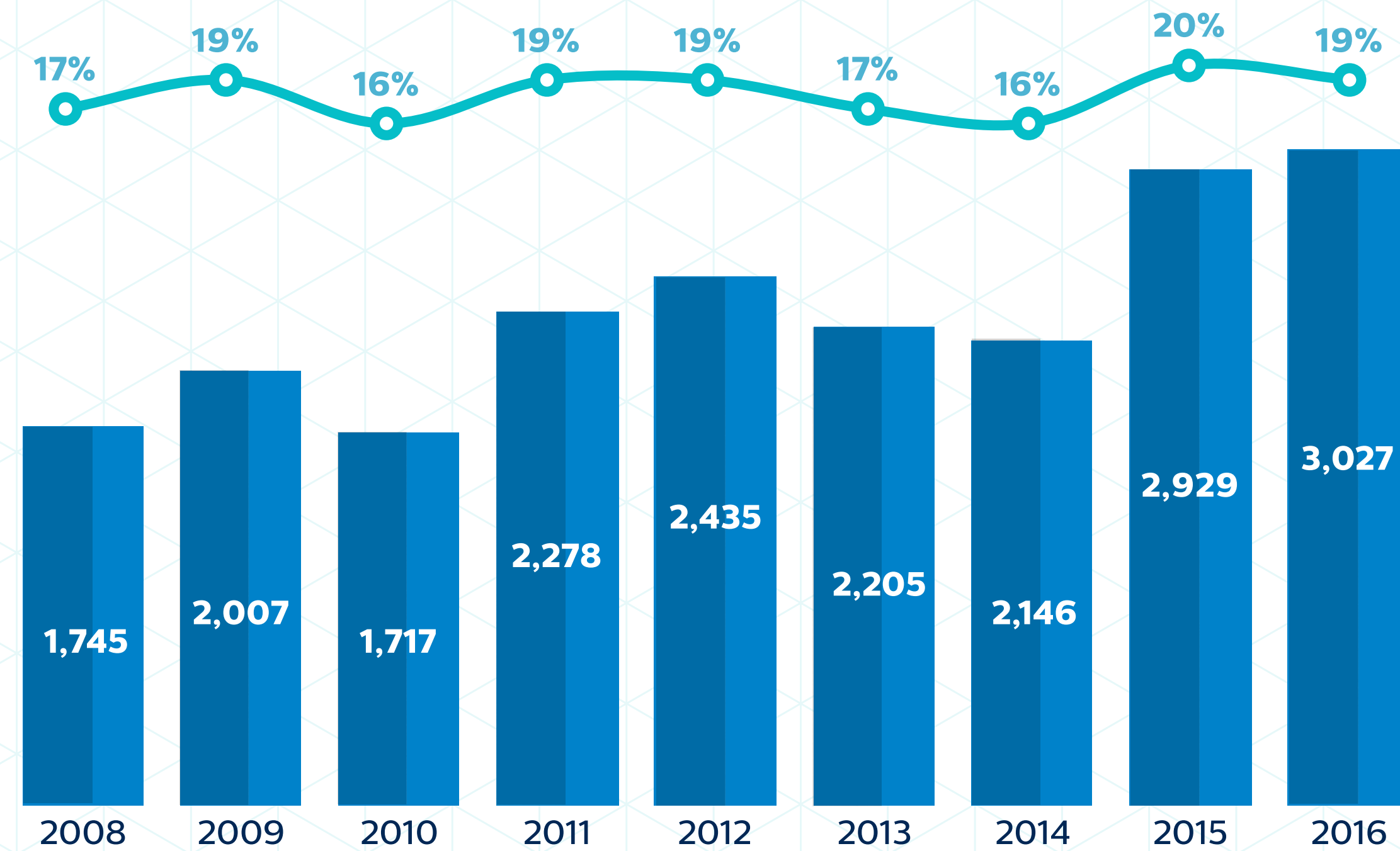


# Capex

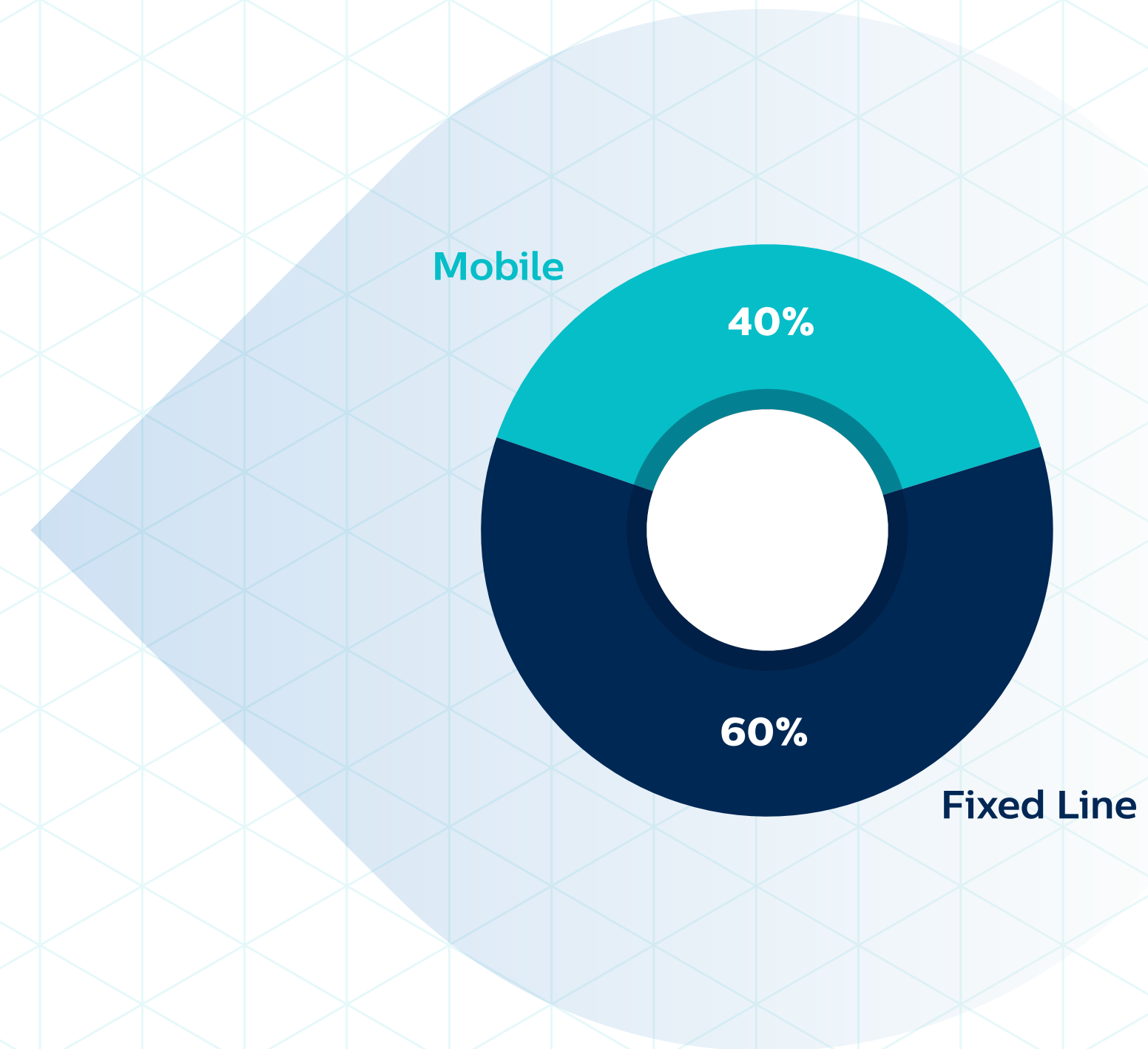
- ▶ Major Capex areas are fiber network roll-out in fixed line and network investments in mobile
- ▶ Türk Telekom's length of total fiber in Turkey is **246K kilometers** as of Q3 '17

## Capex\* & Capex / Sales

■ CAPEX (TL mn)    ● CAPEX/Sales



\* Capex figures exclude license fees





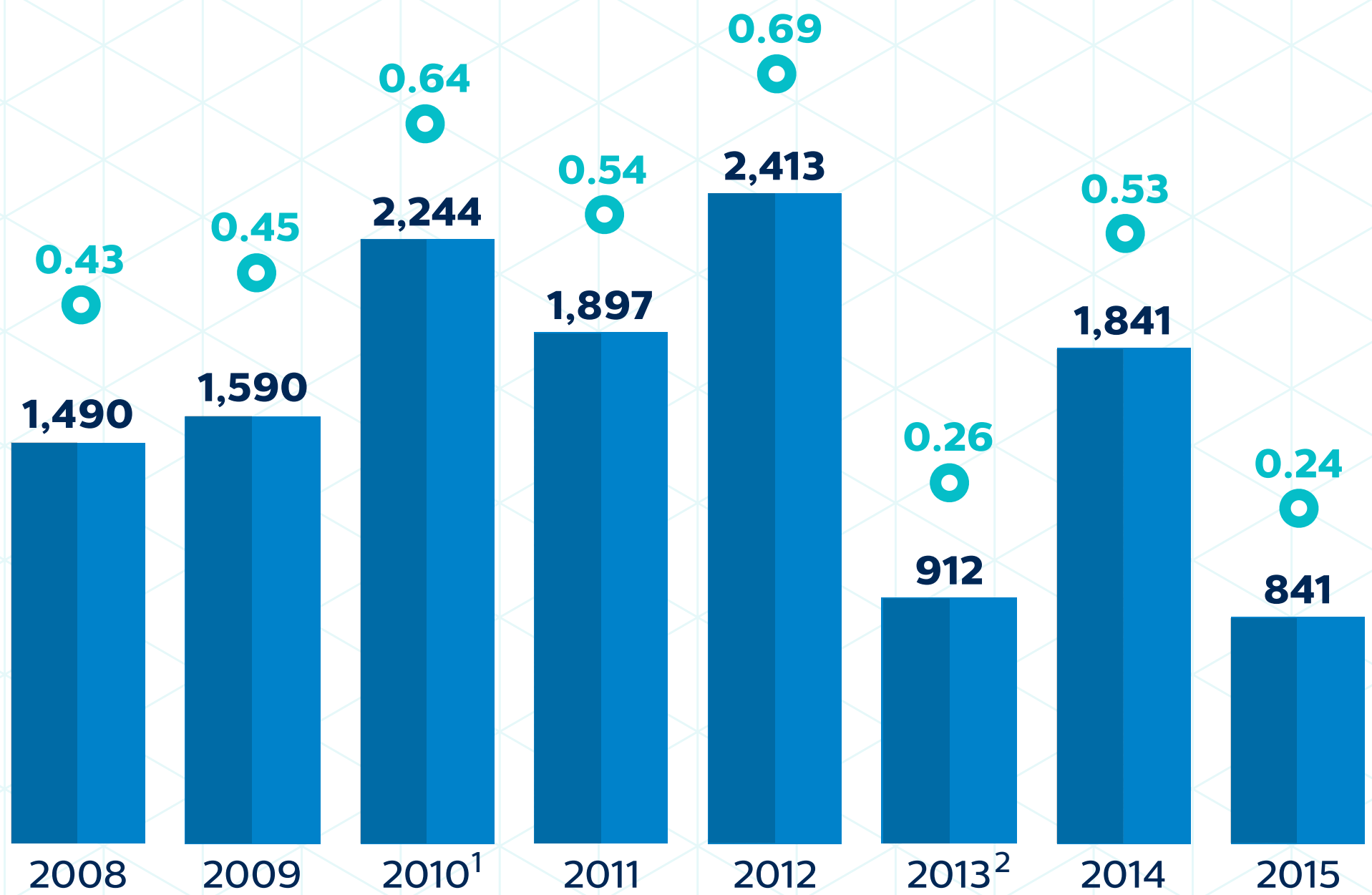
# Shareholder Remuneration



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

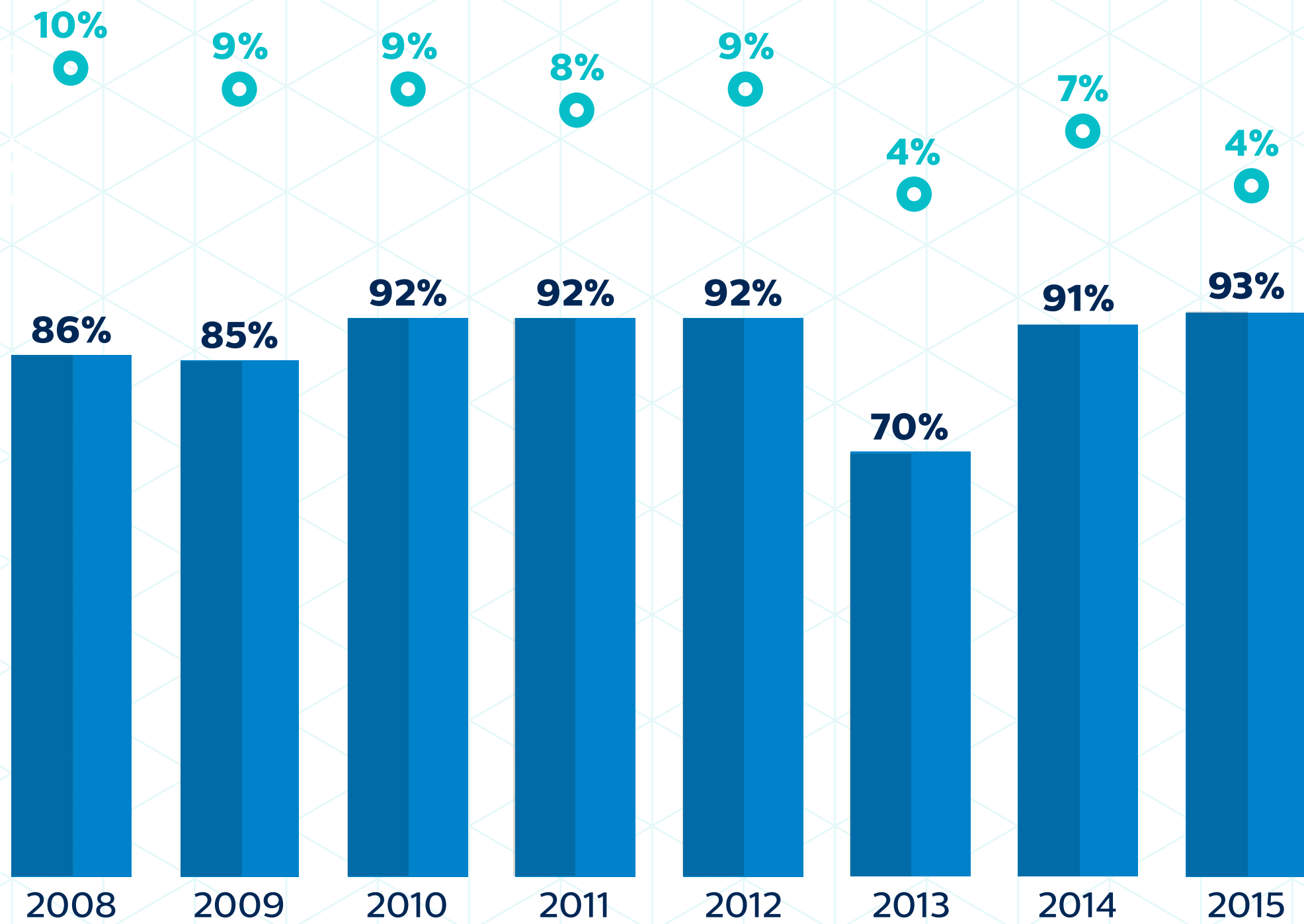
## Dividend Distribution

■ Dividend (TL mn)    ● 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 shall be distributed for the activity year 2016 according to General Assembly Decision





# 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



**Türk Telekom**  
ödeme hizmetleri

Payment service provider both for retail and corporate customers  
Enabling Türk Telekom customers payment for products & services by charging their mobile/broadband bills



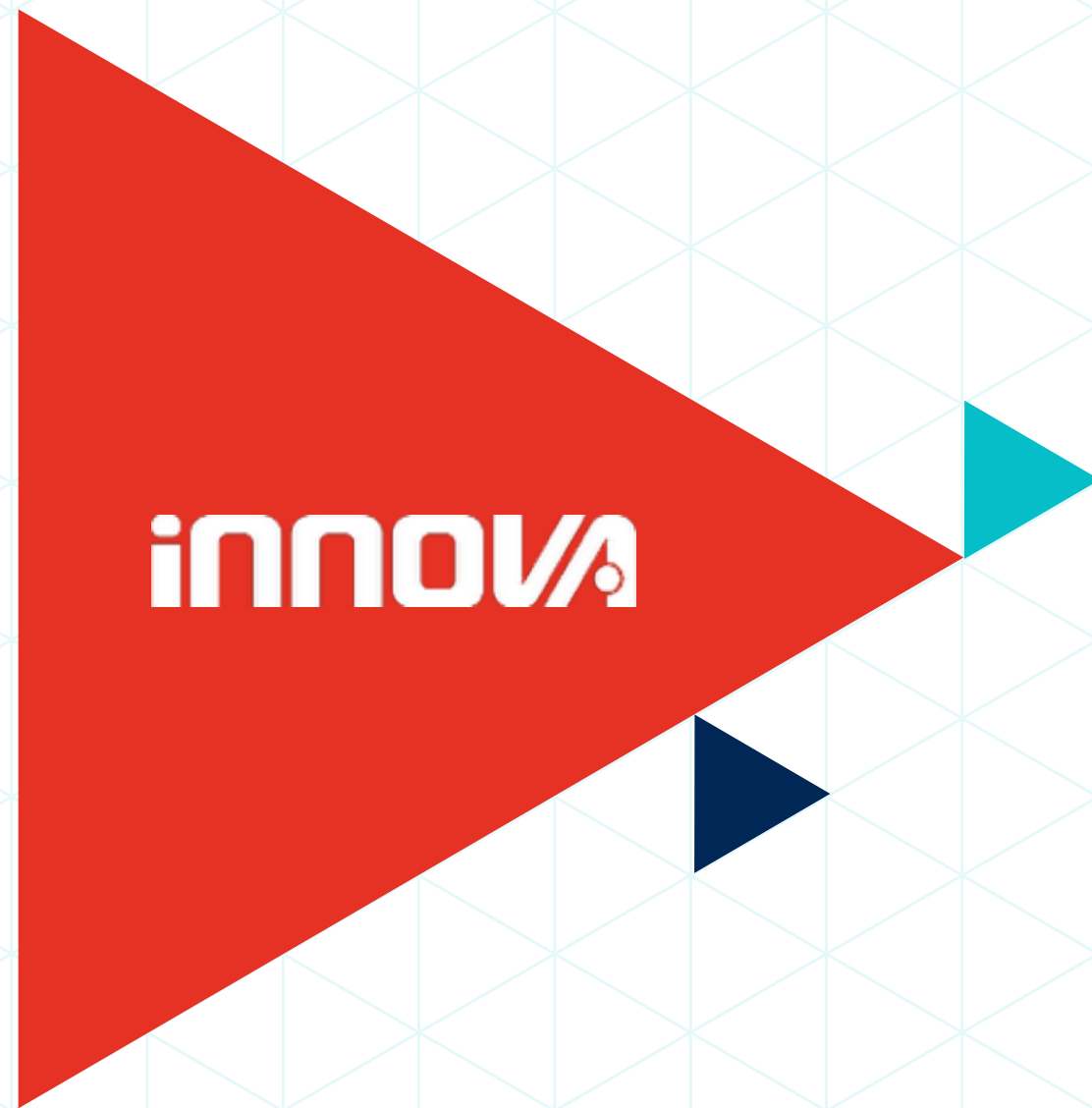
**s e b i t**

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 5G enabling technologies
- ▶ **5G Center of Excellence:** the only test platform in Turkey that will serve to develop national 5G Technologies and national cyber security and communication infrastructure

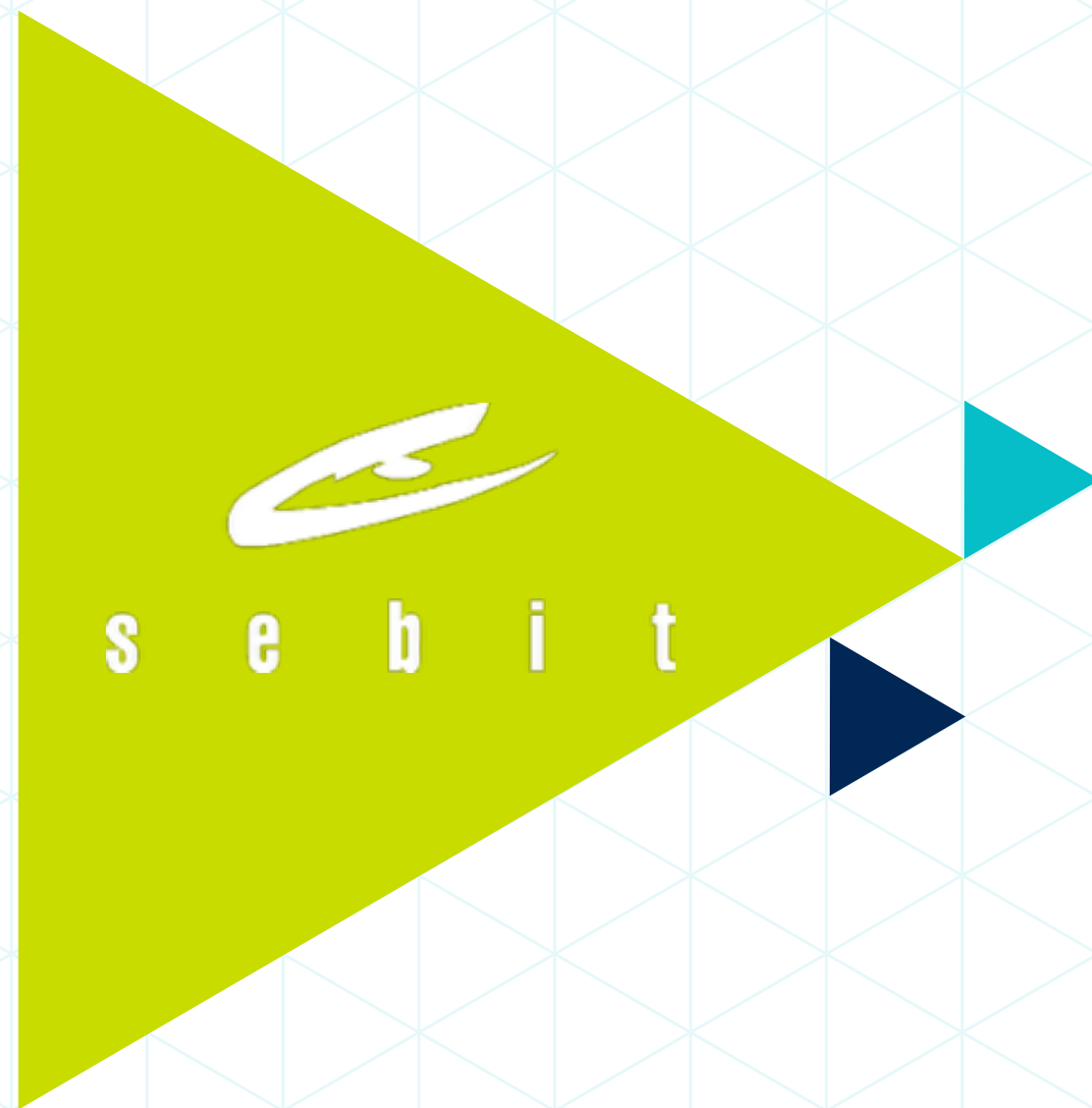
Leading projects;

- ▶ **ProgRAN;** fully programmable, software defined networking (SDN)-based Radio Access Network solution for LTE and 5G developed by Argela. The company submitted **41 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
- ▶ Developing consumer&corporate product innovations such as Keyboard and Wirofon to serve both Turk Telekom and other operators



# 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 education 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







## Türk Telekom Ödeme Hizmetleri

- ▶ TT Ödeme Hizmetleri A.Ş. was established in April 2017 to become a preferred payment service provider both for retail and corporate customers
- ▶ TTÖHAŞ has payment license for payment services from the Banking Regulation and Supervision Agency (BRSA)
- ▶ Strong position in Direct Carrier Billing (DCB). Türk Telekom customers can pay for products & services by charging to their mobile/ broadband bills.
- ▶ Most of the transaction volume is derived from payments on Strong presence in “Gaming”, “Digital and Mobile Content” & “Social Networks” related transactions via DCB
- ▶ Targets to expand in other payment related services & products (Digital Wallets, Carrier-Billing, Money Transfers, Tax/Bill payments, E-money)





# Appendix



# 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: **Muud** Launch: 2008 Re-launched:2017

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



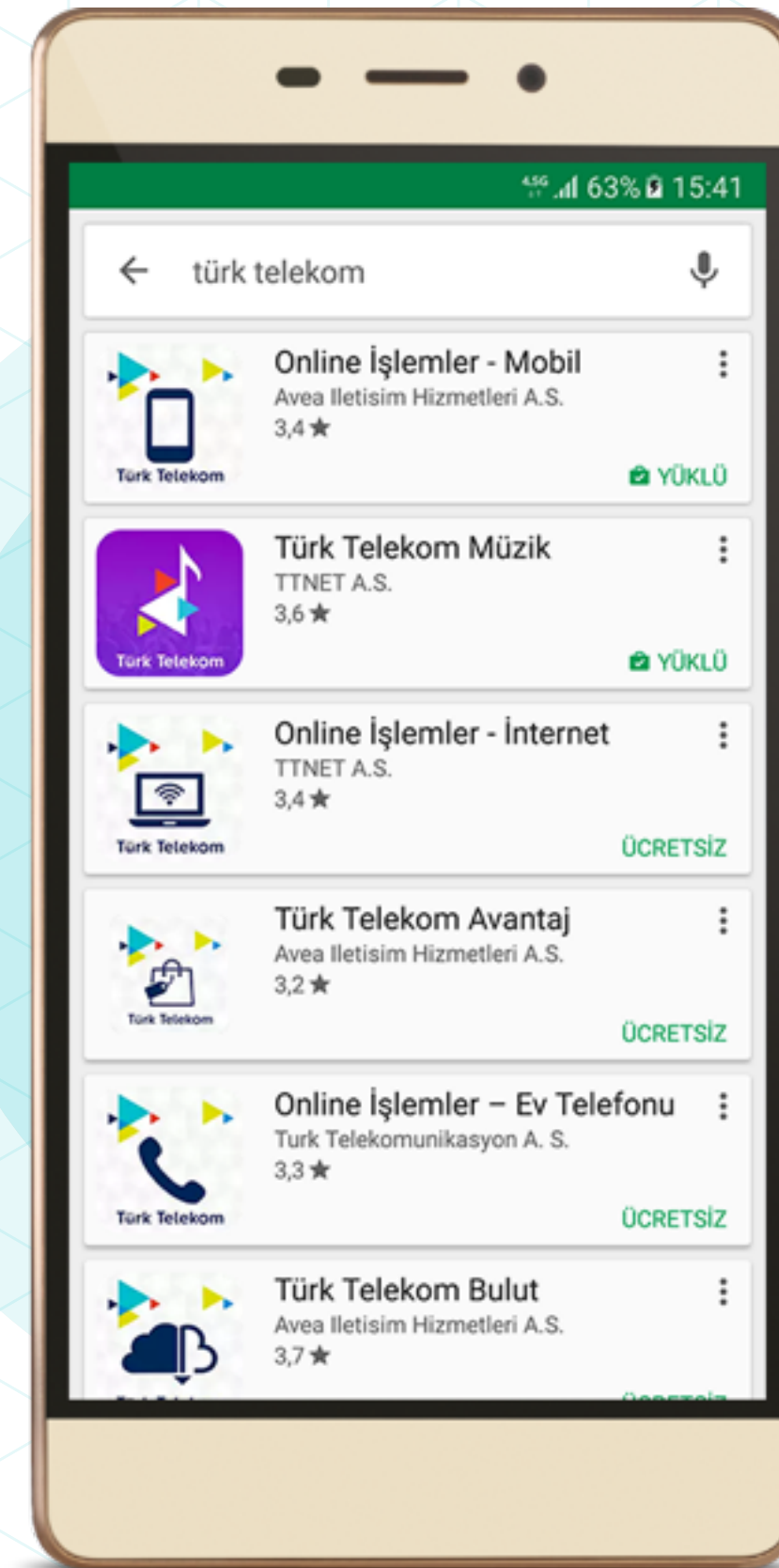
### Turkey's First Interactive Education Platform Launch: 2008

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.

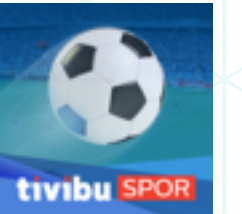
### Turkey's Domestic OTT Messaging Platform: **Wirofon** Launch: 2008

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.



# 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

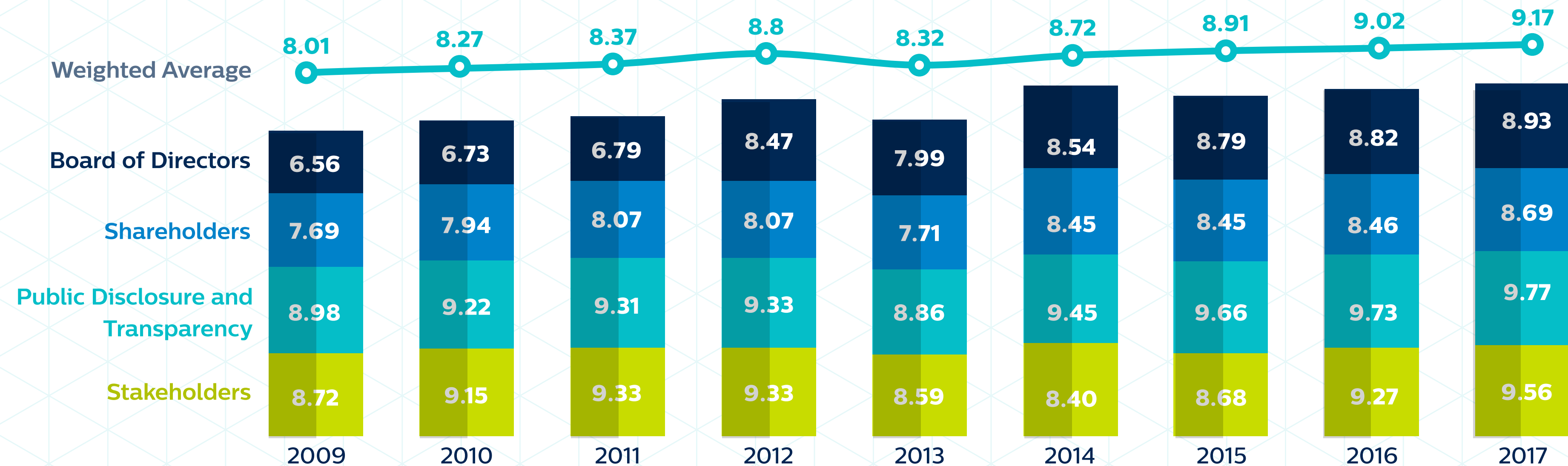
Good growth prospects, solid profitability



# Corporate Governance and Sustainability

## Demonstrates exemplary practices

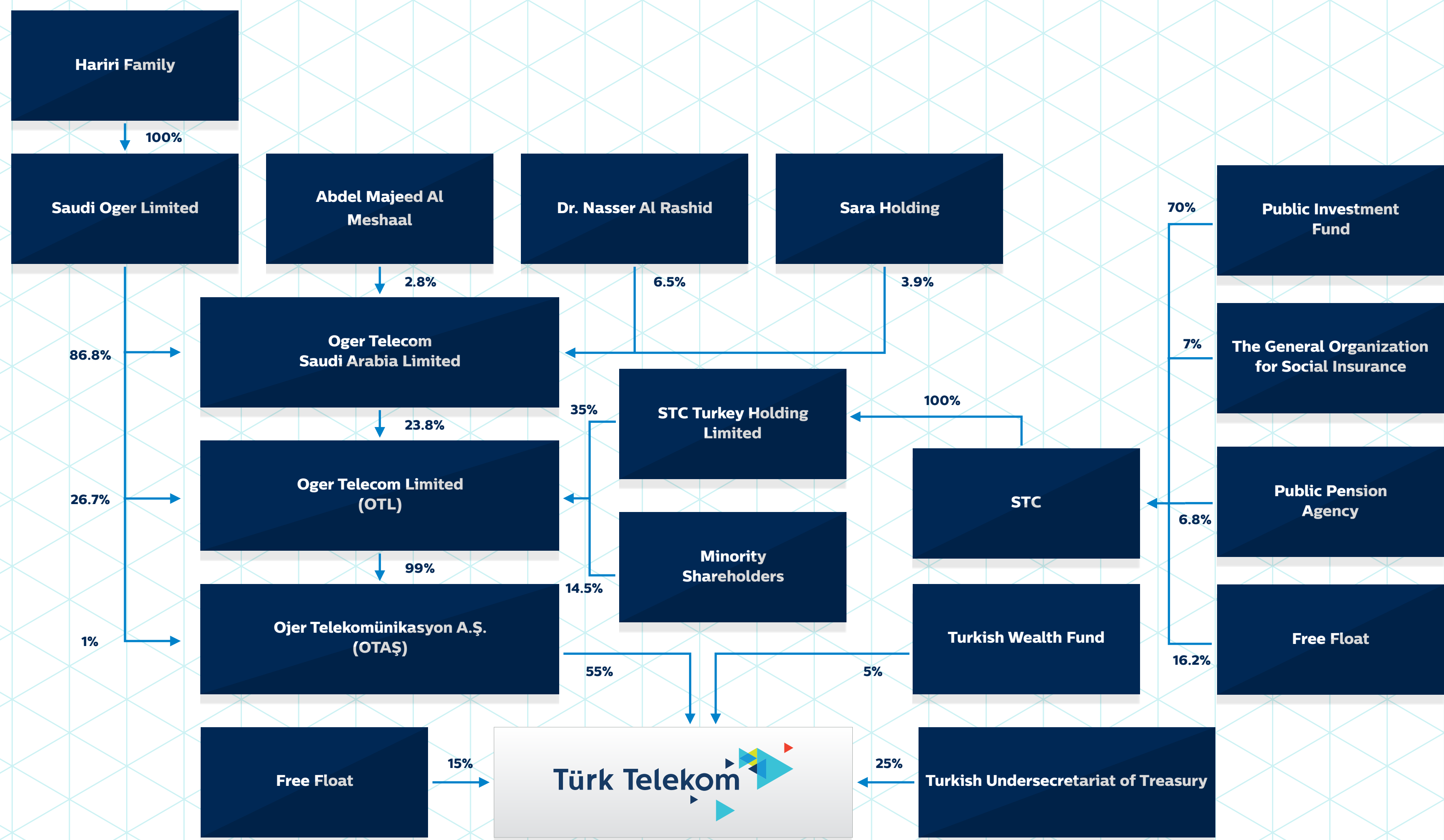
- ▶ Türk Telekom was qualified to be included in the BIST Sustainability Index since its creation with its long lasting emphasis on Environmental, Social and Governance policies and exemplary practices
- ▶ Türk Telekom is the only telecom company qualified to be included in the BIST Corporate Governance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



# Shareholder Structure





# Organization Chart





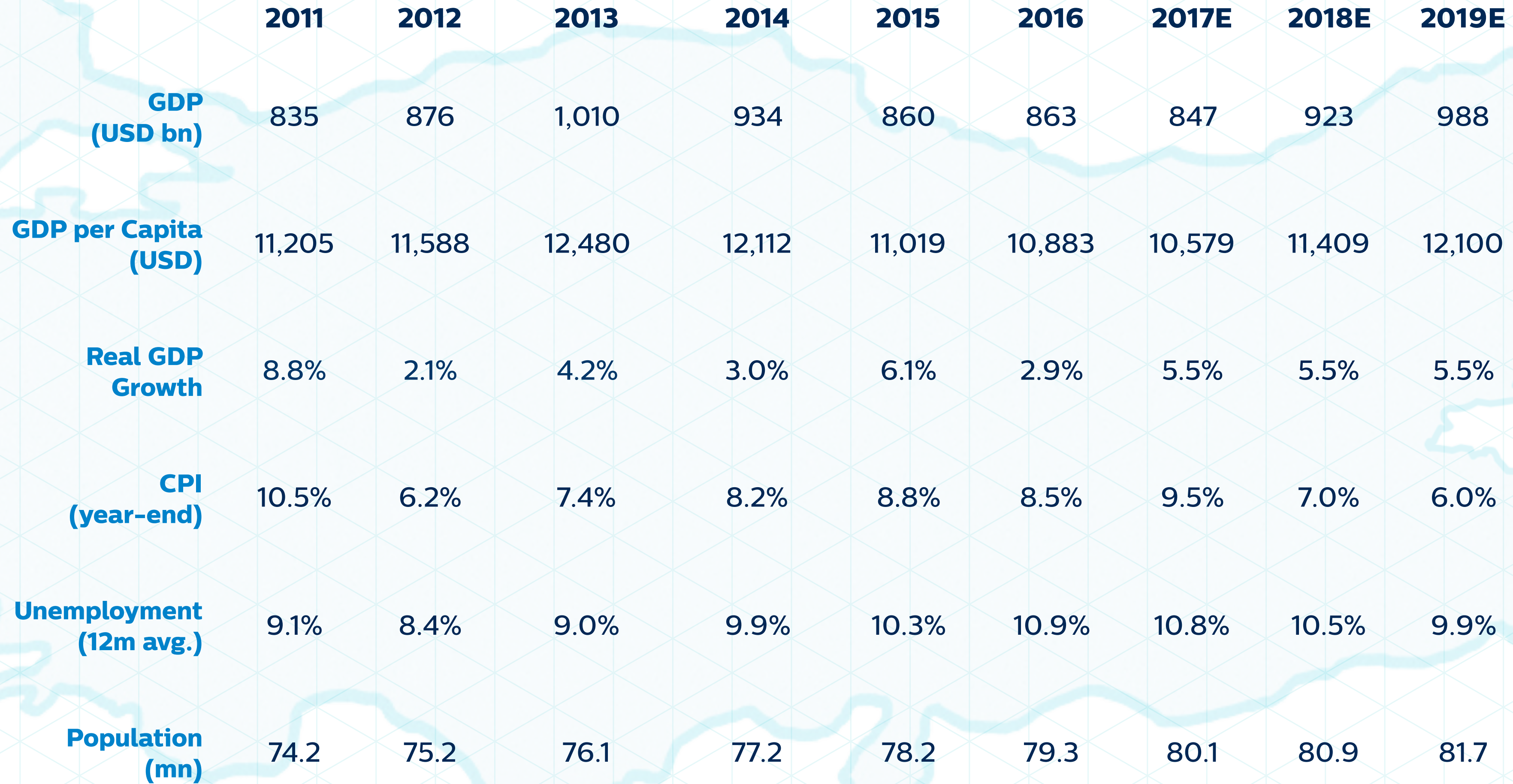
CEO CXO Coordinator Director



AGM Director



# Turkey at a Glance



	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E
<b>GDP (USD bn)</b>	835	876	1,010	934	860	863	847	923	988
<b>GDP per Capita (USD)</b>	11,205	11,588	12,480	12,112	11,019	10,883	10,579	11,409	12,100
<b>Real GDP Growth</b>	8.8%	2.1%	4.2%	3.0%	6.1%	2.9%	5.5%	5.5%	5.5%
<b>CPI (year-end)</b>	10.5%	6.2%	7.4%	8.2%	8.8%	8.5%	9.5%	7.0%	6.0%
<b>Unemployment (12m avg.)</b>	9.1%	8.4%	9.0%	9.9%	10.3%	10.9%	10.8%	10.5%	9.9%
<b>Population (mn)</b>	74.2	75.2	76.1	77.2	78.2	79.3	80.1	80.9	81.7

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



# Regulatory Actions

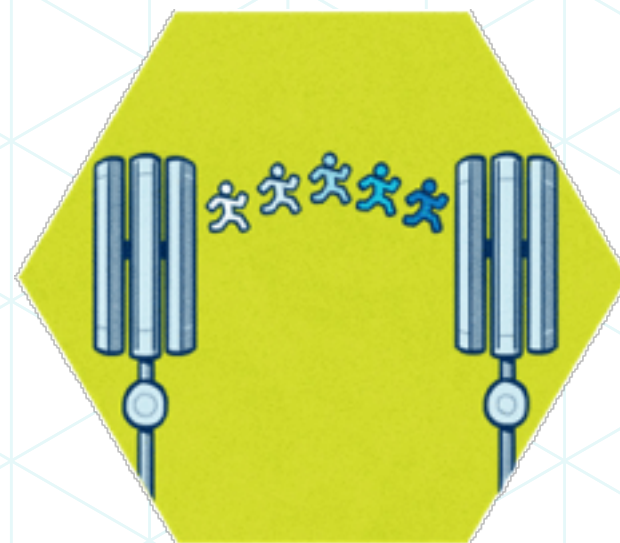
- **April**
  - Interconnection rate decrease in Fixed (10%) and Mobile (33%)
- **November**
  - 3G tender held
  - Mobile Number Portability introduced
  - New Electronic Communications Law passed



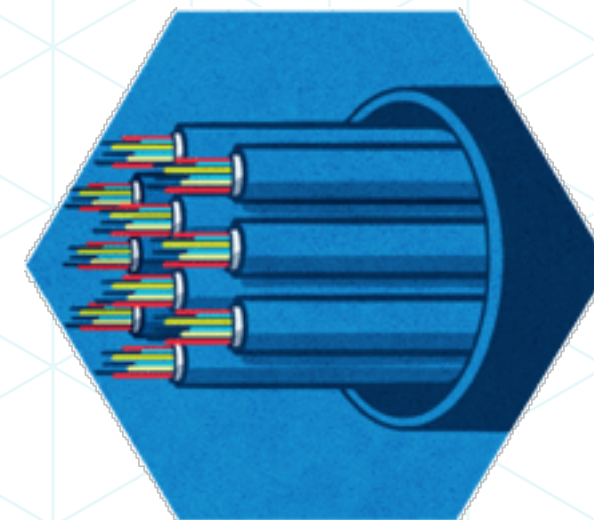
## 2009

- **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

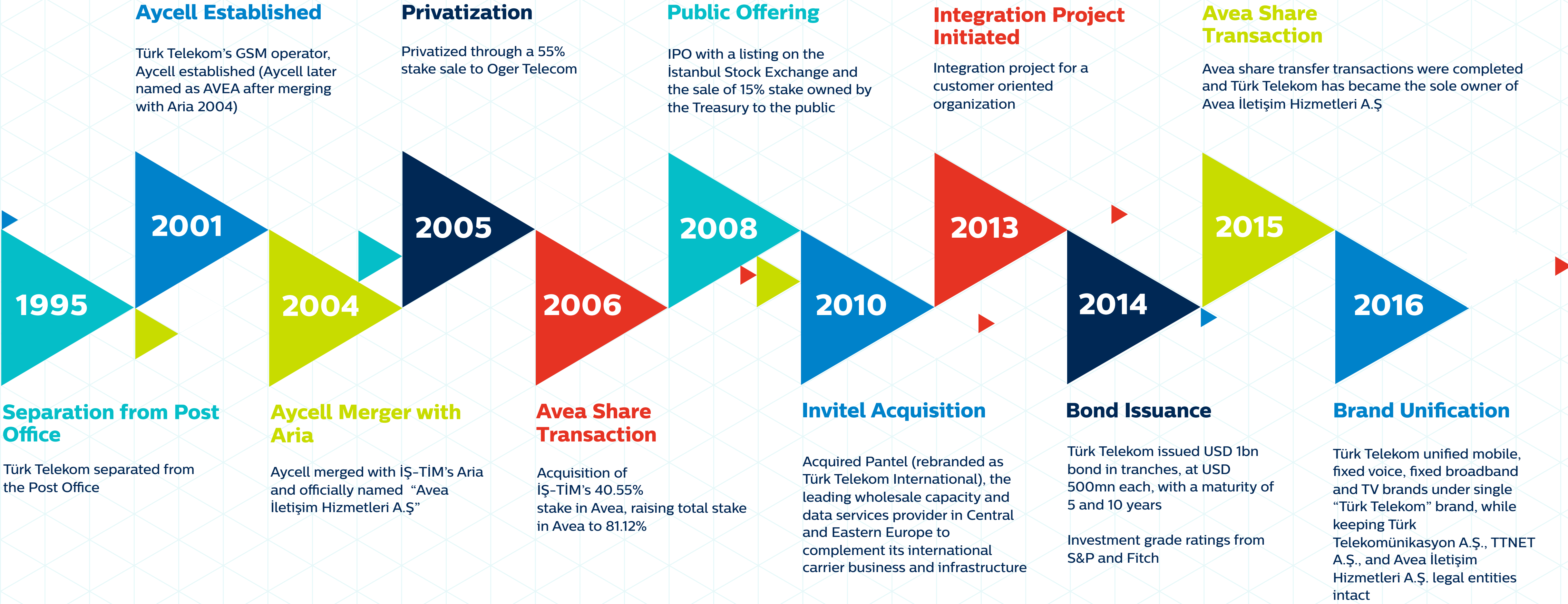


## 2016

- **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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# Thank you



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