

# Investor Presentation

2018 Q3



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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**



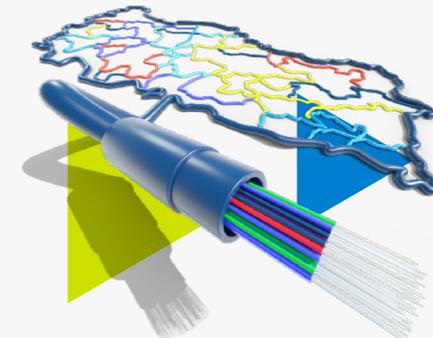
**2nd player**  
in TV market



**~50%**  
**fiber connected  
LTE Base Stations**



**89%**  
**LTE**  
Population Coverage



**274K km**  
fiber network in  
**81 cities**



**17.9mn**  
**Fiber Homepass\***

\*Homepass includes FTTC & FTTH/B

# Strategy

## ▶ GROWTH

### Increase HH reach and subscriber base

- ▶ FBB penetration drive & upsell focus, partnership with electricity companies
- ▶ Mobile market share growth
- ▶ Increase TV reach, Grow wireless HH reach
- ▶ Synergy offers & cross sell
- ▶ Focus on verticals: Health, education, energy, and security

### Value creation on top of core

- ▶ Large scale ICT projects such as smart cities, health campuses
- ▶ Consumer focused digitalization (Muud, e-dergi, Tambu, Tivibu Go) and enterprise digital transformation
- ▶ Enhanced value creation via subsidiaries; Innova (large scale ICT Projects), Argela (R&D and Innovation Center, Sebit (e-education)
- ▶ Capital Venture Company Initiative: Türk Telekom Ventures

## ▶ EFFICIENCY

- ▶ Simple & effective portfolio
- ▶ Go-to-market and customer care effectiveness
- ▶ Utilization of online and alternative channels
- ▶ Strict cost control
- ▶ Rigorous CAPEX management and asset efficiency
- ▶ Streamlined organization
- ▶ Lean technology - Commercialization of SDN and NFV

## ▶ Customer Experience Program: EMPATHY



# Strategic Highlights

## Fixed Broadband Penetration Increase



~50%

of Q3 '18 FBB net adds came via

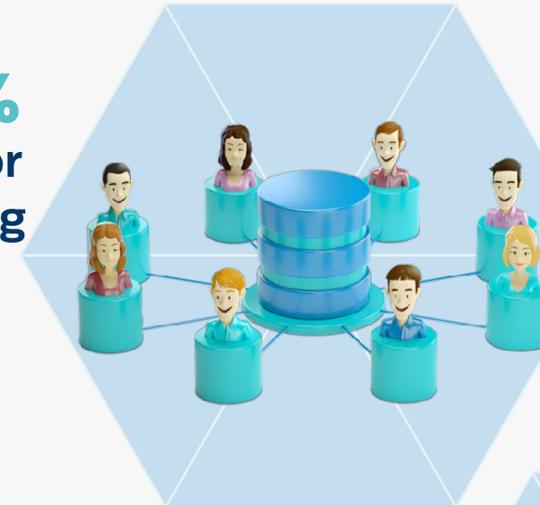
Internet Bizden Campaign

## Infrastructure Rental



Cooperation protocol for leasing Fixed Electronic Communication Infrastructure between Türk Telekom and other operators

## Customer Database



72%

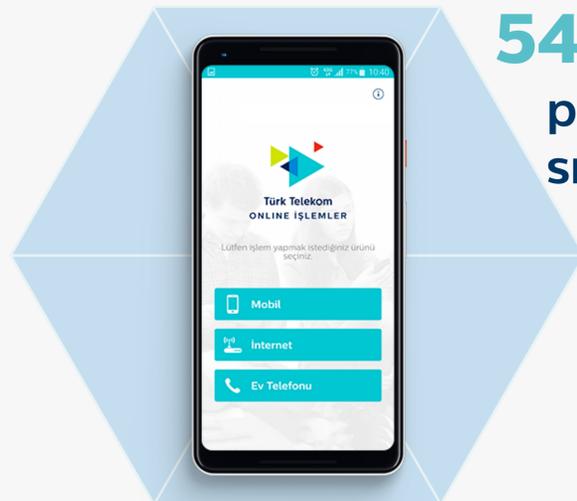
of customers consented for sharing of their info among our group companies

4.7 ppt

YoY increase in multi product ownership to 63%\*

\*Among constant customer sub\_universe that provided consent last year

## Online İşlemler



54%

penetration among our smartphone users

21 mn downloads as of Q3'18

## Consumer Finance



Cooperation with Hemenal and ING Bank for alternative device financing

7.2 mn downloads as of October



# Net Subscriber Additions

**4.2mn**  
net additions\*  
in LTM

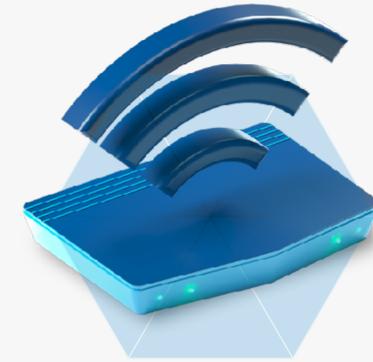
**1.2mn**  
net additions\*  
in Q3

\*Includes Tivibu Go

## Broadband

**288k**  
Q3 '18

**1.2mn**  
LTM



**44.7mn**  
total  
subscribers

## Mobile

**586k**  
Q3 '18

**1.6mn**  
LTM



## Home TV

**149k**  
Q3 '18

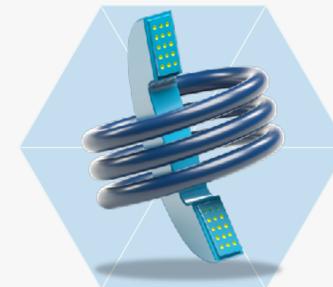
**571k**  
LTM



## Fixed Voice

**90k**  
Q3 '18

**348k**  
LTM



# Financial Performance

(TL mn)	2017 Q3	2018 Q2	2018 Q3	Growth (YoY)	Growth (QoQ)
<b>Revenue</b>	<b>4,532</b>	<b>4,951</b>	<b>5,396</b>	<b>19.1%</b>	<b>9.0%</b>
Revenue (exc. IFRIC12) <sup>1</sup>	4,420	4,740	5,154	16.6%	8.7%
<b>EBITDA</b>	<b>1,687</b>	<b>1,968</b>	<b>2,267</b>	<b>34.3%</b>	<b>15.2%</b>
EBITDA Margin	37.2%	39.8%	42.0%		
<b>Operating Profit</b>	<b>973</b>	<b>1,058</b>	<b>1,305</b>	<b>34.1%</b>	<b>23.4%</b>
<b>Net Income<sup>2</sup></b>	<b>293</b>	<b>(870)</b>	<b>(2,846)</b>	<b>n.m.</b>	<b>n.m.</b>
<b>Adjusted Net Income<sup>2&amp;3</sup></b>	<b>638</b>	<b>696</b>	<b>1,000</b>	<b>56.8%</b>	<b>43.6%</b>
<b>CAPEX</b>	<b>554</b>	<b>836</b>	<b>1,219</b>	<b>120.1%</b>	<b>45.8%</b>

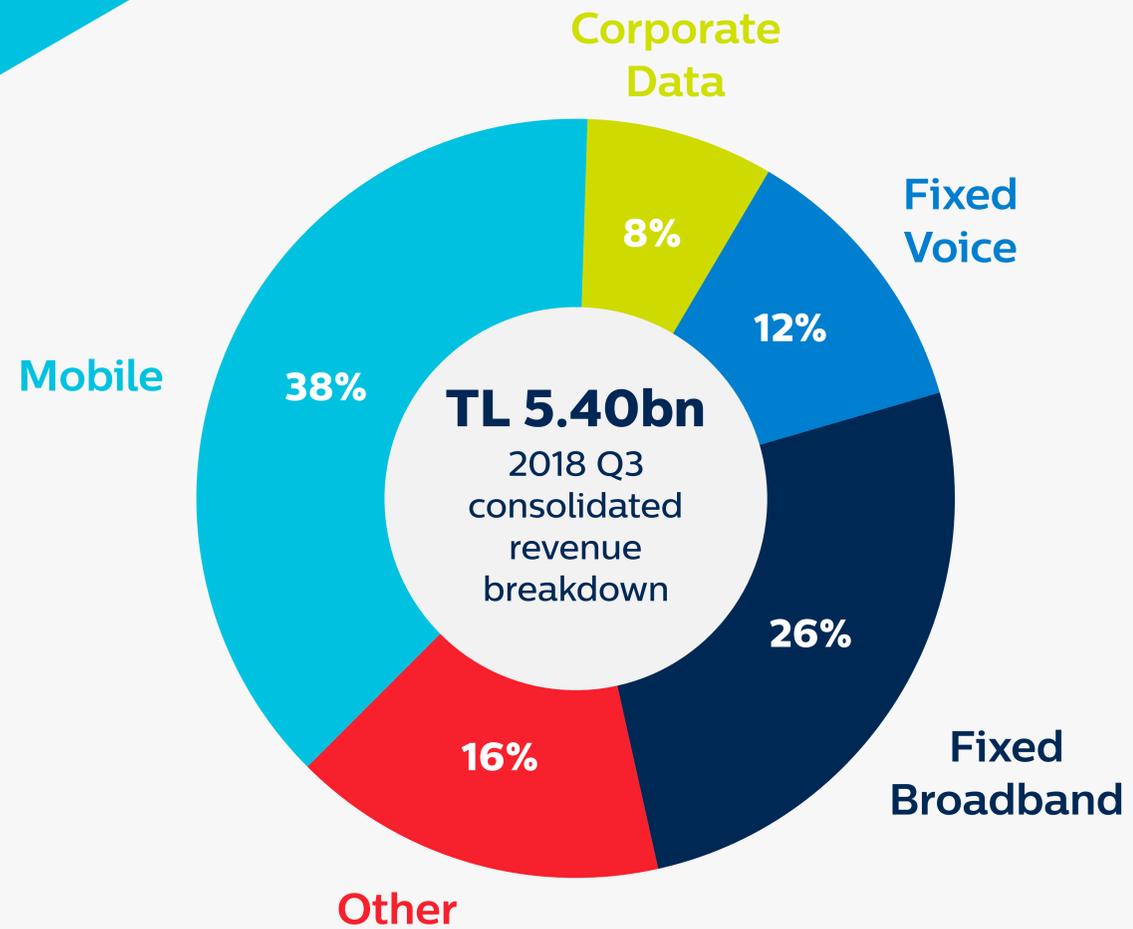
(1) IFRIC 12 adjustment is a non-operational revenue line booked in conjunction with upgrades to fixed line infrastructure, such as the upgrade from copper to fiber based network

(2) Bills, bonds and notes issued that were measured amortized cost at Q1 and Q2 2018 are measured at fair value as of Q3 '18. Consequently, the changes were reflected to 2018 Q1 and 2018 Q2 financial statements. For further details please see 2018 Q3 financial statements and footnotes.

(3) Adjusted net income excludes the net impact of FX & FX hedging gain/loss (after tax) during respective period.

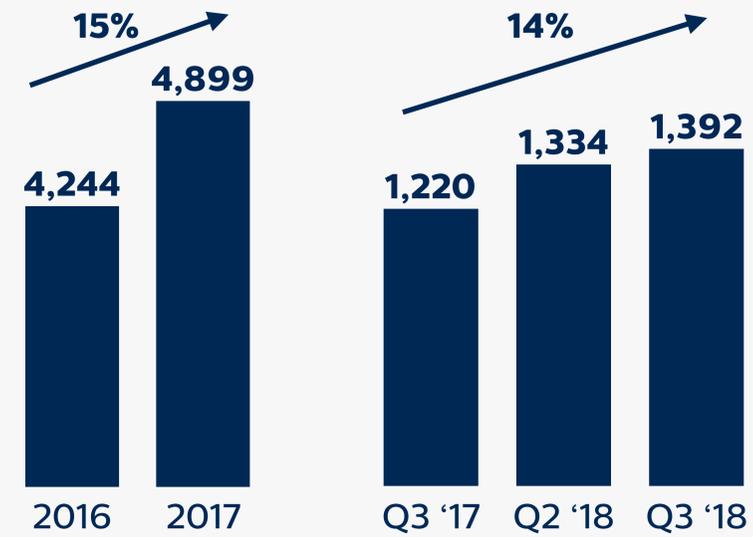
Türk Telekom adopted IFRS 15 and IFRS 9 accounting standards starting from 1 January 2018. For further details please refer to "Financial Footnotes" & "Summary Financial and Operational xls" on our web site.

# Focused on High Growth Areas



## Fixed Broadband

(TL mn)



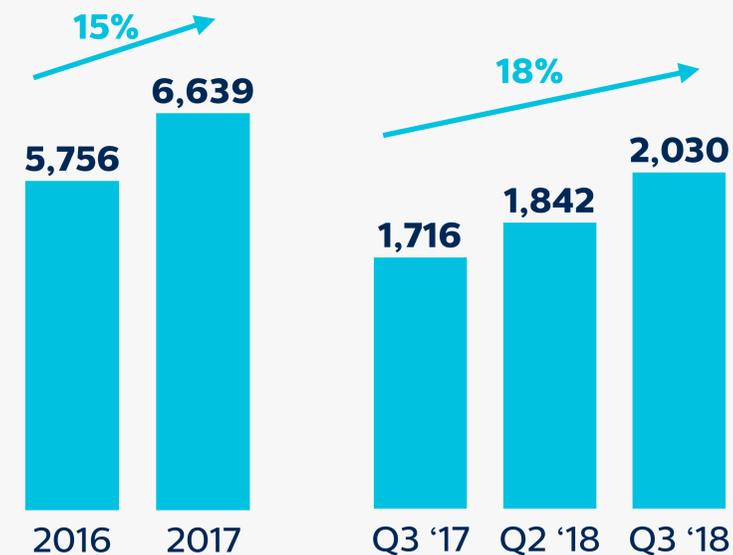
## Fixed Voice

(TL mn)



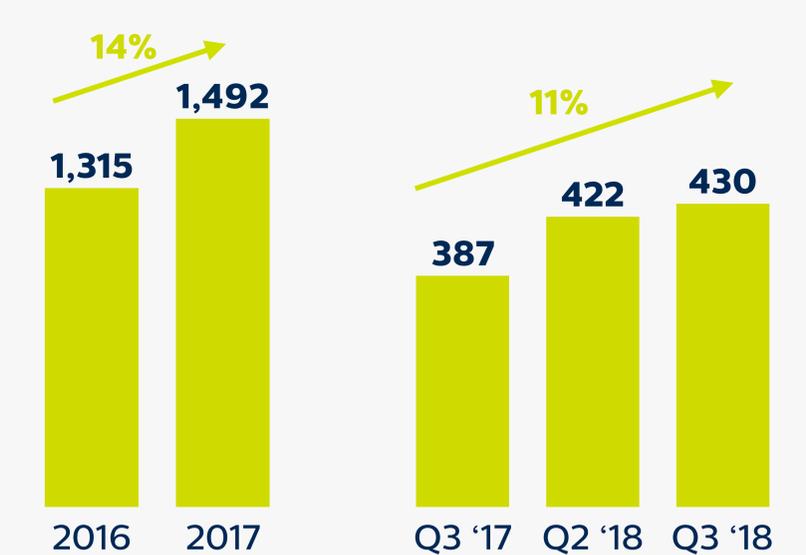
## Mobile

(TL mn)



## Corporate Data

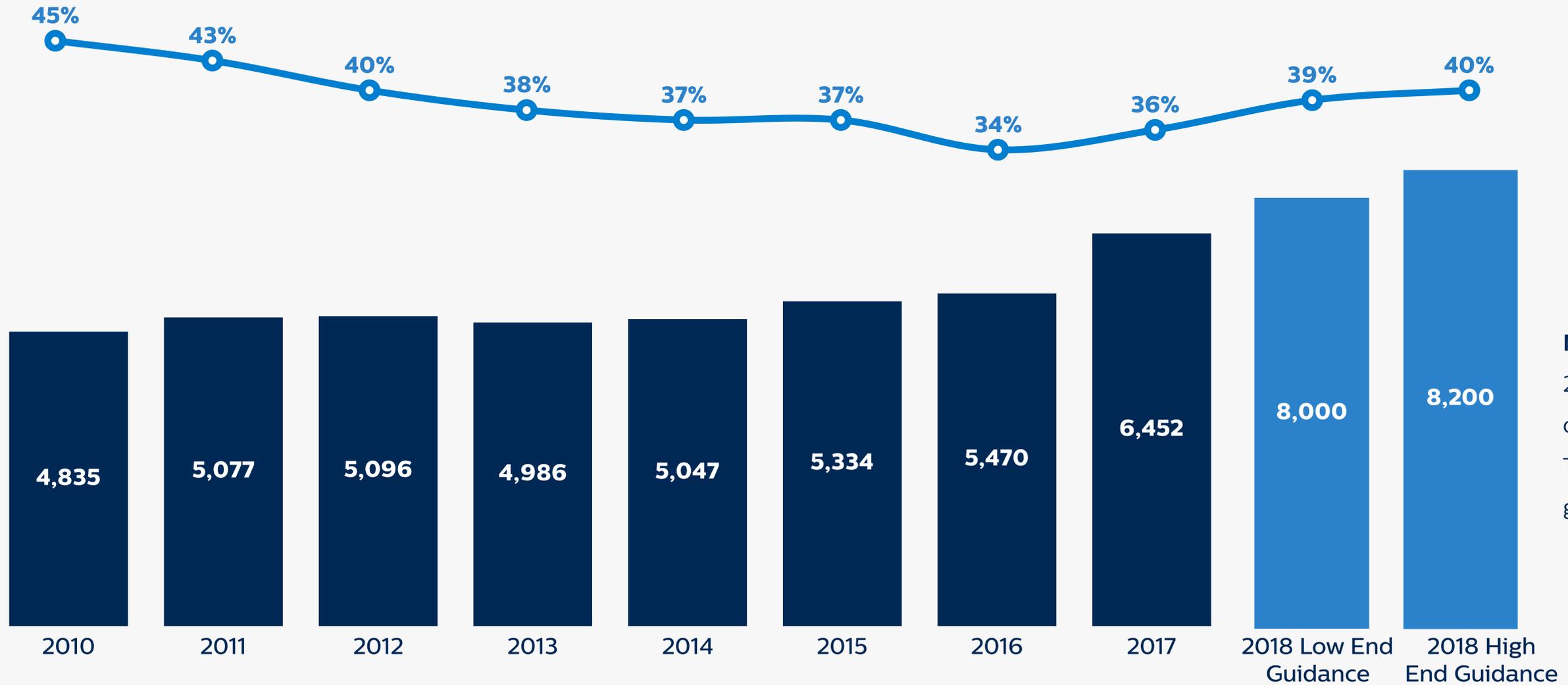
(TL mn)



# Turnaround in EBITDA Margin

## EBITDA & EBITDA Margin

■ EBITDA (TL mn)    ○ EBITDA Margin



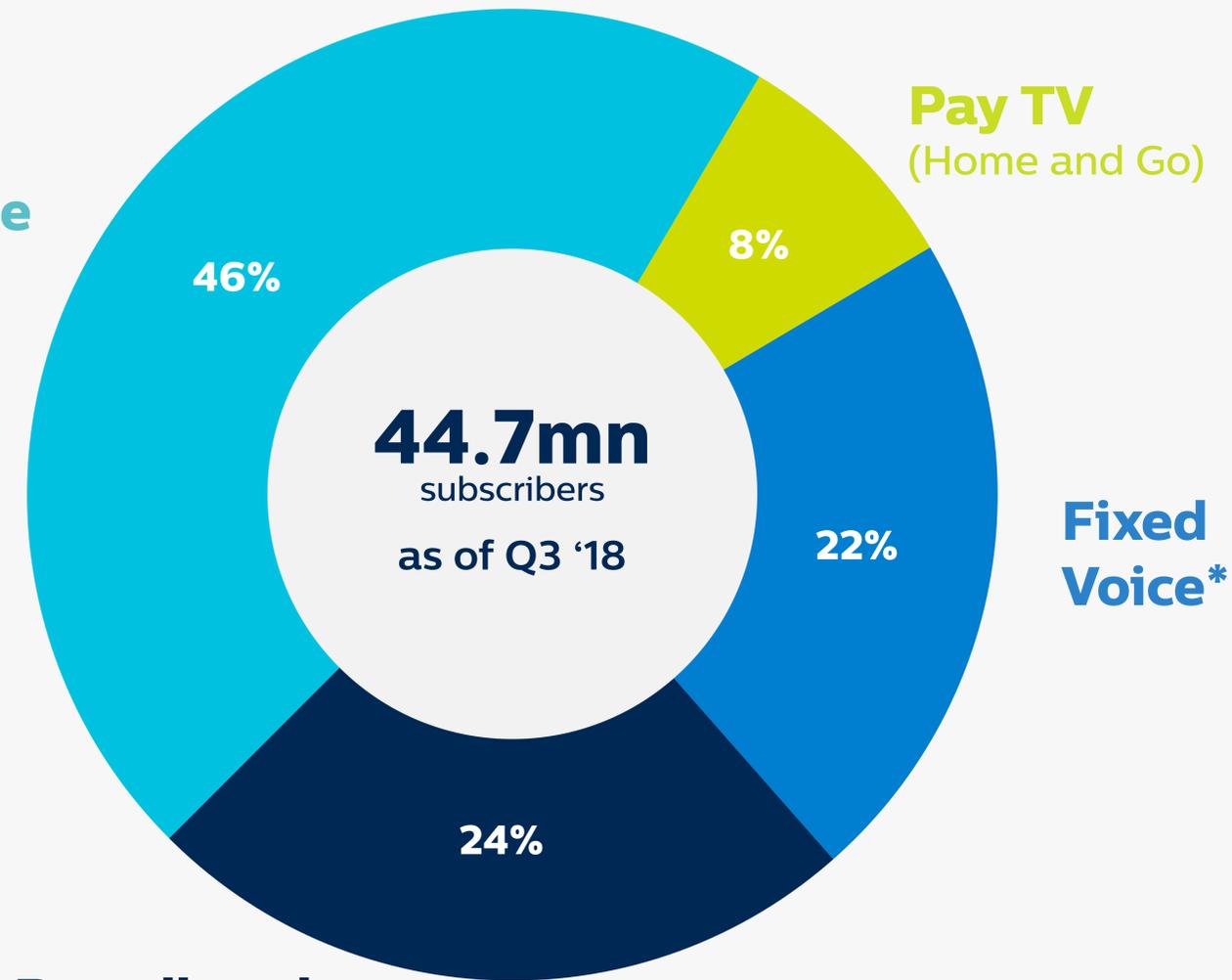
**Note:** EBITDA Margins for 2018 are calculated based on our 13% revenue growth and TL 8,000 & 8,200 mn EBITDA guidance.

# Strongest Position in Multiplay Offers

## ARPU Generation (Q3 '18)

Mobile	TL 31.8
Broadband	TL 44.4
Pay TV	TL 14.9
Fixed Voice	TL 22.5

Mobile



Broadband

**Türk Telekom**

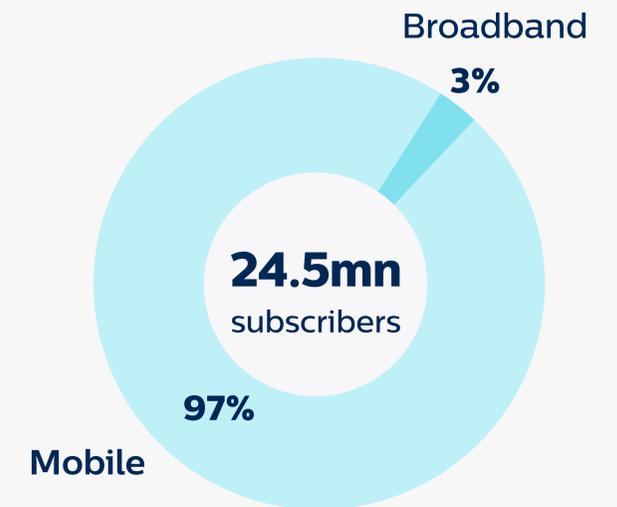
Pay TV (Home and Web) 8% 6% Broadband



Mobile

**Turkcell**

Broadband



Mobile

**Vodafone**

Turkcell and Vodafone data are from their own publications as of Q3 '18.  
\* VOIP is not included.

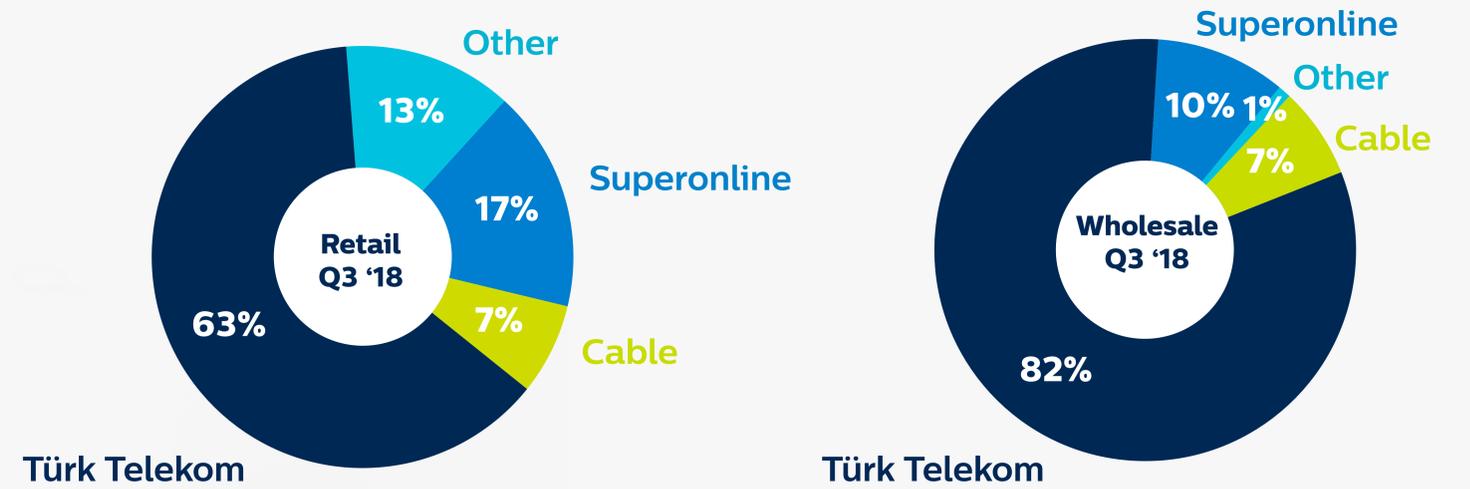
# Business Lines



# Fixed Broadband Market



## Subscriber Market Share



Source: Other operators' data are from ICTA Q3 '18 report

## Subscribers & Avg. Monthly Data Usage



Source: ICTA Q3 '18 report

Source: Analysys Mason, Q2'18 CEE&WE Telecom Matrix, TR data is from ICTA, Q3'18 Market Report  
European countries include Austria, Denmark, Finland, Italy, Bulgaria, Estonia and Romania

# Fixed Broadband Performance

## ARPU & Subscribers

■ Subscribers (mn)    ○ ARPU (TL)

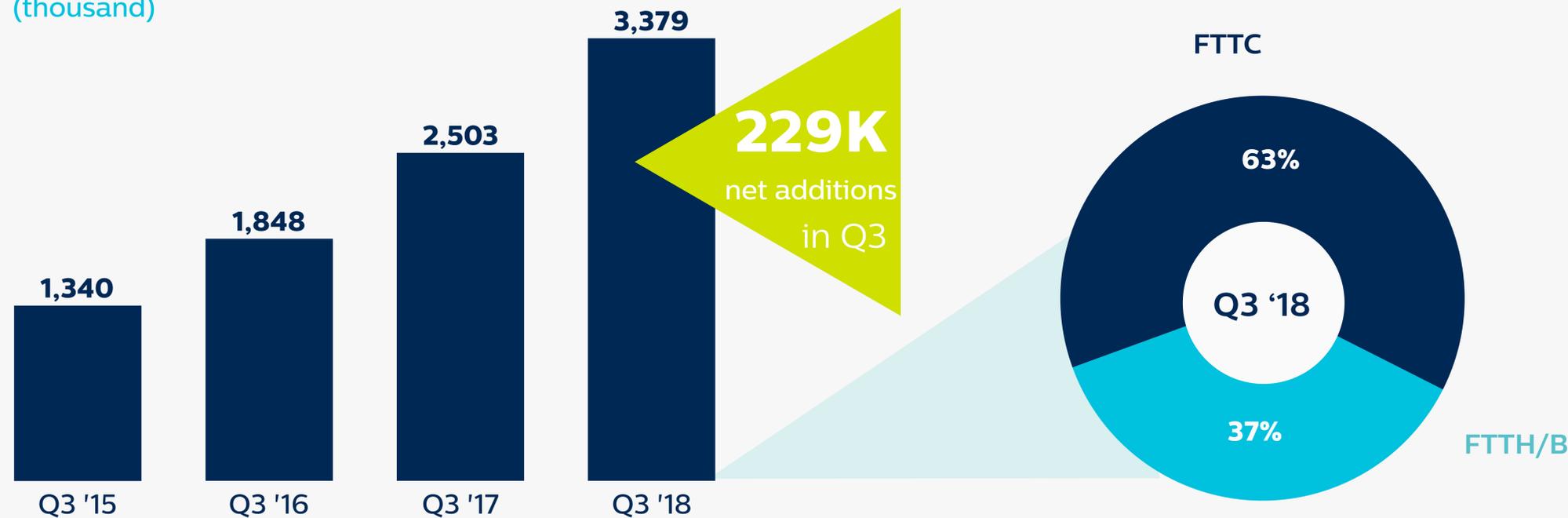


**~50%**

of Q3 '18 FBB net adds came via Internet Bizden campaign

## Fiber Subscribers

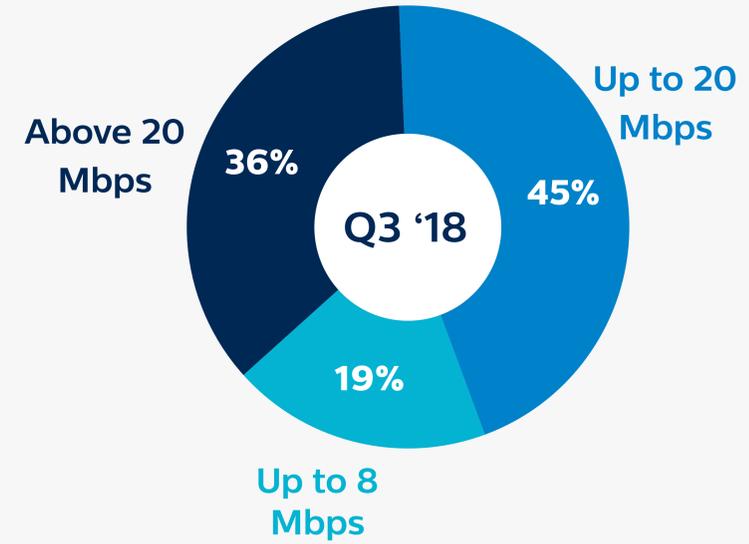
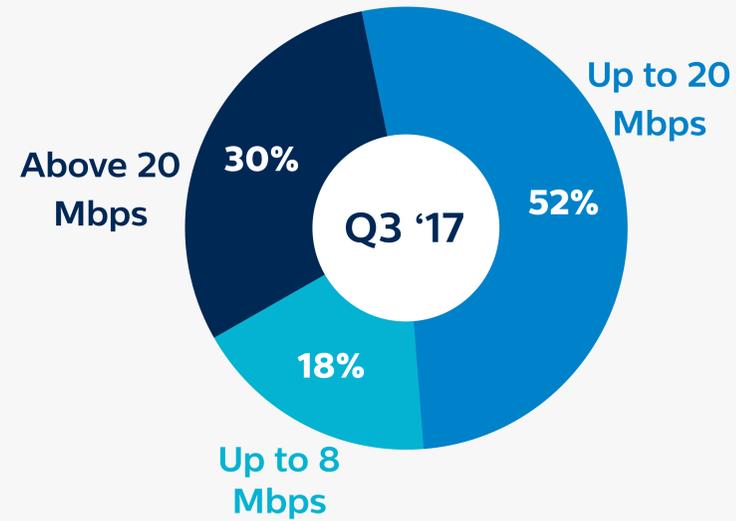
(thousand)



# Upsell Dynamics in Fixed Broadband

## Speed Breakdown

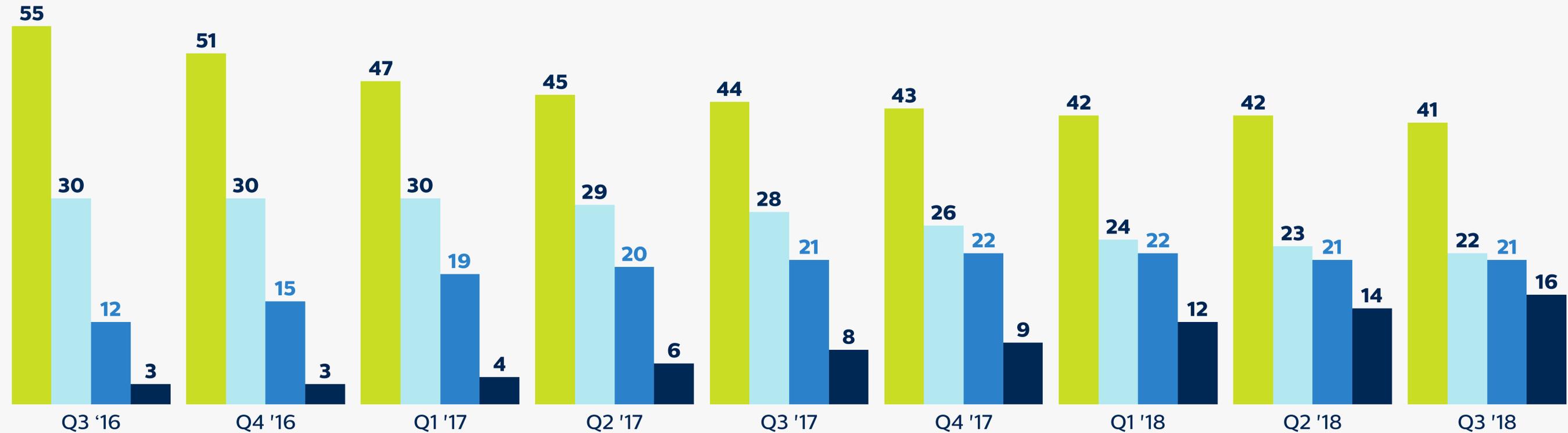
(% of Subscribers)



## Capacity Breakdown

(% of Subscribers)

- 50 GB & Below
- 50 to 75GB
- 75 GB to 100 GB
- Above 100 GB



All figures are based on Turk Telekom's retail subscribers

# Nationwide Fiber

## Türk Telekom Fiber Network



## Superonline Fiber Network

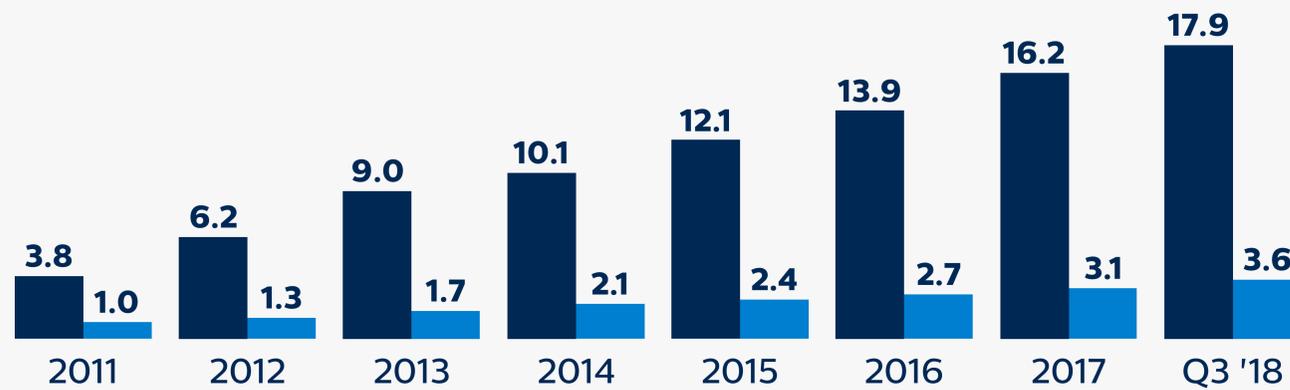


- ▶ Presence in 19 cities of Turkey
- ▶ 42.6K km fiber length
- ▶ Wholesale customer of Türk Telekom

Based on Turkcell's own publications as of November 2018

## Fiber Homepass (mn)

■ Türk Telekom ■ Superonline



Fiber homepass includes FTTH/B & FTTC  
17.9mn homepass consists 5.0mn FTTH/B and 12.9mn FTTC

## Fiber Subscribers (thousands)

■ Türk Telekom ■ Superonline



Fiber subscribers include FTTH/B & FTTC subscribers

# Mobile Market

Population penetration in Europe  
**132%**

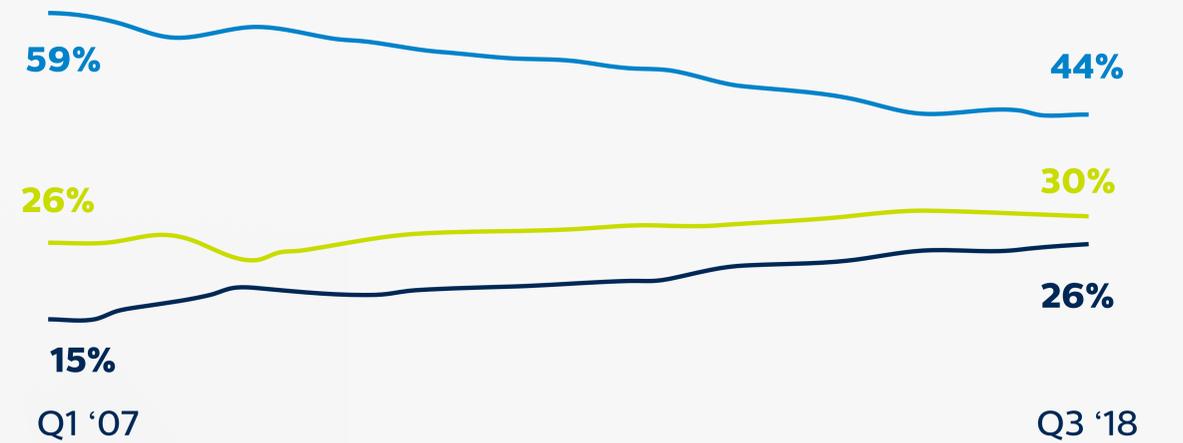
Mobile broadband population penetration in Europe  
**94%**

Mobile broadband population penetration in Turkey  
**75%**

Population penetration in Turkey  
**100%**

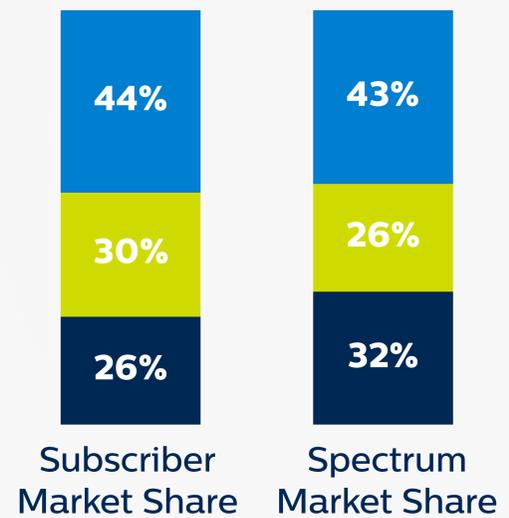
## Subscriber Market Share

— Türk Telekom — Vodafone — Turkcell



## Subscriber vs. Spectrum Market Share

■ Türk Telekom ■ Vodafone ■ Turkcell



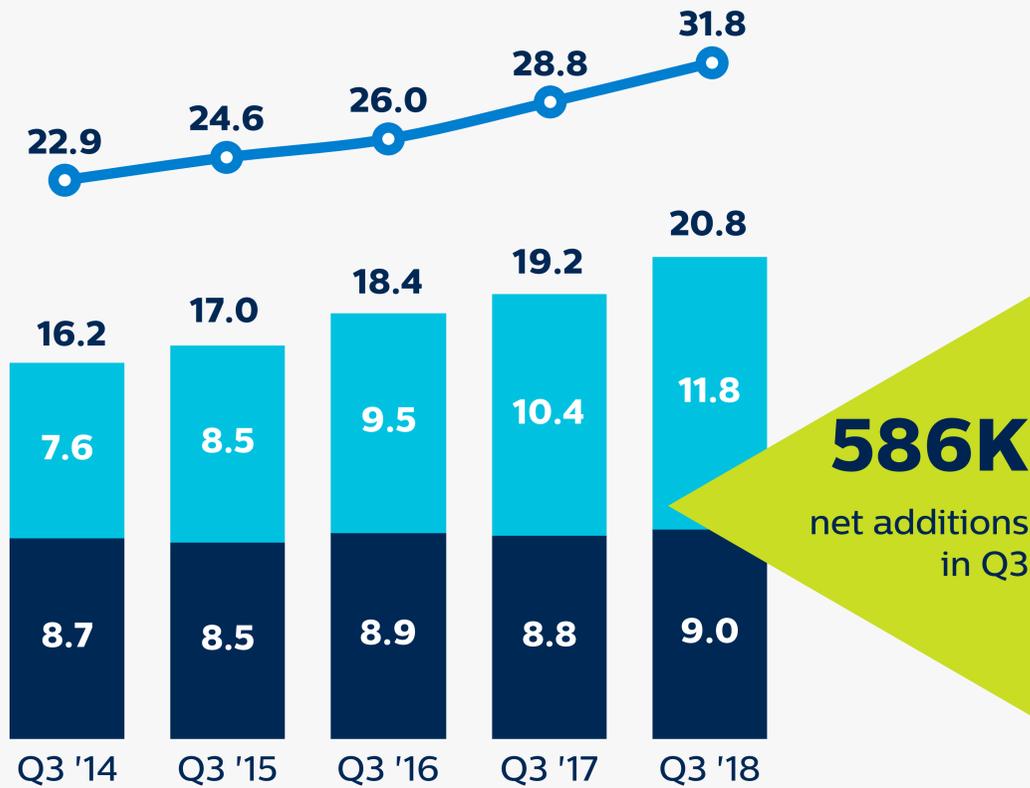
Source: ICTA, Q3'18 Market Report  
European countries include: FIN, DEN, GRE, AUS, SWE, POR, SWI, IT, GER, NOR, BEL, UK, NL, SP, FR

Other operators' data are from their own publications as of Q3 '18

# Mobile Performance

## Growing ARPU & Subscribers

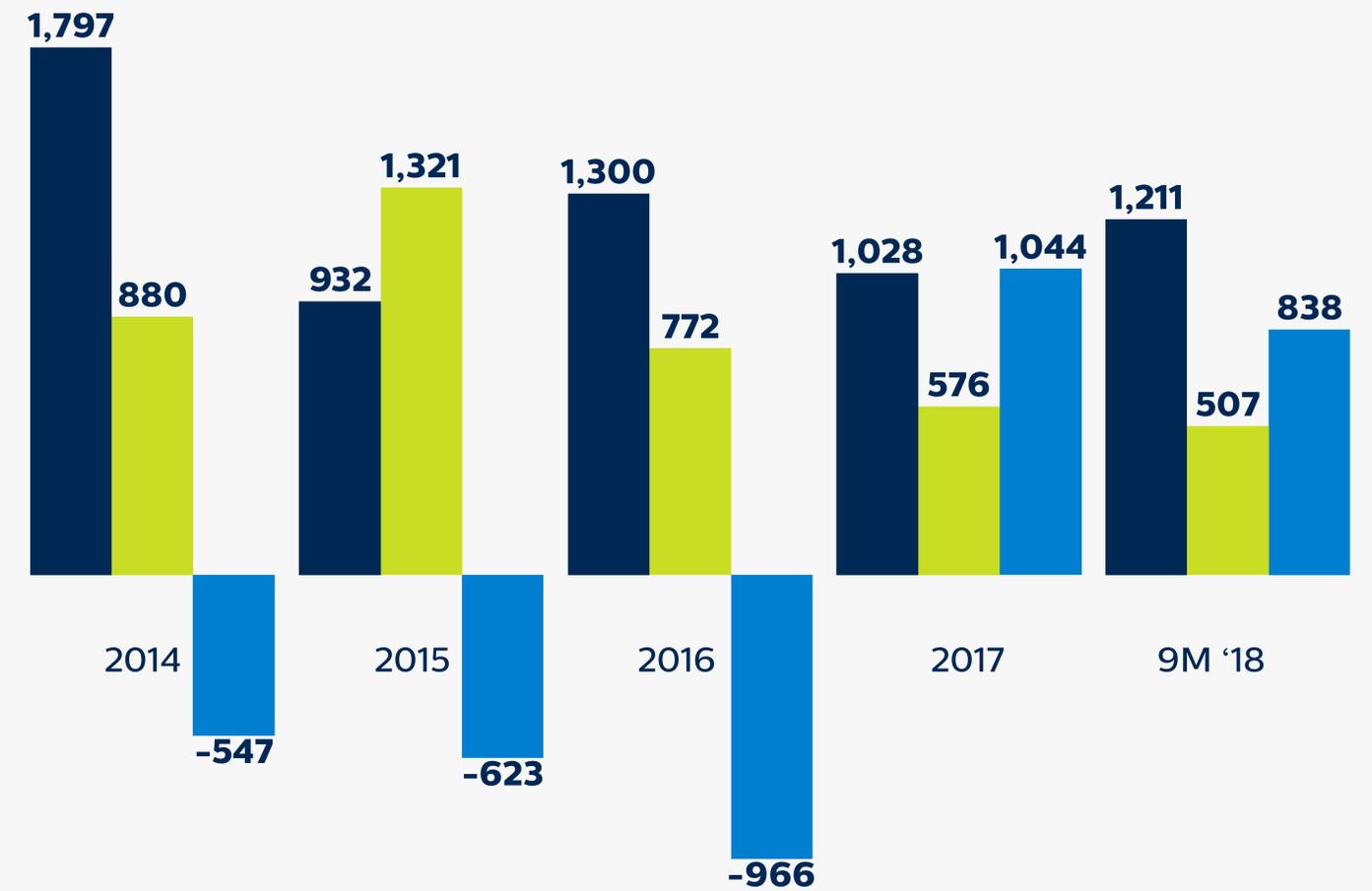
- Blended ARPU (TL)
- Prepaid (mn) ■ Postpaid (mn)



## Net Subscriber Additions

(thousand)

- Türk Telekom ■ Vodafone ■ Turkcell



Other operators' data are from their own publications.

# Mobile Data

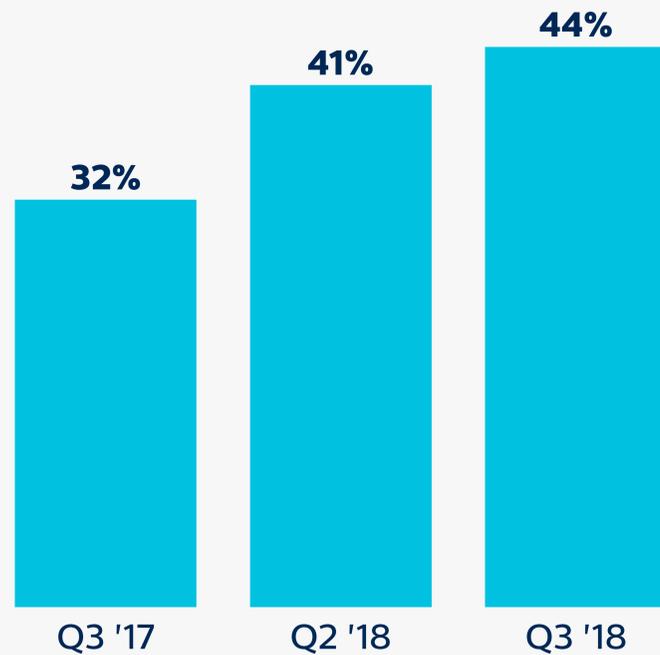
## Data Revenue

(Mobile service revenue share)

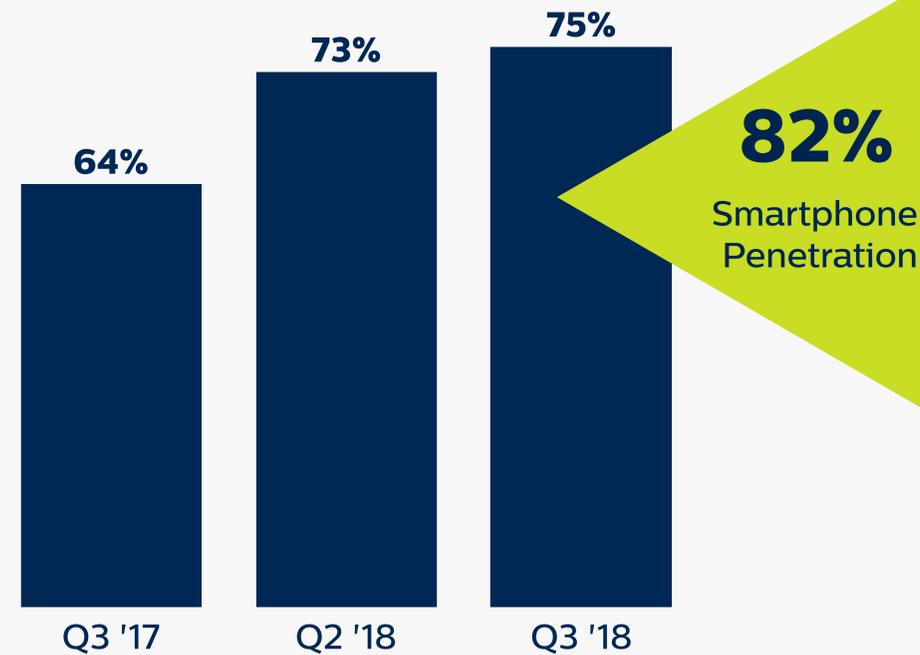


## LTE Users\*

(Total subscriber share)

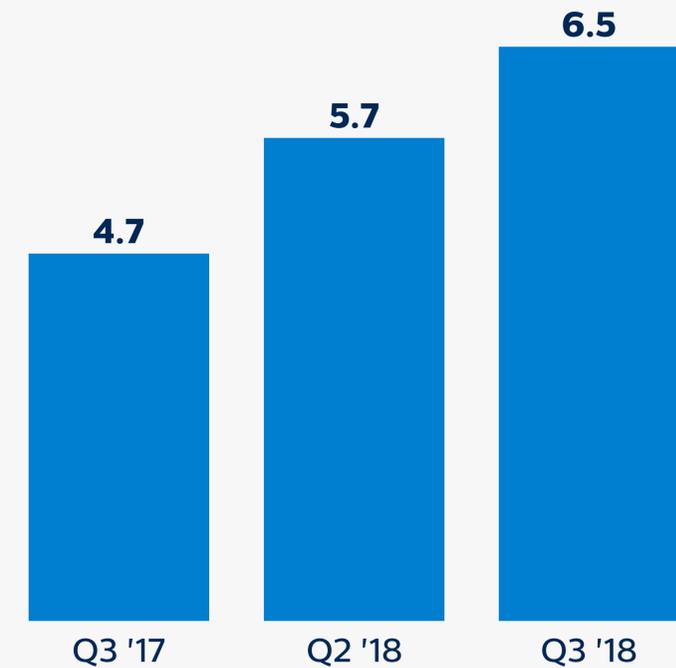


## LTE Compatible Smartphone



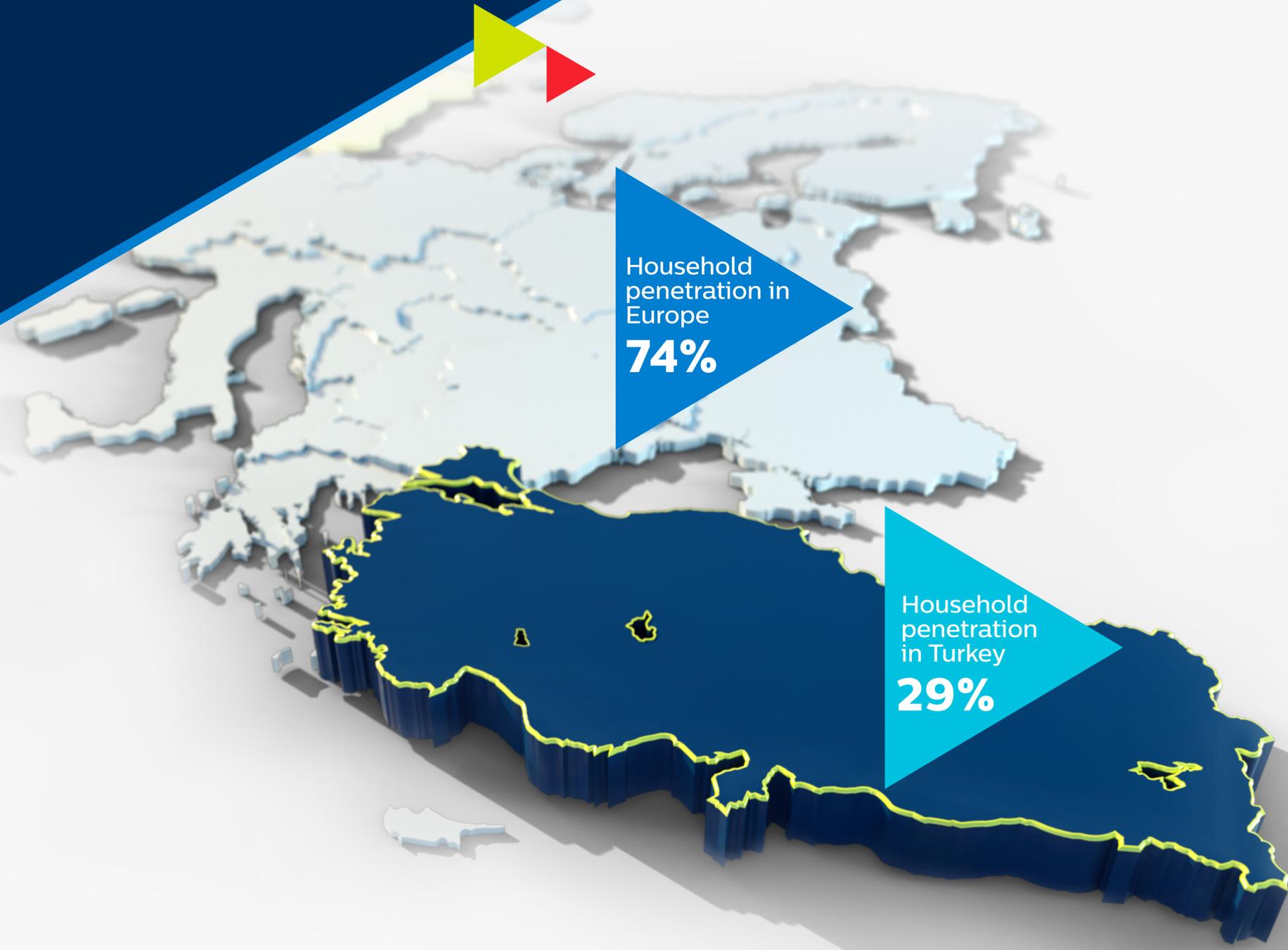
## Avg. Monthly Mobile Data Usage

(GB per LTE user)



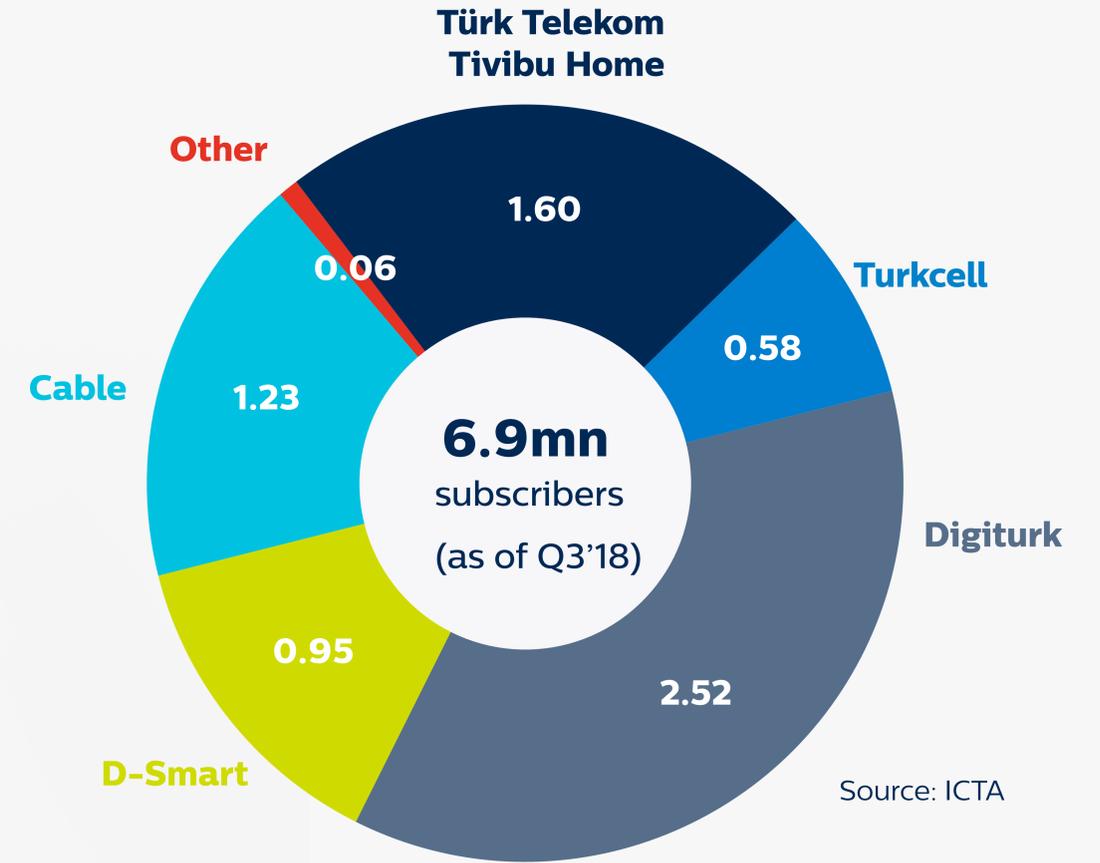
\*Subscribers who  
1) registered for LTE  
2) have LTE compatible device and simcard

# Pay TV Market

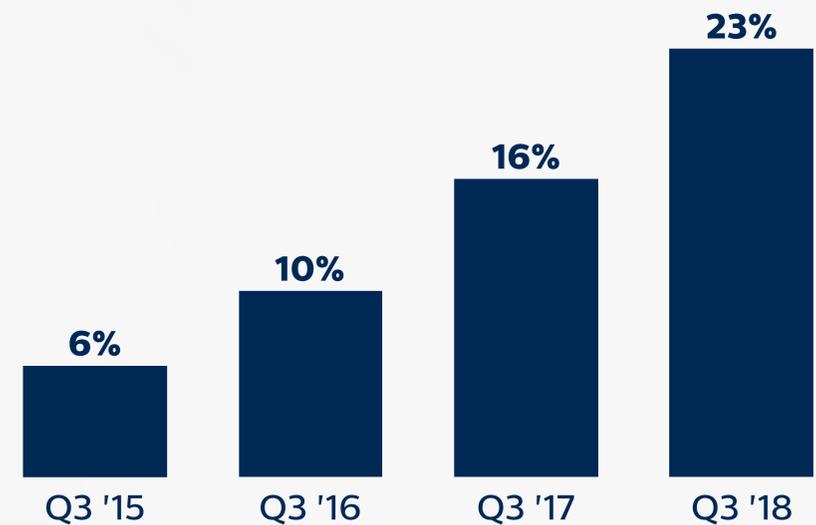


Source: Analysys Mason, Pay-TV quarterly Metrics, Q2 '18 Report  
 European countries include Denmark, France, Ireland, Italy, Portugal, Sweden, UK and Estonia  
 TR Data is calculated from ICTA Q3 '18

## Subscribers (mn)



## Tivibu Home Subscriber Market Share

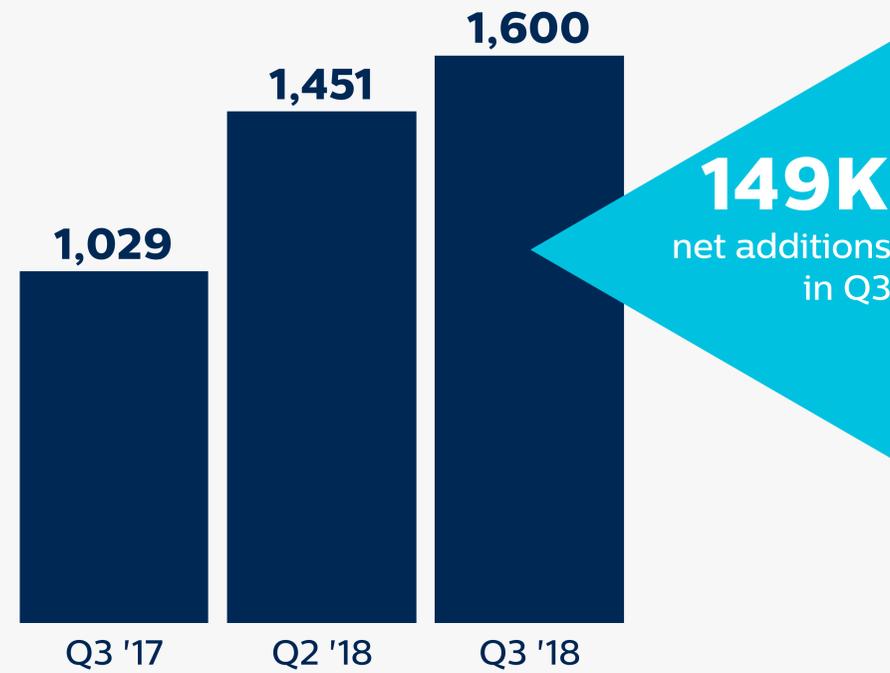


Source: ICTA

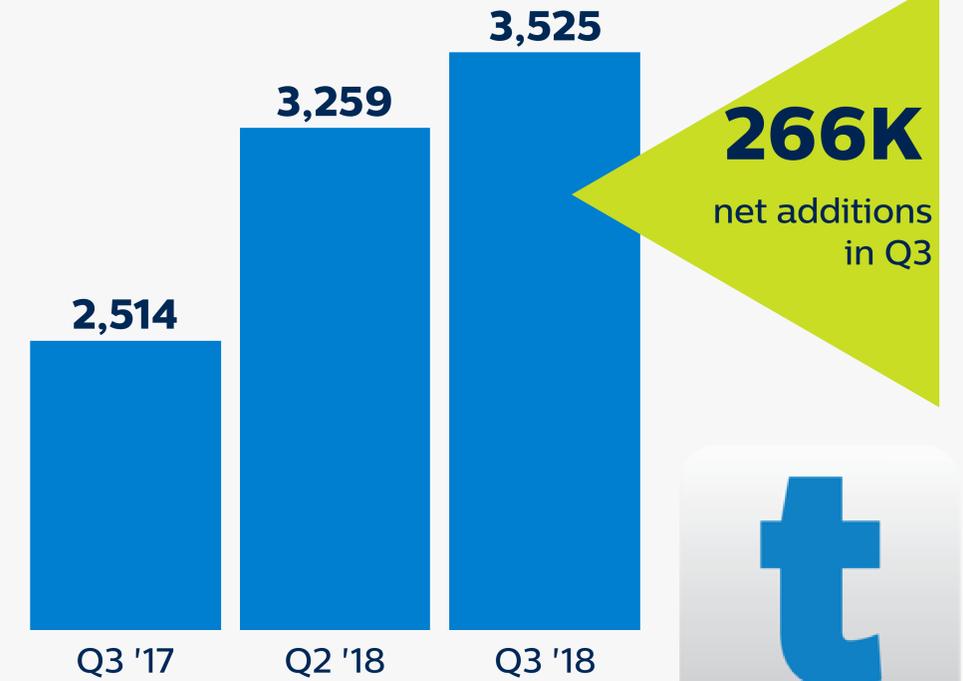
# TV Performance

## Subscribers (thousand)

■ Tivibu Home



■ Total TV (Tivibu Home + Tivibu Go)



## Wireless Homes

**96%** of Q3 '18 DTH gross adds came via mobile synergy offers



## Platform

IPTV + DTH + Web TV + Smart TV

## Content

- ▶ Turkish Basketball Super League
- ▶ NBA
- ▶ English Premier League

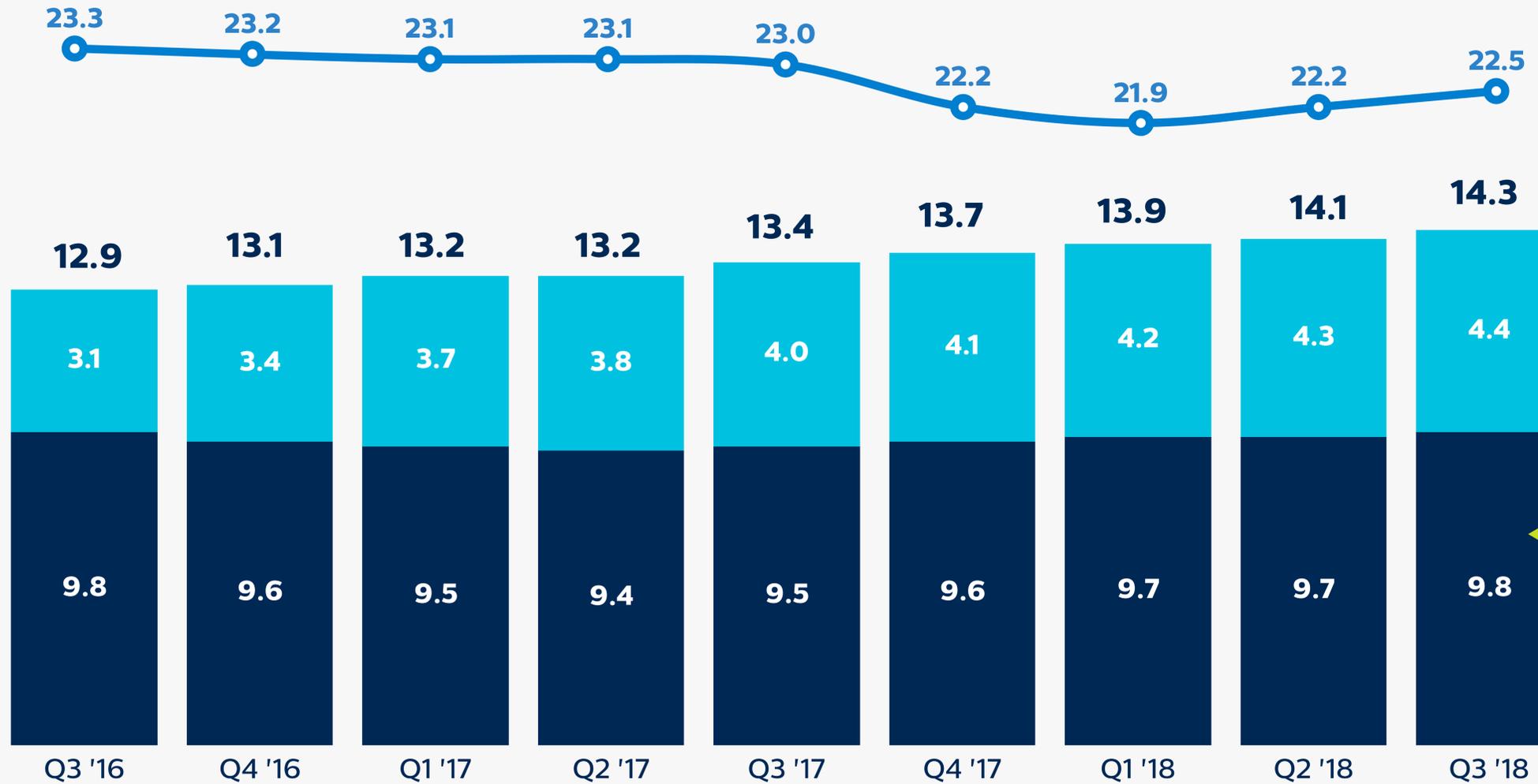
- ▶ 3 Cinema & 4 Sports Inhouse Channels
- ▶ Kids & Documentary Channels
- ▶ 6000+ on demand assets

# Fixed Voice Performance

## Access Lines and ARPU

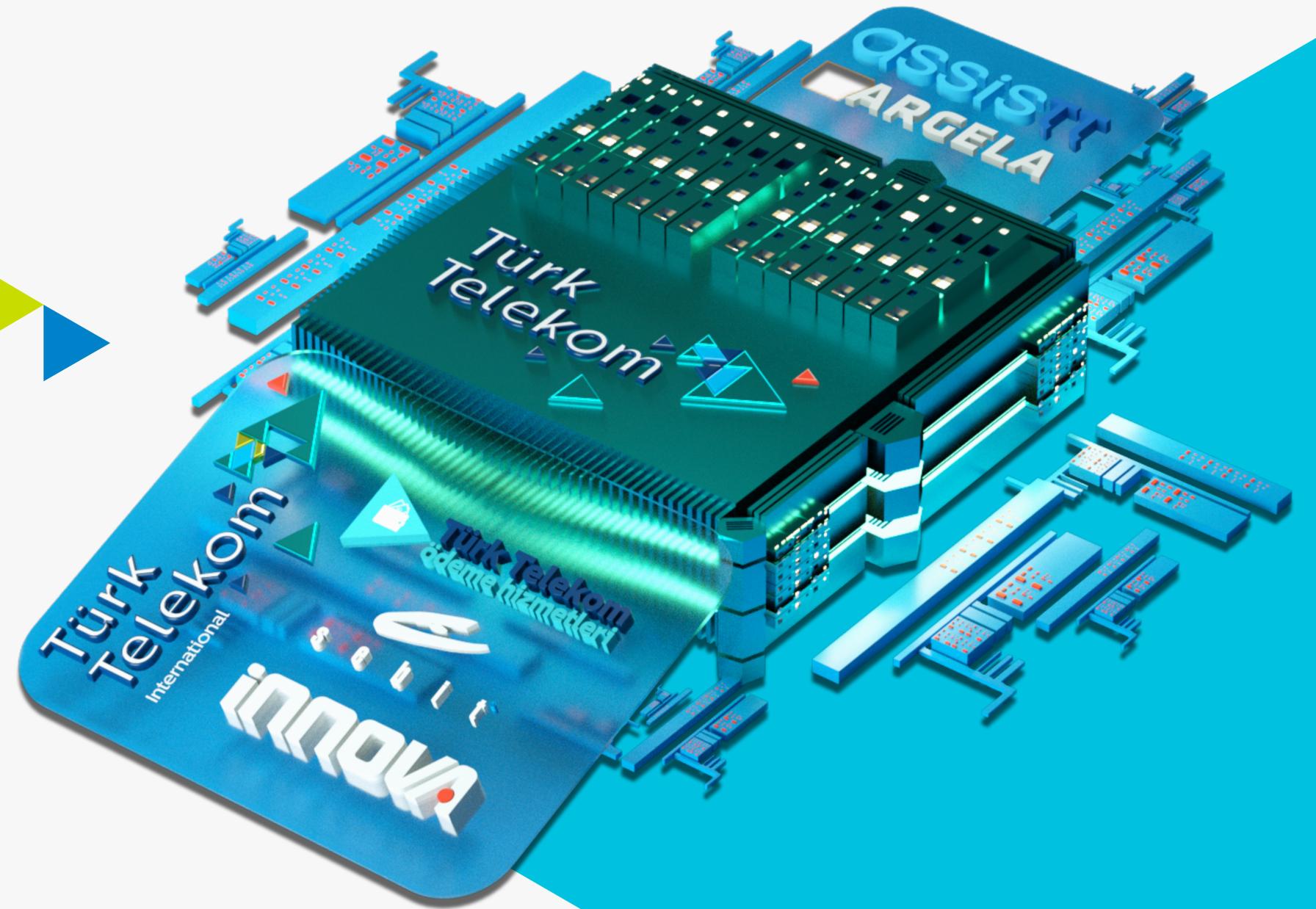
■ Fixed Voice (mn) ■ Naked Broadband (mn)

○ Fixed Voice ARPU (TL)



**90K**  
net additions  
in Fixed  
Voice in Q3

# Group Companies





## 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.)





## Next generation telco technologies R&D company

- ProgRAN: SDN based RAN solutions for LTE and 5G with 23 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





## Leading and largest edtech company in Turkey

- E-educational products, covering all Grades from Pre-School to High School
- Leading and innovative e-Education products: Raunt, Sebit VCloud and Vitamin
- Content and platform provider for the national e-Education transformation project (FATİH)



The ASSiSTT logo is displayed in a white triangle on a light blue background. The text 'ASSiSTT' is in a blue, sans-serif font, with the 'i' in 'ASSiSTT' being lowercase and smaller than the other letters.

## 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 12 thousand employees

The Türk Telekom International logo is displayed in a white triangle on a dark blue background. The text 'Türk Telekom' is in a bold, white, sans-serif font, and 'International' is in a smaller, white, sans-serif font below it. To the right of the text is a small graphic of several colorful triangles (yellow, blue, red) pointing right.

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

- Over 45K 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 Türk Telekom ödeme hizmetleri logo is displayed in a white triangle on a blue background. The text 'Türk Telekom' is in a bold, white, sans-serif font, and 'ödeme hizmetleri' is in a smaller, white, sans-serif font below it. To the left of the text is a small icon of a house with a checkmark inside a circle.

## 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)

# Tambu

Keyboard app  
evolving into  
platform

tambu

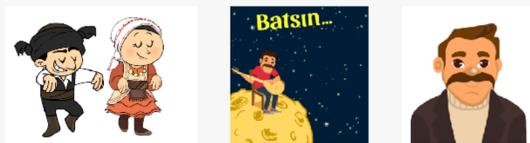
..... SEN DE YAPIŞTIR CEVABI .....

7.2 mn downloads\*

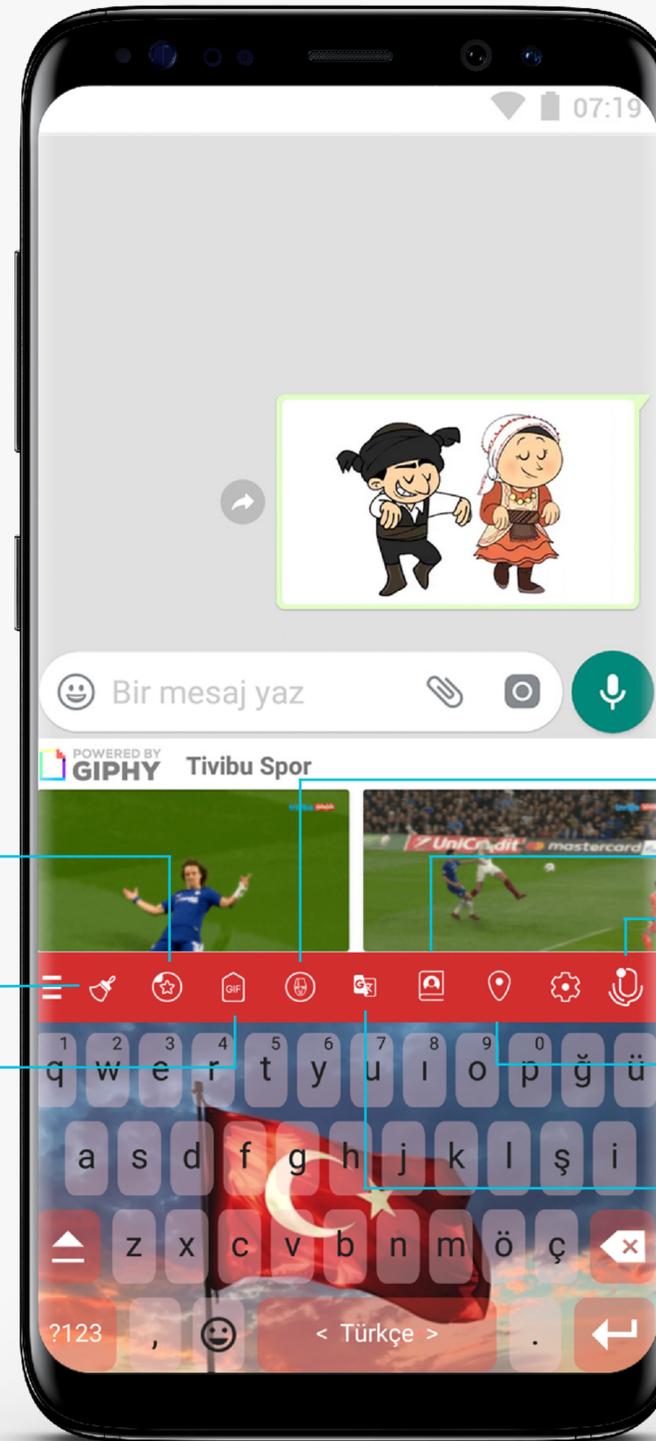


Hyper local animated stickers to  
express yourself  
**1st in Turkey**

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

\* As of October 2018

# Financials



# Income Statement

(TL mn)	9M '17	9M '18	YoY Change	Q3 '17	Q3 '18	YoY Change
Revenues	13,340	15,033	12.7%	4,532	5,396	19.1%
EBITDA	4,927	6,206	26.0%	1,687	2,267	34.3%
Margin	36.9%	41.3%		37.2%	42.0%	
Operating Profit	2,720	3,457	27.1%	973	1,305	34.1%
Margin	20.4%	23.0%		21.5%	24.2%	
Financial Inc. / (Exp.) <sup>1</sup>	(893)	(8,136)	811.0%	(519)	(5,077)	877.9%
FX & Hedging Gain / (Loss)	(568)	(7,718)	1,258.6%	(398)	(4,906)	1,133.0%
Interest Inc./ (Exp.)	(249)	(443)	78.1%	(88)	(186)	111.0%
Other Financial Inc./ (Exp.)	(76)	25	n.m.	(33)	14	n.m.
Tax Expense <sup>1</sup>	(578)	1,073	n.m.	(161)	926	n.m.
Net Income <sup>1</sup>	1,249	(3,606)	n.m.	293	(2,846)	n.m.
Margin	9.4%	n.m.		6.5%	n.m.	

Türk Telekom adopted IFRS 15 and IFRS 9 accounting standards starting from 1 January 2018. For further details please refer to "Financial Footnotes" & "Summary Financial and Operational xls" on our web site.

(1) Bills, bonds and notes issued that were measured amortized cost at Q1 and Q2 2018 are measured at fair value as of Q3 '18. Consequently, the changes were reflected to 2018 Q1 and 2018 Q2 financial statements. For further details please see 2018 Q3 financial statements and footnotes.

# Balance Sheet

(TL mn)	30.09.2017	30.06.2018	30.09.2018
<b>Total Assets</b>	<b>26,519</b>	<b>30,461</b>	<b>38,945</b>
Cash and Equivalents	2,761	4,304	<b>6,187</b>
Intangible Assets	8,193	9,332	<b>9,679</b>
Tangible Assets <sup>1</sup>	8,362	9,004	<b>14,147</b>
Other Assets <sup>2&amp;5</sup>	7,202	7,821	<b>8,931</b>
<b>Total Equities and Liabilities</b>	<b>26,519</b>	<b>30,461</b>	<b>38,945</b>
Share Capital	3,260	3,260	<b>3,260</b>
Reserves, Retained Earnings and Other Equity Items <sup>5</sup>	1,389	973	<b>2,262</b>
Interest Bearing Liabilities <sup>3&amp;5</sup>	15,398	19,060	<b>24,713</b>
Other Liabilities <sup>4</sup>	6,471	7,168	<b>8,709</b>

Türk Telekom adopted IFRS 15 and IFRS 9 accounting standards starting from 1 January 2018. For further details please refer to “Financial Footnotes” & “Summary Financial and Operational xls” on our web site.

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

(2) Major items within other assets are trade receivables, due from related parties, inventories, deferred tax asset and other current assets.

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

(4) Major items within other liabilities are deferred tax liability, trade payables, provisions, income tax payable, due related parties, other current liabilities, provisions for employee termination benefits

(5) Bills, bonds and notes issued that were measured amortized cost at Q1 and Q2 2018 are measured at fair value as of Q3 '18. Consequently, the changes were reflected to 2018 Q1 and 2018 Q2 financial statements. For further details please see 2018 Q3 financial statements and footnotes.

# Cash Flow Statement

(TL mn)	9M '17	9M '18	YoY Change	Q3 '17	Q3 '18	YoY Change
Operating Cash Flow	2,881	5,633	95.5%	952	3,183	234.5%
Investing Cash Flow	(2,603)	(2,602)	(0.1%)	(570)	(1,141)	100.1%
CAPEX	(2,510)	(2,500)	(0.4%)	(618)	(1,161)	87.7%
Other Investing Activities	(93)	(101)	9.2%	48	19	(59.6%)
Financing Cash Flow <sup>1</sup>	(582)	(1,048)	80.0%	183	(341)	n.m.
Net Change in Cash Position <sup>2</sup>	(304)	1,983	n.m.	564	1,701	201.6%

Türk Telekom adopted IFRS 15 and IFRS 9 accounting standards starting from 1 January 2018. For further details please refer to “Financial Footnotes” & “Summary Financial and Operational xls” on our web site.

(1) Includes currency translation differences

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

# Revenue Breakdown

(TL mn)	9M '17	9M '18	YoY Change	Q3 '17	Q3 '18	YoY Change
Fixed Voice	1,968	1,936	(1.6%)	651	659	1.2%
Broadband	3,610	4,051	12.2%	1,220	1,392	14.1%
TV	166	224	35.1%	58	75	30.8%
Mobile	4,938	5,596	13.3%	1,716	2,030	18.3%
Corporate Data <sup>1</sup>	1,101	1,253	13.8%	387	430	11.0%
International Revenues	469	678	44.6%	188	272	44.7%
Other <sup>2</sup>	662	766	15.7%	224	321	43.6%
IFRIC-12	491	593	20.8%	112	242	115.7%
Eliminations	(66)	(66)	1.0%	(23)	(25)	9.8%
<b>Total Revenue</b>	<b>13,340</b>	<b>15,033</b>	<b>12.7%</b>	<b>4,532</b>	<b>5,396</b>	<b>19.1%</b>

Türk Telekom adopted IFRS 15 and IFRS 9 accounting standards starting from 1 January 2018. For further details please refer to “Financial Footnotes” & “Summary Financial and Operational xls” on our web site.

(1) Includes leased line and data services

(2) Includes ICT companies, device sales, domestic interconnection, rental income from GSM operators and other

# OPEX Breakdown

(TL mn)	9M '17	9M '18	YoY Change	Q3 '17	Q3 '18	YoY Change
<b>Direct Costs</b>	<b>2,935</b>	<b>3,460</b>	<b>17.9%</b>	<b>1,041</b>	<b>1,277</b>	<b>22.7%</b>
Interconnection	1,138	1,325	16.4%	422	486	15.1%
Tax	970	1,357	39.9%	336	497	48.0%
Provisions for Doubtful Receivables	335	230	(31.4%)	113	64	(42.8%)
Cost of Equipment and Technology Sales	283	324	14.7%	105	148	41.1%
Other Direct Costs	209	225	7.5%	65	81	24.9%
<b>Commercial Costs</b>	<b>1,261</b>	<b>834</b>	<b>(33.9%)</b>	<b>441</b>	<b>213</b>	<b>(51.7%)</b>
<b>Other Costs</b>	<b>3,782</b>	<b>4,007</b>	<b>6.0%</b>	<b>1,263</b>	<b>1,425</b>	<b>12.8%</b>
Network & Technology	1,310	1,383	5.6%	440	517	17.5%
Personnel	2,078	2,222	6.9%	690	750	8.8%
Other	394	402	2.1%	133	158	18.1%
<b>Sub Total</b>	<b>7,978</b>	<b>8,302</b>	<b>4.1%</b>	<b>2,745</b>	<b>2,915</b>	<b>6.2%</b>
IFRIC-12	434	525	20.8%	99	214	115.6%
<b>Total OPEX</b>	<b>8,412</b>	<b>8,826</b>	<b>4.9%</b>	<b>2,845</b>	<b>3,129</b>	<b>10.0%</b>

Türk Telekom adopted IFRS 15 and IFRS 9 accounting standards starting from 1 January 2018. For further details please refer to “Financial Footnotes” & “Summary Financial and Operational xls” on our web site.

As of Q1 '18, frequency fees with direct link to sales are reported under tax expense. Previously, such frequency fees were reported under Network and Technology expense since there were no direct link to sales.

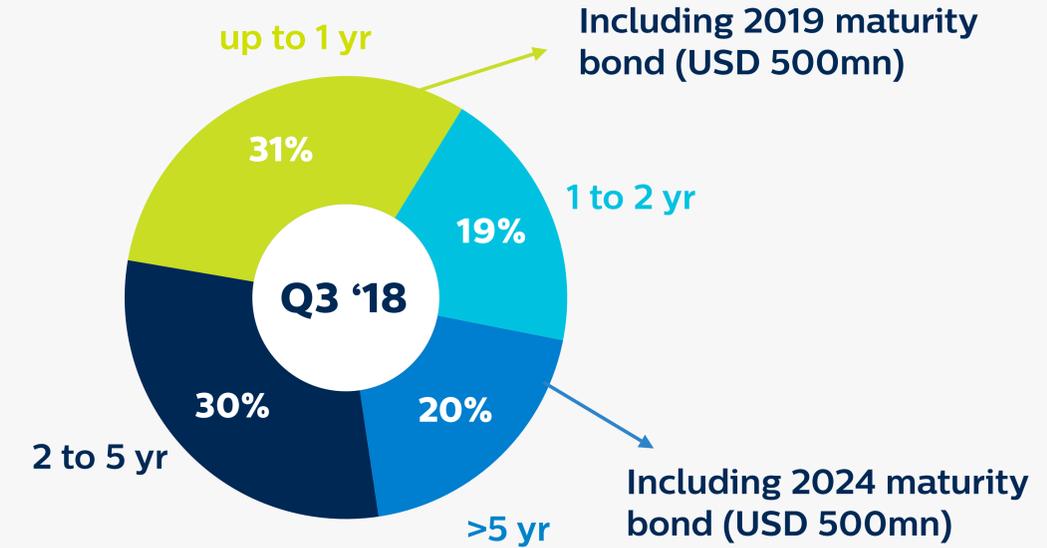
# Debt Profile

## Net Debt



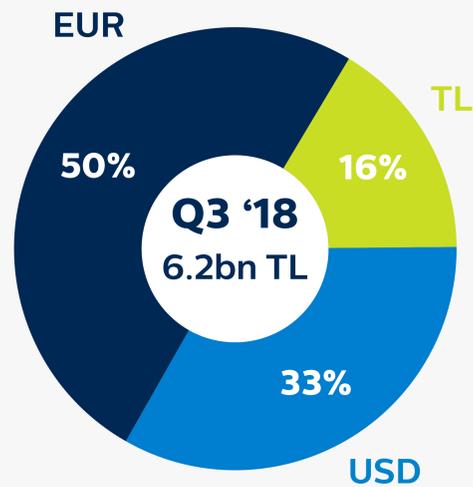
Note: Net Debt calculation includes MTM from FX to TRY Currency Swaps  
 Net Debt/EBITDA calculation excludes extraordinary claims EBITDA calculation

## Maturity Profile

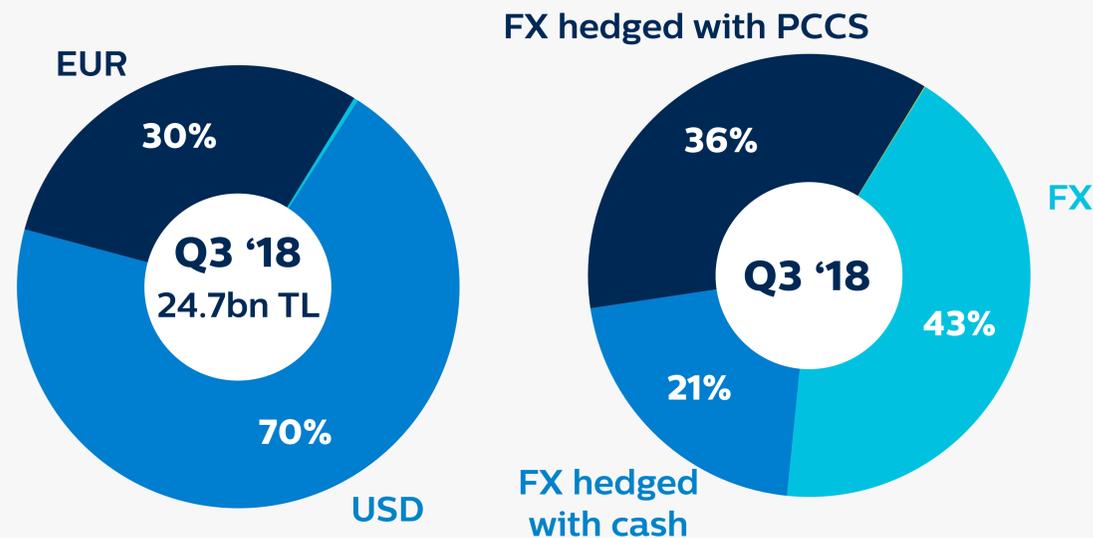


**All loans are senior unsecured**

## Cash FX Breakdown



## Gross Debt FX Breakdown



## Hedge Ratio



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

# Debt Profile

## Prudent Balance Sheet Management

- ▶ FX Risks managed via Participating Cross Currency Swaps (PCCS), and FX based cash
- ▶ Hedge in both principal and coupons of designated debt instruments
- ▶ Hedge ratio increased to 57% in Q3
- ▶ Protection level of existing hedges strengthened during the quarter
- ▶ Diversified funding terms of instruments (bonds, ECAs, commercial loans, and IFIs) and geography
- ▶ Significant improvement in cash flow generation with normalized Capex cycle and increasing EBITDA

## Corporate Credit Ratings

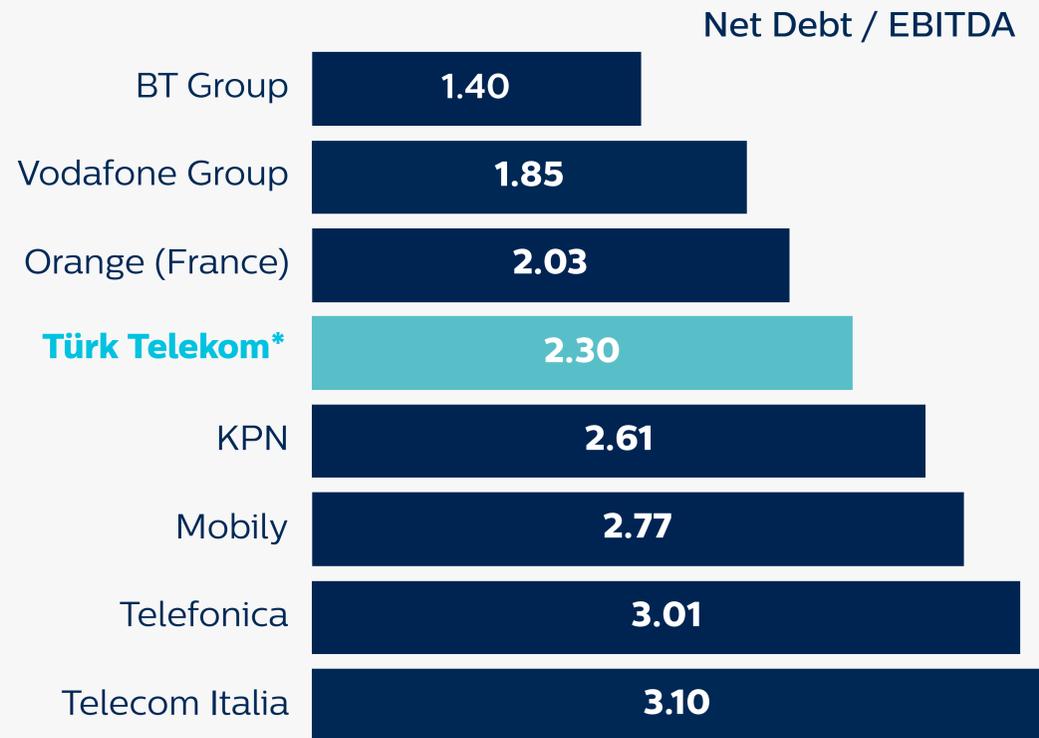
### Fitch Ratings

BB+ Negative Outlook

### S&P Global Ratings

BB- Stable Outlook

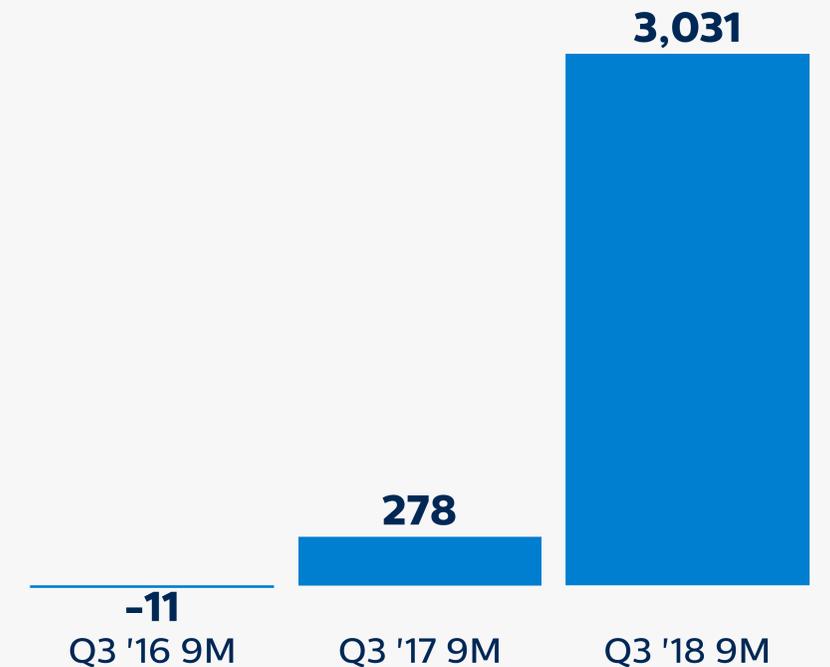
## Low debt ratio among peers



Source: Bloomberg  
Türk Telekom's ratio is based on Q3'18 financials; other's based on their latest data

## Increasing Cash Flow\*

(TL mn)



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

# Operational Highlights

	Q3 '17	Q2 '18	Q3 '18	YoY Change	QoQ Change
<b>Total Access Line (mn)</b>	<b>13.4</b>	<b>14.1</b>	<b>14.3</b>	<b>6.1%</b>	<b>1.4%</b>
Fixed Voice Lines <sup>1</sup> (mn)	9.5	9.7	9.8	3.7%	0.9%
Naked DSL Lines (mn)	4.0	4.3	4.4	12.0%	2.6%
<b>Fixed Voice ARPU (TL)</b>	<b>23.0</b>	<b>22.2</b>	<b>22.5</b>	<b>(2.1%)</b>	<b>1.3%</b>
<b>Broadband Total Subscribers (mn)</b>	<b>9.4</b>	<b>10.3</b>	<b>10.6</b>	<b>13.0%</b>	<b>2.8%</b>
FTTH/B Subscribers ('000)	986	1,179	1,258	27.6%	6.7%
FTTC Subscribers ('000)	1,517	1,971	2,121	39.8%	7.6%
<b>Broadband ARPU (TL)</b>	<b>44.1</b>	<b>43.6</b>	<b>44.4</b>	<b>0.7%</b>	<b>1.8%</b>
<b>Total Tivibu Subscribers<sup>2</sup> (mn)</b>	<b>2.5</b>	<b>3.3</b>	<b>3.5</b>	<b>40.2%</b>	<b>8.2%</b>
Tivibu Home Subscribers <sup>3</sup> ('mn)	1.0	1.5	1.6	55.5%	10.3%
<b>Tivibu Home ARPU (TL)</b>	<b>16.4</b>	<b>16.6</b>	<b>14.9</b>	<b>(8.8%)</b>	<b>(9.7%)</b>
<b>Mobile Total Subscribers (mn)</b>	<b>19.2</b>	<b>20.2</b>	<b>20.8</b>	<b>8.5%</b>	<b>2.9%</b>
Mobile Postpaid Subscribers (mn)	10.4	11.5	11.8	13.3%	2.2%
Mobile Prepaid Subscribers (mn)	8.8	8.7	9.0	2.9%	3.8%
<b>Mobile Blended ARPU (TL)</b>	<b>28.8</b>	<b>30.2</b>	<b>31.8</b>	<b>10.3%</b>	<b>5.2%</b>
Mobile Postpaid ARPU (TL)	36.8	37.8	39.6	7.7%	4.9%
Mobile Prepaid ARPU (TL)	18.5	19.6	20.1	8.8%	2.2%

(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 Previous Guidance	2018 Revised Guidance
<b>Revenue</b> (exc. IFRIC 12) <sup>1</sup>	17,435	~11% growth	~13% growth
<b>EBITDA</b>	6,452	TL 7.6 to 7.8 bn	TL 8.0 to 8.2 bn
<b>CAPEX</b>	3,221	~TL 4.1 bn	~TL 4.2 bn

(1) IFRIC 12 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

Türk Telekom adopted IFRS 15 and IFRS 9 accounting standards starting from 1 January 2018. For further details please refer to “Financial Footnotes” & “Summary Financial and Operational xls” on our web site.

# IFRS 15 Adoption Reconciliation

(TL mn)	Q3 '18	IFRS 15 Impact	Q3 '18 w/o adoption of IFRS 15
Revenues	5,396	(4)	5,399
EBITDA	2,267	159	2,108
<i>Margin</i>	42.0%		39.0%
Operating Profit	1,305	38	1,267
<i>Margin</i>	24.2%		23.5%
Financial Inc. / (Exp.)	(5,077)	(6)	(5,072)
FX & Hedging Gain / (Loss)	(4,906)		(4,906)
Interest Inc./ (Exp.)	(186)		(186)
Other Financial Inc./ (Exp.)	14	(6)	20
Tax Expense	926	(2)	928
Net Income	(2,846)	31	(2,877)
<i>Margin</i>	n.m.		n.m.

Türk Telekom adopted IFRS 15 and IFRS 9 accounting standards starting from 1 January 2018. For further details please refer to "Financial Footnotes" & "Summary Financial and Operational xls" on our web site.

# IFRS 15 Adoption Reconciliation

(TL mn)	30.09.2018	IFRS 15 Impact	30.09.2018 w/o adoption of IFRS 15
<b>Total Assets</b>	<b>38,945</b>	<b>947</b>	<b>37,998</b>
Cash and Equivalents	6,187		6,187
Intangible Assets	9,679	949	8,730
Tangible Assets	14,147		14,147
Other Assets	8,931	(2)	8,933
<b>Total Equities and Liabilities</b>	<b>38,945</b>	<b>947</b>	<b>37,998</b>
Share Capital	3,260		3,260
Reserves, Retained Earnings and Other Equity Items	2,262	609	1,653
Interest Bearing Liabilities	24,713		24,713
Other Liabilities	8,709	338	8,371

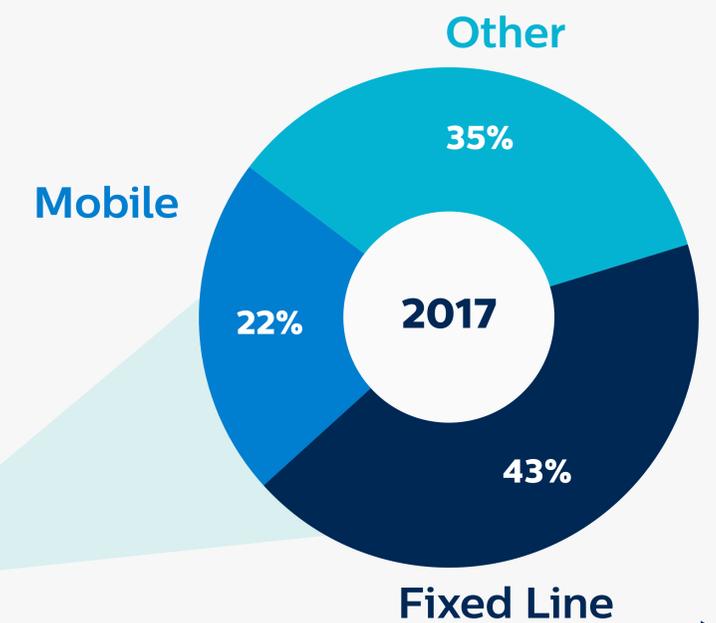
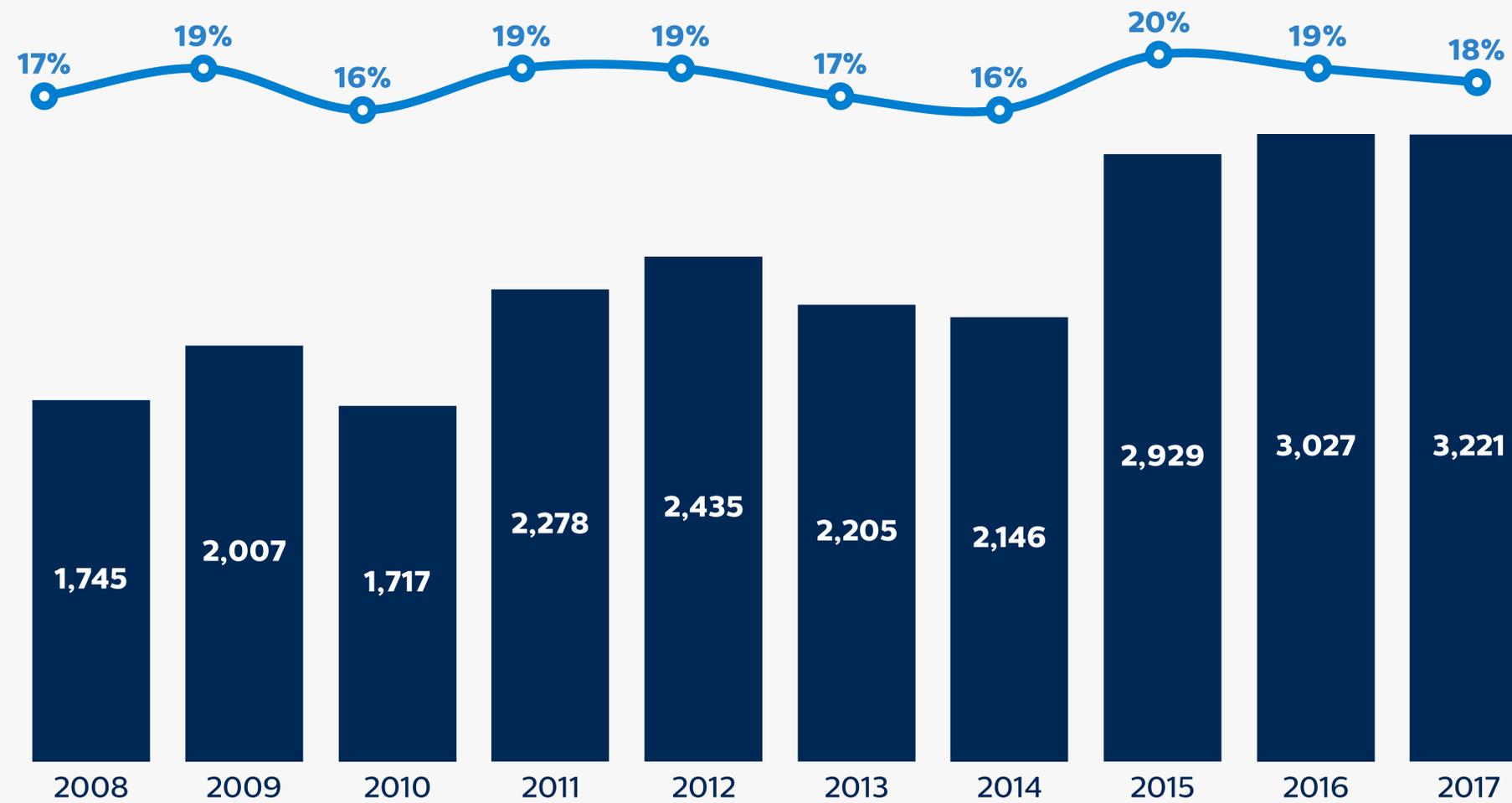
Türk Telekom adopted IFRS 15 and IFRS 9 accounting standards starting from 1 January 2018. For further details please refer to "Financial Footnotes" & "Summary Financial and Operational xls" on our web site.

# 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

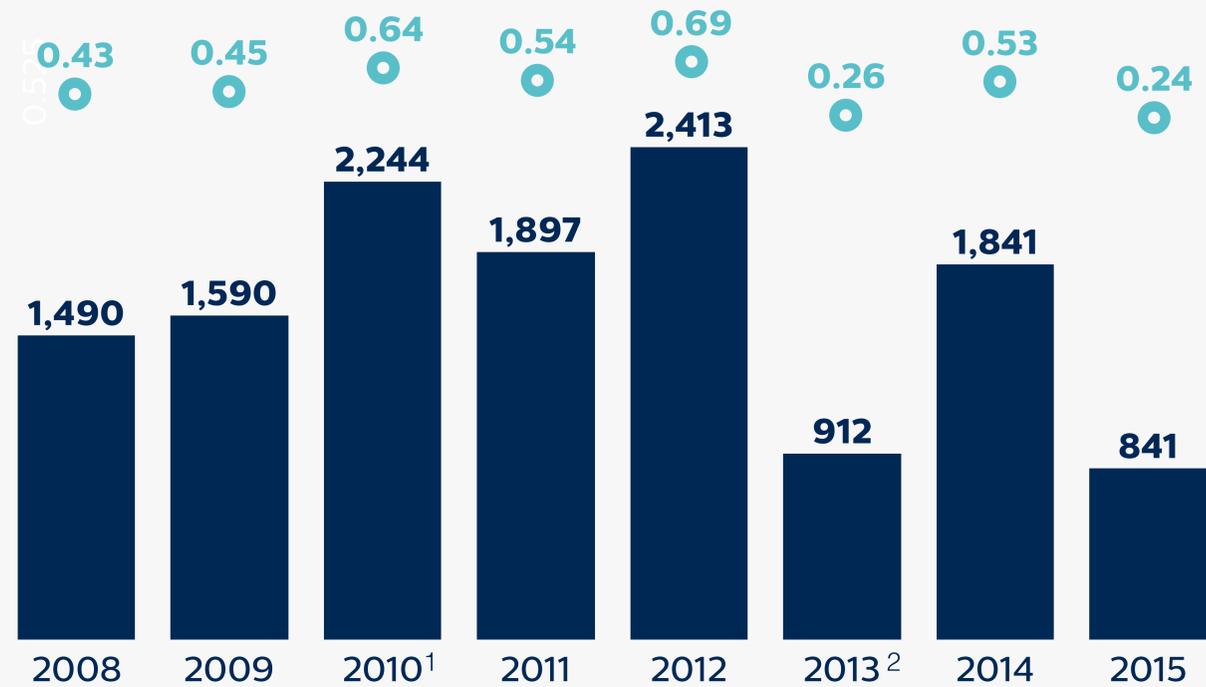
\* Other Capex includes IT related capex, Capex for subsidiaries, Capex for new revenue streams and other

# Shareholder Remuneration

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

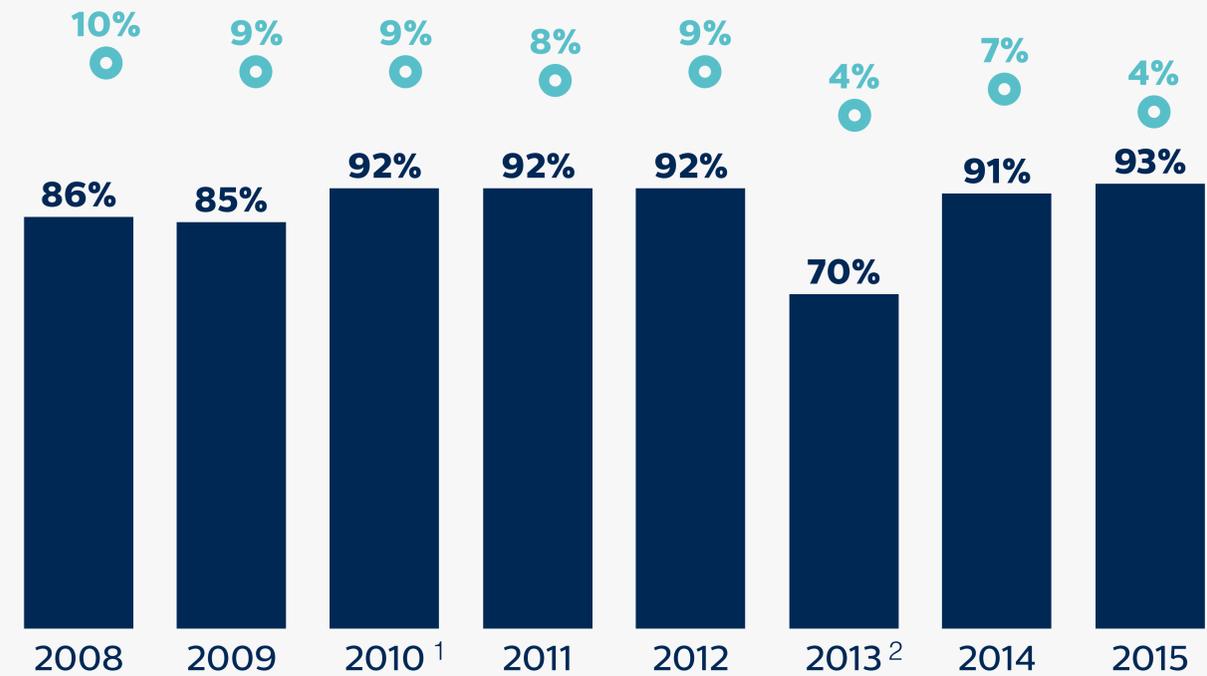
## Dividend Distribution

■ 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: Based on General Assembly Decision, no dividends distributed for the activity years 2016 & 2017

# Digital Transformation

### Technology

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



### Marketing

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



### 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

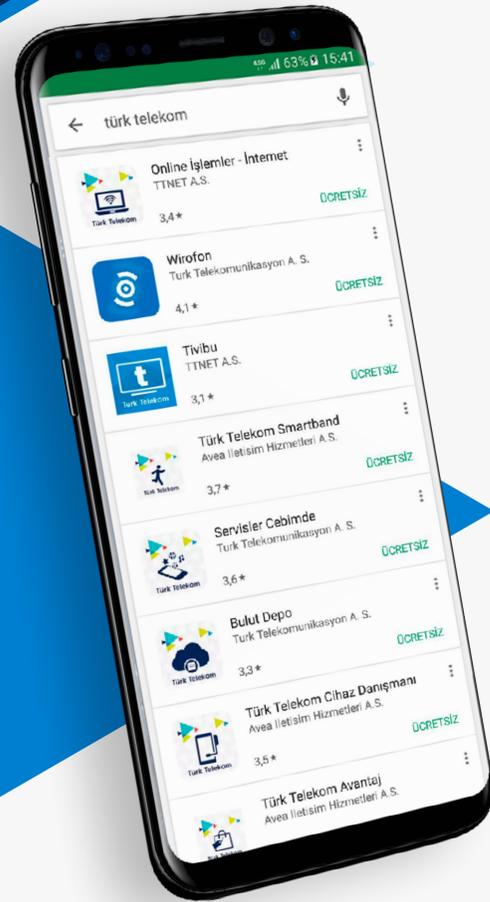


Account Management      Jetfix

# Appendix



# Digital Service Portfolio



Turk Telekom has 30+ 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 gaming, e-pin, console games and pysical gaming accessory sales platform



## Turk Telekom's Education Platform: **Turk Telekom Academy** 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 universiy preparation



## Turkey's Mobile and Live Trivia Game: **Eleq** Launch:2018



## 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



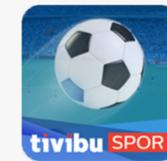
## Turkey's Most Comprehensive Security Platform: **TT Security** Launch: 2009

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



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

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

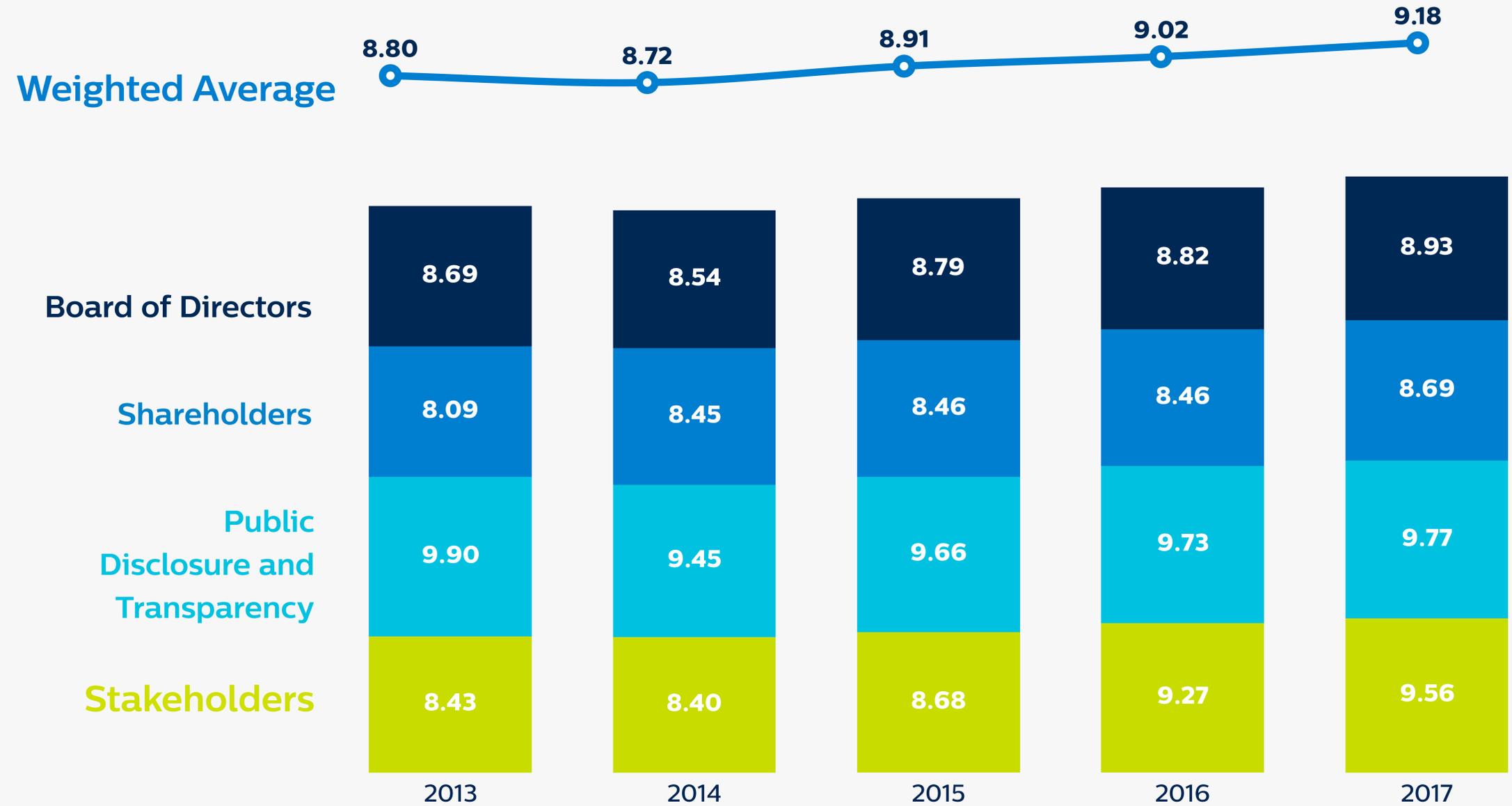


## Turkey's Real-Time Integrated Sport Platform: **Tivibuspor** Launch: 2010

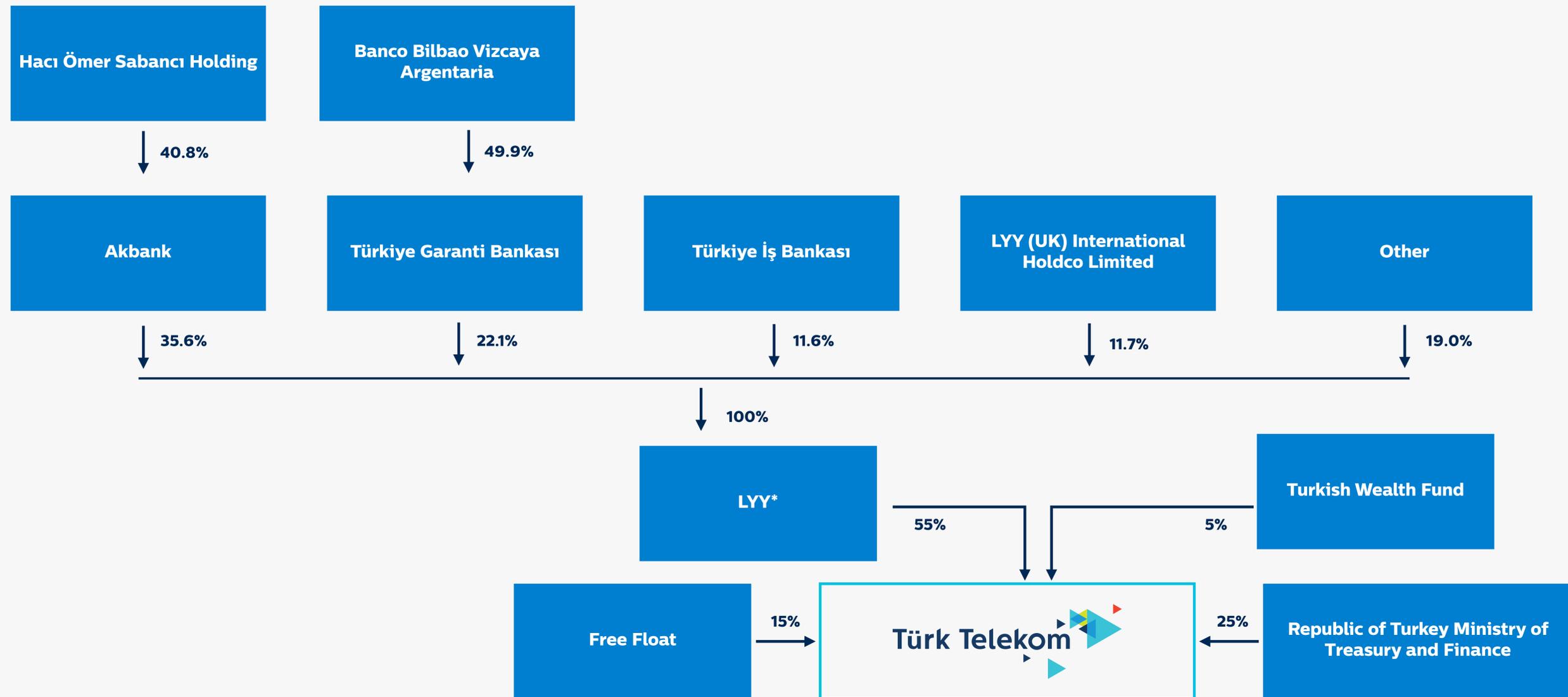
Türk Telekom's sport platform presents sport news, videos

# 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



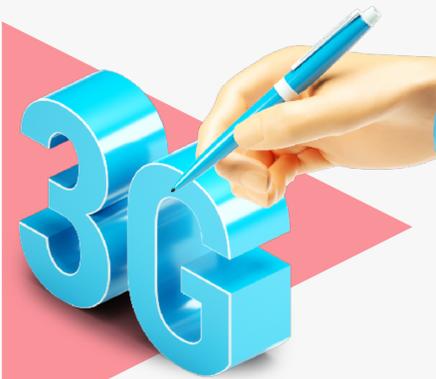
Note: Turkish Wealth Fund has 1.68% share in free float

\*Levent Yapılandırma Yönetimi A.Ş.

# 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

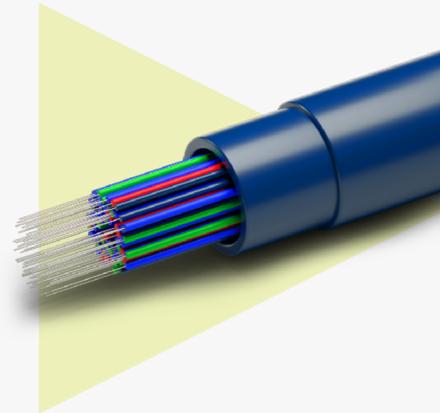
## 2010

- ▶ **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

## 2016

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

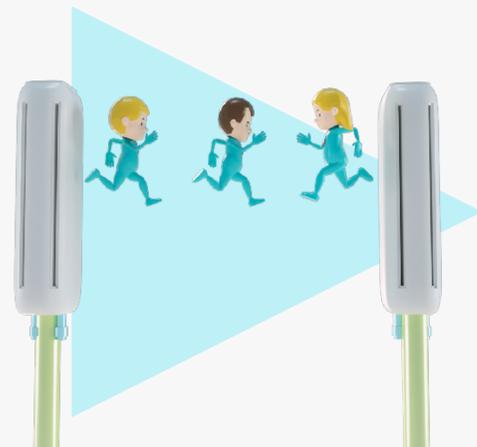


## 2018

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

## 2015

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



# History

1995

## Separation from Post Office

Türk Telekom separated from the Post Office

2001

## Aycell Established

Türk Telekom's GSM operator, Aycell established (Aycell later named as AVEA after merging with Aria 2004)

2004

## Aycell Merger with Aria

Aycell merged with İŞ-TİM's Aria and officially named "Avea İletişim Hizmetleri A.Ş."

2005

## Privatization

Privatized through a 55% stake sale to Oger Telecom

2006

## Avea Share Transaction

Acquisition of İŞ-TİM's 40.55% stake in Avea, raising total stake in Avea to 81.12%

2008

## Public Offering

IPO with a listing on the Istanbul Stock Exchange and the sale of 15% stake owned by the Treasury to the public

2010

## Invitel Acquisition

Acquired Pantel (rebranded as Türk Telekom International), the leading wholesale capacity and data services provider in Central and Eastern Europe to complement its international carrier business and infrastructure

2013

## Integration Project Initiated

Integration project for a customer oriented organization

2014

## Bond Issuance

Türk Telekom issued USD 1bn bond in tranches, at USD 500mn each, with a maturity of 5 and 10 years

Investment grade ratings from S&P and Fitch

2015

## Avea Share Transaction

Avea share transfer transactions were completed and Türk Telekom has become the sole owner of Avea İletişim Hizmetleri A.Ş.

2016

## Brand Unification

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

2018

## Establishment of CVC Company

The Corporate Venture Capital Company was established under "TT Ventures Proje Geliştirme A.Ş." name



## Türk Telekom Investor Relations

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