

# Investor Presentation

February 2016



Türk Telekom







## ► Notice

The information contained herein has been prepared by Türk Telekomünikasyon A.Ş. (the Company) in connection with the operations of Türk Telekom Group companies. The opinions presented herein are based on general information gathered at the time of writing and are subject to change without notice.

The Company relies on the information gathered from the reliable sources however does not guarantee completeness and accuracy of such information.

These materials contain statements about future events and expectations that are forward-looking statements. Any statement in these materials that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except to the extent required by law, we assume no obligations to update the forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements.

This presentation does not constitute an offer or invitation to sell, or any solicitation of any offer to subscribe for or purchase any securities and nothing contained herein shall form the basis of any contract or commitment whatsoever. No reliance may be placed for any purposes whatsoever on the information contained in this present or employees nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection therewith.

The PSTN services and wholesale broadband services are provided by Türk Telekomünikasyon A.Ş., the retail internet services are provided by TTNET A.Ş. the mobile services – are provided by Avea İletişim Hizmetleri A.Ş.

Türk Telekom® brand used in this presentation is the joint brand of Turk Telekom Group of companies. All group companies's legal entities remain intact.

There may be differences between the data provided in this presentation and ICTA's market reports. These discrepancies are due differences in basis of financial reporting (standalone vs. consolidated) and differences in ARPU calculation methodologies.

*Note: EBITDA is a non-GAAP financial measure. 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.*

# Turkey's Pioneer Convergence Player



\* Based on the consent of the customers

# 2015 Year End Highlights

## Operational

**932K** net subscriber addition in **mobile**

‣ **283K** net add and **6% YoY** increase in ARPU in Q4

**416K** net subscriber addition in **broadband**

‣ **227K** net add and **4% YoY** increase in ARPU in Q4

**95K** net subscriber addition in **Home TV**

‣ **37K** net add in Q4

## Financial

**Adjusted revenues<sup>1</sup>** up **7% YoY**

**EBITDA** reached to **TL 5.33bn**, up **6% YoY** (36.7% margin)

**TL 907mn net income**

**Capex of TL 2.9bn<sup>2</sup>**

## Dividend

**TL 0.24** per share proposed to **AGM**

**93%** dividend payout ratio

(1) Reported revenues excluding construction revenues

(2) Excluding license fee



# Financial Performance

TL mn	2014 Year End	2015 Year End	Growth (YoY)	Guidance	Delivered
<b>Revenue</b>	13,602	<b>14,523</b>	6.8%		
<b>Revenue</b> (exc.construction adjustment) <sup>1</sup>	13,243	<b>14,190</b>	7.2%	5% to 7% Growth	✓
<b>EBITDA<sup>2</sup></b>	5,047	<b>5,334</b>	5.7%	TL 5.1bn – 5.2bn	✓
<b>EBITDA Margin</b>	37.1%	<b>36.7%</b>			
<b>Net Income<sup>2</sup></b>	2,007	<b>907</b>	(54.8%)		
<b>CAPEX<sup>3</sup></b>	2,146	<b>2,930</b>	36.5%	TL 2.9bn	✓

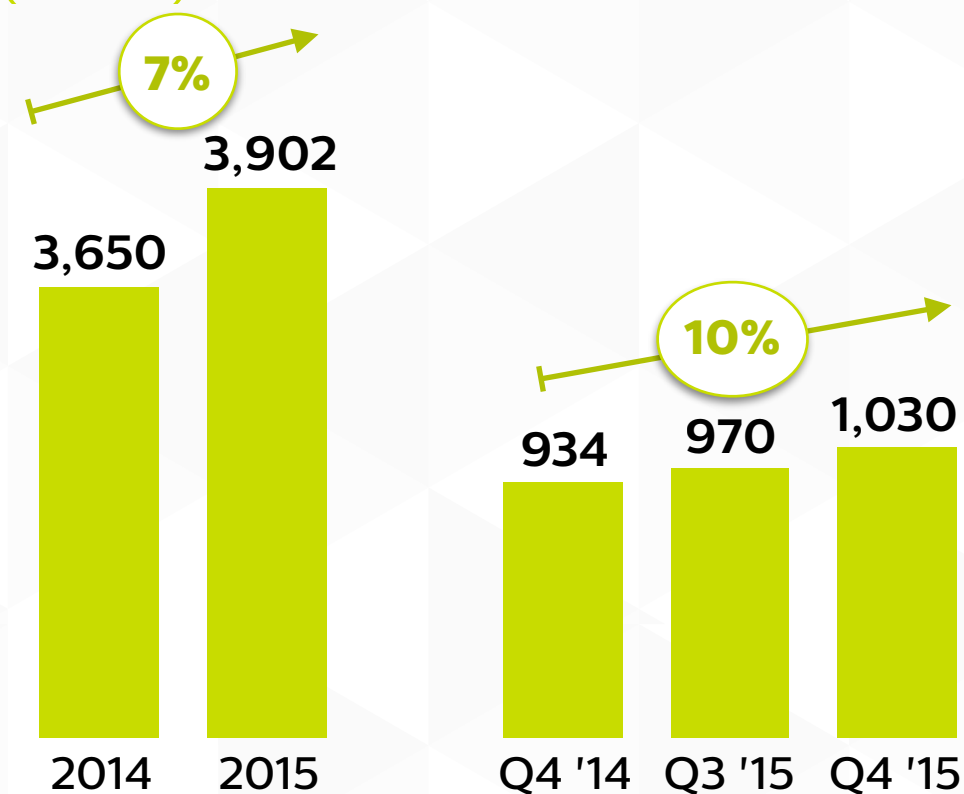
- (1) Construction accounting adjustment is a non-operational revenue line booked in conjunction with upgrades to our fixed line infrastructure, such as the upgrade from copper to fiber based network.
- (2) Türk Telekom Group Companies reached an agreement with Turkcell Group Companies to resolve court cases, executive proceedings and disputes with a Settlement Protocol. Turkcell agreed to pay TL 225mn (excl. VAT, and SCT and inc. interest, and all dues associated with the protocol). Provision related with these claims on our balance sheet was TL 96mn. Turkcell settlement had a positive impact of TL 267mn on 2015 net income, and TL 146mn on 2015 EBITDA.
- (3) Excluding license fees



# Focused on High Growth Areas

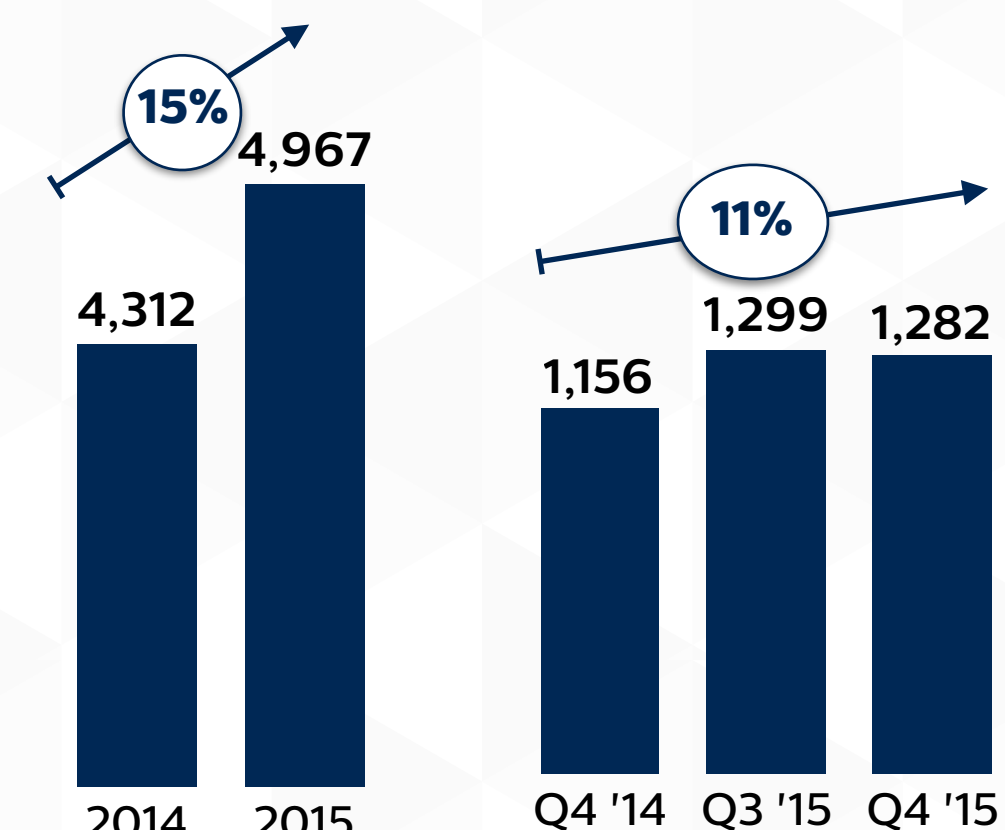
## Fixed Broadband

(TL mn)



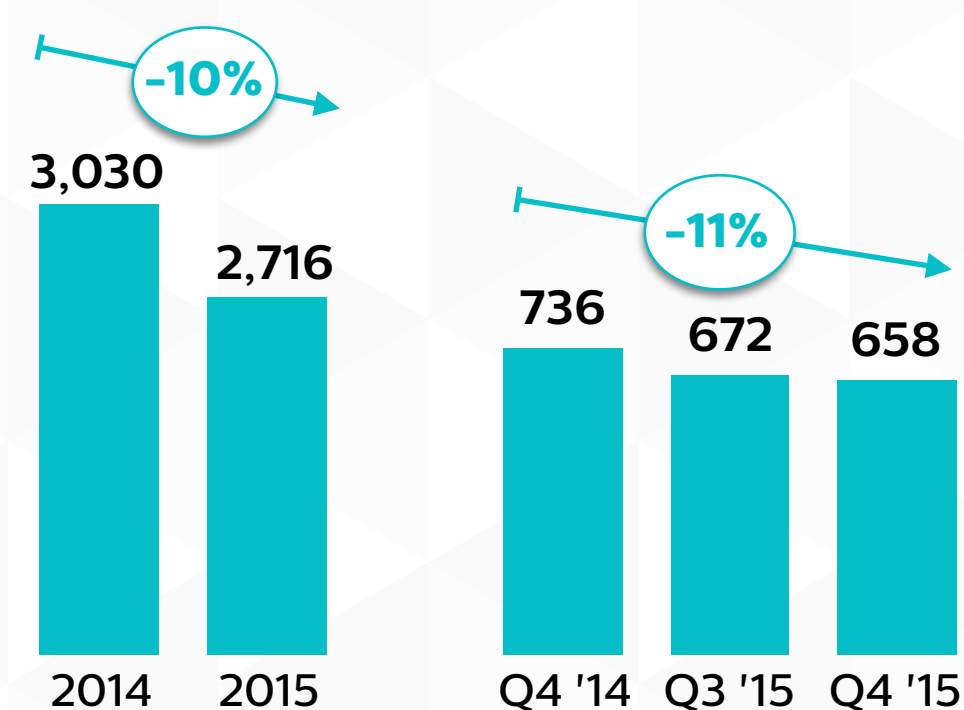
## Mobile

(TL mn)



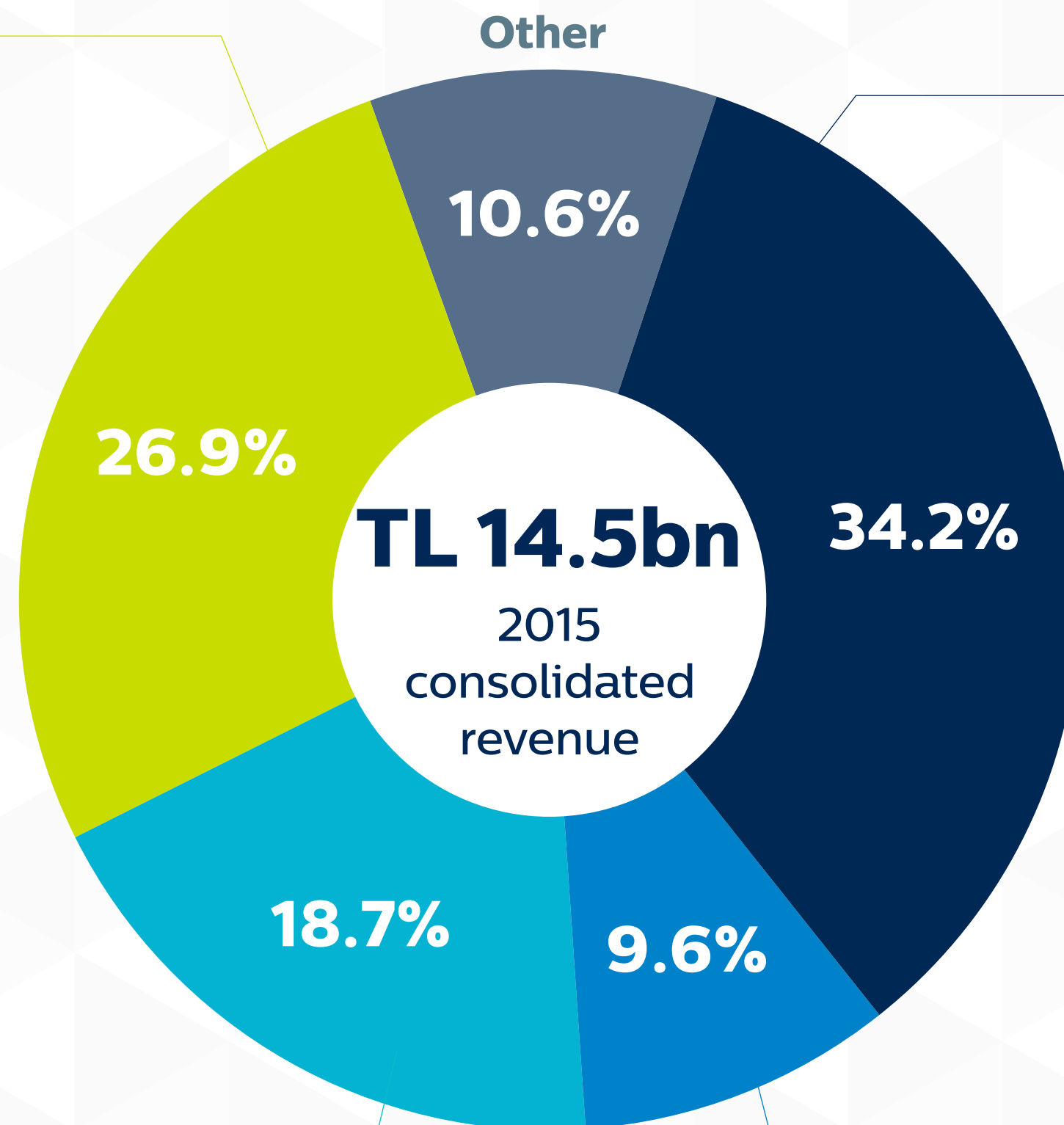
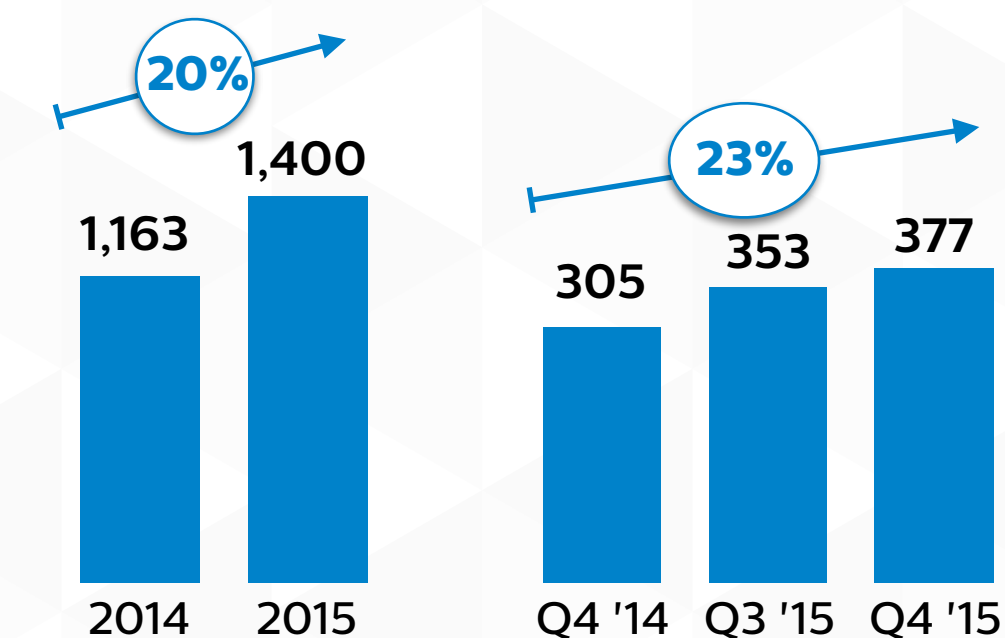
## Fixed Voice

(TL mn)



## Corporate Data

(TL mn)



Revenue breakdown



# Strongest Position in Multiplay Offers

Key building blocks of customer proposition

## Türk Telekom

## Turkcell

## Vodafone



### Broadband

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

- ▶ Fiber infrastructure in 14 out of 81 cities
- ▶ Wholesale customer of Türk Telekom

- ▶ Wholesale customer of Türk Telekom



### Mobile

- ▶ 900MHz 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

- ▶ Incumbent mobile operator

- ▶ Number two mobile operator



### Pay TV

- ▶ Exclusive premium sports content
- ▶ Nationwide coverage through IPTV and satellite
- ▶ Rich content library

- ▶ No satellite platform
- ▶ No exclusive premium content
- ▶ Limited access

- ▶ No Home TV



### Fixed Voice

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

- ▶ Wholesale customer of Türk Telekom
- ▶ VOIP available

- ▶ 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

Q4'15 ARPU

Mobile

TL 23.8

Broadband

TL 43.1

Pay TV Home

TL 20.1

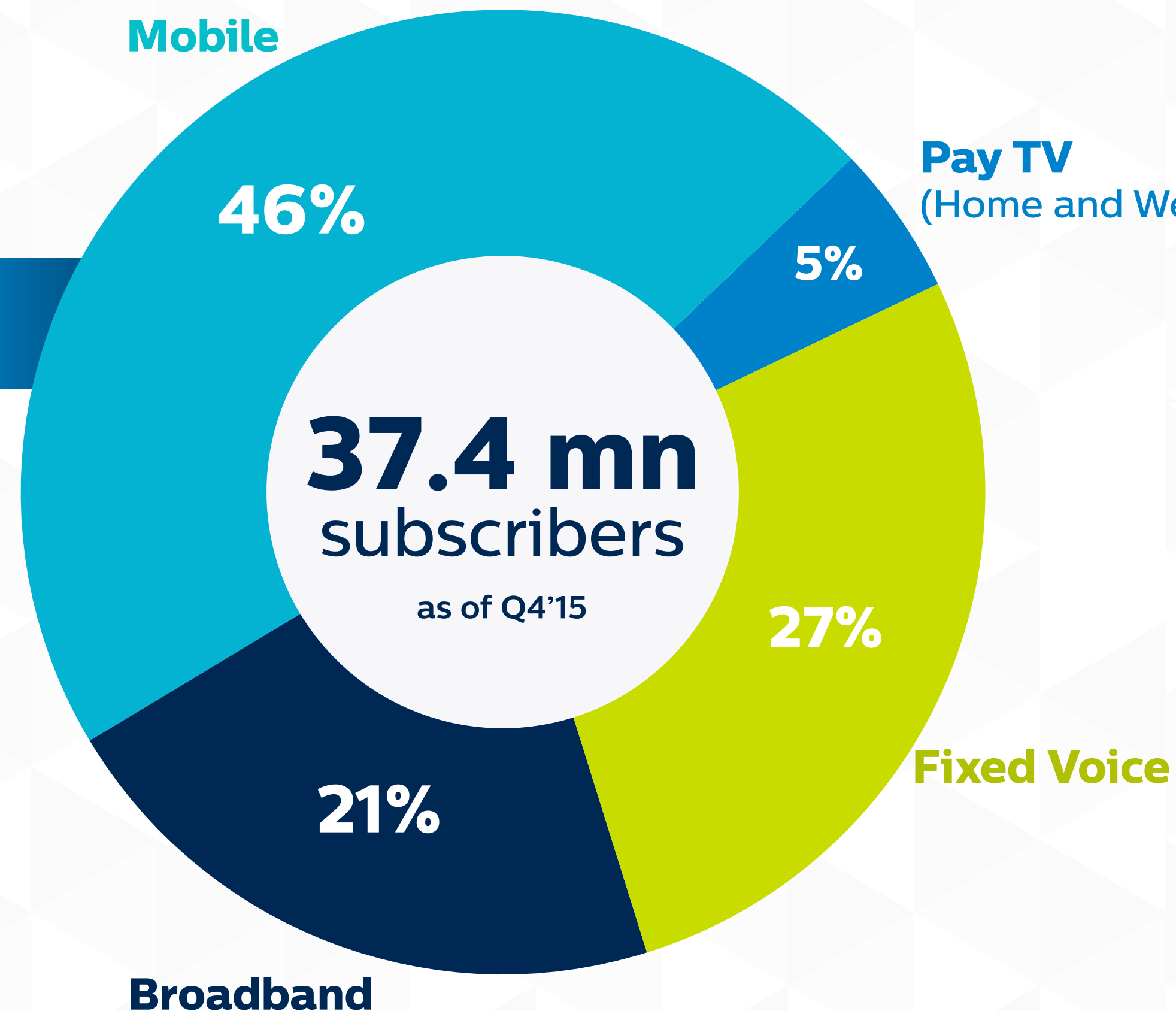
Fixed Voice\*

TL 21.0

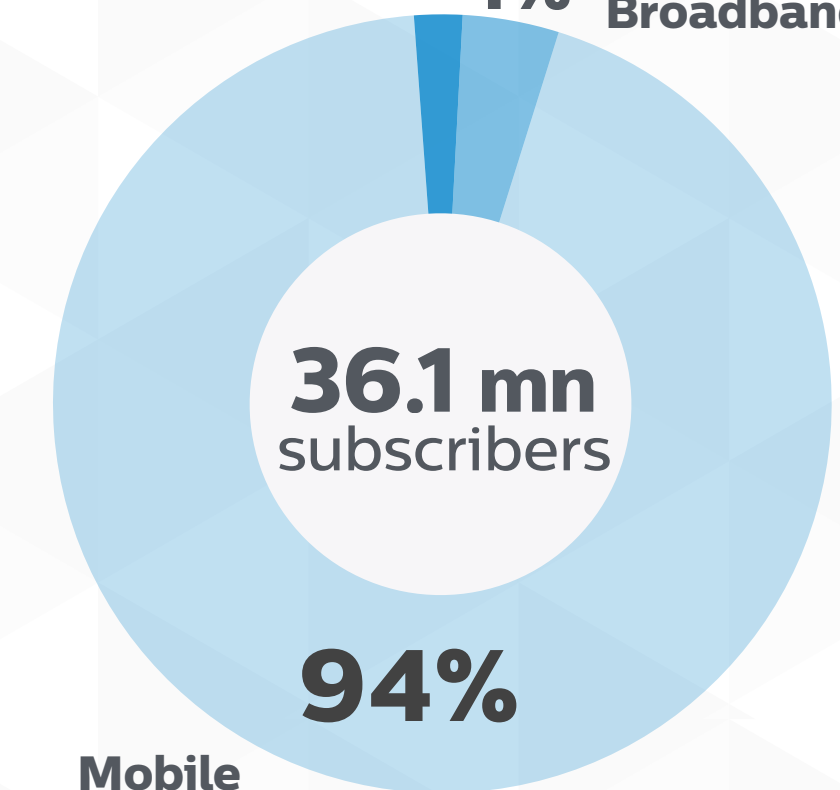
\*VOIP is not included

Türk Telekom

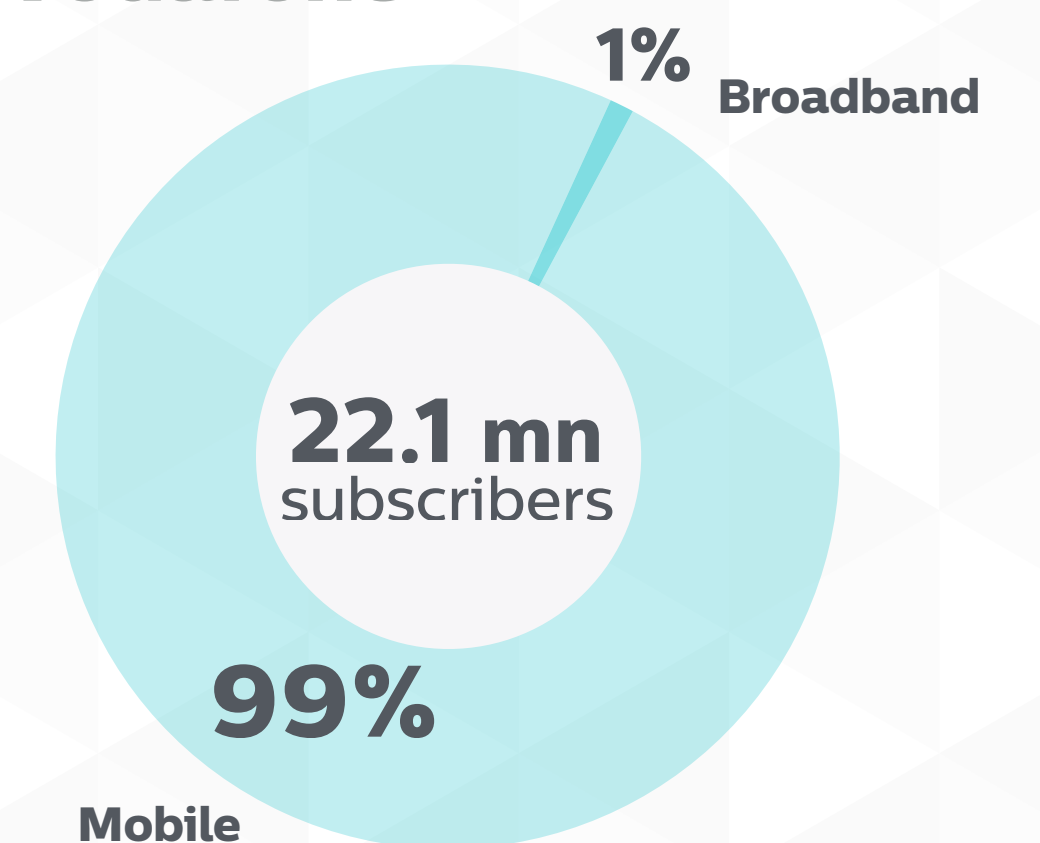
Türk Telekom



Turkcell 2% Pay TV (Home and Web) 4% Broadband



Vodafone

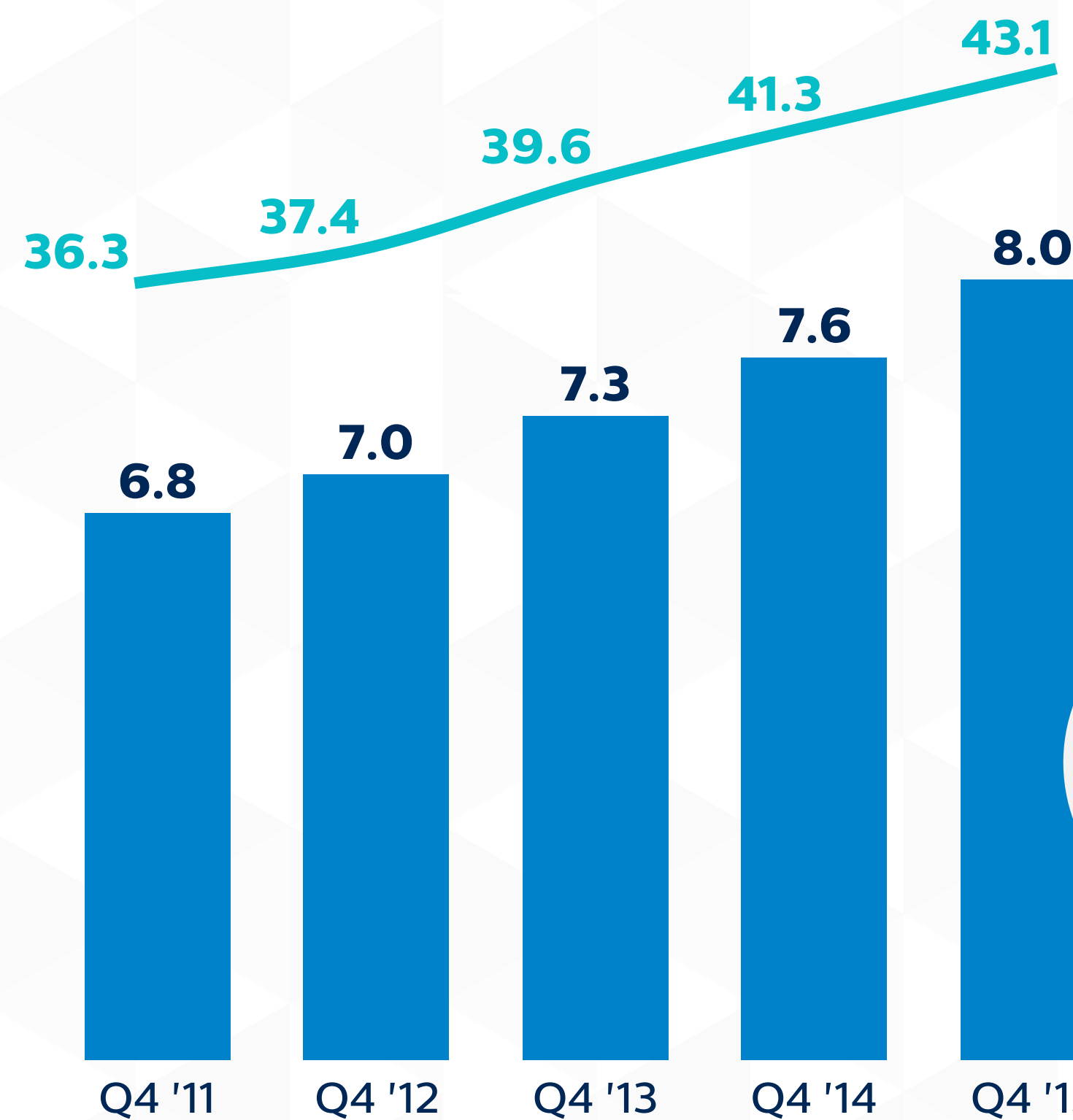




# Fixed Broadband Performance

## ARPU & Subscribers

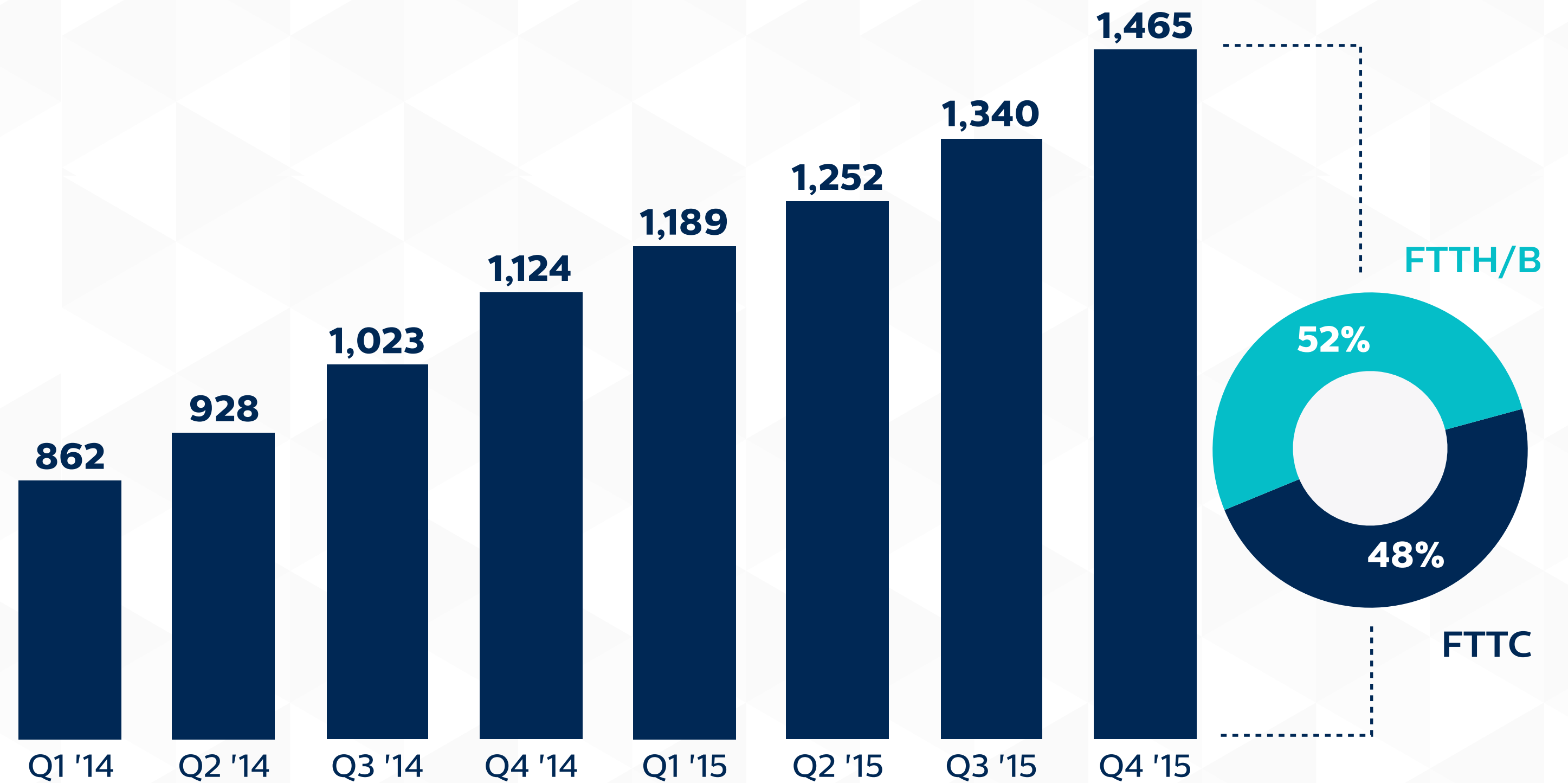
— ARPU (TL) ■ Subscribers (mn)



**227k**  
net  
additions  
in Q4

## Fiber Subscribers

(thousand)



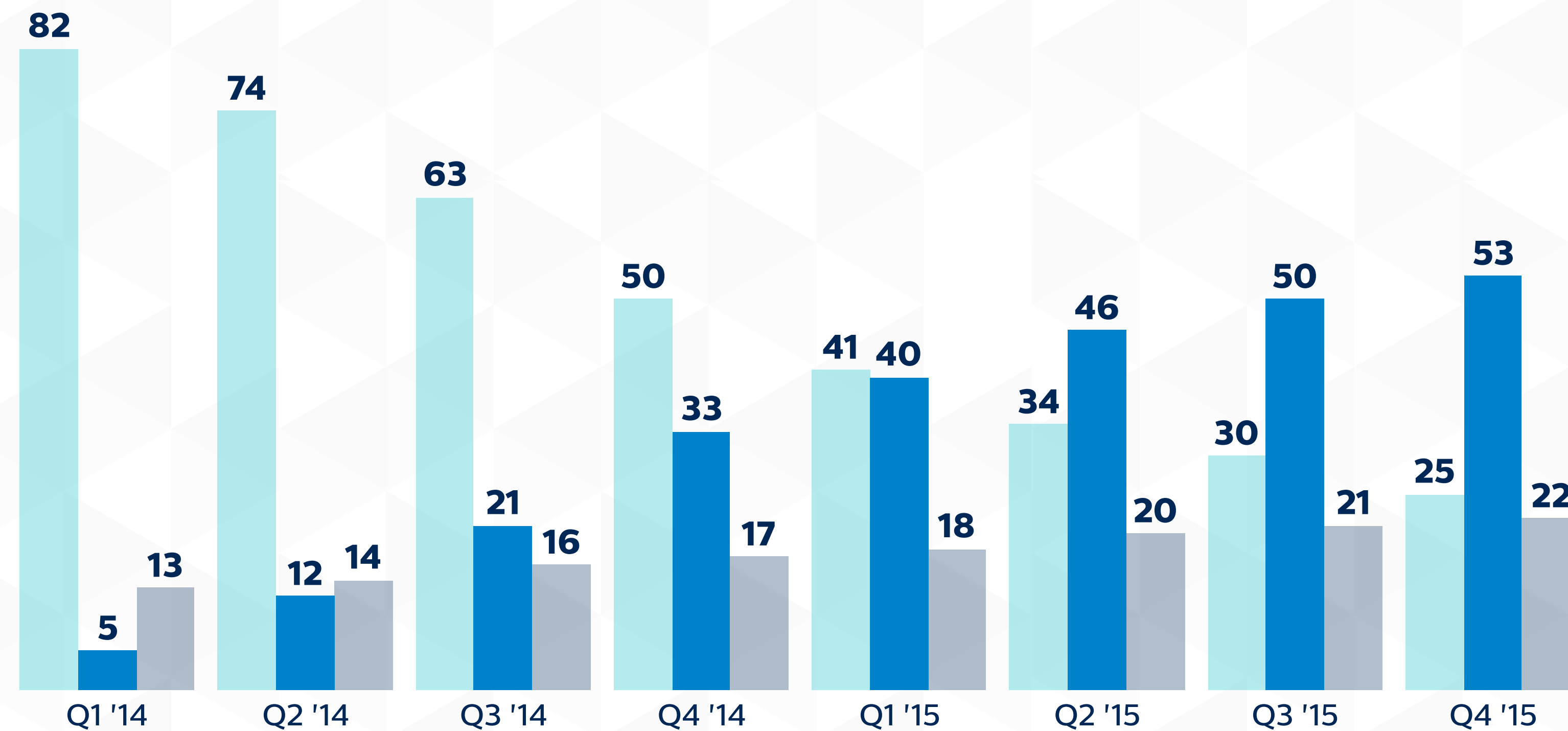
FTTH/B & FTTC tariffs have same prices for a given speed/quota

# Upselling Dynamics in Fixed Broadband

## Speed Breakdown

(% of Subscribers)

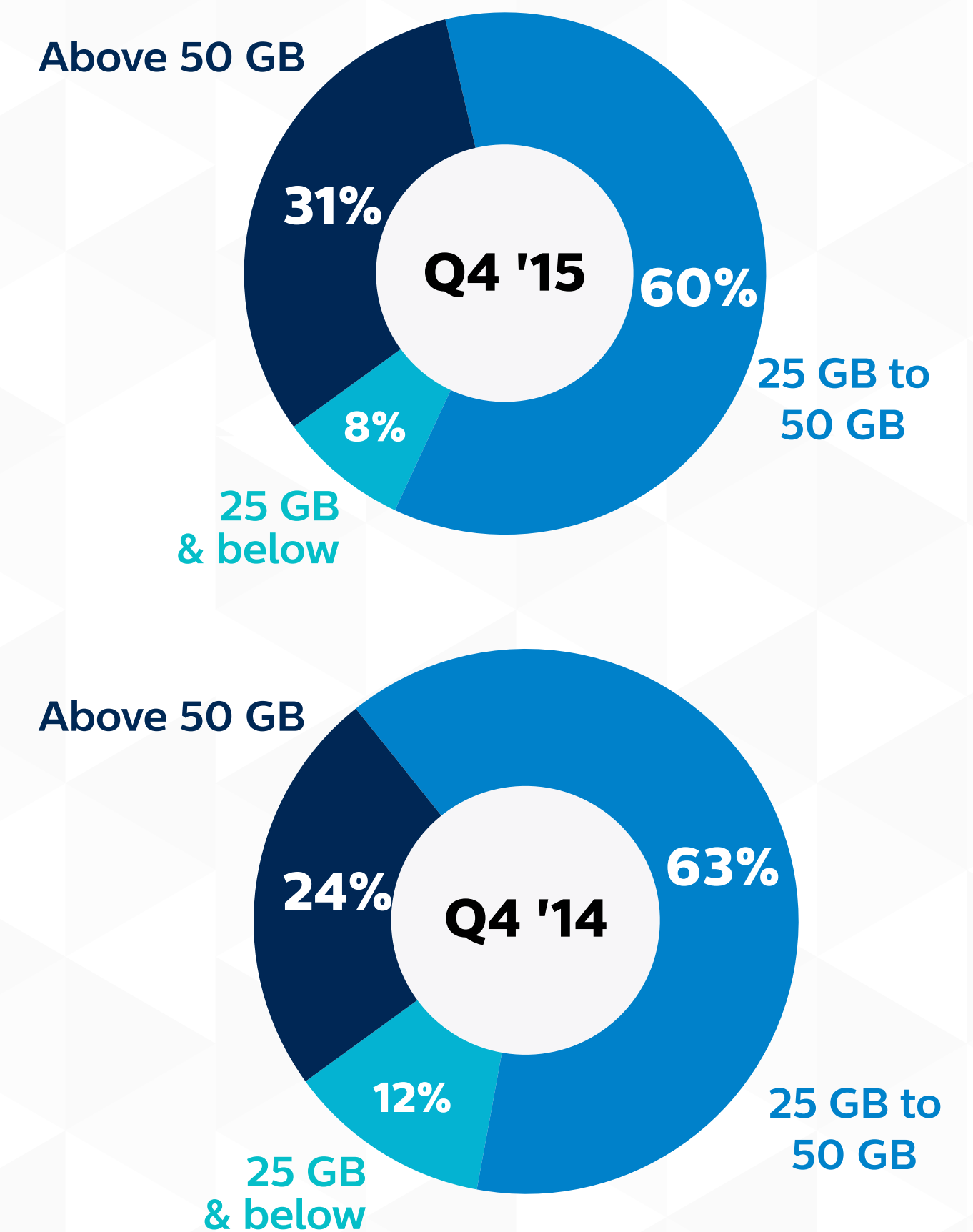
Up to 8 Mbps Up to 16 Mbps Fibernet/Hipernet



All figures are Türk Telekom's ISP figures

## Fair Usage

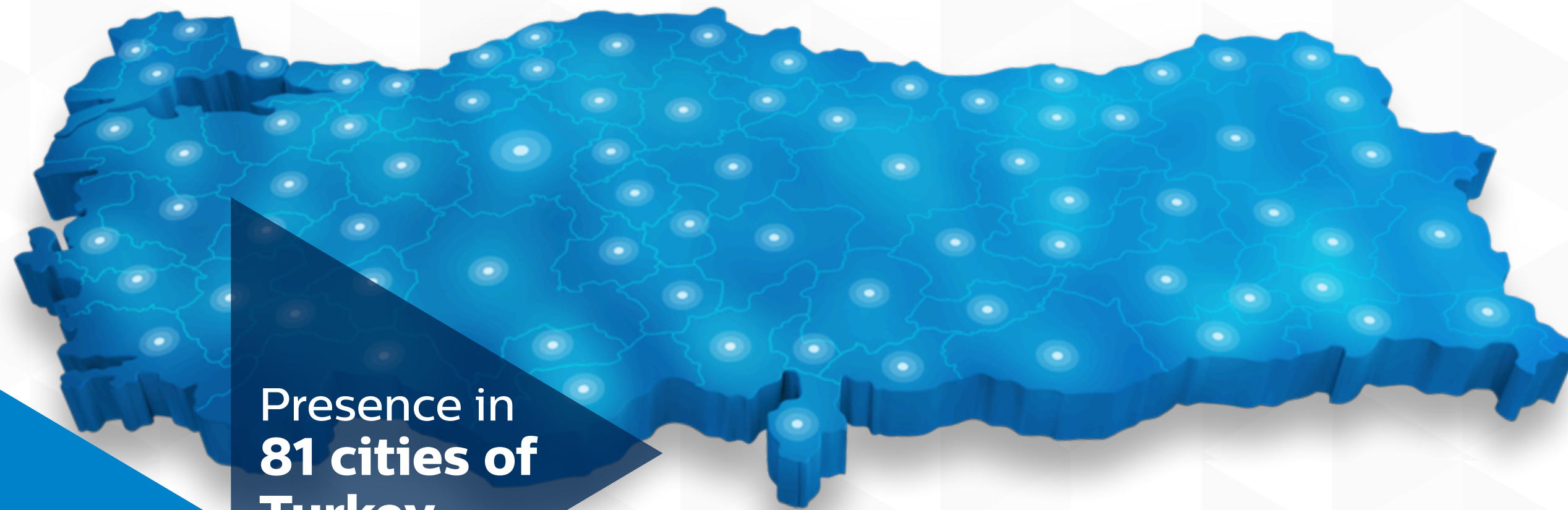
(Subscriber breakdown)





# Nationwide Fiber

## Türk Telekom Fiber Network

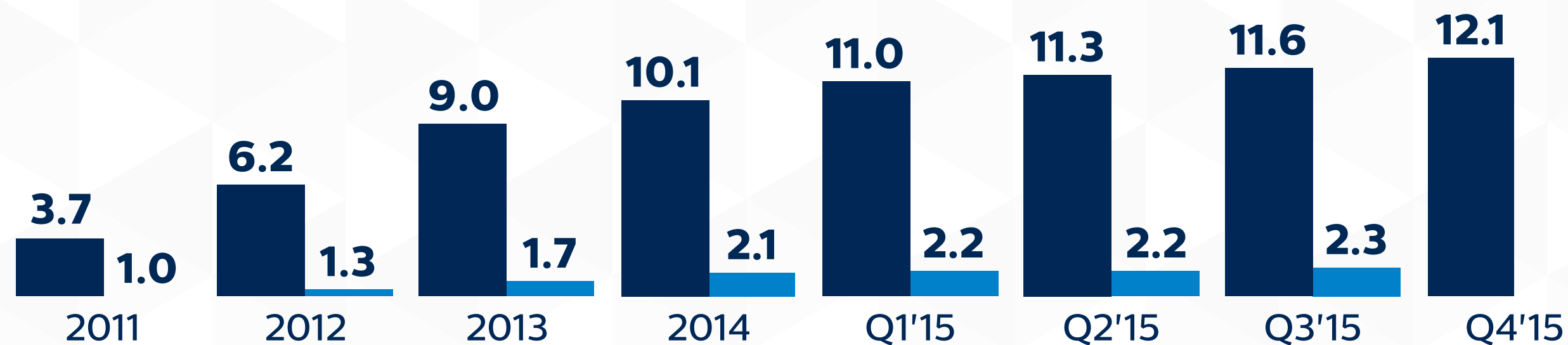


**213K km**  
fiber length

## Fiber Homepass

(mn)

■ Türk Telekom ■ Superonline



Fiber homepass includes FTTH/B & FTTC

## Superonline Fiber Network



Presence in **14 cities of Turkey**

**35K km**  
fiber length

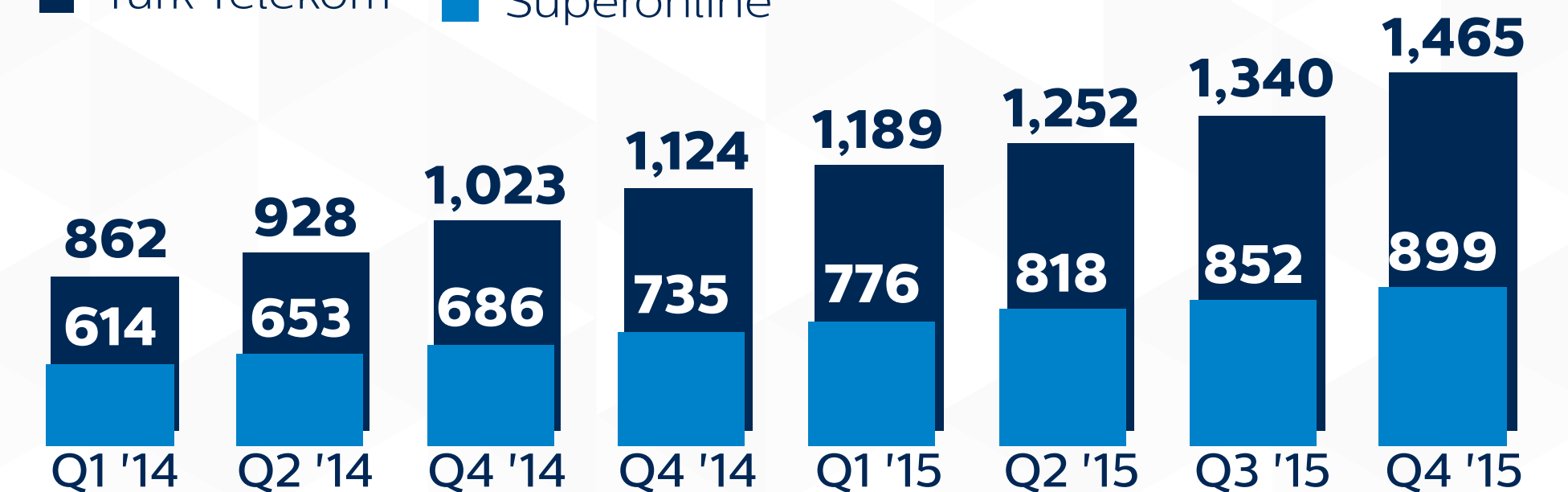
Wholesale customer of Türk Telekom

Based on Turkcell's own publications as of Q3

## Fiber Subscribers

(thousand)

■ Türk Telekom ■ Superonline

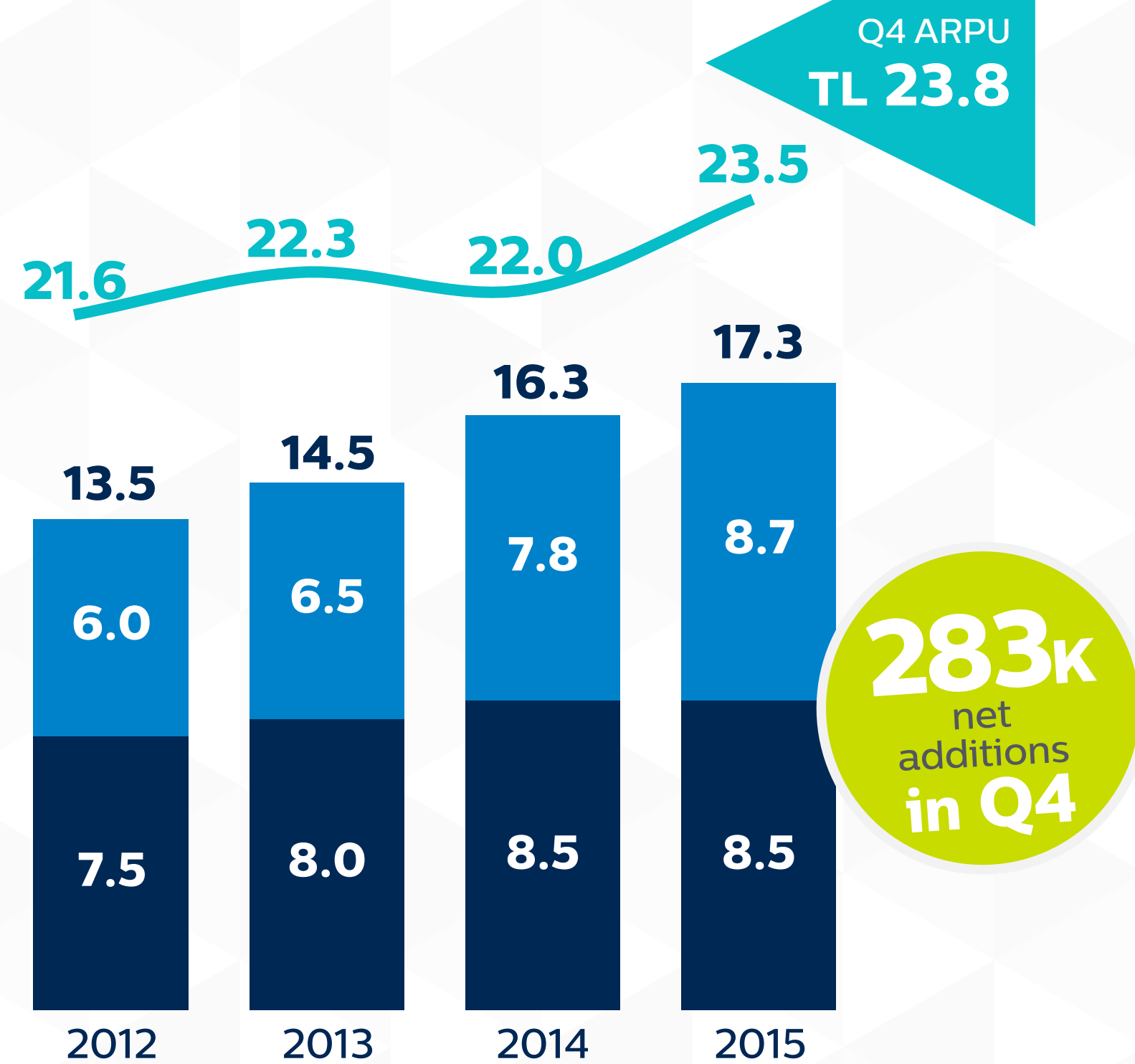


Fiber subscribers include FTTH/B & FTTC subscribers

# Mobile Performance

## Growing ARPU & Subscribers

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

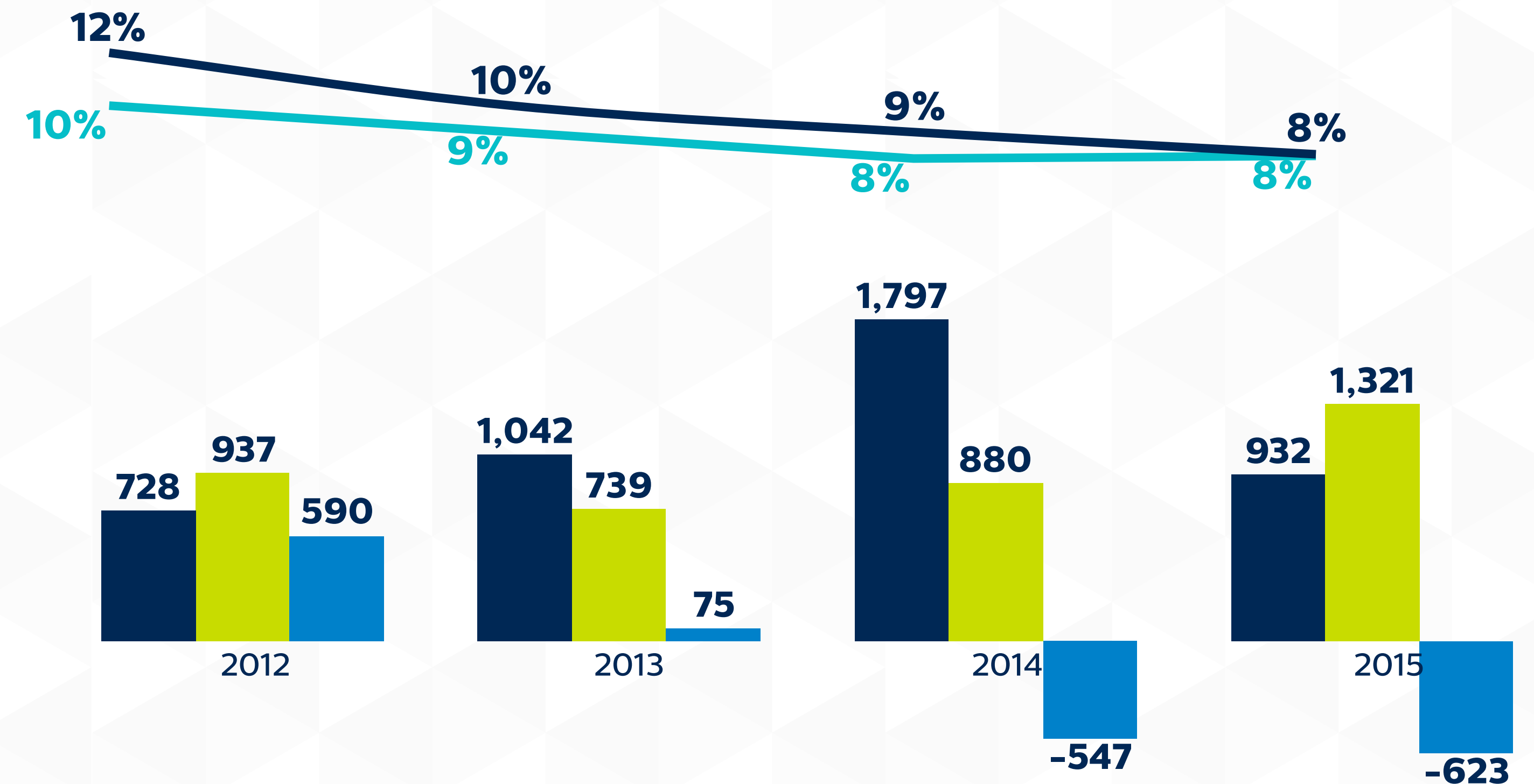


## Lower Churn Rate & Strong Subscriber Addition

(thousand)

■ Türk Telekom ■ Vodafone ■ Turkcell

— Türk Telekom Quarterly Avg. Churn Rate — Market Quarterly Avg. Churn Rate



Other operators data are from their own publications

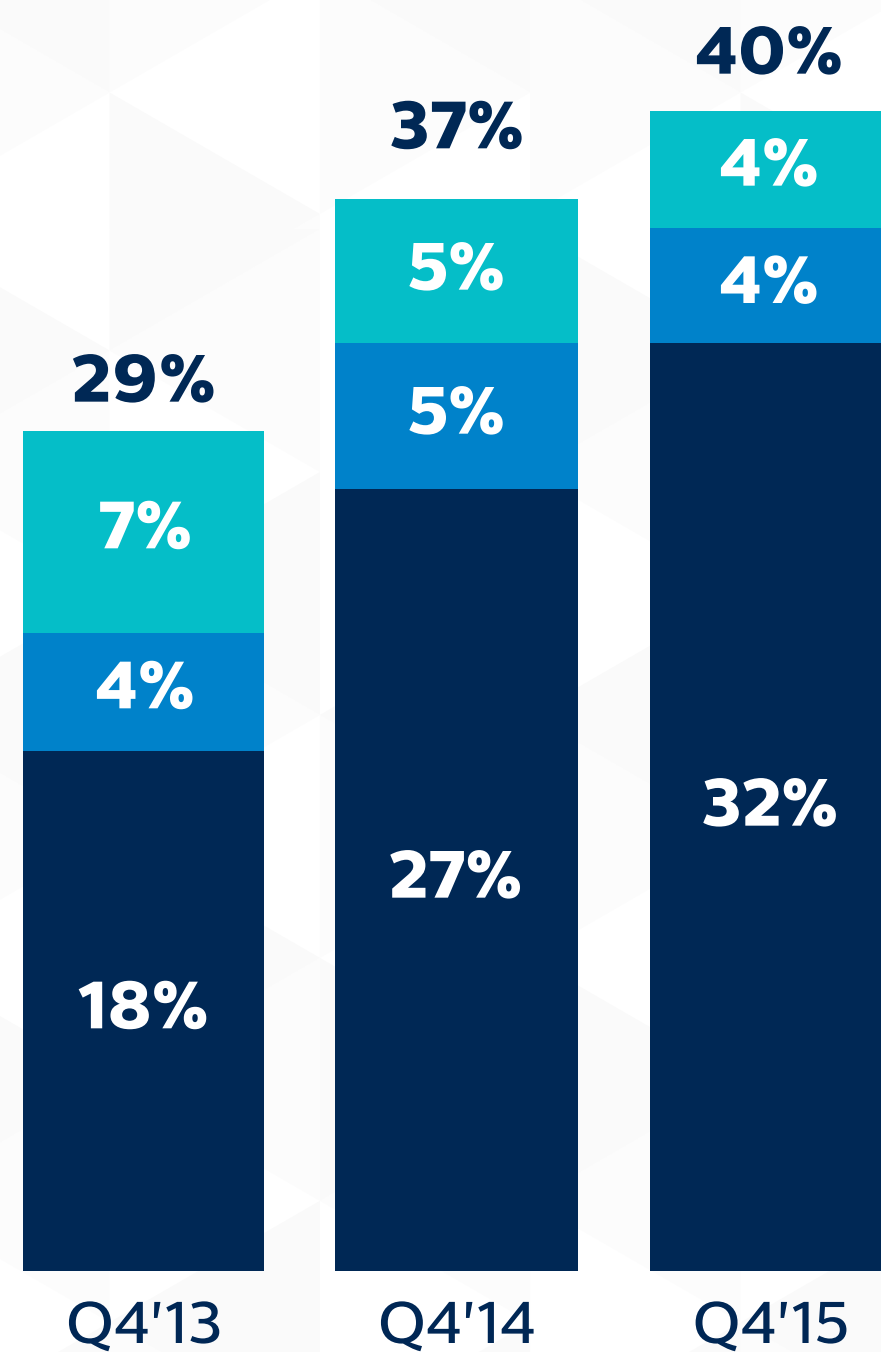


# Monetizing Data

## Data Revenue

(Service revenue shares)

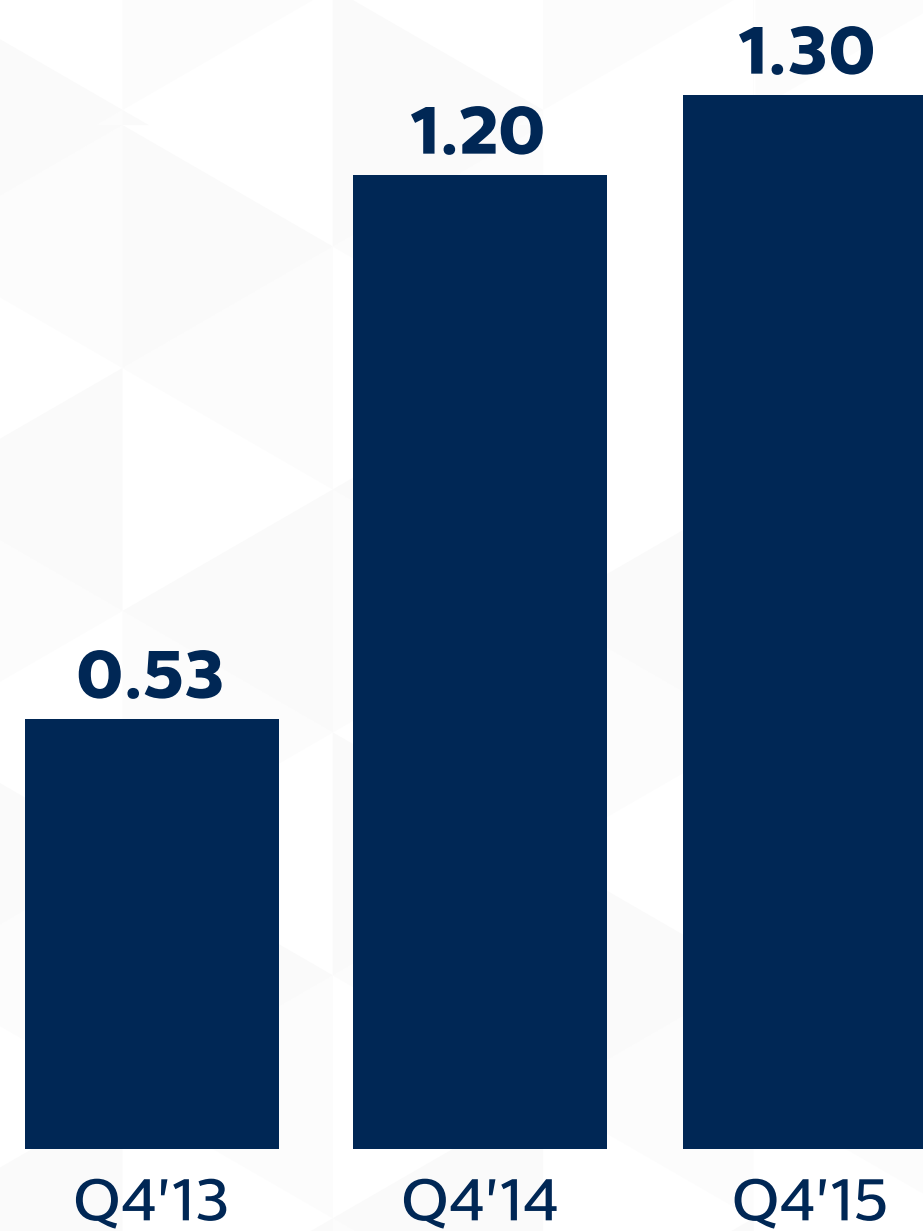
■ Mobile Data ■ VAS<sup>1</sup> ■ SMS



(1) VAS, Value Added Services

## Avg. Monthly Mobile Data Usage

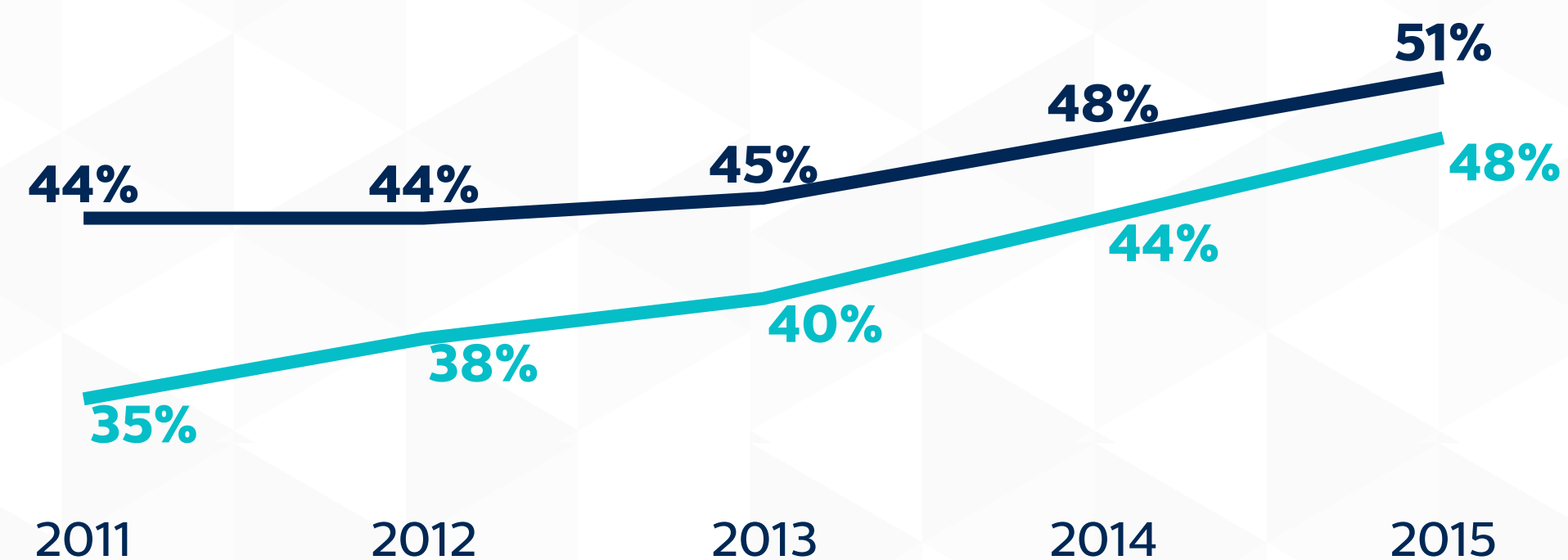
(GB per subscribers<sup>1</sup>)



(1) Türk Telekom smartphone subscribers

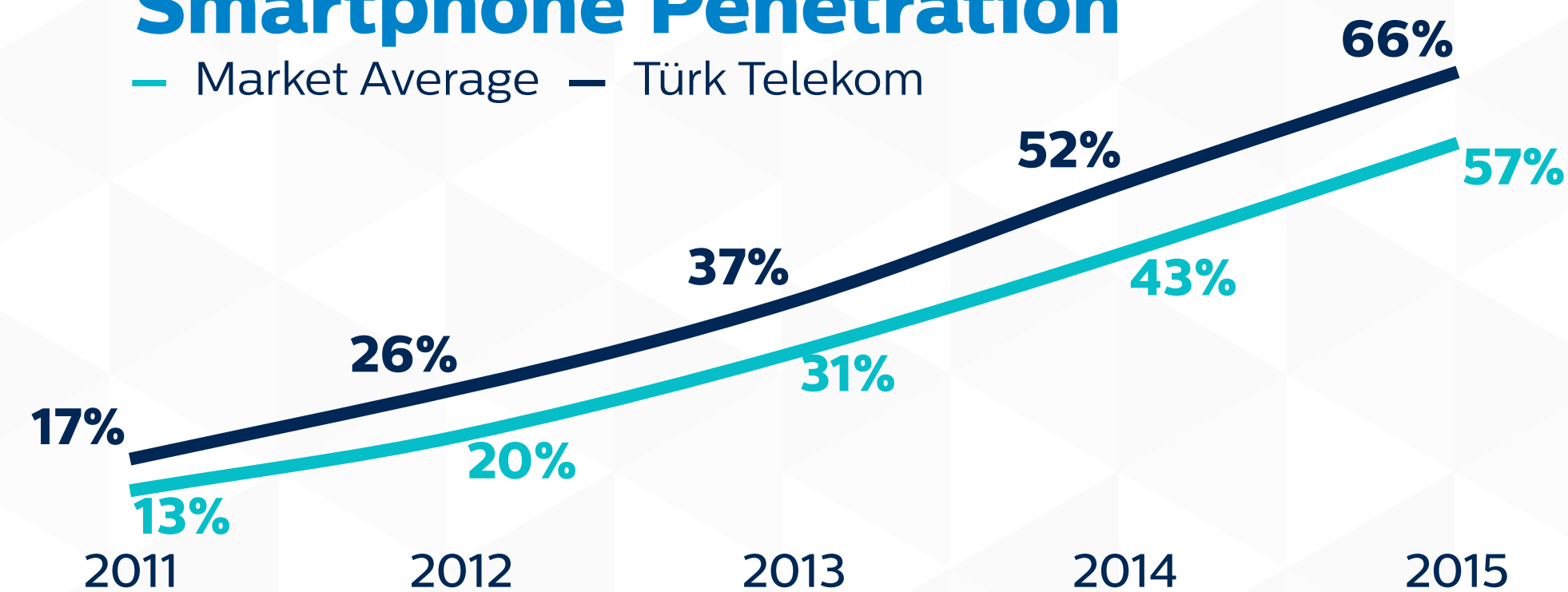
## Postpaid Ratio

— Market Average — Türk Telekom



## Smartphone Penetration

— Market Average — Türk Telekom





# Set to claim LTE Leadership

Acquired the most critical LTE Spectrum

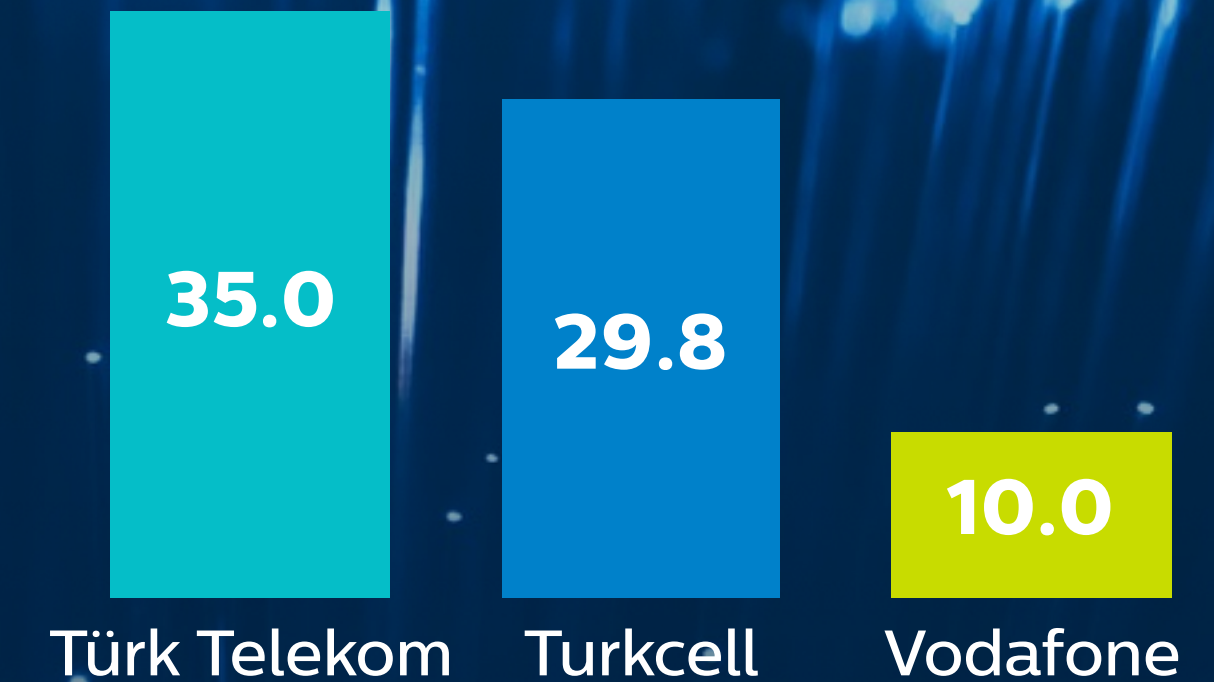
## 800MHz Allocation (MHz)



## 900MHz Allocation (MHz)



## 1800 MHz Allocation (MHz)



Strongest fiber position by far to support top LTE experience



Total frequency allocated is x2 FDD representation



# Türk Telekom Tivibu



## Türk Telekom

## Turkcell

## Digiturk

## D-Smart

## Cable

### Technology

► IPTV + DTH

► IPTV

► DTH

► DTH

► Cable

### Exclusive Content

► Champions League  
► UEFA Europe League

► None

► Turkish  
Soccer  
League

► None

► None

### Other Content

► Cinema  
► Documentary  
► Other Sports

► Cinema  
► Documentary  
► Other Sports

► Cinema  
► Documentary  
► Other Sports

► Cinema  
► Documentary  
► Other Sports

► Cinema  
► Documentary



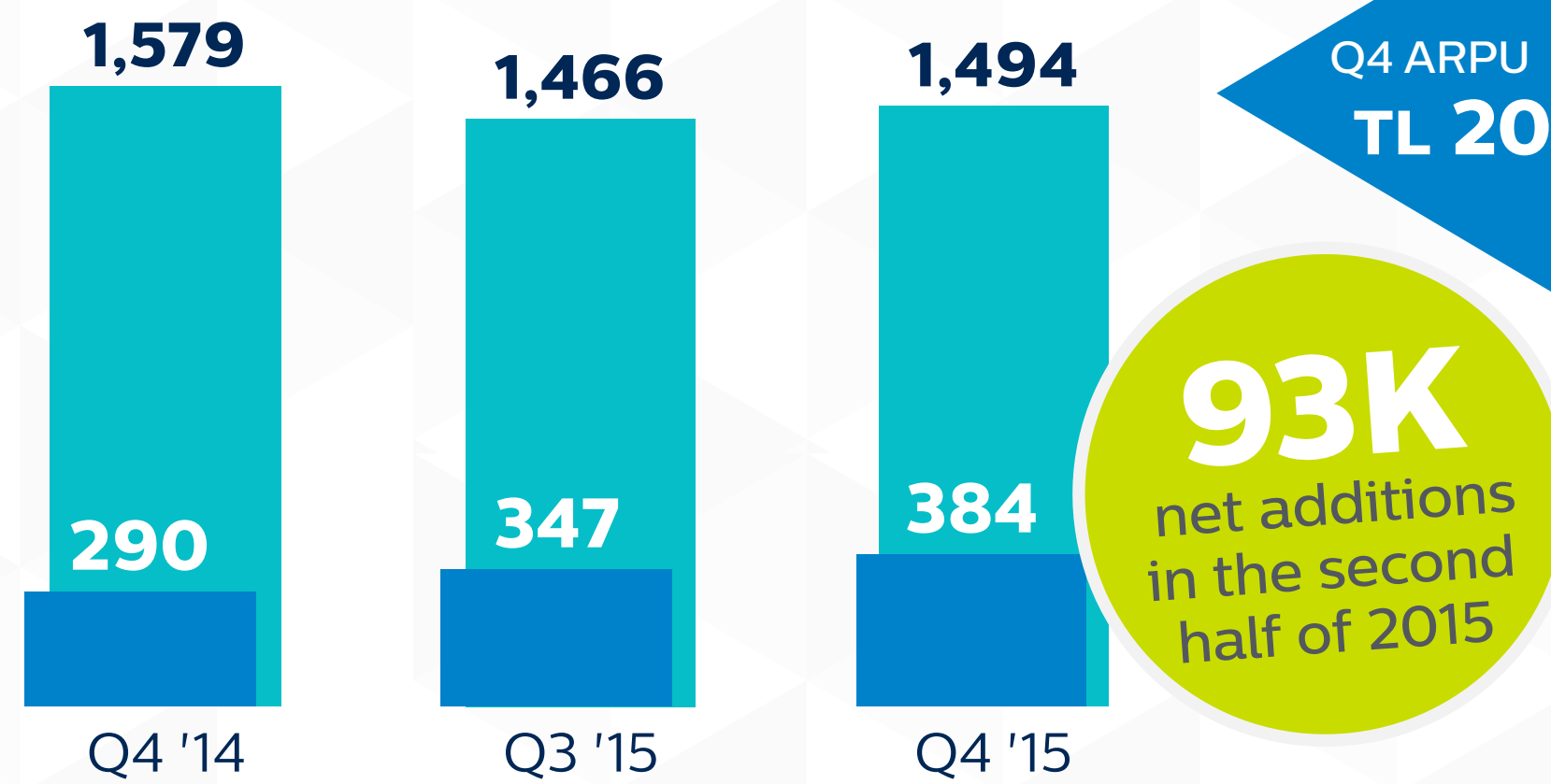


# TV Performance

## Subscribers

(thousand)

■ Tivibu Home ■ Tivibu Go



	Number of Channels	Number of Archives	Price* (TL)	Price** (TL)
Cinema Package	194	5000+	19	29
Super Package	216	5250+	39	49

\* 24 months contracted prices | \*\* 12 months contracted prices

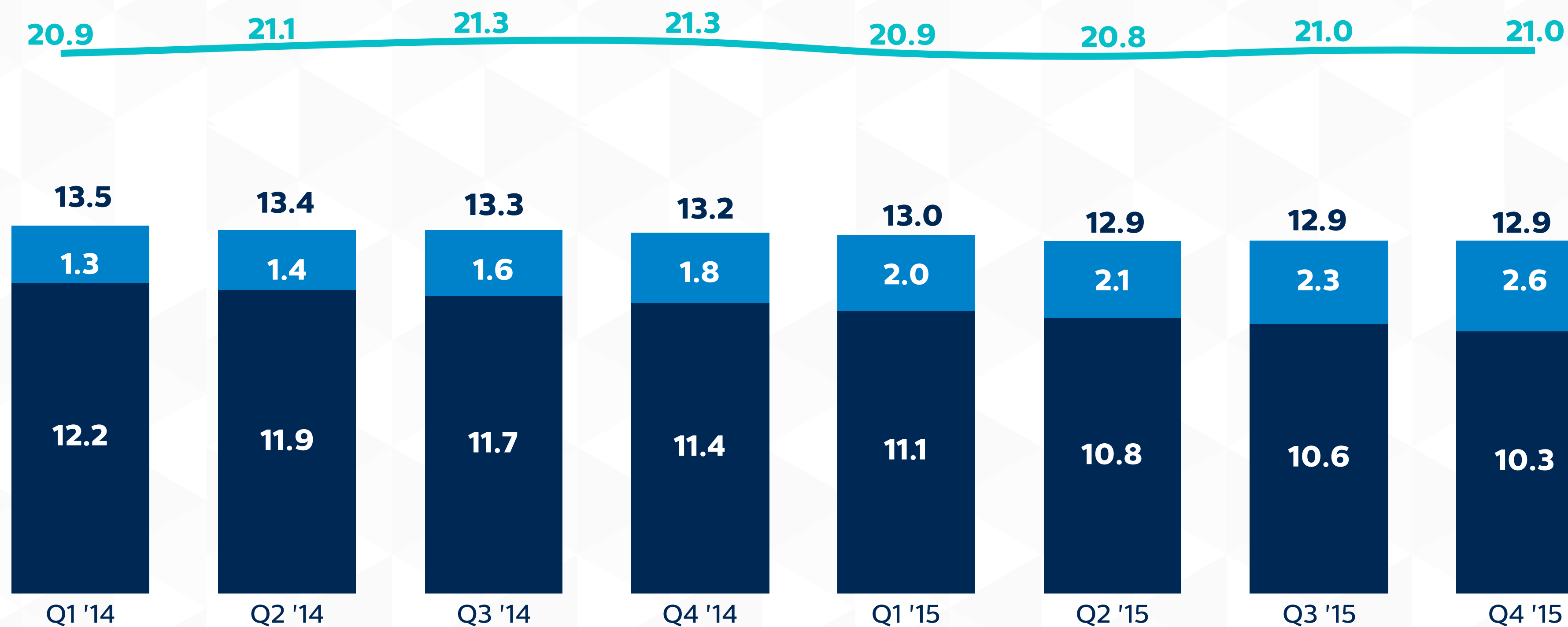




# Fixed Voice

## Access Lines and ARPU

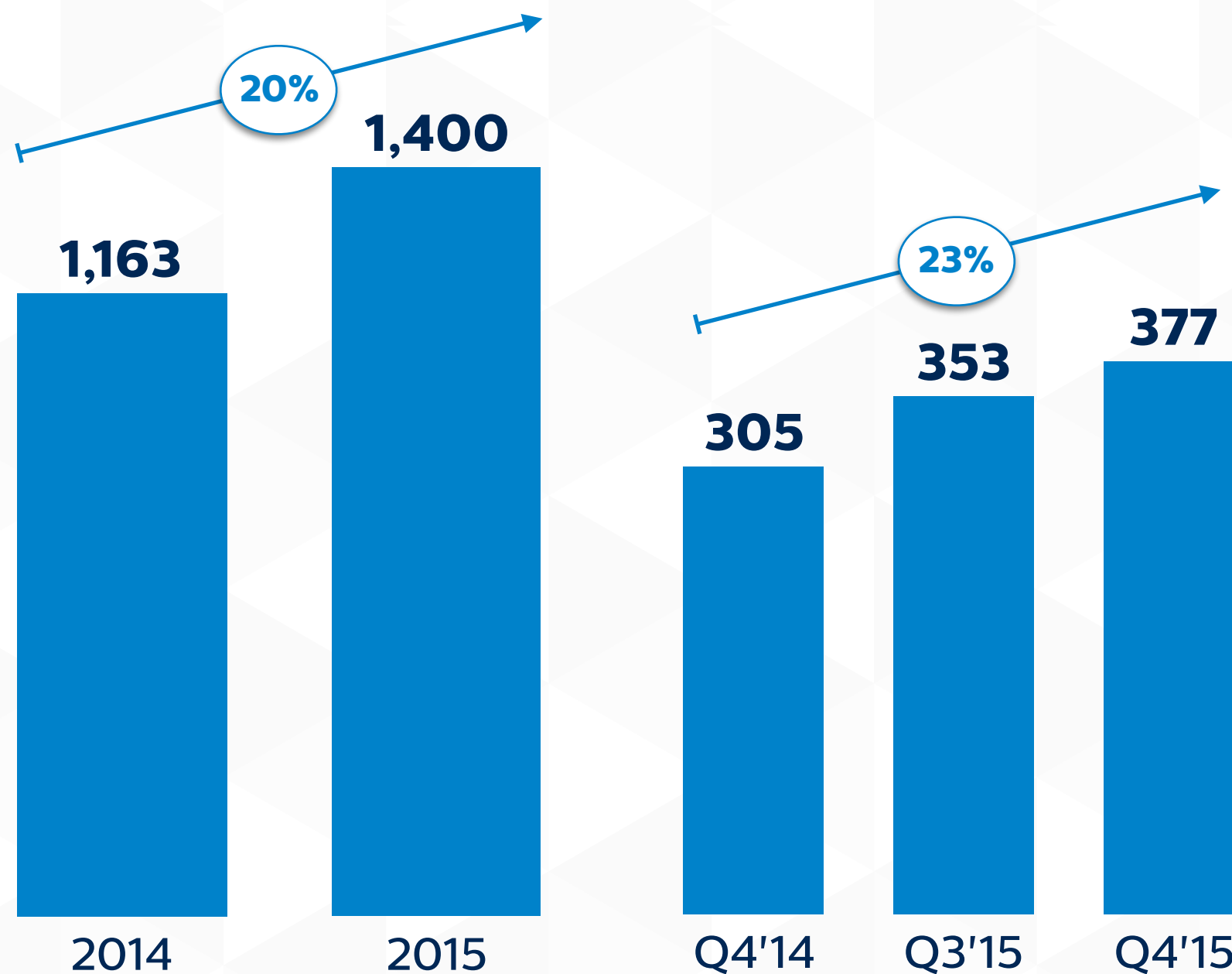
■ Fixed Voice (mn) ■ Naked Broadband (mn) — Fixed Voice ARPU (TL)



# Corporate Data

- ▶ 10% of our total revenues are generated from corporate data revenues in 2015
- ▶ Growth in corporate data revenues is mainly driven by metro-ethernet revenues

## Revenues (TL mn)



### Cloud Services

Türk Telekom, a member of Cloud Security Alliance, offers various options under Cloud Services such as BuluTT Göz, BuluTT Konferans, BuluTT Ölçüm, BuluTT Akademi, BuluTT Radyoloji, BuluTT e-posta



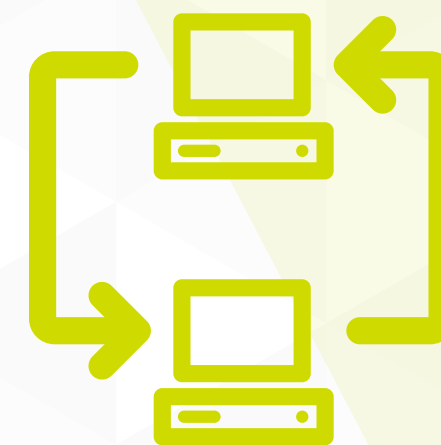
### Metroethernet

It is a flexible, cost-efficient technology scalable between 5Mbps and 1Gbps, which allows all kinds of data flow



### TT VPN

TT VPN provides fast and safe connection end to end, from multiple points to multiple points. With TT VPN, customer's offices all around Turkey can be united while fast and safe data transfer via virtual network is enabled



### Leased Line

It is a data line uniquely reserved for customer's usage, which performs the constant and continuous data transfer on the physical layer from point to point between two ends



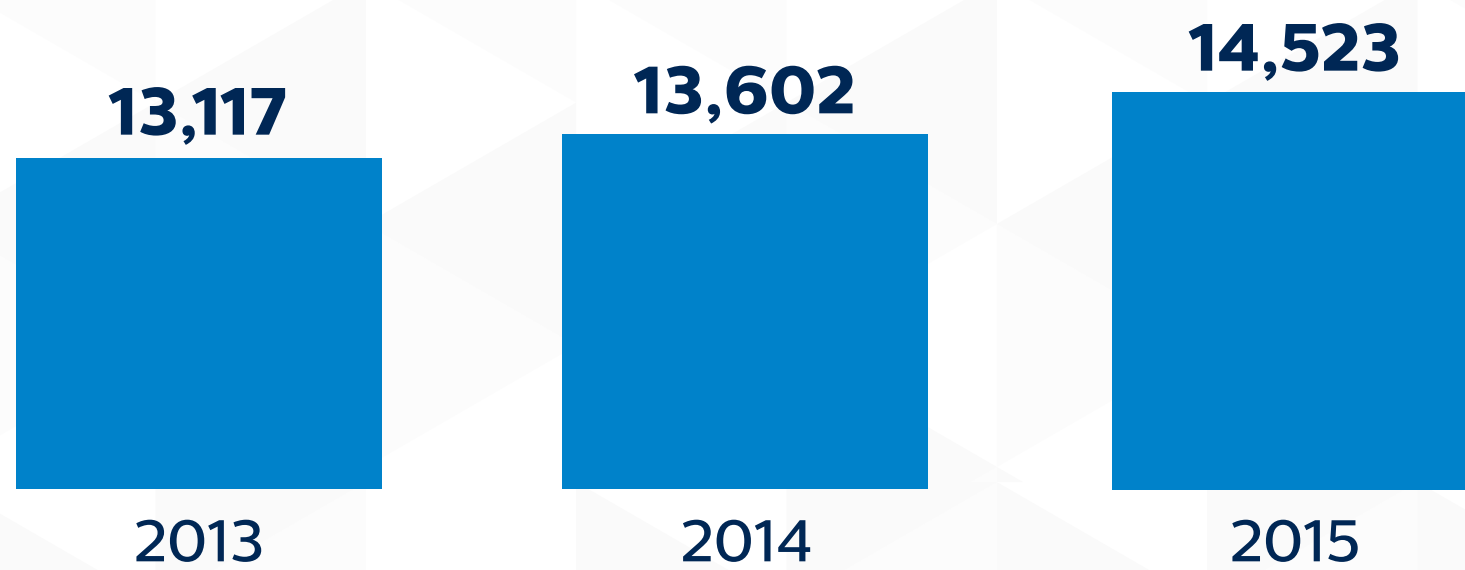


# Financials

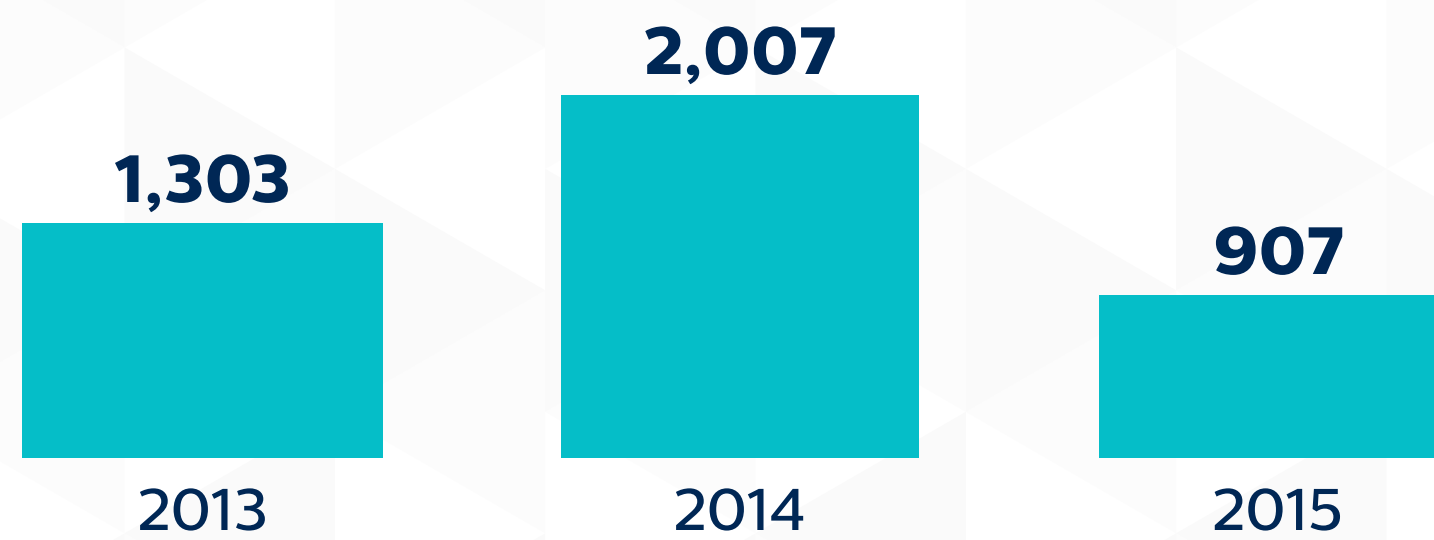


# Financial Performance

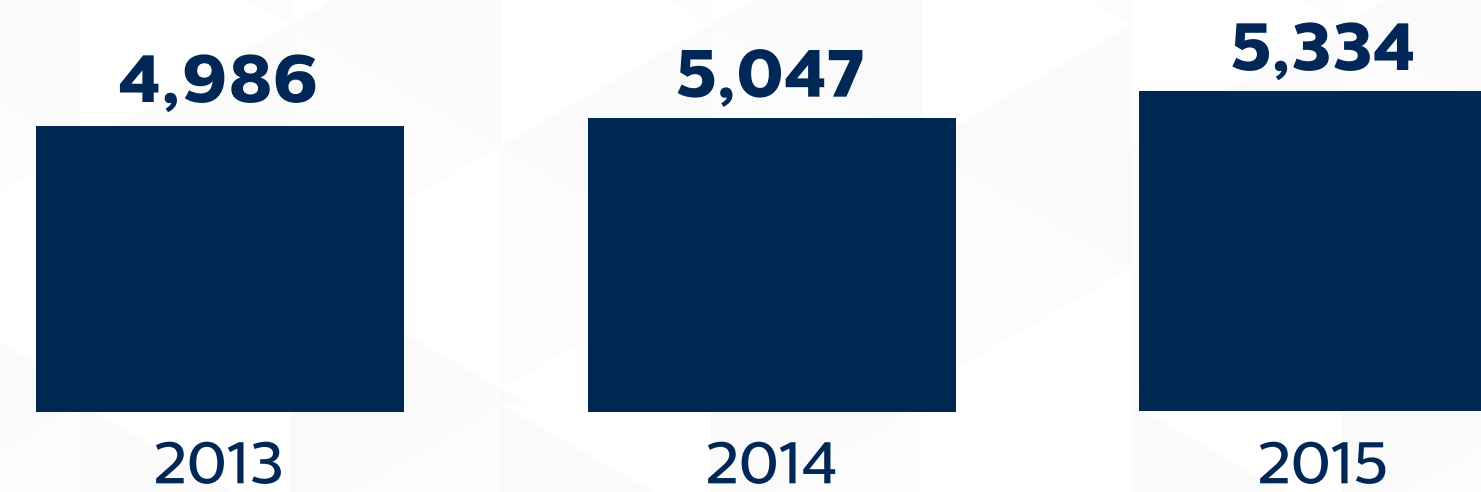
## Revenue (TL mn)



## Net Income (TL mn)



## EBITDA (TL mn)



## FCF (TL mn)



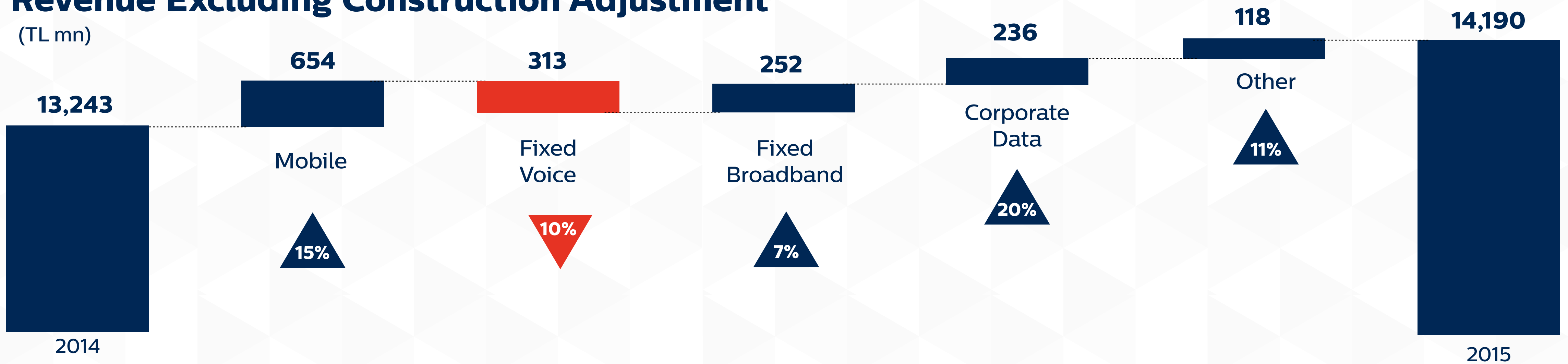
\*Licence fee payment: Includes 1<sup>st</sup> installment & VAT Payment



# Financial Performance

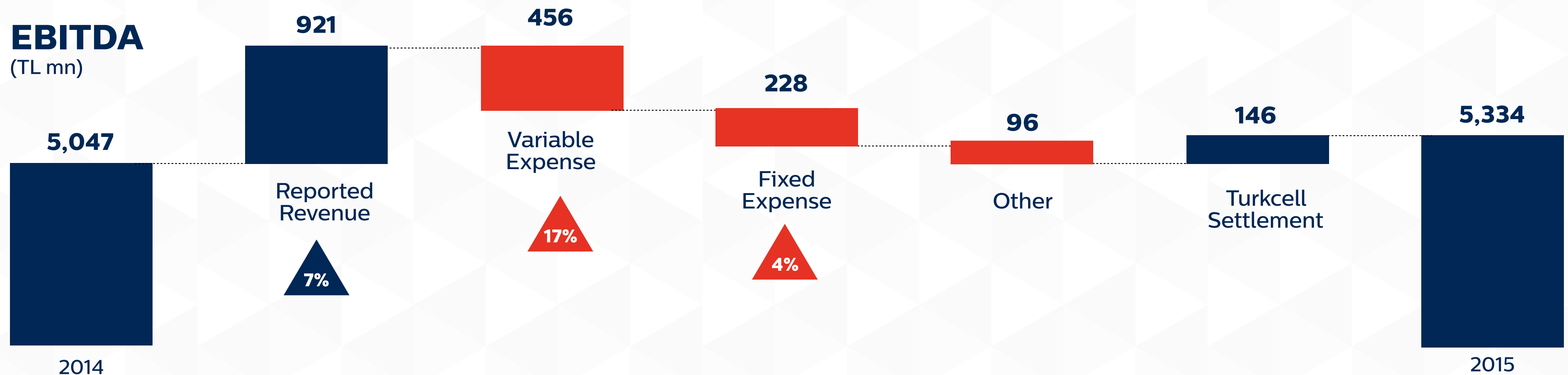
## Revenue Excluding Construction Adjustment

(TL mn)



## EBITDA

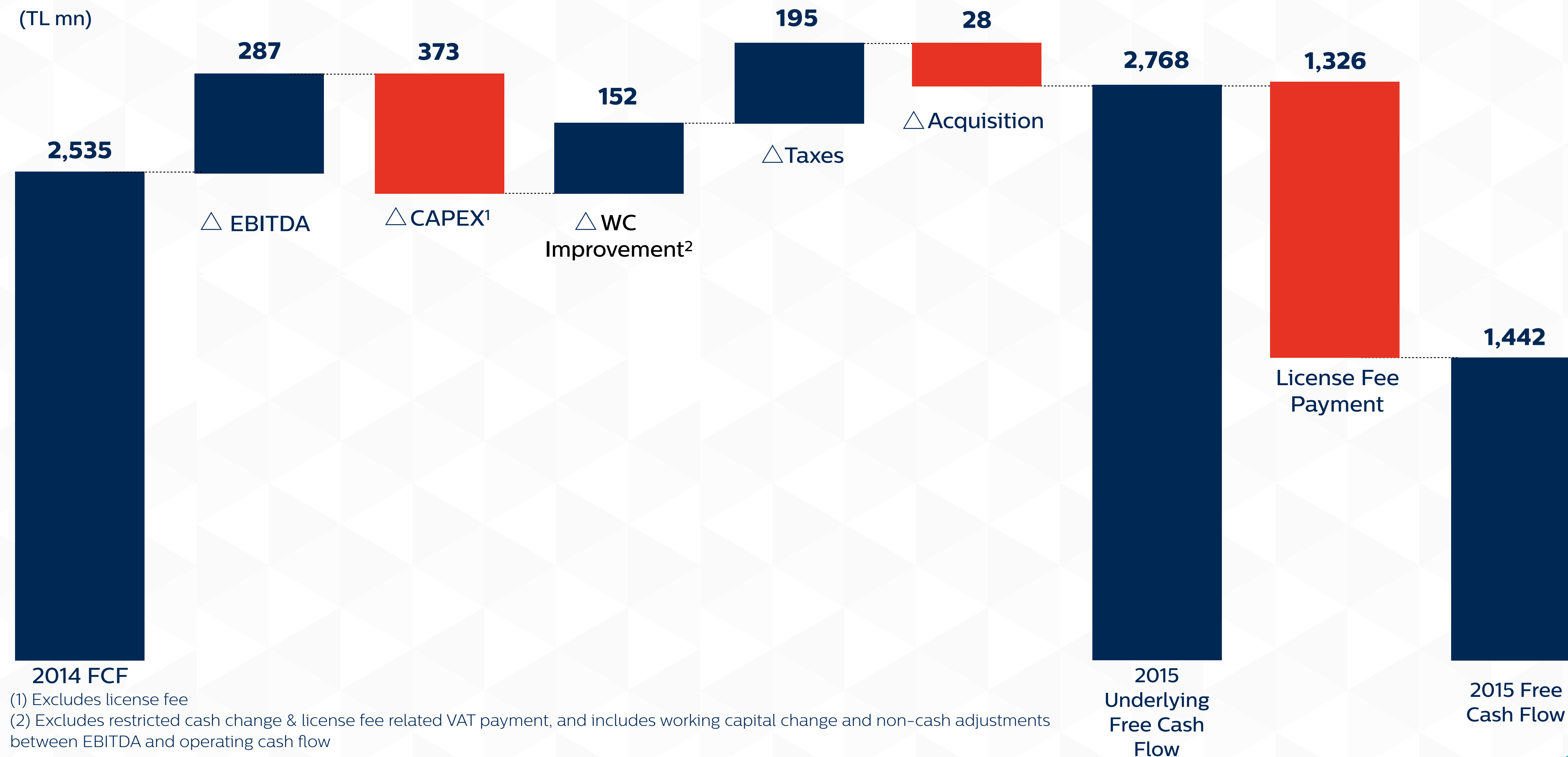
(TL mn)



# Strong free Cash Flow Generation

## FCF Development

(TL mn)

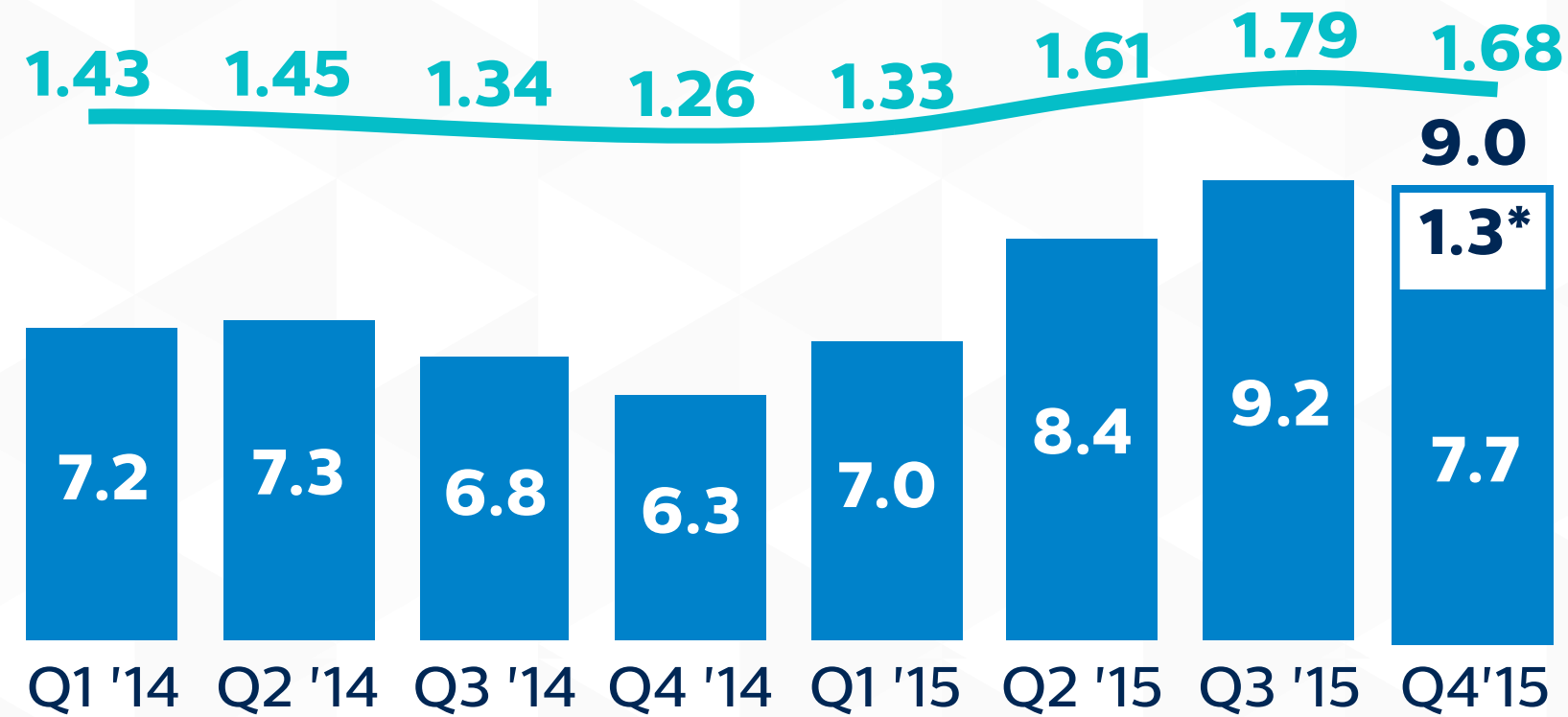




# Debt Profile

## Net Debt

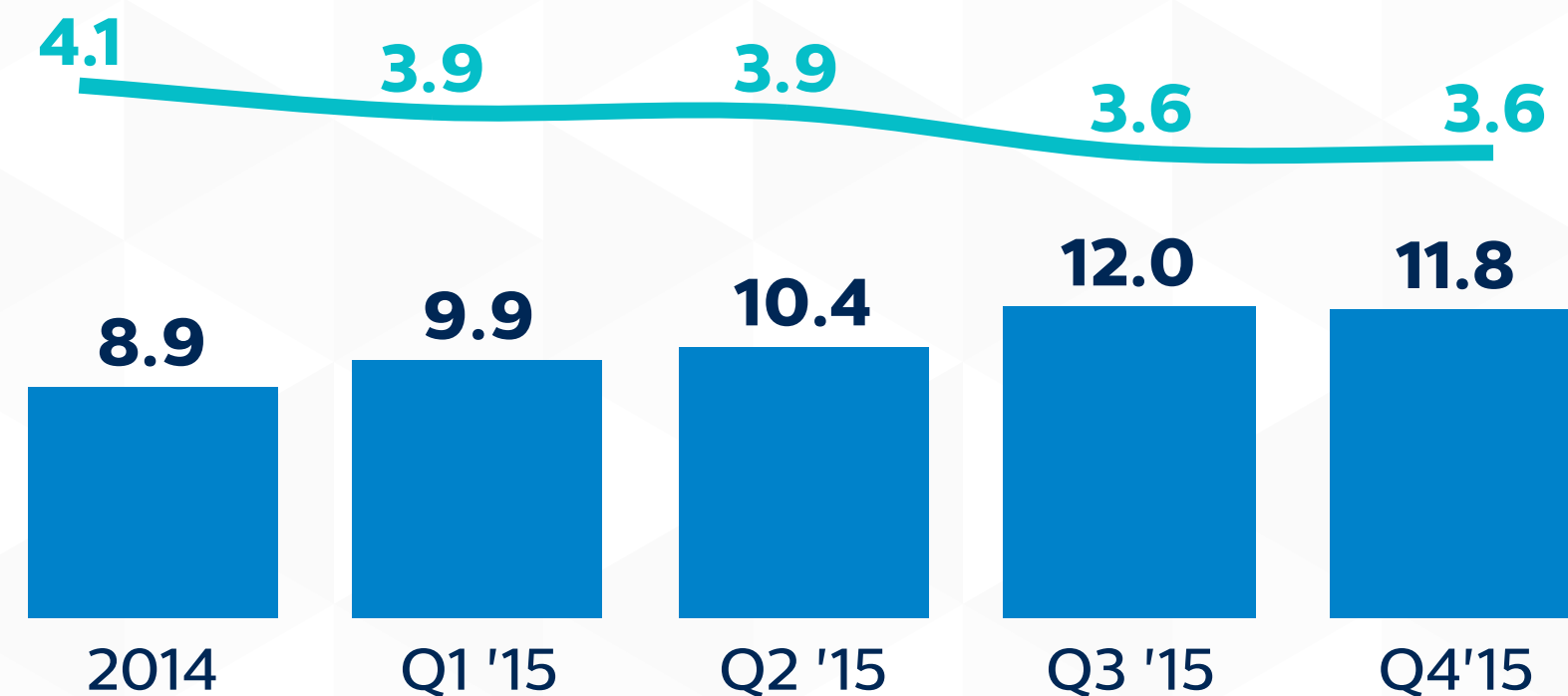
■ Net Debt (TL bn) — Net Debt/EBITDA



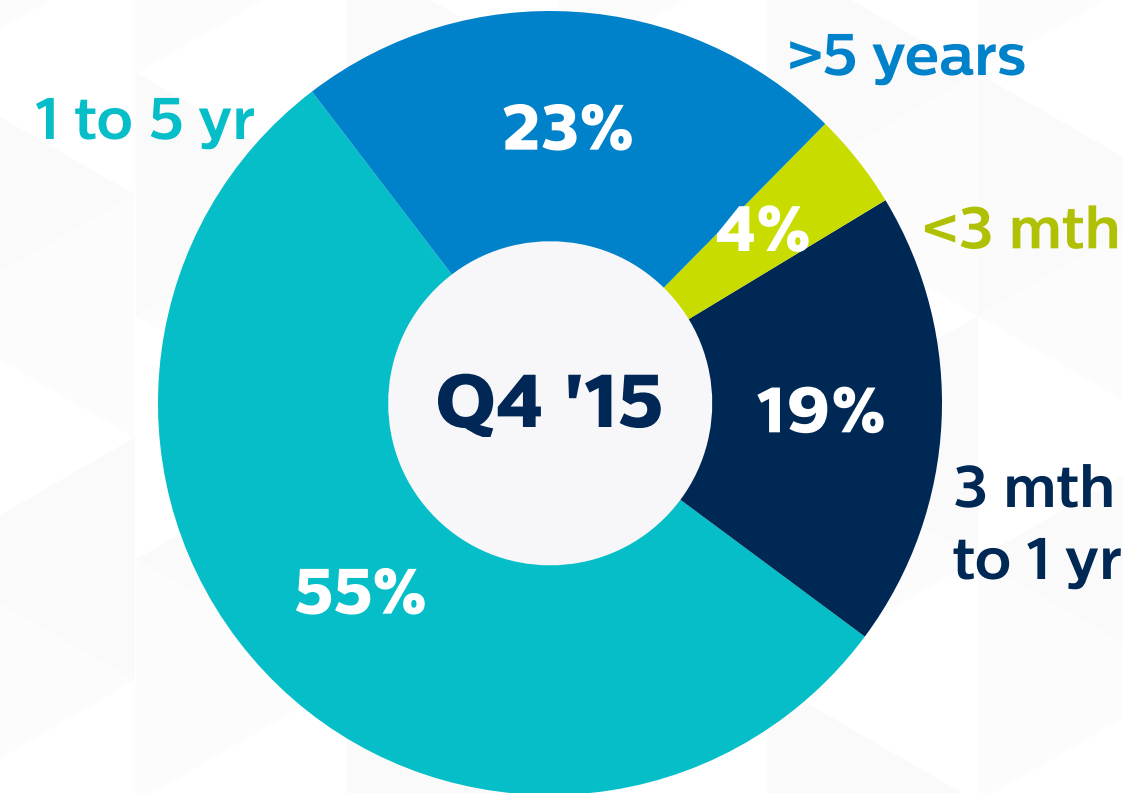
\* Licence fee payment: Includes 1<sup>st</sup> installment & VAT Payment

## Average Maturity of Debt

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

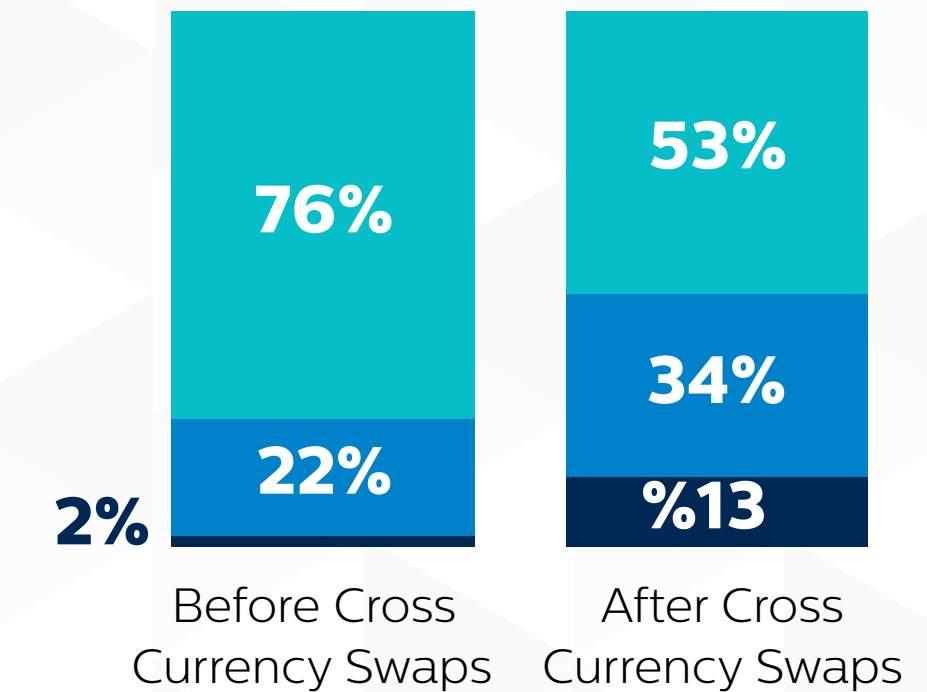


## Maturity Profile



## Currency Breakdown

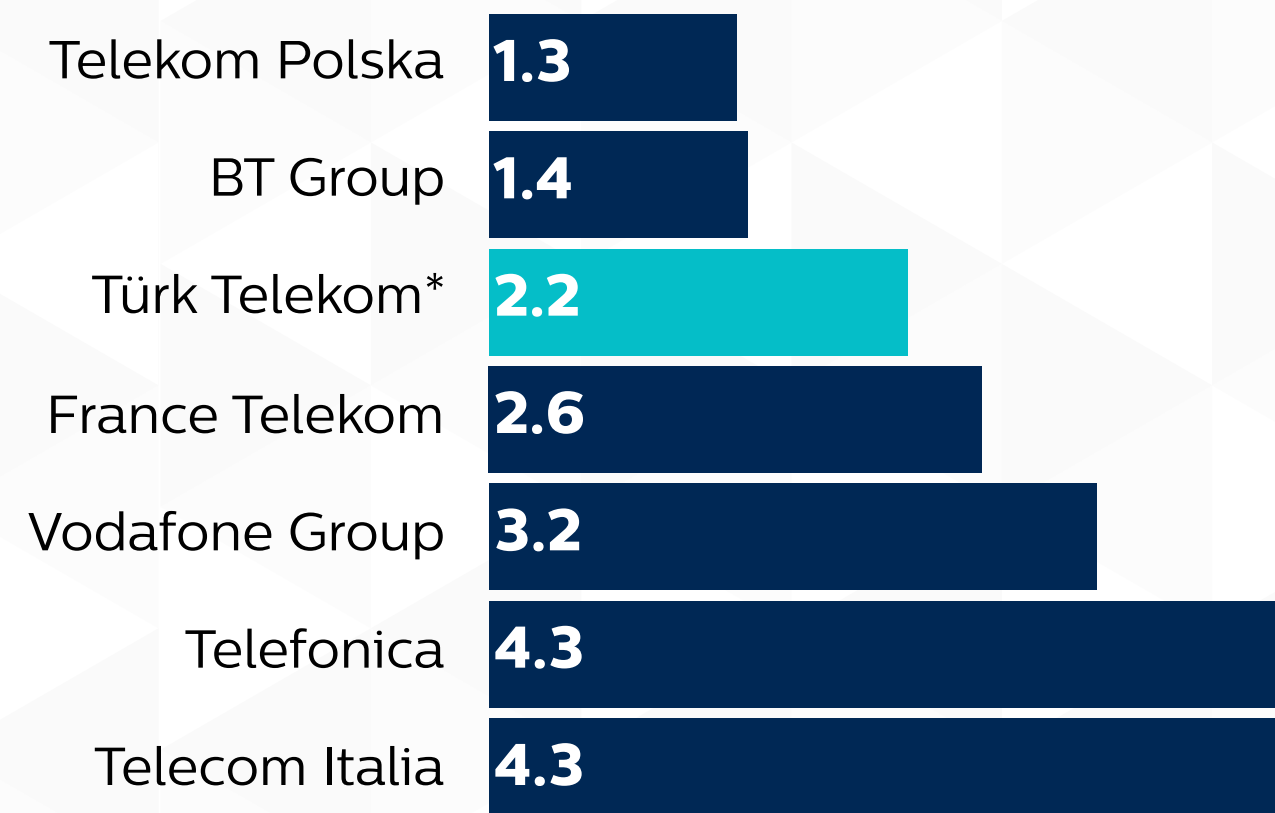
■ TL ■ EUR ■ USD



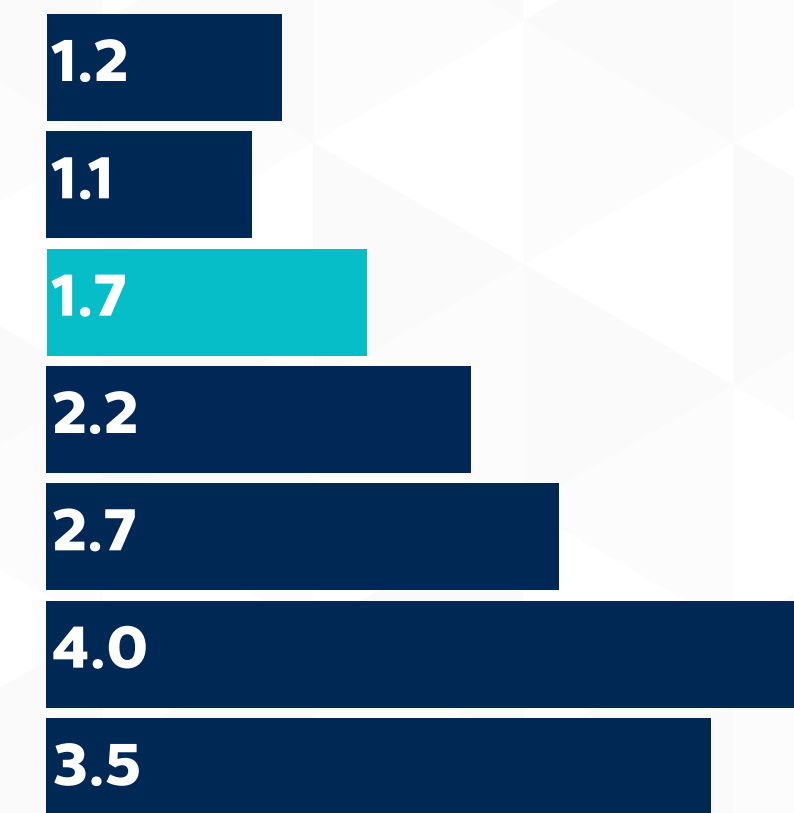
Net financial derivative assets derived from cross currency swap activities at fair value is TL 284mn as of Q4'15

## Low debt burden within the median of peers

Total Debt / EBITDA (Q3 '15)



Net Debt / EBITDA (Q3 '15)



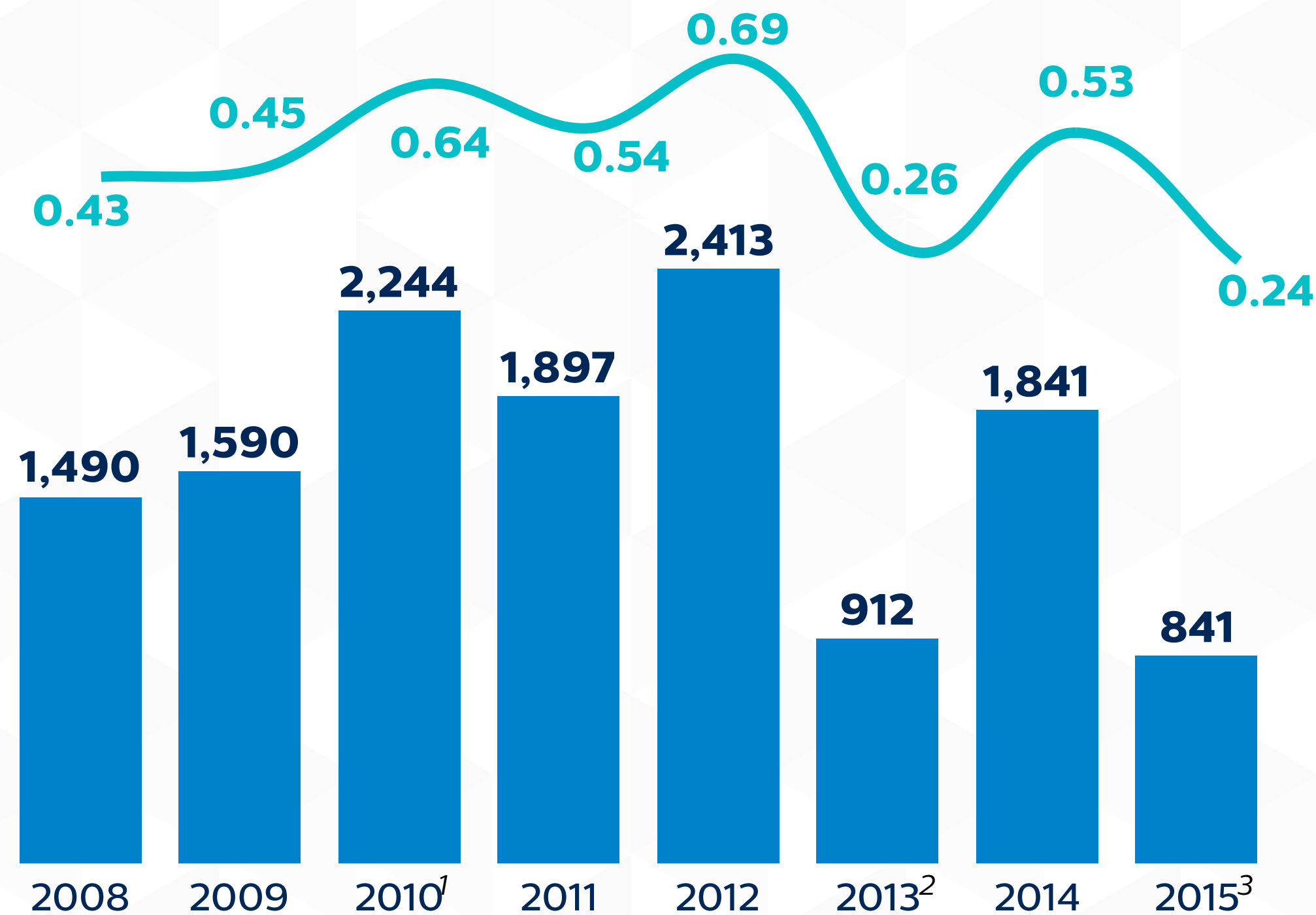
\* Türk Telekom's ratios calculated from Q4'15 numbers

# Shareholder Remuneration

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

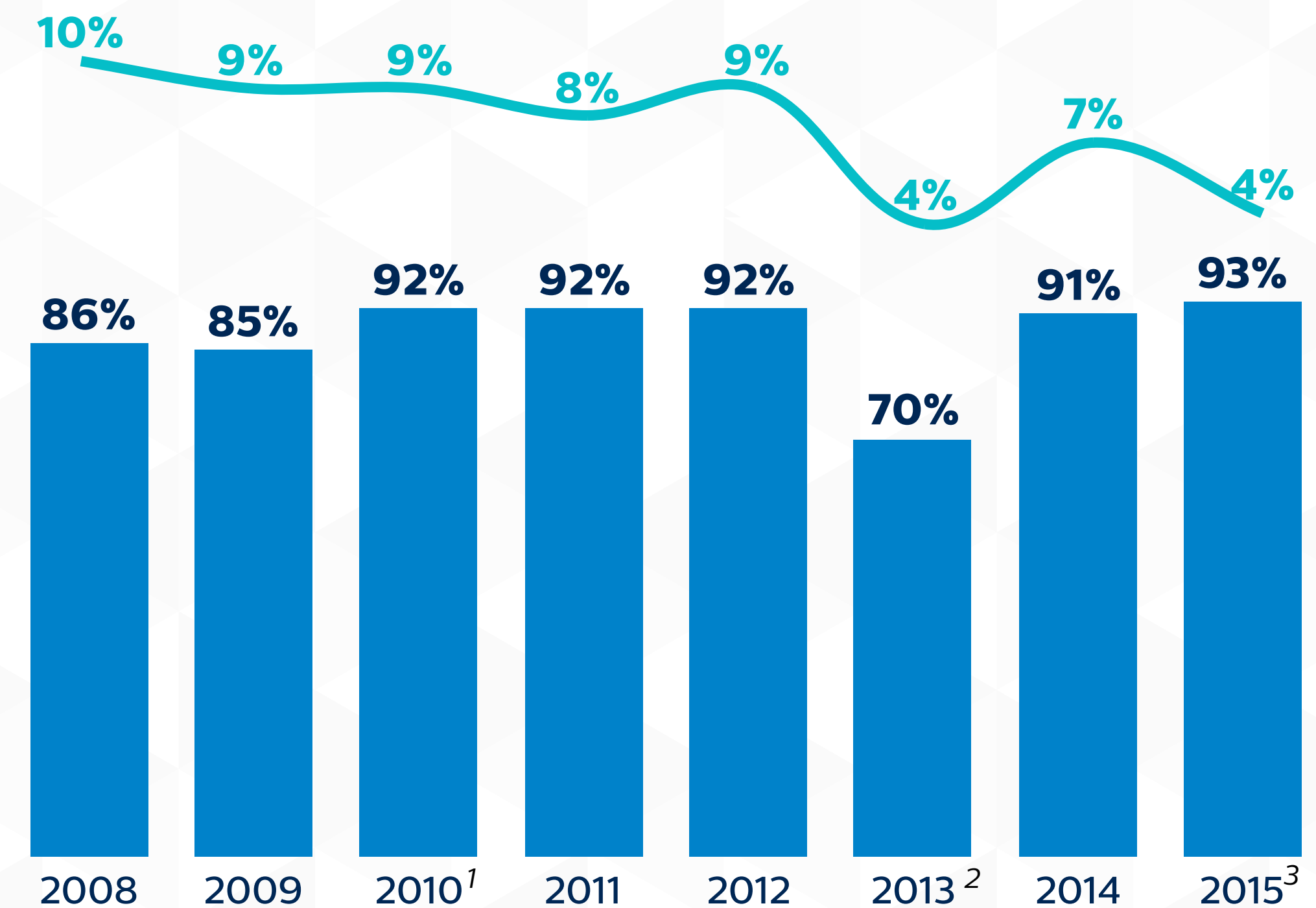
## Dividend Distribution

■ 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

3) Subject to General Assembly approval



# Guidance

2014 YE

2015 YE

TL mn

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

**13,243**

**14,190**

**EBITDA**

**5,047**

**5,334**

**CAPEX<sup>2</sup>**

**2,146**

**2,930**

## 2016 Guidance

**7% to 9% growth**

**TL 5.5 to 5.7bn**

**~TL 3.2bn**

(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





# Appendix



# Consolidated Summary Income Statement

	(TL mn)	2014	2015	YoY Change	Q4'14	Q4'15	YoY Change
<b>Revenues</b>		13,602	14,523	6.8%	3,595	3,867	7.6%
<b>EBITDA</b>		5,047	5,334	5.7%	1,232	1,416	15.0%
Margin		37.1%	36.7%		34.3%	36.6%	
<b>Operating Profit</b>		3,045	3,062	0.6%	669	801	19.6%
Margin		22.4%	21.1%		18.6%	20.7%	
<b>Financial Income/(Expense)</b>		(469)	(1,801)	284.0%	(17)	470	n.m.
<b>FX &amp; Hedging Gain/(Loss)</b>		(302)	(1,659)	448.8%	(1)	469	n.m.
<b>Interest Income/(Expense)</b>		(79)	(1)	-98.6%	(5)	72	n.m.
<b>Other Financial Income/(Expense)</b>		(87)	(141)	61.4%	(10)	(71)	588.8%
<b>Tax Expense</b>		(607)	(399)	34.3%	(156)	(232)	48.6%
<b>Net Income</b>		2,007	907	-54.8%	504	1,039	106.2%
Margin		14.8%	6.2%		14.0%	26.9%	

Note: USD/TRY:2.9076;EUR/TRY:3.1776 was used in financial income/expense calculation



# Consolidated Summary Balance Sheet

(TL mn)	2014	2015	YoY Change
<b>Total Assets</b>	19,878	25,774	29.7%
Intangible Assets <sup>1</sup>	4,789	8,262	72.5%
Tangible Assets <sup>2</sup>	8,194	8,565	4.5%
Other Assets <sup>3</sup>	4,356	6,109	40.3%
Cash and Equivalents	2,538	2,838	11.8%
<b>Total Equities and Liabilities</b>	19,878	25,774	29.7%
Share Capital	3,260	3,260	0.0%
Reserves and Retained Earnings	3,043	1,733	-43.0%
Interest Bearing Liabilities <sup>4</sup>	8,878	11,803	32.9%
Provisions for Employee Termination Benefits	556	635	14.4%
Other Liabilities <sup>5</sup>	4,141	8,342	101.5%

(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



# Thank you.



**Türk Telekom Investor Relations**

[ir@turktelekom.com.tr](mailto:ir@turktelekom.com.tr)

| +90 212 309 96 30

| [ttinvestorrelations.com](http://ttinvestorrelations.com)

| [twitter.com/ttkomir](https://twitter.com/ttkomir)