

# Investor Presentation

March 2017

# Notice

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

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

These materials contain statements about future events and expectations that are forward-looking statements. Any statement in these materials that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except to the extent required by law, we assume no obligations to update the forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements. This presentation does not constitute an offer or invitation to sell, or any solicitation of any offer to subscribe for or purchase any securities and nothing contained herein shall form the basis of any contract or commitment whatsoever. No reliance may be placed for any purposes whatsoever on the information contained in this presentation or on its completeness, accuracy or fairness. The information contained in this presentation may be required to be confirmed, completed and amended. Therefore, no declaration or commitment has been given or implied on the name of the Company or its shareholders, directors, employers or other third persons depending on the authenticity, completeness and accuracy of the information.

None of the Company nor any of its shareholders, directors or employees nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection therewith. The PSTN services and wholesale broadband services are provided by Türk Telekomünikasyon A.Ş., the retail internet services are provided by TTNET A.Ş. and the mobile services – are provided by Avea İletişim Hizmetleri A.Ş. Türk Telekom® brand used in this presentation is the joint brand of Turk Telekom Group companies. All group companies legal entities remain intact. There may be differences between the data provided in this presentation and ICTA's market reports. These discrepancies are due differences in basis of financial reporting (standalone vs. consolidated) and differences in ARPU calculation methodologies.

Note: EBITDA is a non-GAAP financial measure. 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

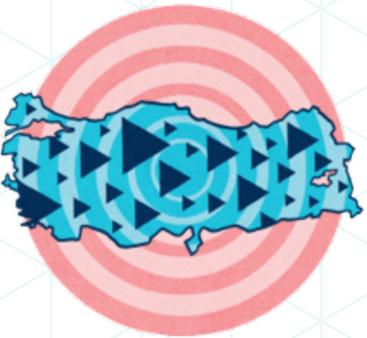
**9** CONSECUTIVE  
**YEARS**



Serving  
**38.9mn**  
**SUBSCRIBERS**



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



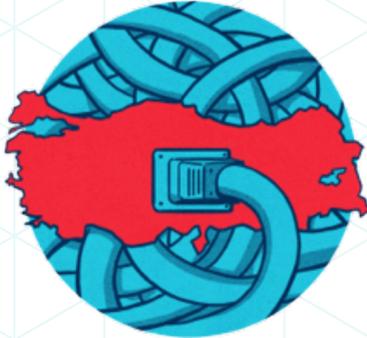
**75%**

**LTE**  
Population  
Coverage



**98%**

Fixed line  
**household  
coverage**



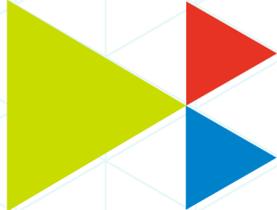
**228K** km  
fiber network in  
**81 cities**



**13.9mn**  
**FIBER  
HOMEPASS\***

\*Homepass includes FTTC & FTTH/B

# Turkey's Pioneer Convergence Player



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

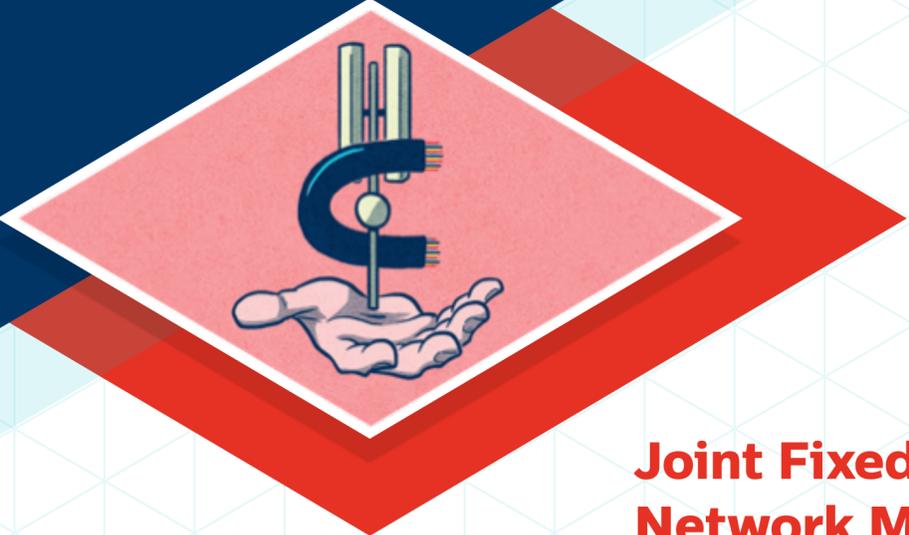


**Integrated  
Business Lines**



**Türk Telekom**

**Unified Brand**



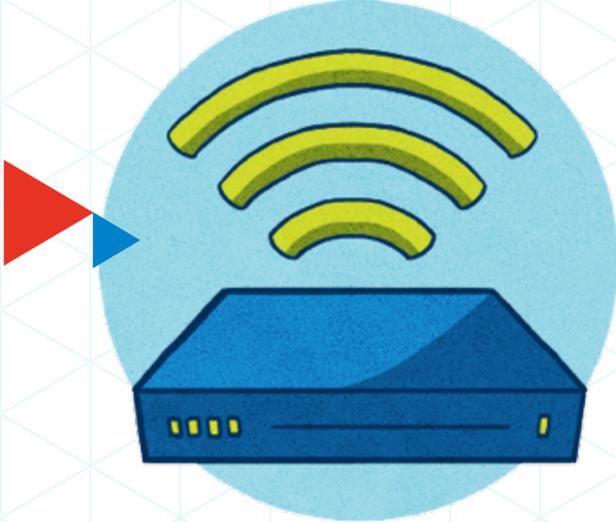
**Joint Customer  
Database\***

**Joint Fixed & Mobile  
Network Management**

\* Subject to consent of the customers

# Operational Highlights

Strong net subscriber gains in all segments



## Broadband

**262K**

Q4 '16

**691K**

2016



## Mobile

**187K**

Q4 '16

**1.3mn**

2016



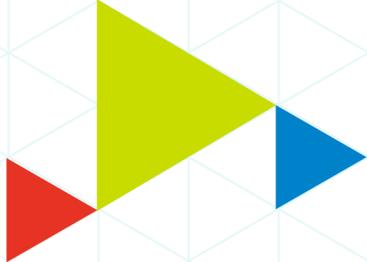
## Home TV

**87K**

Q4 '16

**293K**

2016



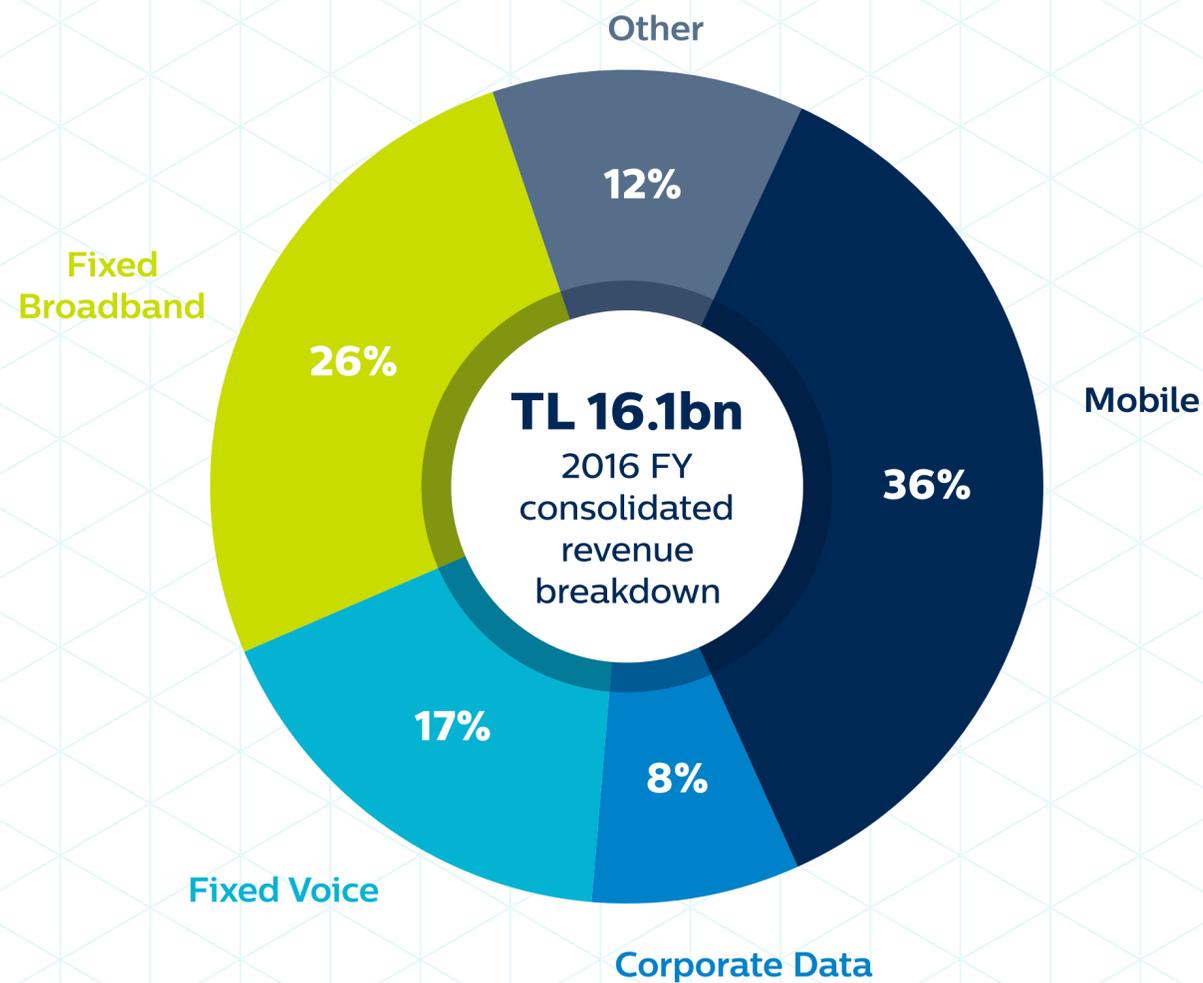
# Financial Performance

(TL mn)	2015 Q4	2016 Q4	Growth (YoY)	2015 YE	2016 YE	Growth (YoY)
<b>Revenue</b>	<b>3,867</b>	<b>4,250</b>	<b>9.9%</b>	<b>14,523</b>	<b>16,109</b>	<b>10.9%</b>
Revenue (exc. construction adj) <sup>1</sup>	3,706	4,171	12.6%	14,190	15,696	10.6%
<b>EBITDA</b>	<b>1,416</b>	<b>1,434</b>	<b>1.3%</b>	<b>5,334</b>	<b>5,470</b>	<b>2.6%</b>
EBITDA Margin	36.6%	33.8%		36.7%	34.0%	
<b>Net Income</b>	<b>1,039</b>	<b>(1,388)</b>	<b>n.m.</b>	<b>907</b>	<b>(724)</b>	<b>n.m.</b>
CAPEX <sup>2</sup>	1,156	963	(16.7%)	2,929	3,027	3.4%

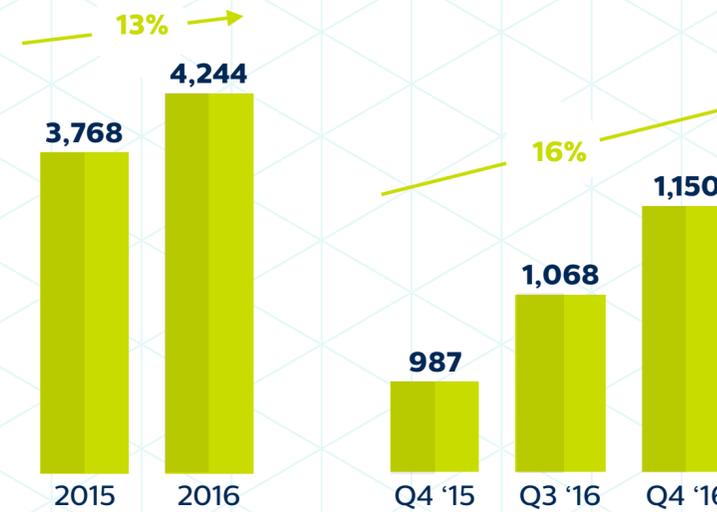
(1) Construction accounting adjustment is a non-operational revenue line booked in conjunction with upgrades to fixed line infrastructure, such as the upgrade from copper to fiber based network

(2) Excluding license fees

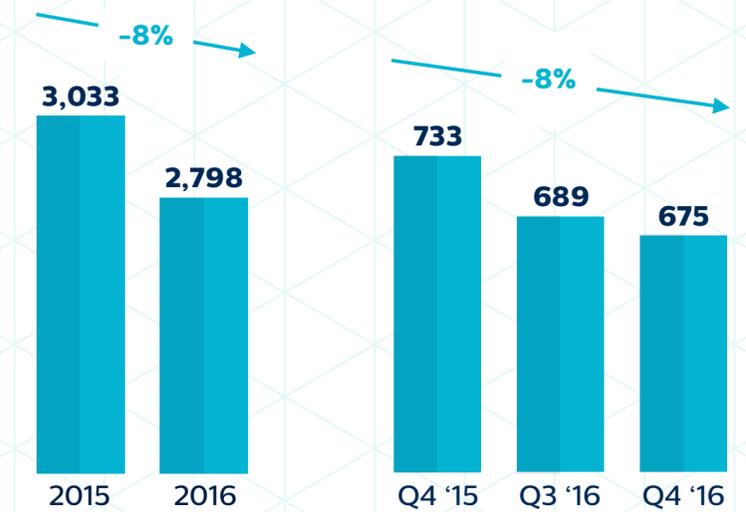
# Focused on High Growth Areas



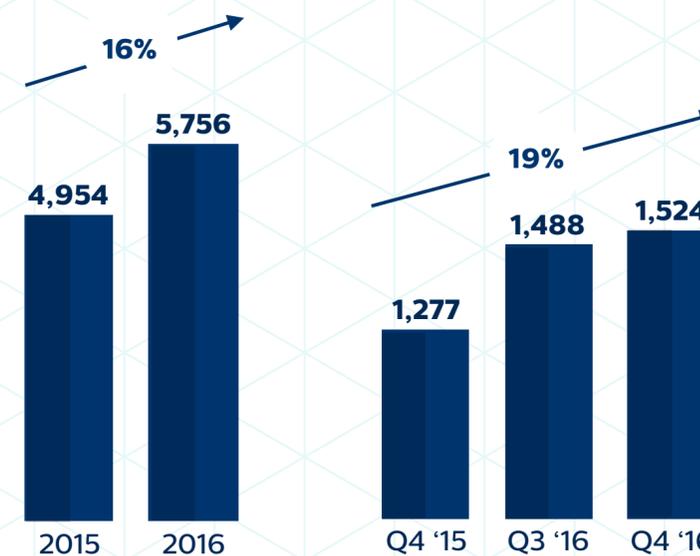
## Fixed Broadband (TL mn)



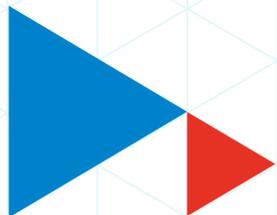
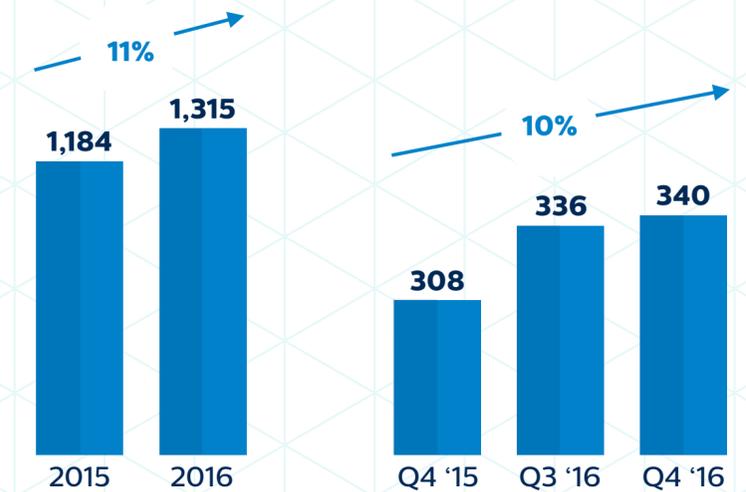
## Fixed Voice (TL mn)



## Mobile (TL mn)



## Corporate Data (TL mn)

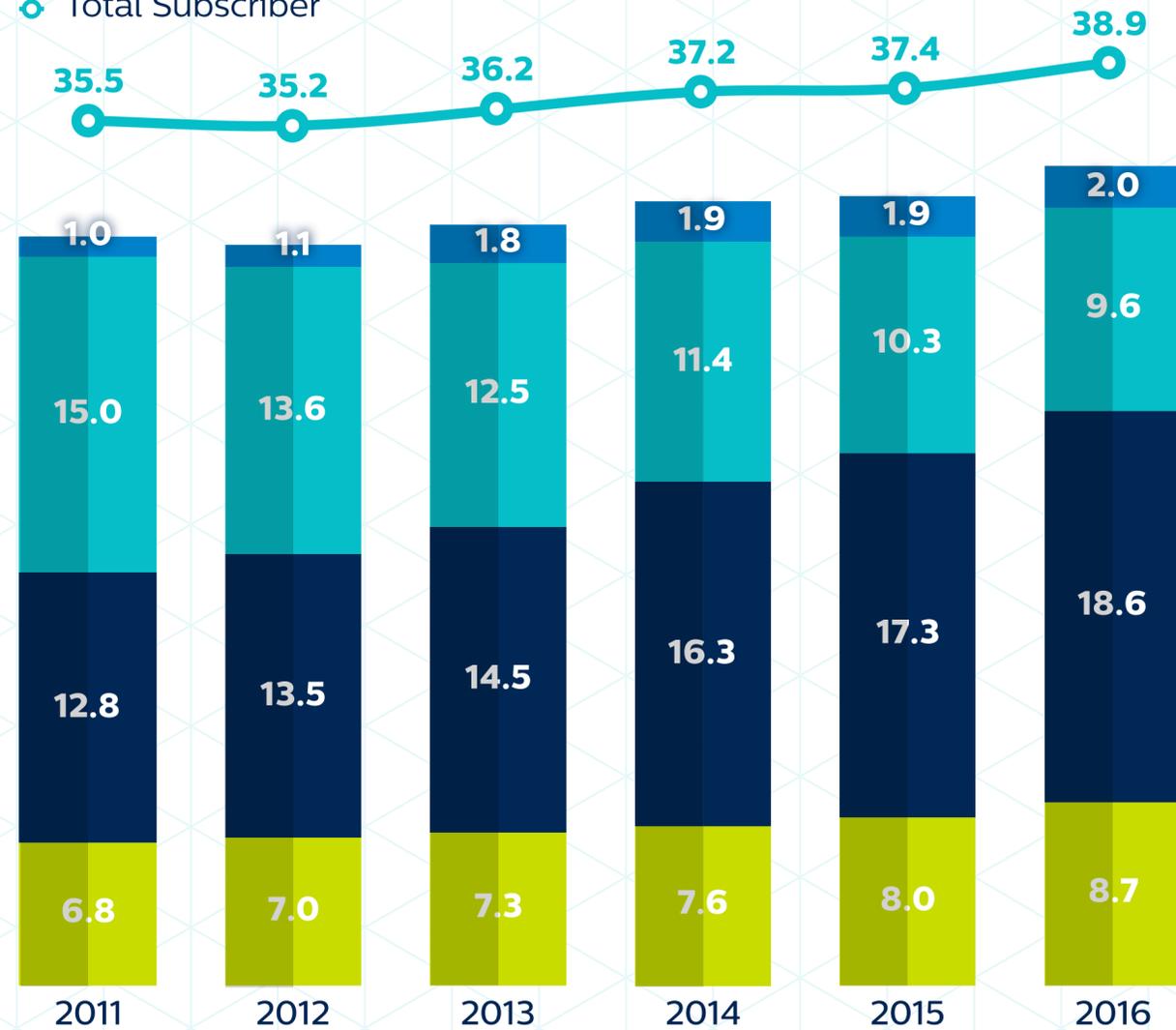


# Accelerated Net Additions

## Subscriber Breakdown

(mn)

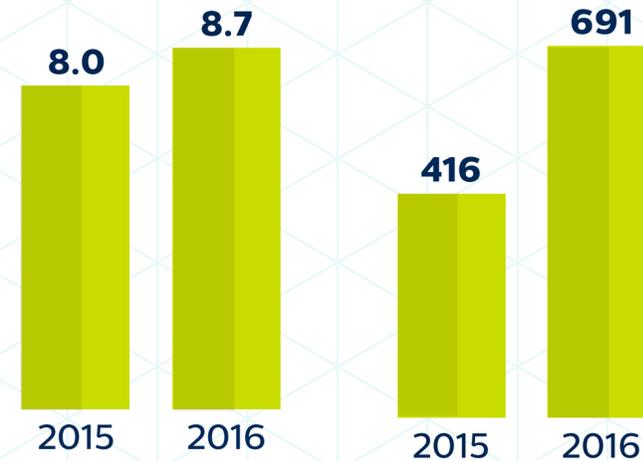
■ Broadband
 ■ Mobile
 ■ Fixed Voice
 ■ TV
   
○ Total Subscriber



## Fixed Broadband

Subscribers (mn)

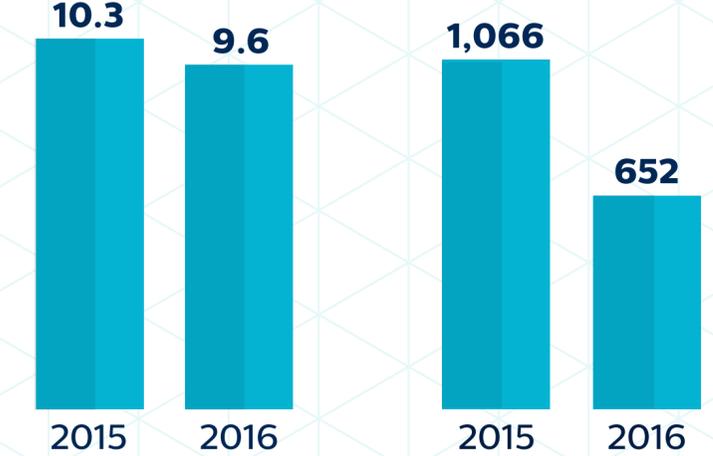
Net Additions (thousand)



## Fixed Voice

Subscribers (mn)

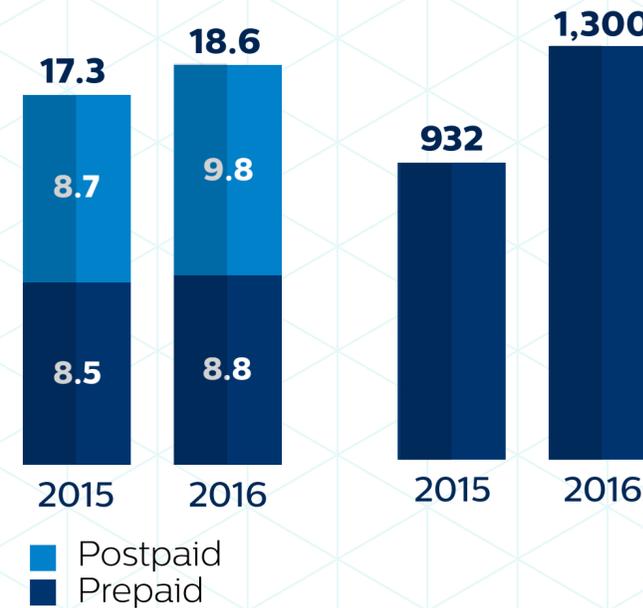
Net Decline (thousand)



## Mobile

Subscribers (mn)

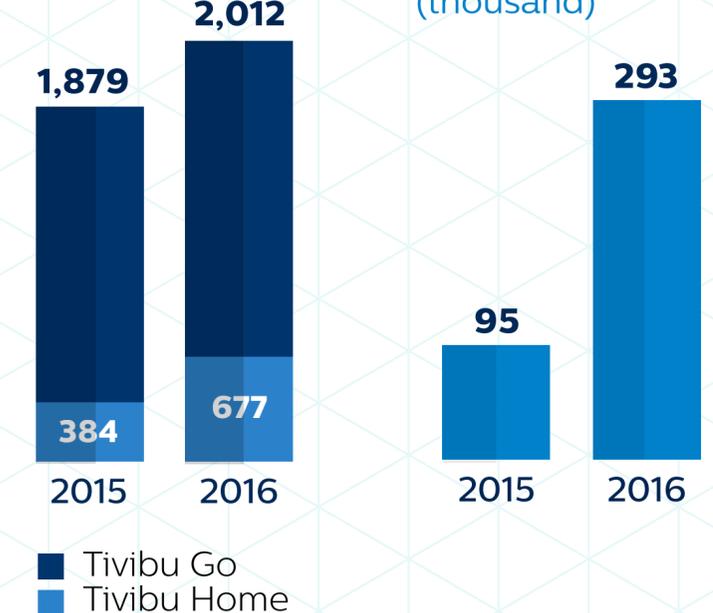
Net Additions (thousand)



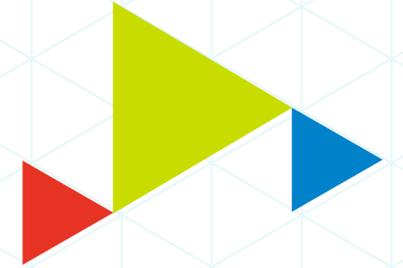
## TV

Subscribers (thousand)

Home TV Net Additions (thousand)



# Strongest Position in Multiplay Offers



Key building blocks of customer proposition



## Broadband

### Türk Telekom

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

### Turkcell

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

### Vodafone

- ▶ Wholesale customer of Türk Telekom



## Mobile

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

- ▶ Incumbent mobile operator

- ▶ Number two mobile operator



## Pay TV

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

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

- ▶ No Home TV



## Fixed Voice

- ▶ Nationwide fixed voice services
- ▶ Additional benefits (data packages, home security 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 '16 ARPU

Mobile

Broadband

Pay TV

Fixed Voice

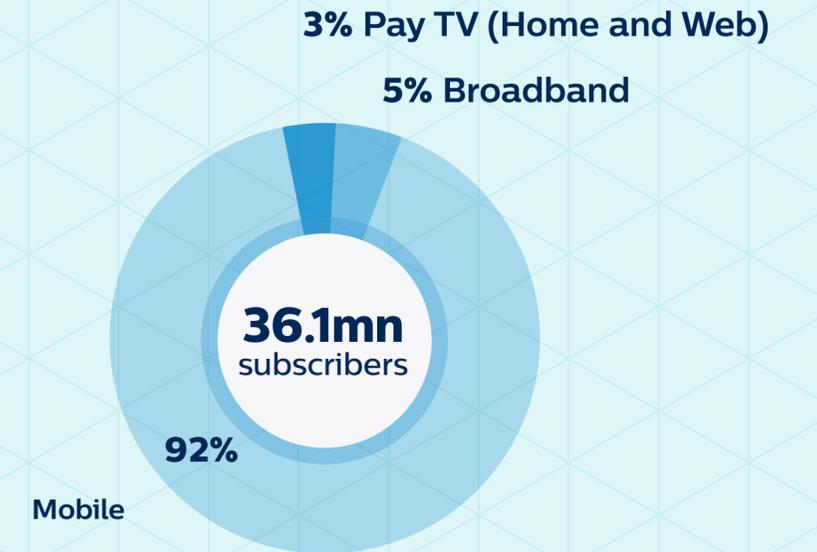
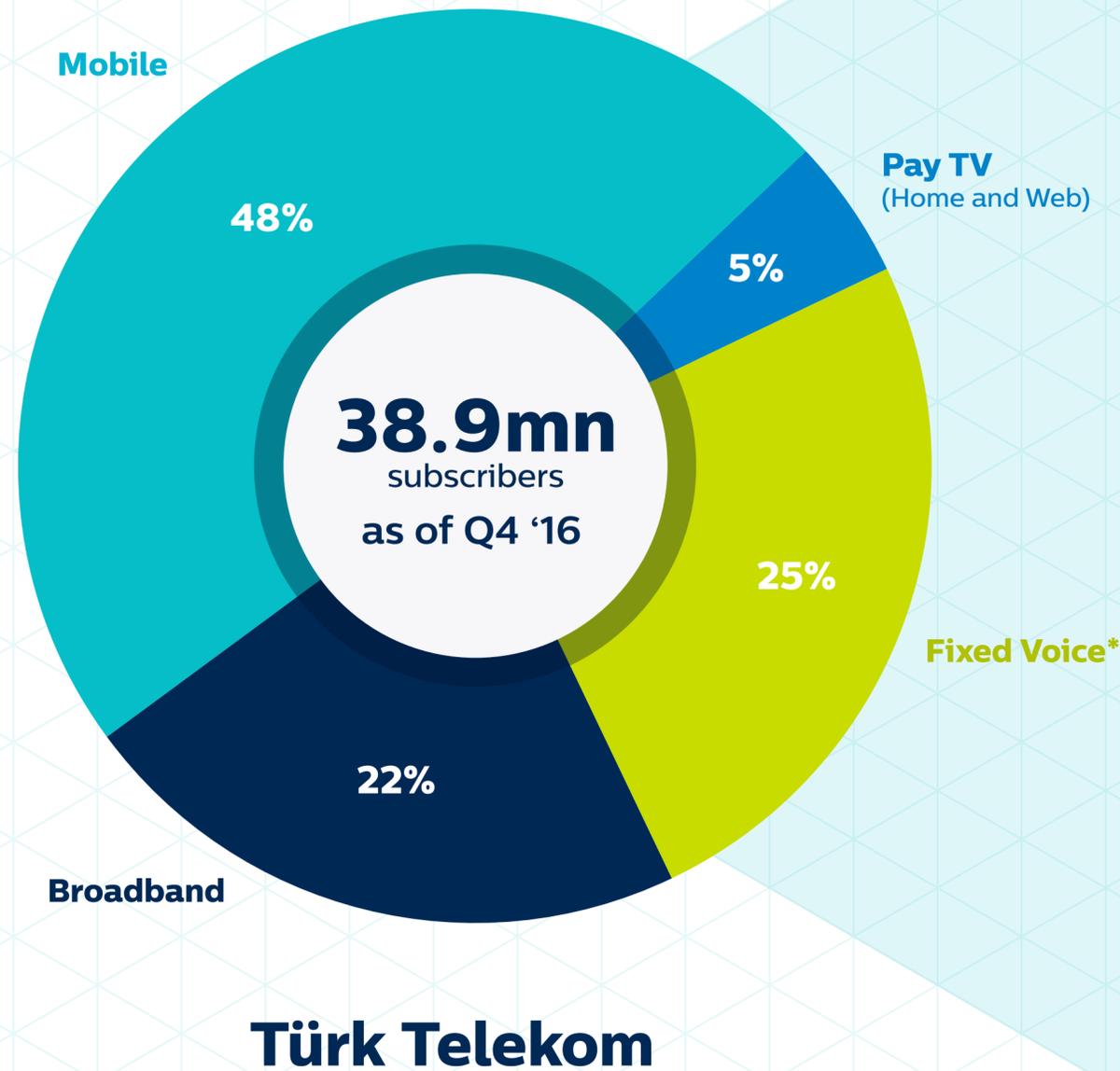
### Türk Telekom

TL 26.1

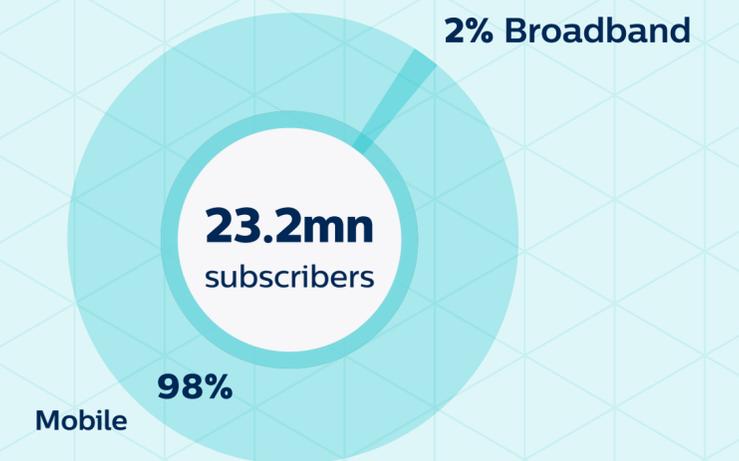
TL 44.7

TL 19.2

TL 23.2



### Turkcell



### Vodafone

Other operators' data are from their own publications as of Q4 '16  
\*VOIP is not included.

# Türk Telekom's Digital Service Portfolio



## Turkey's Most Preferred Value Added Services



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

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



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

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



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

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



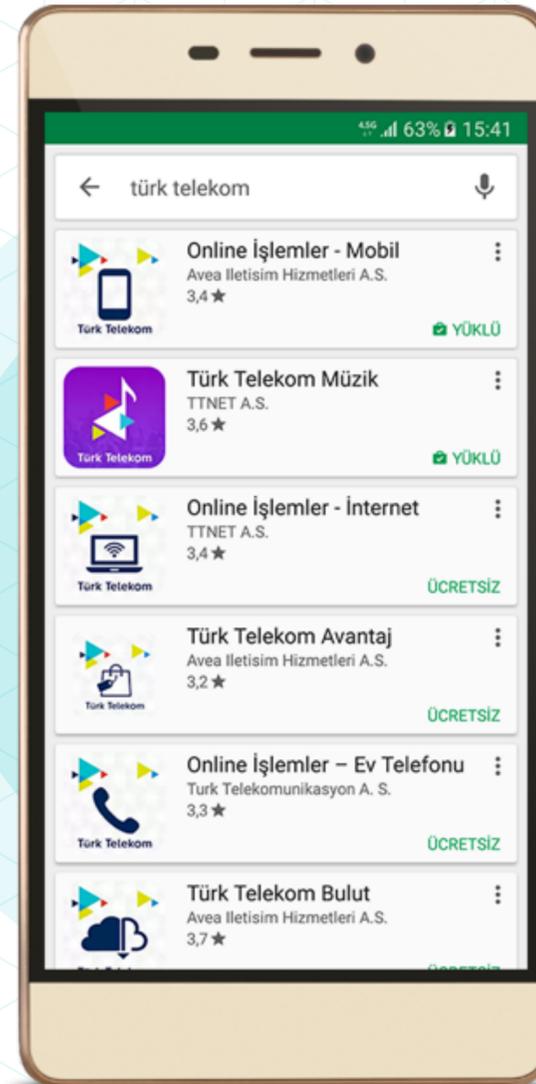
### Turkey's First Interactive Education Platform Launch: 2008

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



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

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



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

### Turkey's 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



### Turkey's First Operator Based OTT Messaging Platform: **Wirofon** Launch: 2008

Türk Telekom's OTT messaging and VoIP platform which enables the usage of Türk Telekom's PSTN minutes on mobile devices.



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

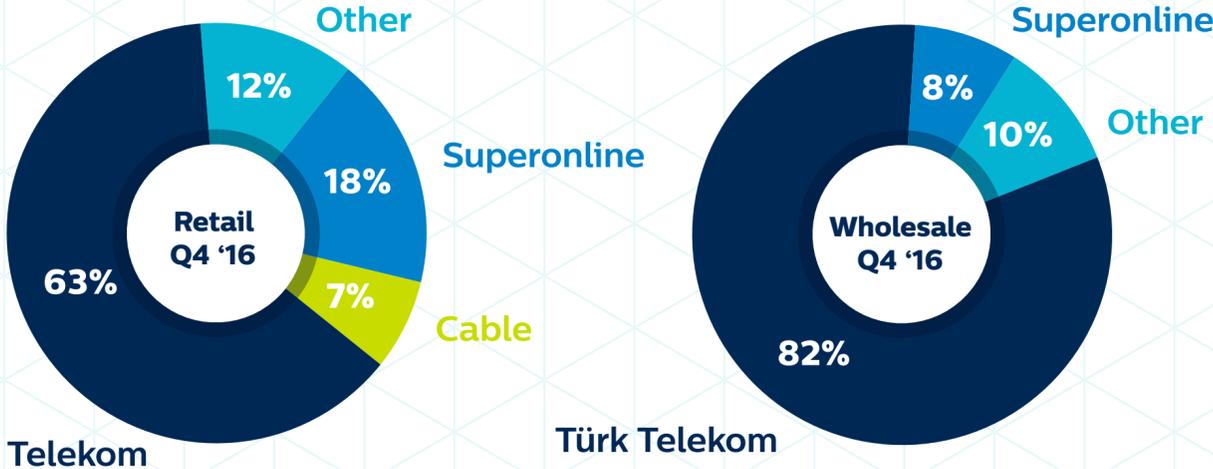


# Business Lines



# Fixed Broadband Market

## Subscriber Market Share

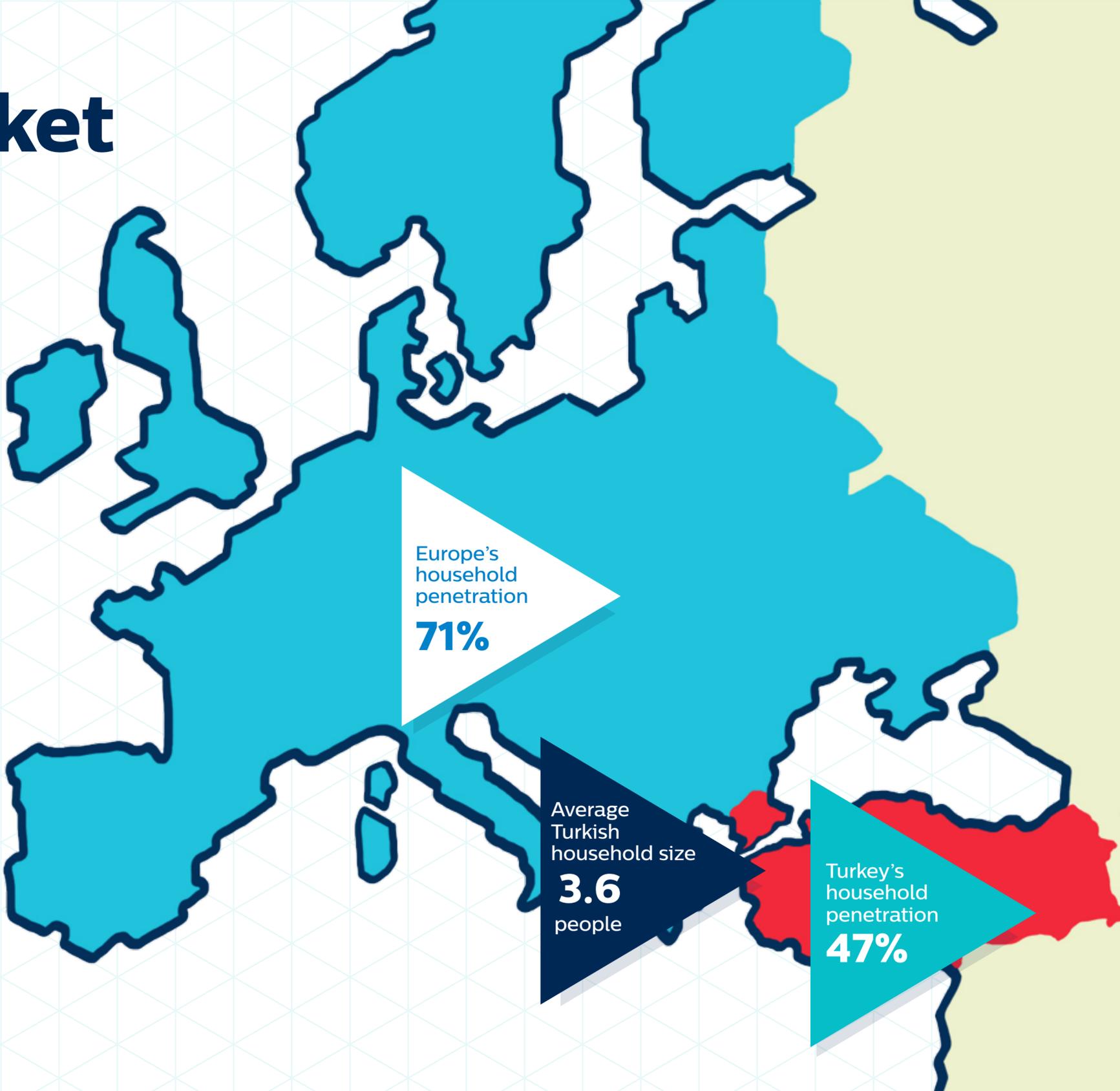


Source: Other operators' data are from ICTA Q4 '16 report

## Subscribers & Avg. Monthly Data Usage



Source: ICTA Q4 '16 report

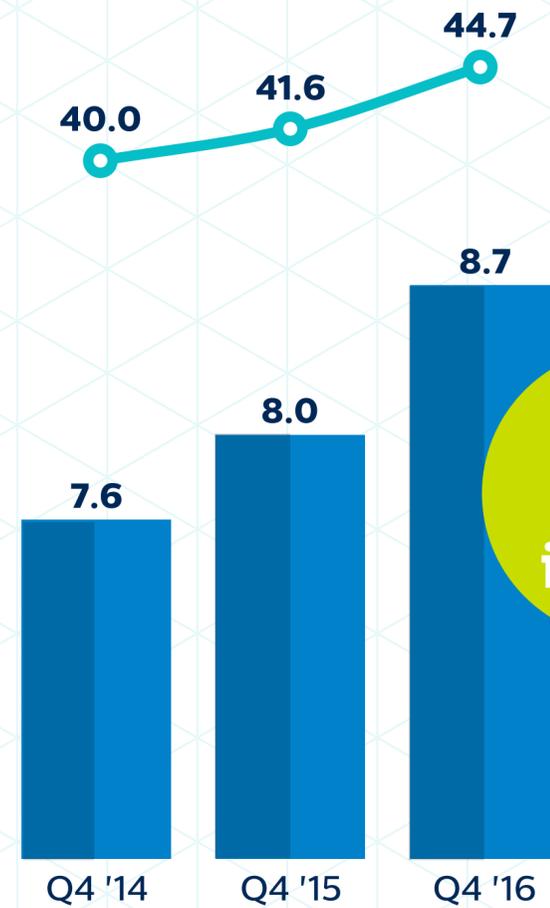


Source: Analysys Mason, Q3 '16 CEE&WE Telecom Matrix, TR data is from ICTA, Q4 '16 Market Report  
European countries include DK, LT, SP, CZ, SL, SK, BG

# Fixed Broadband Performance

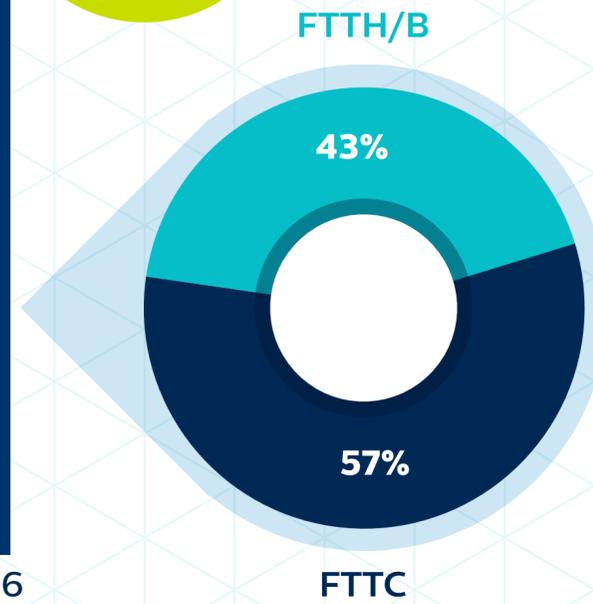
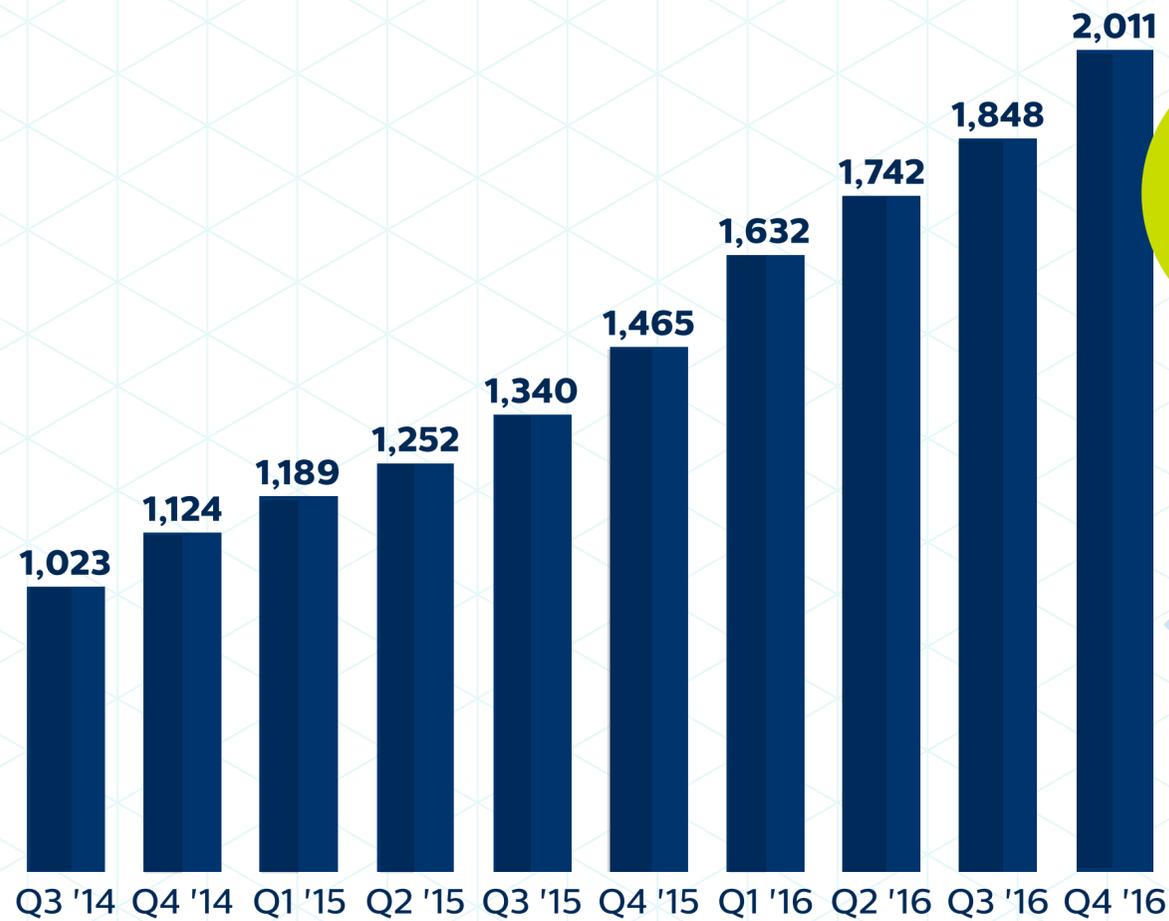
## ARPU & Subscribers

○ ARPU (TL) ■ Subscribers (mn)



## Fiber Subscribers

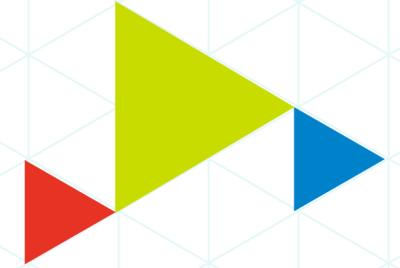
(thousand)



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



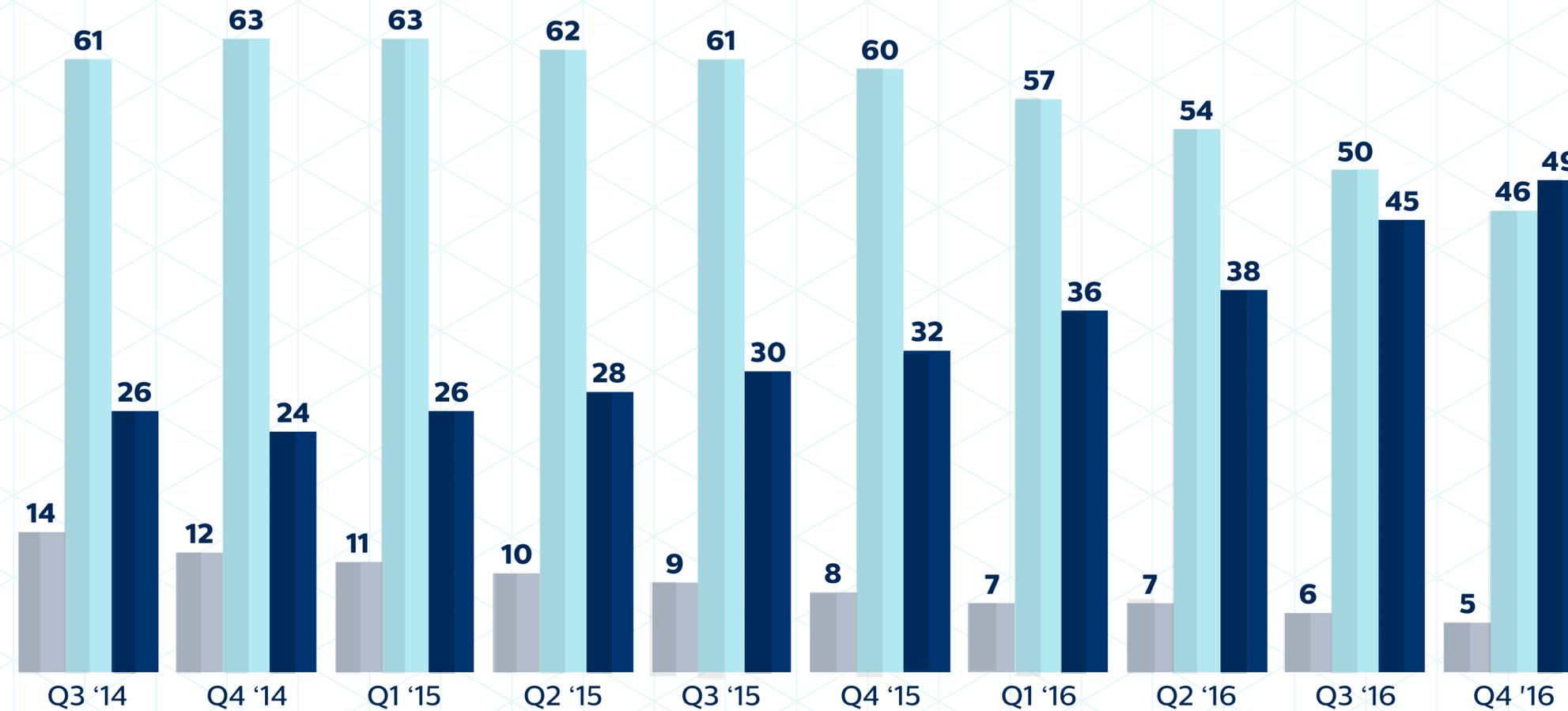
# Upselling Dynamics in Fixed Broadband



## Capacity Breakdown

(% of Subscribers)

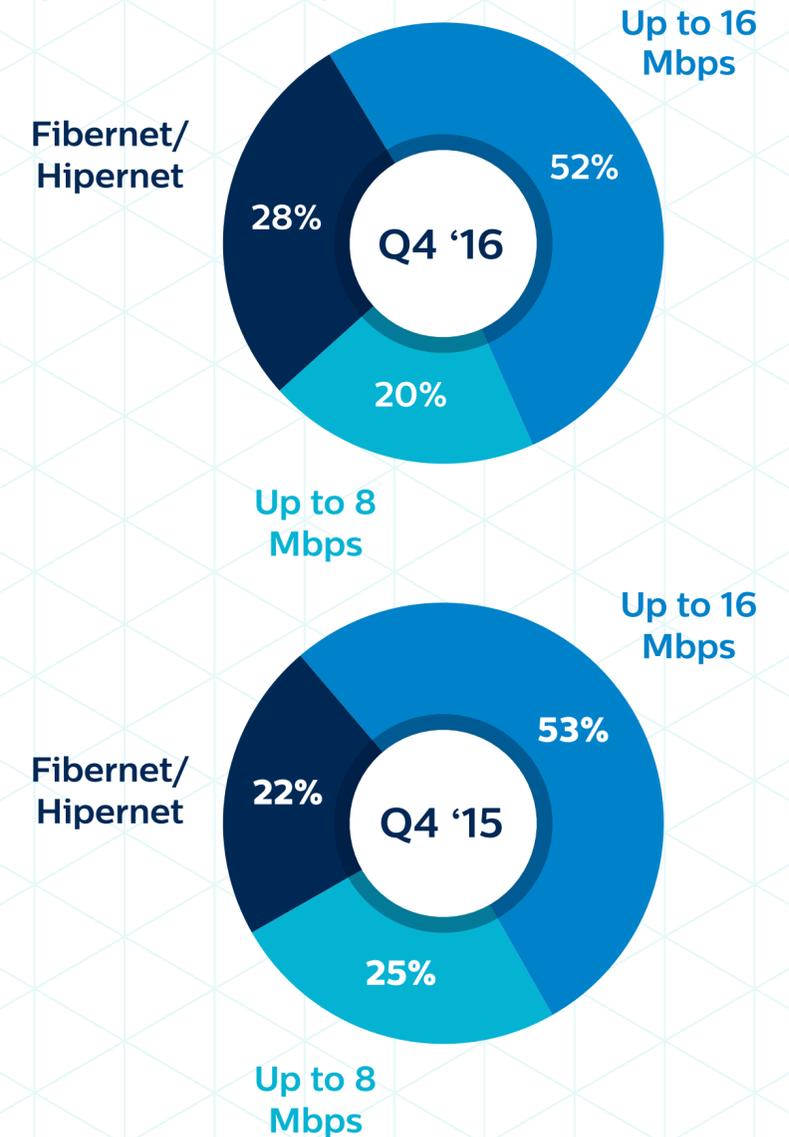
■ 25 GB & Below ■ 25 to 50 GB ■ Above 50 GB



All figures are based on Türk Telekom's retails subscribers

## Speed Breakdown

(% of Subscribers)



# Nationwide Fiber

Türk Telekom Fiber Network

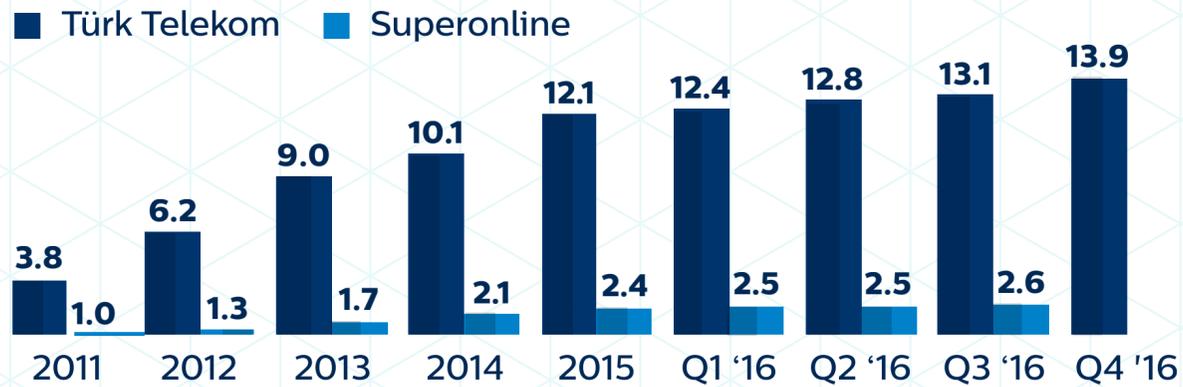


Superonline Fiber Network



## Fiber Homepass

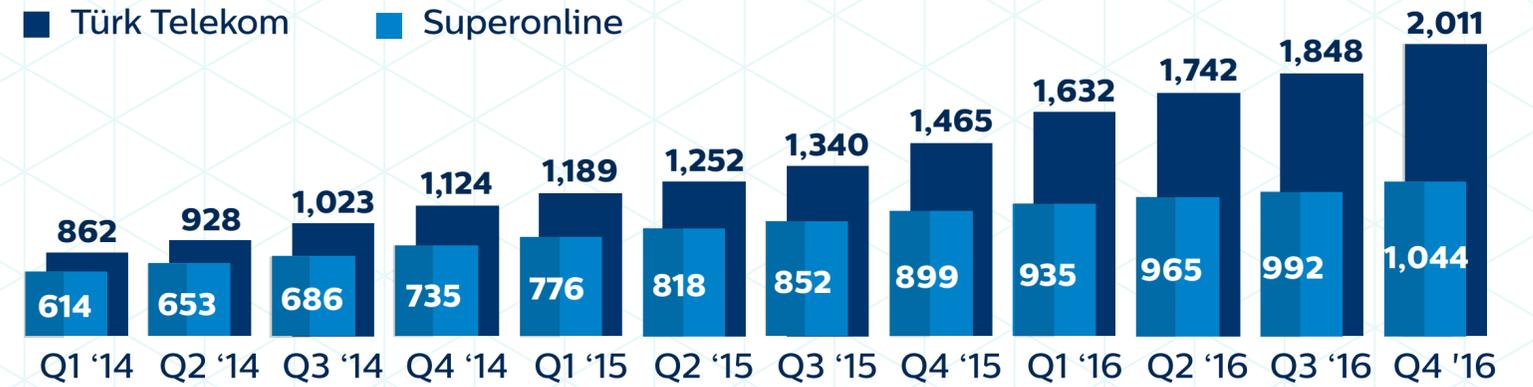
(mn)



Fiber homepass includes FTTH/B & FTTC

## Fiber Subscribers

(thousand)

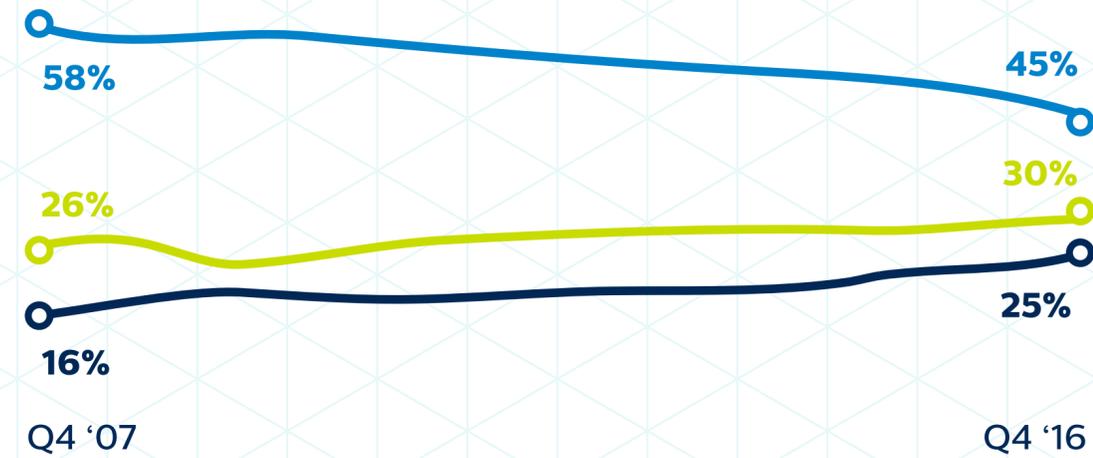


Fiber subscribers include FTTH/B & FTTC subscribers

# Mobile Market

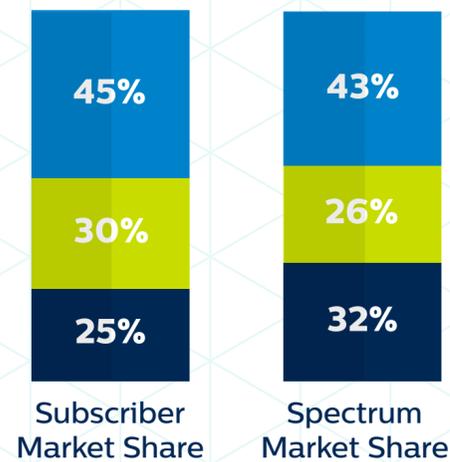
## Subscriber Market Share

— Türk Telekom — Vodafone — Turkcell

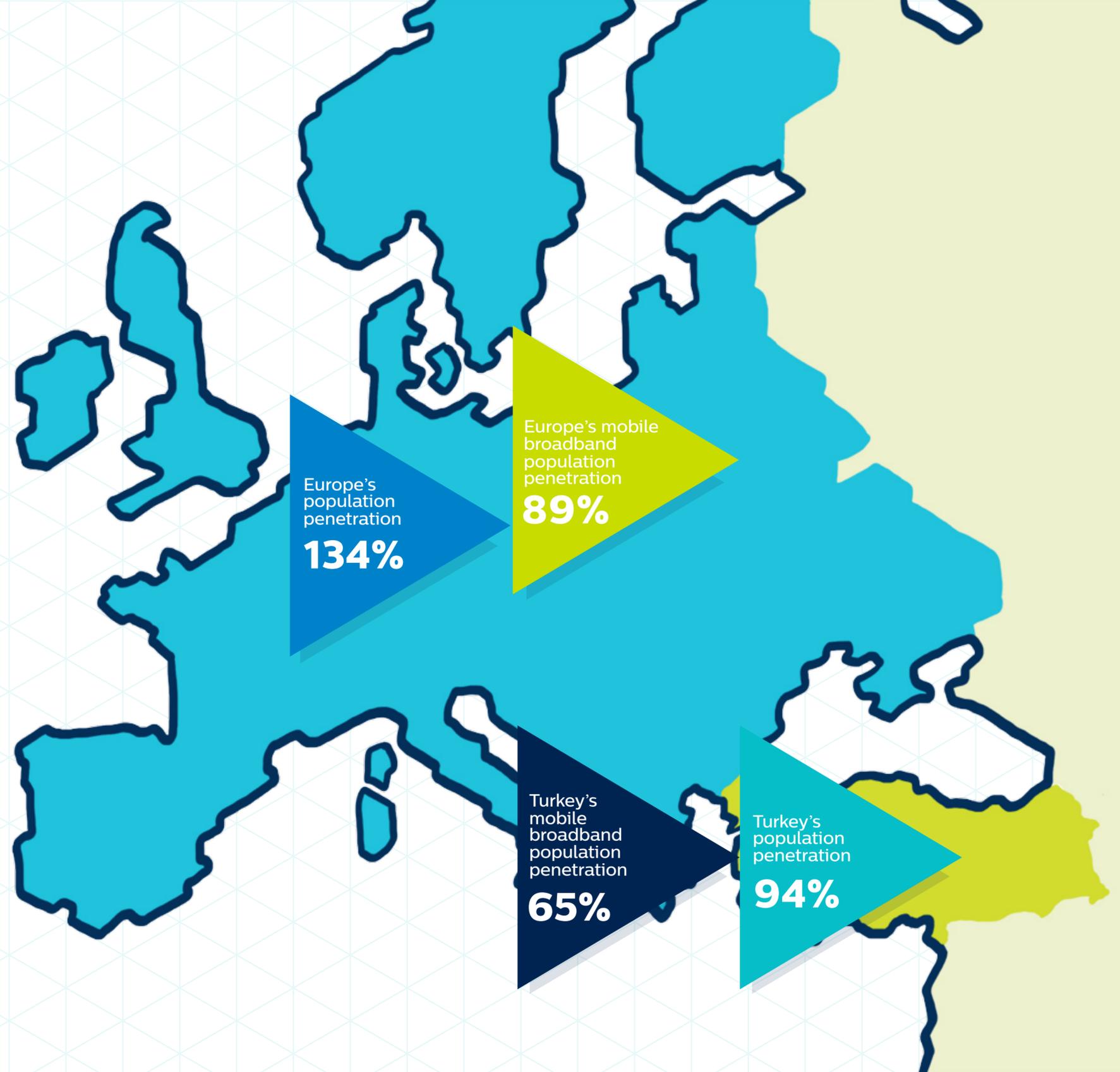


## Subscriber vs. Spectrum Market Share

■ Türk Telekom ■ Vodafone ■ Turkcell



Other operators' data are from their own publications as of Q4'16

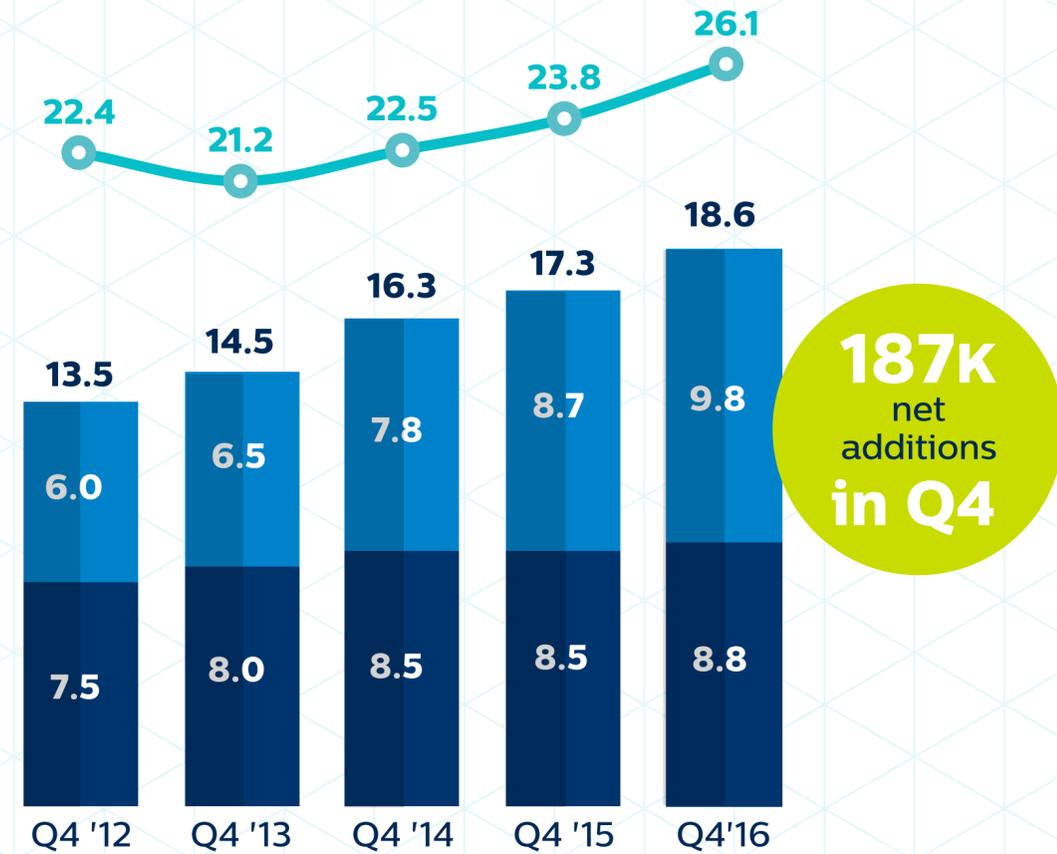


Source: ICTA, Q4 '16 Market Report  
European countries include: FIN, DEN, GRE, AUS, SWE, POR, SWI, IT, GER, NOR, BEL, UK, NL, SP, FR

# Mobile Performance

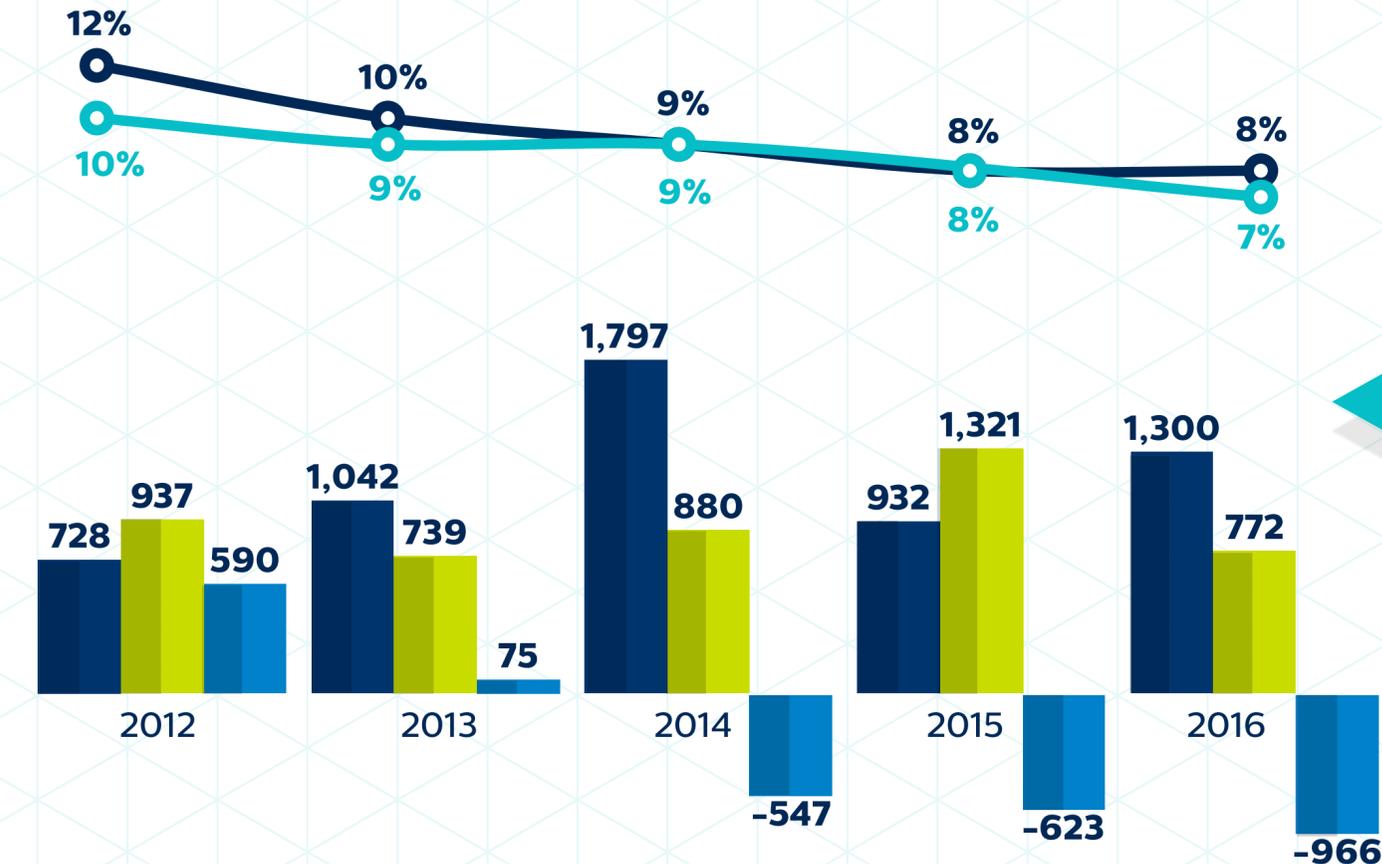
## Growing ARPU & Subscribers

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



## Net Subscriber Addition & Churn Rate

- Türk Telekom ■ Vodafone ■ Turkcell
- Market Quarterly Avg. Churn Rate
- Türk Telekom Quarterly Avg. Churn Rate



Other operators' data are from their own publications.



# LTE Key Metrics

**75%**

LTE population coverage

**53%**

of smartphone users on LTE devices

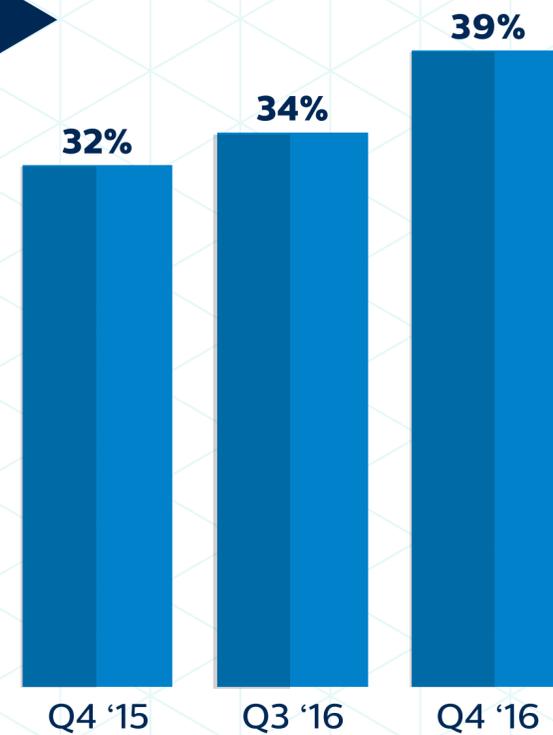
**70%**

of LTE base stations fiber-connected

# Monetizing Data

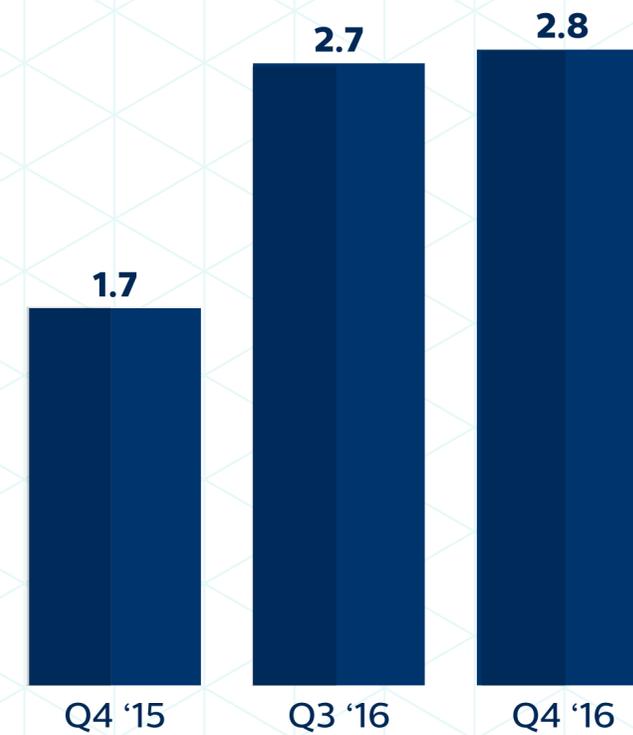
## Data Revenue

(Service revenue shares)



## Avg. Monthly Mobile Data Usage

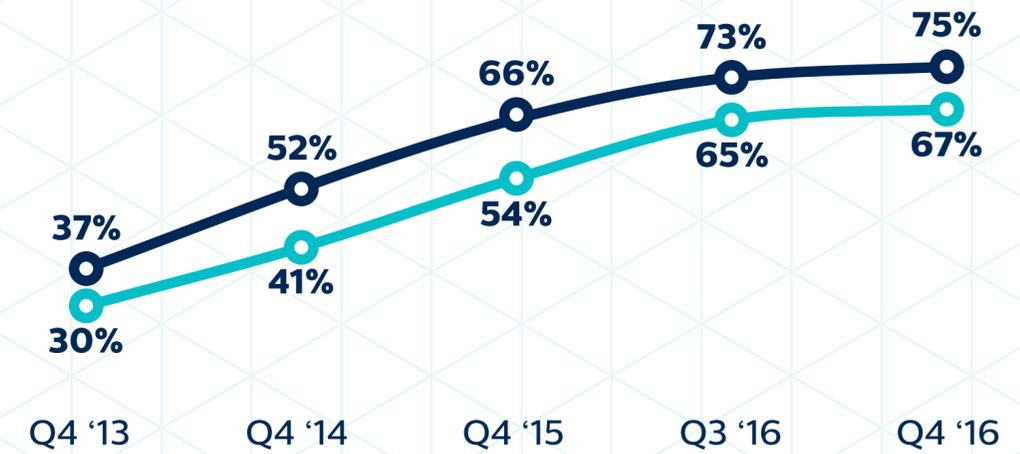
(GB per user<sup>1</sup>)



(1) Türk Telekom smartphone users

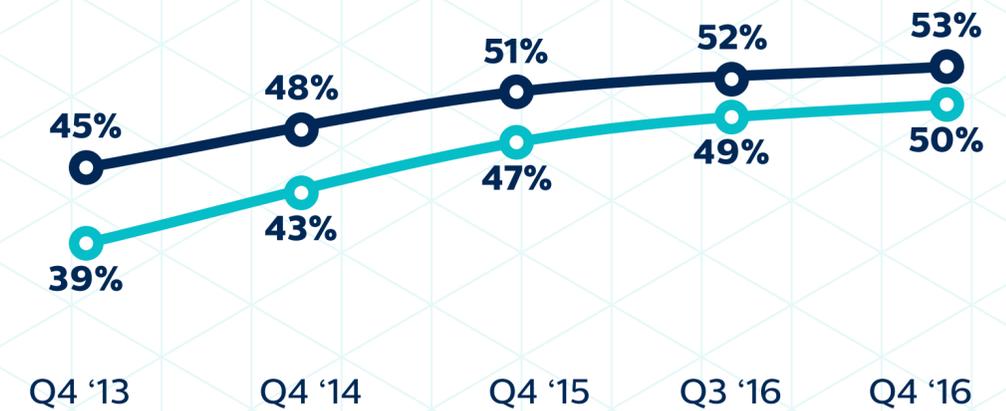
## Smartphone Penetration

Rest of the Market Türk Telekom



## Postpaid Ratio

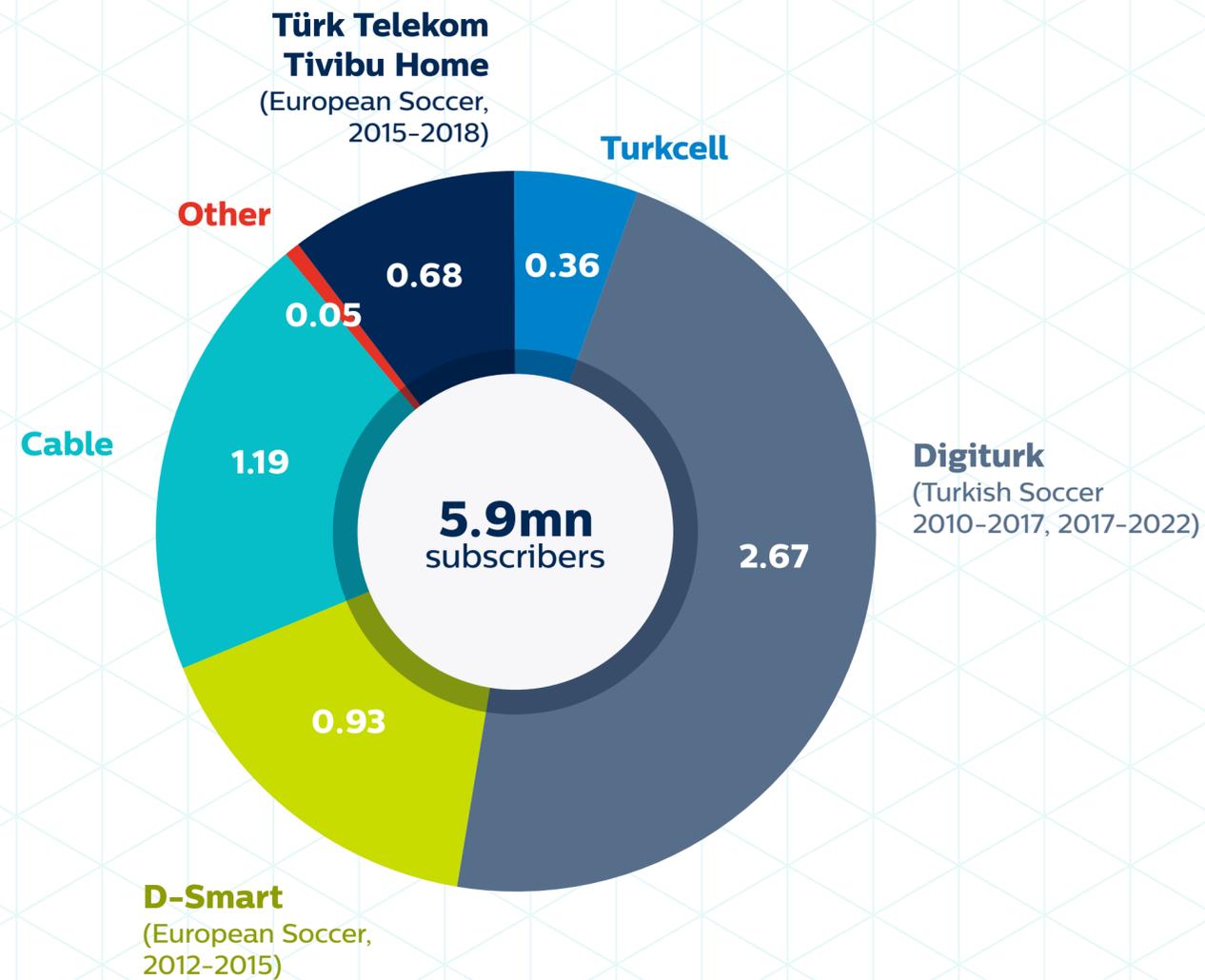
Rest of the Market Türk Telekom



# Pay TV Market

## Subscribers

(mn)



Source: ICTA Q4 '16 report

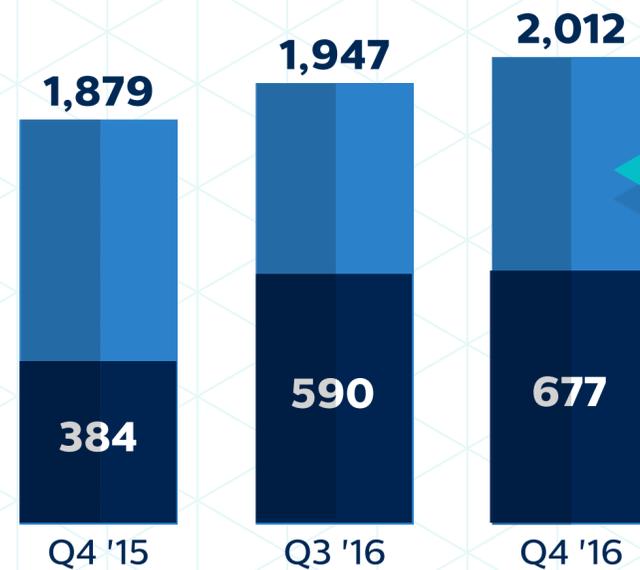
Source: Analysys Mason, Pay-TV quarterly Metrics, Q2'16 Report  
European countries include FR, DE, IE, IT, PT, ES, UK, SWE

# TV Performance

Türk Telekom Tivibu

## Subscribers (thousand)

■ Tivibu Go ■ Tivibu Home



Q4 Tivibu Home ARPU  
**TL 19.2**

**293K** net additions in 2016  
in Tivibu Home



**Technology**



**Exclusive Content**

**Türk Telekom**

IPTV + DTH

- ▶ Champions League
- ▶ UEFA Europe League

**Turkcell**

IPTV

English Premier League

**Digiturk**

DTH

Turkish Soccer League

**D-Smart**

DTH

None

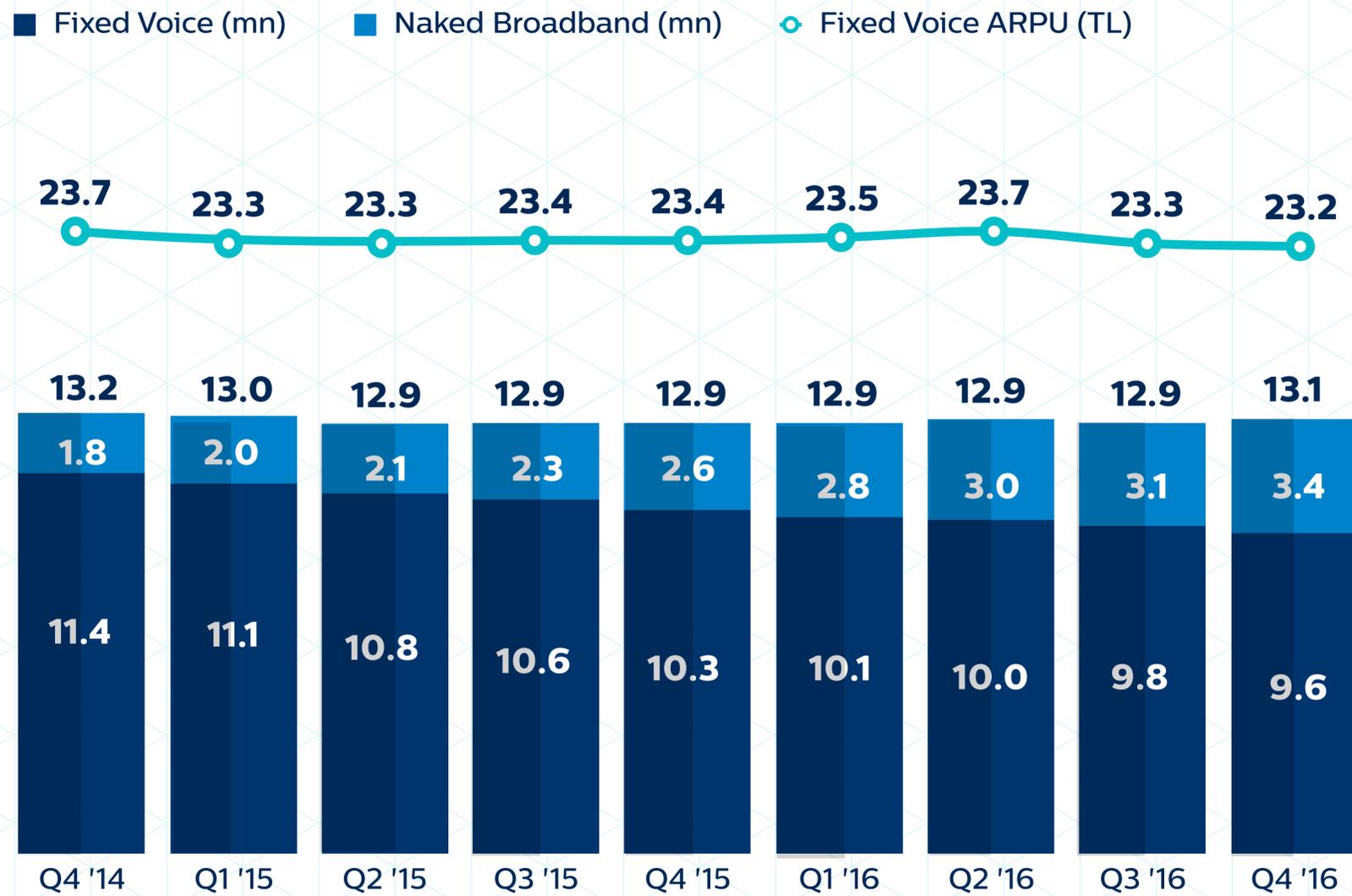
**Cable**

Cable

None

# Fixed Voice

## Access Lines and ARPU

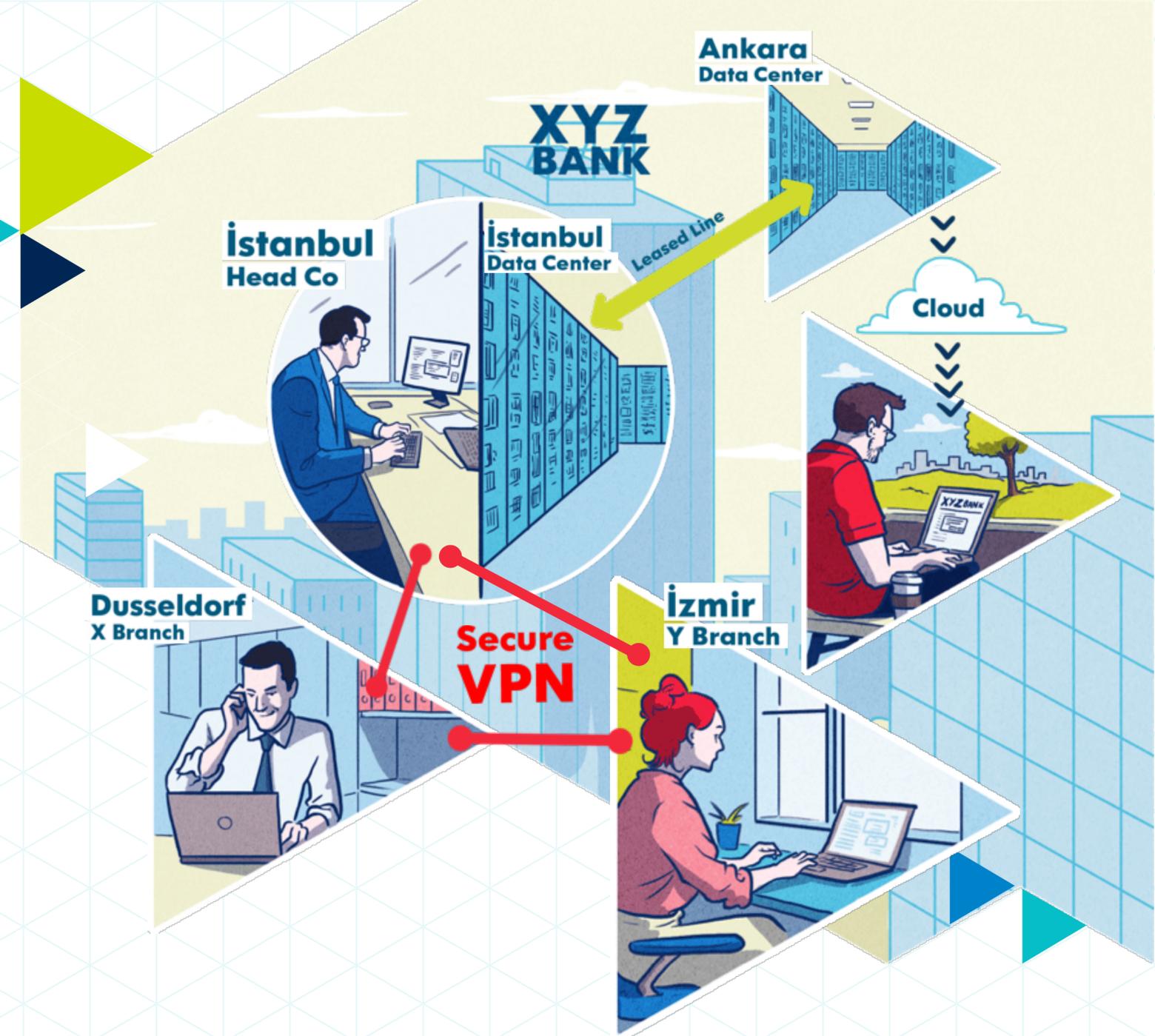
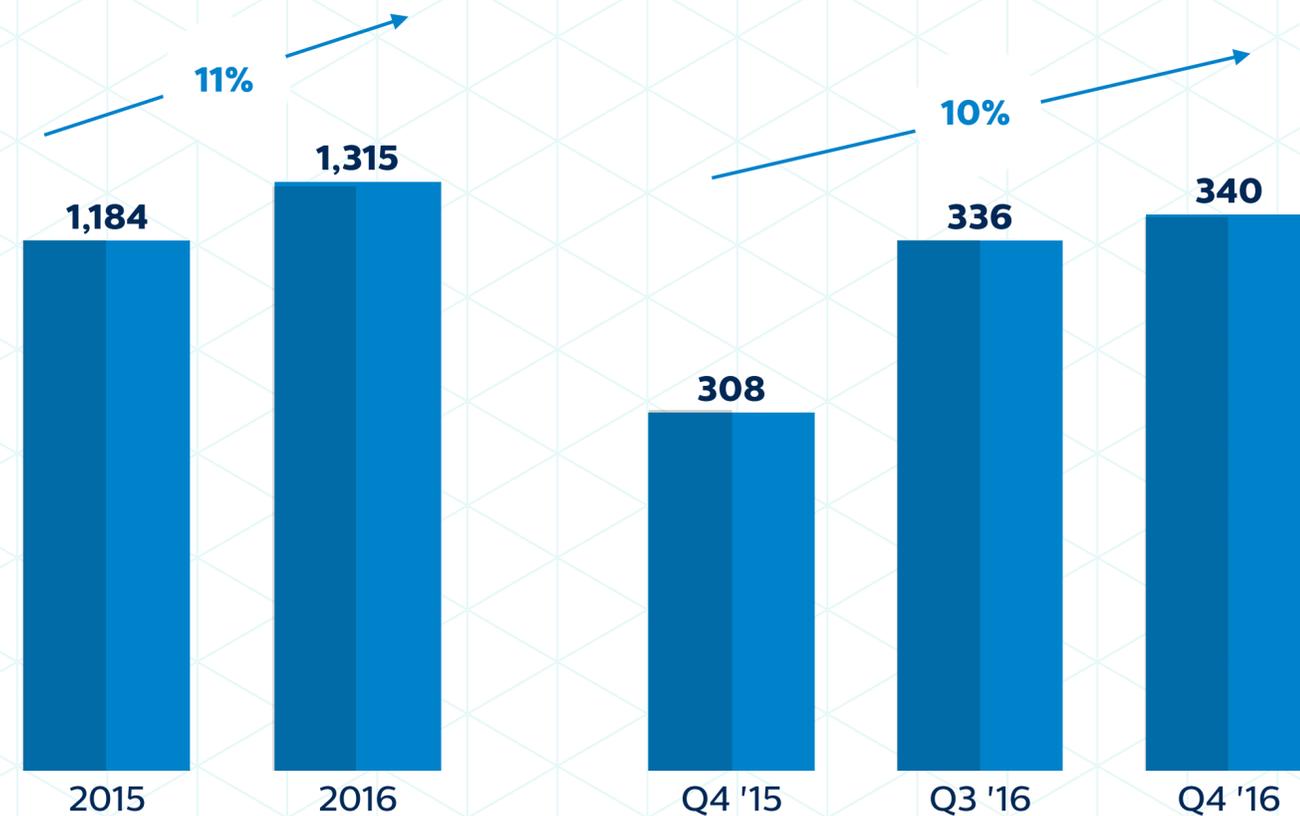


# Corporate Data

- ▶ 8% of our total revenues are generated by corporate data business in 2016
- ▶ Corporate data revenue growth is mainly driven by metroethernet revenues

## Revenues

(TL mn)





# Financials

# Summary Income Statement

(TL mn)	2015	2016	YoY Change	Q4 '15	Q4 '16	YoY Change
Revenues	14,523	16,109	10.9%	3,867	4,250	9.9%
EBITDA	5,334	5,470	2.6%	1,416	1,434	1.3%
Margin	36.7%	34.0%		36.6%	33.8%	
Operating Profit	3,062	2,621	(14.4%)	801	658	(17.8%)
Margin	21.1%	16.3%		20.7%	15.5%	
Financial Income / (Expense)	(1,801)	(3,018)	67.6%	470	(2,180)	n.m.
FX & Hedging Gain / (Loss)	(1,659)	(2,517)	51.7%	469	(2,007)	n.m.
Interest Income/(Expense)	(1)	(360)	n.m.	72	(90)	n.m.
Other Financial Income/ (Expense)	(141)	(141)	0.0%	(71)	(84)	18.2%
Tax Expense	(398)	(328)	(17.7%)	(232)	134	n.m.
Net Income	907	(724)	n.m.	1,039	(1,388)	n.m.
Margin	6.2%	n.m.		26.9%	n.m.	

Note: FX Rates used in financial income/expense calculation are as follows: **December -16:** USD/TRY: 3.5192; EUR/TRY: 3.7099; **December-15:** USD/TRY: 2.9076; EUR/TRY: 3.1776.

# Summary Balance Sheet

(TL mn)	31.12.2015	30.09.2016	31.12.2016
<b>Total Assets</b>	<b>25,774</b>	<b>26,590</b>	<b>26,874</b>
Intangible Assets <sup>1</sup>	8,217	8,038	8,341
Tangible Assets <sup>2</sup>	8,565	8,761	8,710
Other Assets <sup>3</sup>	6,154	6,641	6,806
Cash and Equivalents	2,838	3,150	3,016
<b>Total Equities and Liabilities</b>	<b>25,774</b>	<b>26,590</b>	<b>26,874</b>
Share Capital	3,260	3,260	3,260
Reserves, Retained Earnings and Other Equity Items	1,733	1,433	126
Interest Bearing Liabilities <sup>4</sup>	11,803	13,615	15,041
Provisions for Employee Termination Benefits	635	614	696
Other Liabilities <sup>5, 6</sup>	8,342	7,669	7,751

(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

(6) As of Q3 '15 minority put option liability was terminated due to acquisition of minority shares of Avea

# Summary Cash Flow Statement



(TL mn)	2015	2016	YoY Change	Q4 '15	Q4 '16	YoY Change
Operating Cash Flow	4,498	4,933	9.7%	1,676	2,243	33.9%
Investing Cash Flow	(3,166)	(4,612)	45.7%	(1,803)	(1,910)	5.9%
CAPEX	(3,320)	(4,667)	40.6%	(1,941)	(1,943)	0.1%
Other Investing Activites	153	55	(64.0%)	138	33	(76.3%)
Financing Cash Flow <sup>1</sup>	(1,089)	(219)	(79.8%)	198	(503)	n.m.
Net Change in Cash Position <sup>2</sup>	243	102	(58.1%)	70	(170)	n.m.

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

(1) Includes FX gain/loss on balance sheet items at the beginning of the period

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



# Summary Revenue Breakdown

(TL mn)	2015	2016	YoY Change	Q4 '15	Q4 '16	YoY Change
Fixed Voice	3,033	2,798	(7.8%)	733	675	(7.8%)
Broadband	3,768	4,244	12.6%	987	1,150	16.5%
TV	123	177	44.0%	38	50	30.8%
Mobile	4,954	5,756	16.2%	1,277	1,524	19.3%
Corporate Data <sup>1</sup>	1,184	1,315	11.0%	308	340	10.2%
International Revenue	490	510	4.0%	140	126	(9.7%)
Domestic Interconnection	42	18	(58.3%)	10	5	(46.7%)
Rental income from GSM Operators	65	77	18.2%	12	21	72.4%
Other <sup>2</sup>	632	896	41.9%	224	304	35.7%
Construction Adjustment (IFRIC-12)	332	413	24.1%	162	78	(51.7%)
Eliminations	(101)	(95)	(6.5%)	(24)	(23)	(5.8%)
<b>Total Revenue</b>	<b>14,523</b>	<b>16,109</b>	<b>10.9%</b>	<b>3,867</b>	<b>4,250</b>	<b>9.9%</b>

(1) Includes leased line and data services

(2) Includes ICT companies, device sales, other

# Summary OPEX Breakdown

(TL mn)	2015	2016	YoY Change	Q4 '15	Q4 '16	YoY Change
Personnel	2,492	2,787	11.8%	670	721	7.6%
Domestic Interconnection	1,001	1,130	12.9%	262	288	9.7%
International Interconnection	301	302	0.5%	90	80	(11.2%)
Commercial <sup>1</sup>	999	1,205	20.6%	331	312	(5.7%)
Maintenance and Repair	542	583	7.5%	146	157	7.6%
Taxes and Government Fees	1,235	1,444	17.0%	322	381	18.2%
Rent and Utilities	802	880	9.7%	206	234	13.2%
Provisions for Doubtful Receivables	304	371	22.2%	89	91	2.6%
Cost of Equipment and Technology Sales	330	425	28.8%	136	147	8.3%
Other <sup>2</sup>	890	1,146	28.8%	56	336	500.2%
<b>Sub Total</b>	<b>8,895</b>	<b>10,274</b>	<b>15.5%</b>	<b>2,308</b>	<b>2,746</b>	<b>19.0%</b>
Construction Cost Adjustment (IFRIC - 12)	294	365	24.1%	143	69	(51.7%)
<b>Total OPEX</b>	<b>9,189</b>	<b>10,639</b>	<b>15.8%</b>	<b>2,452</b>	<b>2,815</b>	<b>14.8%</b>

(1) Includes commissions, advertising and marketing, subscriber acquisition & retention cost and promotions

(2) Includes outsourced services, bill distribution, content, consultancy expenses and others

# Operational Highlights



	Q4 '15	Q3 '16	Q4 '16	YoY Change	QoQ Change
<b>Total Access Line (mn)</b>	<b>12.9</b>	<b>12.9</b>	<b>13.1</b>	<b>1.4%</b>	<b>1.1%</b>
-Fixed Voice Lines <sup>1</sup> (mn)	10.3	9.8	9.6	(6.3%)	(1.6%)
-Naked DSL Lines (mn)	2.6	3.1	3.4	32.1%	9.2%
<b>Fixed Voice ARPU (TL)</b>	<b>23.4</b>	<b>23.3</b>	<b>23.2</b>	<b>(1.1%)</b>	<b>(0.5%)</b>
<b>Broadband Total Subscribers (mn)</b>	<b>8.0</b>	<b>8.4</b>	<b>8.7</b>	<b>8.6%</b>	<b>3.1%</b>
-FTTH/B Subscribers ('000)	768	828	869	13.0%	4.9%
-FTTC Subscribers ('000)	696	1,020	1,143	64.1%	12.0%
<b>Broadband ARPU (TL)</b>	<b>41.6</b>	<b>42.6</b>	<b>44.7</b>	<b>7.3%</b>	<b>4.9%</b>
<b>Total Tivibu Subscribers<sup>2</sup> (mn)</b>	<b>1.9</b>	<b>1.9</b>	<b>2.0</b>	<b>7.1%</b>	<b>3.4%</b>
-Tivibu Home Subscribers <sup>3</sup> ('000)	384	590	677	76.2%	14.8%
<b>Tivibu Home ARPU (TL)</b>	<b>19.9</b>	<b>18.7</b>	<b>19.2</b>	<b>(3.3%)</b>	<b>2.9%</b>
<b>Mobile Total Subscribers (mn)</b>	<b>17.3</b>	<b>18.4</b>	<b>18.6</b>	<b>7.5%</b>	<b>1.0%</b>
-Mobile Postpaid Subscribers (mn)	8.7	9.5	9.8	12.4%	3.3%
-Mobile Prepaid Subscribers (mn)	8.5	8.9	8.8	2.6%	(1.4%)
<b>Mobile Blended ARPU (TL)</b>	<b>23.8</b>	<b>26.0</b>	<b>26.1</b>	<b>9.7%</b>	<b>0.6%</b>
Mobile Postpaid ARPU (TL)	31.7	33.9	34.0	7.4%	0.5%
Mobile Prepaid ARPU (TL)	15.3	16.8	17.1	11.6%	1.4%

(1) Includes PSTN and WLR Lines

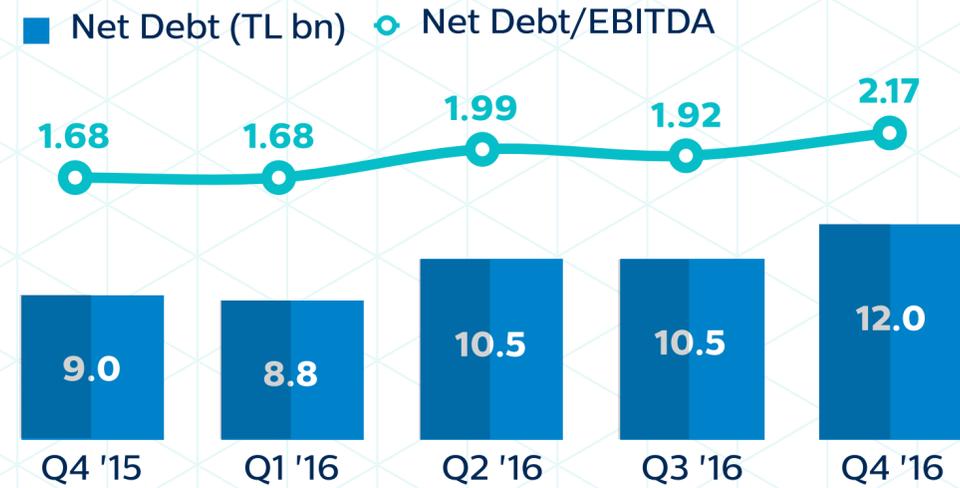
(2) Includes IPTV, DTH, and Tivibu Go (Web TV + Smart TV) subscribers

(3) Includes IPTV and DTH subscribers



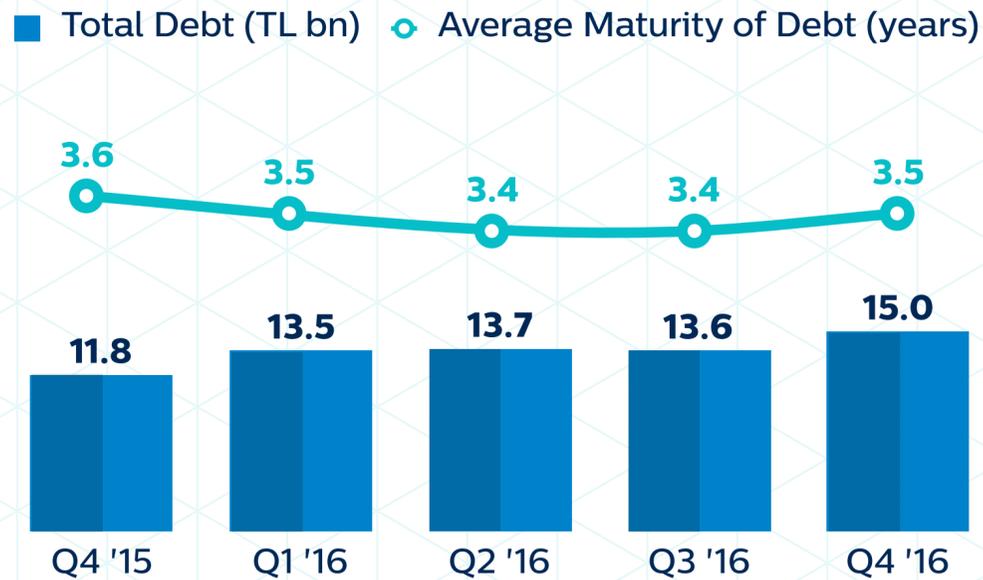
# Debt Profile

## Net Debt

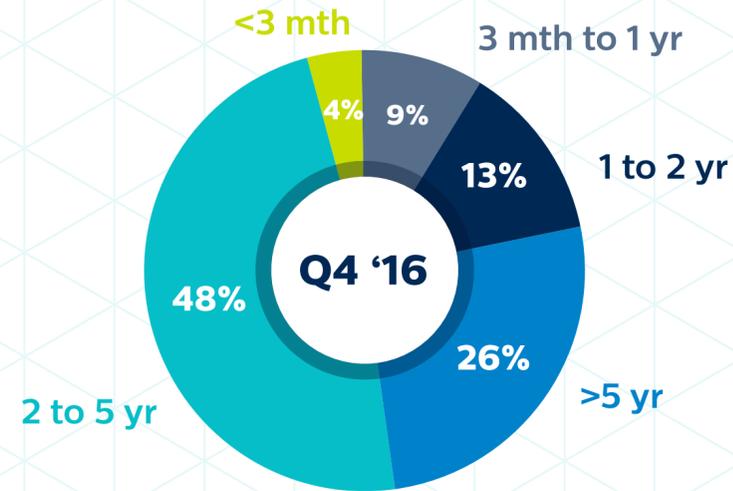


Note: As of Dec-16, EBITDA in Net Debt/EBITDA calculation excludes extraordinary claims

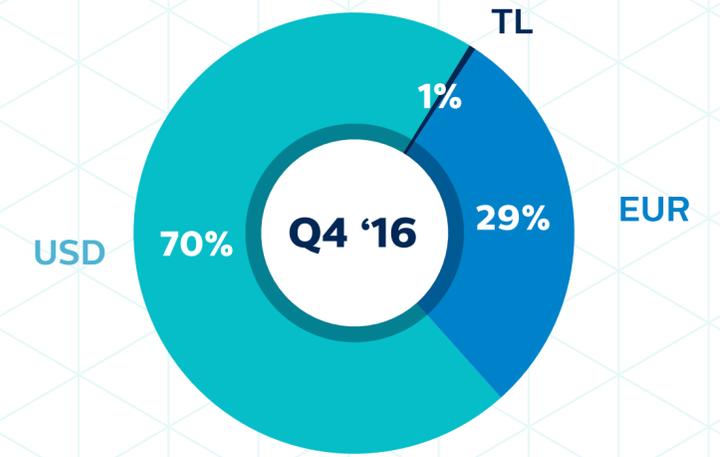
## Average Maturity of Debt



## Maturity Profile

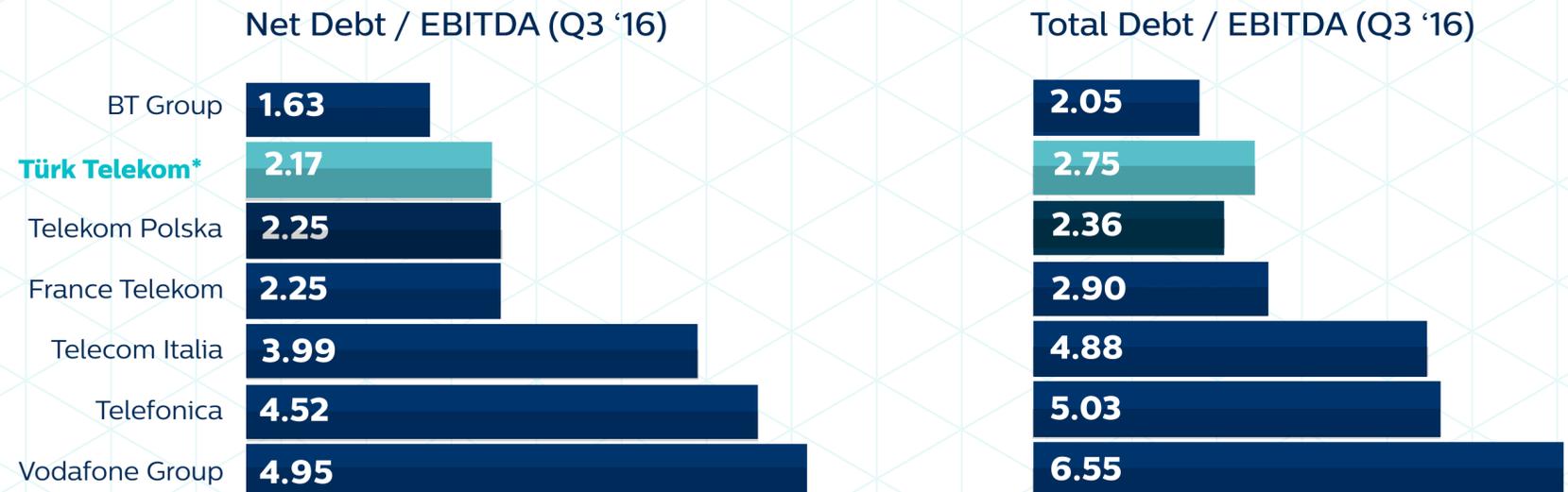


## Debt Breakdown



Note: Hedging activities are available on financial footnotes

## Low debt burden compared to peers



\*Türk Telekom's ratios are calculated from Q4'16 numbers

# Guidance

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

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

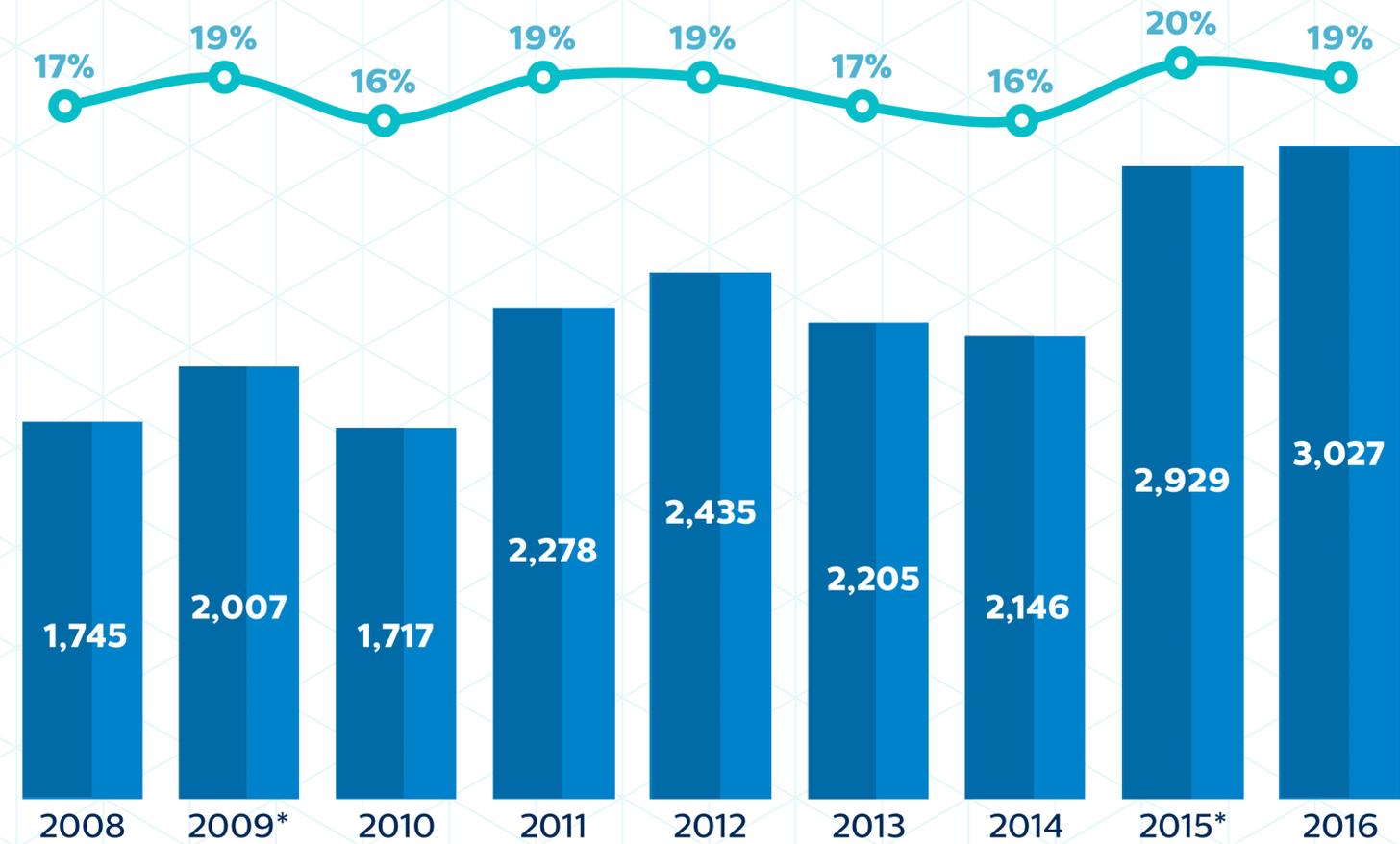
(2) Excluding license fees

# Capex

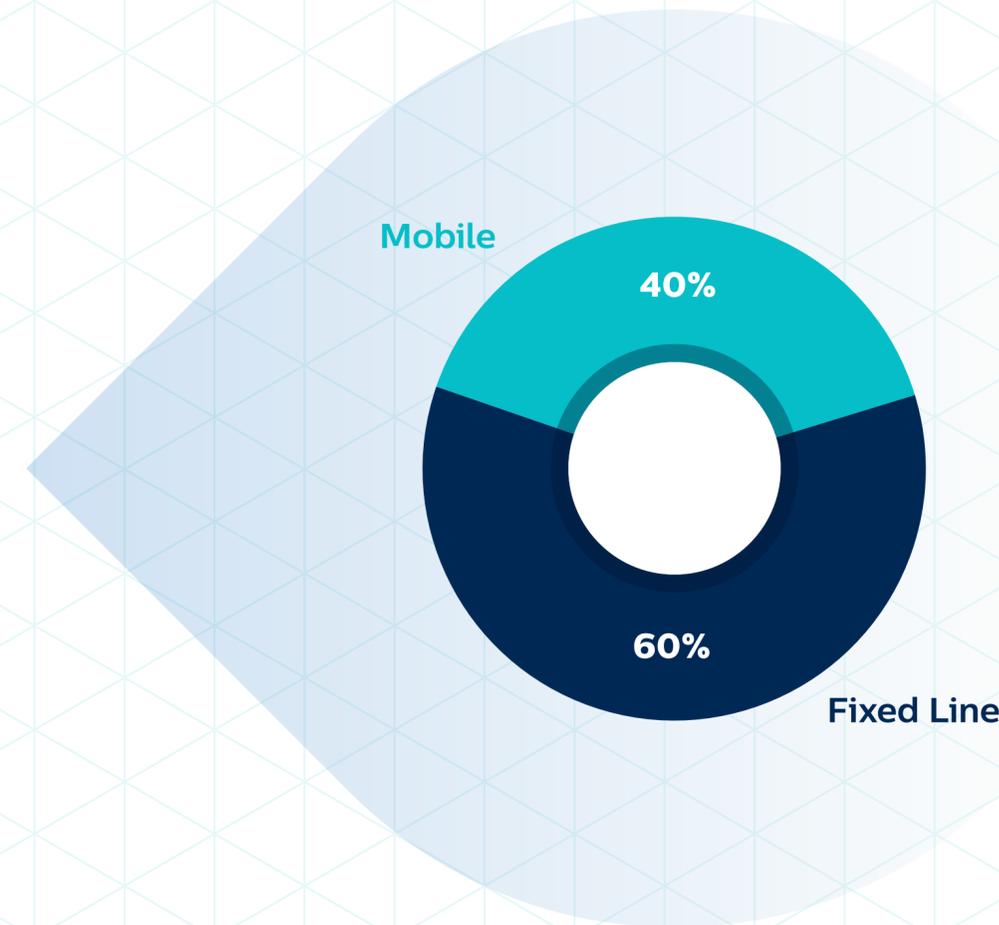
- ▶ Major Capex areas are fiber network roll-out in fixed line and network investments in mobile
- ▶ Türk Telekom's length of total fiber in Turkey is **228K kilometers** as of Q4 '16

## Capex & Capex / Sales

■ CAPEX (TL mn)    ● CAPEX/Sales



\* Capex figures exclude license fees



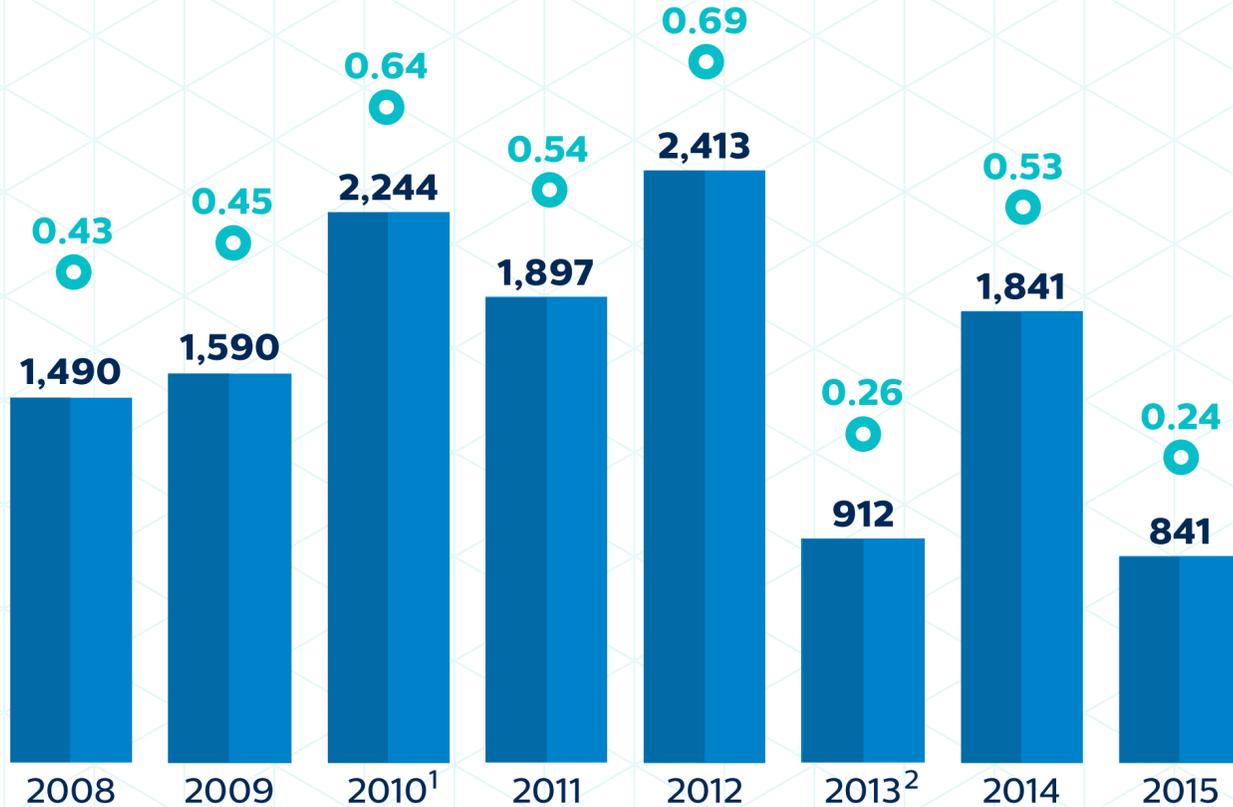
# Shareholder Remuneration



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

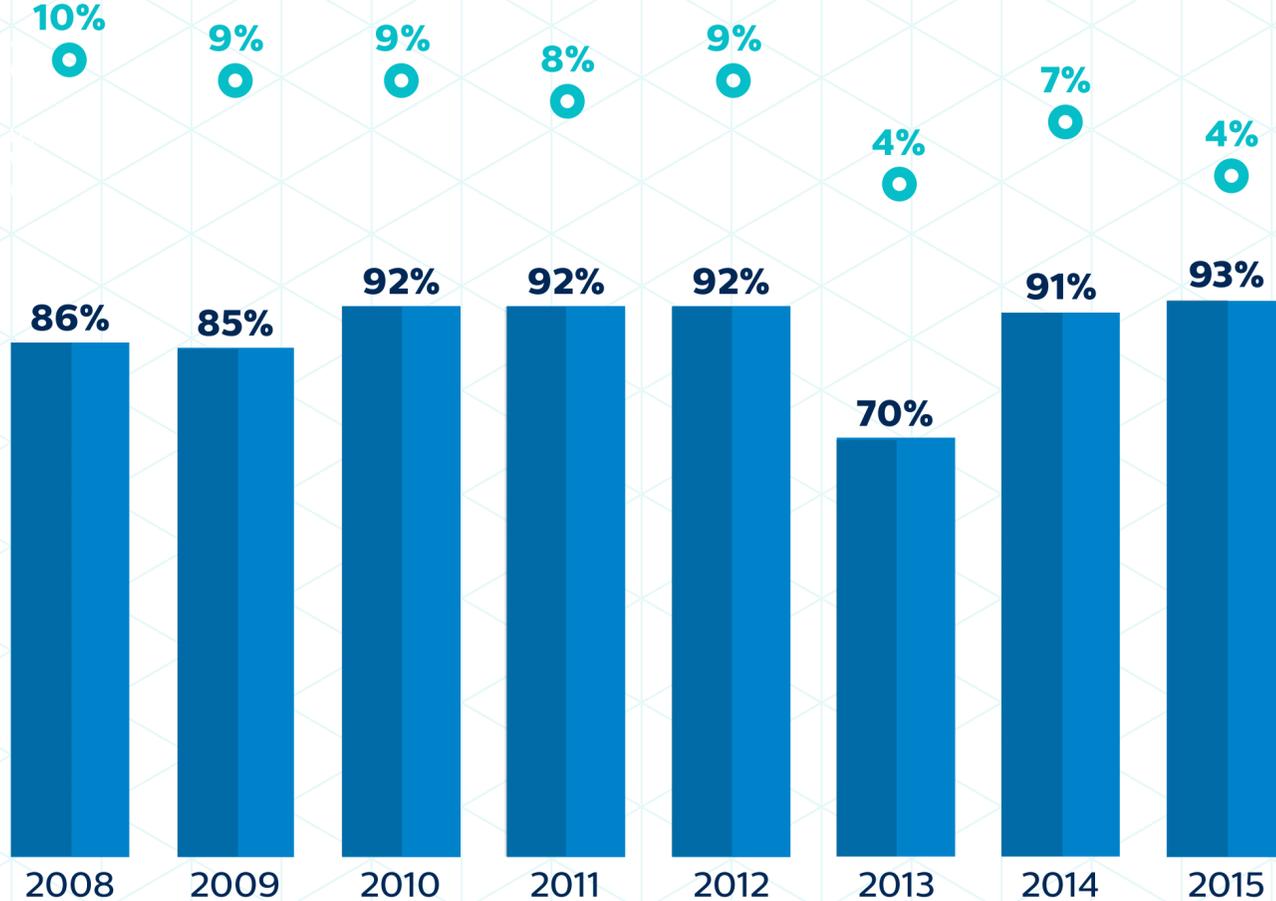
## Dividend Distribution

■ Dividend (TL mn)



## Dividend 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

# 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**

**ASSIST**

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

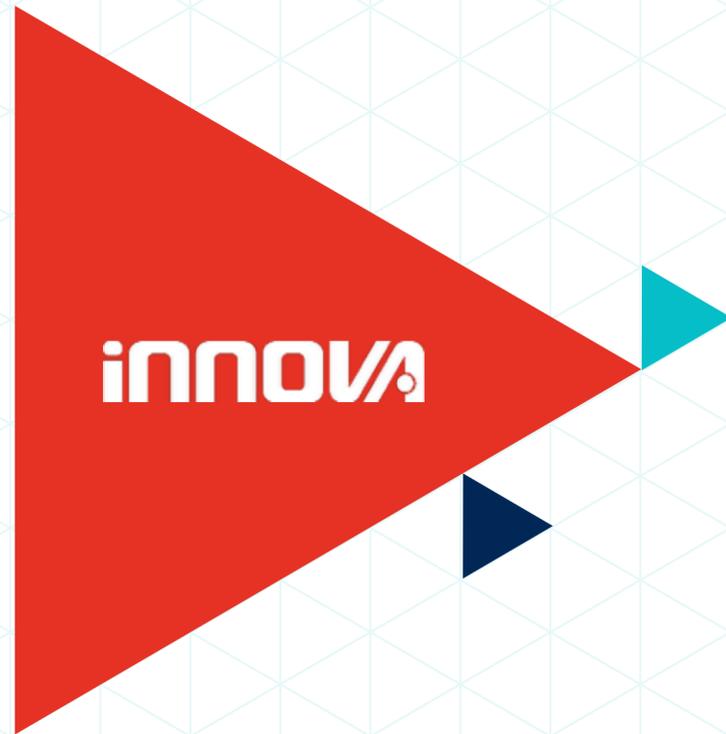
**sebit**

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.S., and Avea İletişim Hizmetleri A.Ş. legal entities remain intact

# Group Companies

---



## Innova

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



# Group Companies



## Argela

▶ R&D and innovation company focusing on the next-generation telecommunications technologies field and developing intellectual property for enabling technologies for 5G

▶ Leading projects;

▶ **ProgRAN**; fully programmable, software defined networking (SDN)-based Radio Access Network solution for LTE and 5G developed by Argela. The company submitted **28 patent applications** so far under the project

▶ **Partner of Turkey's first and only 4G-LTE/5G base station development project "ULAK"**, which will make national production of the next generation mobile communications infrastructures possible

▶ **MILAT Project**; which will enable cybersecurity and cyber defense mechanisms to enhance public security



# Group Companies

---



## Sebit

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



# Group Companies

---



## Assistt

- ▶ Strategic partner for leading private enterprises and large public institutions providing traditional call center services as well as value added services for their sales and marketing activities
- ▶ Call center for MHRS9, the ninth phase of the “Turkish Ministry of Health Centralized Hospital Appointment System” project, viewed as one of the largest call center projects
- ▶ Contributor to Turkey’s economic development serving in 18 cities and 24 centers throughout Turkey with more than 10 thousand employees
- ▶ Ranked first in the category of “Best Contact Center” in the Contact Center World Awards 2016, one of the most prestigious award in call center sector



# Group Companies

---



## Türk Telekom International

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





# Appendix



# Corporate Credit Rating

Investment grade from Fitch and S&P



## Fitch Ratings

**BBB - Rating**

Negative Outlook

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

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

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



## S&P Global Ratings

**BBB - Rating**

Negative Outlook

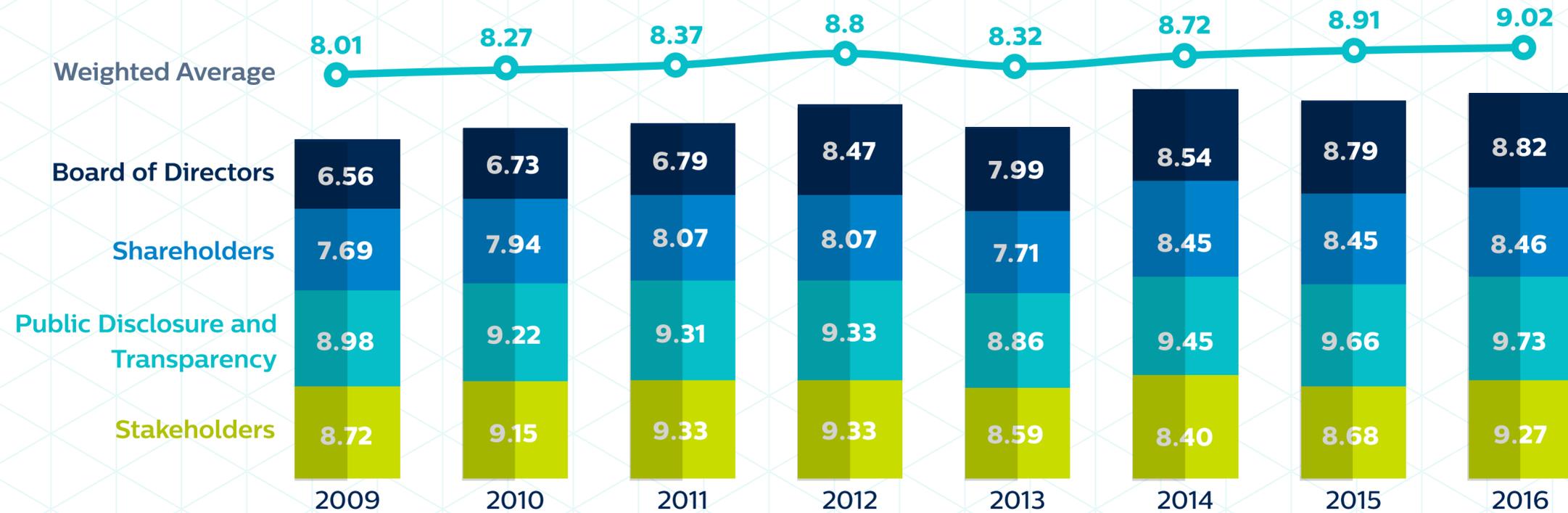
Strong leadership position in domestic fixed-line business

Good growth prospects, solid profitability

# Corporate Governance and Sustainability

## Demonstrates exemplary practices

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



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

# Organization Chart



■ CEO   
 ■ CXO   
  Coordinator   
 ■ Director



■ AGM   
 ■ Director

# Turkey at a Glance

	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
<b>GDP (USD bn)</b>	732	774	786	823	799	720	726	756	815
<b>GDP per Capita (USD)</b>	10,003	10,428	10,459	10,822	10,395	9,257	9,243	9,529	10,164
<b>Real GDP Growth</b>	9.2%	8.8%	2.1%	4.2%	3.0%	4.0%	3.2%	4.4%	5.0%
<b>CPI (year-end)</b>	6.4%	10.5%	6.2%	7.4%	8.2%	8.8%	8.5%*	6.5%	5.0%
<b>Unemployment (12m avg.)</b>	11.1%	9.1%	8.4%	9.0%	9.9%	10.3%	10.9%*	10.2%	10.1%
<b>Population (mn)</b>	73.7	74.7	75.6	76.7	77.7	78.7	79.8*	79.4	80.2

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

# Regulatory Actions

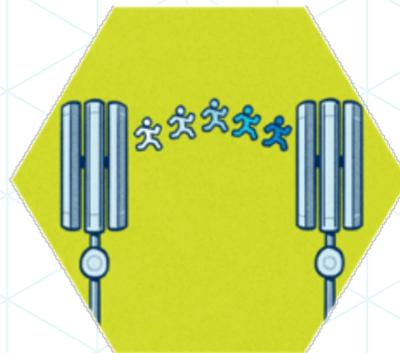
- ▶ **April**
  - Interconnection rate decrease in Fixed (10%) and Mobile (33%)
- ▶ **November**
  - 3G tender held
  - Mobile Number Portability introduced
  - New Electronic Communications Law passed



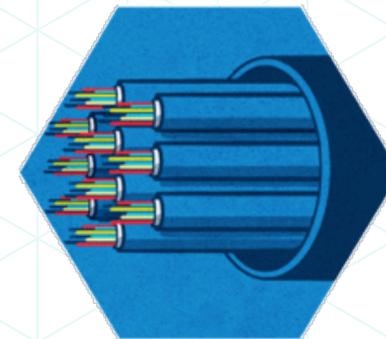
**2009**

- ▶ **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

- ▶ **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

# Telekom History



# Notes



# Notes



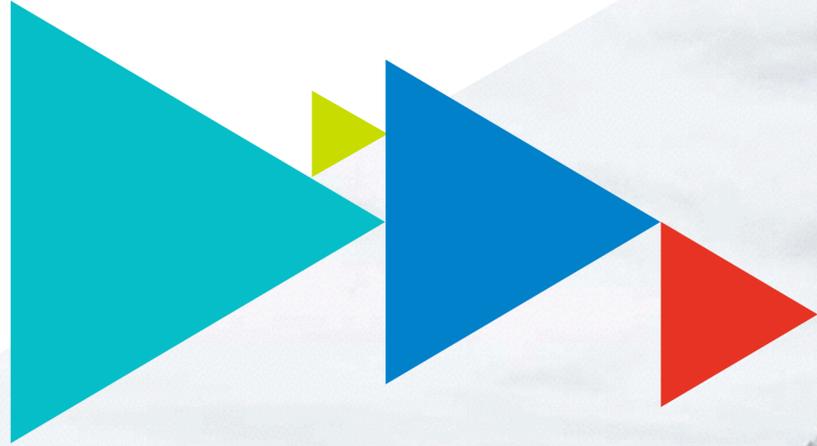
# Notes



# Notes



# Thank you



**Türk Telekom Investor Relations**

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

+90 212 309 96 30

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

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