

# Investor Presentation

2019 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  
11 CONSECUTIVE  
YEARS**



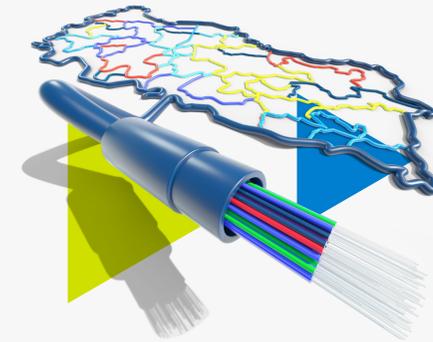
**2<sup>nd</sup> player**  
in TV market



**46%**  
**fiber connected  
LTE Base Stations**



**92%**  
**LTE**  
Population Coverage



**295K km**  
fiber network in  
**81 cities**



**20.3 mn**  
**Fiber Homepass\***

\*Homepass includes FTTC & FTTH/B

# Strategy

## Growth

**Increase the household reach through fixed and mobile and grow the subscriber base, while maintaining profitability**

- ▶ Grow fast fixed broadband and increase penetration
- ▶ Strengthen mobile operations and grow the subscriber base
- ▶ Enhance TV reach, increase wireless household reach & support mobile
- ▶ Protect access lines
- ▶ Synergy offers and cross-sales

### **Value Creation with Value Added Services on top of Core Services**

- ▶ Ensure availability of technology services for a broad customer base
- ▶ Provision of digital transformation across the entire value chain
- ▶ Value creation through subsidiaries

## Efficiency

### **Cost Control**

- ▶ Focus on a simple and effective portfolio
- ▶ Sales channels and customer services / Utilization of online and alternative channels
- ▶ Disciplined management of Capex, effective cost control and more efficient use of existing assets

### **Preparation for the technological transformation**

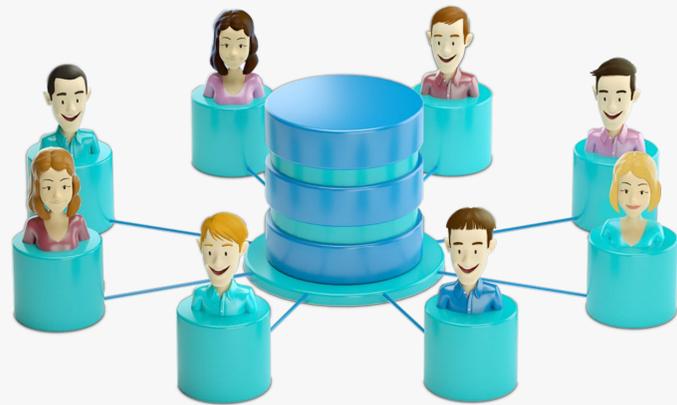
- ▶ Enable lean technologies - commercialization of SDN and NFV technologies
- ▶ Prepare for the redesign of fixed and mobile assets

## Customer Experience

# Strongest Position in Multiplay Offers

**79%**

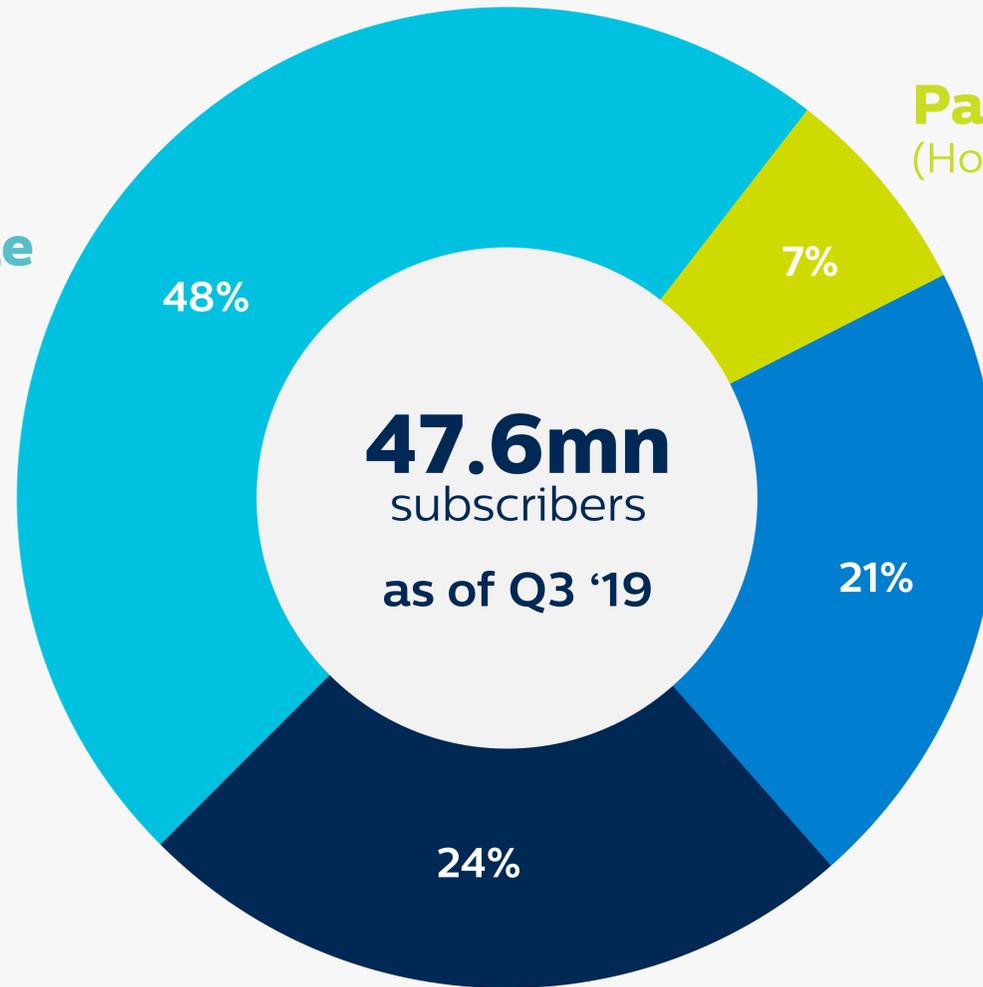
of customers consented for sharing of their info among our group companies



**3.8ppt** YoY increase in multi product ownership to **63%\***

\*Among constant customer sub-universe that provided consent last year

**Mobile**



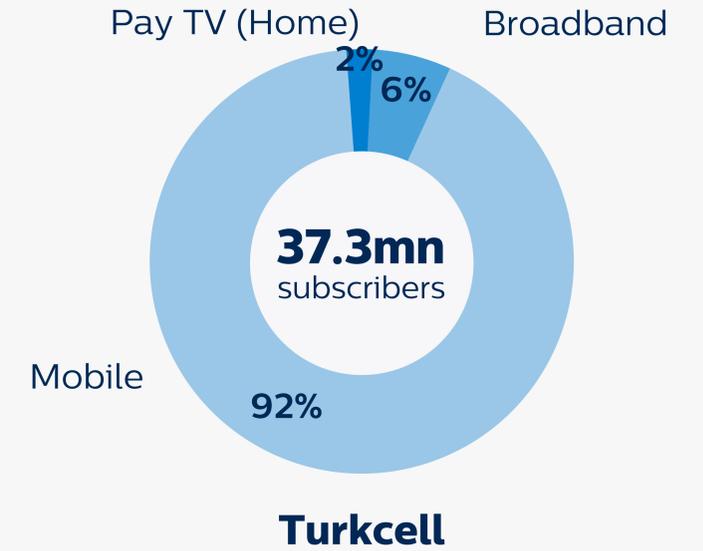
**47.6mn**  
subscribers  
as of Q3 '19

**Broadband**

**Türk Telekom**

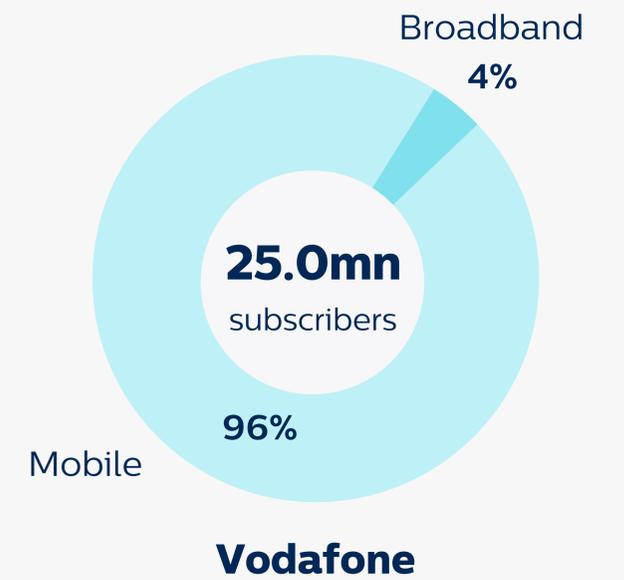
**Pay TV**  
(Home and GO)

**Fixed Voice**



**37.3mn**  
subscribers

**Turkcell**

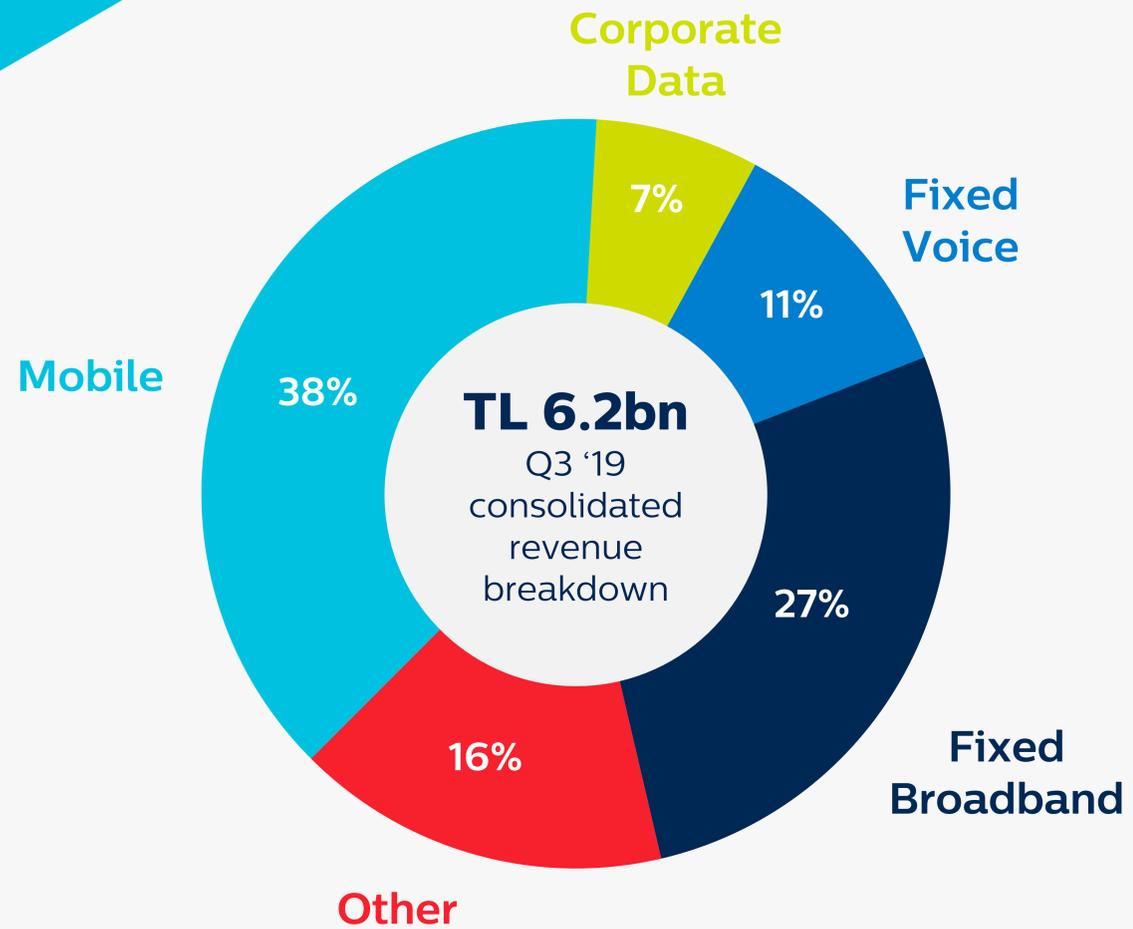


**25.0mn**  
subscribers

**Vodafone**

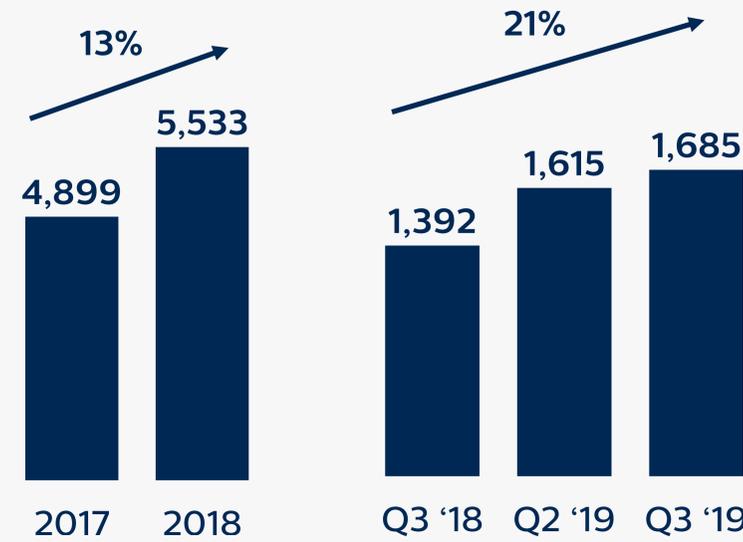
Turkcell and Vodafone data are from their own publications as of Q3 '19.

# Focused on High Growth Areas



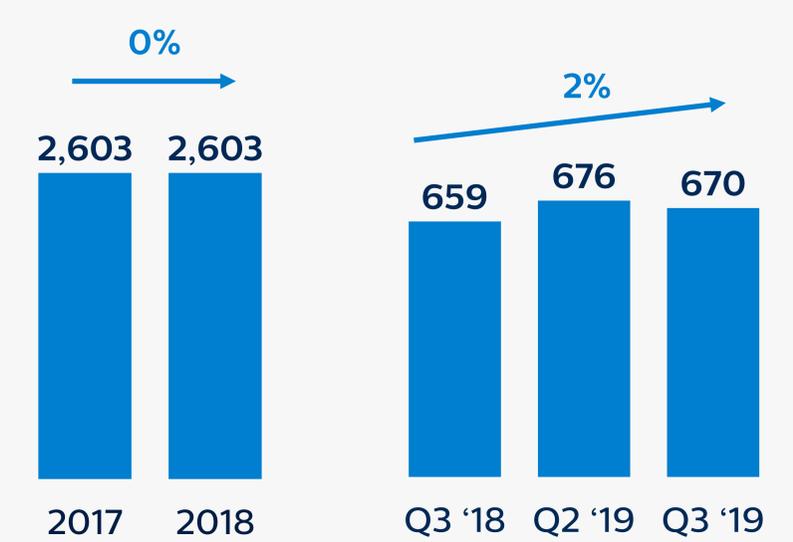
## Fixed Broadband

(TL mn)



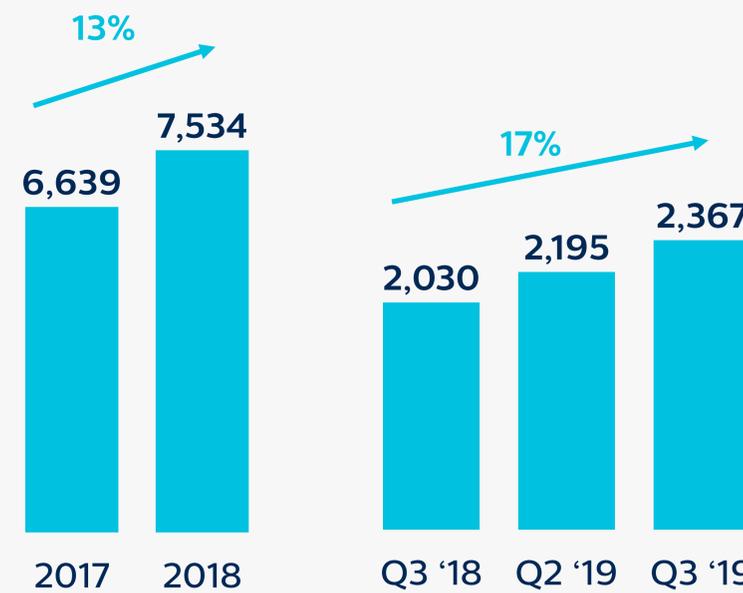
## Fixed Voice

(TL mn)



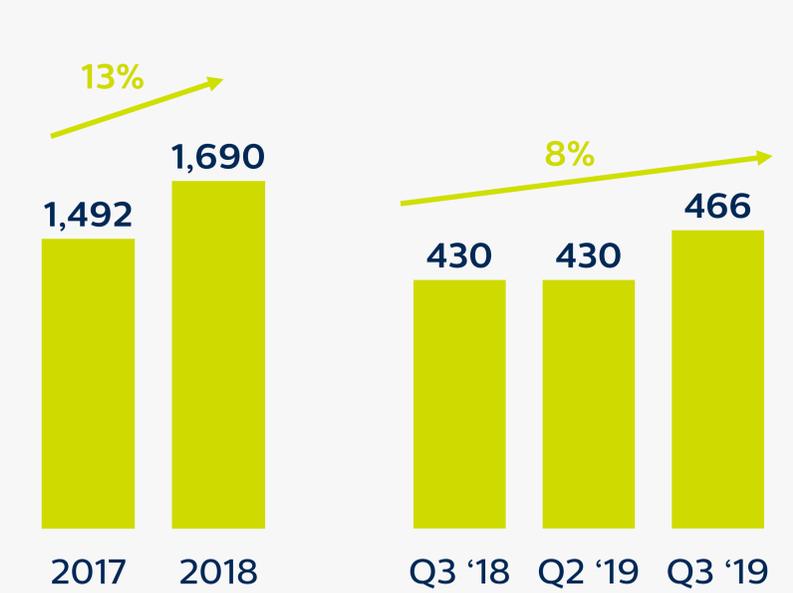
## Mobile

(TL mn)



## Corporate Data

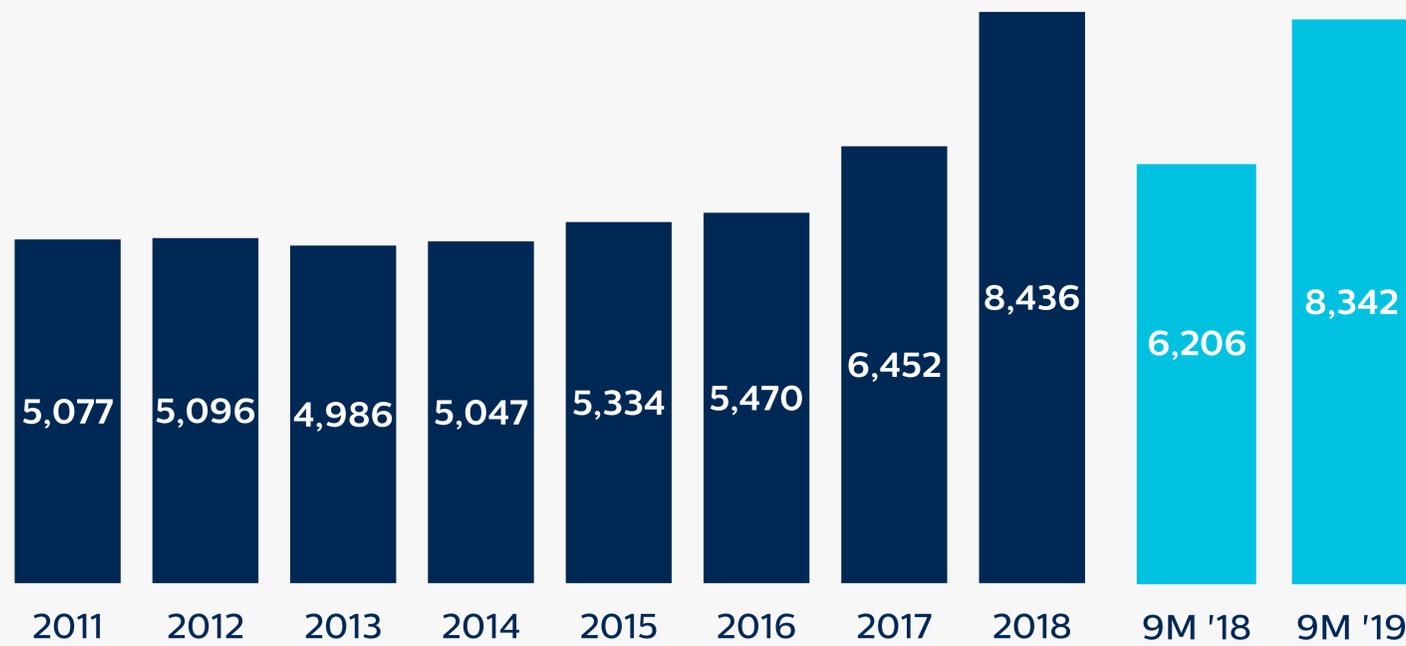
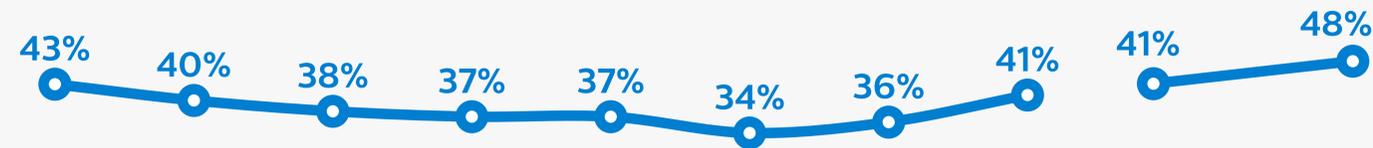
(TL mn)



# Turnaround in EBITDA Margin

## Consolidated

■ EBITDA (TL mn) ● EBITDA Margin



## Fixed Segment

■ EBITDA (TL mn) ● EBITDA Margin



## Mobile Segment

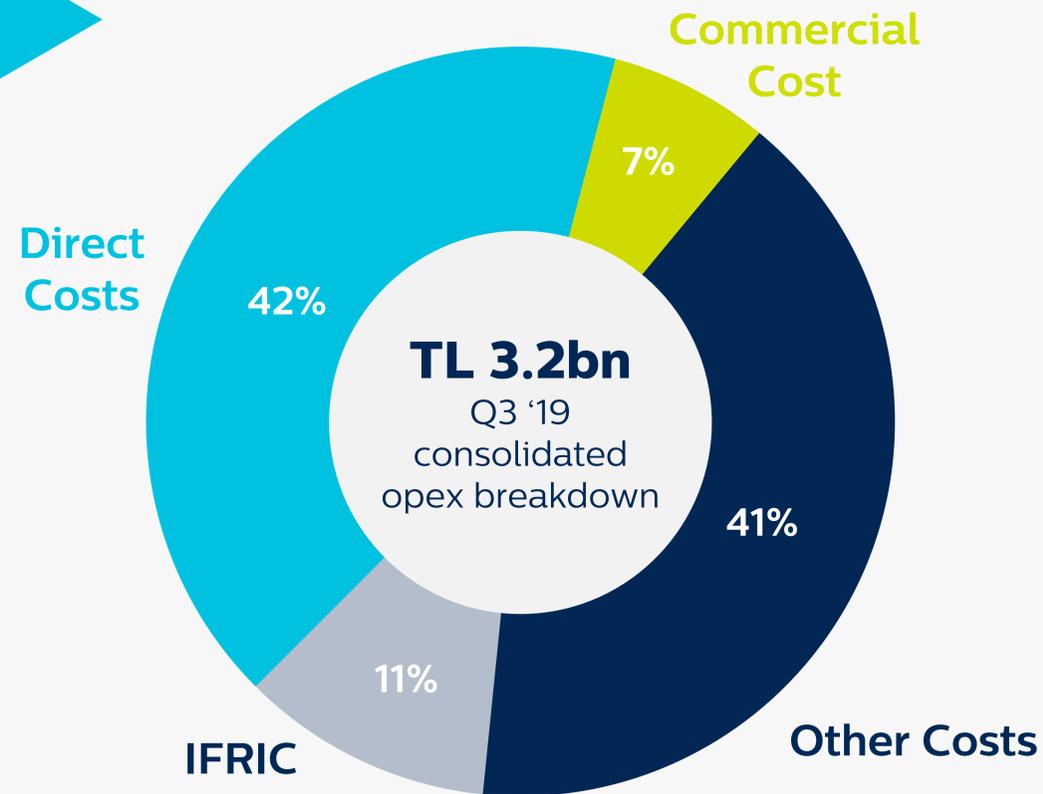
■ EBITDA (TL mn) ● EBITDA Margin



Türk Telekom adopted IFRS 15 and IFRS 16 accounting standards starting from 1 January 2018 and 1 January 2019, respectively. For further details please refer to "Financial Footnotes" & "Summary Financial and Operational xls" on our web site.

Includes TT Ödeme ve Elektronik Para Hizmetleri A.Ş.

# Focus on Efficiency

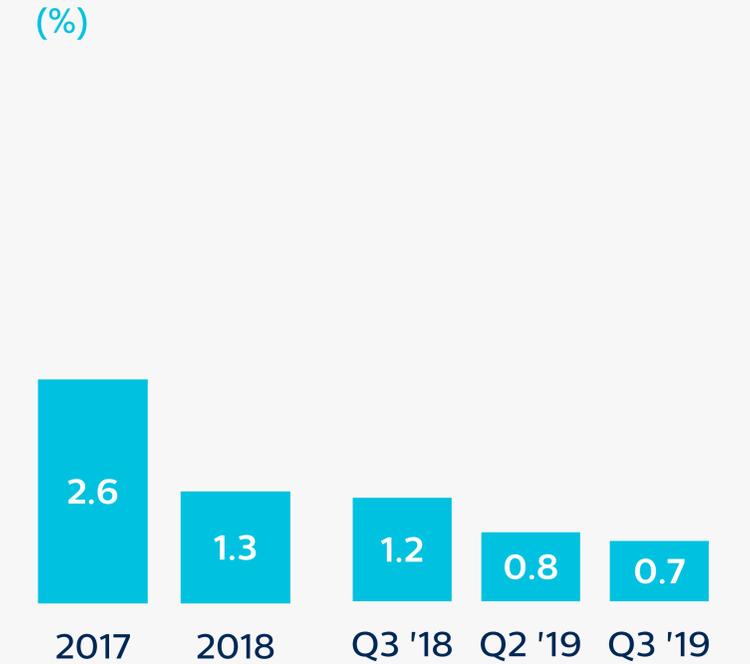


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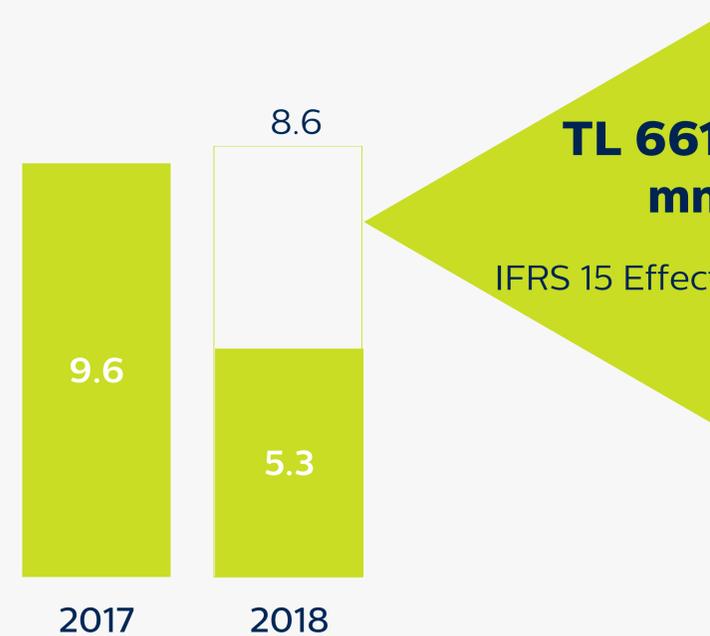
## Personnel Expense to Sales (%)



## Provision for Doubtful Receivables to Sales (%)



## Commercial Cost to Sales (%)



# Financial Performance

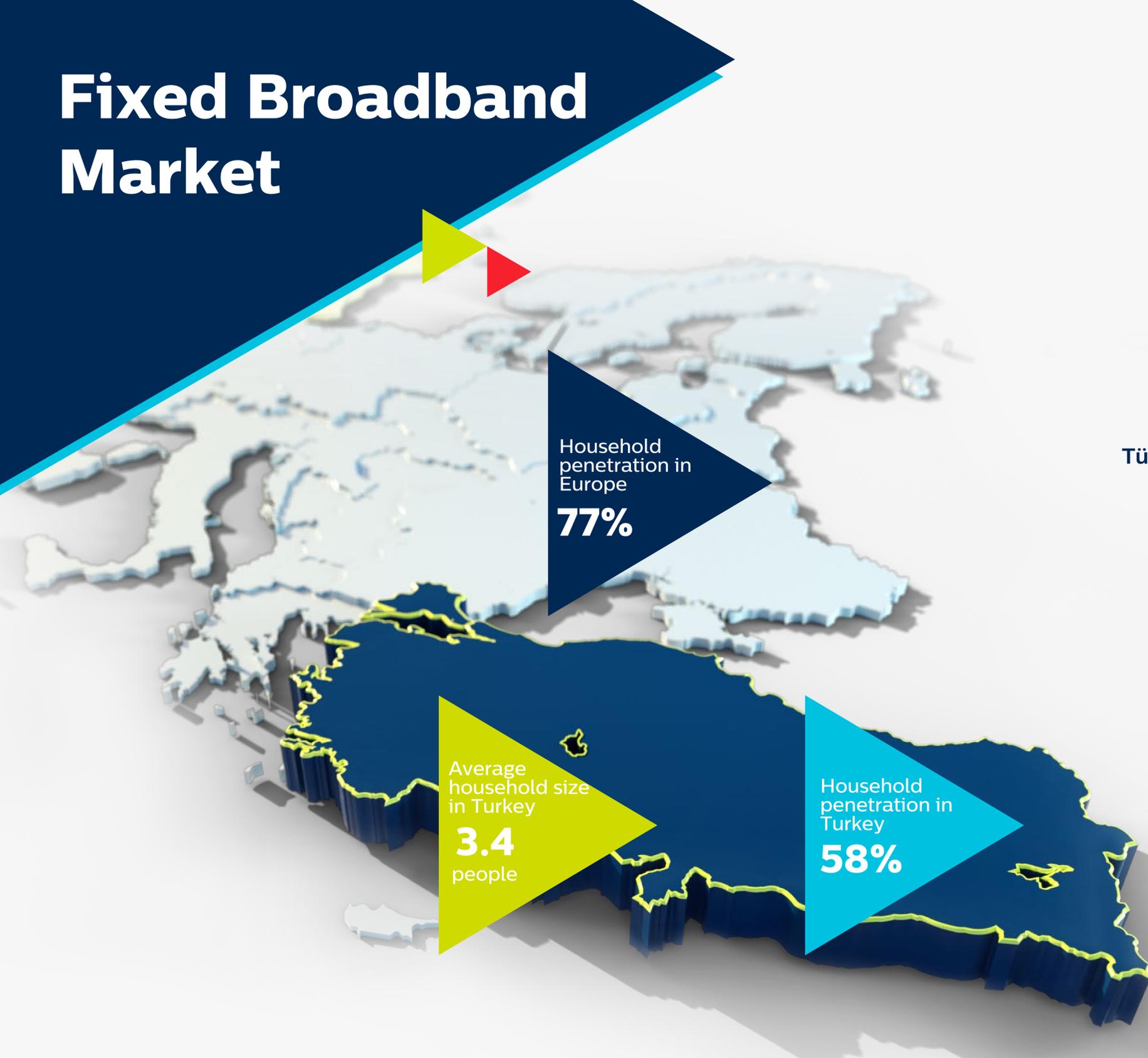
(TL mn)	2018 Q3	2019 Q2	2019 Q3	Growth (QoQ)	Growth (YoY)
<b>Revenue</b>	<b>5,396</b>	<b>5,760</b>	<b>6,210</b>	<b>7.8%</b>	<b>15.1%</b>
Revenue (exc. IFRIC12) <sup>1</sup>	5,154	5,516	5,824	5.6%	13.0%
<b>EBITDA</b>	<b>2,267</b>	<b>2,681</b>	<b>3,005</b>	<b>12.1%</b>	<b>32.6%</b>
EBITDA Margin	42.0%	46.5%	48.4%		
<b>Operating Profit</b>	<b>1,305</b>	<b>1,510</b>	<b>1,822</b>	<b>20.7%</b>	<b>39.6%</b>
<b>Net Income</b>	<b>(2,846)</b>	<b>435</b>	<b>1,117</b>	<b>157.0%</b>	<b>n.m.</b>
<b>CAPEX</b>	<b>1,219</b>	<b>930</b>	<b>1,223</b>	<b>31.6%</b>	<b>0.4%</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

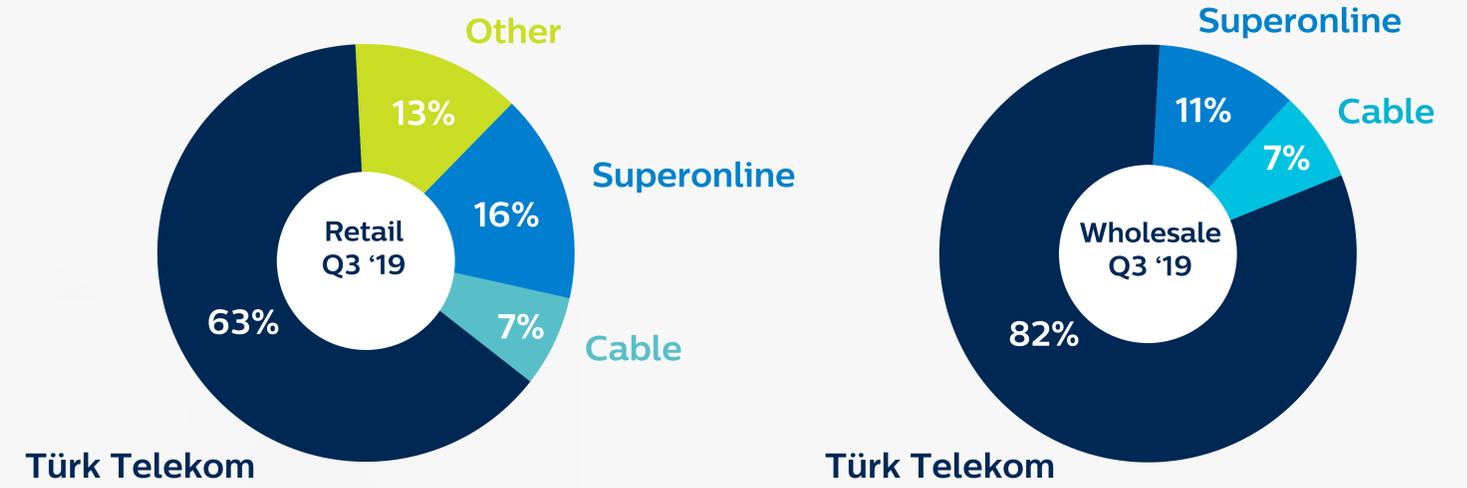
Türk Telekom adopted IFRS 16 accounting standards starting from 1 January 2019. For further details please refer to "Financial Footnotes" & "Summary Financial and Operational xls" on our web site.

# **Business Lines**

# Fixed Broadband Market

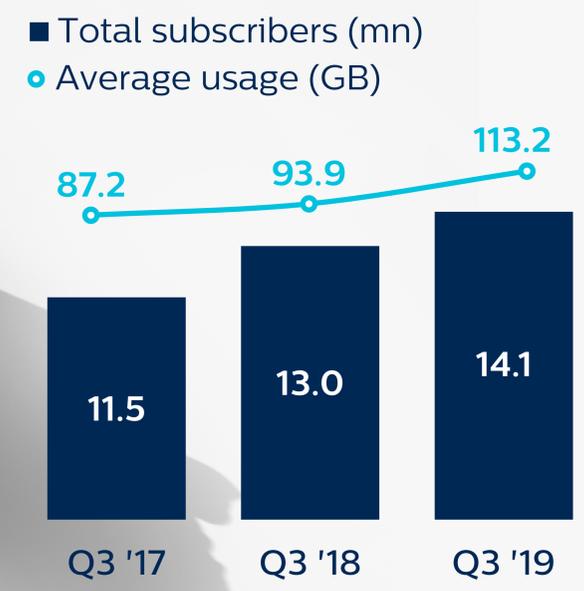


## Subscriber Market Share



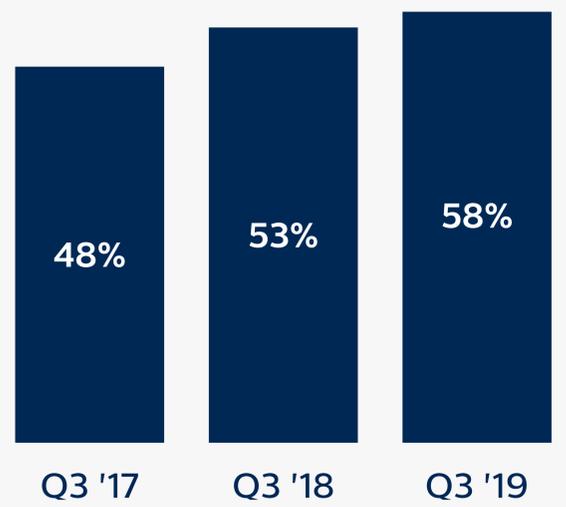
Source: Other operators' data are from ICTA

## Subscribers & Avg. Monthly Data Usage



Source: ICTA

## Household Penetration



Source: Analysys Mason, Q2'19 CEE&WE Telecom Matrix, TR data is from ICTA, Q3'19 Market Report  
European countries include Austria, Denmark, Finland, Italy, Bulgaria, Estonia and Romania

# Extensive Fiber Network

## Türk Telekom Fiber Network



## Superonline Fiber Network



- ▶ Presence in 21 cities of Turkey
- ▶ 43K km fiber length
- ▶ Wholesale customer of Türk Telekom

Based on Turkcell's own publications as of Q2'19

## Fiber Homepass (mn)

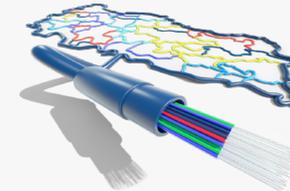


Fiber homepass includes FTTH/B & FTTC  
20.3mn homepass consists 5.9mn FTTH/B and 14.4mn FTTC

## Fiber Subscribers (thousands)



Fiber subscribers include FTTH/B & FTTC subscribers



- ▶ Unrivalled fiber network
- ▶ Strong prospects for monetization
- ▶ Best placed to benefit from move towards higher connection speeds
- ▶ Well-equipped to support 5G/small-cell deployment

# Fixed Broadband Performance



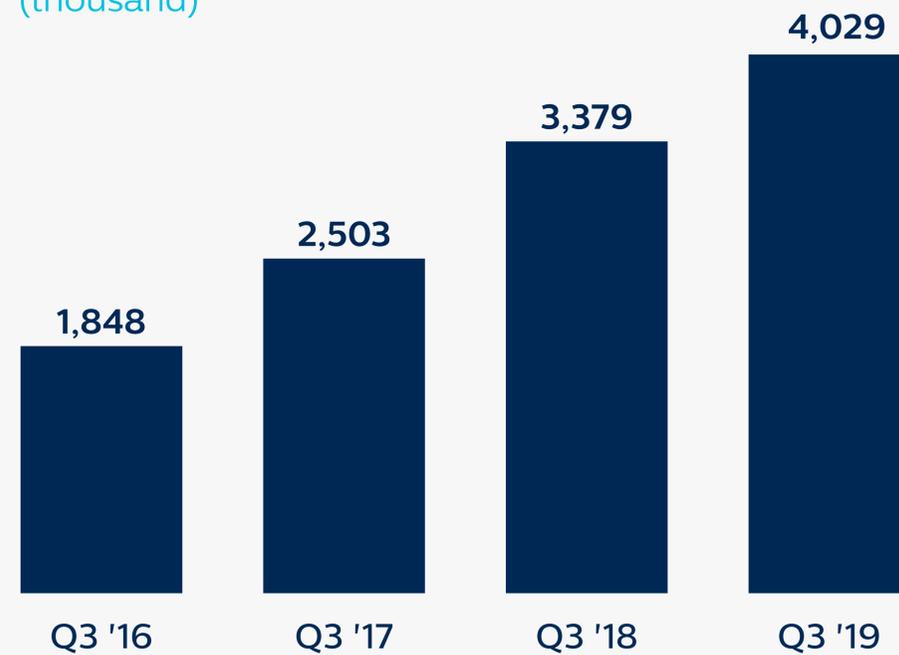
## ARPU & Subscribers

■ Subscribers (mn) ● ARPU (TL)



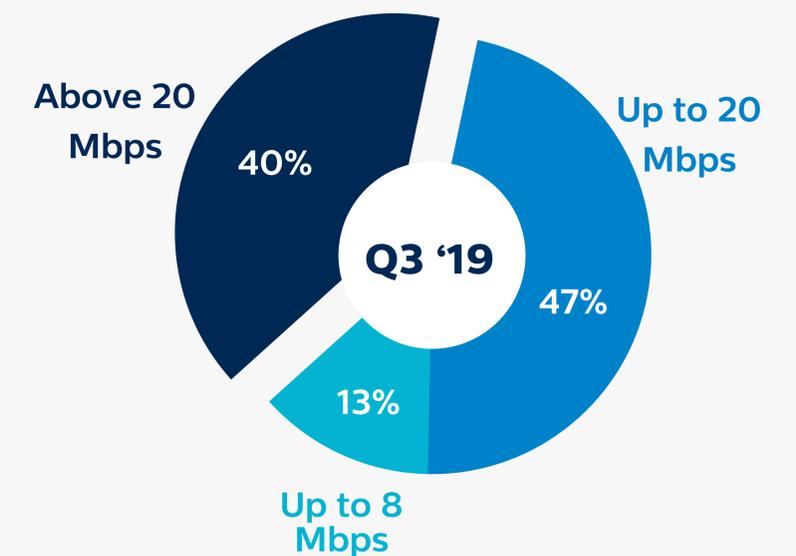
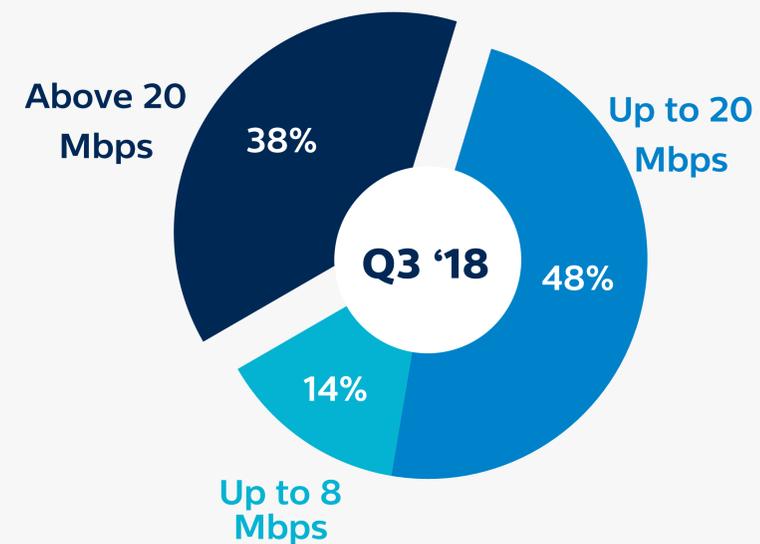
## Fiber Subscribers

(thousand)



## Speed Breakdown

(% of Subscribers)



Excluding Internet Bizden subscribers  
All figures are based on Türk Telekom's retail subscribers

# Mobile Market

Population penetration in Europe  
**131%**

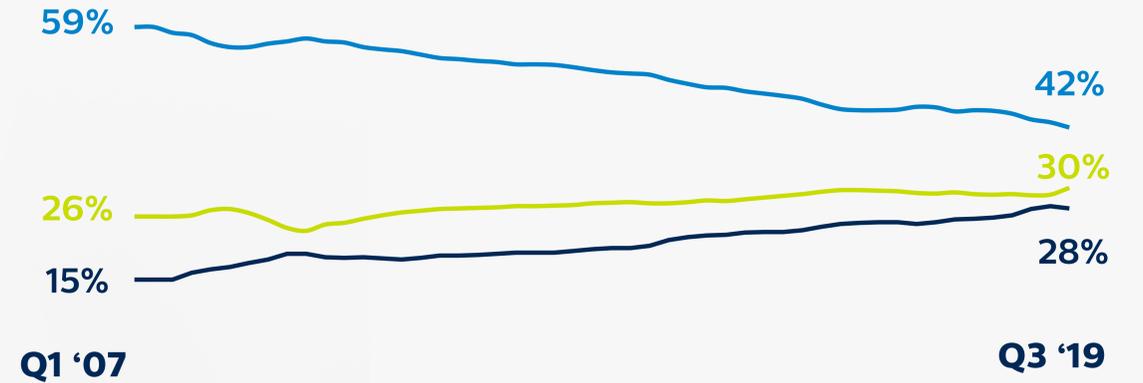
Mobile broadband population penetration in Europe  
**100%**

Mobile broadband population penetration in Turkey  
**77%**

Population penetration in Turkey  
**101%**

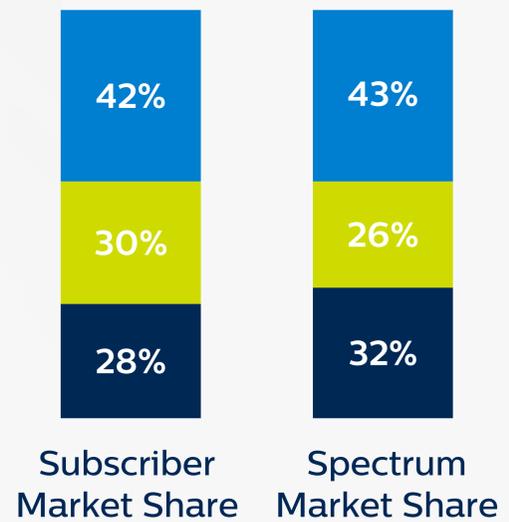
## Subscriber Market Share

-Türk Telekom -Vodafone -Turkcell



## Subscriber vs. Spectrum Market Share

■ Türk Telekom ■ Vodafone ■ Turkcell

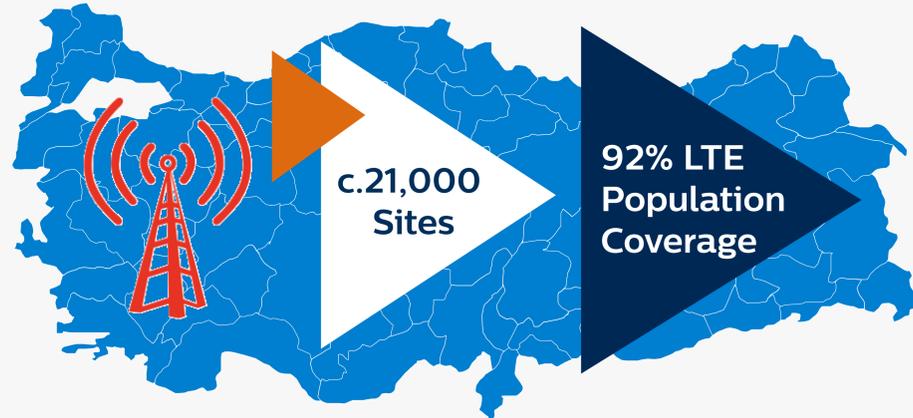


Source: ICTA, Q3 '19 Market Report  
European countries include: Finland, Denmark, Greece, Austria, Sweden, Portugal, Switzerland, Italy, Germany, Norway, Belgium, United Kingdom, Netherlands, Spain, France

Other operators' data are from their own publications as of Q3 '19

# Mobile Network

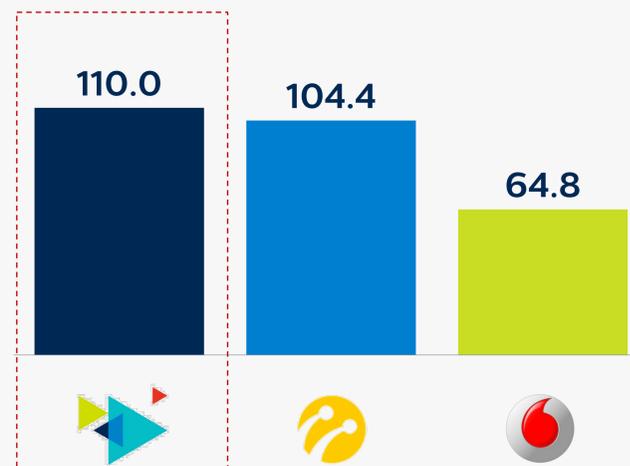
## Extensive Network Coverage



## Superior Spectrum Allocation

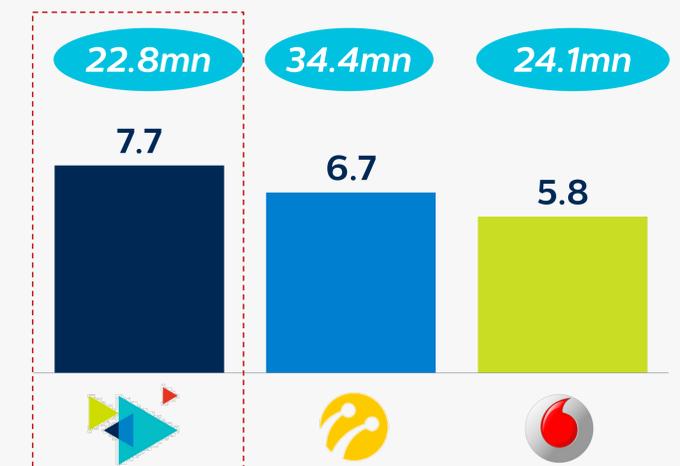


## Highest Share of 1,800 MHz and Below Frequencies

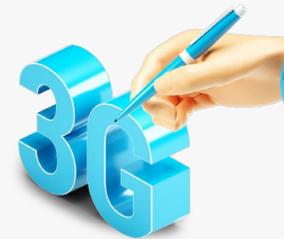


## Highest Spectrum Capacity Per Subscriber

(Hz/Subscriber)



Turkcell and Vodafone data are from their own publications  
As of Q2'19.



97% coverage



92% coverage



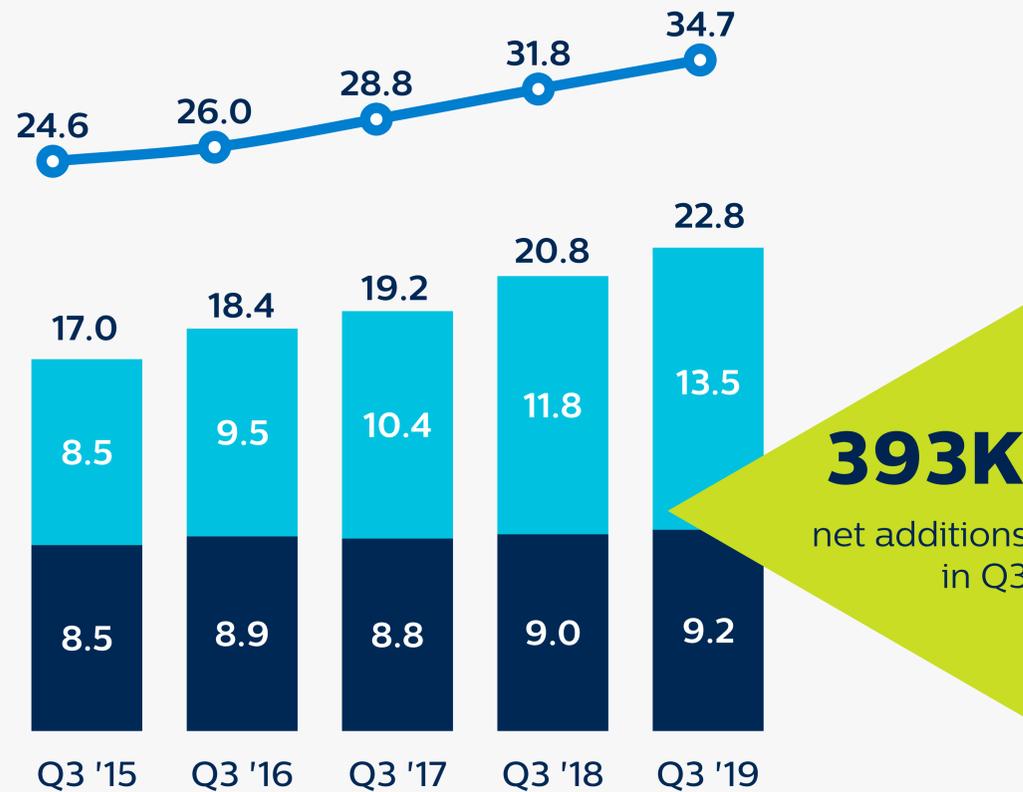
## Getting ready for 5G

via ongoing studies by Argela and TT on RAN slicing, NFV and SDN

# Mobile Performance

## Growing ARPU & Subscriber Base

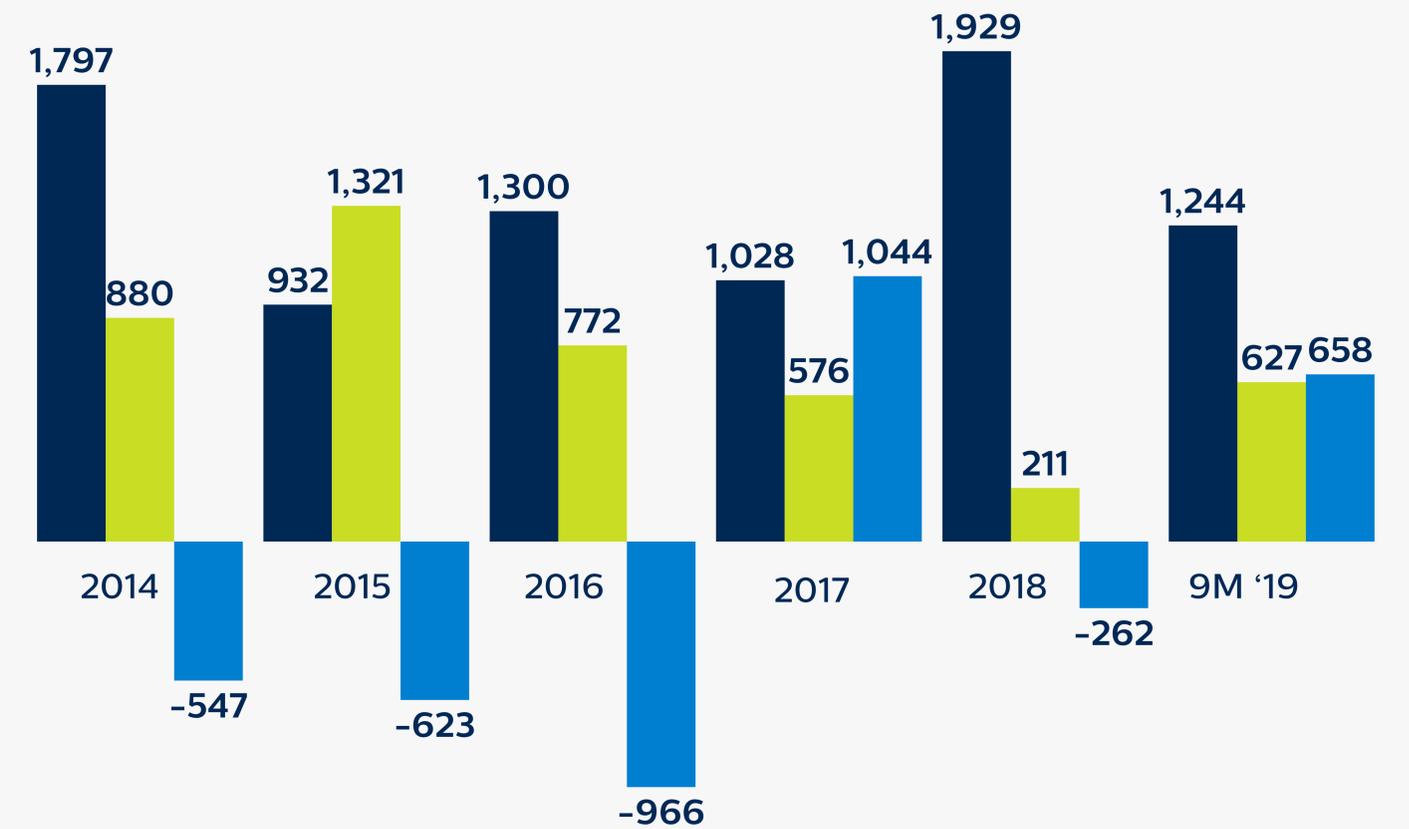
- Blended ARPU (TL)
- Prepaid (mn) ■ Postpaid (mn)



## Net Subscriber Additions

(thousand)

- Türk Telekom
- Vodafone
- Turkcell



Other operators' data are from their own publications.

# Mobile Data

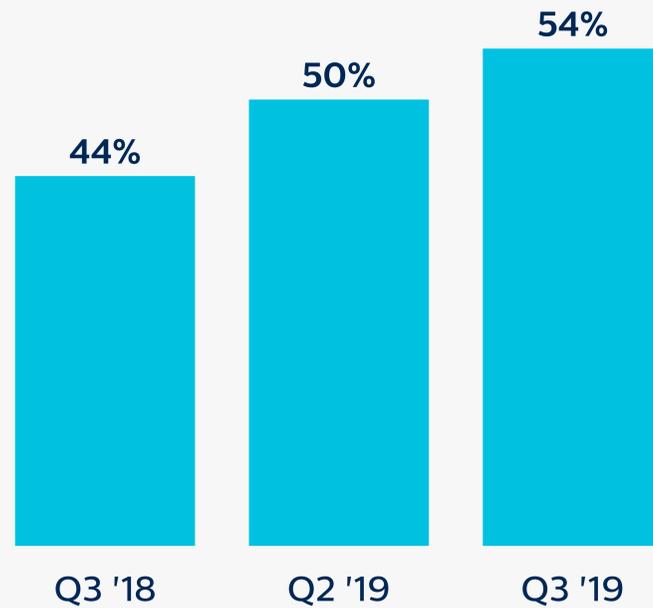
## Data Revenue

(Mobile service revenue share)

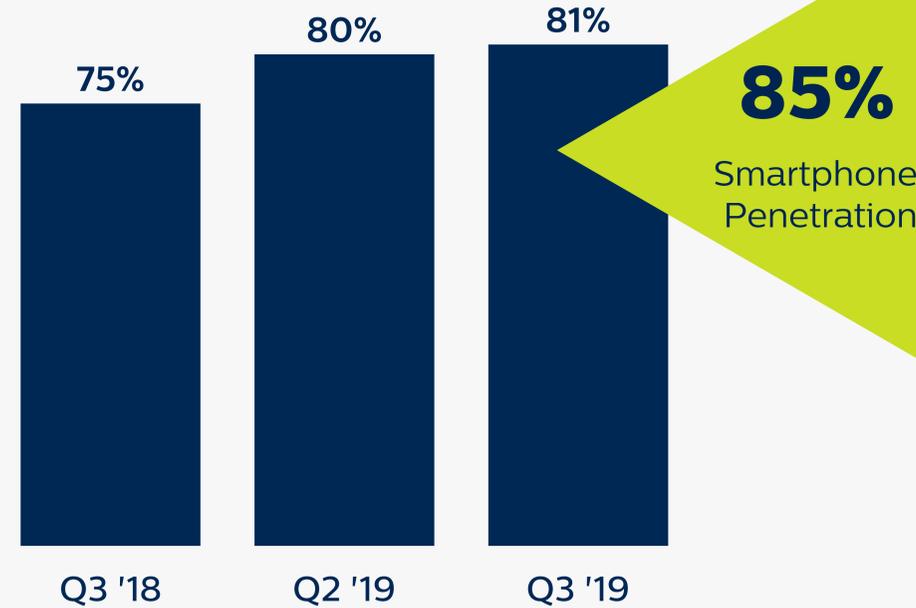


## LTE Users\*

(Total subscriber share)

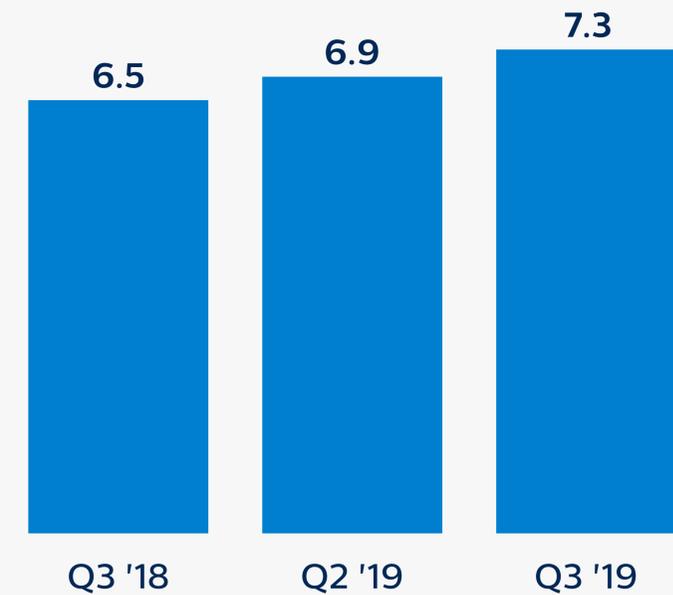


## LTE Compatible Smartphone\*\*



## Avg. Monthly Mobile Data Usage

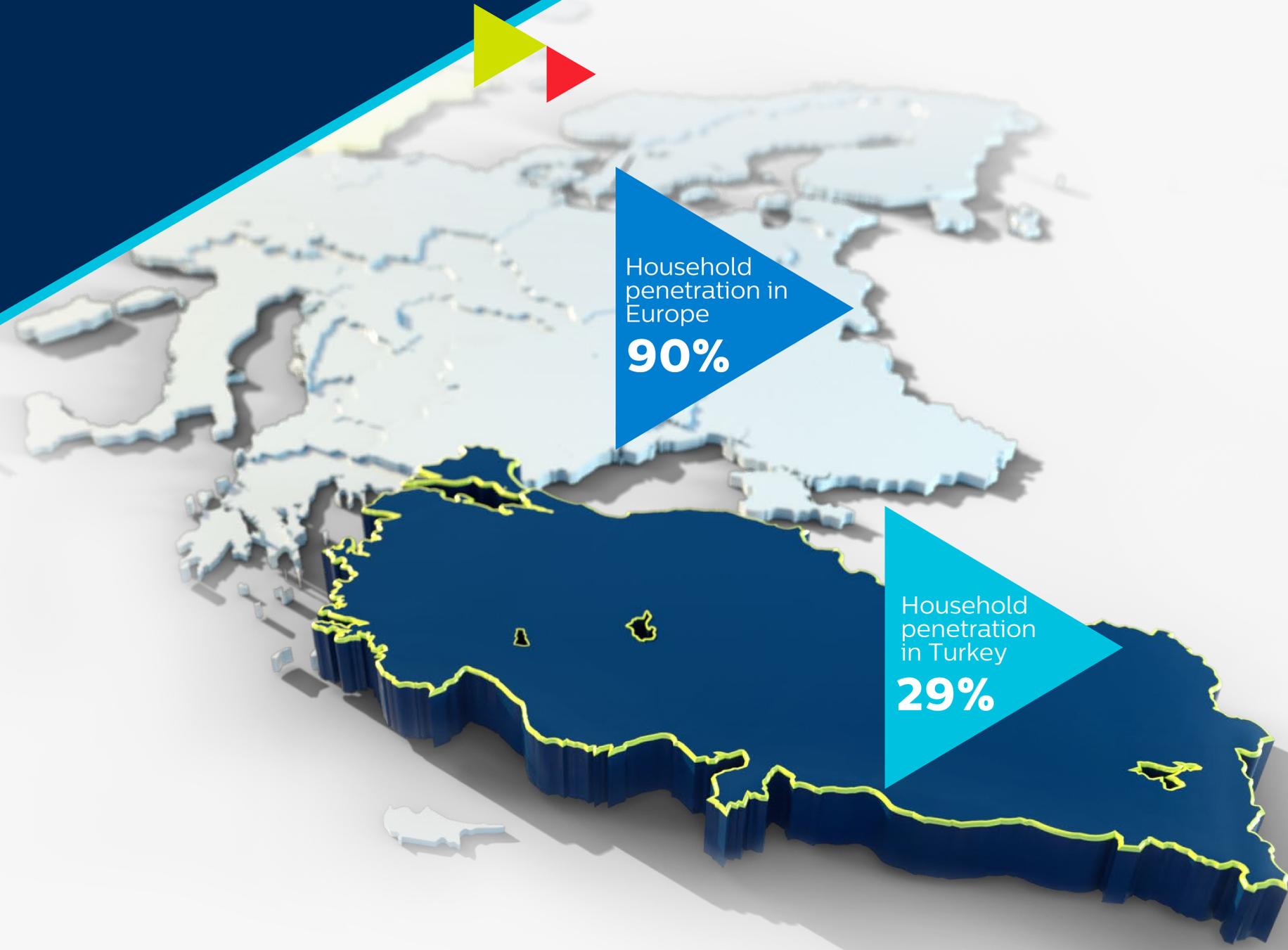
(GB per LTE user)



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

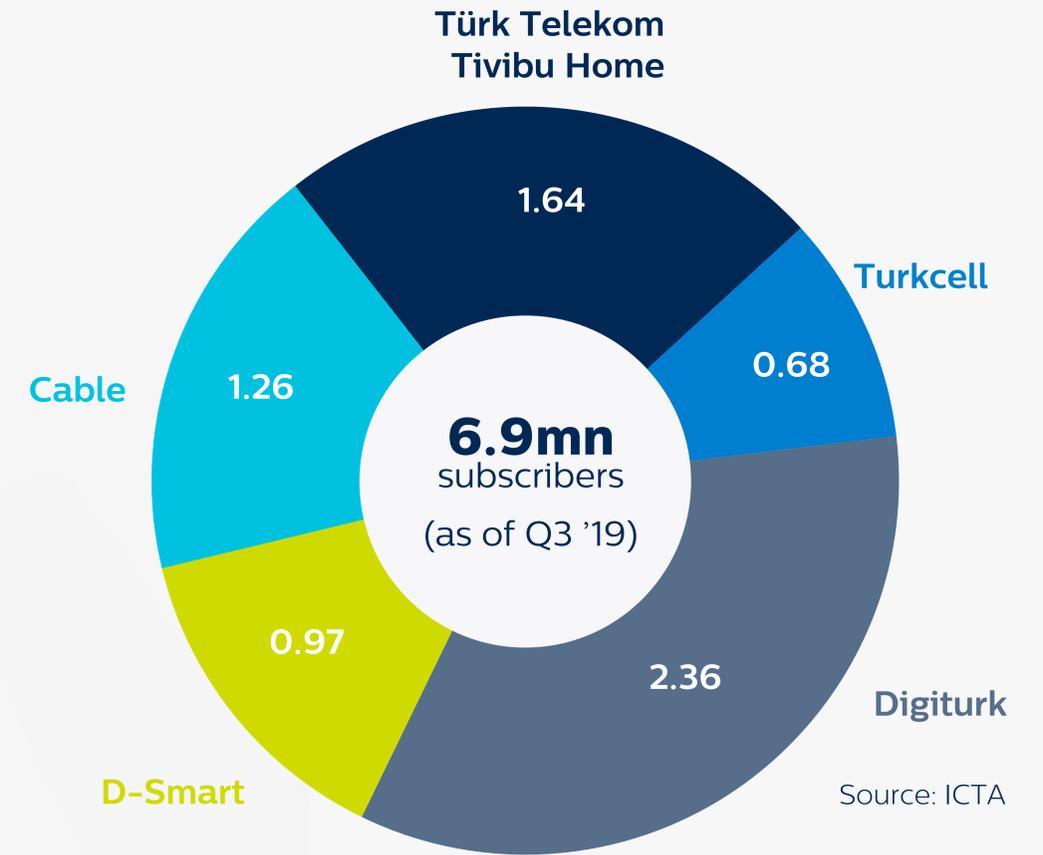
\*\* Among smartphone users

# Pay TV Market

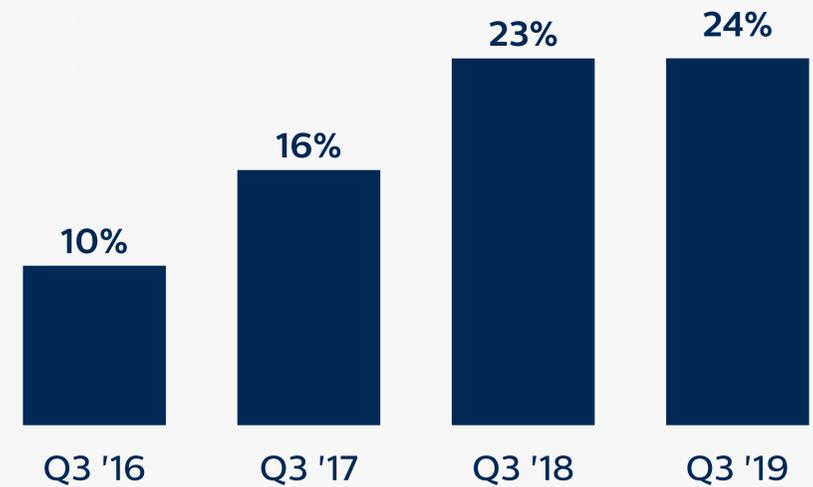


Source: Analysys Mason, Pay-TV quarterly Metrics, Q2 '19 Report  
European countries include Denmark, France, Ireland, Italy, Portugal, Sweden, UK and Estonia  
TR Data is calculated from ICTA Q3 '19

## Subscribers (mn)



## Tivibu Home Subscriber Market Share

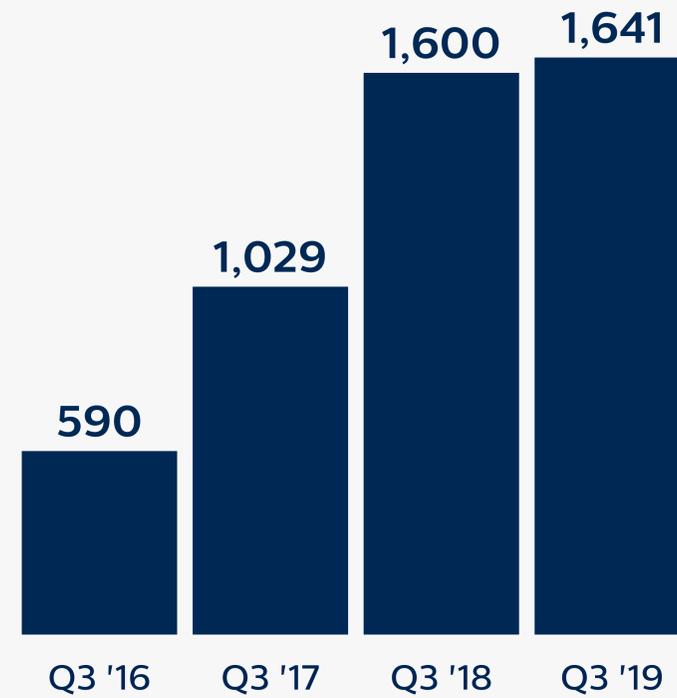


Source: ICTA

# TV Performance

## Subscribers (thousand)

■ Tivibu Home



■ Total TV (Tivibu Home + Tivibu GO)



## Wireless Homes



## Platform

IPTV + DTH + Web TV + Smart TV

## Content

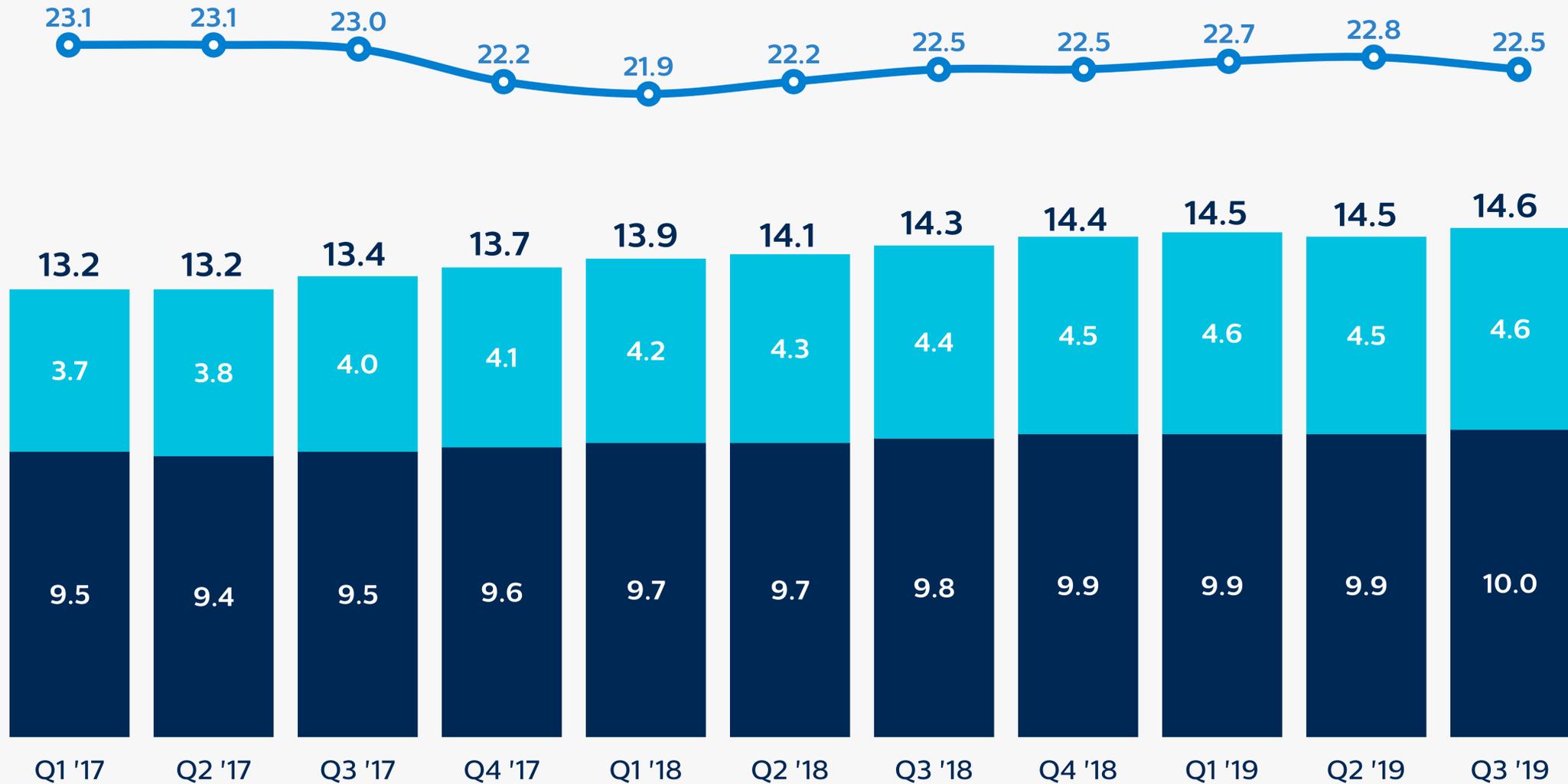
- ▶ Turkish Basketball Super League
- ▶ NBA
- ▶ English Premier League

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

# Fixed Voice Performance

## Access Lines and ARPU

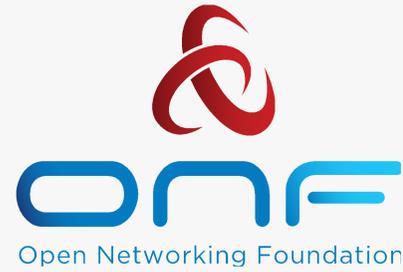
- Fixed Voice (mn)
- Naked Broadband (mn)
- Fixed Voice ARPU (TL)



# Investing in Future

Working on transformation of network ahead of 5G

**ARGELA**



Working with Argela for SDN& NFV based cybersecurity solutions

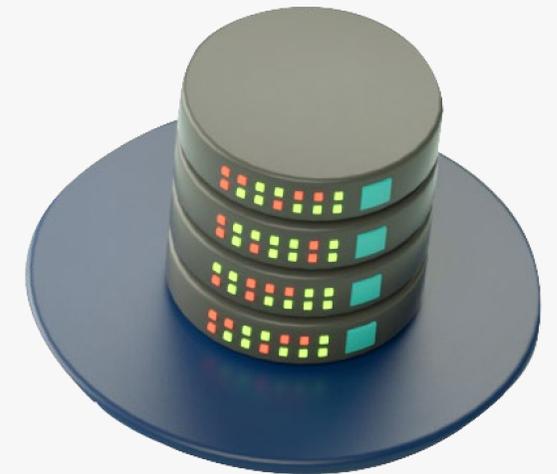
Turkey's largest Cyber Security Services Center in Ankara



Focusing on network sharing projects in mobile and fixed for asset efficiency

More than 5K Wi-Fi hotspots

Turkey's largest Data Center with 27K sqm area - Esenyurt Data Center



Best in class cloud computing solutions

# 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

# Tambu 2.0

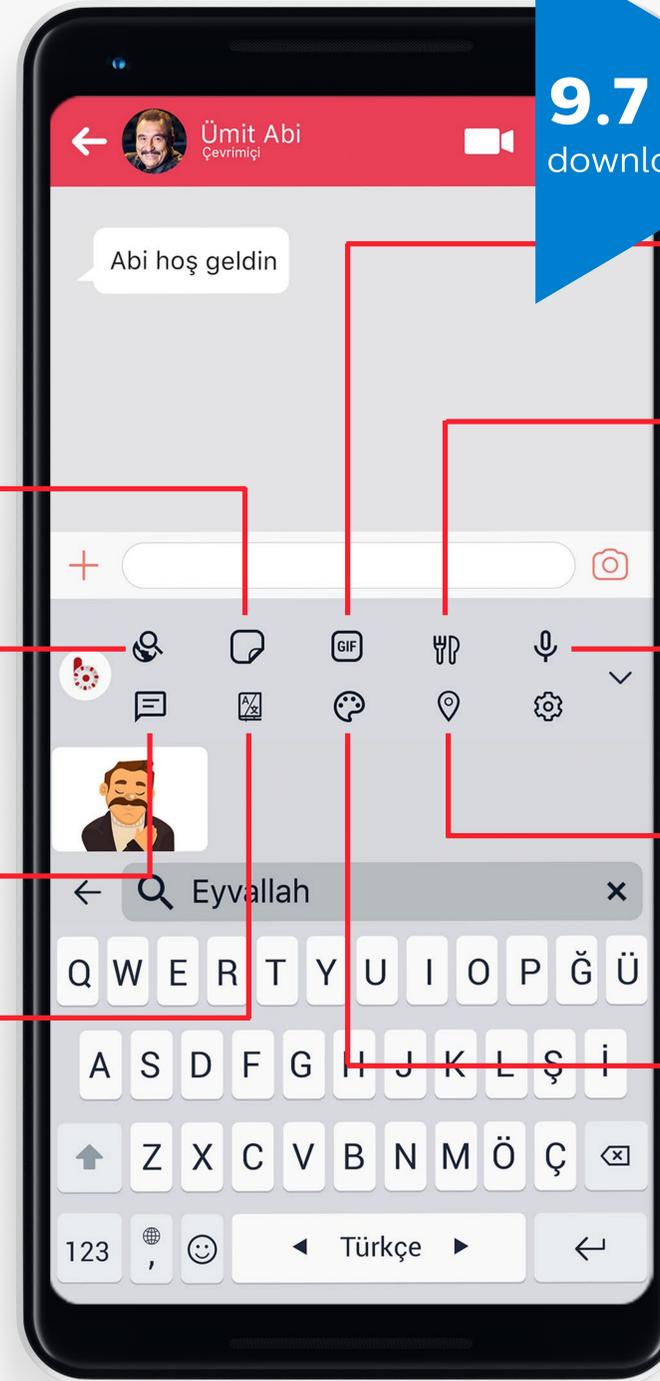


Hyper local animated stickers to express yourself  
**1<sup>st</sup> in Turkey**

Web search engine

Translation in more than 100 language

Personalized dictionary for frequently used text shortcuts



**9.7 mn**  
downloads\*



Exclusive GIFs for Tambu



Eating and drinking venue search



Speech to Text



Share location in all platforms



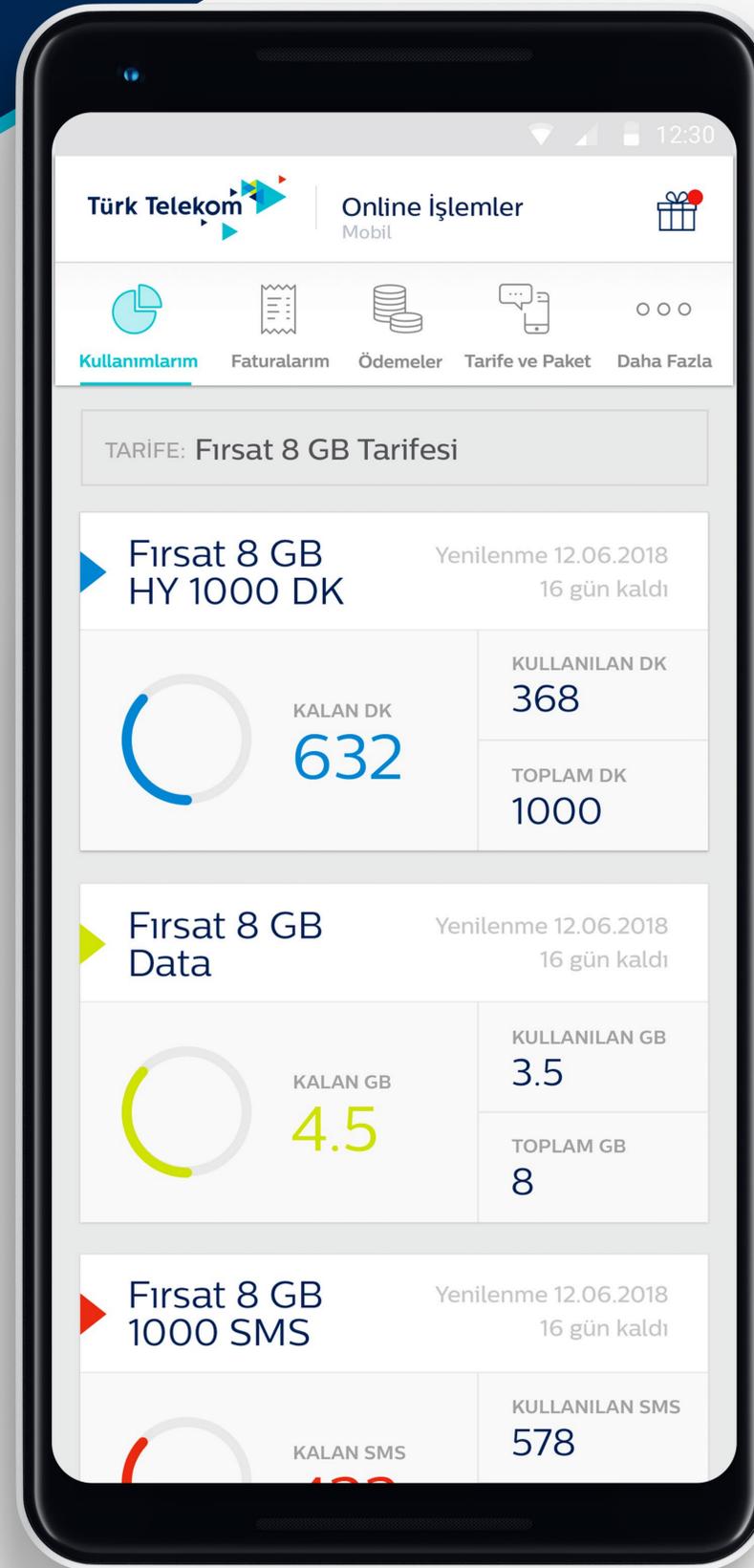
Customizable themes; personalized background and colors



Rich set of proverbs to discover, learn and share

\* As of September 2019

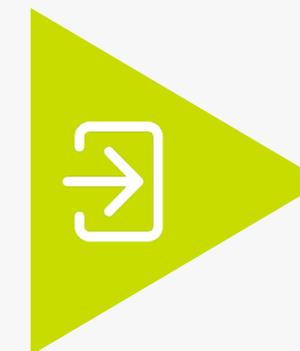
# Online Transaction



**13.4 mn**  
unique users

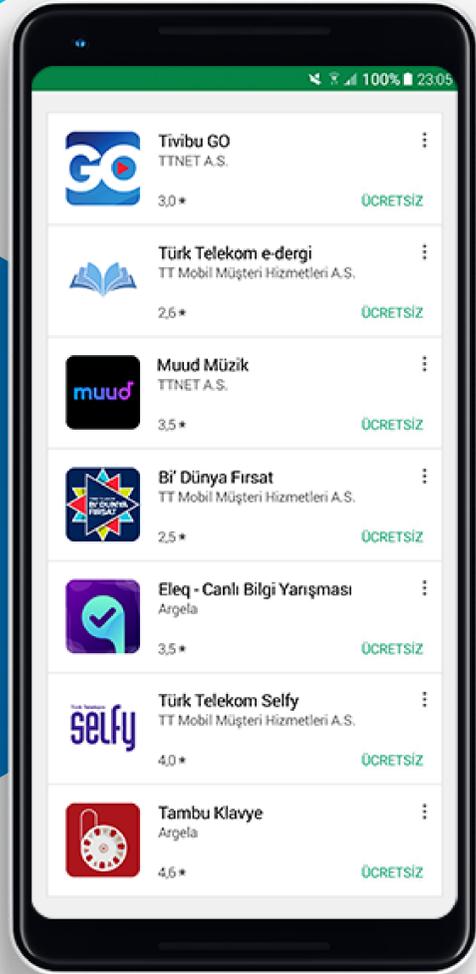


**33 mn**  
downloads as of Q3 '19



**77%**  
penetration among our  
smartphone users

# 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 Advantageous Integrated Cloud Platform: Dijital Depo Launch: 2018

Türk Telekom's operator free new cloud storage application Digital Depo enables users to safely store photos, videos, music and all files with user - friendly design

# **Group Companies**



## Leading system integrator & solution provider in Turkey

- System Integration – Large Scale Projects
- Smart Cities and Smart Stores
- Health Campuses
- Fintech Solutions
- IoT Platform and Solutions
- SAP Consultancy Services
- Business Applications (Document Management, Law Process Management)
- CRM and Business Intelligence
- Self Service and Automation Solutions
- Managed Services



## Next generation telco technologies R&D company

- ProgRAN: SDN (Software Defined Networks) based RAN solutions for LTE and 5G with 26 patent applications
- ULAK: Turkey's first and only LTE base station development project
- MILAT: SDN & NFV (Network Function Virtualization) based cybersecurity & cyberdefence solutions
- From pure R&D to commercialization
- Member of ONF and ONAP via US based subsidiary NETSIA
- Leading role in Türk Telekom Network Transformation Project





## 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)



## 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 110 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 logo for ASSiSTT, featuring the word "ASSiSTT" in a blue, sans-serif font. The background is a light blue gradient with a pattern of overlapping triangles in various shades of blue and yellow.

## 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 around 12 thousand employees

The logo for Türk Telekom Ventures, featuring a stylized "T" icon with three vertical bars in red, yellow, and blue, followed by the text "TÜRK TELEKOM VENTURES" in a blue, sans-serif font. The background is a dark blue gradient with a pattern of overlapping triangles in various shades of blue and yellow.

## Corporate venture capital company

- Focus on investing in early stage and scale-up companies primarily in healthcare, energy and education verticals, as well as opportunistic horizontals
- First deal on healthcare, one of the primary verticals of Türk Telekom: Doctor Turkey
- Second deal on education: Mental UP

The logo for MentalUP, featuring a stylized "m" icon with an upward-pointing arrow, followed by the text "MENTALUP" in a bold, sans-serif font and "Potansiyelini Keşfet!" in a smaller font below it. The background is a dark blue gradient with a pattern of overlapping triangles in various shades of blue and yellow.The logo for Doctor Turkey, featuring the text "Doctor Turkey" in a stylized, white, sans-serif font. The background is a dark blue gradient with a pattern of overlapping triangles in various shades of blue and yellow.The logo for Türk Telekom ödeme hizmetleri, featuring a stylized "T" icon with three vertical bars in red, yellow, and blue, followed by the text "Türk Telekom ödeme hizmetleri" in a blue, sans-serif font. The background is a blue gradient with a pattern of overlapping triangles in various shades of blue and yellow.

## Payment services company

- Electronic Money License was granted by BRSA
- Strong position in Direct Carrier Billing (DCB)
- Expansion plans in other payment related services & products (Digital Wallets, Money Transfers, Tax/Bill payments, E-Money)

# Financials

# Income Statement

(TL mn)	Q3 '18	Q2 '19	Q3 '19	QoQ Change	YoY Change
Revenues	5,396	5,760	6,210	7.8%	15.1%
EBITDA	2,267	2,681	3,005	12.1%	32.6%
Margin	42.0%	46.5%	48.4%		
Operating Profit	1,305	1,510	1,822	20.7%	39.6%
Margin	24.2%	26.2%	29.3%		
Financial Inc. / (Exp.)	(5,077)	(999)	(475)	(52.4)%	(90.6)%
FX & Hedging Gain / (Loss)	(4,906)	(427)	180	n.m.	n.m.
Interest Inc./ (Exp.)	(186)	(464)	(543)	17.1%	192.3%
Other Financial Inc./ (Exp.)	14	(108)	(112)	4.2%	n.m.
Tax Expense	926	(77)	(229)	199.8%	n.m.
Net Income	(2,846)	435	1,117	157.0%	n.m.
Margin	n.m.	7.5%	18.0%		

Türk Telekom adopted IFRS 16 accounting standards starting from 1 January 2019. For further details please refer to "Financial Footnotes" & "Summary Financial and Operational xls" on our web site.

# Balance Sheet

(TL mn)	30.09.2018	30.06.2019	30.09.2019
<b>Total Assets</b>	<b>38,945</b>	<b>37,575</b>	<b>38,293</b>
Cash and Equivalents	6,187	3,961	4,767
Tangible Assets <sup>1</sup>	14,147	14,024	14,058
Intangible Assets	9,679	9,598	9,772
Other Assets <sup>2</sup>	8,931	9,992	9,696
<b>Total Equities and Liabilities</b>	<b>38,945</b>	<b>37,575</b>	<b>38,293</b>
Share Capital	3,260	3,260	3,260
Reserves, Retained Earnings and Other Equity Items	2,262	4,716	5,725
Interest Bearing Liabilities <sup>3</sup>	24,713	21,398	20,584
Other Liabilities <sup>4</sup>	8,709	8,201	8,724

Türk Telekom adopted IFRS 16 accounting standards starting from 1 January 2019. 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, right of use and other current assets.

(3) Includes short-term and long-term borrowings and lease obligations

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

# Cash Flow Statement

(TL mn)	Q3 '18	Q2 '19	Q3 '19	QoQ Change	YoY Change
Operating Cash Flow	3,183	2,319	2,674	15.3%	(16.0)%
Investing Cash Flow	(1,141)	(906)	(1,054)	16.3%	(7.7)%
CAPEX	(1,161)	(922)	(1,211)	31.4%	4.3%
Other Investing Activities	19	15	157	915.9%	710.7%
Financing Cash Flow <sup>1</sup>	(341)	(4,720)	(950)	(79.9)%	178.3%
Net Change in Cash Position <sup>2</sup>	1,701	(3,308)	670	(120.2)%	(60.6)%

Türk Telekom adopted IFRS 16 accounting standards starting from 1 January 2019. 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)	Q3 '18	Q2 '19	Q3 '19	QoQ Change	YoY Change
Fixed Voice	659	676	670	(0.9)%	1.8%
Broadband	1,392	1,615	1,685	4.4%	21.0%
Mobile	2,030	2,195	2,367	7.9%	16.6%
TV	75	86	87	0.6%	15.3%
Corporate Data	430	430	466	8.2%	8.3%
International Revenues	272	299	301	0.9%	10.8%
Other <sup>1</sup>	321	239	273	14.3%	(15.1)%
IFRIC-12	242	244	387	58.7%	59.8%
Eliminations	(25)	(23)	(26)	11.3%	3.0%
<b>Total Revenue</b>	<b>5,396</b>	<b>5,760</b>	<b>6,210</b>	<b>7.8%</b>	<b>15.1%</b>

(1) Includes ICT companies, device sales, domestic interconnection and other

# OPEX Breakdown

(TL mn)	Q3 '18	Q2 '19	Q3 '19	QoQ Change	YoY Change
<b>Direct Costs</b>	<b>1,277</b>	<b>1,240</b>	<b>1,333</b>	<b>7.5%</b>	<b>4.4%</b>
Interconnection	486	495	534	7.9%	9.8%
Tax	497	533	568	6.4%	14.2%
Provisions for Doubtful Receivables	64	44	45	2.3%	(30.2)%
Cost of Equipment and Technology Sales	148	77	92	19.5%	(38.2)%
Other Direct Costs	81	91	95	3.4%	16.3%
<b>Commercial Costs</b>	<b>213</b>	<b>234</b>	<b>223</b>	<b>(5.0)%</b>	<b>4.4%</b>
<b>Other Costs</b>	<b>1,425</b>	<b>1,389</b>	<b>1,307</b>	<b>(5.9)%</b>	<b>(8.3)%</b>
Network & Technology	517	428	424	(0.9)%	(18.1)%
Personnel	750	890	811	(8.8)%	8.1%
Other	158	72	72	1.2%	(54.1)%
<b>Sub Total</b>	<b>2,915</b>	<b>2,863</b>	<b>2,863</b>	<b>0.0%</b>	<b>(1.8)%</b>
IFRIC-12	214	216	342	58.7%	59.8%
<b>Total OPEX</b>	<b>3,129</b>	<b>3,079</b>	<b>3,205</b>	<b>4.1%</b>	<b>2.4%</b>

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# Debt Profile

## Net Debt

■ Net Debt (TL bn) ● Net Debt/EBITDA



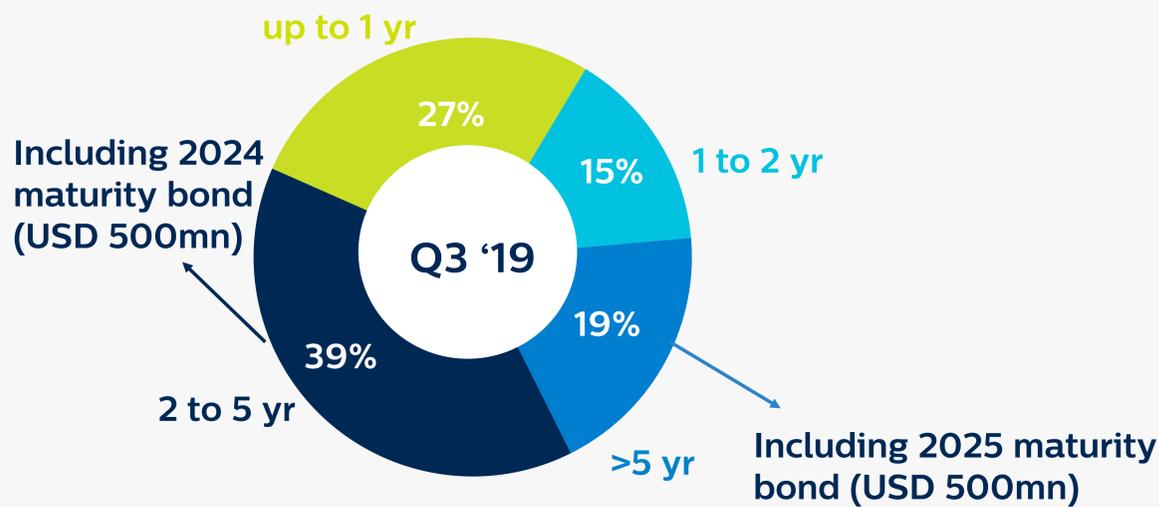
Note: Net Debt calculation includes MTM from FX to TRY Currency Swaps  
 Net Debt/EBITDA calculation excludes extraordinary claims EBITDA calculation

## Low debt ratio among peers



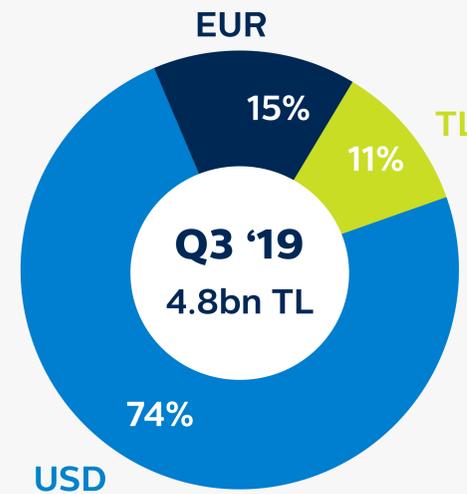
Source: Bloomberg  
 Türk Telekom's ratio is based on Q3'19 financials; other's based on their latest data

## Maturity Profile



All loans are senior unsecured

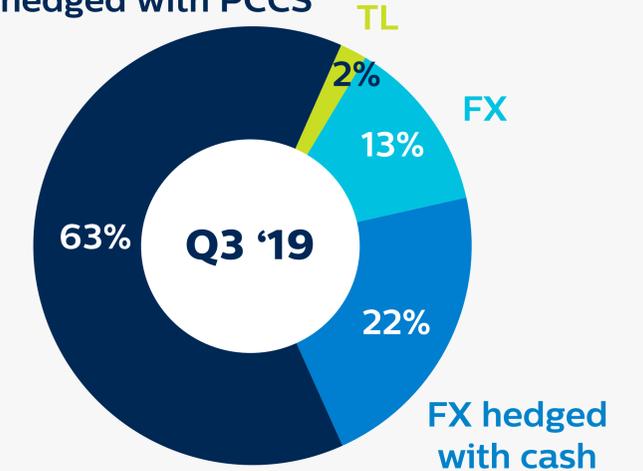
## Cash FX Breakdown



## Gross Debt FX Breakdown



## FX hedged with PCCS



# Debt Profile

## Prudent Balance Sheet Management

- ▶ FX Risks managed via Participating Cross Currency Swaps (PCCS), and FX based cash
- ▶ Hedge in both principal and interests of designated debt instruments
- ▶ 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

Long Term Rating: BB-  
Outlook Stable

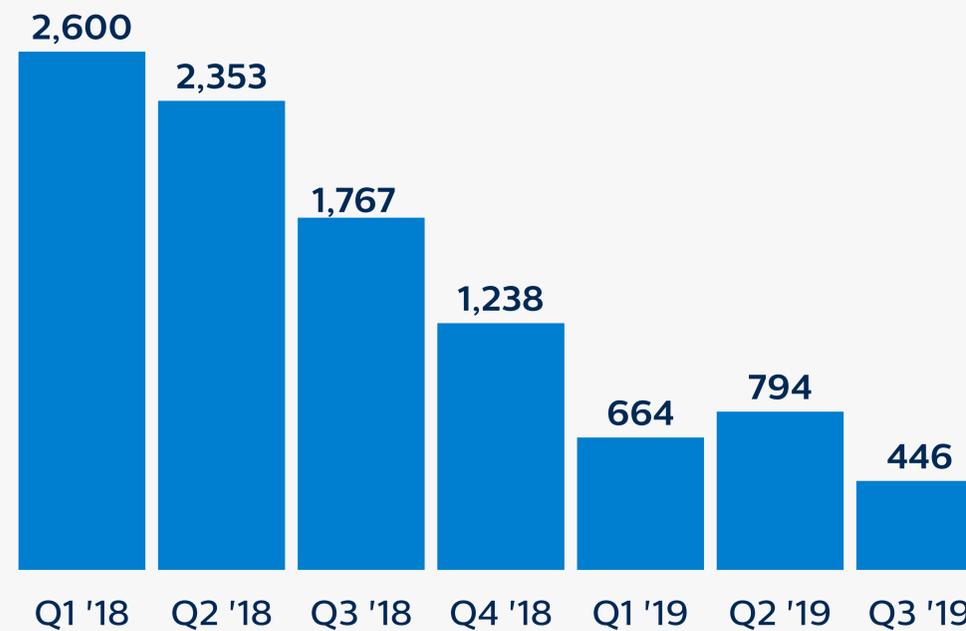
### S&P Global Ratings

Long Term Rating: BB-  
Outlook Stable

Stand-alone Credit Profile (SACP):  
bbb-

## Net FX Exposure \*

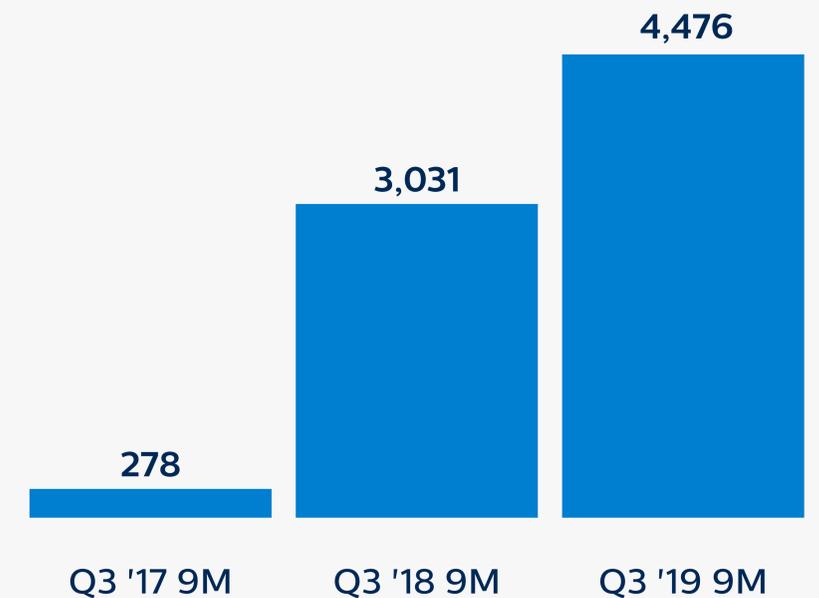
(USD mn equivalent )



\*Net FX exposure is calculated as FX based financial debt less FX hedge position less FX based cash and cash equivalents. Debt calculation excludes lease obligations.

## Increasing Cash Flow\*

(TL mn)



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

# Operational Highlights

	Q3 '18	Q2 '19	Q3 '19	QoQ Change	YoY Change
<b>Total Access Line (mn)</b>	14.3	14.5	14.6	0.8%	2.2%
Fixed Voice Lines <sup>1</sup> (mn)	9.8	9.9	10.0	0.8%	1.8%
Naked DSL Lines (mn)	4.4	4.5	4.6	0.9%	3.0%
<b>Fixed Voice ARPU (TL)</b>	22.5	22.8	22.5	(1.0)%	0.0%
<b>Broadband Total Subscribers (mn)</b>	10.6	11.1	11.3	1.8%	6.8%
FTTH/B Subscribers ('000)	1,258	1,464	1,557	6.4%	23.8%
FTTC Subscribers ('000)	2,121	2,338	2,472	5.8%	16.5%
<b>Broadband ARPU (TL)</b>	44.4	48.6	50.1	3.2%	12.8%
<b>Total Tivibu Subscribers<sup>2</sup> (mn)</b>	3.5	3.6	3.6	(1.8)%	1.0%
Tivibu Home Subscribers <sup>3</sup> ('mn)	1.6	1.7	1.6	(1.6)%	2.5%
<b>Tivibu ARPU (TL)</b>	14.9	15.9	16.5	3.4%	10.1%
<b>Mobile Total Subscribers (mn)</b>	20.8	22.4	22.8	1.8%	9.4%
Mobile Postpaid Subscribers (mn)	11.8	13.3	13.5	1.9%	15.0%
Mobile Prepaid Subscribers (mn)	9.0	9.1	9.2	1.6%	2.2%
<b>Mobile Blended ARPU (TL)</b>	31.8	32.8	34.7	5.8%	9.1%
Mobile Postpaid ARPU (TL)	39.6	40.8	42.9	5.2%	8.2%
Mobile Prepaid ARPU (TL)	20.1	20.6	21.4	3.7%	6.4%

(1) Includes PSTN and WLR Lines

(2) Includes IPTV, DTH, and Tivibu GO subscribers

(3) Includes IPTV and DTH subscribers

# Guidance

TL mn	2018 YE	2019 Guidance	2019 Revised Guidance
<b>Revenue</b> (exc. IFRIC 12) <sup>1</sup>	19,660	15% - 16% growth	Around 15% growth
<b>EBITDA</b>	8,436	TL 10.3 to 10.5 bn	Around TL 11.0 bn
<b>CAPEX</b>	4,087	TL 4.6 bn to 4.8 bn	Around TL 4.8 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 16 accounting standards starting from 1 January 2019. For further details please refer to "Financial Footnotes" & "Summary Financial and Operational xls" on our web site.

# IFRS 16 Adoption Reconciliation

(TL mn)	Q3 '19	IFRS 16 Impact	Q3 '19 w/o adoption of IFRS 16
Revenues	6,210		6,210
EBITDA	3,005	190	2,816
Margin	48.4%		45.3%
Operating Profit	1,822	30	1,792
Margin	29.3%		28.9%
Financial Inc. / (Exp.)	(475)	(45)	(430)
FX & Hedging Gain / (Loss)	180	5	175
Interest Inc./ (Exp.)	(543)	(50)	(493)
Other Financial Inc./ (Exp.)	(112)		(112)
Tax Expense	(229)	(1)	(229)
Net Income	1,117	(15)	1,133
Margin	18.0%		18.2%

Türk Telekom adopted IFRS 16 accounting standards starting from 1 January 2019. For further details please refer to "Financial Footnotes" & "Summary Financial and Operational xls" on our web site.

# IFRS 16 Adoption Reconciliation

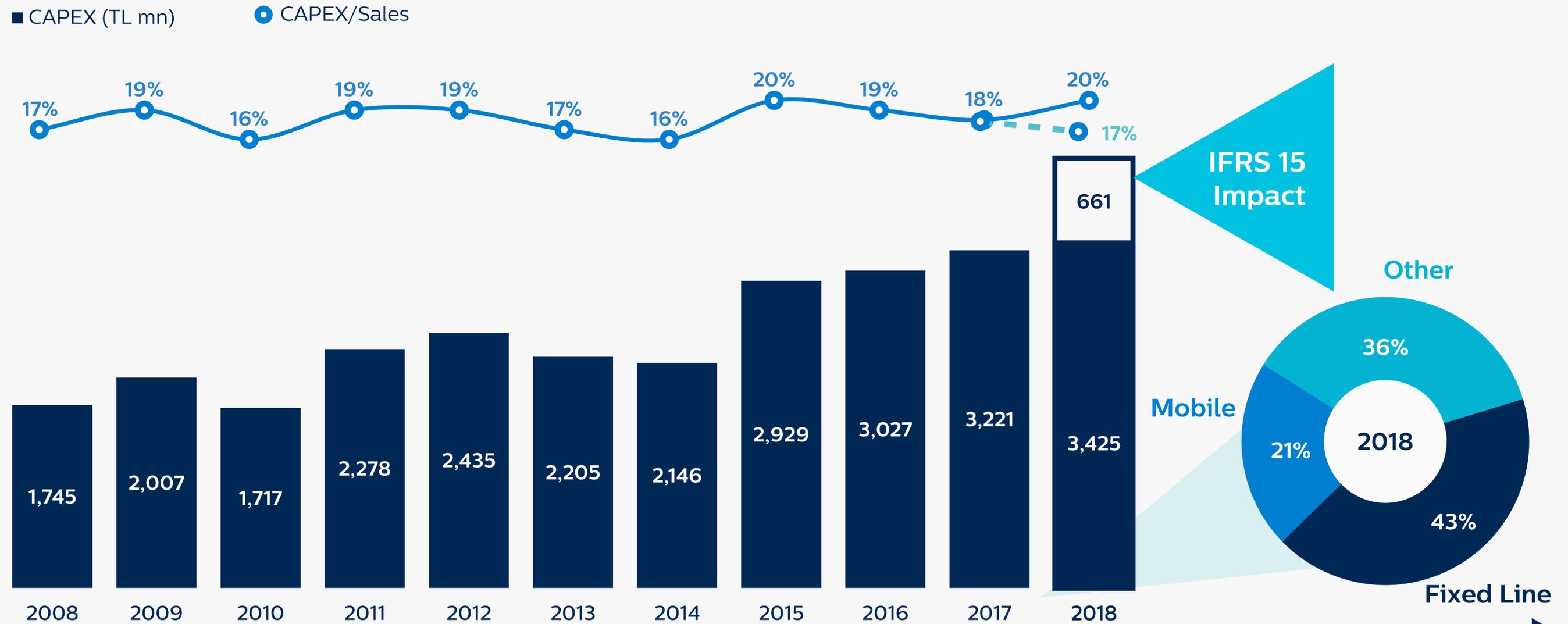
(TL mn)	30.09.2019	IFRS 16 Impact	30.09.2019 w/o adoption of IFRS 16
<b>Total Assets</b>	<b>38,293</b>	<b>1,200</b>	<b>37,093</b>
Cash and Equivalents	4,767		4,767
Tangible Assets	14,058		14,058
Intangible Assets	9,772		9,772
Rights of Use Assets	1,471	1,471	0
Other Assets	8,225	(271)	8,496
<b>Total Equities and Liabilities</b>	<b>38,293</b>	<b>1,200</b>	<b>37,093</b>
Share Capital	3,260		3,260
Reserves, Retained Earnings and Other Equity Items	5,725	(50)	5,775
Interest Bearing Liabilities	20,584	1,249	19,335
Other Liabilities	8,724	1	8,723

Türk Telekom adopted IFRS 16 accounting standards starting from 1 January 2019. 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



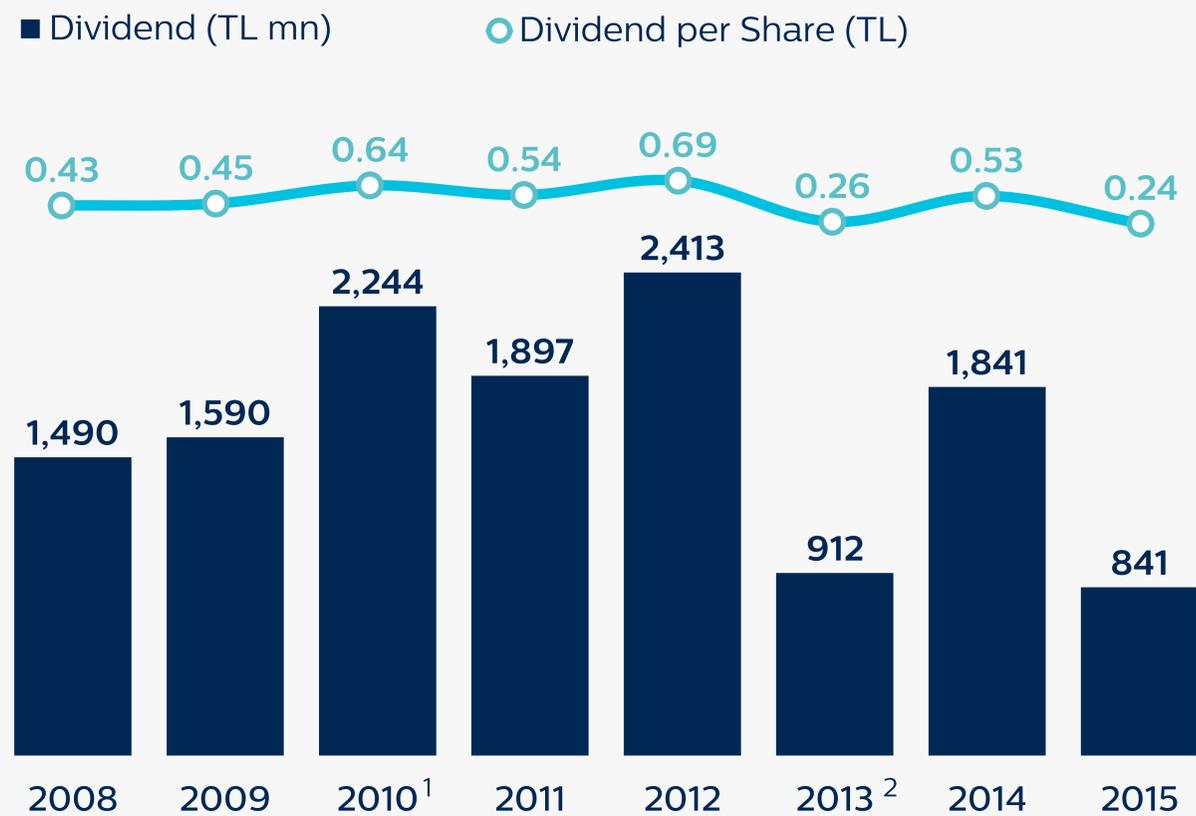
\* Capex figures exclude license fees

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

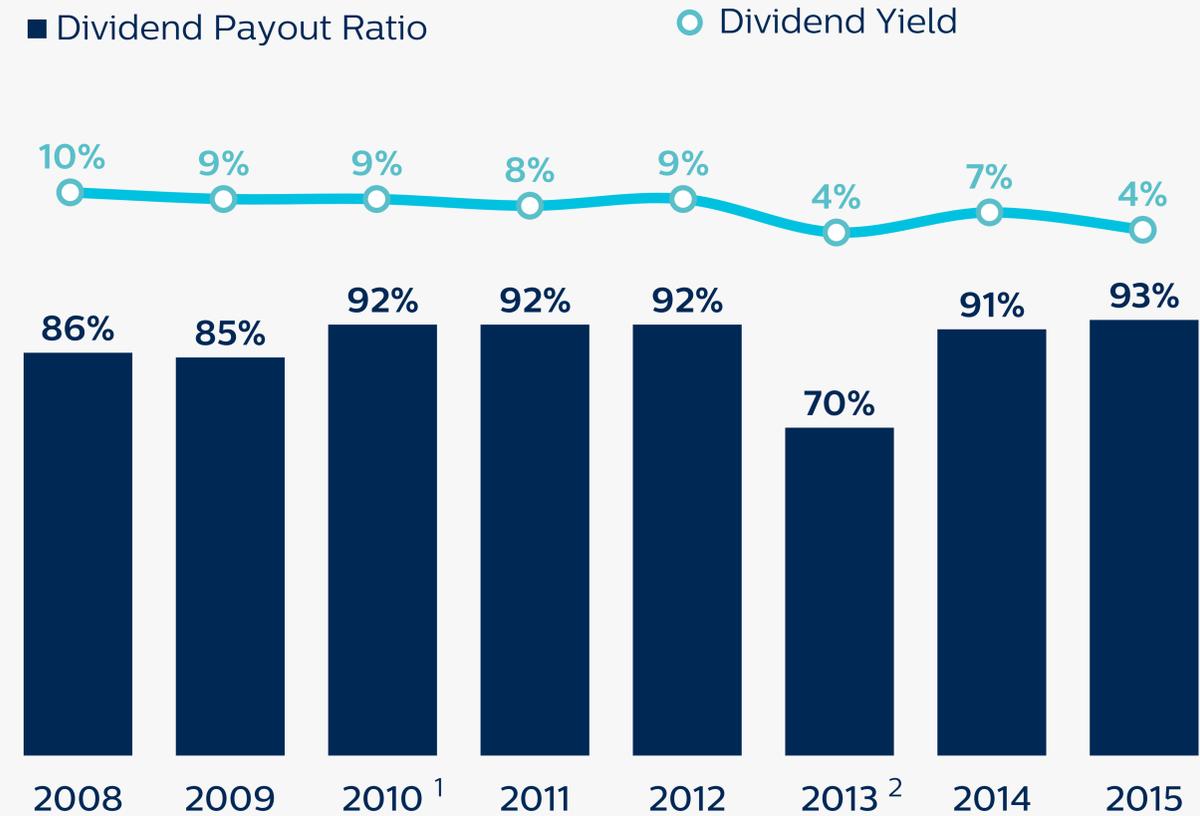
# Shareholder Remuneration

- ▶ 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 Yield & Payout Ratio



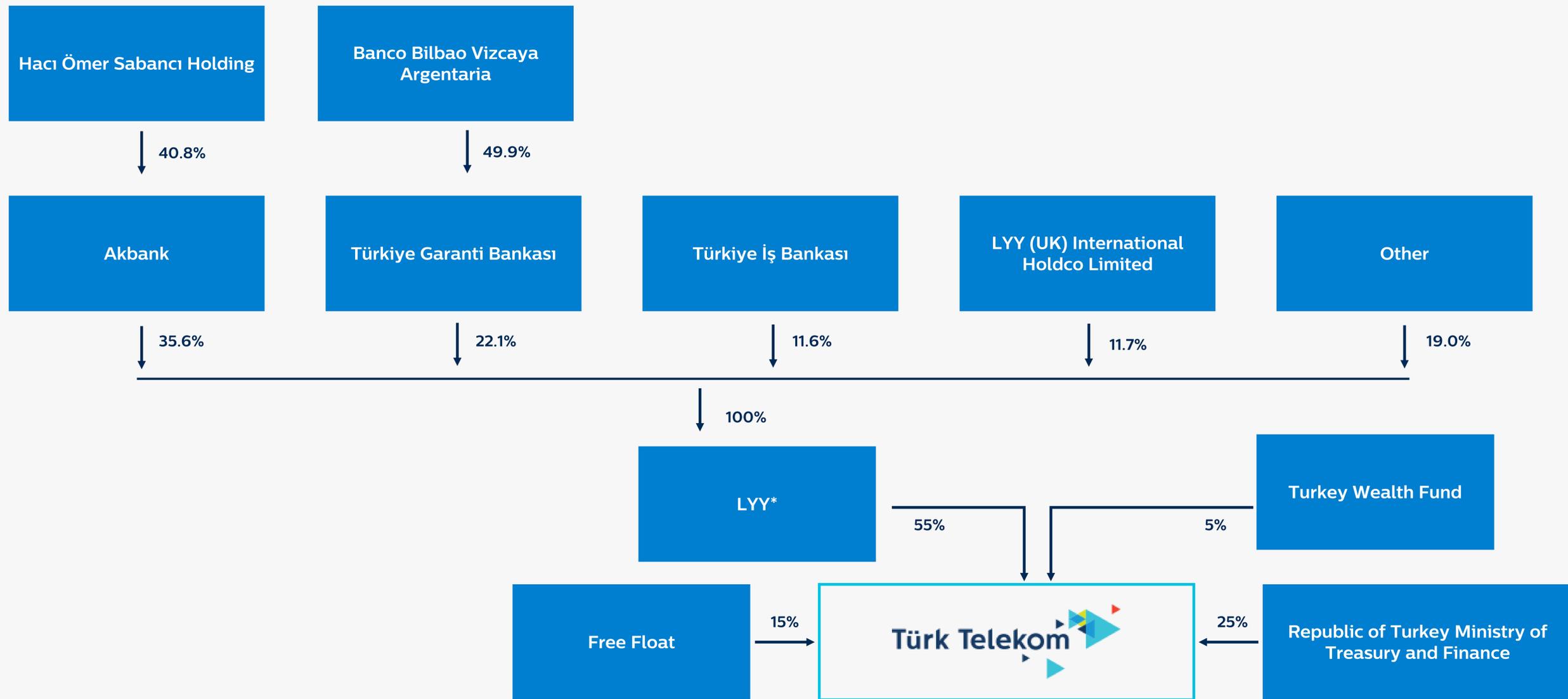
1) The cap in the first legal reserve was reached in 2010

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 & 2018.

# Appendix

# Shareholder Structure

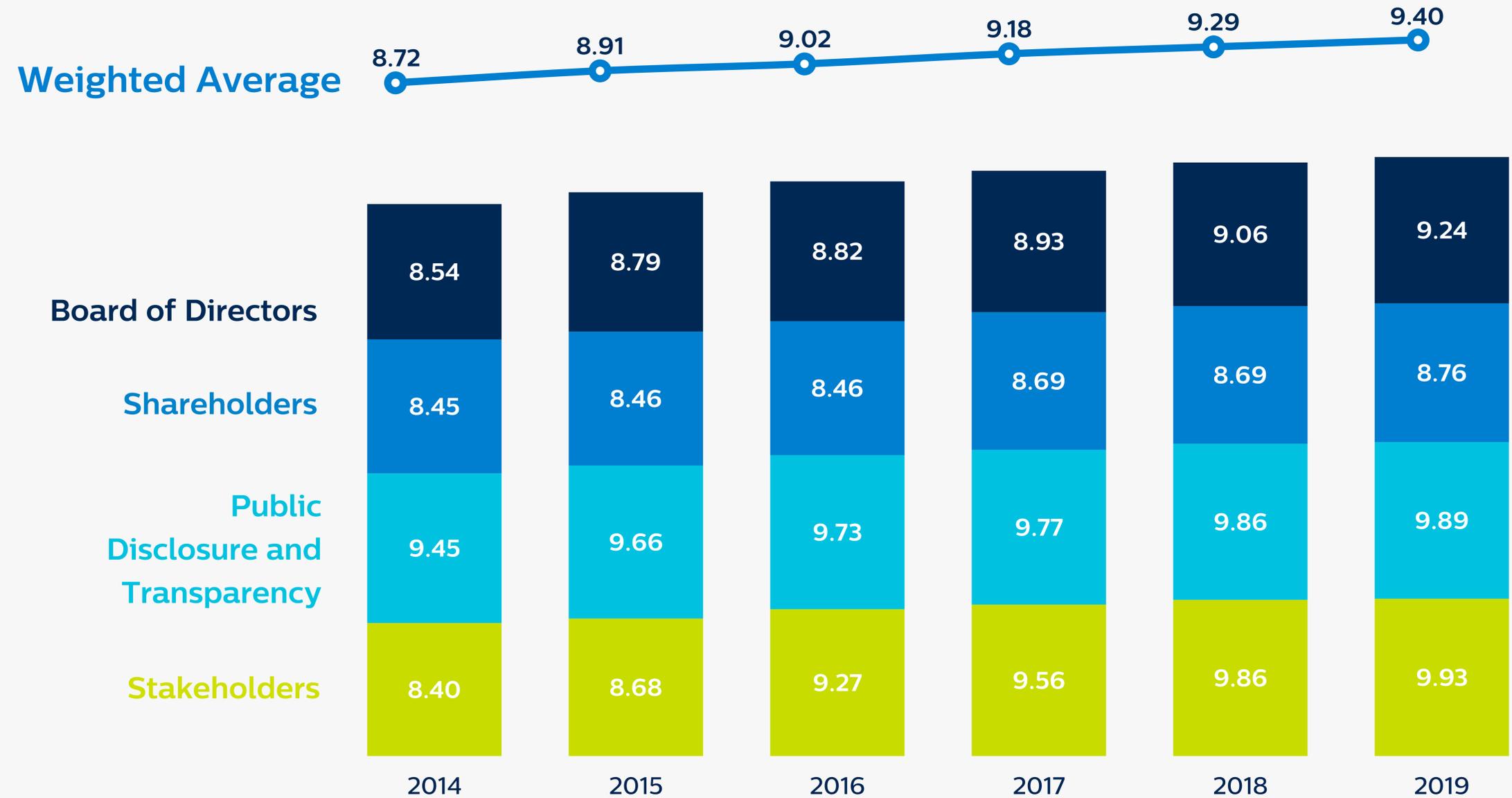


Note: Turkey Wealth Fund has 1.68% share in free float

\*LYY Telekomünikasyon A.Ş.

# Corporate Governance

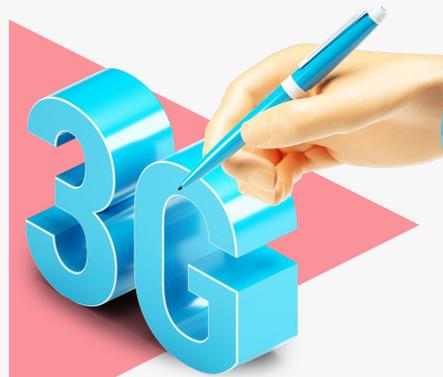
- ▶ Türk Telekom is member of BIST Sustainability Index since creation with its long lasting emphasis on Environmental, Social and Governance policies and exemplary practices
- ▶ The only telecom company qualified to be included in the BIST Corporate Governance Index since 2009
- ▶ Türk Telekom is a member of FTSE4GOOD Index Series



# Regulatory Actions

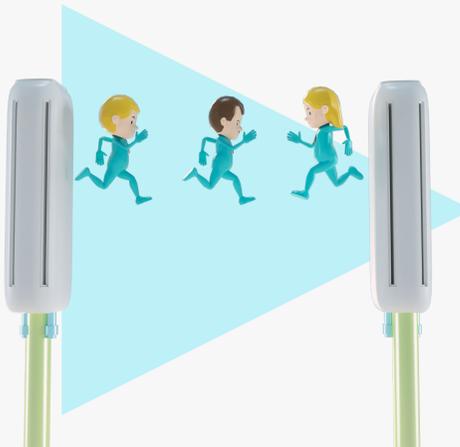
## 2008

- ▶ **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



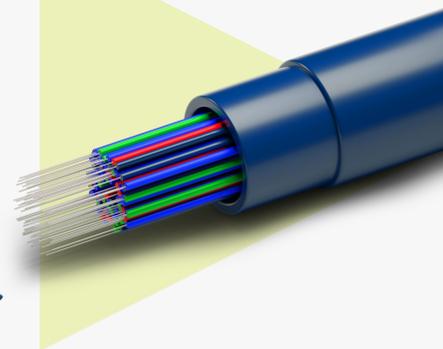
## 2010

- ▶ **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

## 2015

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



## 2016

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

## 2018

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



## 2019

- ▶ **January**
  - Fair usage quota was lifted

# History

## Separation from Post Office

Türk Telekom separated from the Post Office

1995

## Aycell Merger with Aria

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

2004

## Avea Share Transaction

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

2006

## 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

2010

## Bond Issuance

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

2014

## 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

2016

## Bond Issuance

Türk Telekom successfully completed its 500 million Dollar bond offering of 6-year maturity

2019

2001

## Aycell Established

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

2005

## Privatization

Privatized through a 55% stake sale to Oger Telecom

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

2013

## Integration Project Initiated

Integration project for a customer oriented organization

2015

## Avea Share Transaction

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

2018

## Establishment of CVC Company

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

## Shareholder Change

55% shares of Türk Telekom was transferred to LYY Telekomünikasyon A.Ş. (LYY) from OTAS

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