

# Investor Presentation

2019 Q1



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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**



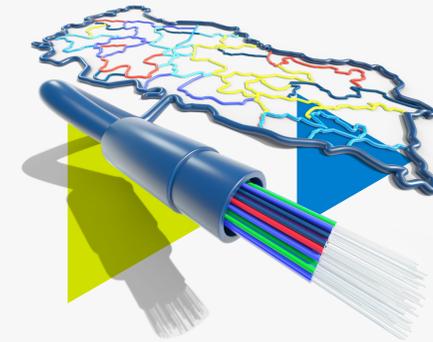
**2<sup>nd</sup> player**  
in TV market



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



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



**285K km**  
fiber network in  
**81 cities**



**19.1 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**

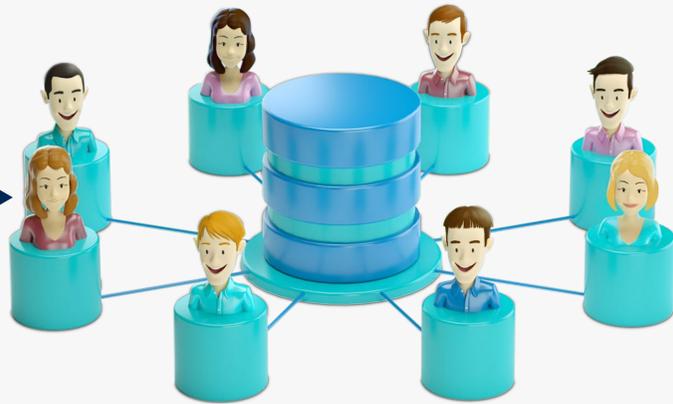
- ▶ Enable lean technologies - commercialization of SDN and NFV technologies
- ▶ Prepare for the redesign of fixed and mobile assets

## Customer Experience

# Net Subscriber Additions

**74%**

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



**3.9ppt**

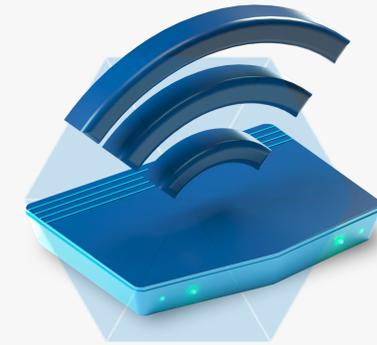
YoY increase in multi product ownership to **63%\***

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

## Broadband

**131k**  
Q1 '19

**974k**  
LTM



**46.7mn**  
total subscribers

## Mobile

**575k**  
Q1 '19

**2.2mn**  
LTM



**737K**  
net additions\*  
in Q1

## Home TV

**21k**  
Q1 '19

**405k**  
LTM

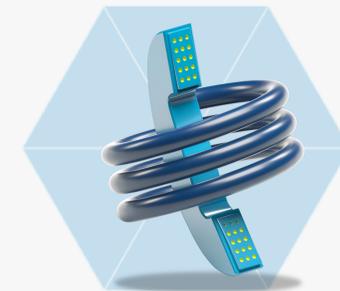


**4.1 mn**  
net additions\*  
in LTM

## Fixed Voice

**-3k**  
Q1 '19

**255k**  
LTM



\*Includes Tivibu GO

# Financial Performance

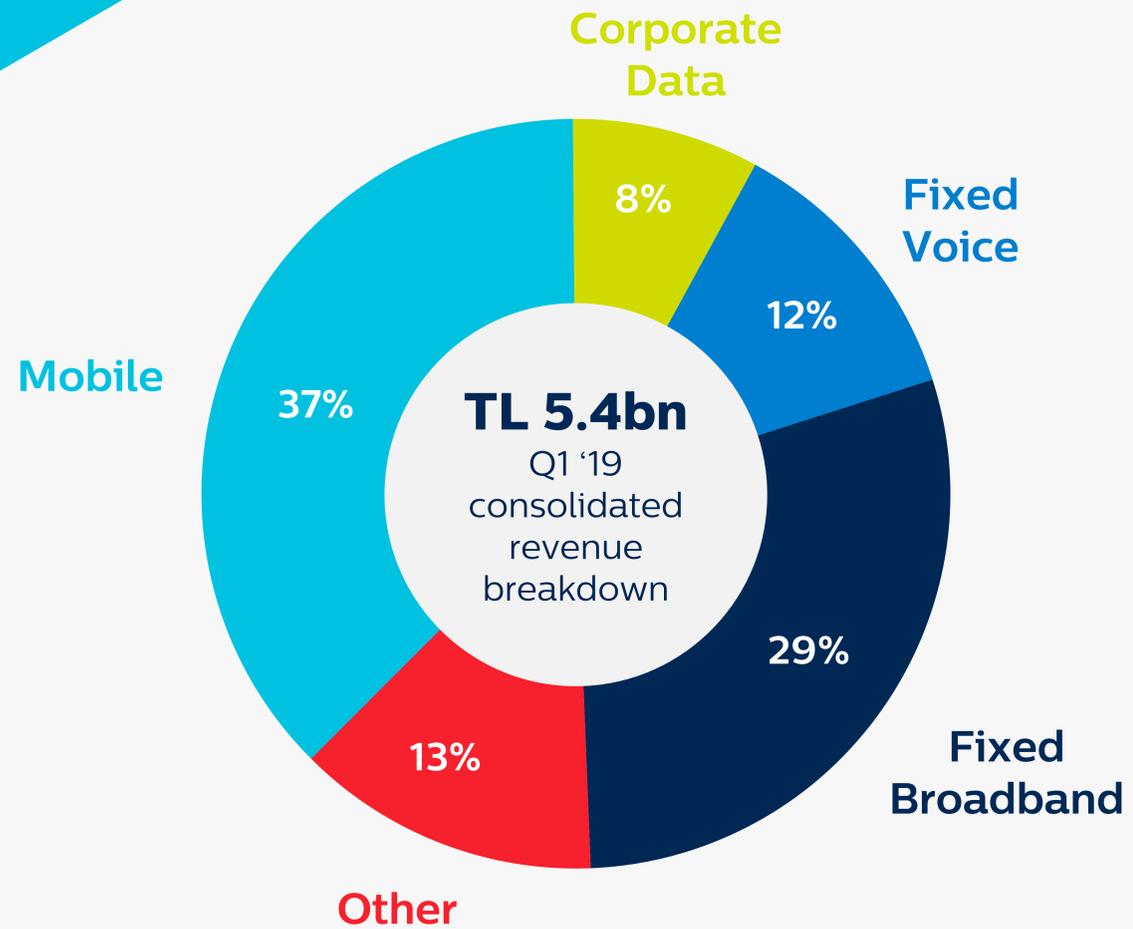
(TL mn)	2018 Q1	2018 Q4	2019 Q1	Growth (QoQ)	Growth (YoY)
<b>Revenue</b>	<b>4,686</b>	<b>5,398</b>	<b>5,403</b>	<b>0.1%</b>	<b>15.3%</b>
Revenue (exc. IFRIC12) <sup>1</sup>	4,545	5,220	5,304	1.6%	16.7%
<b>EBITDA</b>	<b>1,972</b>	<b>2,229</b>	<b>2,655</b>	<b>19.1%</b>	<b>34.7%</b>
EBITDA Margin	42.1%	41.3%	49.1%		
<b>Operating Profit</b>	<b>1,094</b>	<b>1,244</b>	<b>1,491</b>	<b>19.9%</b>	<b>36.4%</b>
<b>Net Income</b>	<b>110</b>	<b>2,215</b>	<b>310</b>	<b>(86.0)%</b>	<b>183.0%</b>
<b>Adjusted Net Income<sup>2</sup></b>	<b>815</b>	<b>856</b>	<b>952</b>	<b>11.2%</b>	<b>16.8%</b>
<b>CAPEX</b>	<b>581</b>	<b>1,451</b>	<b>637</b>	<b>(56.1)%</b>	<b>9.8%</b>

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

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

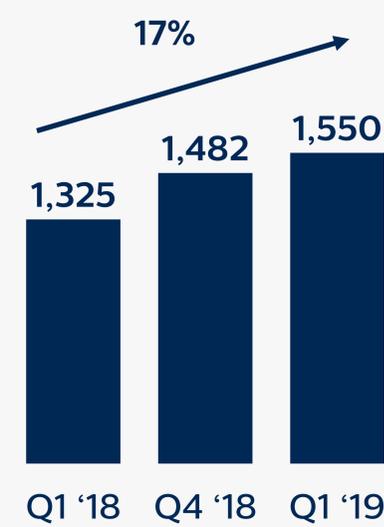
Türk Telekom adopted IFRS 16 accounting standards starting from 1 January 2019. For further details please refer to "Financial Footnotes" & "Summary Financial and Operational xls" on our web site.

# Focused on High Growth Areas



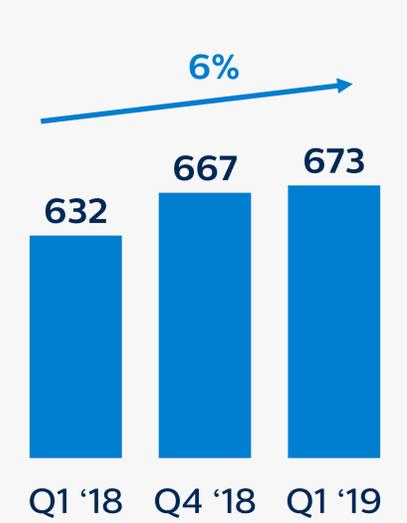
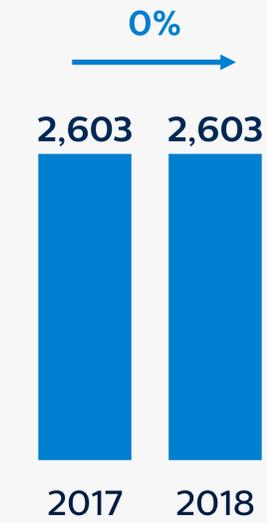
## Fixed Broadband

(TL mn)



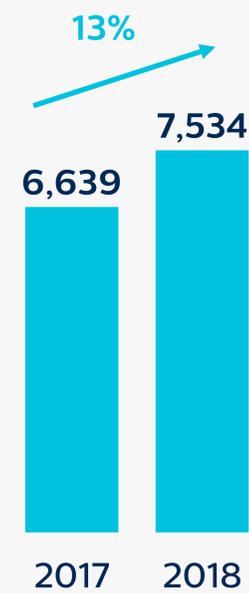
## Fixed Voice

(TL mn)



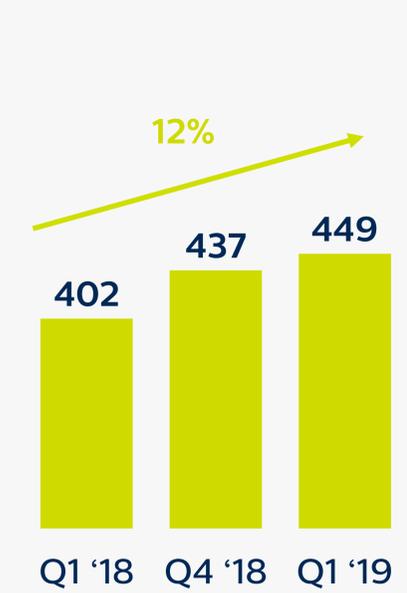
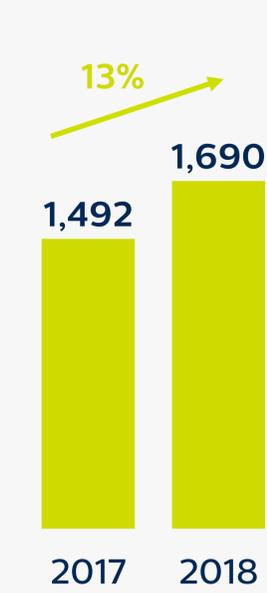
## Mobile

(TL mn)

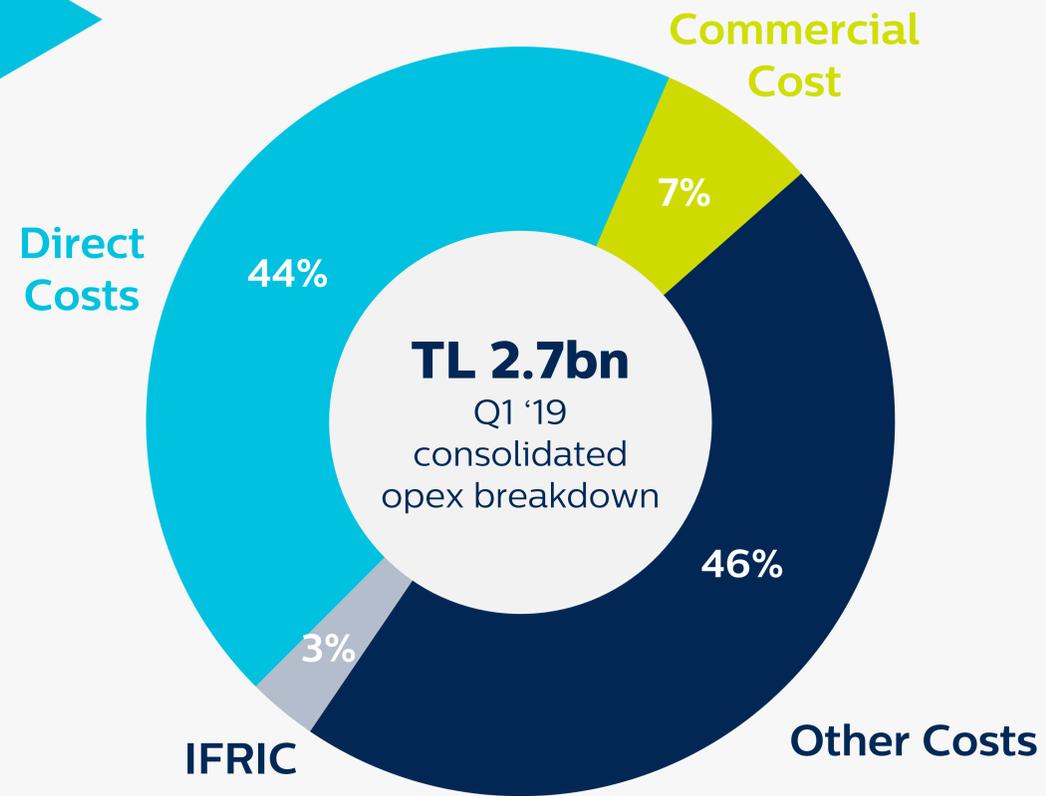


## Corporate Data

(TL mn)



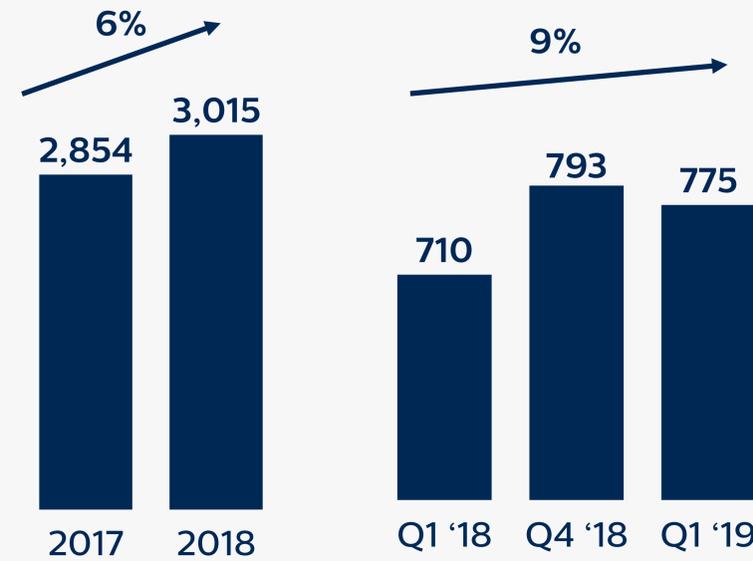
# Focus on Efficiency



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.

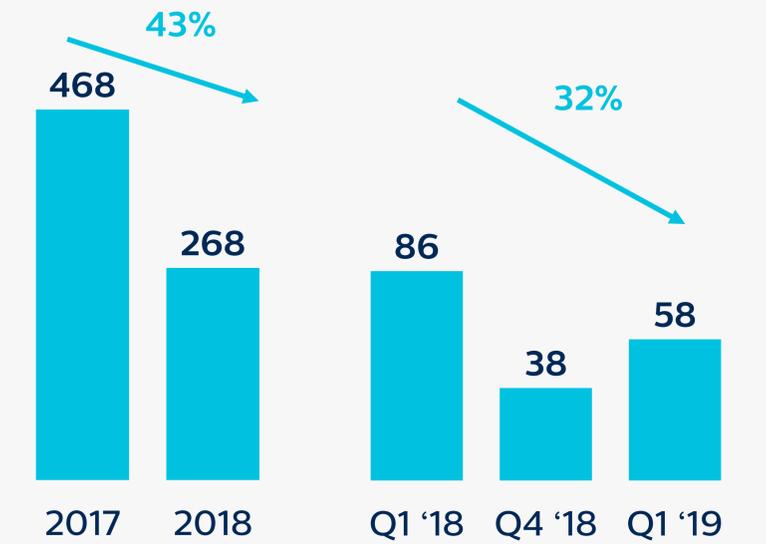
## Personnel Expense

(TL mn)



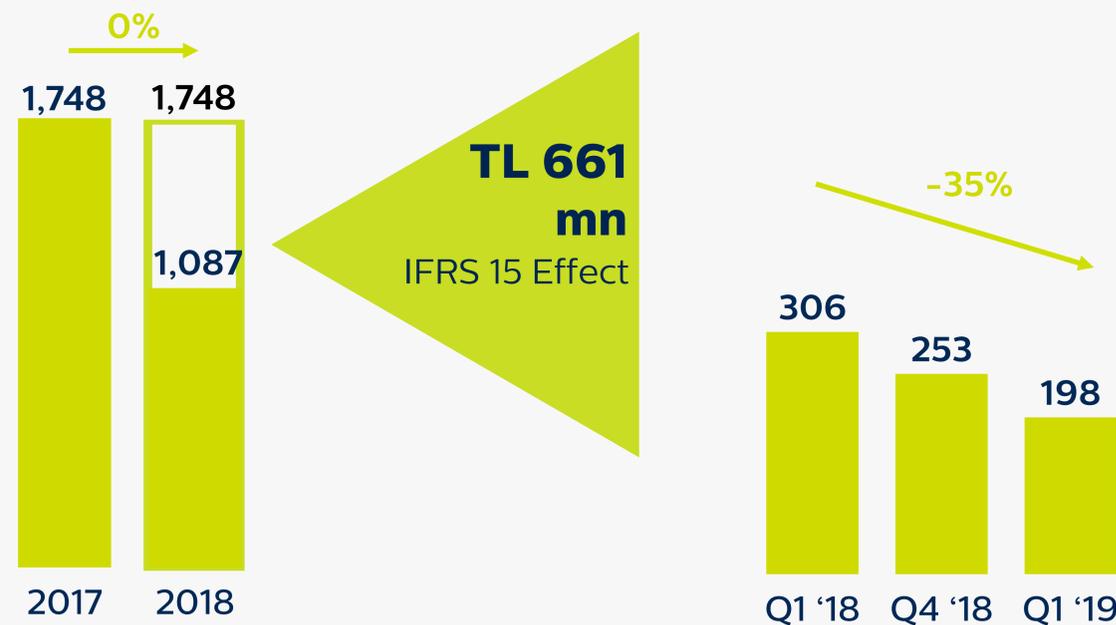
## Provision for Doubtful Receivables

(TL mn)



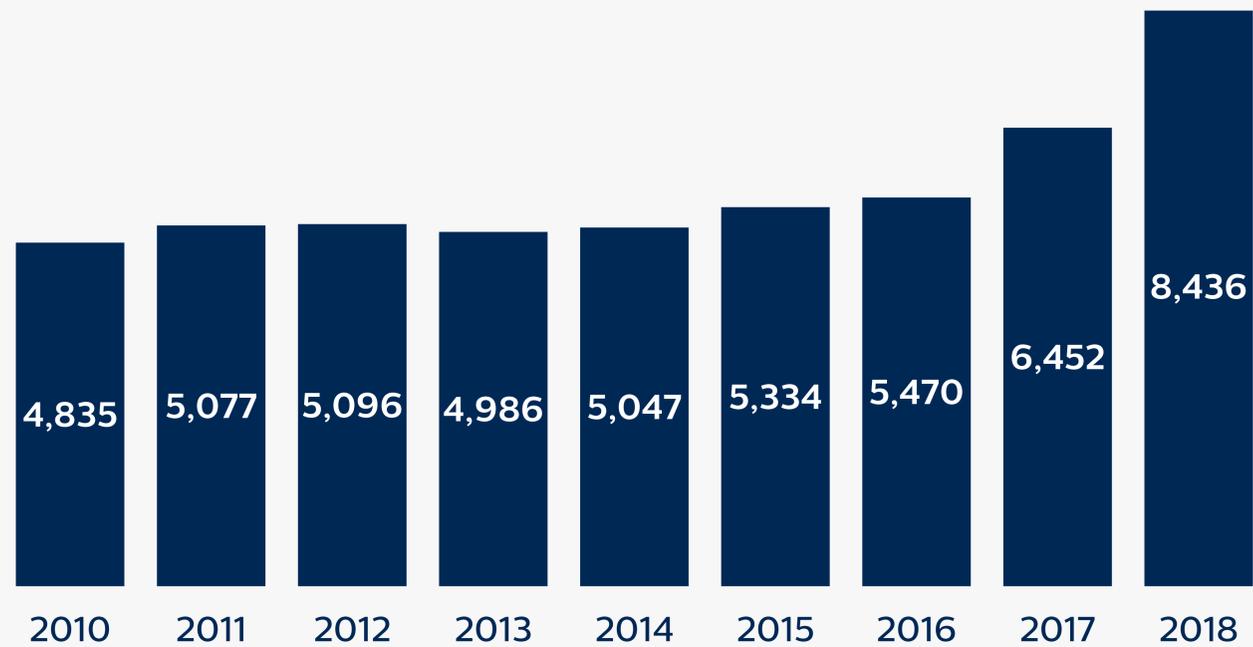
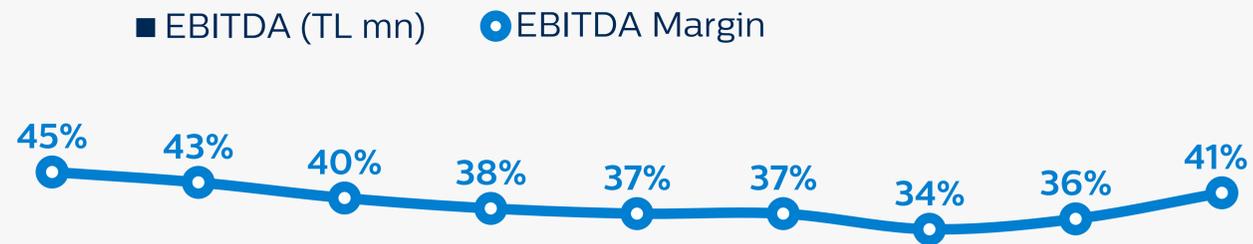
## Commercial Cost

(TL mn)



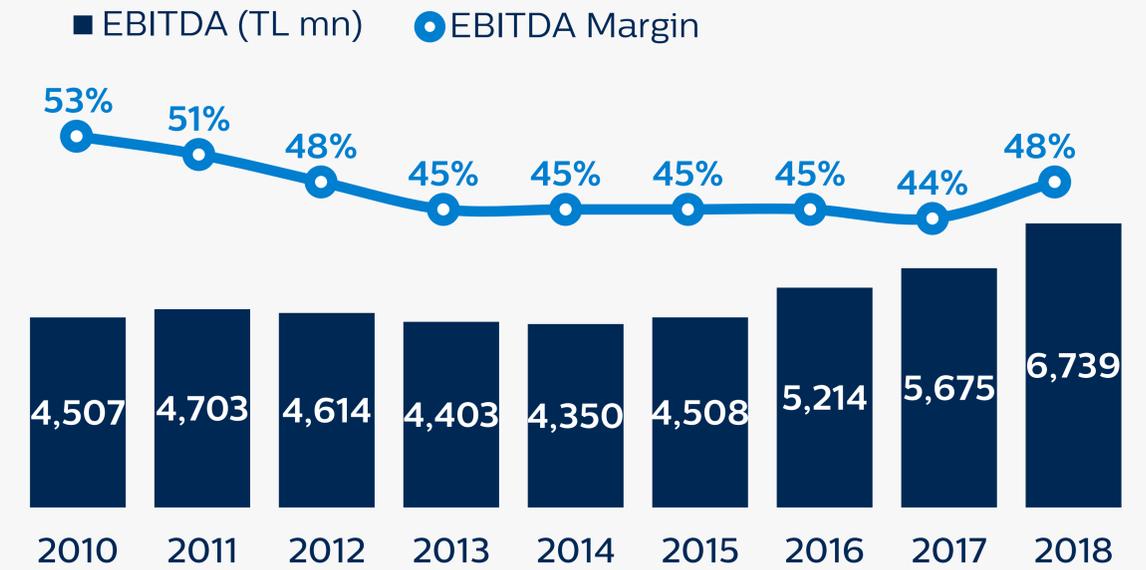
# Turnaround in EBITDA Margin

## Consolidated

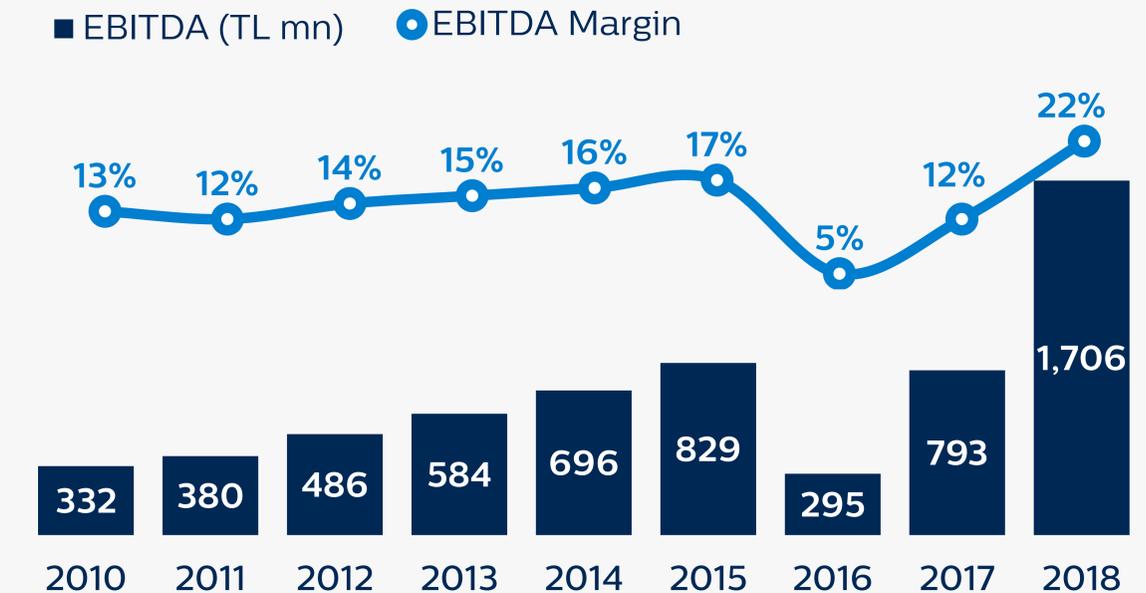


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## Fixed Segment



## Mobile Segment

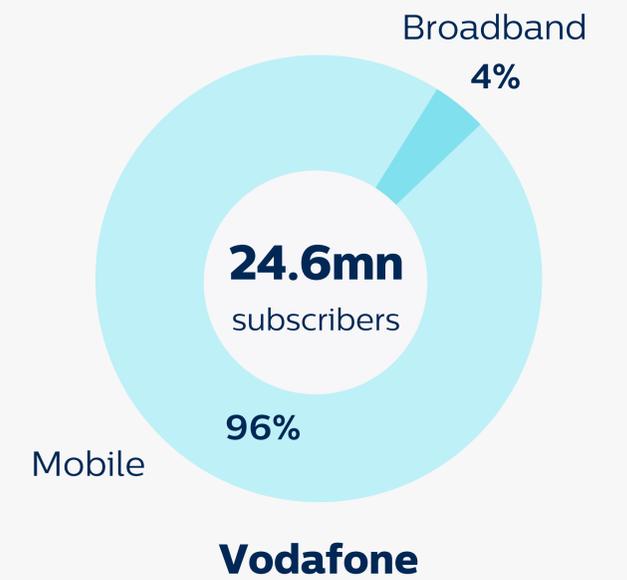
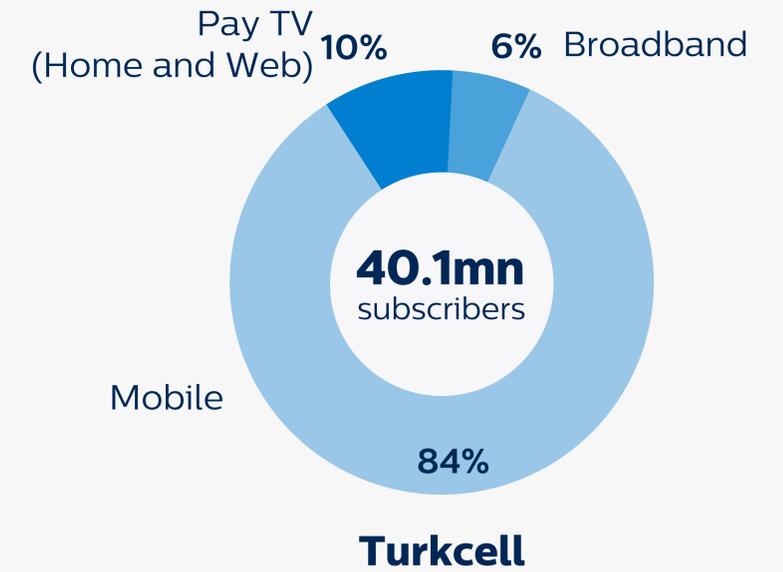
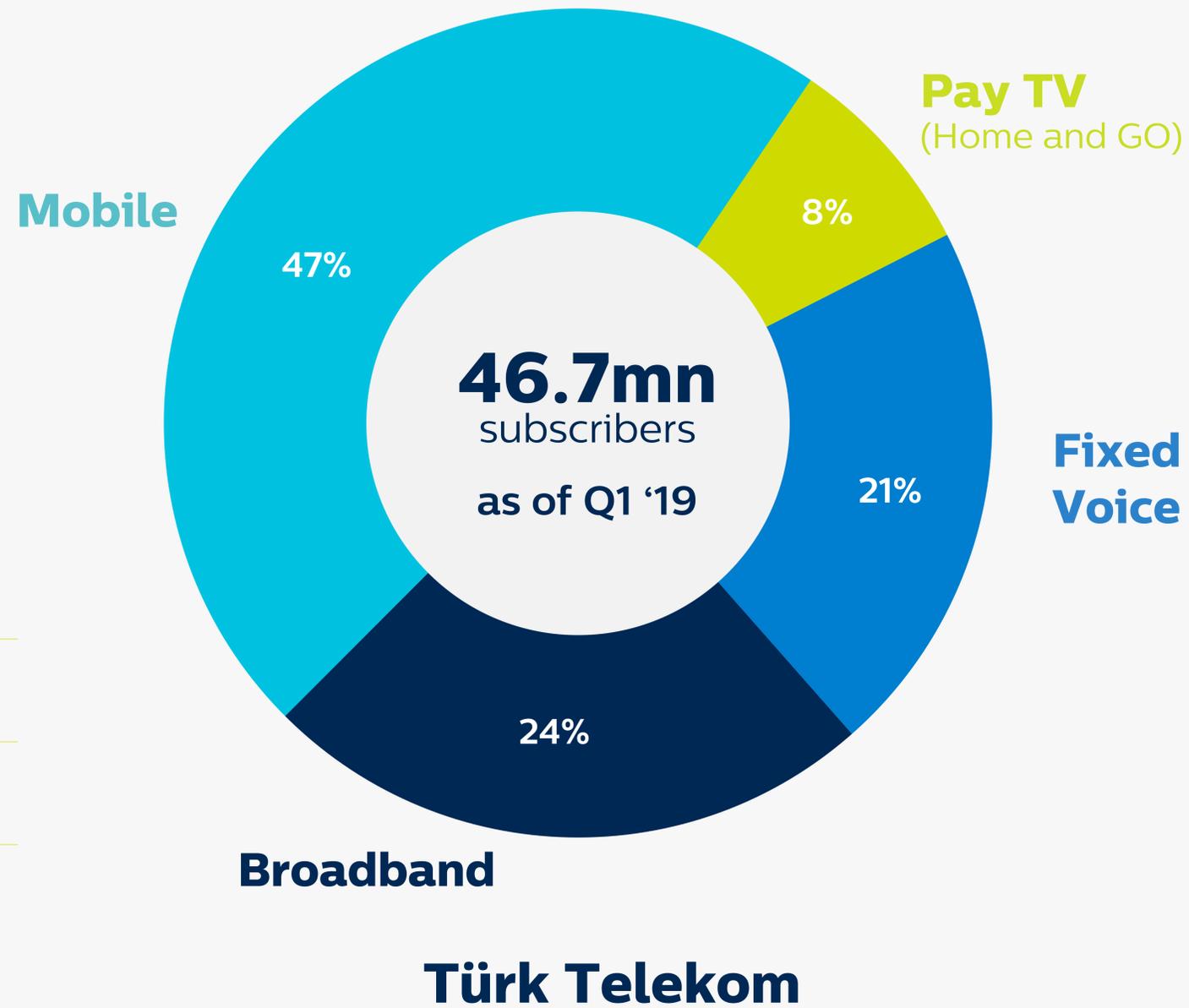


Includes TT Ödeme ve Elektronik Para Hizmetleri A.Ş.

# Strongest Position in Multiplay Offers

## ARPU Generation (Q1 '19)

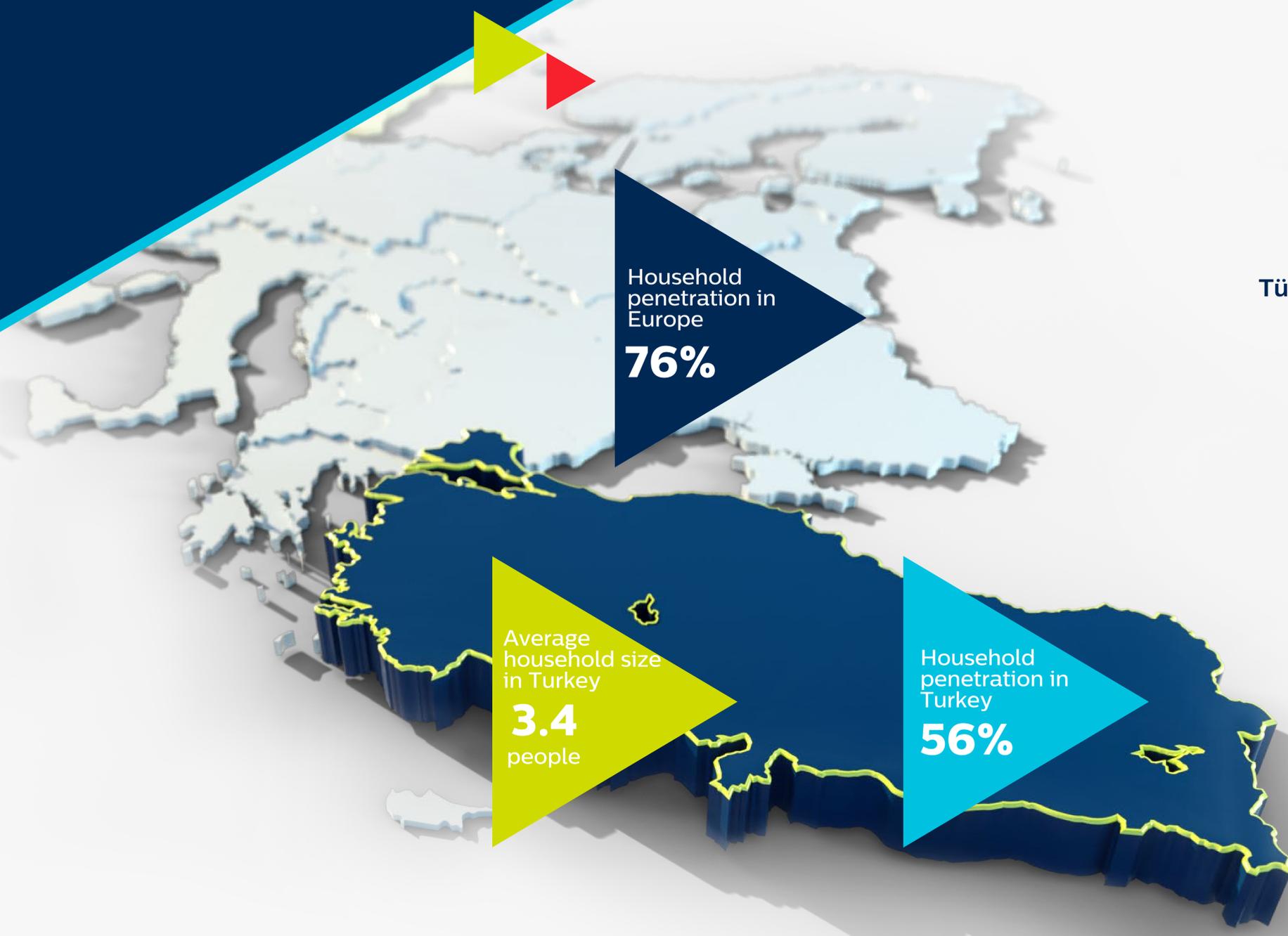
Mobile	TL 30.6
Broadband	TL 47.1
Pay TV (Home)	TL 15.1
Fixed Voice	TL 22.7



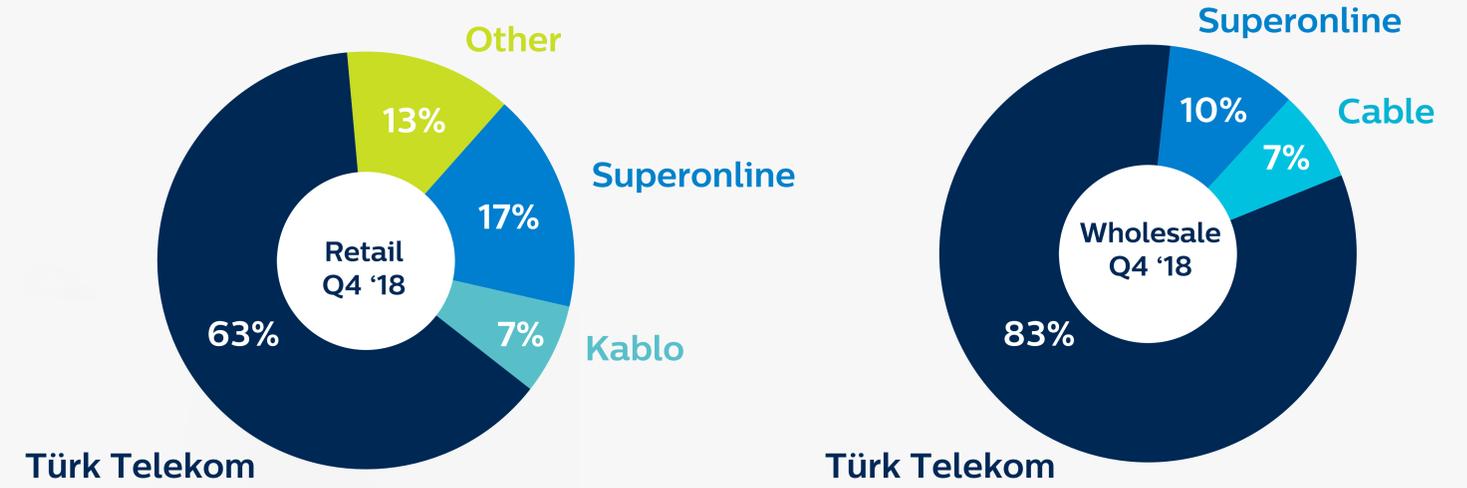
Turkcell and Vodafone data are from their own publications as of Q1 '19.

# **Business Lines**

# Fixed Broadband Market



## Subscriber Market Share



Source: Other operators' data are from ICTA Q4 '18 report

## Subscribers & Avg. Monthly Data Usage



## Household Penetration



Source: ICTA Q4 '18 report

Source: Analysys Mason, Q3'18 CEE&WE Telecom Matrix, TR data is from ICTA, Q4'18 Market Report  
European countries include Austria, Denmark, Finland, Italy, Bulgaria, Estonia and Romania

# Fixed Broadband Performance



## ARPU & Subscribers

■ Subscribers (mn) ● ARPU (TL)



**Around 70%**

of the Q1 '19 FBB net adds came via Internet Bizden campaign

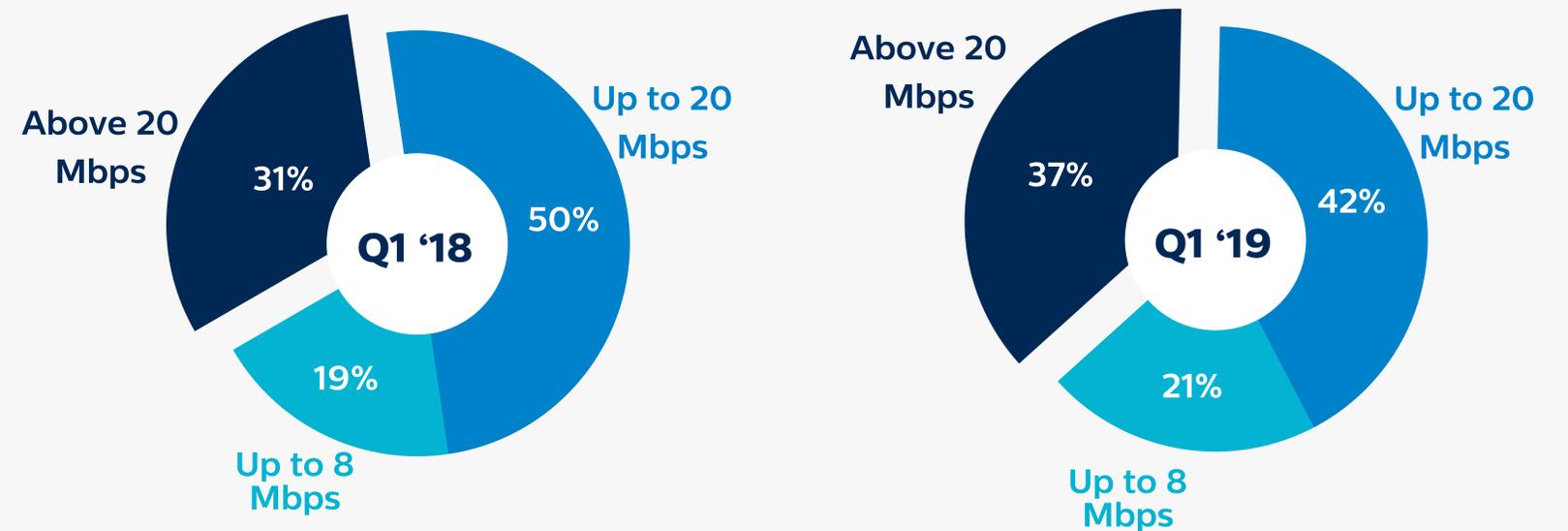
## Fiber Subscribers

(thousand)



## Speed Breakdown

(% of Subscribers)



# Extensive Fiber Network

## Türk Telekom Fiber Network



## Superonline Fiber Network

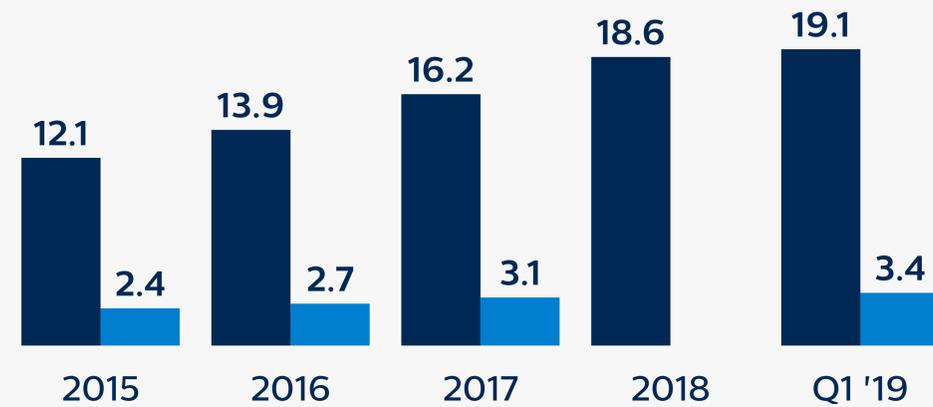


- ▶ Presence in 21 cities of Turkey
- ▶ 43K km fiber length
- ▶ Wholesale customer of Türk Telekom

Based on Turkcell's own publications as of Q1'19

## Fiber Homepass (mn)

■ Türk Telekom ■ Superonline



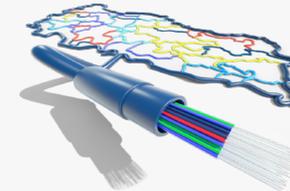
Fiber homepass includes FTTH/B & FTTC  
19.1mn homepass consists 5.4mn FTTH/B and 13.7mn FTTC

## Fiber Subscribers (thousands)

■ Türk Telekom ■ Superonline



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

# Mobile Market

Population penetration in Europe  
**132%**

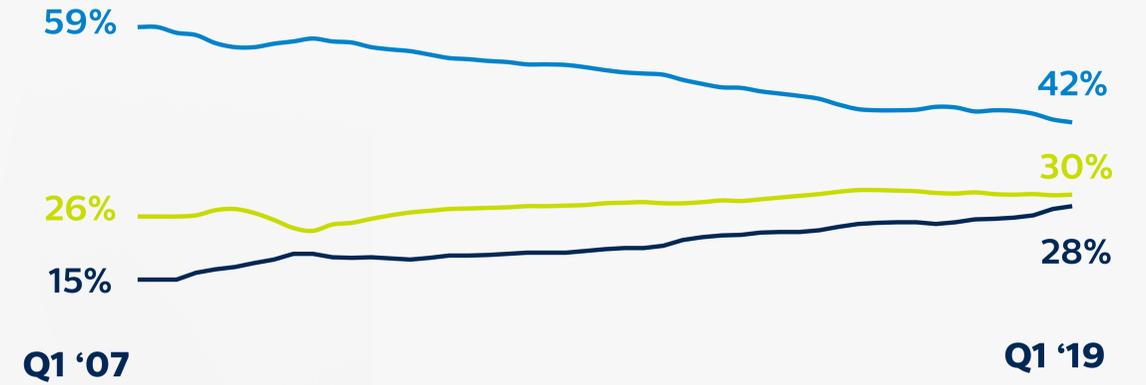
Mobile broadband population penetration in Europe  
**93%**

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

Population penetration in Turkey  
**99%**

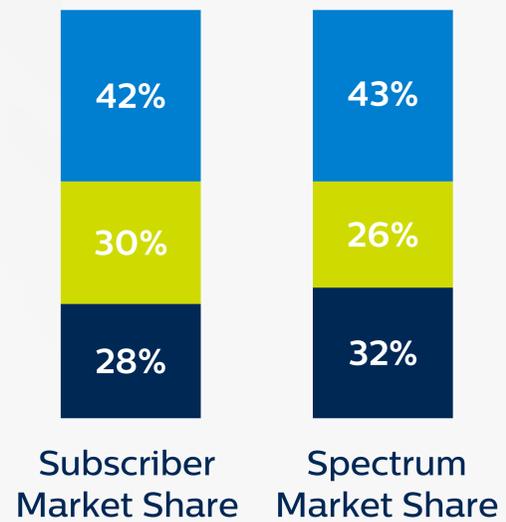
## Subscriber Market Share

-Türk Telekom -Vodafone -Turkcell



## Subscriber vs. Spectrum Market Share

■ Türk Telekom ■ Vodafone ■ Turkcell



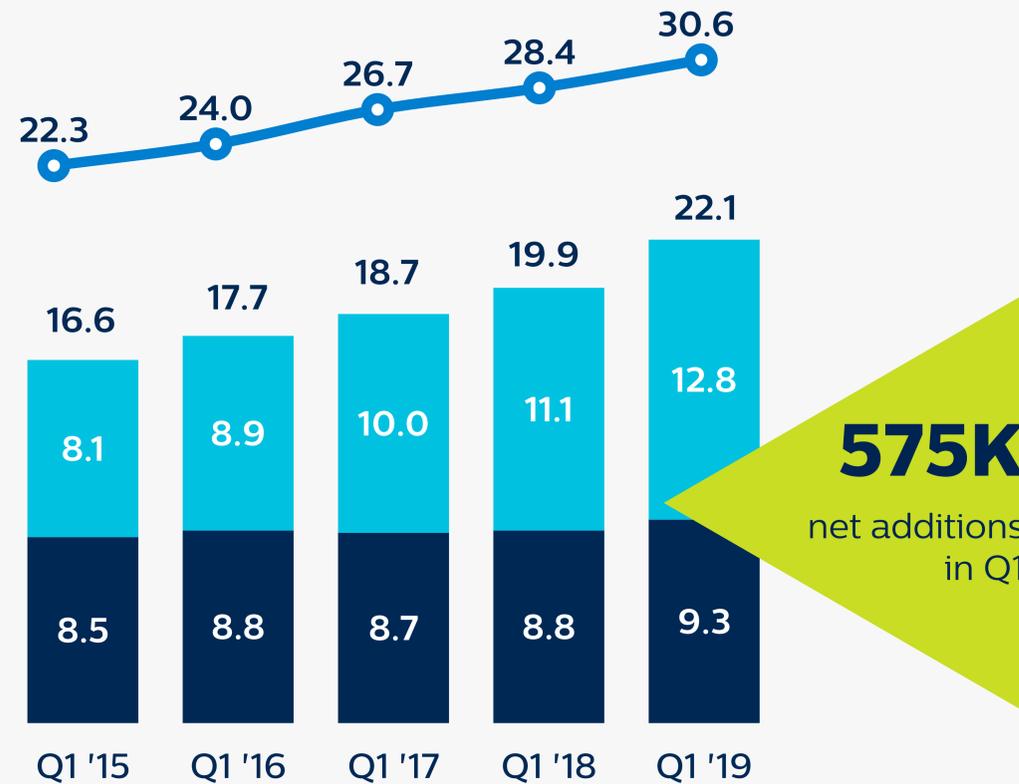
Source: ICTA, Q4'18 Market Report  
European countries include: Finland, Denmark, Greece Austria, Sweden, Portugal, Switzerland, Italy, Germany, Norway, Belgium, United Kingdom, Netherlands, Spain, France

Other operators' data are from their own publications as of Q1 '19

# Mobile Performance

## Growing ARPU & Subscriber Base

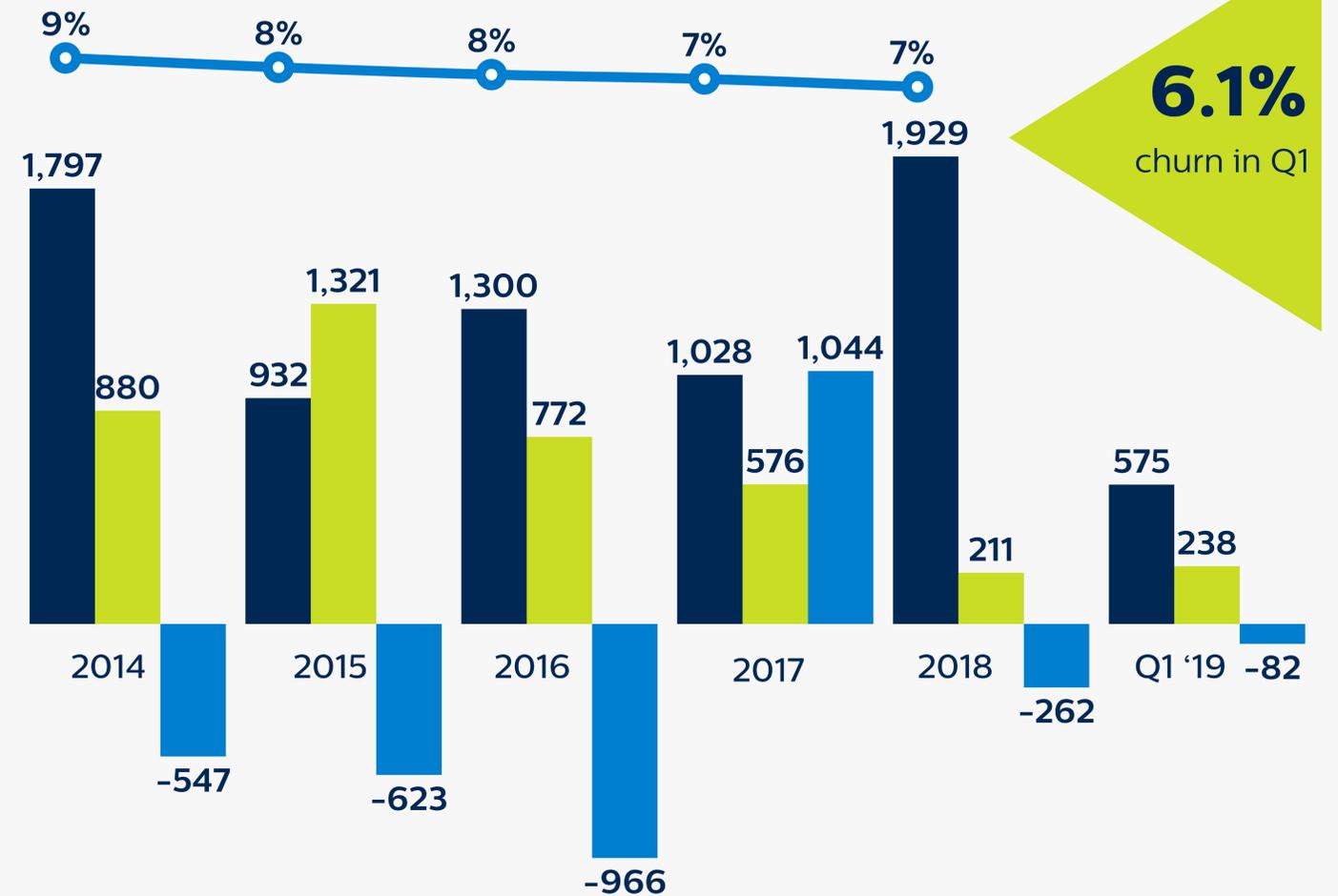
- Blended ARPU (TL)
- Prepaid (mn) ■ Postpaid (mn)



## Net Subscriber Additions

(thousand)

- Türk Telekom ■ Vodafone ■ Turkcell
- Average Quarterly Churn Rate



Other operators' data are from their own publications.

# Mobile Data

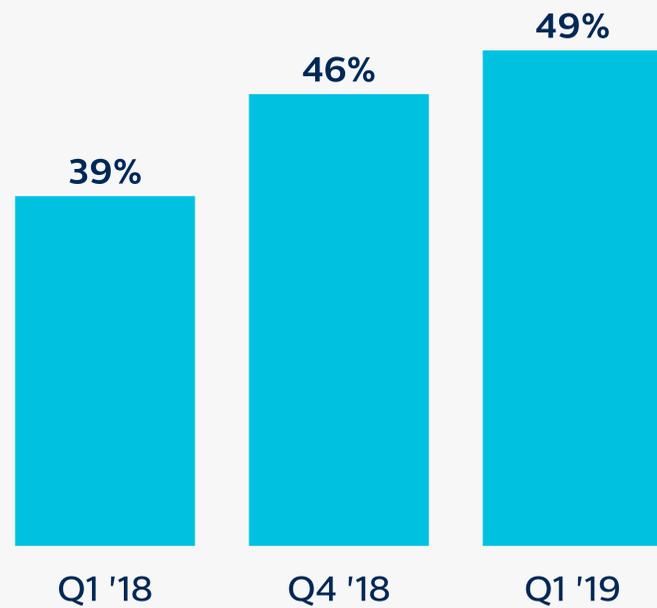
## Data Revenue

(Mobile service revenue share)

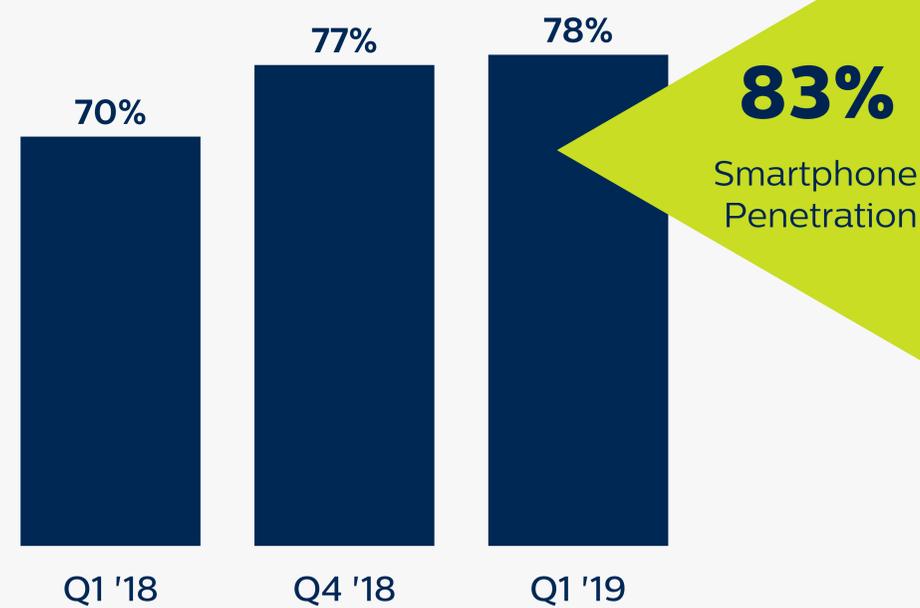


## LTE Users\*

(Total subscriber share)

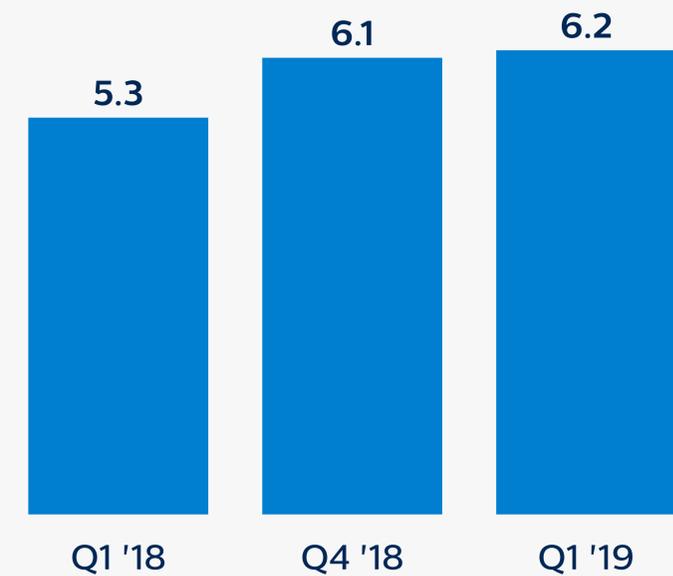


## LTE Compatible Smartphone\*\*



## Avg. Monthly Mobile Data Usage

(GB per LTE user)

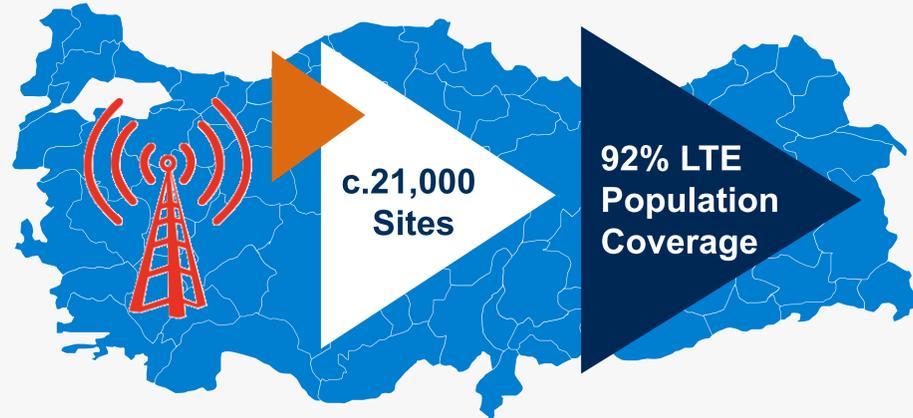


\*Subscribers who  
1) registered for LTE  
2) have LTE compatible device and simcard

\*\* Among smartphone users

# Mobile Network

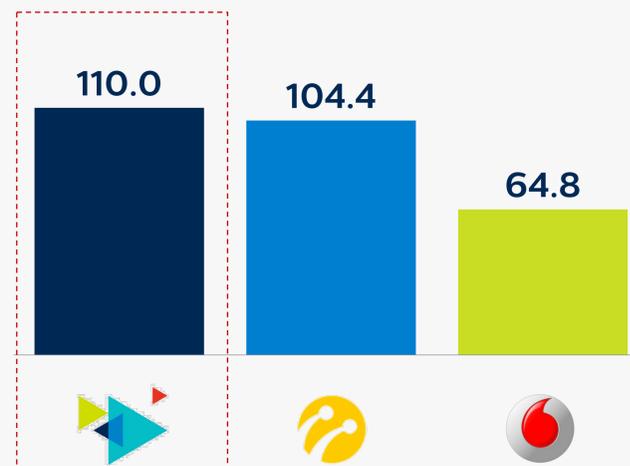
## Extensive Network Coverage



## Superior Spectrum Allocation

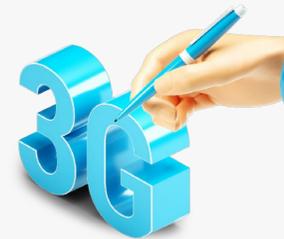
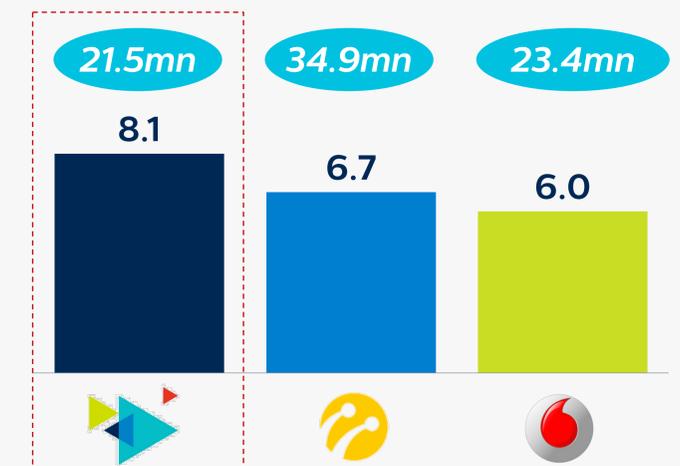


## Highest Share of 1,800 MHz and Below Frequencies



## Highest Spectrum Capacity Per Subscriber

(Hz/Subscriber)



96% coverage



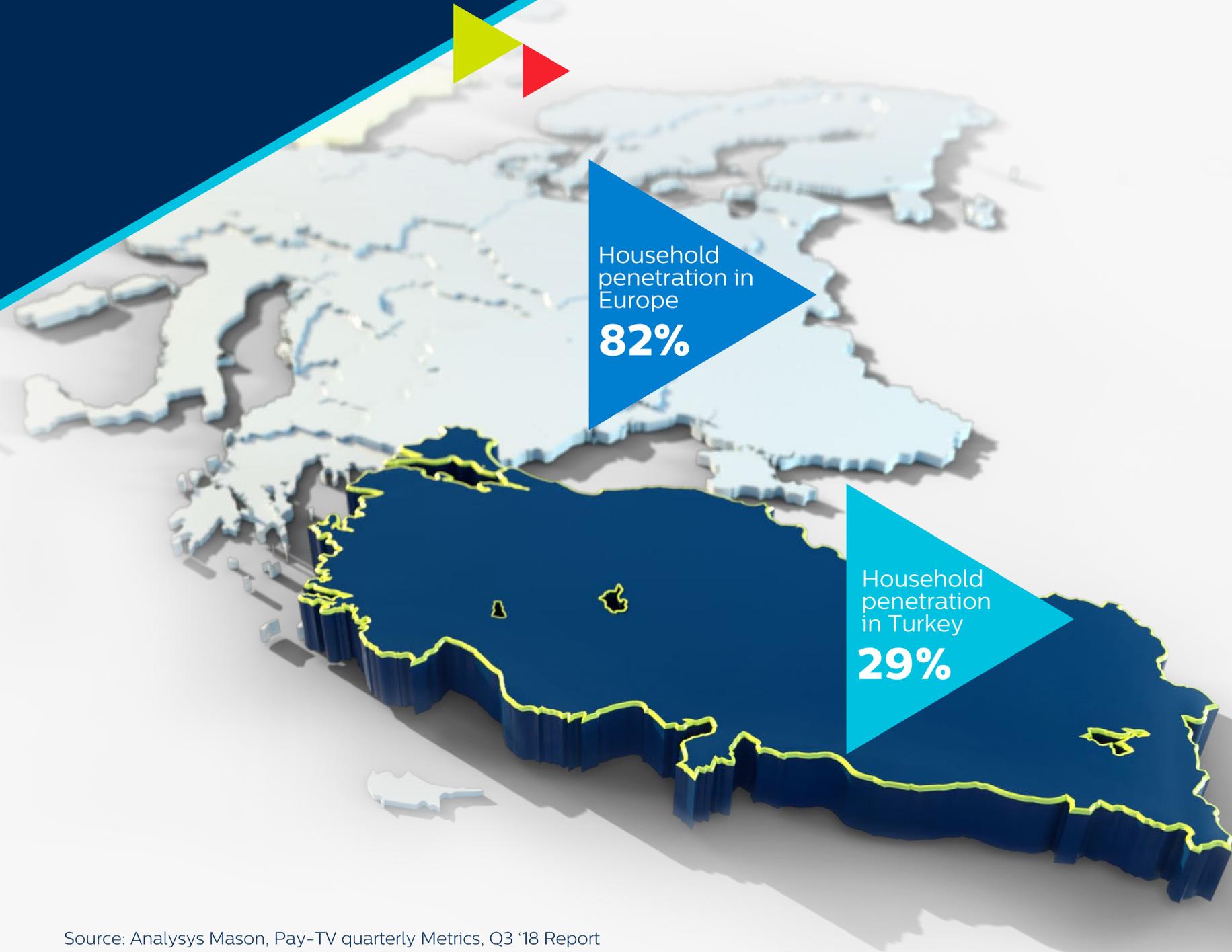
92% coverage



## Getting ready for 5G

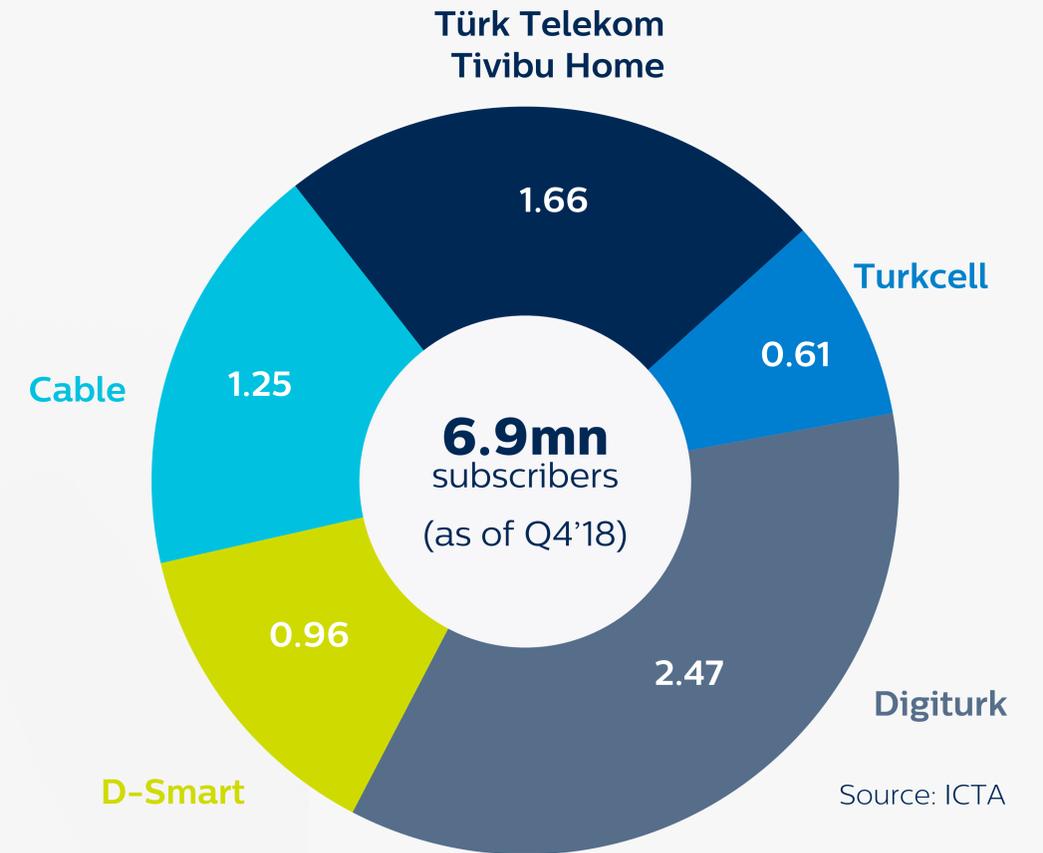
via ongoing studies by Argela and TT on RAN slicing, NFV and SDN

# Pay TV Market

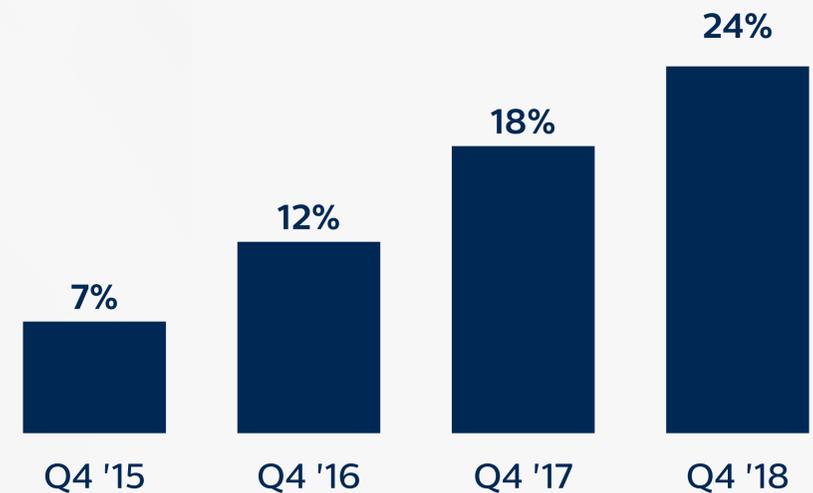


Source: Analysys Mason, Pay-TV quarterly Metrics, Q3 '18 Report  
European countries include Denmark, France, Ireland, Italy, Portugal, Sweden, UK and Estonia  
TR Data is calculated from ICTA Q4 '18

## Subscribers (mn)



## Tivibu Home Subscriber Market Share

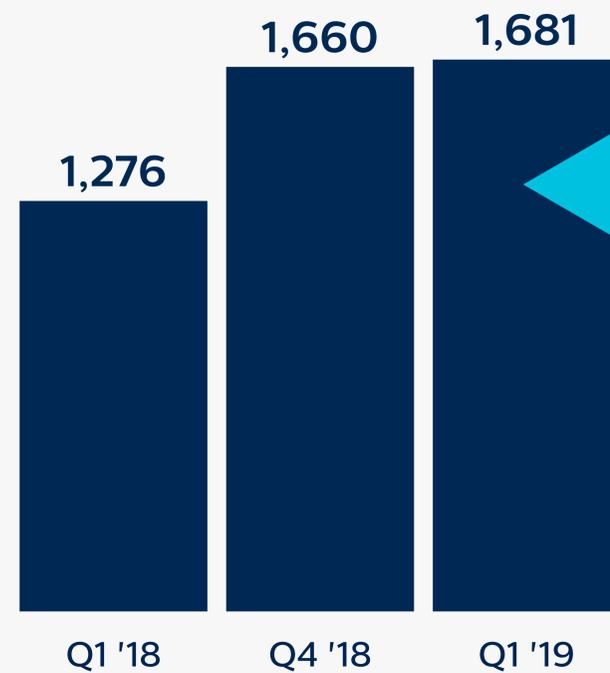


Source: ICTA

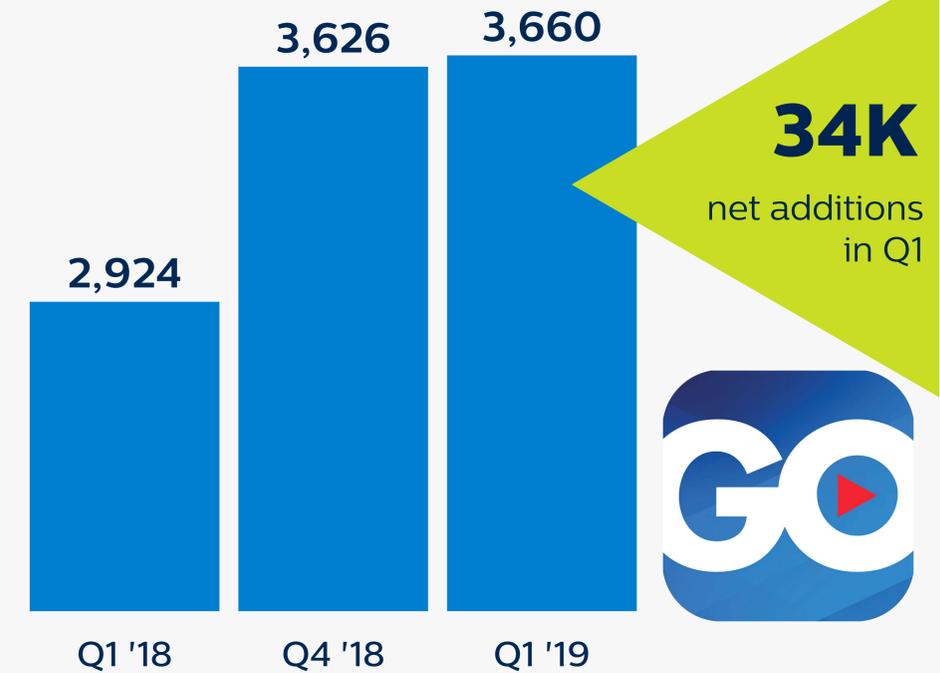
# TV Performance

## Subscribers (thousand)

■ Tivibu Home



■ Total TV (Tivibu Home + Tivibu GO)



## Wireless Homes



## Platform

IPTV + DTH + Web TV + Smart TV

## Content

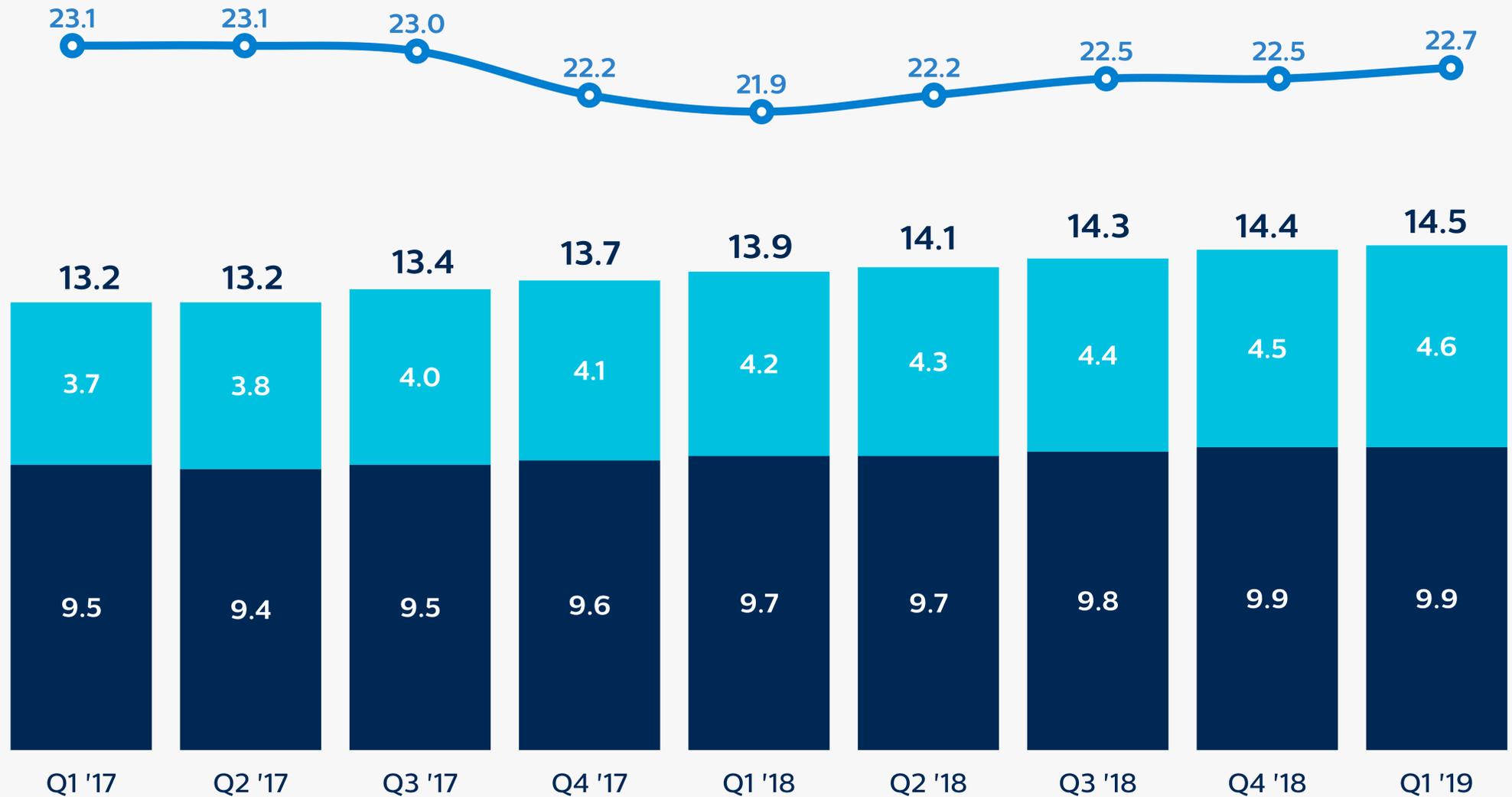
- ▶ Turkish Basketball Super League
- ▶ NBA
- ▶ English Premier League

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

# Fixed Voice Performance

## Access Lines and ARPU

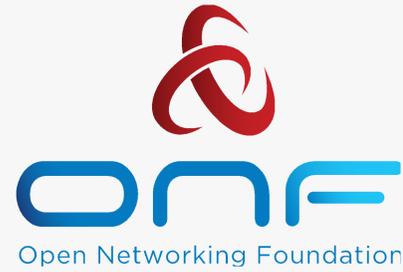
■ Fixed Voice (mn) ■ Naked Broadband (mn)  
● Fixed Voice ARPU (TL)



# Investing in Future

Working on transformation of network ahead of 5G

**ARGELA**



Working with Argela for SDN& NFV based cybersecurity solutions

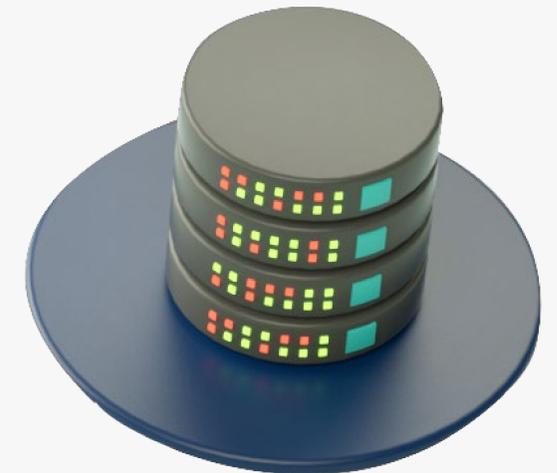
Turkey's largest Cyber Security Services Center in Ankara



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

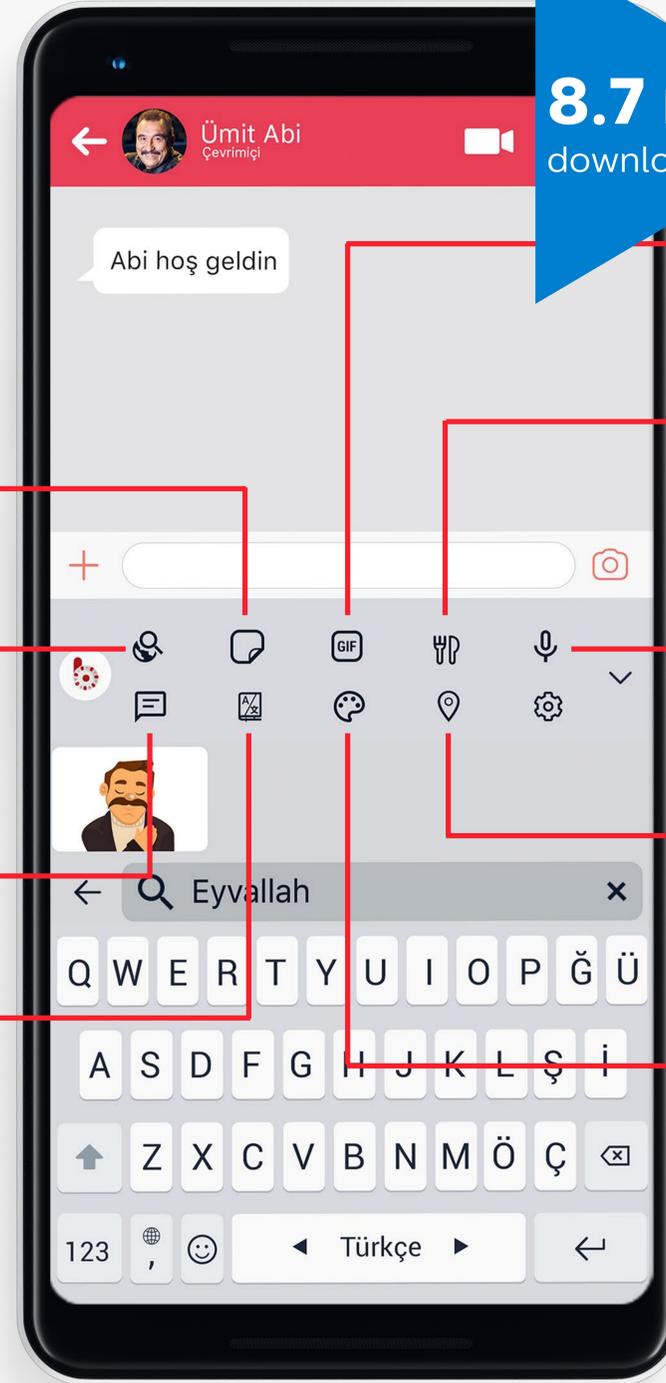


Hyper local animated stickers to express yourself  
**1st in Turkey**

Web search engine

Translation in more than 100 language

Personalized dictionary for frequently used text shortcuts



**8.7 mn**  
downloads\*



Exclusive GIFs for Tambu



Eating and drinking venue search



Speech to Text



Share location in all platforms



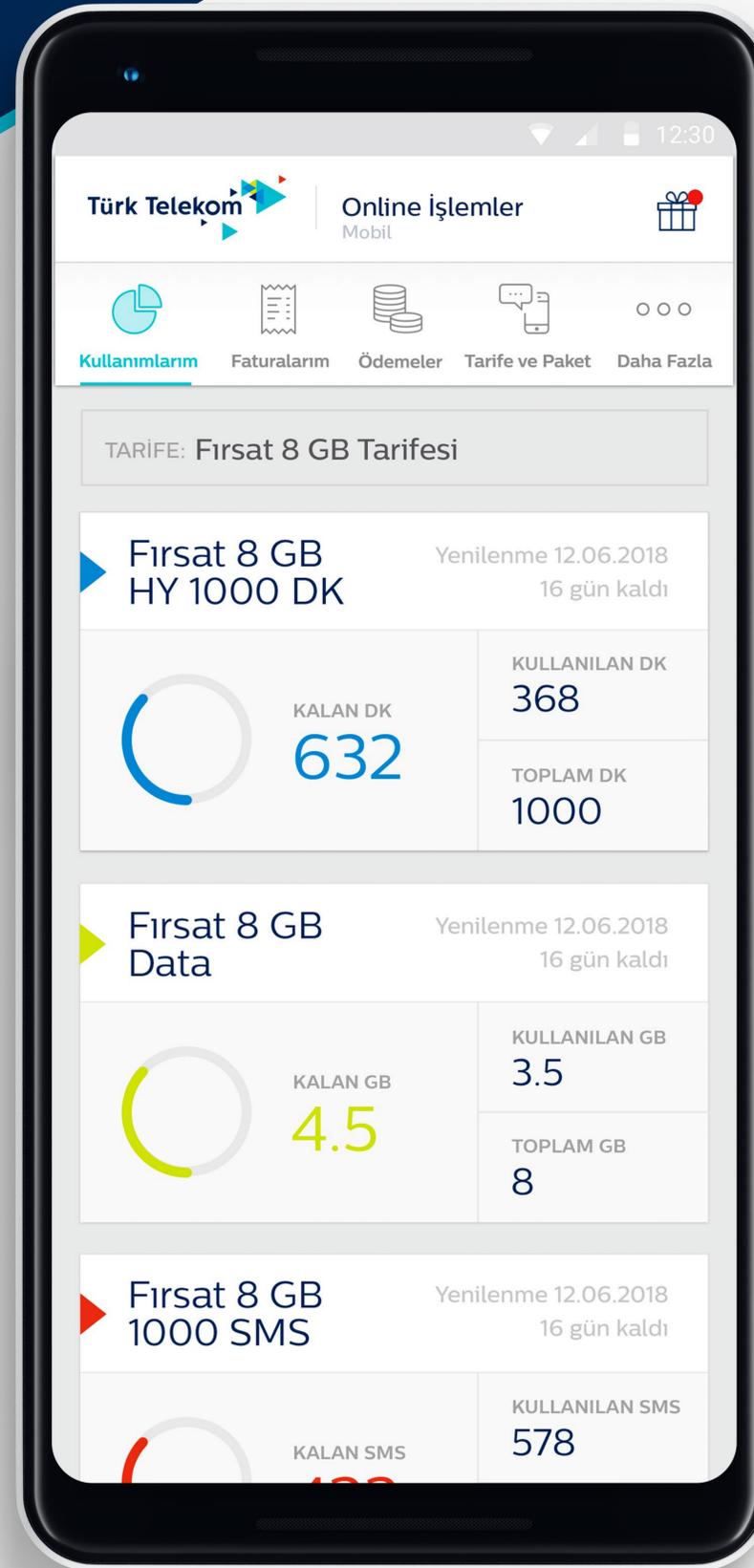
Customizable themes; personalized background and colors



Rich set of proverbs to discover, learn and share

\* As of March 2019

# Online Transaction



**10.3 mn**  
unique users

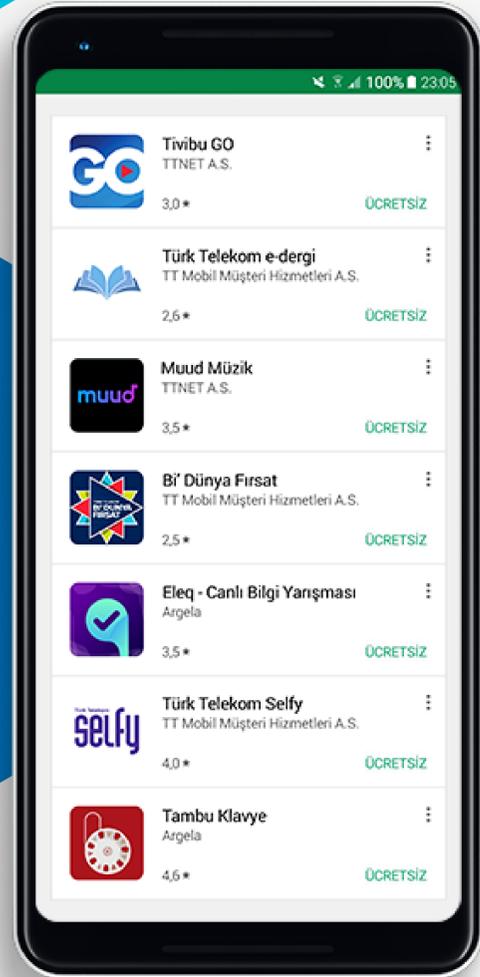


**26.4 mn**  
downloads as of Q1 '19



**61%**  
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 70 major POPs in Europe, ME and Asia
- Unique Solutions
  - AMEERS: New path connecting WE to ME
  - SEA-ME-WE-5: Submarine cable system connecting Europe to Africa, ME and Asia



The 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 13 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 the tagline "Potansiyelini Keşfet!" 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

- BRSA license extension authorization to mediate utility bill payments
- 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)	Q1 '18	Q4 '18	Q1 '19	QoQ Change	YoY Change
Revenues	4,686	5,398	5,403	0.1%	15.3%
EBITDA	1,972	2,229	2,655	19.1%	34.7%
Margin	42.1%	41.3%	49.1%		
Operating Profit	1,094	1,244	1,491	19.9%	36.4%
Margin	23.3%	23.0%	27.6%		
Financial Inc. / (Exp.) <sup>1</sup>	(919)	1,413	(1,276)	n.m.	38.8%
FX & Hedging Gain / (Loss)	(879)	1,736	(825)	n.m.	(6.1)%
Interest Inc./ (Exp.)	(86)	(216)	(370)	71.3%	332.8%
Other Financial Inc./ (Exp.)	46	(107)	(81)	(24.9)%	n.m.
Tax Expense <sup>1</sup>	(65)	(442)	95	n.m.	n.m.
Net Income <sup>1</sup>	110	2,215	310	(86.0)%	183.0%
Margin	2.3%	41.0%	5.7%		

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

# Balance Sheet

(TL mn)	31.03.2018	31.12.2018	31.03.2019
<b>Total Assets</b>	<b>29,930</b>	<b>36,199</b>	<b>40,573</b>
Cash and Equivalents	3,979	4,495	7,350
Intangible Assets	9,308	9,783	9,684
Tangible Assets <sup>1</sup>	8,964	14,274	14,052
Other Assets <sup>2&amp;5</sup>	7,680	7,647	9,488
<b>Total Equities and Liabilities</b>	<b>29,930</b>	<b>36,199</b>	<b>40,573</b>
Share Capital	3,260	3,260	3,260
Reserves, Retained Earnings and Other Equity Items <sup>5</sup>	1,730	4,193	4,632
Interest Bearing Liabilities <sup>3&amp;5</sup>	17,467	19,921	24,456
Other Liabilities <sup>4</sup>	7,473	8,823	8,225

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

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

# Cash Flow Statement

(TL mn)	Q1 '18	Q4 '18	Q1 '19	QoQ Change	YoY Change
Operating Cash Flow	624	1,956	2,172	11.1%	248.2%
Investing Cash Flow	(772)	(1,524)	(729)	(52.2)%	(5.5)%
CAPEX	(616)	(1,565)	(608)	(61.1)%	(1.2)%
Other Investing Activites	(156)	41	(121)	n.m.	(22.4)%
Financing Cash Flow <sup>1</sup>	(46)	(2,205)	1,492	n.m.	n.m.
Net Change in Cash Position <sup>2</sup>	(194)	(1,773)	2,936	n.m.	n.m.

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)	Q1 '18	Q4 '18	Q1 '19	QoQ Change	YoY Change
Fixed Voice	632	667	673	0.9%	6.5%
Broadband	1,325	1,482	1,550	4.6%	17.0%
Mobile	1,724	1,938	2,022	4.3%	17.3%
TV	72	81	83	1.5%	14.0%
Corporate Data	402	437	449	2.7%	11.6%
International Revenues	180	248	222	(10.3)%	23.5%
Other <sup>1</sup>	229	389	326	(16.2)%	42.3%
IFRIC-12	141	178	99	(44.3)%	(29.3)%
Eliminations	(19)	(22)	(21)	(4.0)%	7.0%
<b>Total Revenue</b>	<b>4,686</b>	<b>5,398</b>	<b>5,403</b>	<b>0.1%</b>	<b>15.3%</b>

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

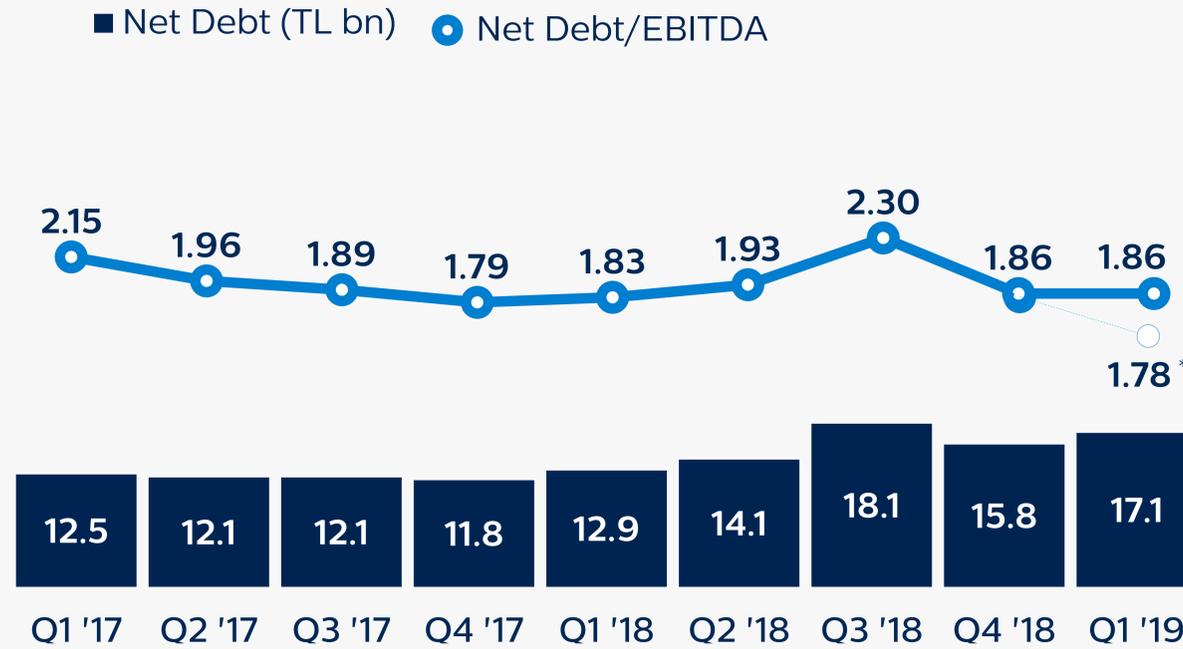
# OPEX Breakdown

(TL mn)	Q1 '18	Q4 '18	Q1 '19	QoQ Change	YoY Change
<b>Direct Costs</b>	<b>1,044</b>	<b>1,256</b>	<b>1,205</b>	<b>(4.1)%</b>	<b>15.4%</b>
Interconnection	390	456	425	(6.8)%	9.0%
Tax	406	485	493	1.6%	21.4%
Provisions for Doubtful Receivables	86	38	58	51.0%	(32.4)%
Cost of Equipment and Technology Sales	95	195	145	(25.6)%	52.4%
Other Direct Costs	68	82	84	2.8%	23.9%
<b>Commercial Costs</b>	<b>306</b>	<b>253</b>	<b>198</b>	<b>(21.7)%</b>	<b>(35.2)%</b>
<b>Other Costs</b>	<b>1,240</b>	<b>1,502</b>	<b>1,257</b>	<b>(16.3)%</b>	<b>1.4%</b>
Network & Technology	400	537	425	(20.9)%	6.2%
Personnel	710	793	775	(2.3)%	9.1%
Other	129	171	57	(67.0)%	(56.2)%
<b>Sub Total</b>	<b>2,590</b>	<b>3,011</b>	<b>2,660</b>	<b>(11.7)%</b>	<b>2.7%</b>
IFRIC-12	124	158	88	(44.3)%	(29.3)%
<b>Total OPEX</b>	<b>2,714</b>	<b>3,169</b>	<b>2,748</b>	<b>(13.3)%</b>	<b>1.2%</b>

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.

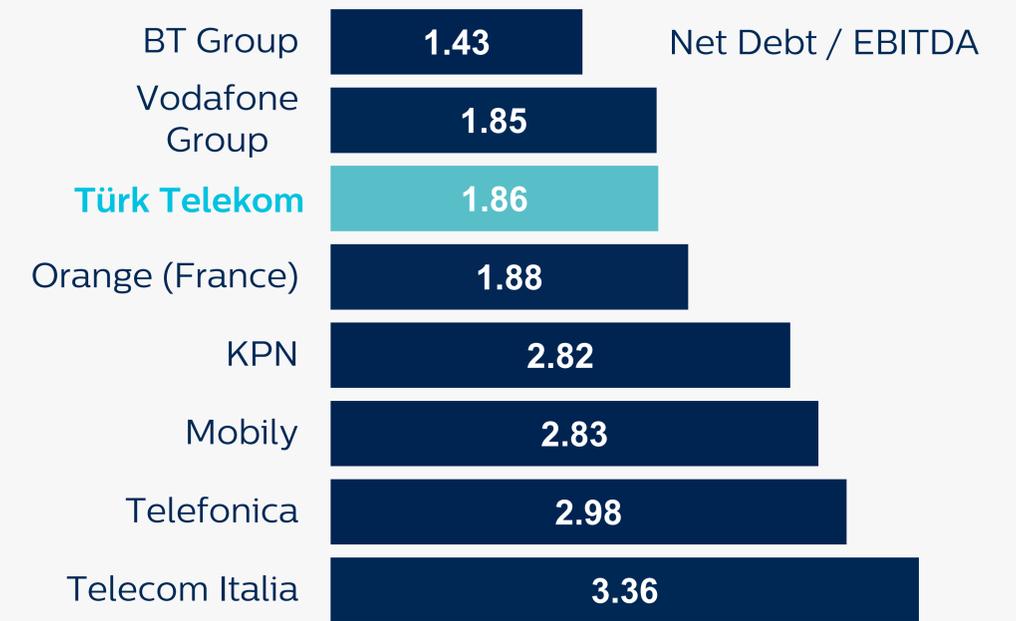
# Debt Profile

## Net Debt



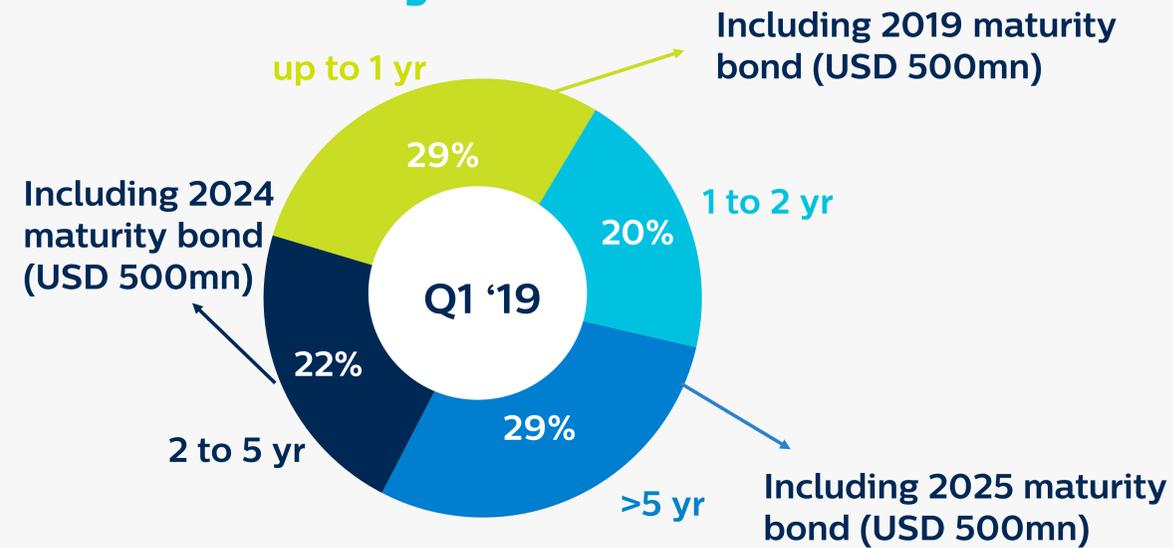
Note: Net Debt calculation includes MTM from FX to TRY Currency Swaps  
 Net Debt/EBITDA calculation excludes extraordinary claims EBITDA calculation  
 \*Excluding IFRS 16 accounting impacts.

## Low debt ratio among peers



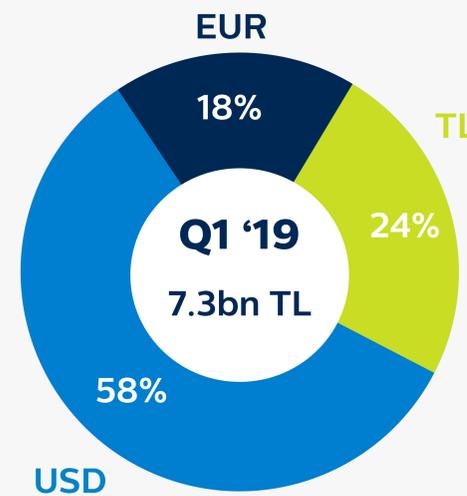
Source: Bloomberg  
 \*Türk Telekom's ratio is based on Q1 '19 financials; other's based on their latest data

## Maturity Profile



All loans are senior unsecured

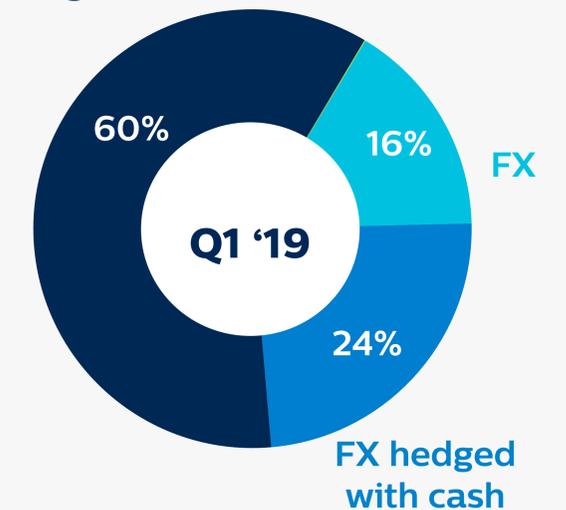
## Cash FX Breakdown



## 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 coupons 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 Negative

### S&P Global Ratings

Long Term Rating: BB-  
Outlook Stable

Stand-alone Credit Profile (SACP):  
bbb-

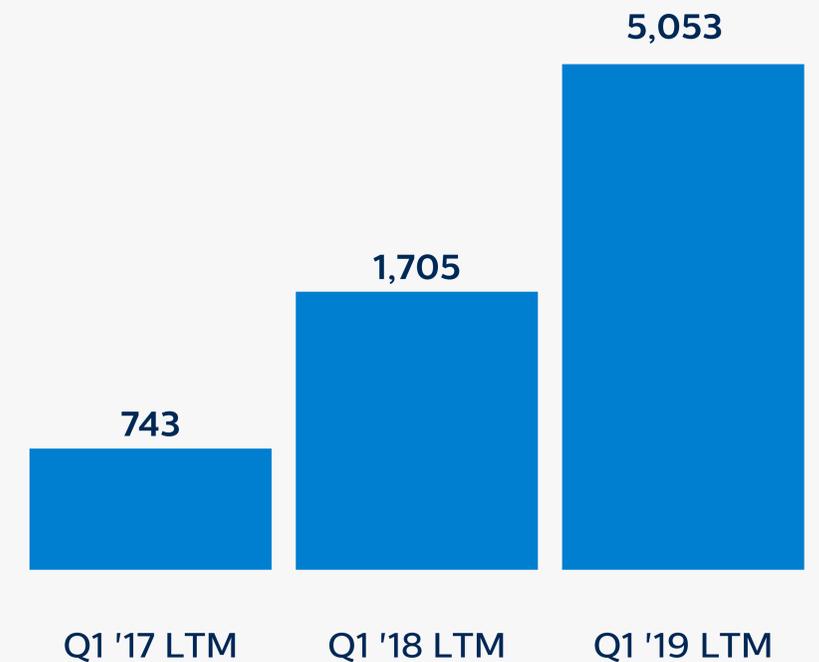
## Hedge Ratio\*



\*Hedge Ratio is defined as the ratio of hedged FX based debt plus FX based cash over gross FX debt. 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

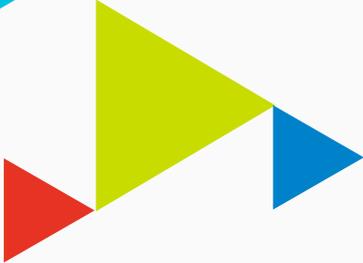
	Q1 '18	Q4 '18	Q1 '19	QoQ Change	YoY Change
<b>Total Access Line (mn)</b>	<b>13.9</b>	<b>14.4</b>	<b>14.5</b>	<b>0.1%</b>	<b>4.1%</b>
Fixed Voice Lines <sup>1</sup> (mn)	9.7	9.9	9.9	(0.0)%	2.6%
Naked DSL Lines (mn)	4.2	4.5	4.6	0.4%	7.5%
<b>Fixed Voice ARPU (TL)</b>	<b>21.9</b>	<b>22.5</b>	<b>22.7</b>	<b>0.5%</b>	<b>3.3%</b>
<b>Broadband Total Subscribers (mn)</b>	<b>10.1</b>	<b>10.9</b>	<b>11.0</b>	<b>1.2%</b>	<b>9.7%</b>
FTTH/B Subscribers ('000)	1,127	1,356	1,391	2.6%	23.5%
FTTC Subscribers ('000)	1,833	2,276	2,263	(0.6)%	23.4%
<b>Broadband ARPU (TL)</b>	<b>44.6</b>	<b>45.9</b>	<b>47.1</b>	<b>2.7%</b>	<b>5.7%</b>
<b>Total Tivibu Subscribers<sup>2</sup> (mn)</b>	<b>2.9</b>	<b>3.6</b>	<b>3.7</b>	<b>0.9%</b>	<b>25.2%</b>
Tivibu Home Subscribers <sup>3</sup> ('mn)	1.3	1.7	1.7	1.3%	31.8%
<b>Tivibu Home ARPU (TL)</b>	<b>17.5</b>	<b>15.1</b>	<b>15.1</b>	<b>(0.5)%</b>	<b>(13.9)%</b>
<b>Mobile Total Subscribers (mn)</b>	<b>19.9</b>	<b>21.5</b>	<b>22.1</b>	<b>2.7%</b>	<b>10.9%</b>
Mobile Postpaid Subscribers (mn)	11.1	12.2	12.8	4.5%	14.9%
Mobile Prepaid Subscribers (mn)	8.8	9.3	9.3	0.3%	5.9%
<b>Mobile Blended ARPU (TL)</b>	<b>28.4</b>	<b>31.0</b>	<b>30.6</b>	<b>(1.3)%</b>	<b>7.9%</b>
Mobile Postpaid ARPU (TL)	35.9	39.5	38.4	(2.7)%	7.1%
Mobile Prepaid ARPU (TL)	18.5	19.2	19.6	1.7%	5.8%

(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
<b>Revenue</b> (exc. IFRIC 12) <sup>1</sup>	19,660	15% - 16% growth
<b>EBITDA*</b>	8,436	TL 10.0 to 10.2 bn
<b>CAPEX**</b>	4,087	TL 4.6 bn to 4.8 bn

\* Includes IFRS 16 impact on EBITDA (TL 650-700 million)

\*\* Does not include gross additions to right of use assets (TL 850- 900 million) which is netted of by gross additions to leasing liability arising from IFRS 16.

(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)	Q1 '19	IFRS 16 Impact	Q1 '19 w/o adoption of IFRS 16
Revenues	5,403		5,403
EBITDA	2,655	175	2,481
Margin	49.1%		45.9%
Operating Profit	1,491	25	1,467
Margin	27.6%		27.1%
Financial Inc. / (Exp.)	(1,276)	(47)	(1,229)
FX & Hedging Gain / (Loss)	(825)	(4)	(822)
Interest Inc./ (Exp.)	(370)	(43)	(327)
Other Financial Inc./ (Exp.)	(81)		(81)
Tax Expense	95	1	93
Net Income	310	(21)	331
Margin	5.7%		6.1%

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

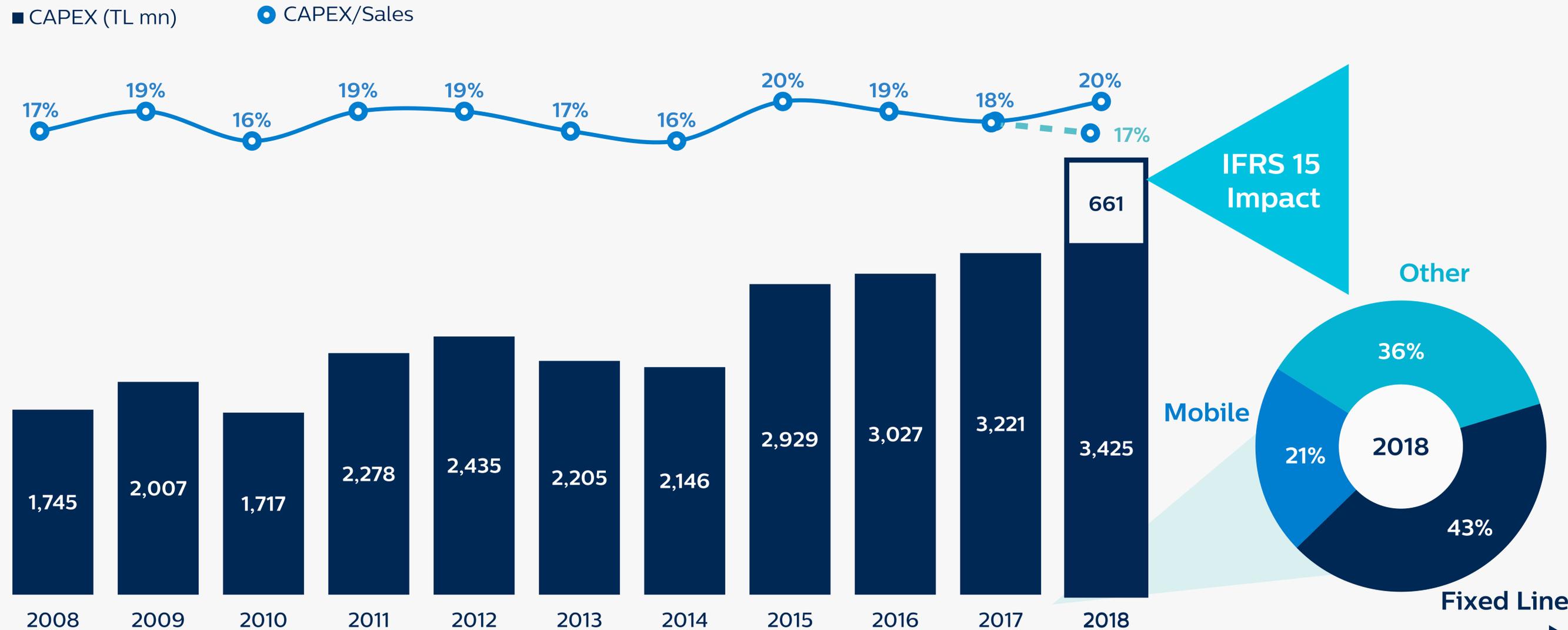
(TL mn)	31.03.2019	IFRS 16 Impact	31.03.2019 w/o adoption of IFRS 16
<b>Total Assets</b>	<b>40,573</b>	<b>1,089</b>	<b>39,484</b>
Cash and Equivalents	7,350		7,350
Intangible Assets	9,684		9,684
Tangible Assets	14,052		14,052
Trade Receivable	5,621		5,621
Rights of Use Assets	1,338	1,338	0
Other Assets	2,529	(249)	2,778
<b>Total Equities and Liabilities</b>	<b>40,573</b>	<b>1,089</b>	<b>39,484</b>
Share Capital	3,260		3,260
Reserves, Retained Earnings and Other Equity Items	4,632	(21)	4,653
Interest Bearing Liabilities	24,456	1,111	23,345
Other Liabilities	8,225	(1)	8,226

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



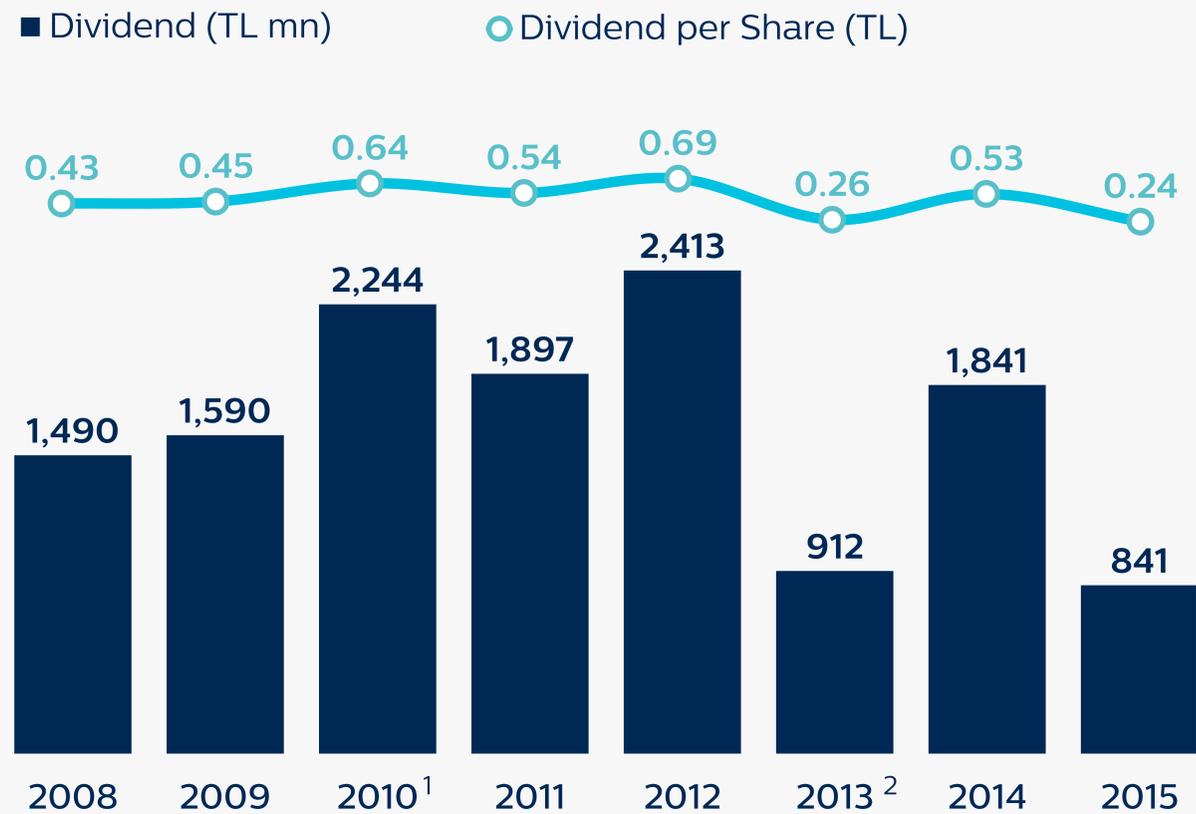
\* Capex figures exclude license fees

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

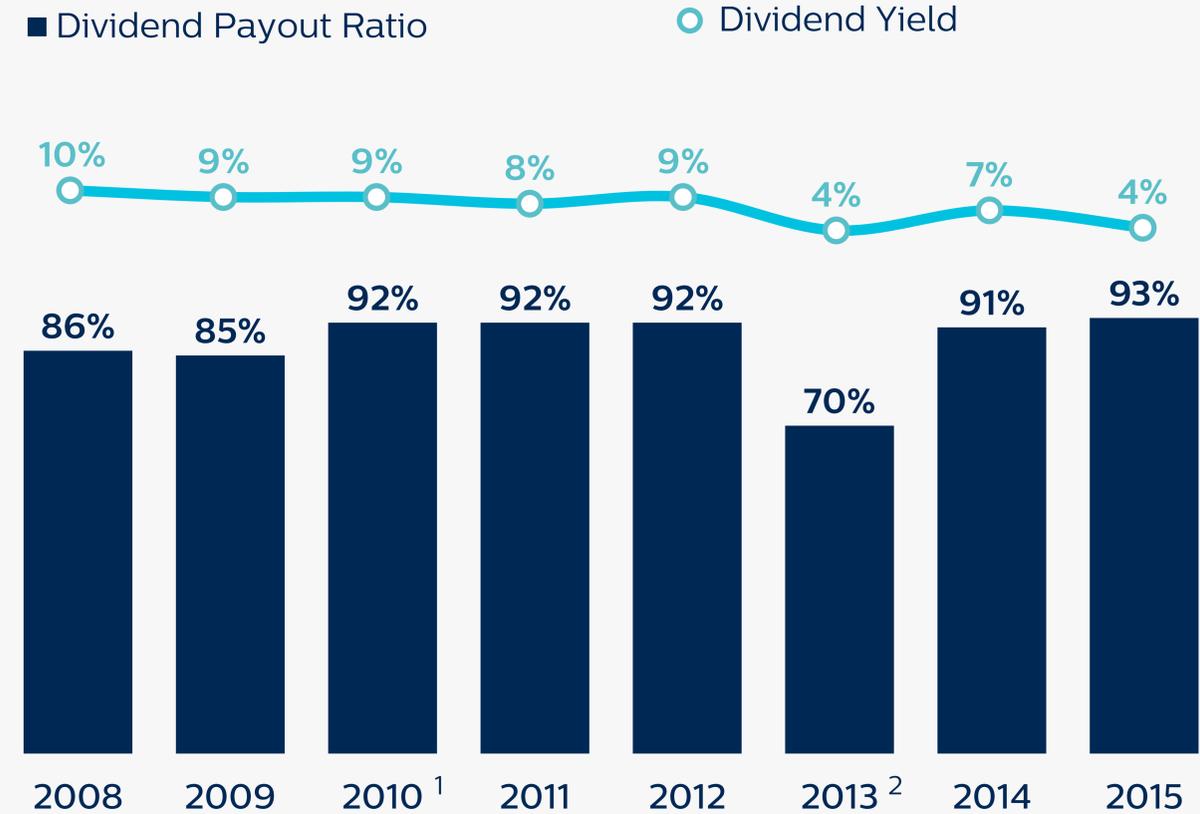
# Shareholder Remuneration

- ▶ 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

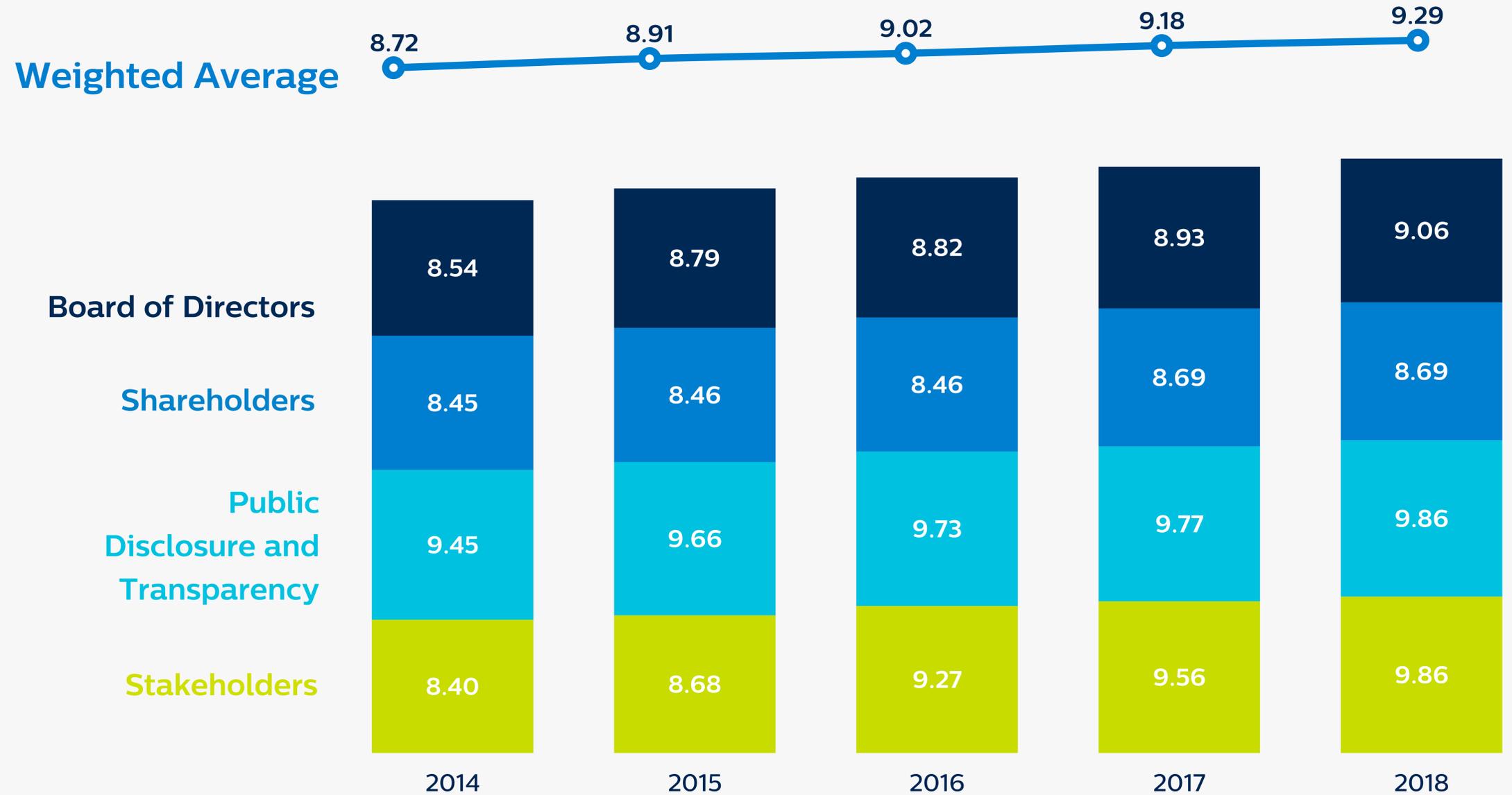
2) 2013 dividend payout ratio was revised to 70% with BoD decision to prepare for any potential transaction for implementation of integration of the group

Note: Based on General Assembly Decision, no dividends distributed for the activity years 2016 & 2017 & 2018.

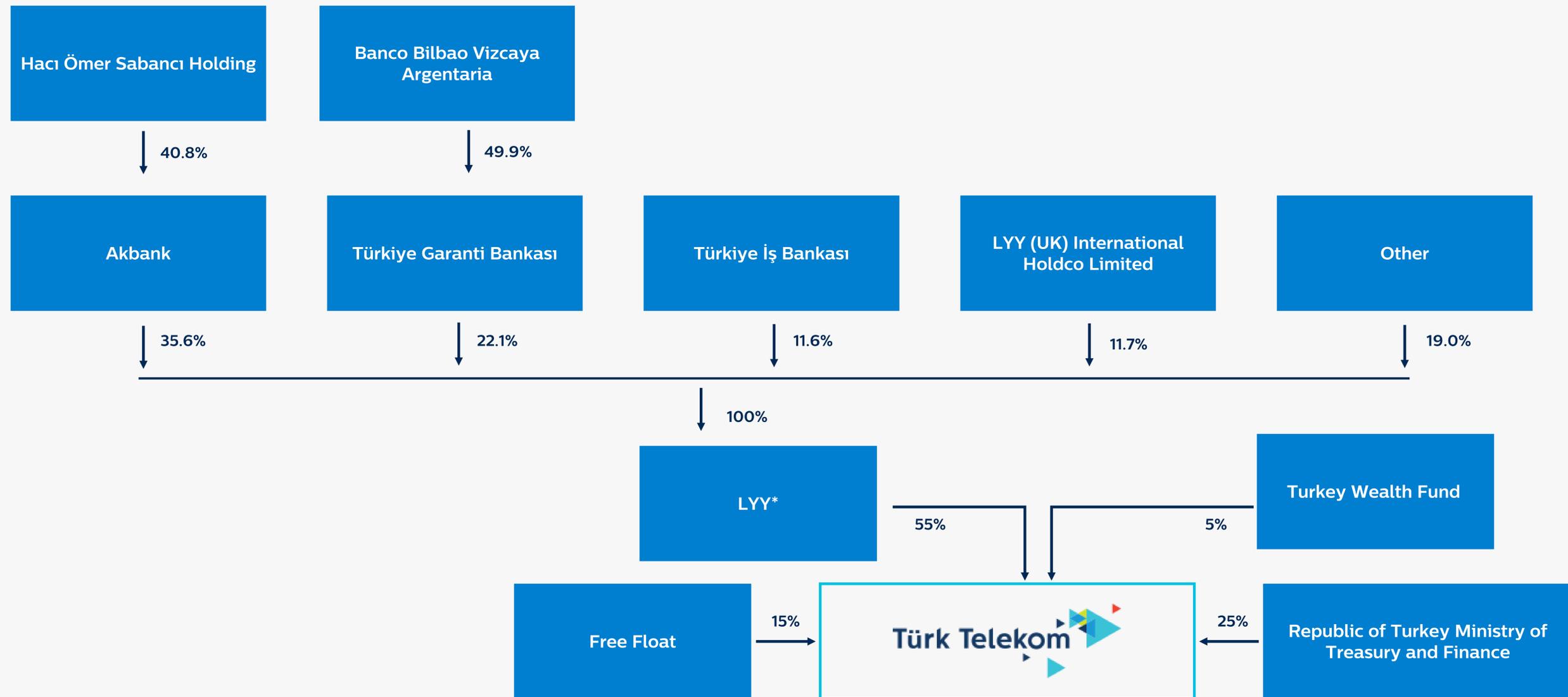
# Appendix

# 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



# Shareholder Structure



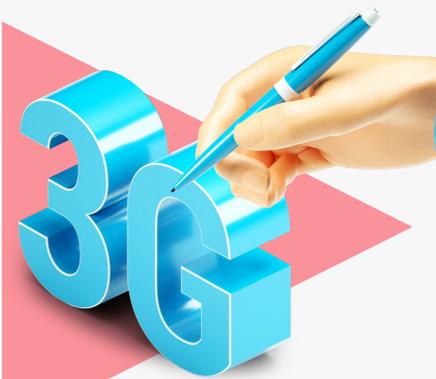
Note: Turkey Wealth Fund has 1.68% share in free float

\*Levent Yapılandırma Yönetimi A.Ş.

# Regulatory Actions

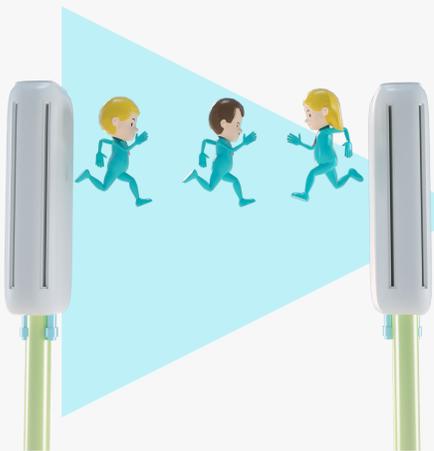
## 2008

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



## 2009

- ▶ **January**
  - About 50%-55% reduction in MTRs on SMS
- ▶ **March**
  - Reduction in SCT rate (25% to 5%) on internet services
- ▶ **April**
  - On-net price floor for TCELL
- ▶ **May**
  - About 29% reduction in MTRs
  - MVNO regulation in place
- ▶ **July**
  - 3G service launch
- ▶ **September**
  - Fixed number portability introduced
  - Local call liberalization



## 2010

- ▶ **April**
  - About 52% reduction in MTRs
  - 17% cut in double tandem FTR
  - 38% decrease in GSM to GSM retail price cap
  - TL per minute pricing introduced
- ▶ **December**
  - Naked DSL services started



## 2011

- ▶ **April**
  - Mobile off-net price cap was increased by 4%
  - SMS price cap was decreased by 48%
- ▶ **September**
  - Deregulation on MTRs on international calls and liberalization on their pricing
- ▶ **October**
  - ICTA's fiber decision: FTTH/B will be excluded from the market analysis process until 25% fiber market share or for 5 years



## 2012

- ▶ **January**
  - WLR was introduced
- ▶ **November**
  - Deregulation on FTRs on international calls and liberalization on their pricing

## 2013

- ▶ **March**
  - Mobile on-net price floor for TCELL formulated by Mobile Termination Rate 1.7x
- ▶ **April**
  - 75% reduction in MTRs on SMS
- ▶ **July**
  - 20% reduction in MTRs
- ▶ **September**
  - Duct Sharing officially started



## 2014

- ▶ **July**
  - Calls over fixed line infrastructure was deregulated. Accordingly, Türk Telekom is no longer designated as having SMP (significant market power) in fixed voice market

## 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

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