

Türk Telekom

Investor Presentation

2020 Q1

Türk Telekom



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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).

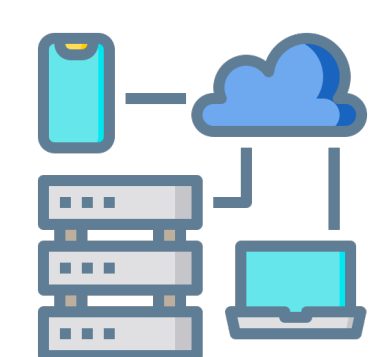
COVID-19

Actions taken



EMPLOYEES

- ▶ Remote work model and for call center services home-agent model (more than 20K employees)
- ▶ Limiting risks for front line employees through personal protective equipment, extra hygiene measures and social distancing
- ▶ Closing around 120 dealers at shopping mall shops
- ▶ No physical meetings are allowed - in-house or with 3rd parties



NETWORK CONTINUITY

- ▶ 7/24 network traffic surveillance and capacity increase in necessary areas for uninterrupted connectivity
- ▶ Managing the international traffic & network capacity via hosting the cache servers of prominent OTT players in our centers
- ▶ Increased the capacity of Security Monitoring and Analysis Systems as a part of cyber security measures
- ▶ Supplier diversification and efficient inventory management to eliminate the supplier risk



CUSTOMERS

- ▶ Doubled upload speed for fiber and VDSL customers
- ▶ Directing our customers to online and alternative channels
- ▶ Free monthly 500min and 5GB to customers in healthcare community
- ▶ Free monthly 500min to 65+ old fixed voice customers
- ▶ 8GB per month for students on EBA (remote education) platform
- ▶ e-dergi app is free for everyone, Tivibu cinema channels are available for all Tivibu customers



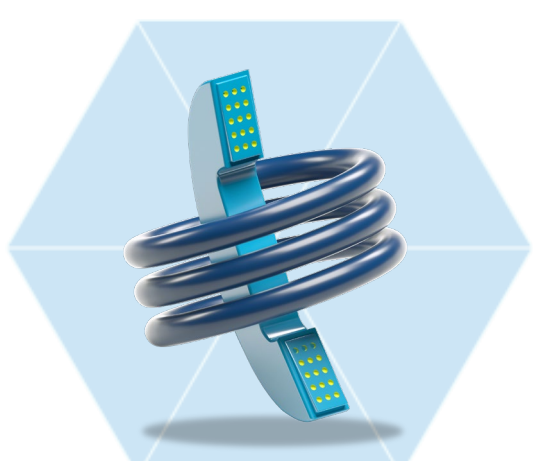


SOCIAL SUPPORT

- ▶ 40 mn TL donation to National Solidarity Campaign
- ▶ Online courses for women entrepreneurs
- ▶ Mobile application for monitoring infected patients and their mobility in cooperation with the Ministry of Health and operators

Q1 Performance & COVID-19 Strengths & Challenges

CORE BUSINESS

	Q1 '20	Apr '20 vs Feb '20	
 Broadband Q1 '20 net additions	262K	+45% growth in data usage ⁽¹⁾	+24% monthly upsell ⁽²⁾ increase
 Mobile Q1 '20 net additions	253K	+5% growth in data usage ⁽¹⁾	+9% growth in mobile voice ⁽¹⁾
 Fixed Voice Q1 '20 net additions	103K	+21% growth in fixed voice usage ^{(1) (3)}	

⁽¹⁾ Calculated on average daily volumes
⁽²⁾ Speed and unlimited from quota upsell
⁽³⁾ Retail PSTN voice outgoing traffic

STRENGTHS & OPPORTUNITIES

- ▶ Higher demand in fixed segment
- ▶ Higher data traffic in FBB
- ▶ Capacity and speed upsell opportunity in FBB
- ▶ Higher voice traffic in fixed and mobile voice
- ▶ Higher usage of online channels and call center
- ▶ Lower churn in core businesses
- ▶ Decline in commercial costs
- ▶ Flexible financial and operational planning for different scenarios
- ▶ Prioritization in Capex and network expenses

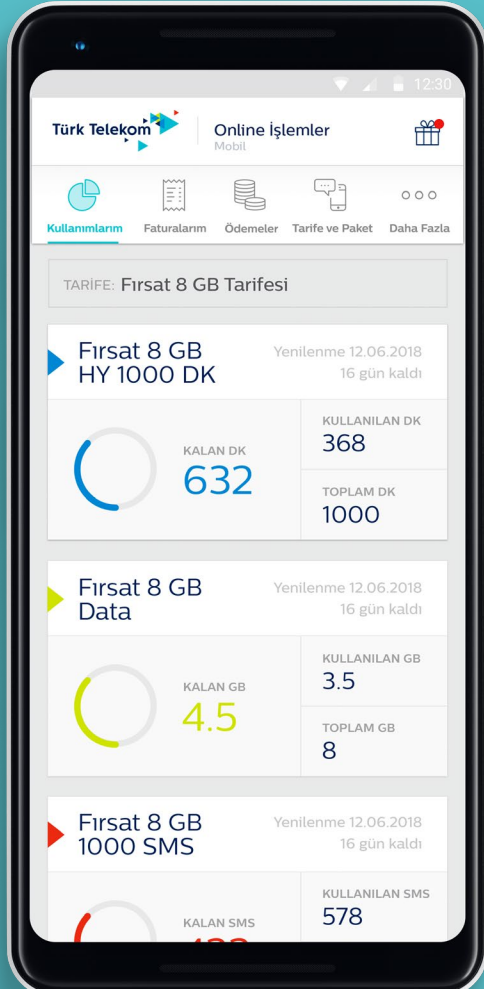
CHALLENGES

- ▶ Slowdown in new mobile customer acquisitions
- ▶ Decline in roaming (*around 1.5% share in mobile service revenue*)
- ▶ Slowdown in handset sales (*limited impact on EBITDA*)
- ▶ Managing the impacts of pandemic on the ecosystem (*customers, dealers, suppliers, business partners etc.*)
- ▶ Managing the risks of corporate segment. Limited SME exposure to consolidated financials (SMEs' share in consolidated revenues: 5%-10%. *Corporate customers' -including SMEs- share in consolidated revenues: around 20%*)

COVID-19

Digital adoption & long-term opportunities

Digital Adoption



73%

Online Transactions app penetration ⁽¹⁾ as of Mar '20



2mn QoQ

increase in unique users in Q1 '20



73% YoY

increase revenue through online channels ⁽²⁾

80% share

invoice collection through digital channels ⁽³⁾

28%

share of broadband sales via call center & online channels in Apr '20

86%

e-dergi MoM download increase in Mar '20

36%

Tivibu Go app MoM download increase in Mar '20

⁽¹⁾ Penetration in the mobile segment

⁽²⁾ Additional data package sales revenue in Mar '20 through online transactions web platform and mobile application

⁽³⁾ Collection (including banks) in consumer segment in Apr '20

Long-Term Opportunities

- ▶ Shift to online environment for working, meetings and education
- ▶ Higher demand for high-speed and capacity. TT well positioned to address that.
- ▶ Increased the importance of hybrid solutions including cyber security for individuals and corporates with the removal of sharp line between work and home
- ▶ Acceleration of digitalization in sales, customer care, network management and installation services. TT to continue integration of online and physical channels to provide the best experience to its customers on wholistic channels
- ▶ Acceleration of virtual network management. TT subsidiary Argela continues development and test activities on SEBA (SDN supported Broadband Access) architecture at full speed
- ▶ Solutions to support the digitalization of enterprises - including SMEs

Financial Performance

(TL mn)	2019 Q1	2019 Q4	2020 Q1	Growth (QoQ)	Growth (YoY)
Revenue	5,403	6,284	6,303	0.3%	16.6%
Revenue (exc. IFRIC12) ¹	5,304	5,990	6,016	0.4%	13.4%
EBITDA	2,655	2,828	2,977	5.3%	12.1%
EBITDA Margin	49.1%	45.0%	47.2%		
Operating Profit	1,491	1,600	1,704	6.5%	14.3%
Profit Before Tax	215	661	834	26.1%	287.4%
Net Income	310	545	661	21.3%	113.2%
CAPEX	637	2,149	896	(58.3)%	40.5%

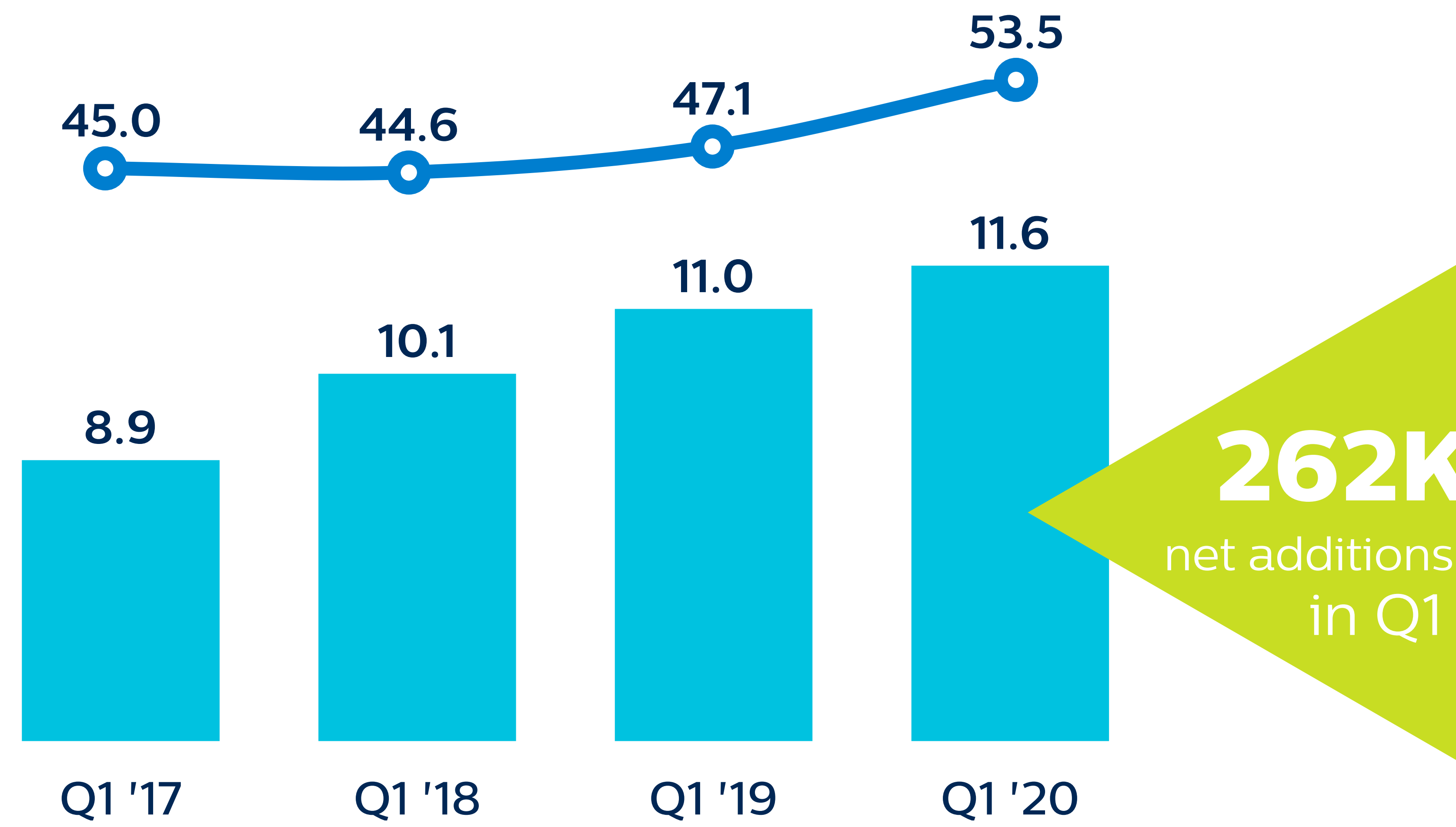
(1) IFRIC 12 adjustment is a non-operational revenue line booked in conjunction with upgrades to fixed line infrastructure, such as the upgrade from copper to fiber based network

Fixed Broadband Performance



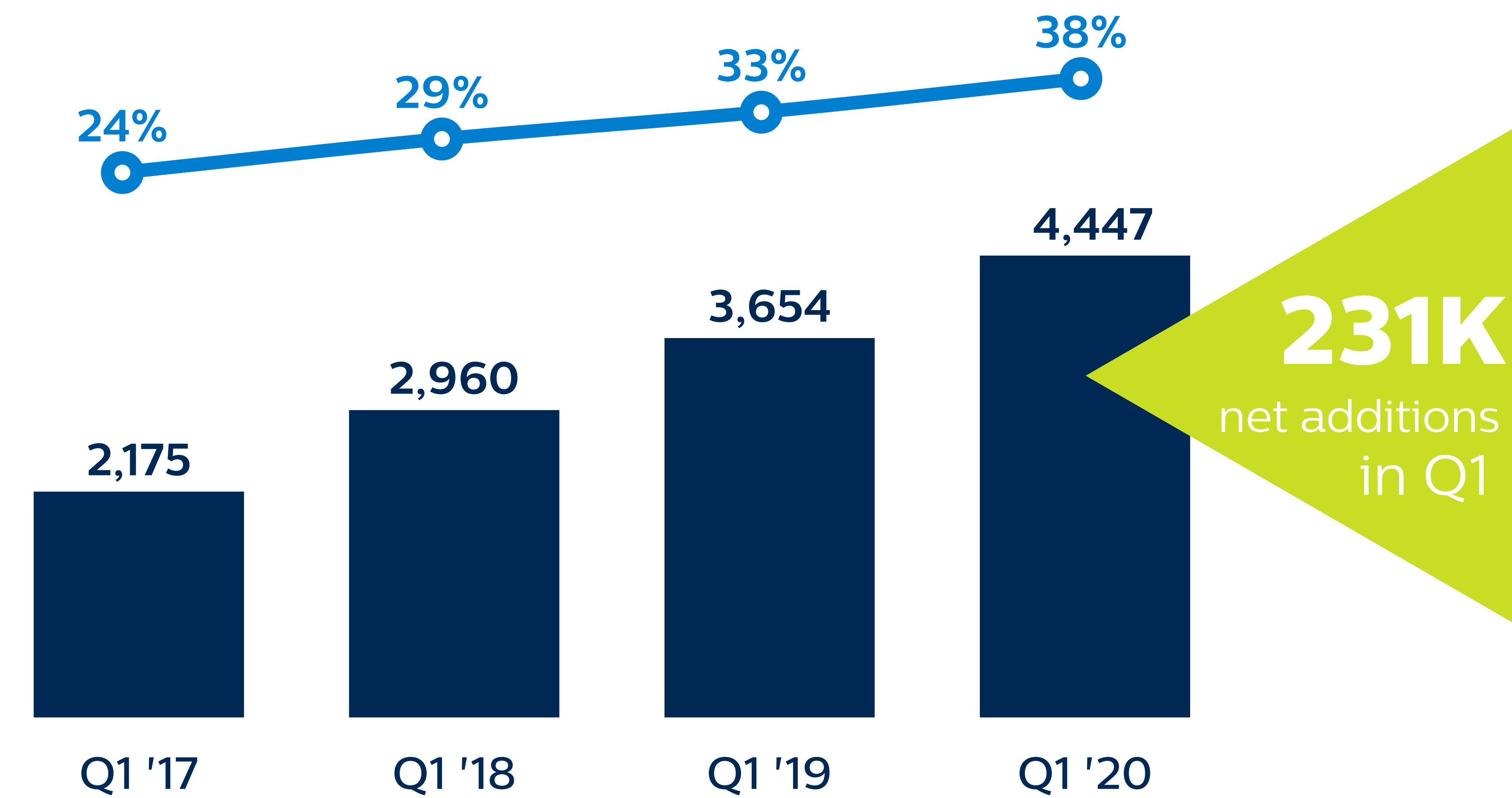
ARPU & Subscribers

■ Subscribers (mn) ● ARPU (TL)



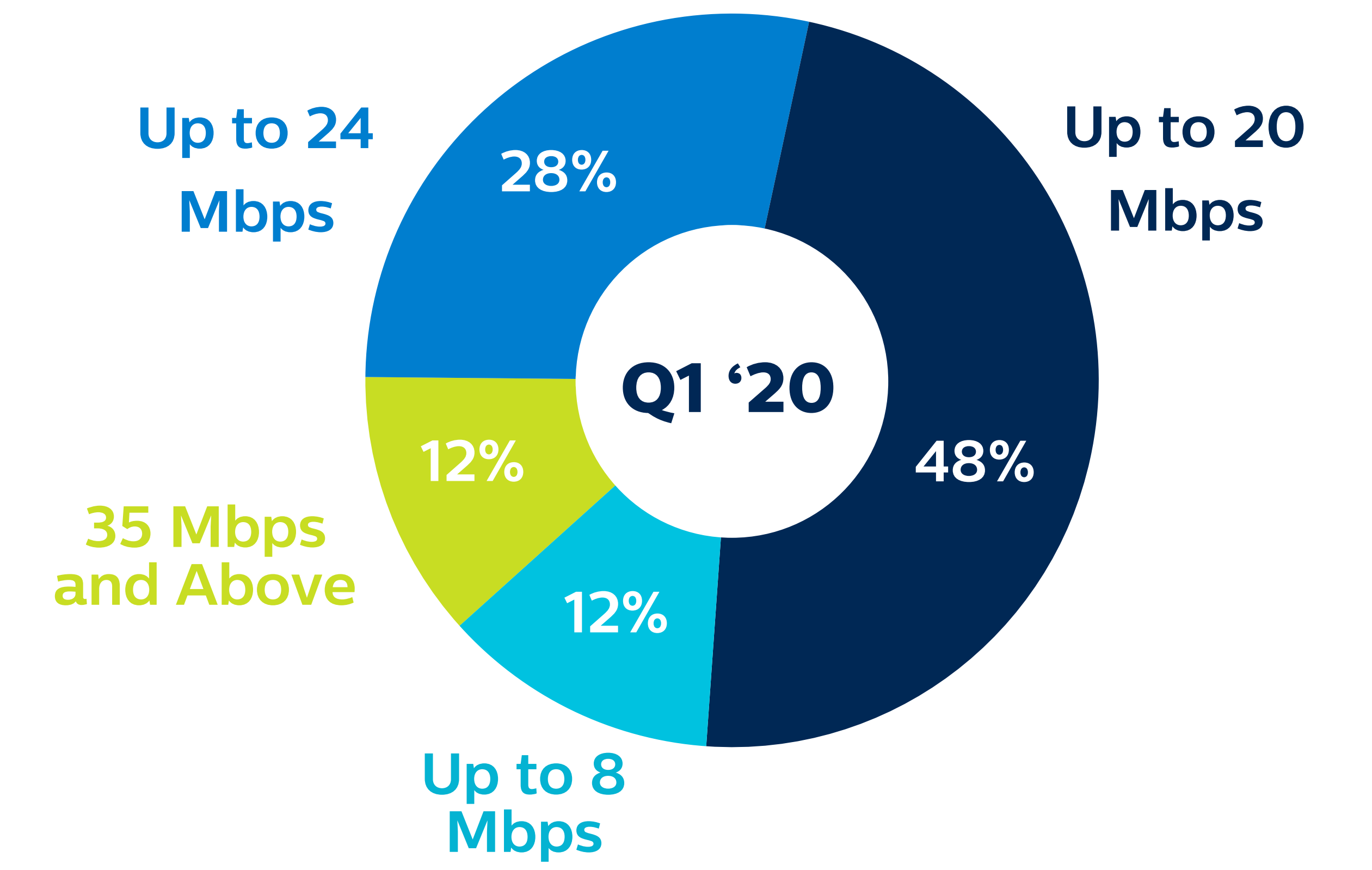
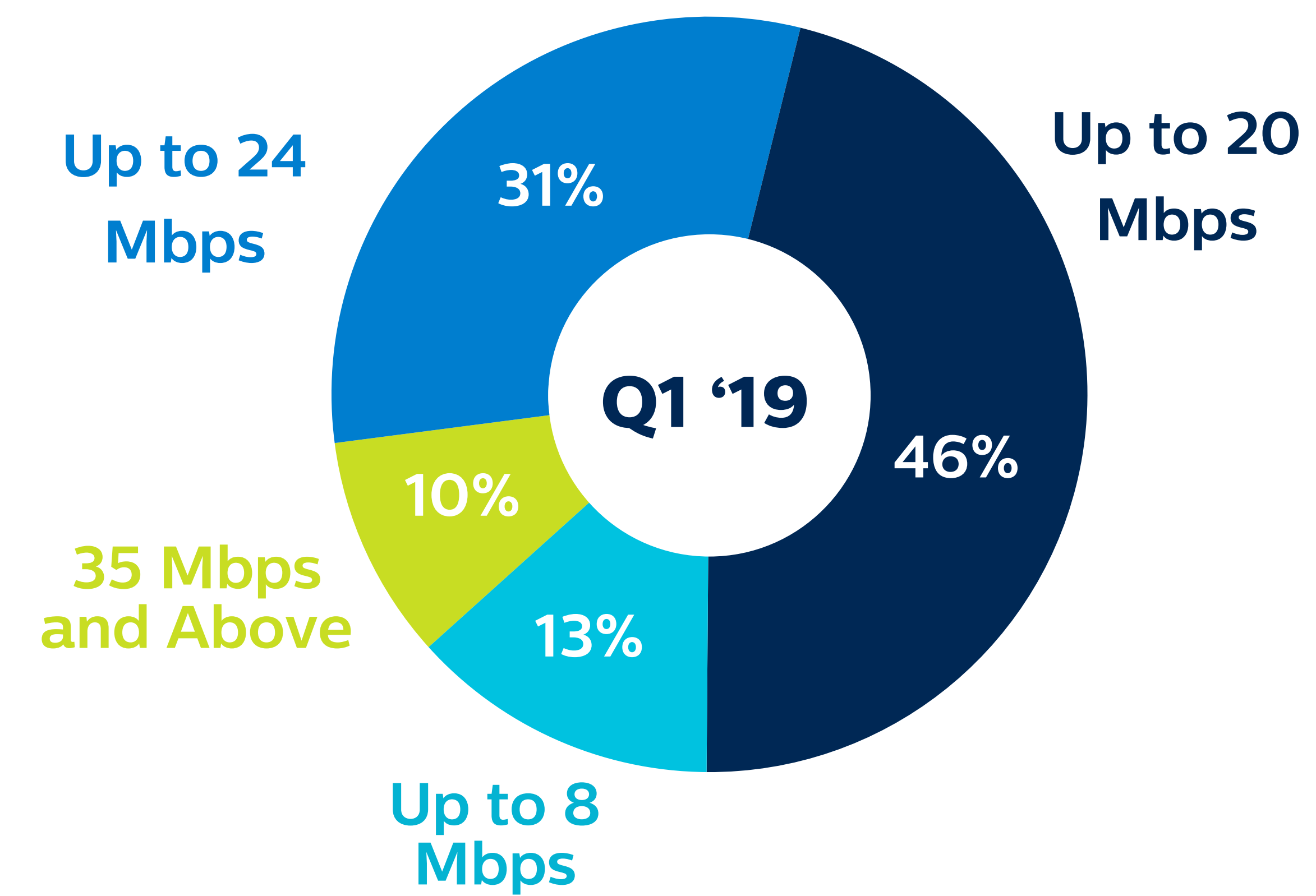
Fiber Subscribers

■ Subscribers (thousand) ● Fiber Subscriber Ratio



Speed Breakdown

(% of Subscribers)

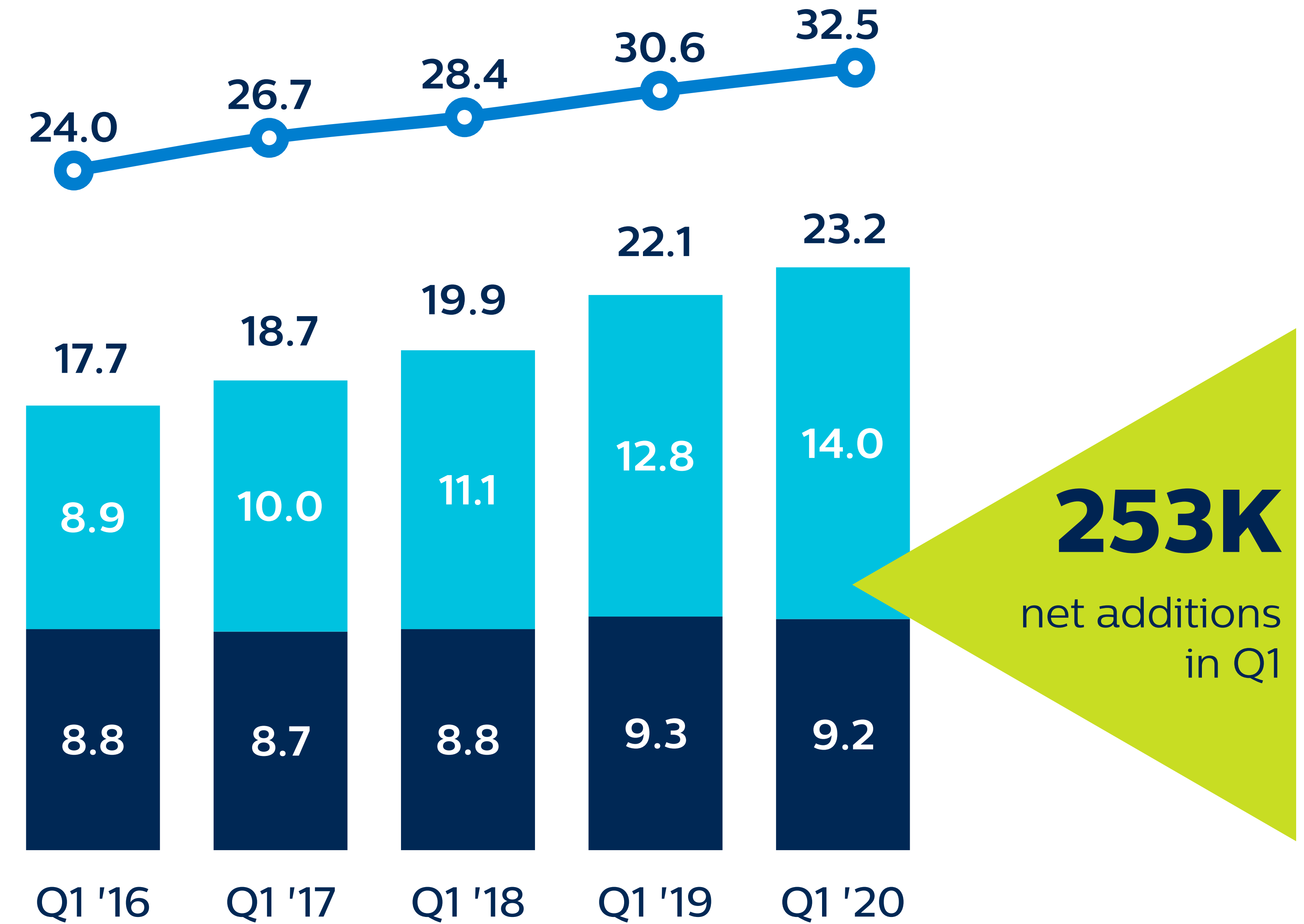


Excluding subscribers for penetration campaigns
All figures are based on Türk Telekom's retail subscribers

Mobile Performance

Growing ARPU & Subscriber Base

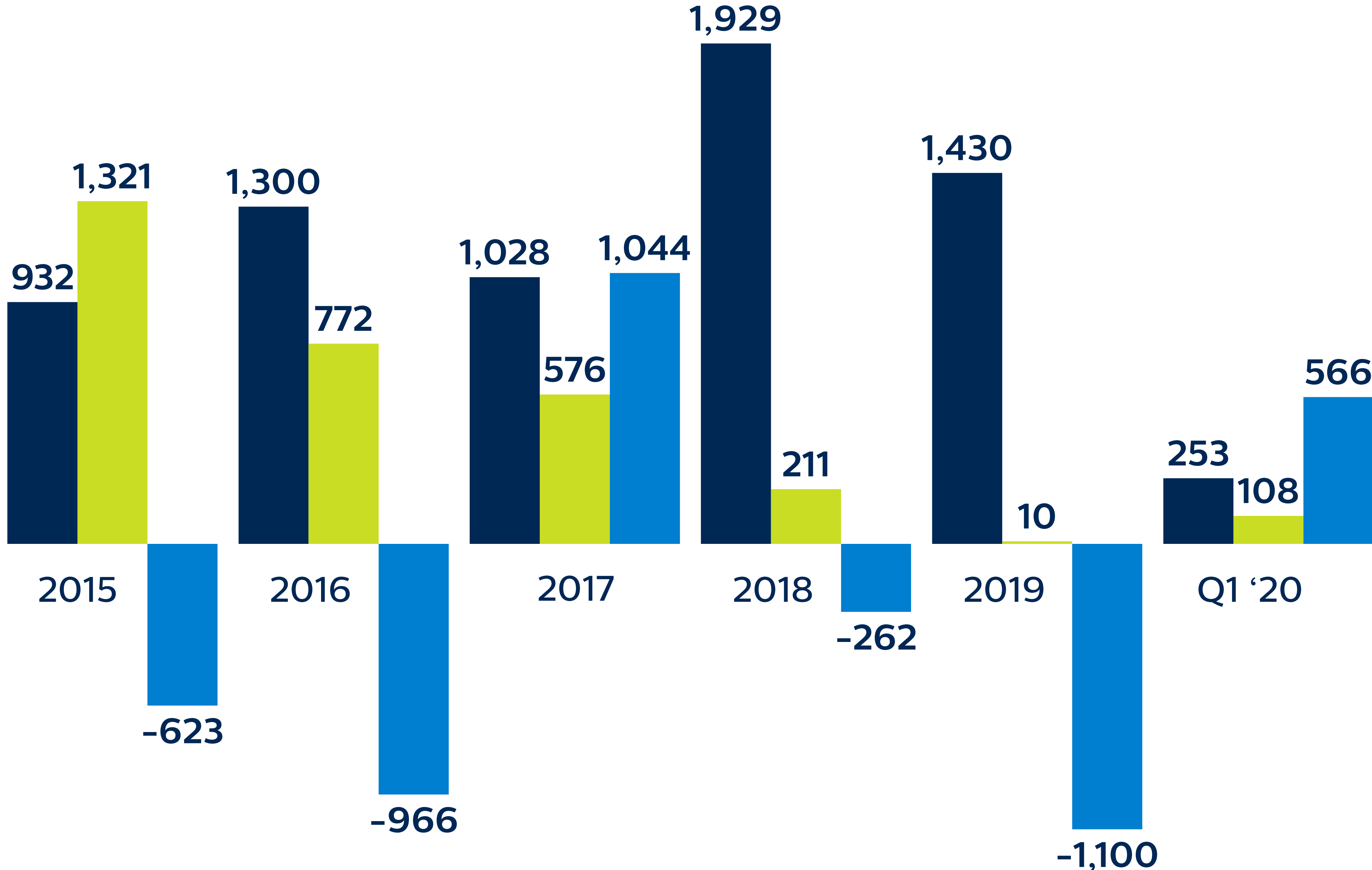
- Blended ARPU (TL)
- Prepaid (mn) ■ Postpaid (mn)



Net Subscriber Additions

(thousand)

- Türk Telekom
- Vodafone
- Turkcell

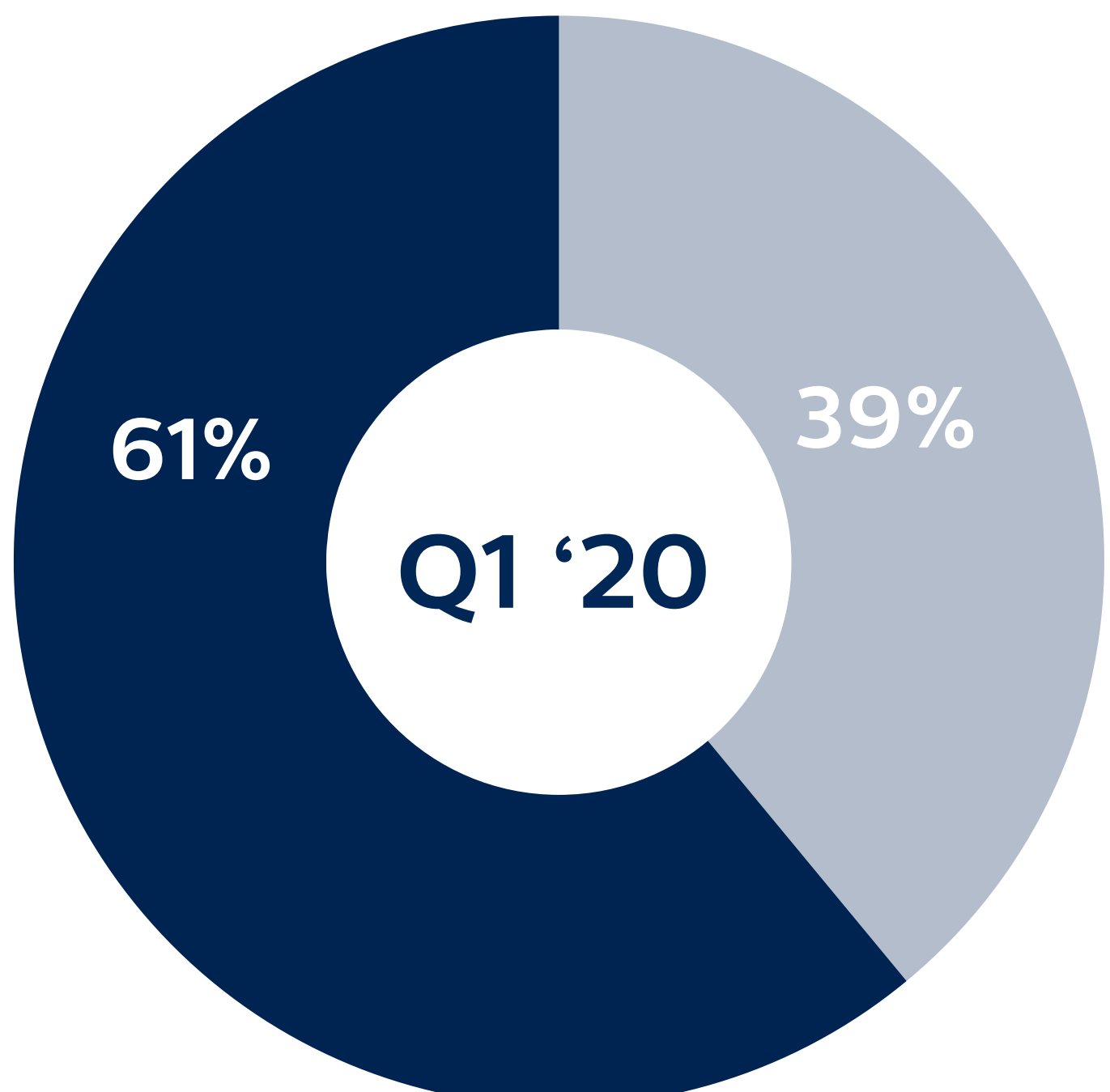
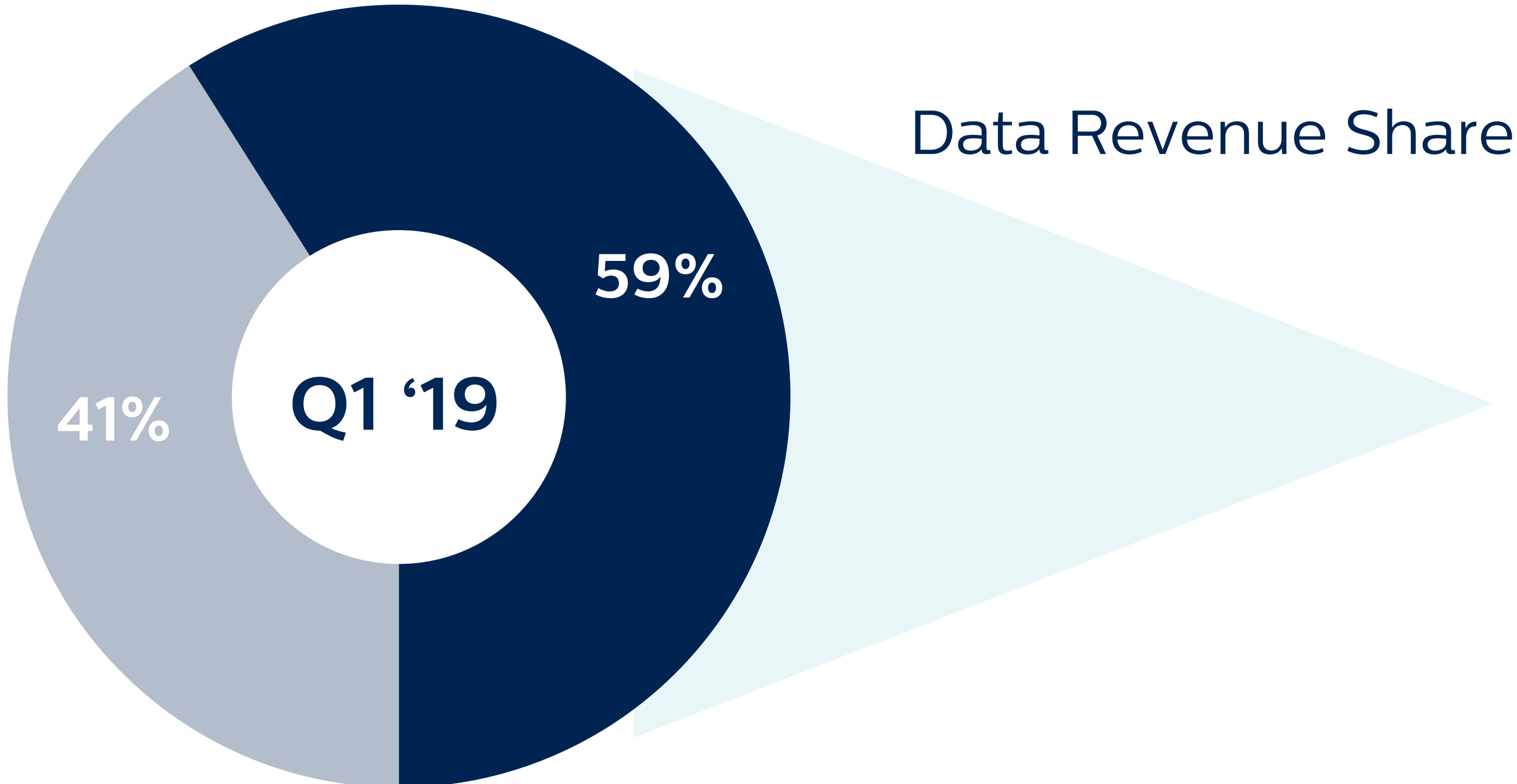


Other operators' data are from their own publications.
 Note: For 2019, Turkcell's net subscriber addition/loss number is calculated using the subscriber numbers in its press release.

Mobile Data

Data Revenue

(Mobile service revenue share)

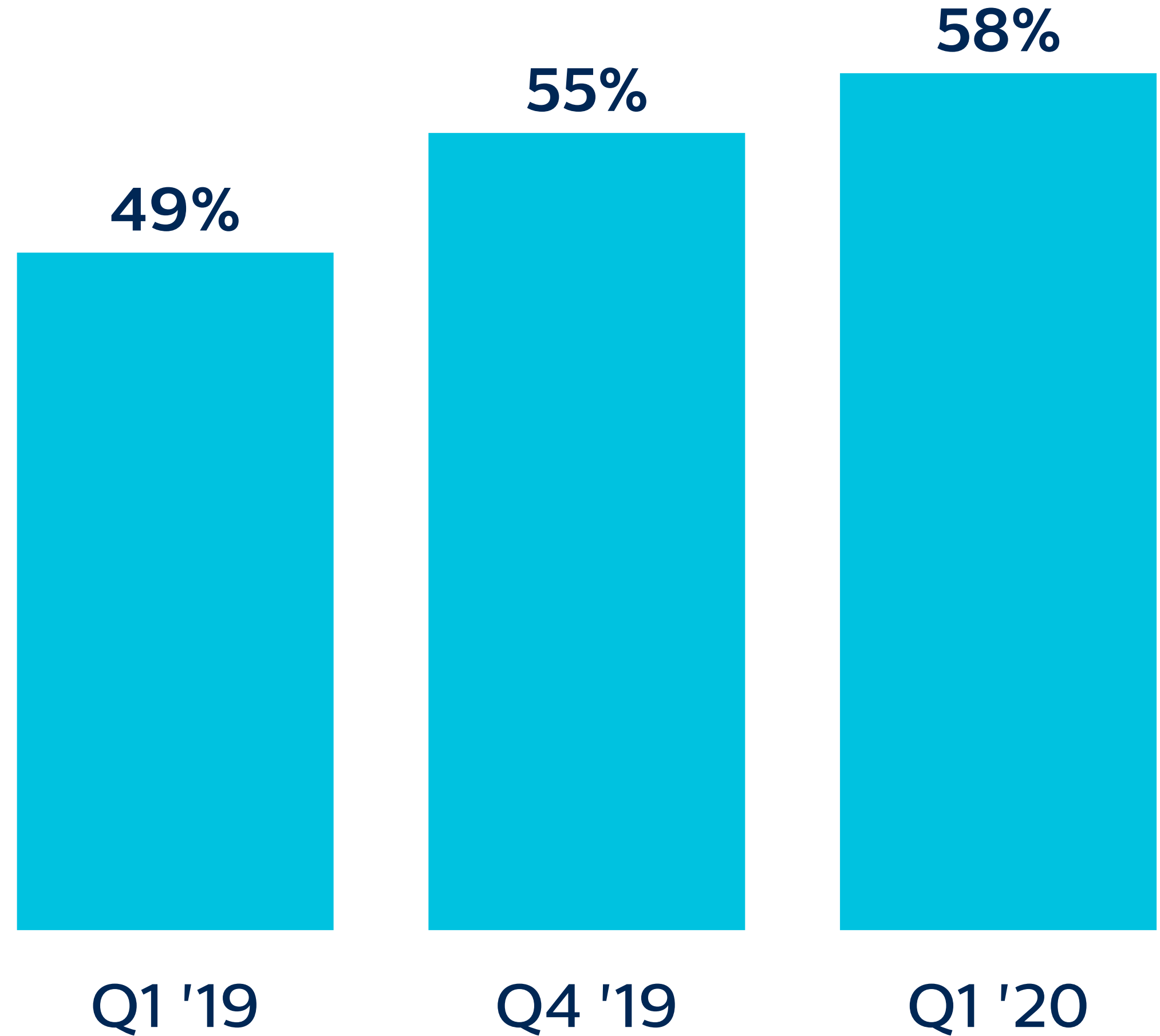


80%
Smartphone
Penetration

91%
LTE
Compabtible
Smartphone**

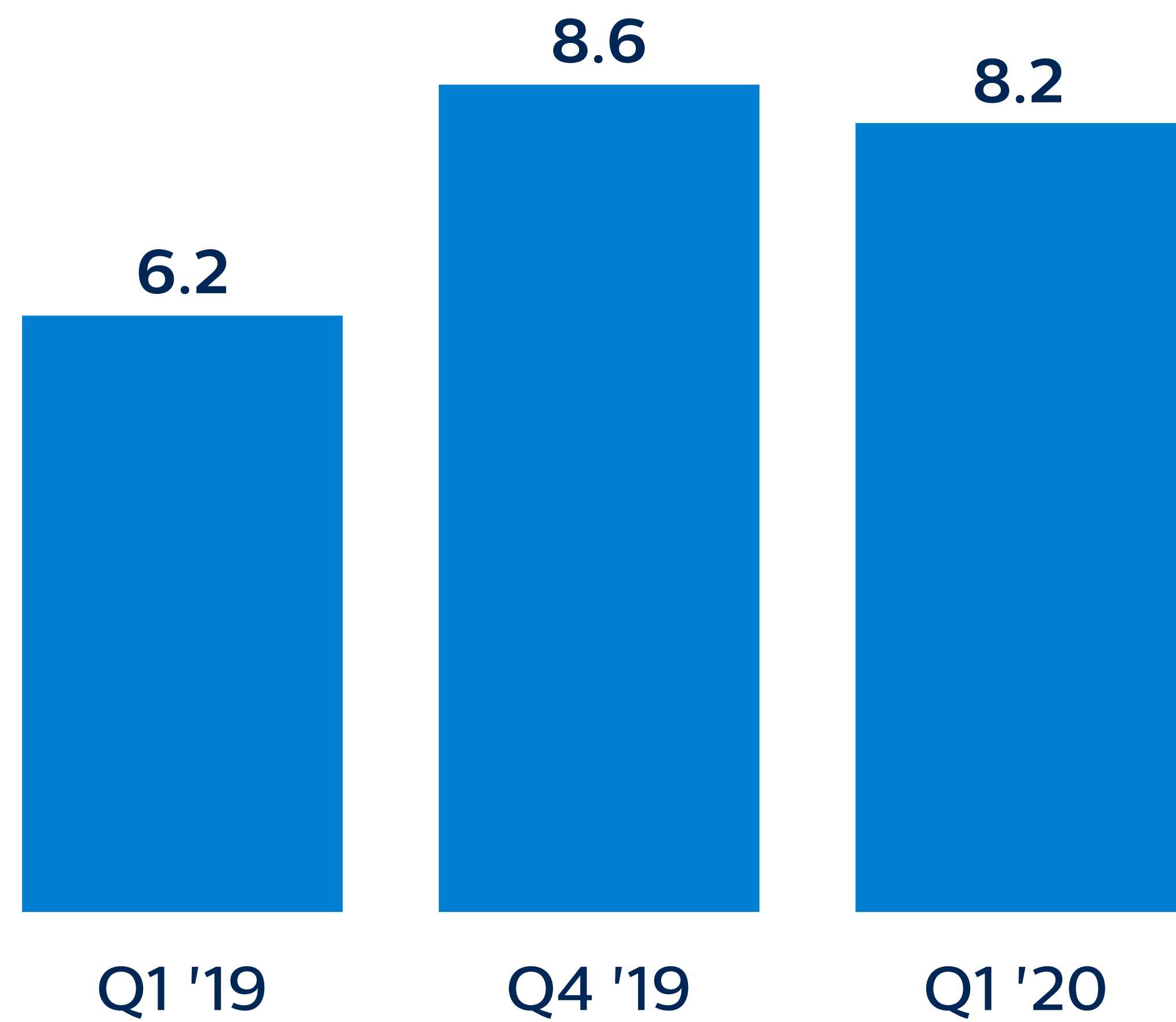
LTE Users*

(Total subscriber share)



Avg. Monthly Mobile Data Usage

(GB per LTE user)



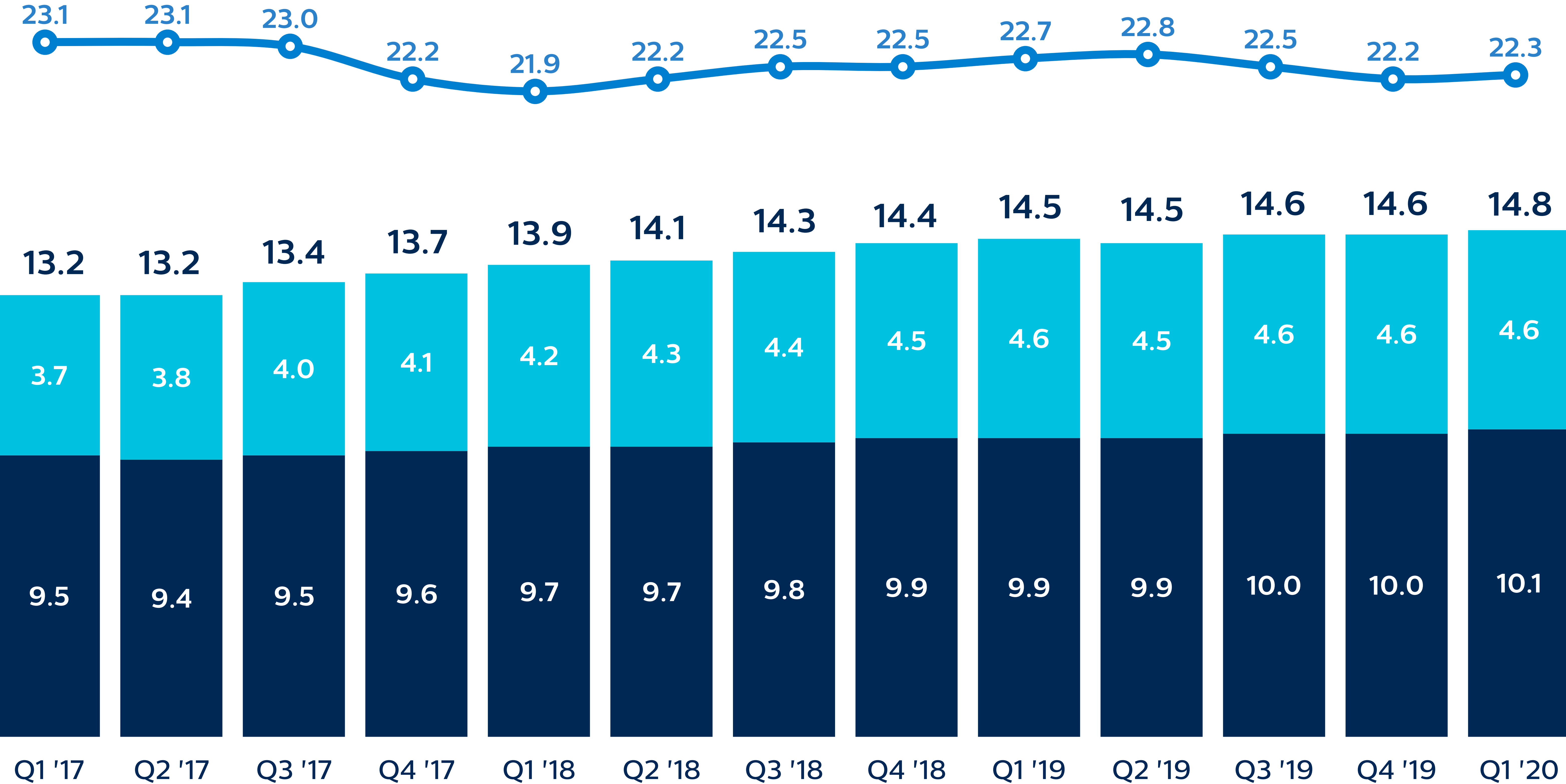
*Subscribers who
1) registered for LTE
2) have LTE compatible device and simcard

** Among smartphone users

Fixed Voice Performance

Access Lines and ARPU

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



Guidance

TL mn	2019 YE	2020 Guidance	2020 Revised Guidance
Revenue (exc. IFRIC 12) ¹	23,657	Around 14% growth	Around 13% growth
EBITDA	11,170	Around TL 12.4 bn	TL 12.4 bn – TL 12.6 bn
CAPEX	4,940	Around TL 5.8 bn	Around TL 6.4 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

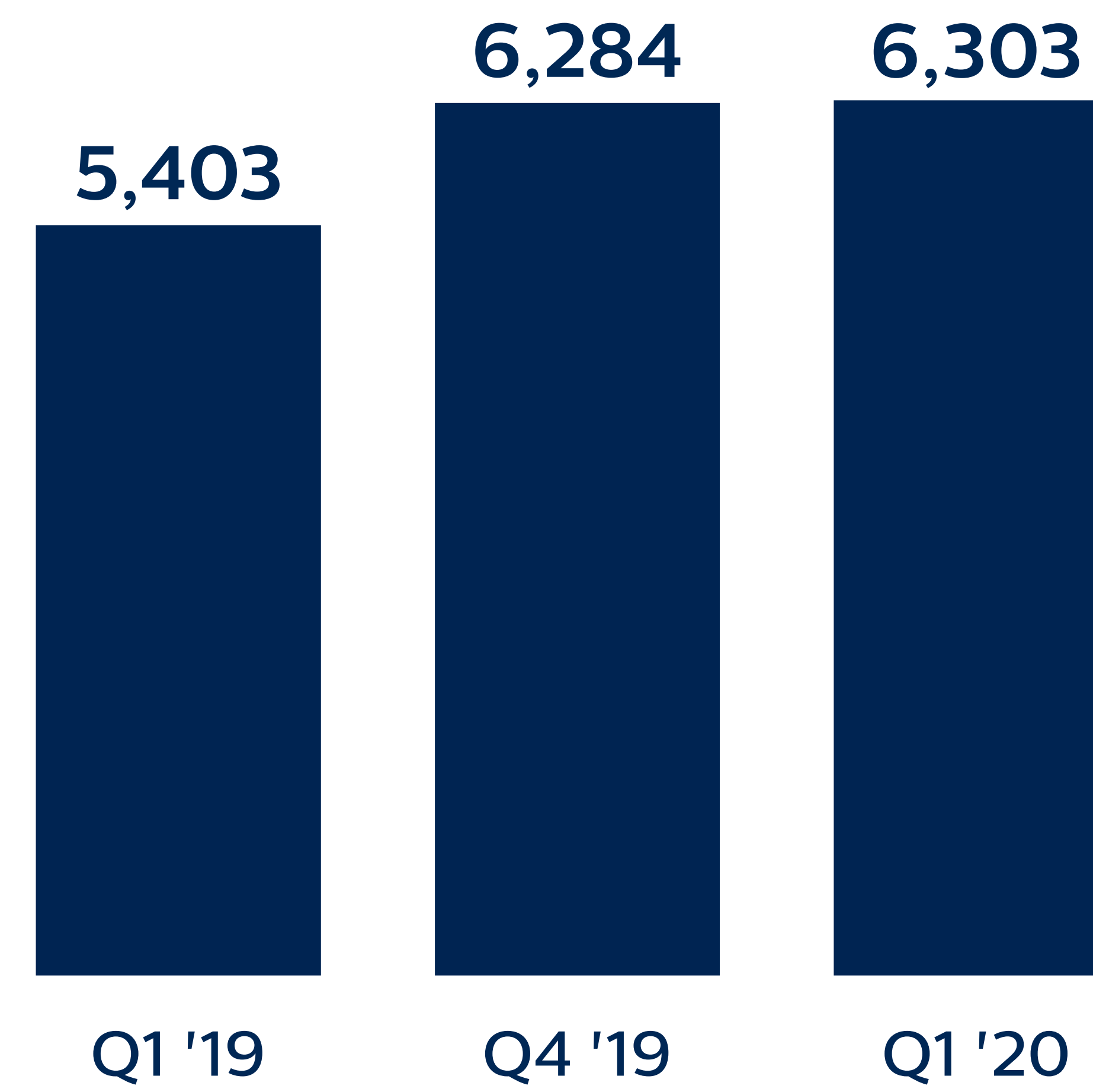


Financials

Financial Performance

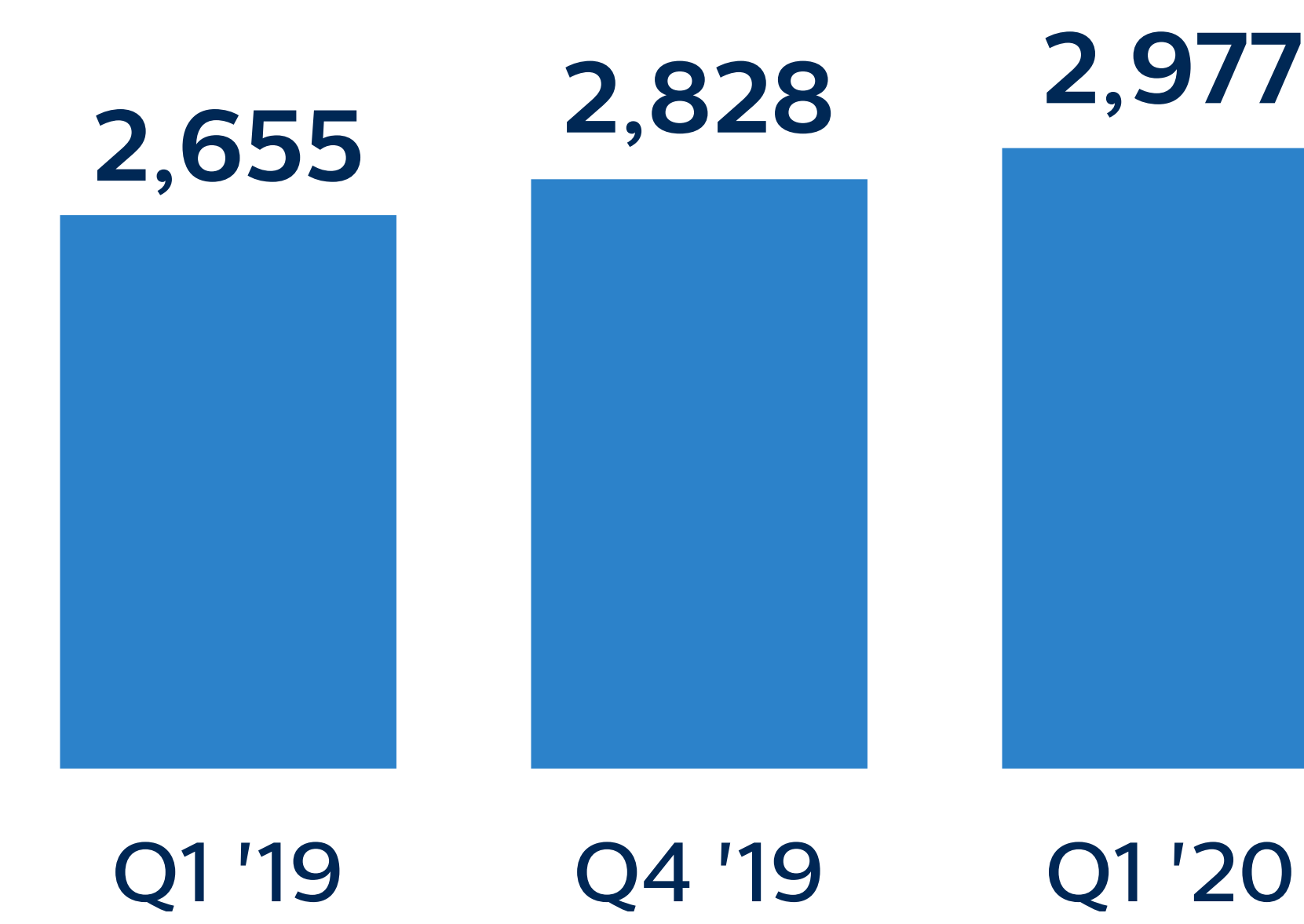
Revenue

(TL mn)



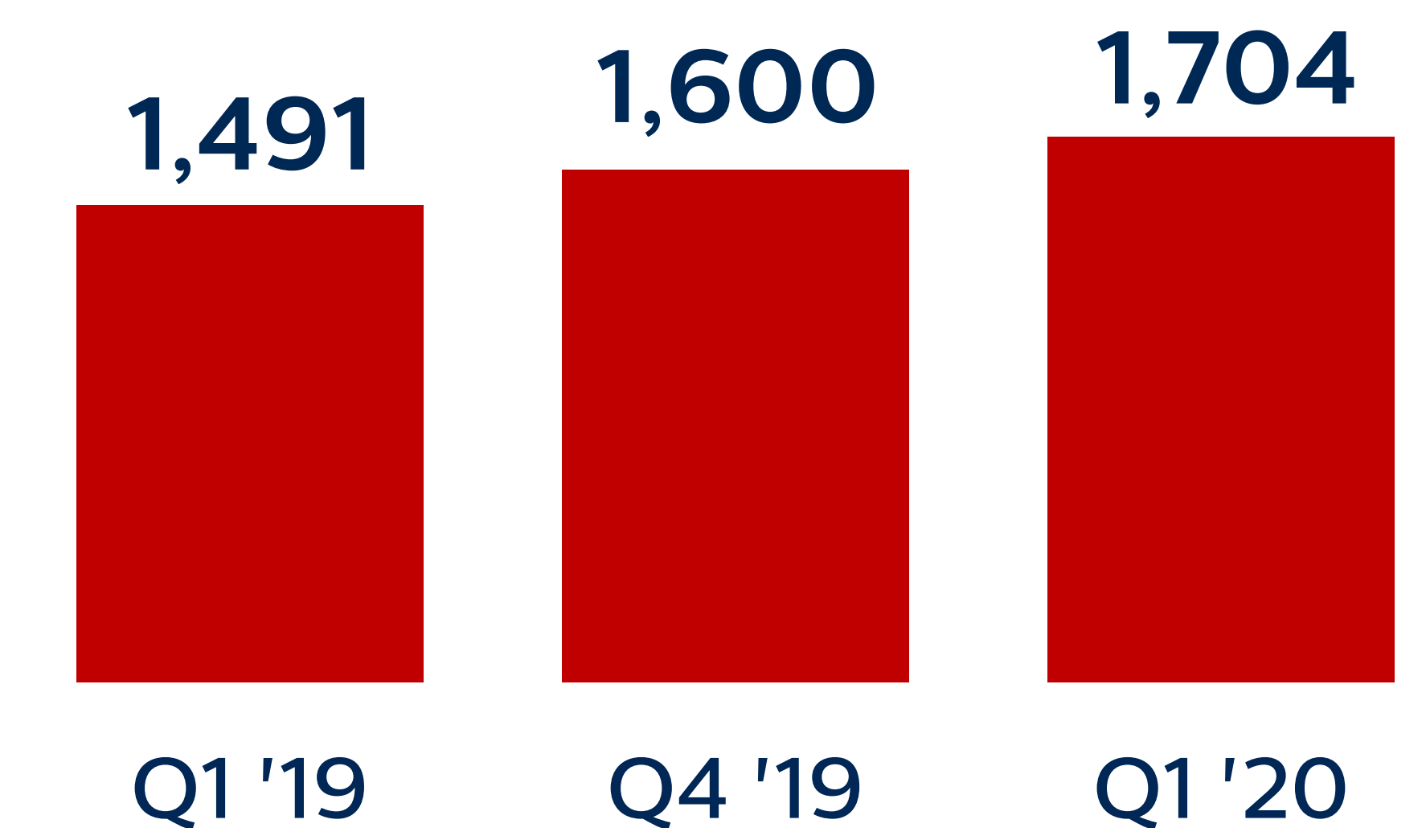
EBITDA

(TL mn)



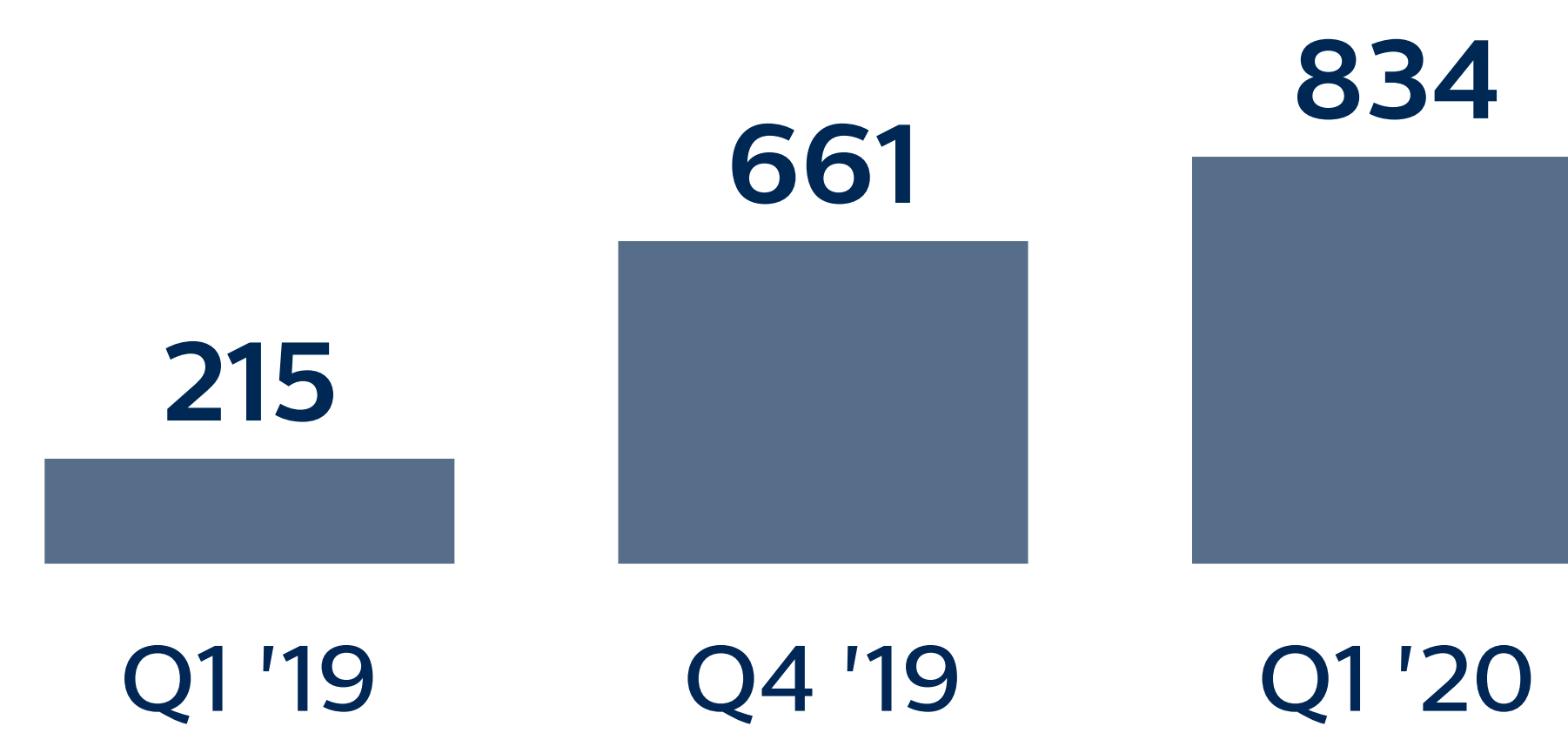
Operating Profit

(TL mn)



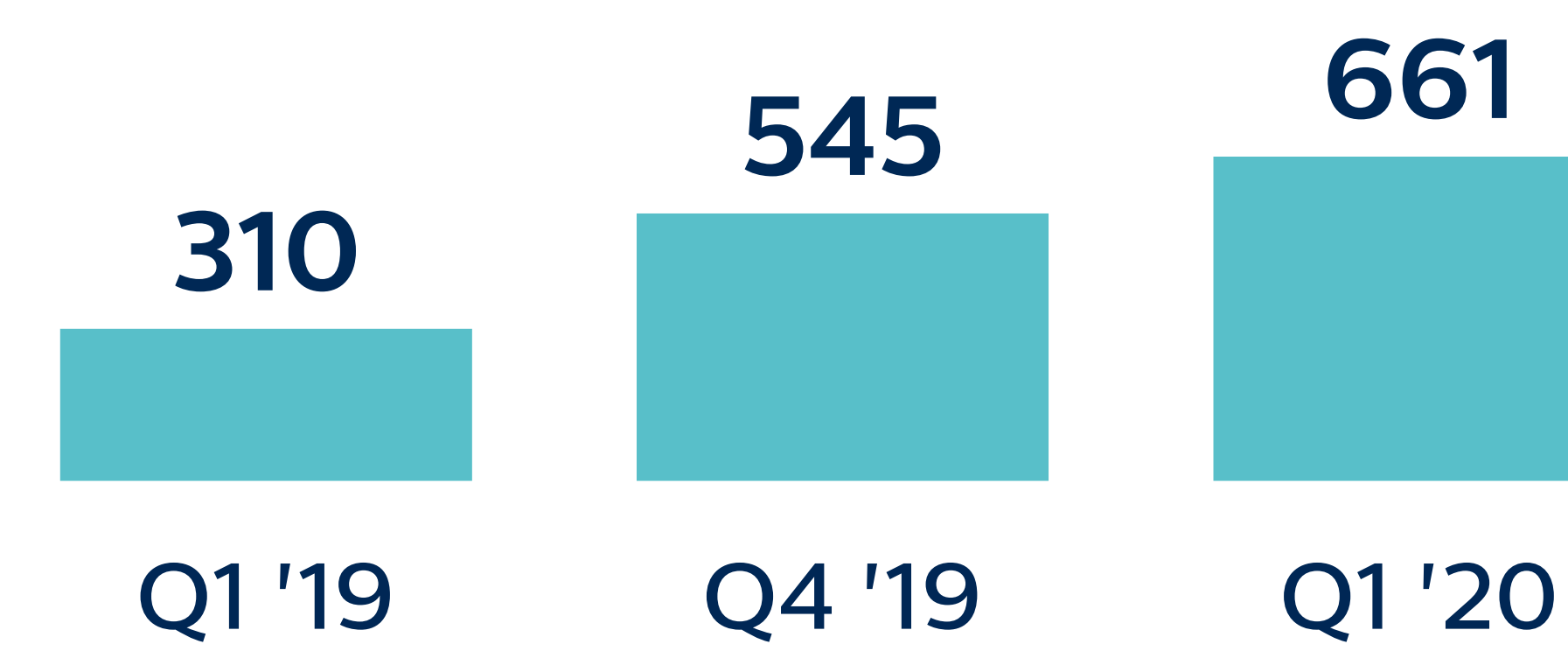
Profit Before Tax

(TL mn)



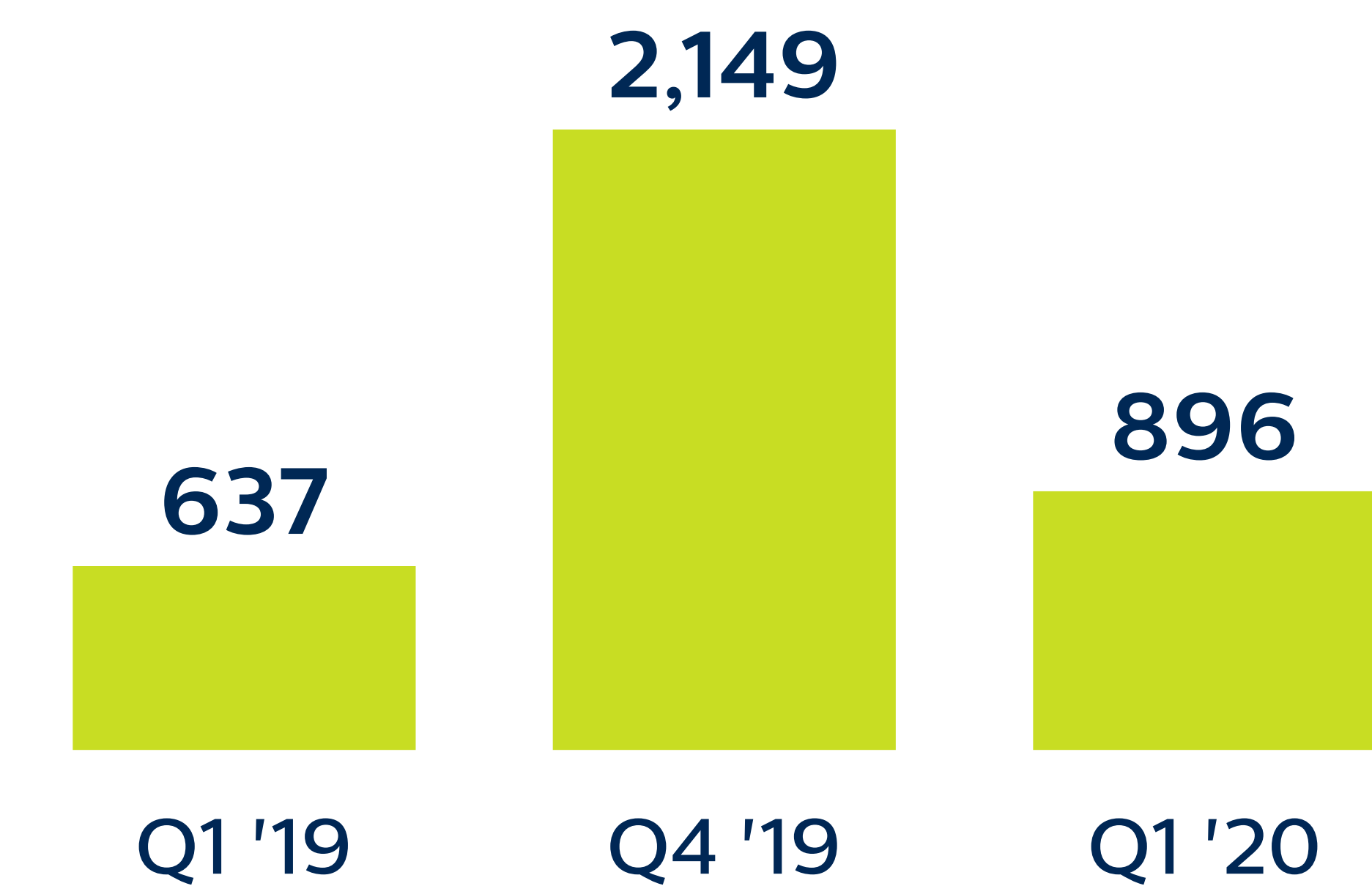
Net Income

(TL mn)



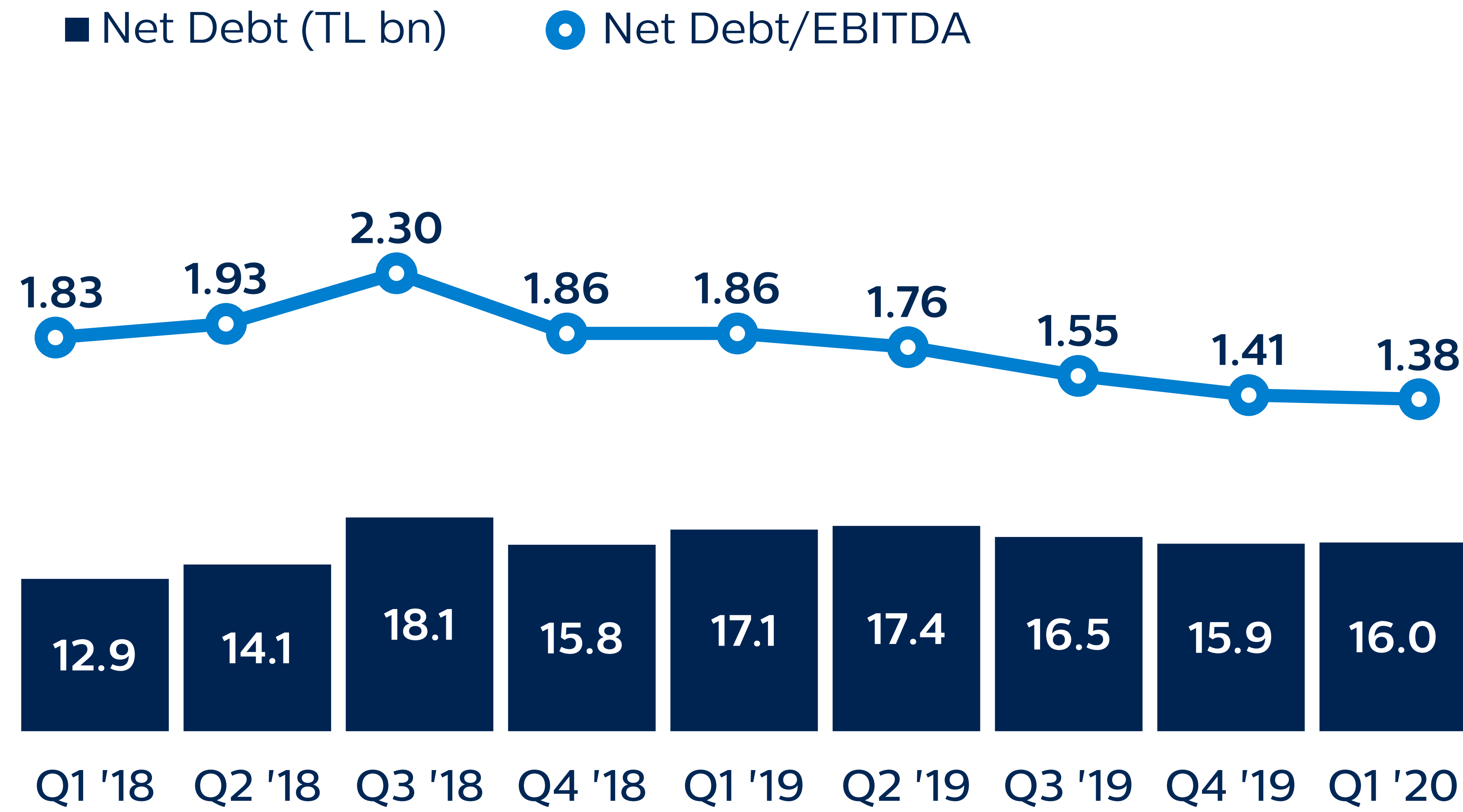
Capex

(TL mn)



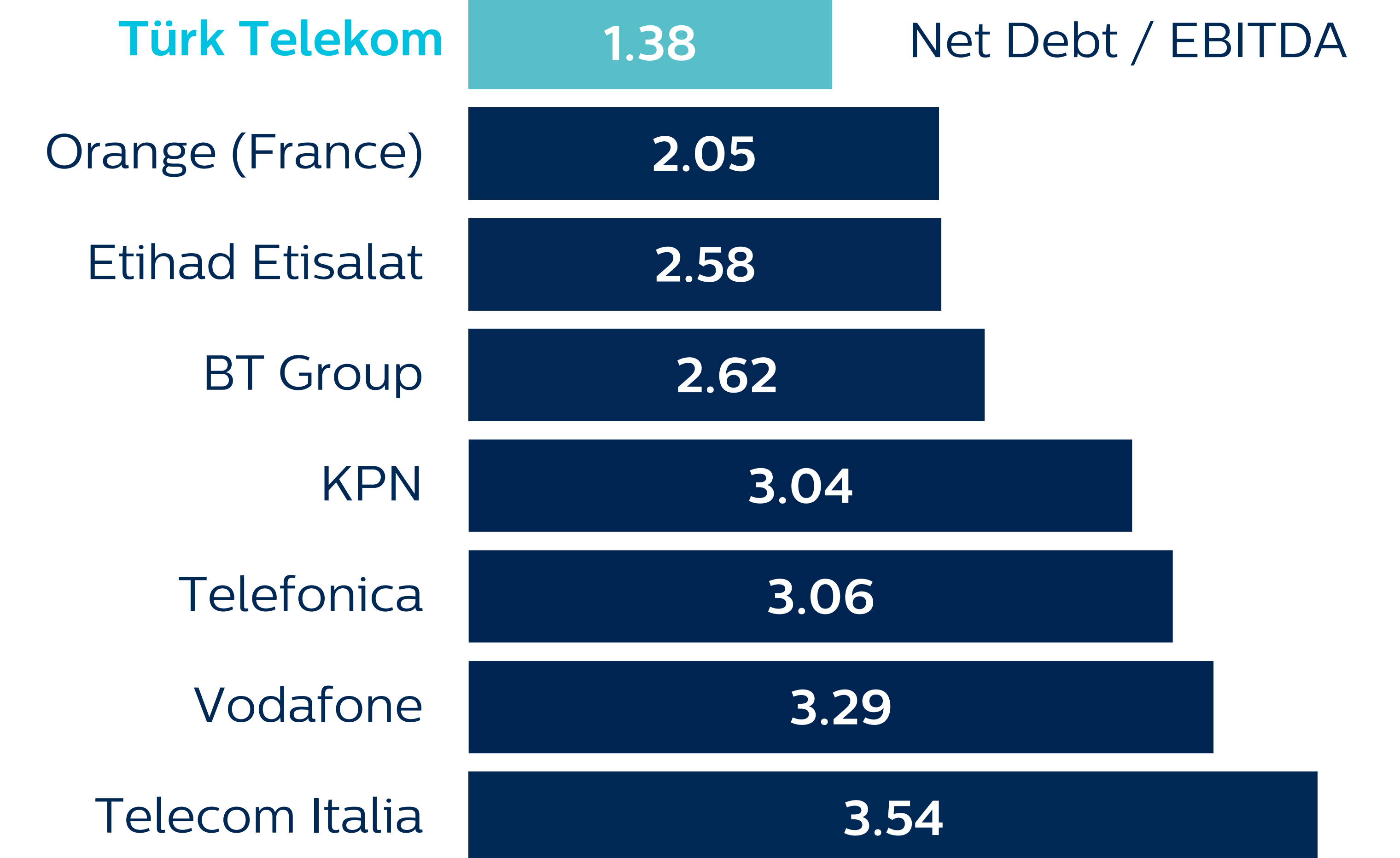
Debt Profile

Net Debt



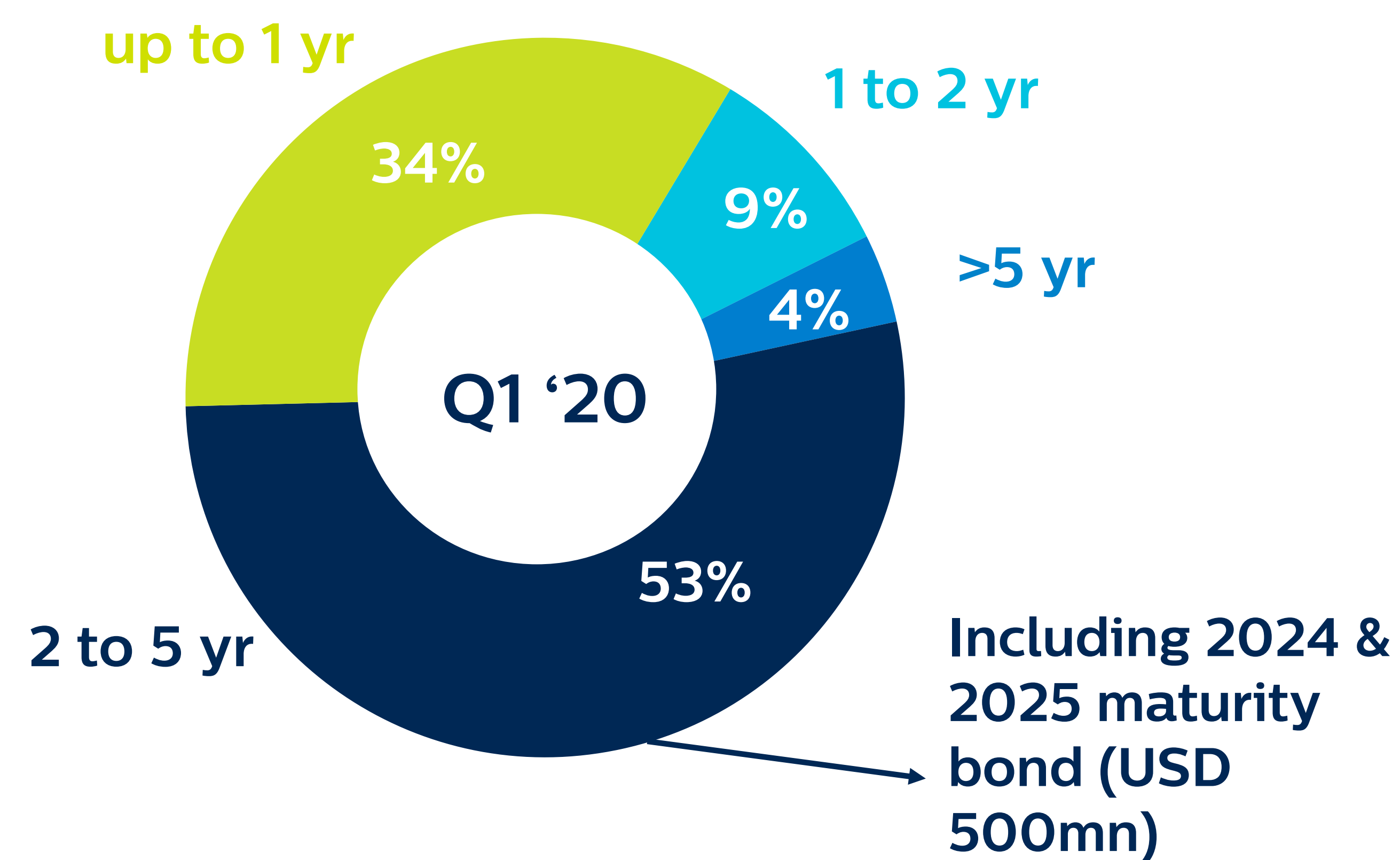
Note: Net Debt calculation includes market valuation (MTM) of Foreign Currency TL money swap transactions.
Net Debt/EBITDA calculation does not include extraordinary provisions in EBITDA calculation.

Low debt ratio among peers



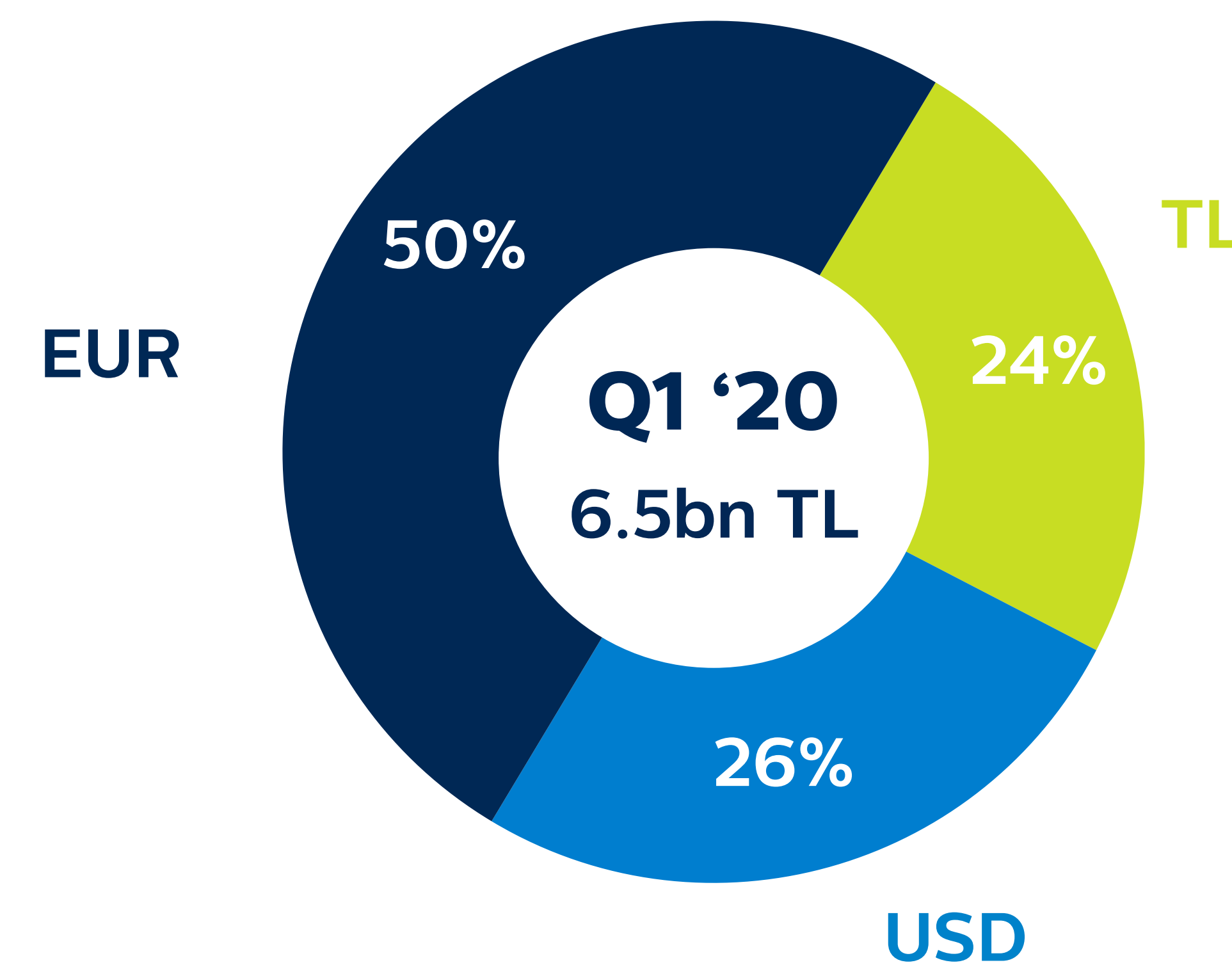
Source: Bloomberg
Türk Telekom's ratio is based on Q1'20 financials; other's based on their latest data

Maturity Profile

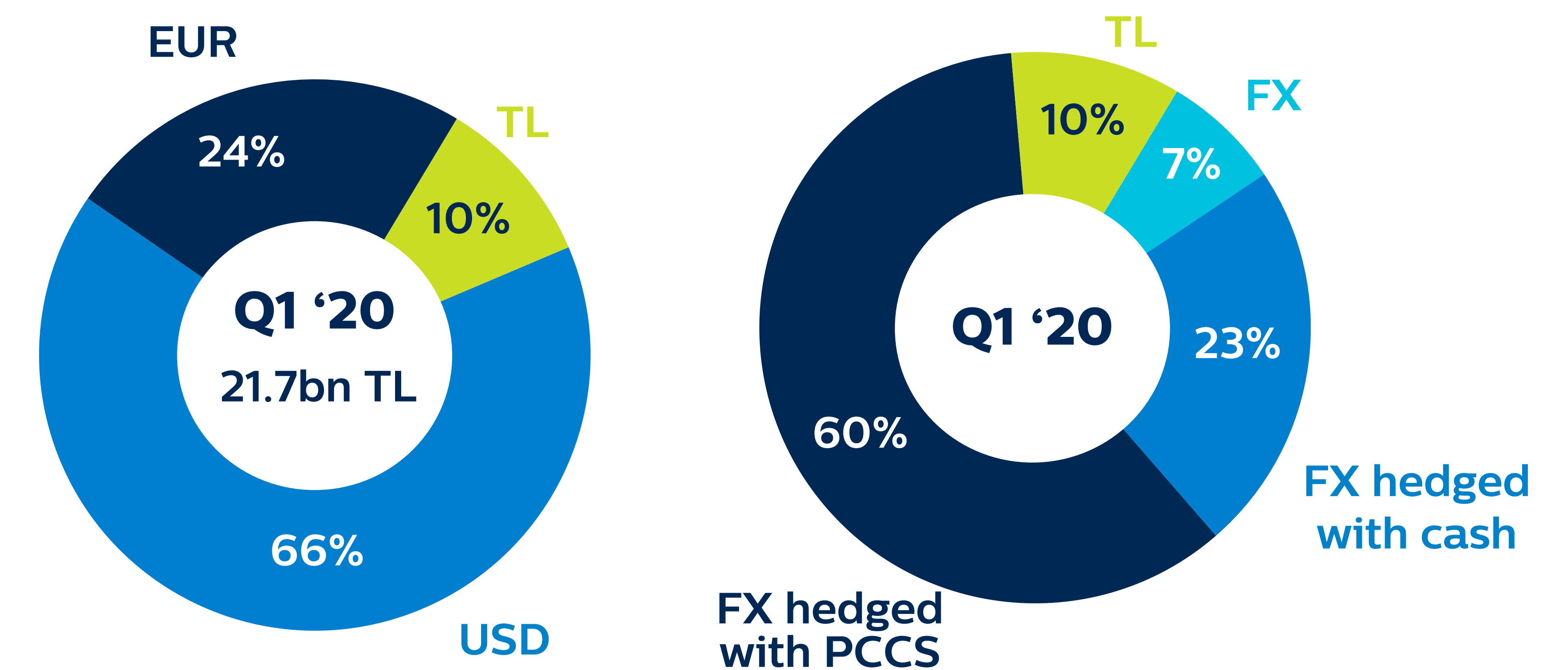


All loans are senior unsecured

Cash FX Breakdown



Gross Debt FX Breakdown



Debt Profile

Prudent Balance Sheet Management

- ▶ FX Risks reduced via Participating Cross Currency Swaps (PCCS), FX based cash and higher utilization of TL based financing
- ▶ 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

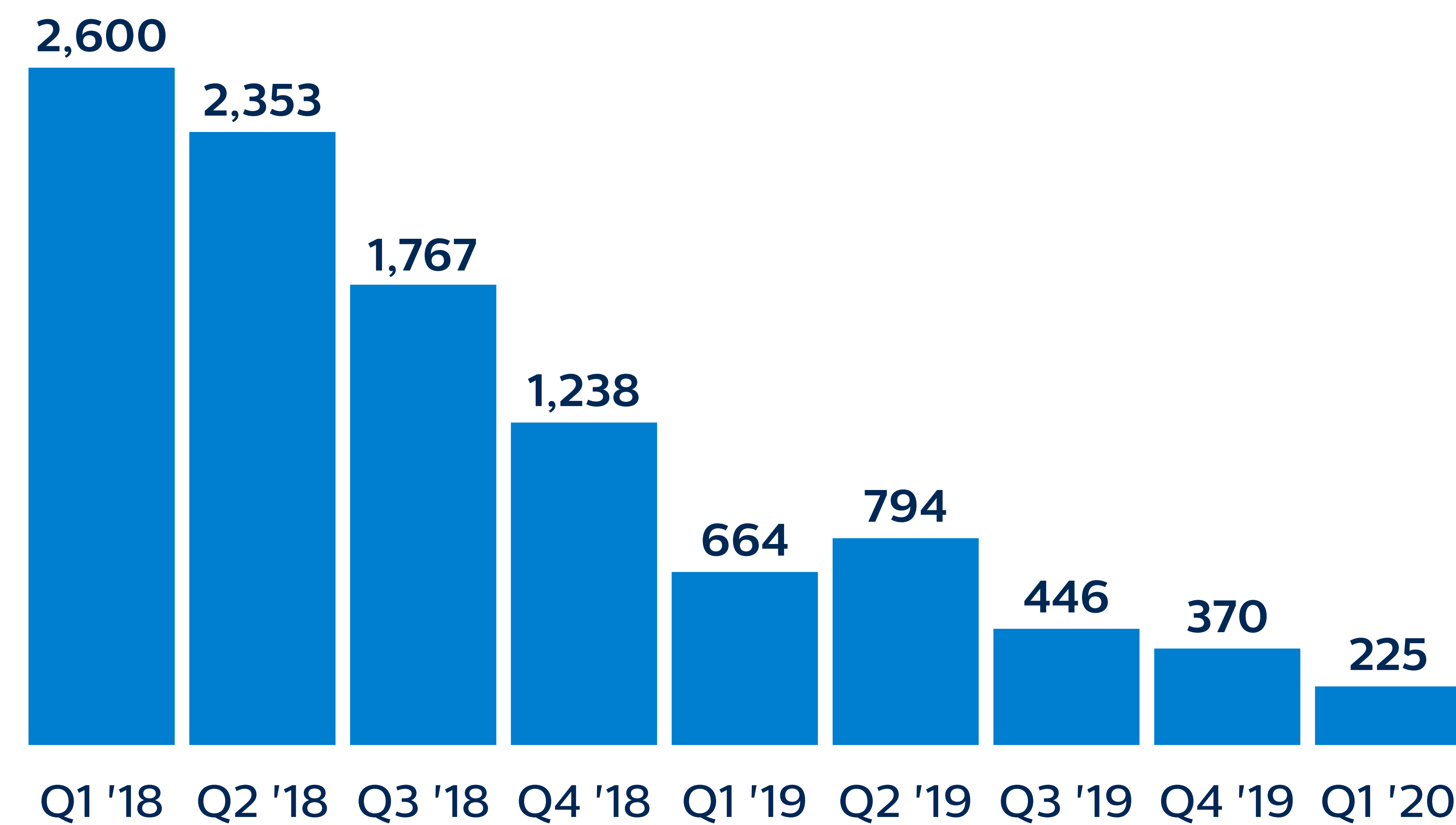
S&P Global Ratings

Long Term Rating: BB-
Outlook Stable

Stand-alone Credit Profile (SACP):
bbb-

Net FX Exposure *

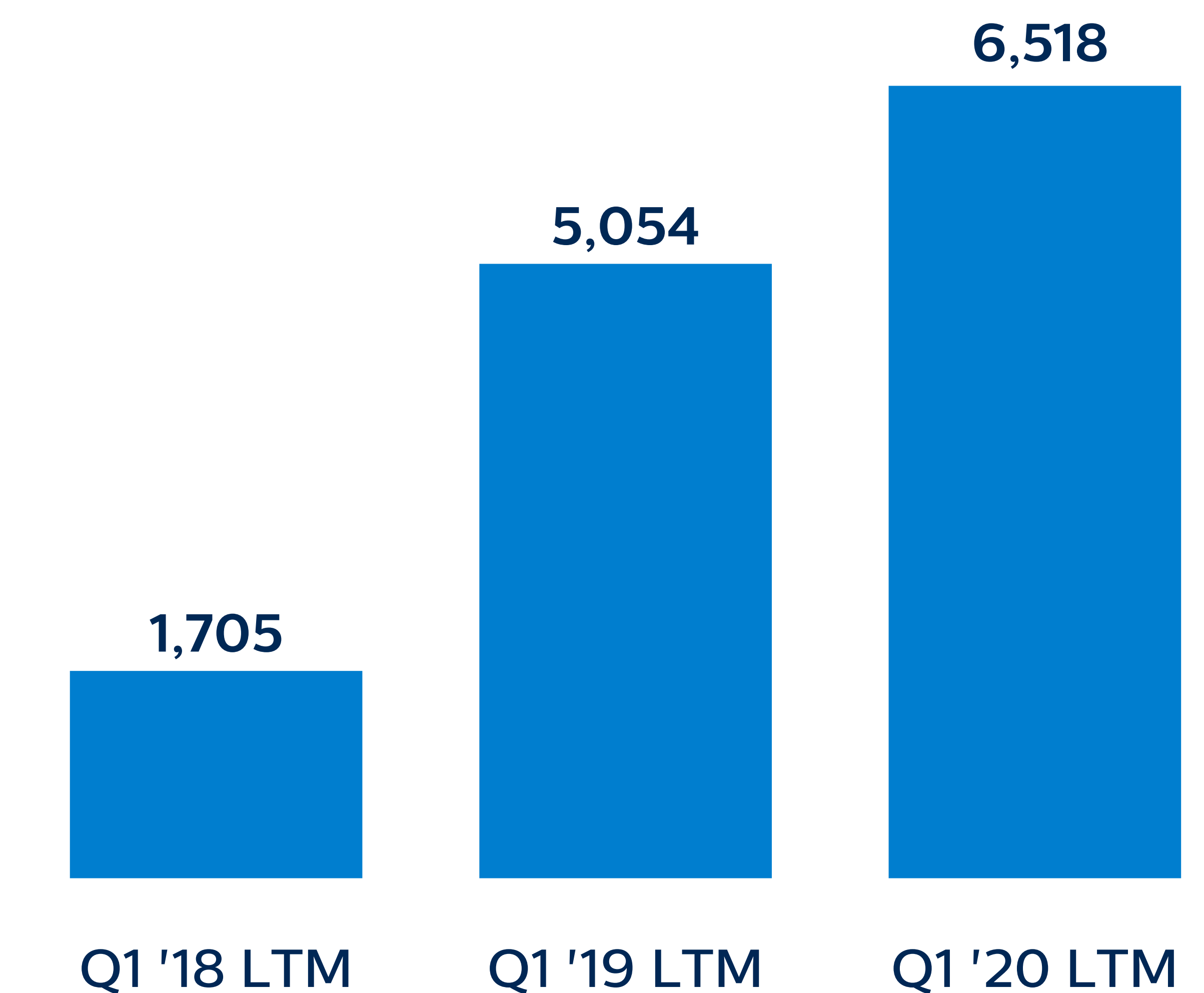
(USD mn equivalent)



*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.



Appendix

Income Statement

(TL mn)	Q1 '19	Q4 '19	Q1 '20	QoQ Change	YoY Change
Revenues	5,403	6,284	6,303	0.3%	16.6%
EBITDA	2,655	2,828	2,977	5.3%	12.1%
Margin	49.1%	45.0%	47.2%		
Operating Profit	1,491	1,600	1,704	6.5%	14.3%
Margin	27.6%	25.5%	27.0%		
Financial Inc. / (Exp.)	(1,276)	(939)	(870)	(7.3)%	(31.8)%
FX & Hedging Gain / (Loss)	(825)	(366)	(294)	(19.7)%	(64.3)%
Interest Inc./ (Exp.)	(370)	(542)	(561)	3.5%	51.5%
Other Financial Inc./ (Exp.)	(81)	(30)	(15)	(49.7)%	(81.2)%
Tax Expense	95	(117)	(173)	48.3%	n.m.
Net Income	310	545	661	21.3%	113.2%
Margin	5.7%	8.7%	10.5%		

Balance Sheet

(TL mn)	31.03.2019	31.12.2019	31.03.2020
Total Assets	40,573	39,909	42,276
Cash and Cash Equivalents	7,350	4,946	6,484
Tangible Assets ¹	14,052	14,727	14,582
Intangible Assets	9,684	10,328	10,413
Right of Use Assets	1,338	1,366	1,454
Other Assets ²	8,150	8,543	9,343
Total Equities and Liabilities	40,573	39,909	42,276
Share Capital	3,260	3,260	3,260
Reserves, Retained Earnings and Other Equity Items	4,632	6,183	6,688
Interest Bearing Liabilities ³	24,456	20,783	22,932
<i>Bank Borrowings and Bonds</i>	23,342	19,642	21,688
<i>Lease Liabilities</i>	1,114	1,141	1,243
Other Liabilities ⁴	8,225	9,683	9,396

(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, tax assets 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 to related parties, other current liabilities and provisions for employee termination benefits

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