

# Investor Presentation

2018 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).



# Strategic Highlights

## Fixed Broadband Penetration Increase



**~50%**

of Q3 '18 FBB net adds came via

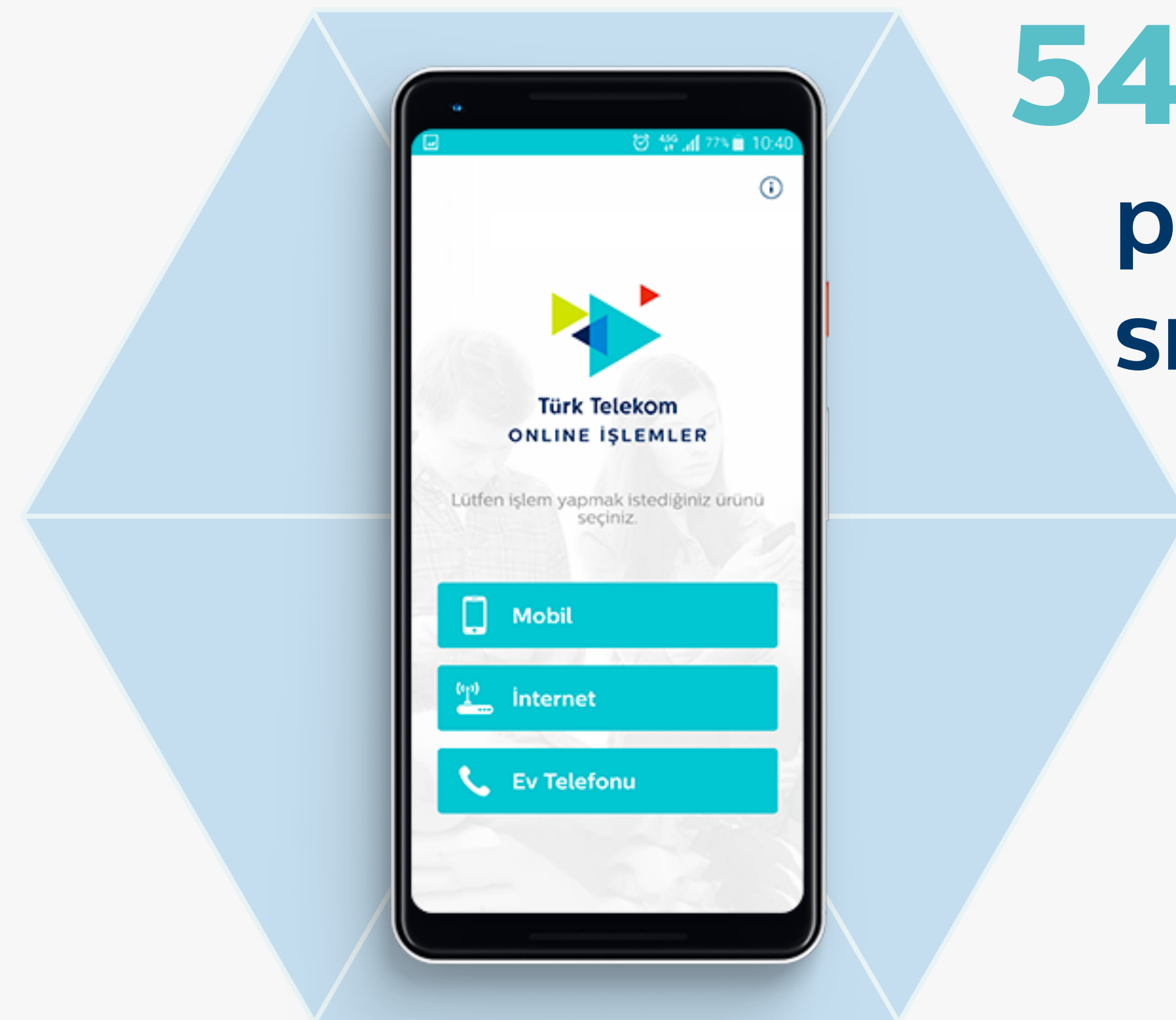
**Internet Bizden Campaign**

## Infrastructure Rental



Cooperation protocol for leasing Fixed Electronic Communication Infrastructure between Türk Telekom and other operators

## Online İşlemler



**54%**

penetration among our smartphone users

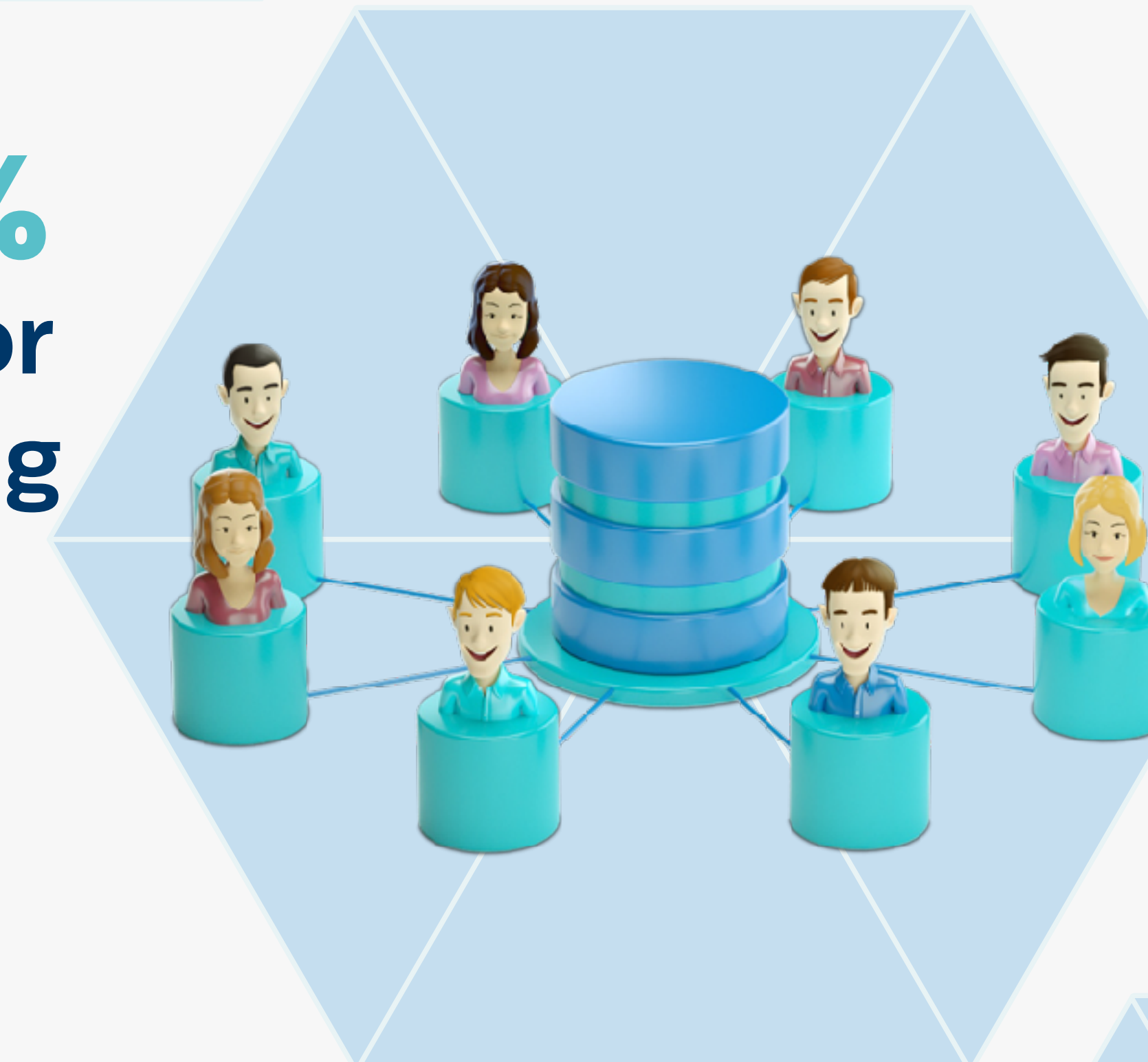
**21 mn** downloads as of Q3'18

## Consumer Finance



Cooperation with Hemenal and ING Bank for alternative device financing

## Customer Database



**72%**

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

**4.7 ppt**

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

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

**7.2 mn**

downloads as of October





# Net Subscriber Additions

**4.2mn**  
net additions\*  
in LTM

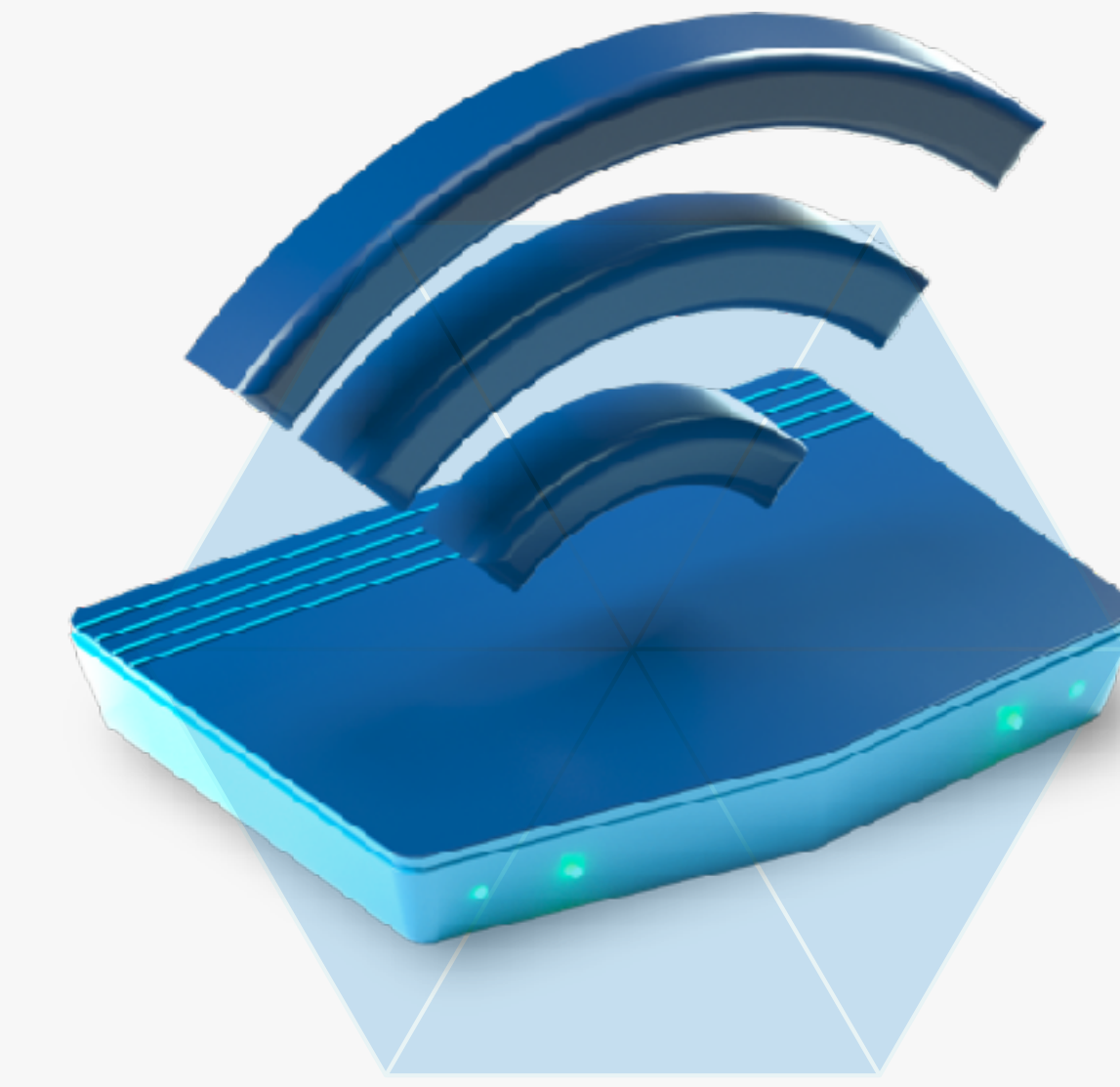
**1.2mn**  
net additions\*  
in Q3

\*Includes Tivibu Go

## Broadband

**288k**  
Q3 '18

**1.2mn**  
LTM



**44.7mn**  
total  
subscribers

## Mobile

**586k**  
Q3 '18

**1.6mn**  
LTM



## Home TV

**149k**  
Q3 '18

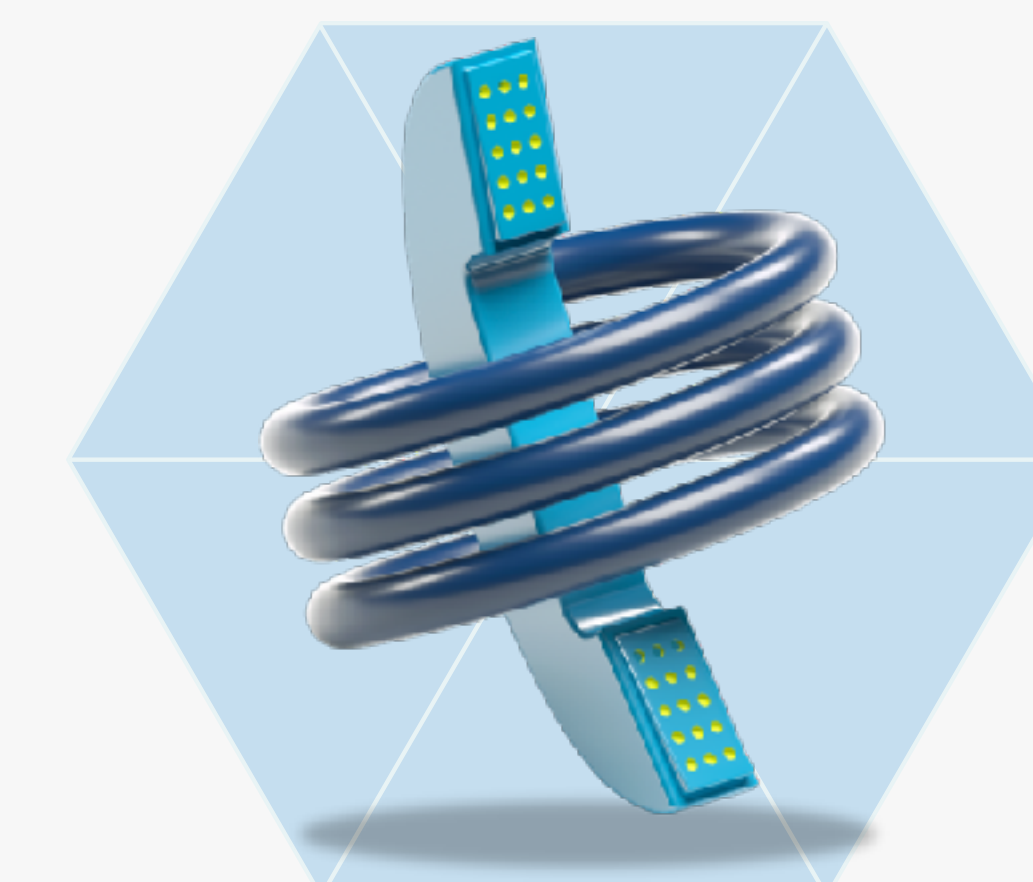
**571k**  
LTM



## Fixed Voice

**90k**  
Q3 '18

**348k**  
LTM





# Financial Performance

(TL mn)	2017 Q3	2018 Q2	2018 Q3	Growth (YoY)	Growth (QoQ)
<b>Revenue</b>	<b>4,532</b>	<b>4,951</b>	<b>5,396</b>	<b>19.1%</b>	<b>9.0%</b>
Revenue (exc. IFRIC12) <sup>1</sup>	4,420	4,740	5,154	16.6%	8.7%
<b>EBITDA</b>	<b>1,687</b>	<b>1,968</b>	<b>2,267</b>	<b>34.3%</b>	<b>15.2%</b>
EBITDA Margin	37.2%	39.8%	42.0%		
<b>Operating Profit</b>	<b>973</b>	<b>1,058</b>	<b>1,305</b>	<b>34.1%</b>	<b>23.4%</b>
<b>Net Income<sup>2</sup></b>	<b>293</b>	<b>(870)</b>	<b>(2,846)</b>	<b>n.m.</b>	<b>n.m.</b>
<b>Adjusted Net Income<sup>2&amp;3</sup></b>	<b>638</b>	<b>696</b>	<b>1,000</b>	<b>56.8%</b>	<b>43.6%</b>
<b>CAPEX</b>	<b>554</b>	<b>836</b>	<b>1,219</b>	<b>120.1%</b>	<b>45.8%</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) 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.

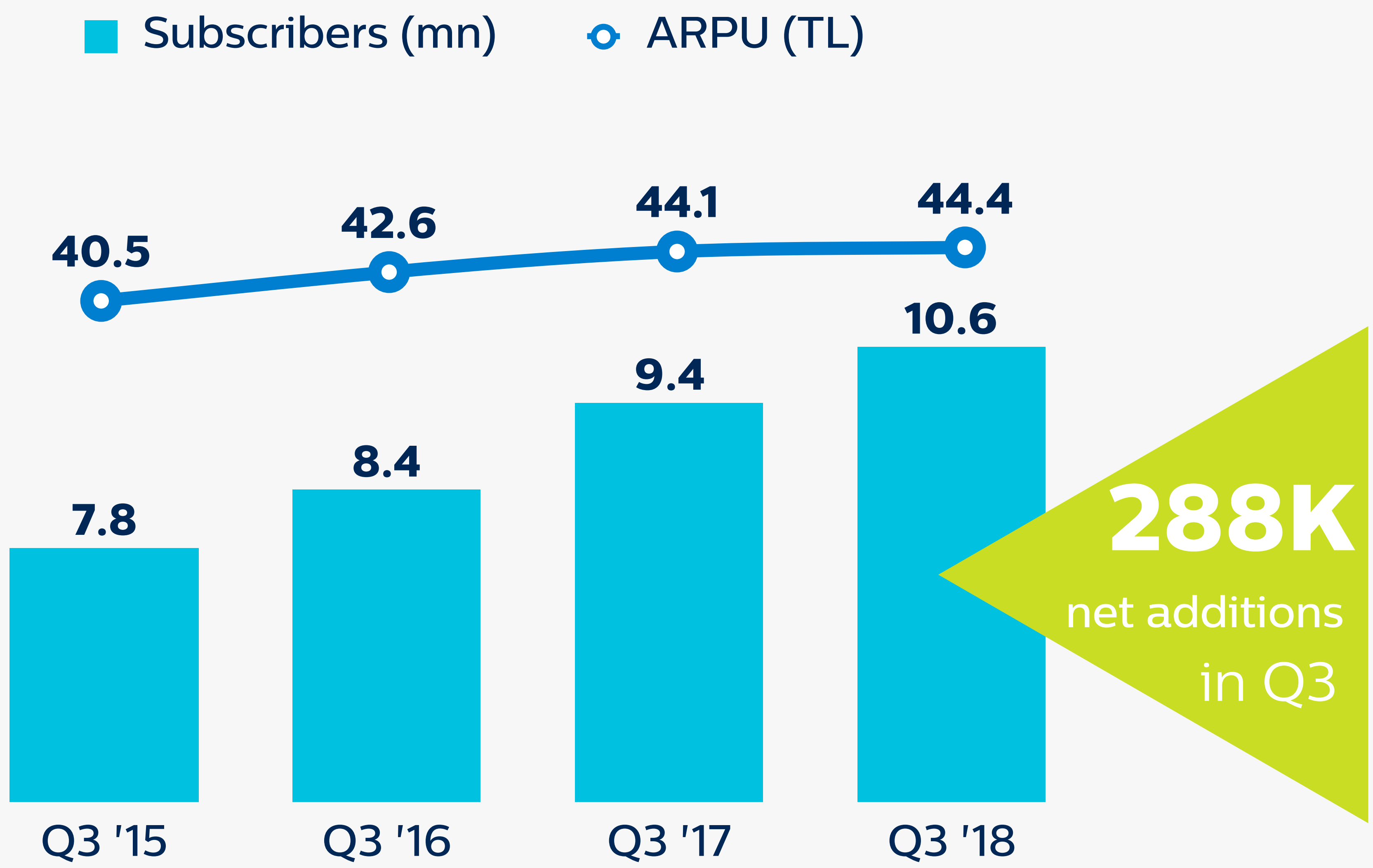
(3) Adjusted net income excludes the net impact of FX & FX hedging gain/loss (after tax) during respective period.

Türk Telekom adopted IFRS 15 and IFRS 9 accounting standards starting from 1 January 2018. For further details please refer to "Financial Footnotes" & "Summary Financial and Operational xls" on our web site.



# Fixed Broadband Performance

## ARPU & Subscribers

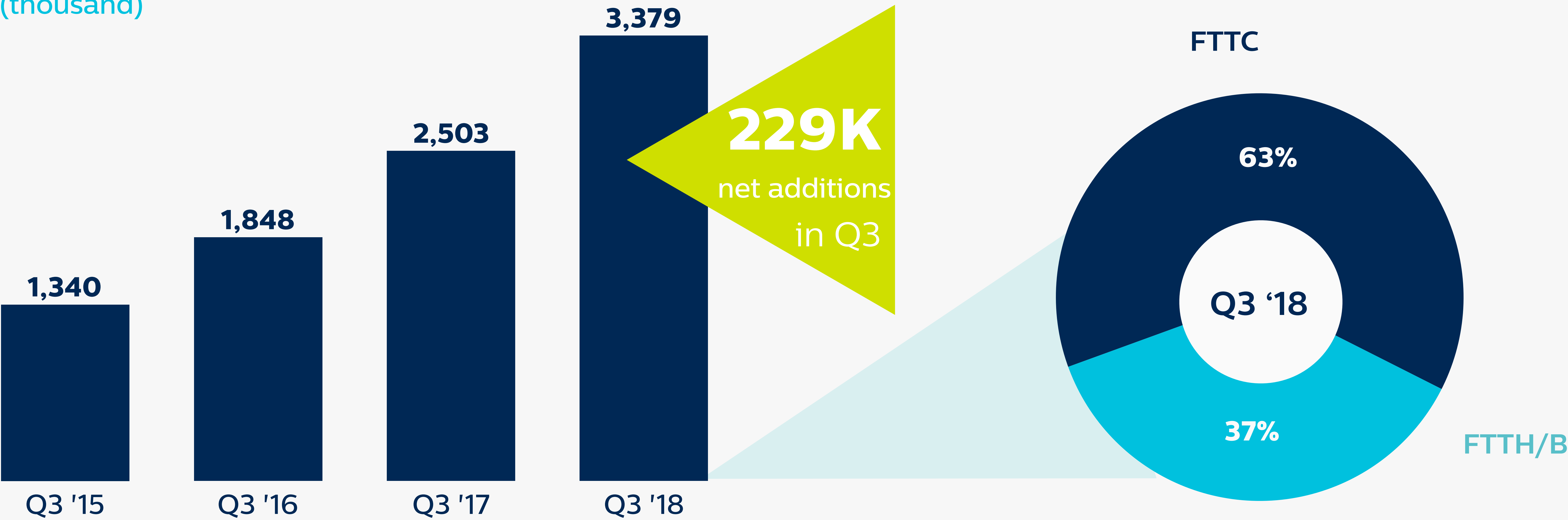


**~50%**

of Q3 '18 FBB net adds came via Internet Bizden campaign

## Fiber Subscribers

(thousand)

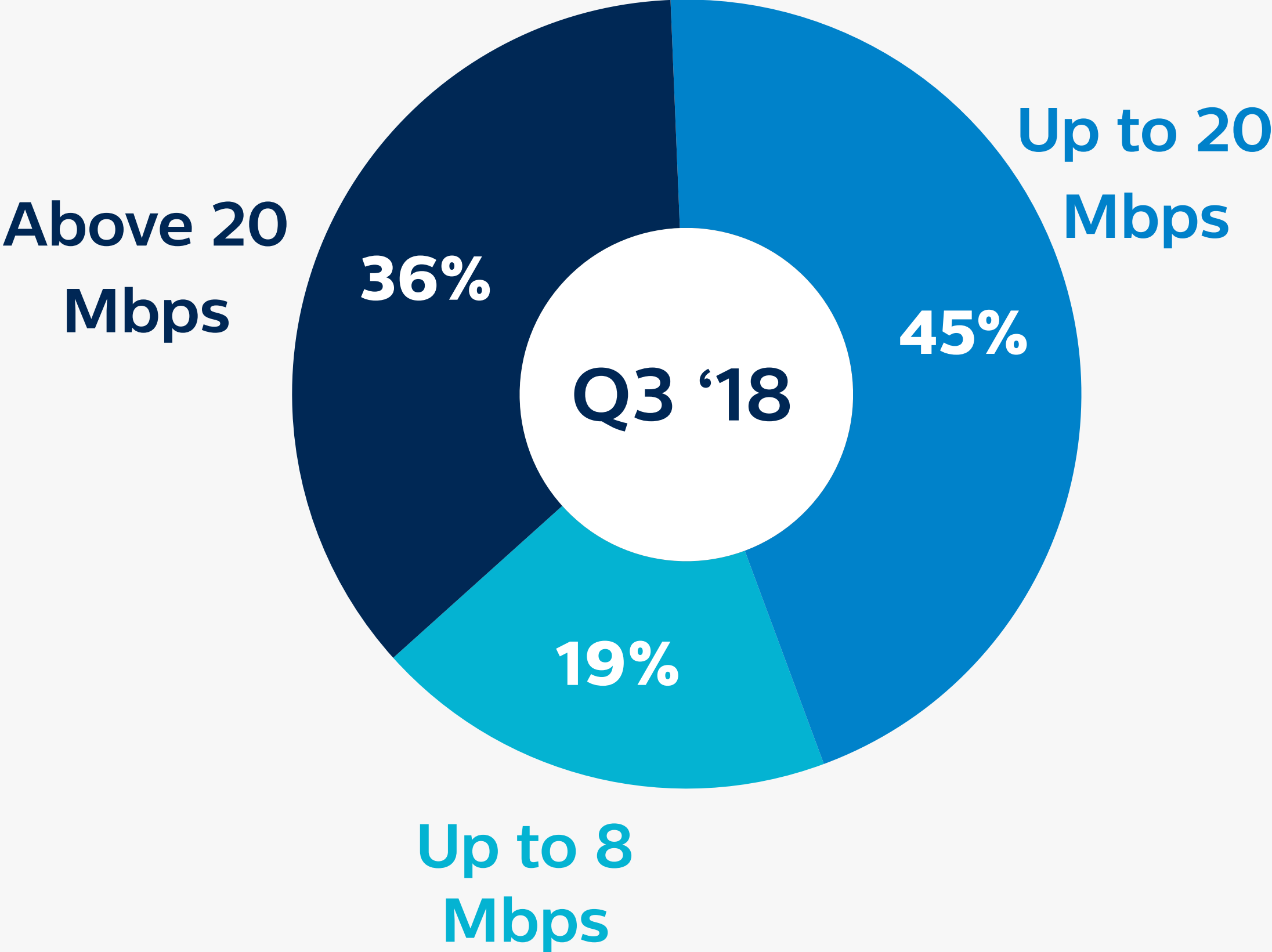
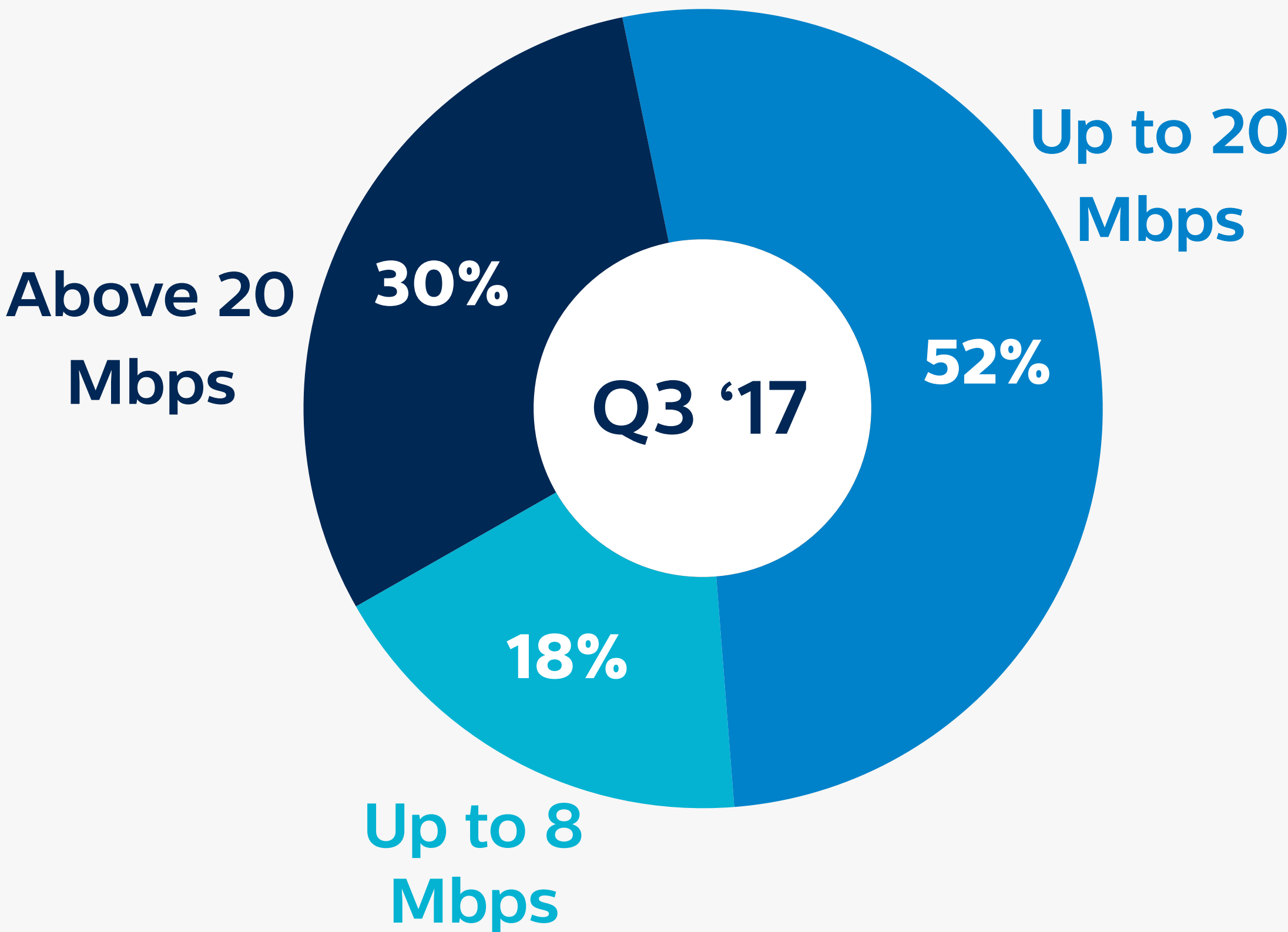




# Upsell Dynamics in Fixed Broadband

### Speed Breakdown

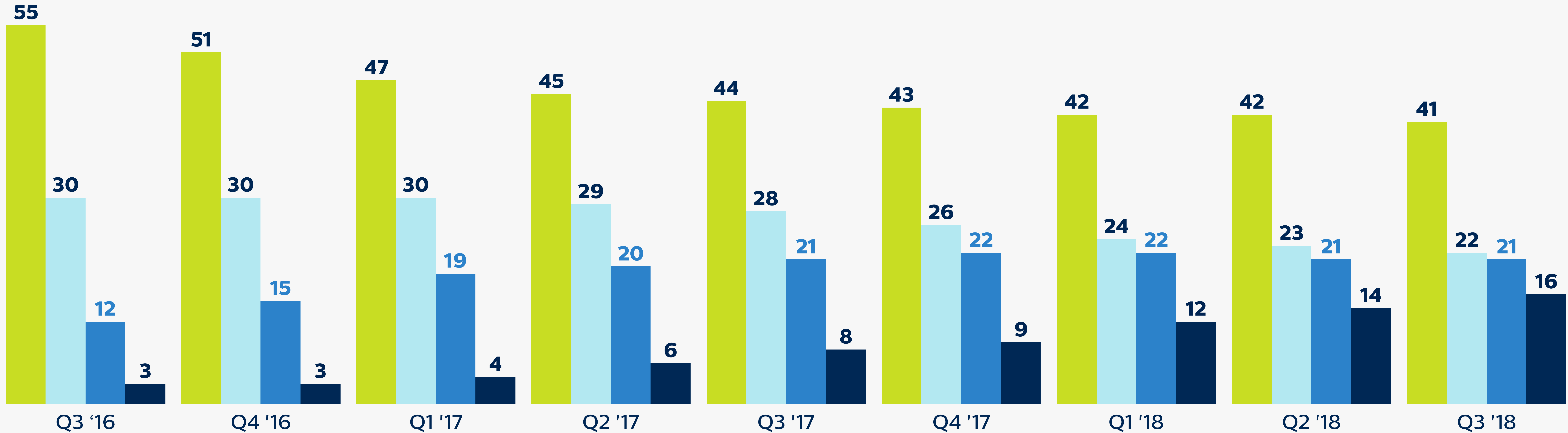
(% of Subscribers)



### Capacity Breakdown

(% of Subscribers)

50 GB & Below    50 to 75GB    75 GB to 100 GB    Above 100 GB



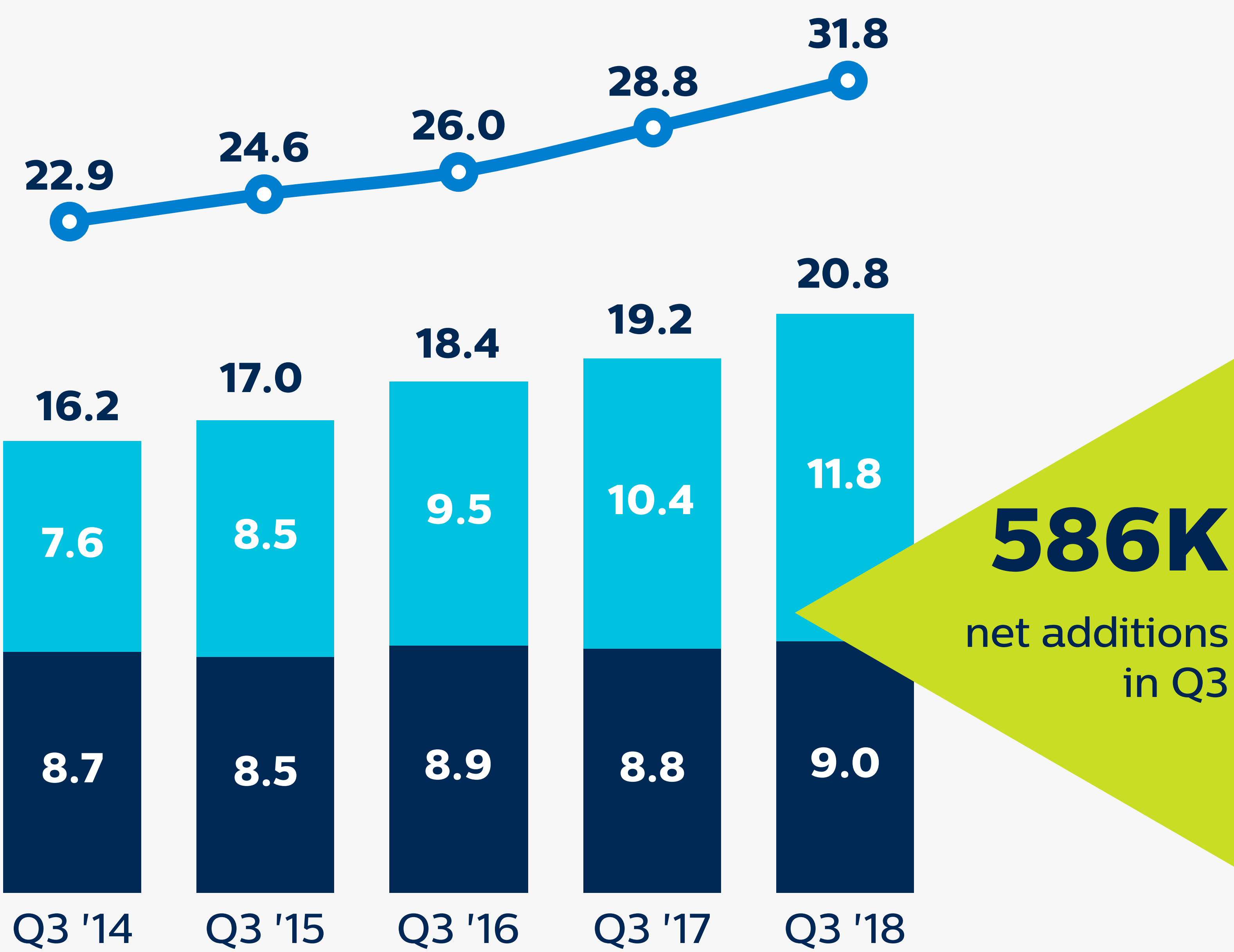
All figures are based on Turk Telekom's retail subscribers



# Mobile Performance

## Growing ARPU & Subscribers

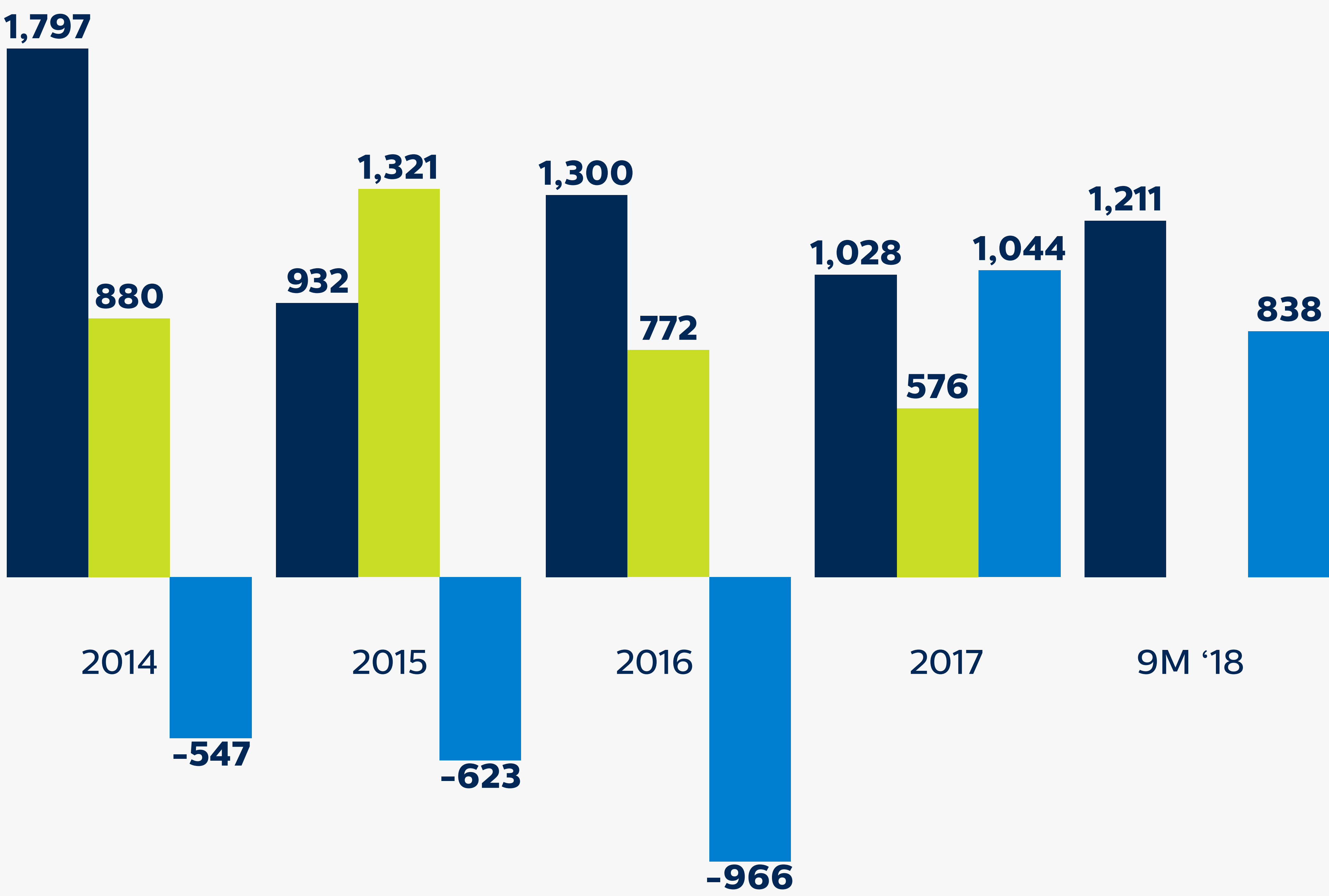
- Blended ARPU (TL)
- Prepaid (mn)
- Postpaid (mn)



## Net Subscriber Additions

(thousand)

- Türk Telekom
- Vodafone
- Turkcell



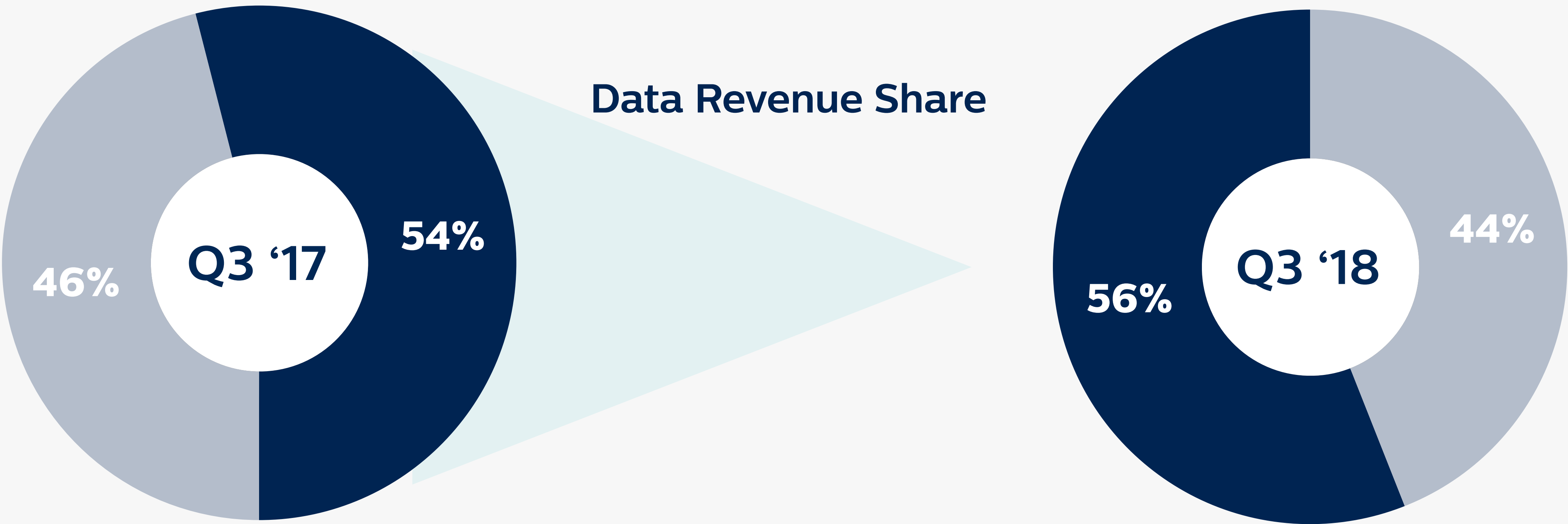
Other operators' data are from their own publications.



# Mobile Data

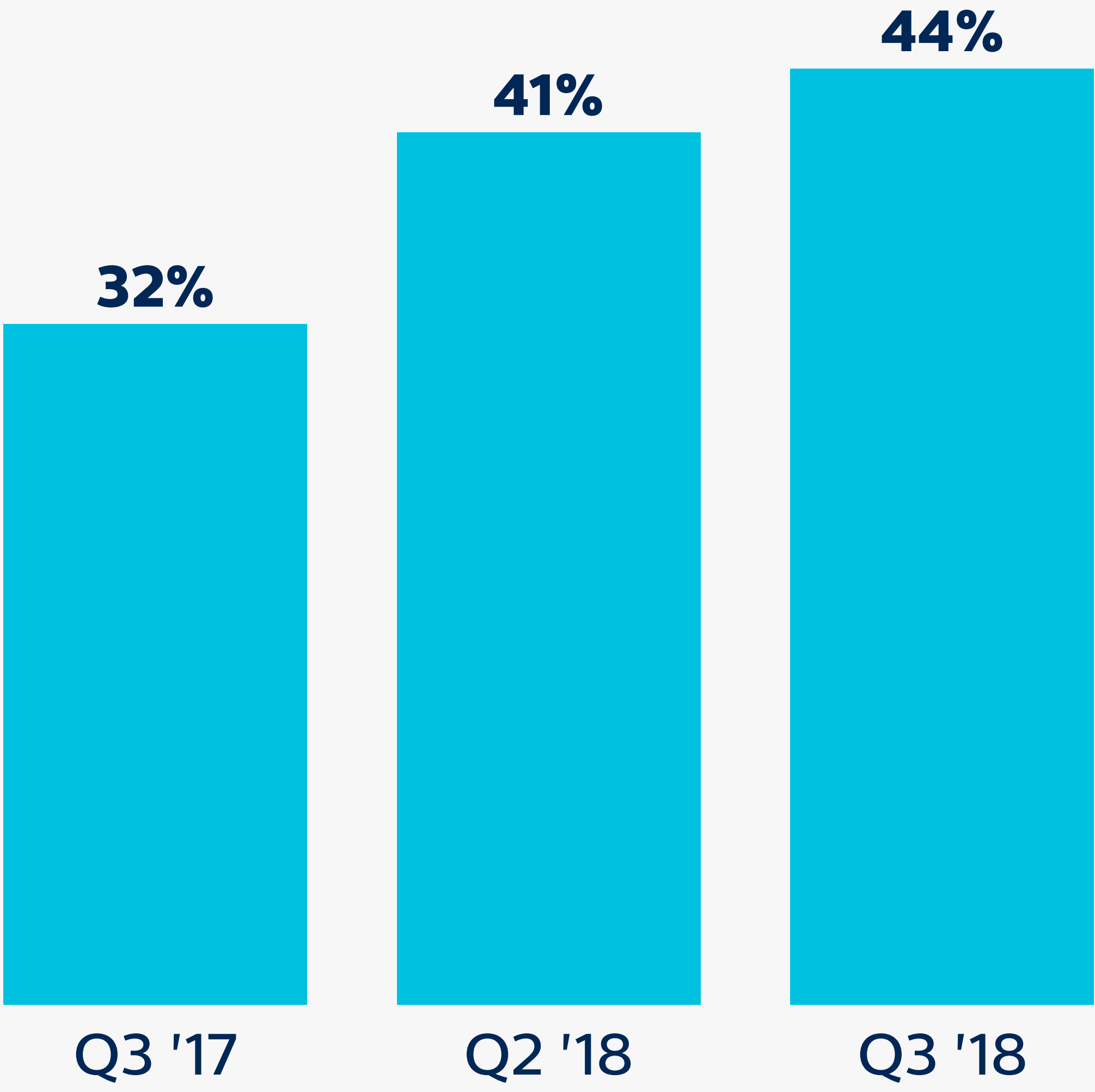
## Data Revenue

(Mobile service revenue share)

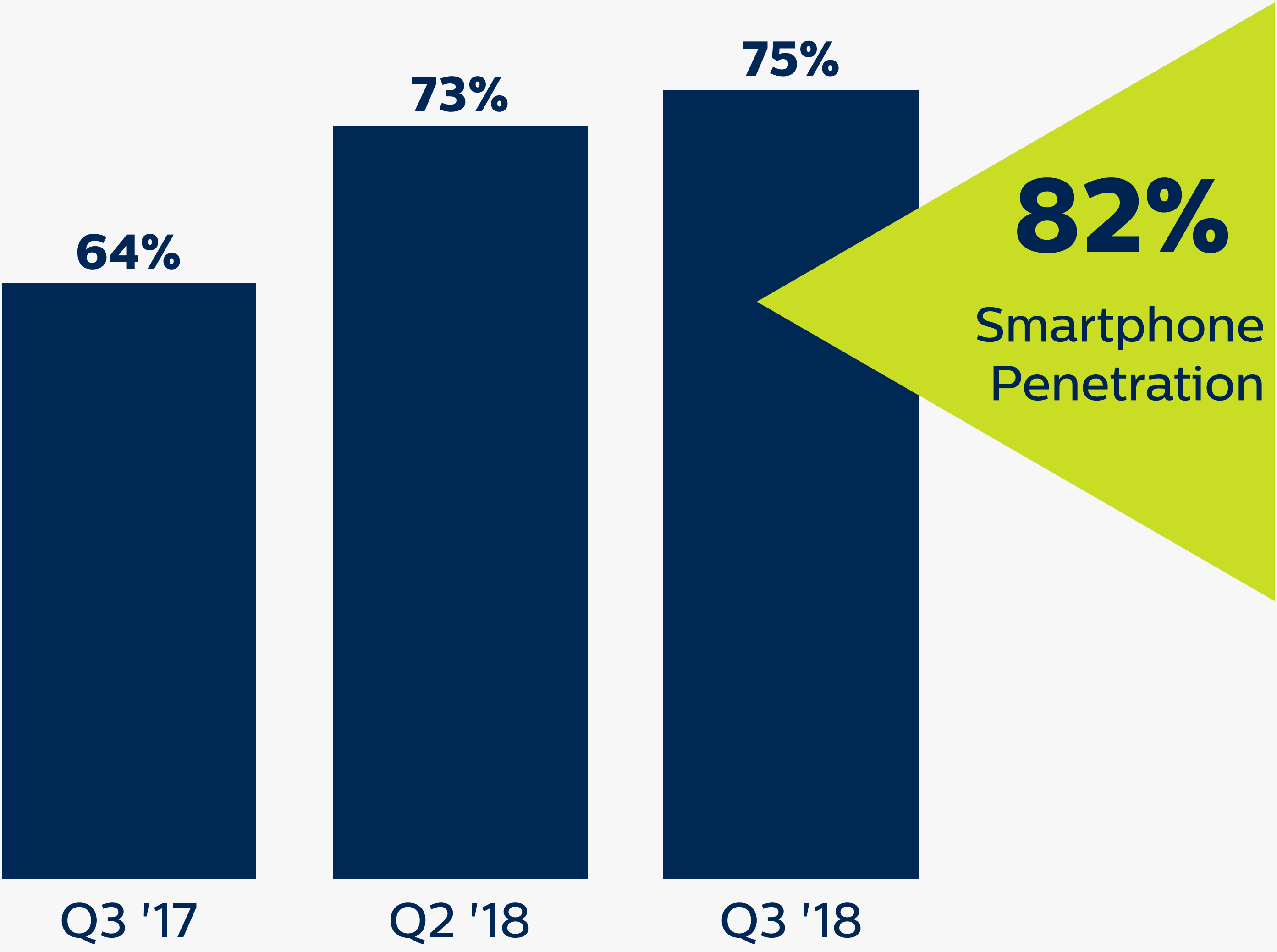


## LTE Users\*

(Total subscriber share)

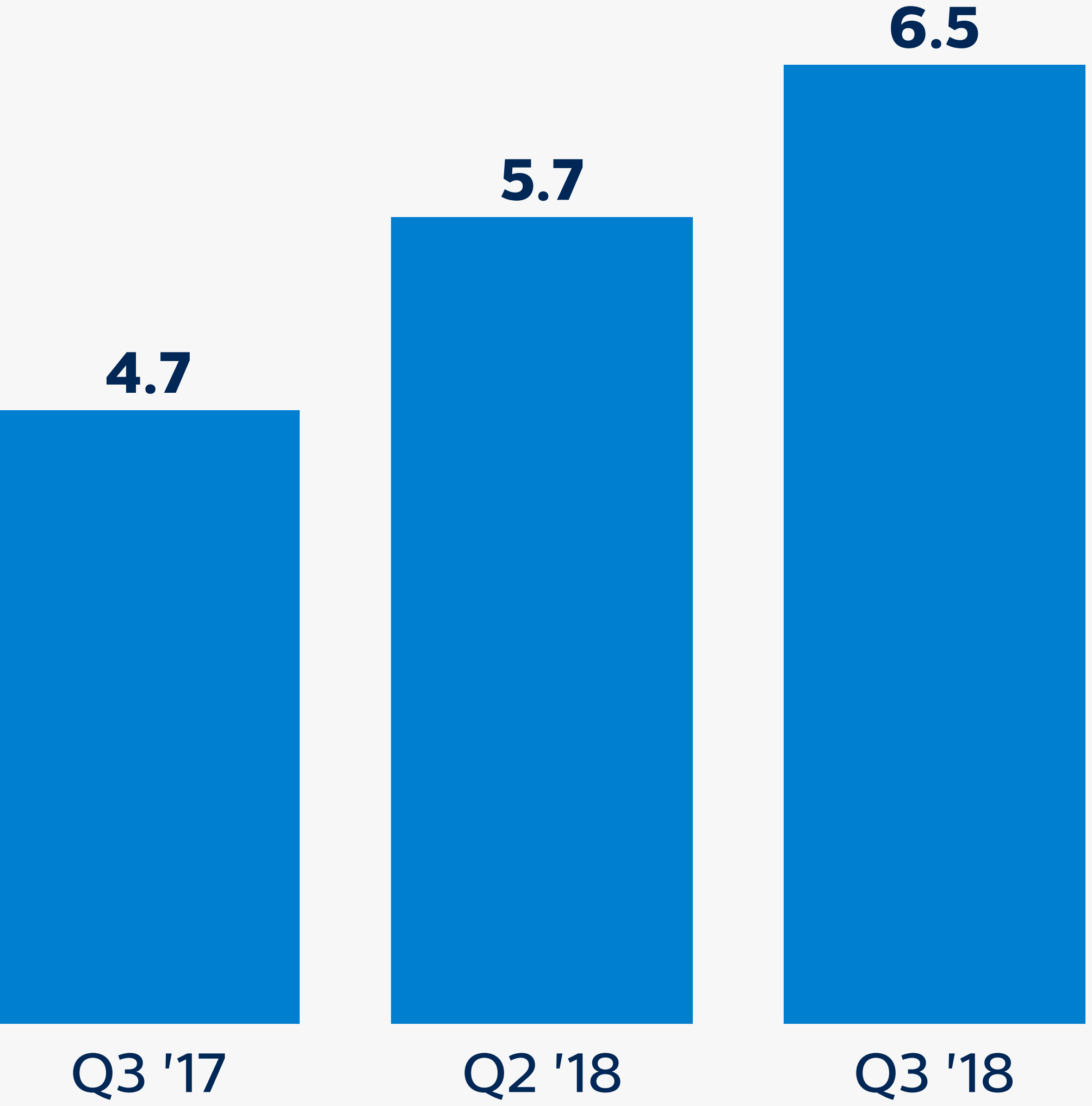


## LTE Compatible Smartphone



## Avg. Monthly Mobile Data Usage

(GB per LTE user)



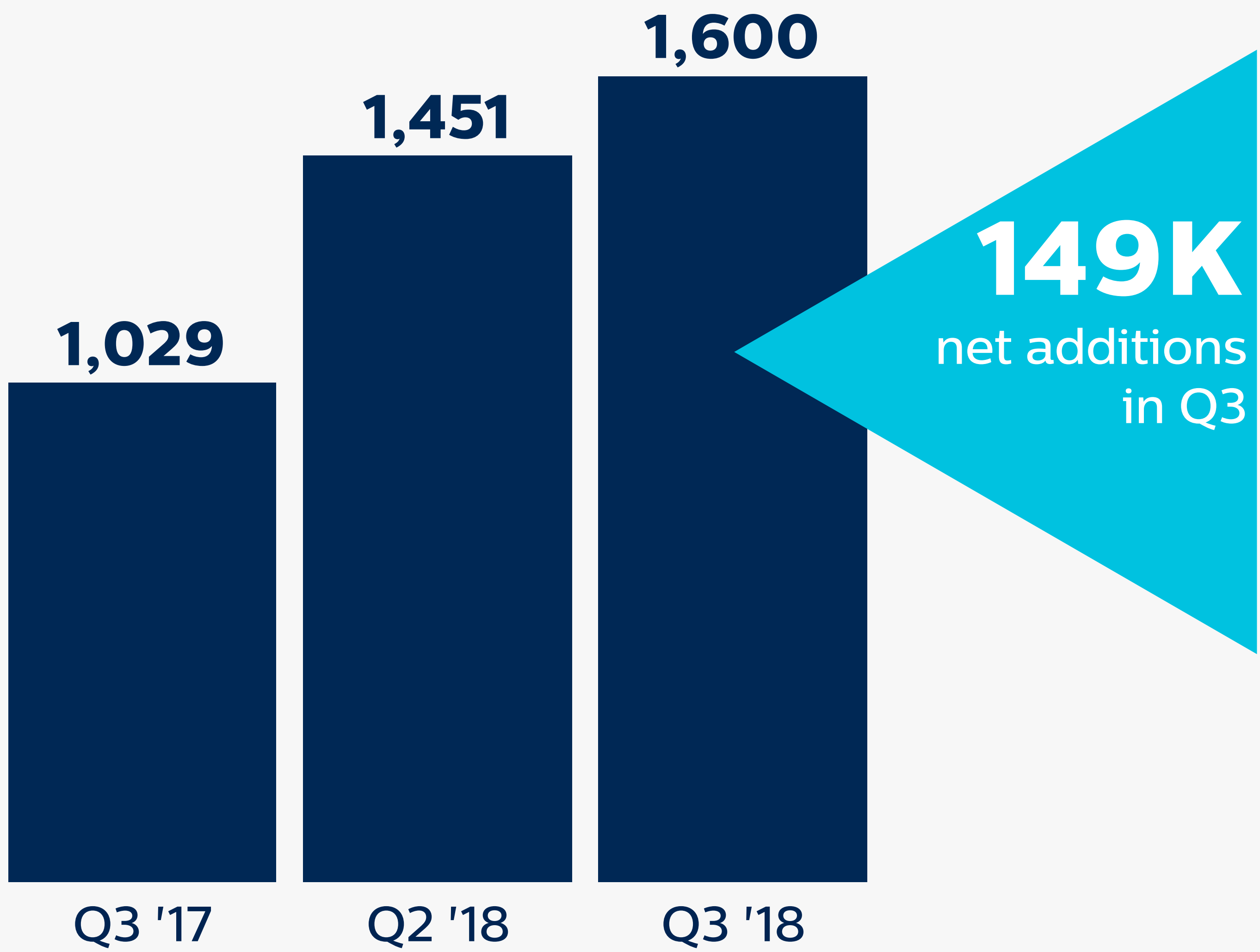
\*Subscribers who  
1) registered for LTE  
2) have LTE compatible device and simcard



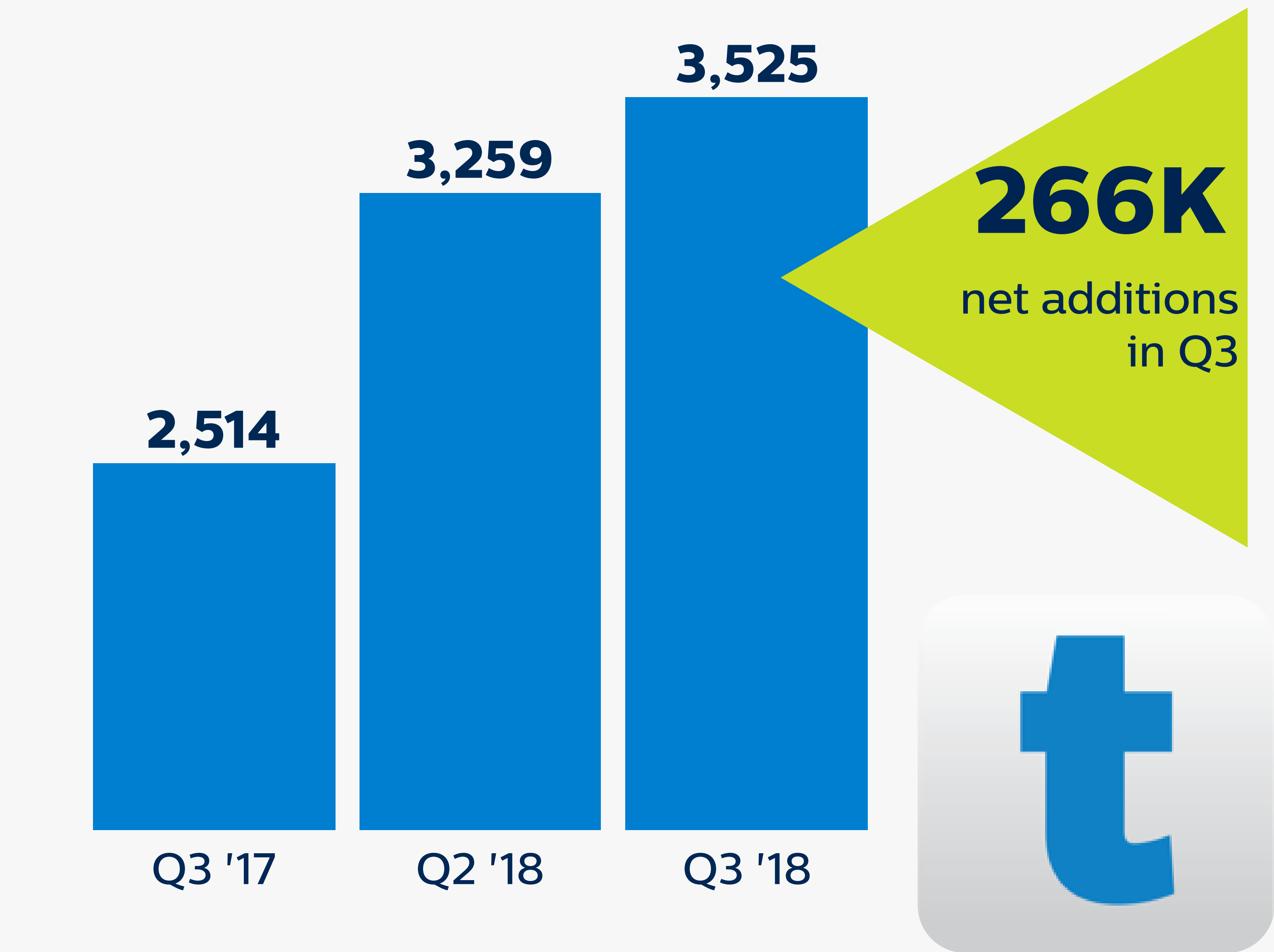
# TV Performance

## Subscribers (thousand)

■ Tivibu Home



■ Total TV (Tivibu Home + Tivibu Go)



## Wireless Homes

**96%** of Q3 '18 DTH gross adds came via mobile synergy offers



## Platform

IPTV + DTH + Web TV + Smart TV

## Content

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

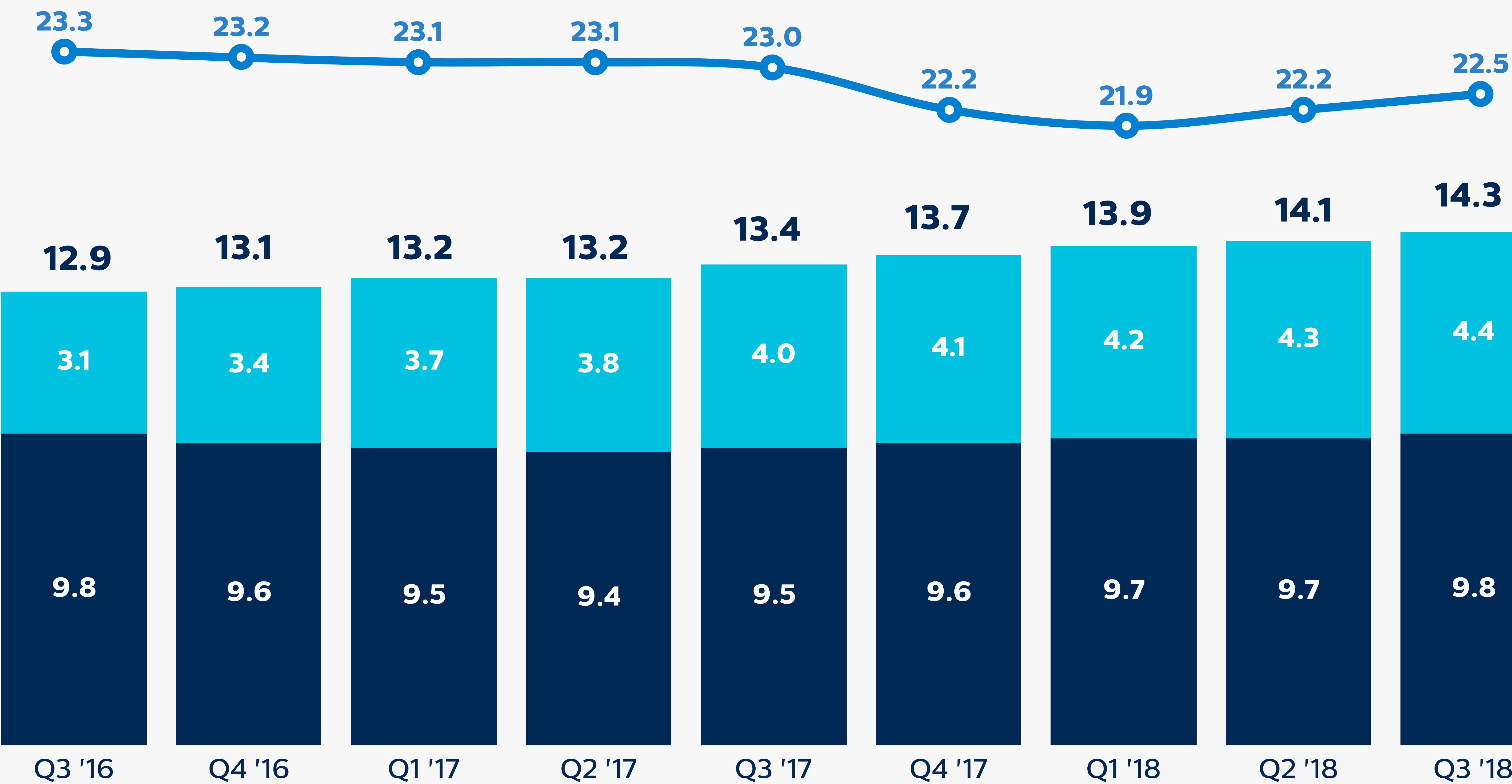
- ▶ 3 Cinema & 4 Sports Inhouse Channels
- ▶ Kids & Documentary Channels
- ▶ 6000+ on demand assets



# Fixed Voice Performance

## Access Lines and ARPU

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



**90K**  
net additions  
in Fixed  
Voice in Q3



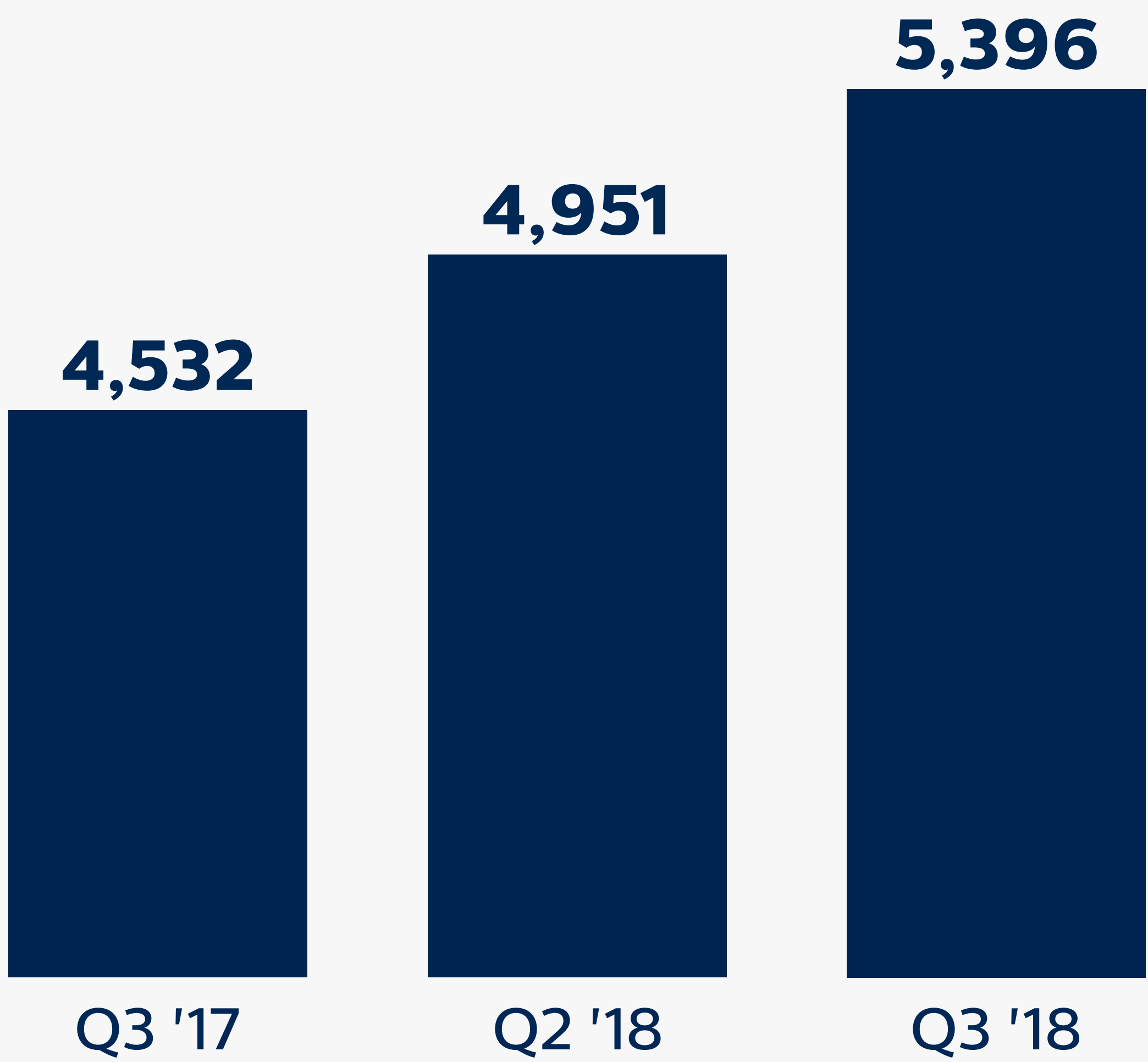
# Financials





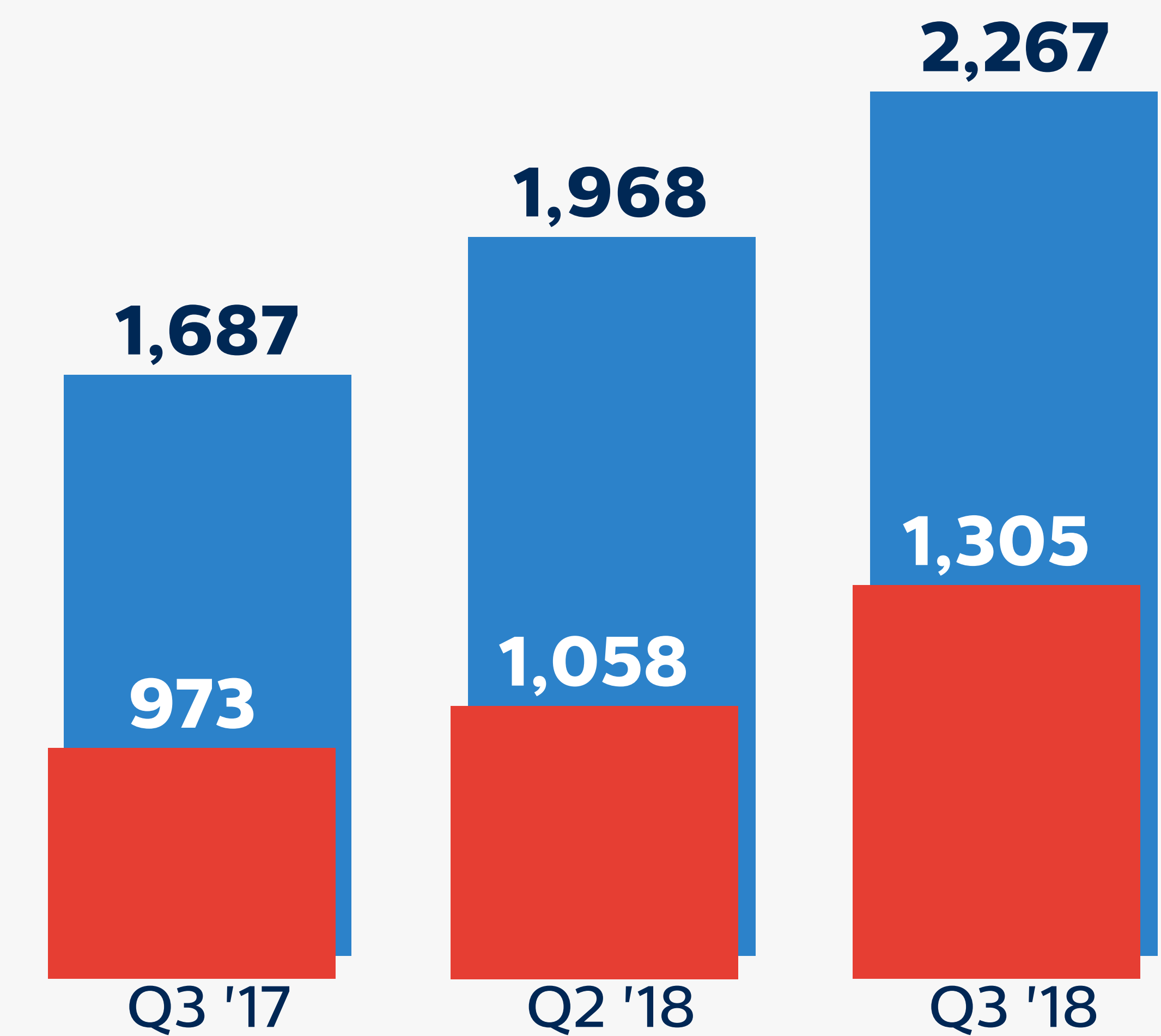
# Financial Performance

Revenue  
(TL mn)

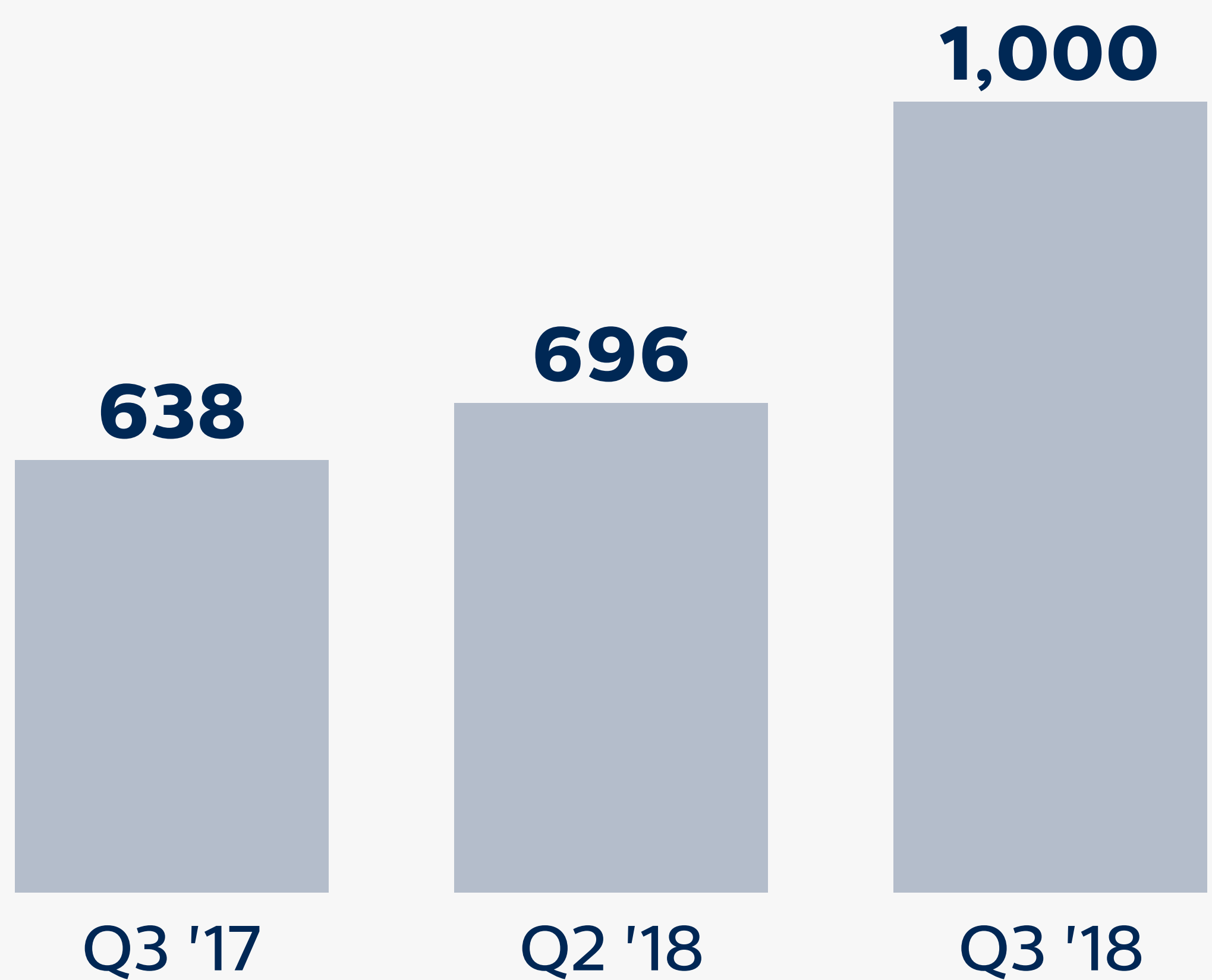


EBITDA & Operating Profit  
(TL mn)

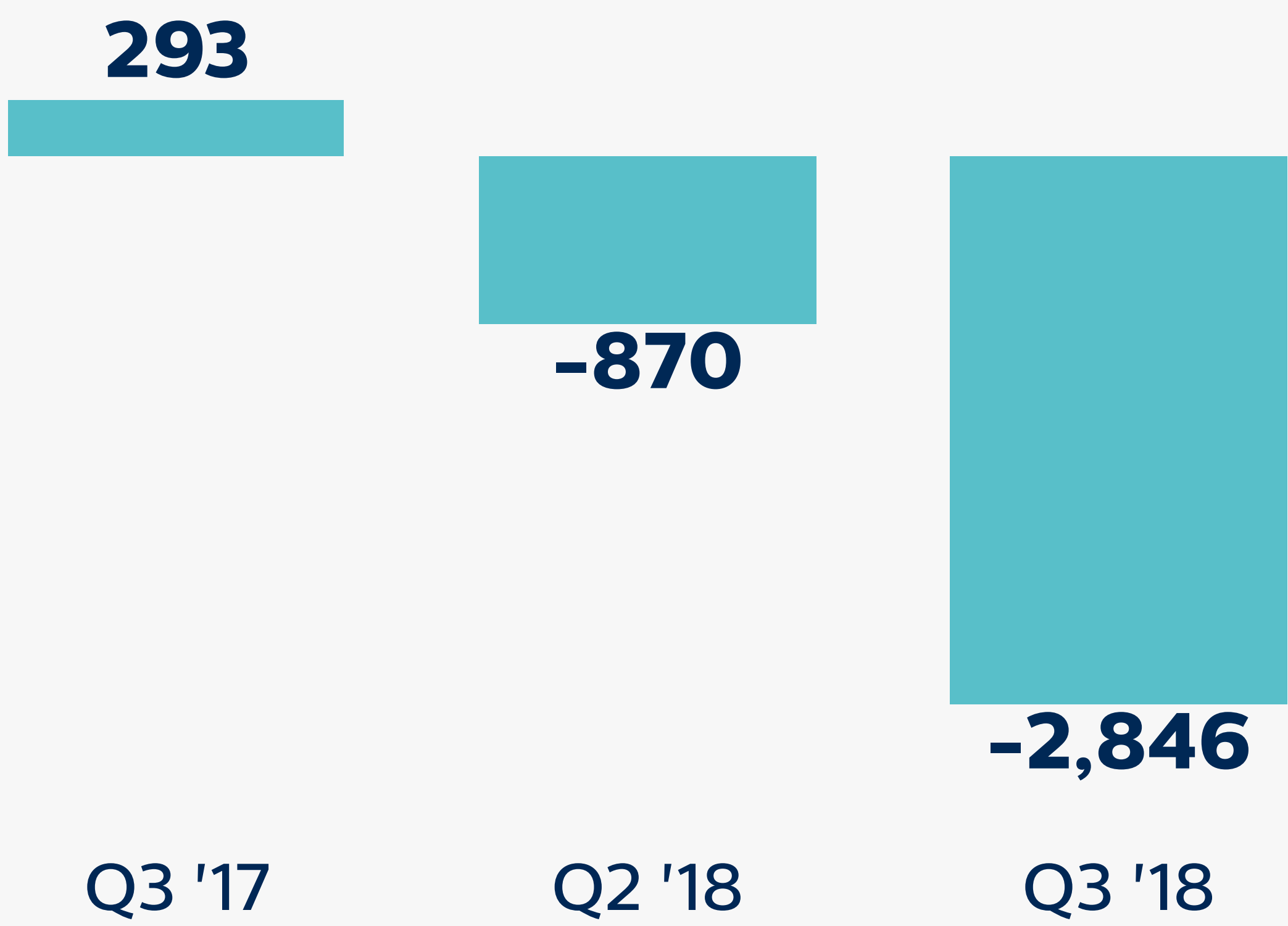
EBITDA Operating Profit



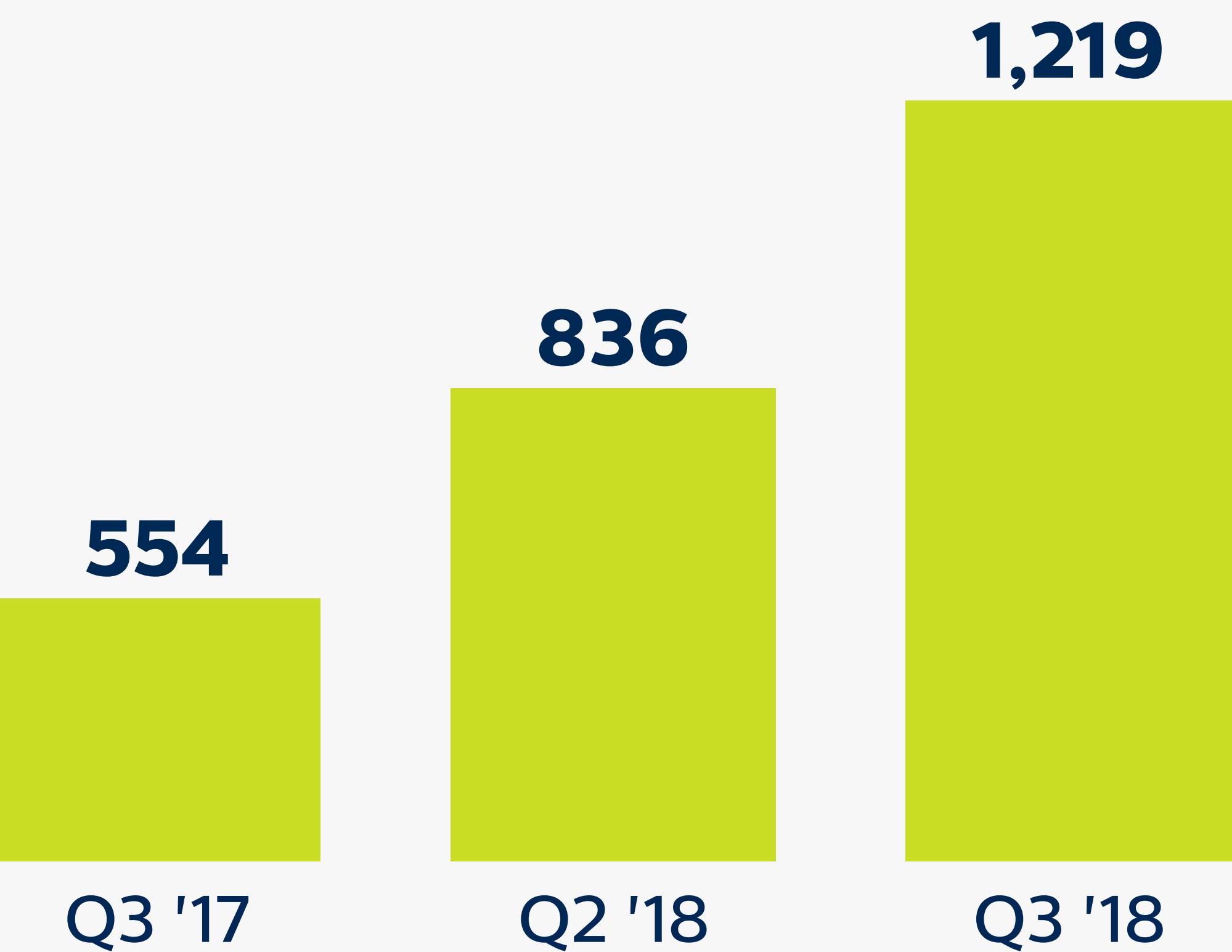
Adjusted Net Income\*  
(TL mn)



Net Income  
(TL mn)



Capex  
(TL mn)



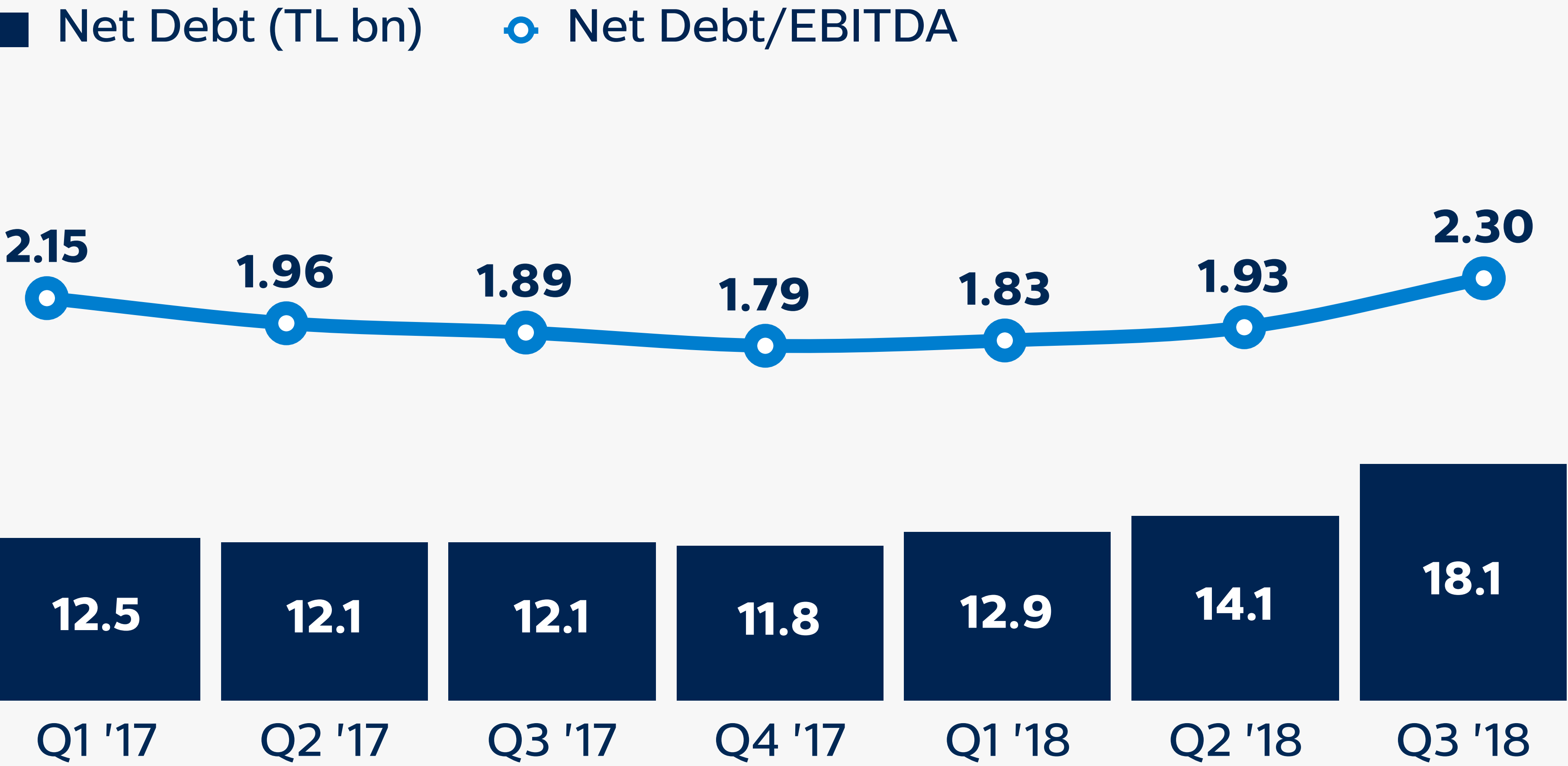
\*Adjusted net income excludes the net impact of FX & FX hedging gain/loss (after tax) during respective period.

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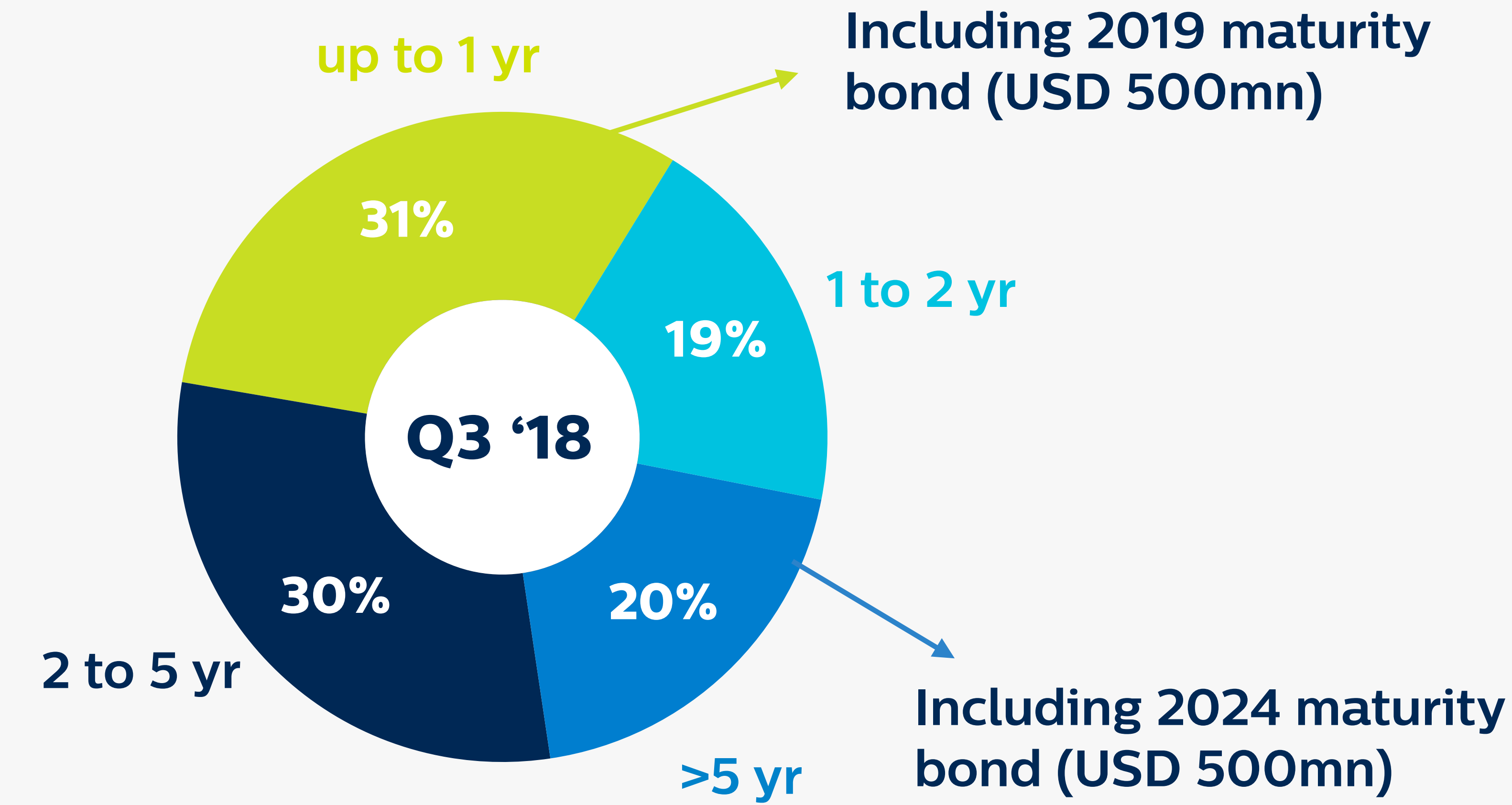
# Debt Profile

## Net Debt



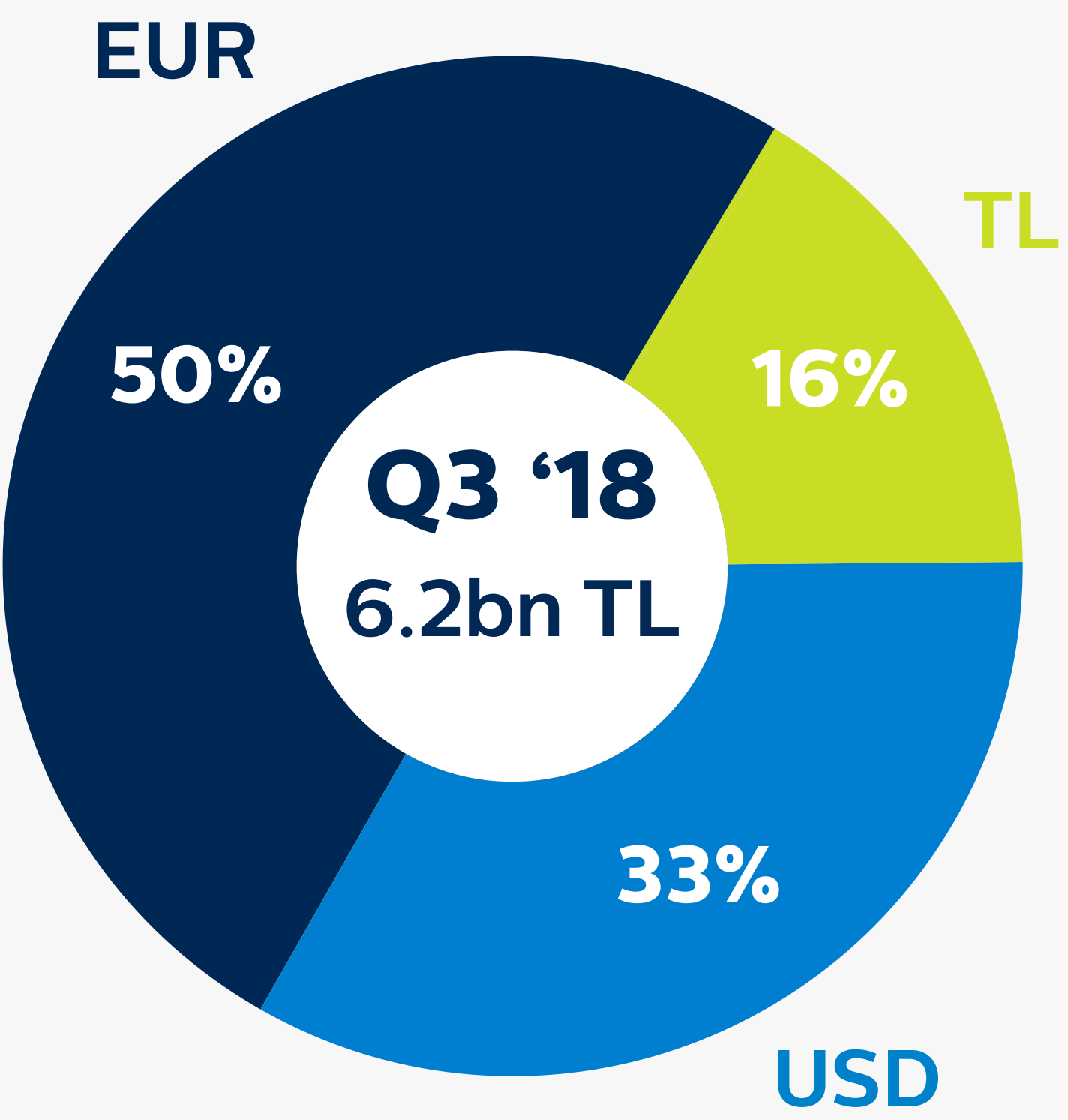
Note: Net Debt calculation includes MTM from FX to TRY Currency Swaps  
Net Debt/EBITDA calculation excludes extraordinary claims EBITDA calculation

## Maturity Profile

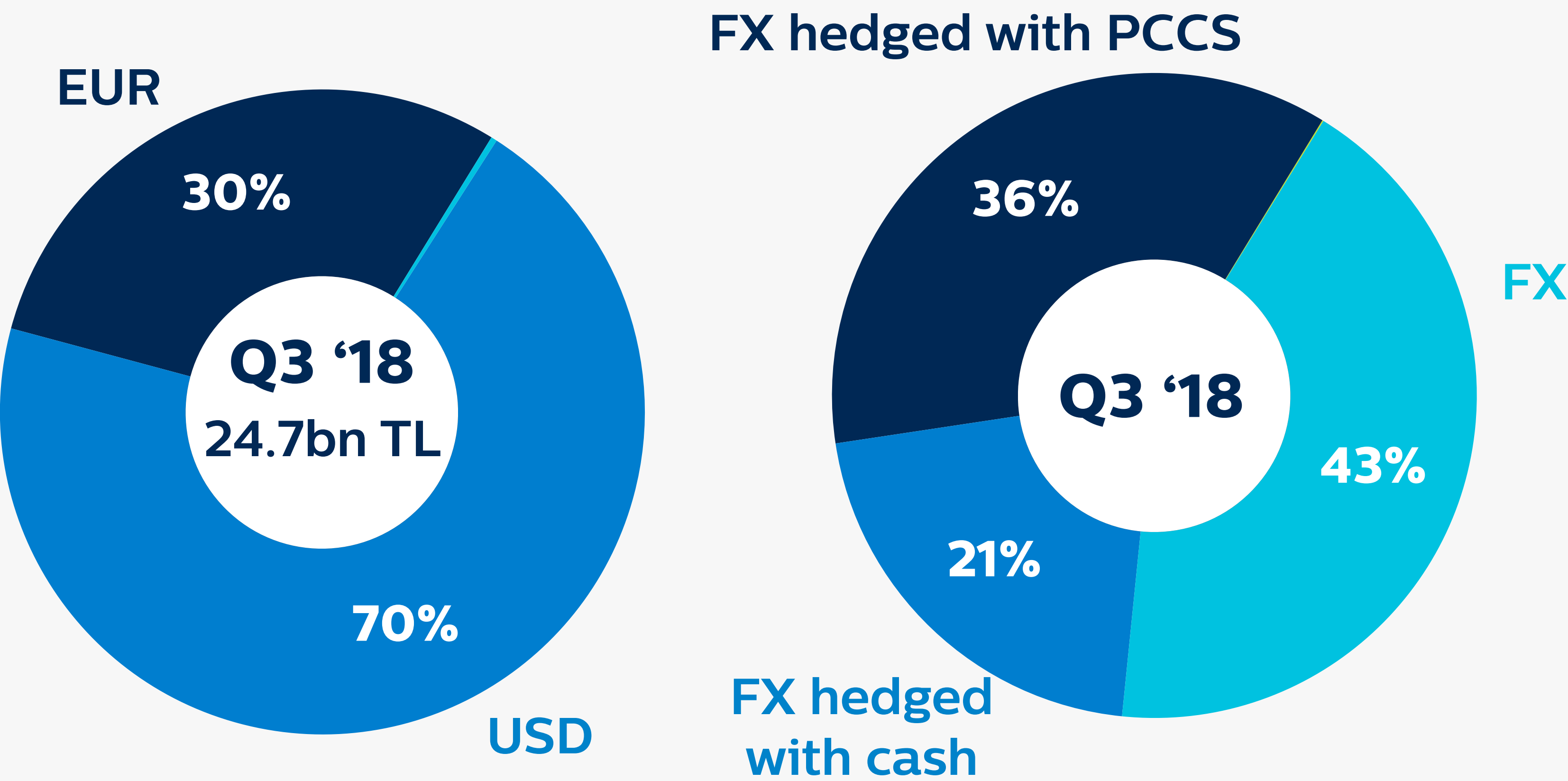


All loans are senior unsecured

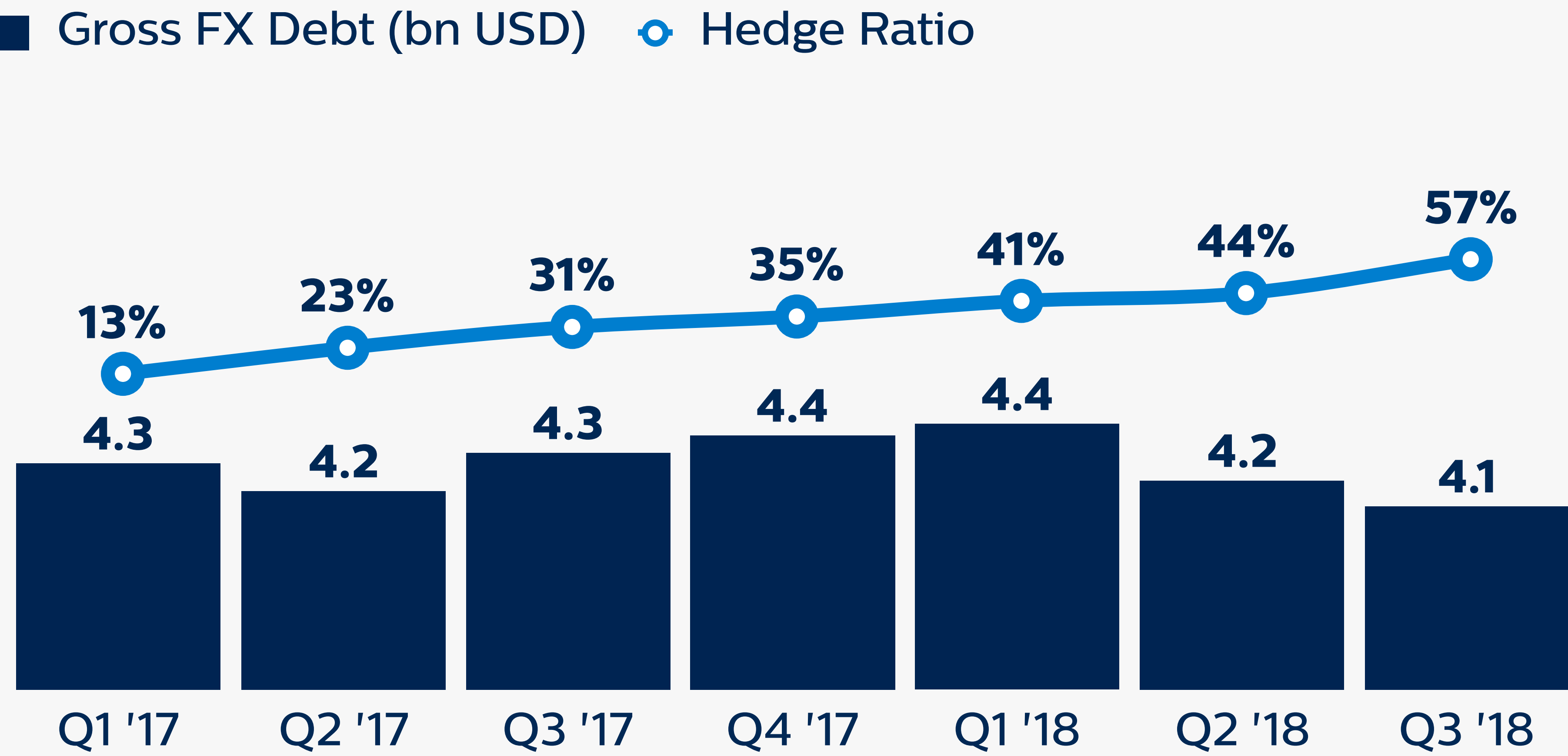
## Cash FX Breakdown



## Gross Debt FX Breakdown



## Hedge Ratio



Hedge Ratio includes participating CCS & FX swaps & FX based cash



# 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
- ▶ Hedge ratio increased to 57% in Q3
- ▶ Protection level of existing hedges strengthened during the quarter
- ▶ 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

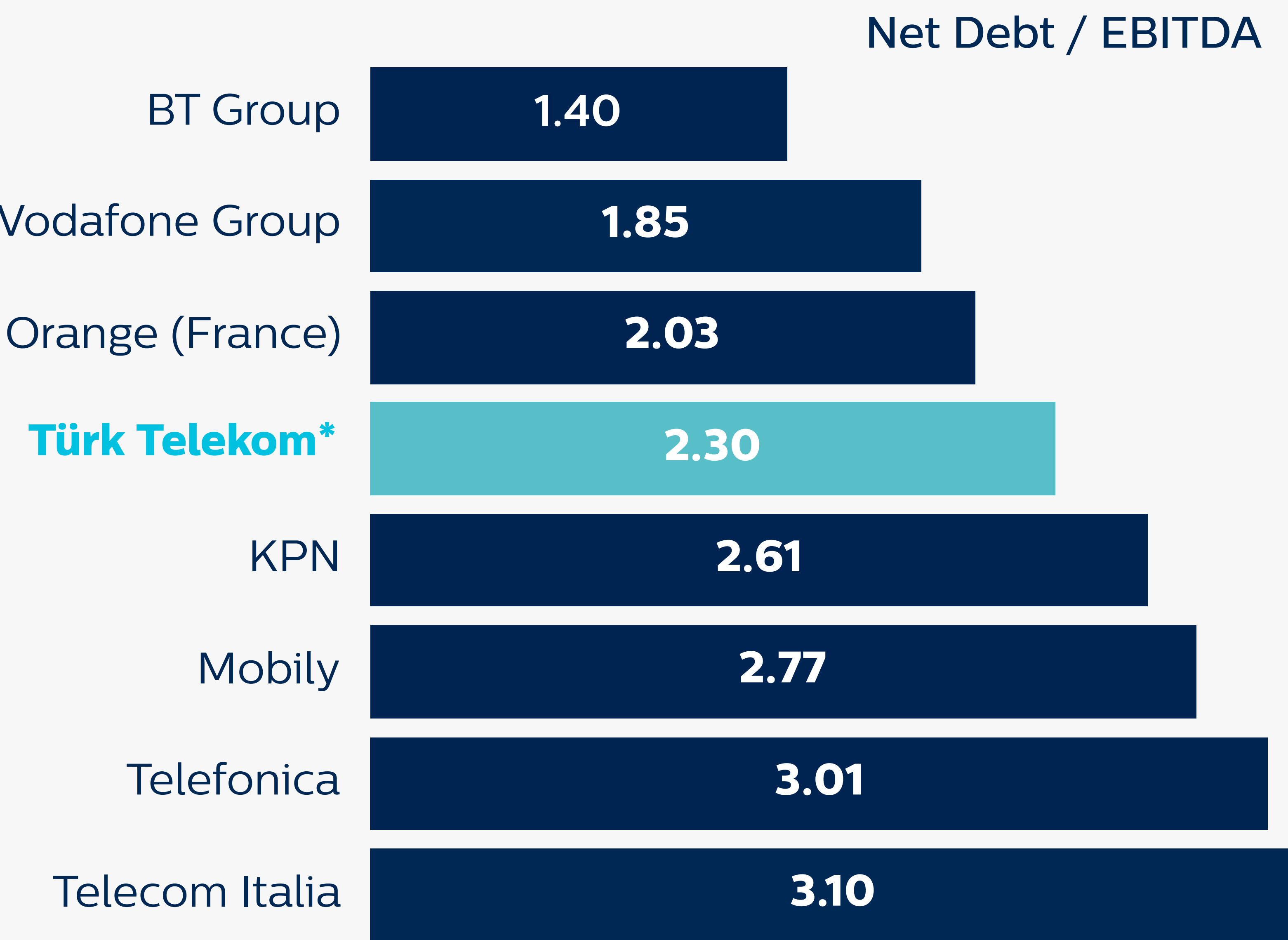
### Fitch Ratings

BB+    Negative Outlook

### S&P Global Ratings

BB-    Stable Outlook

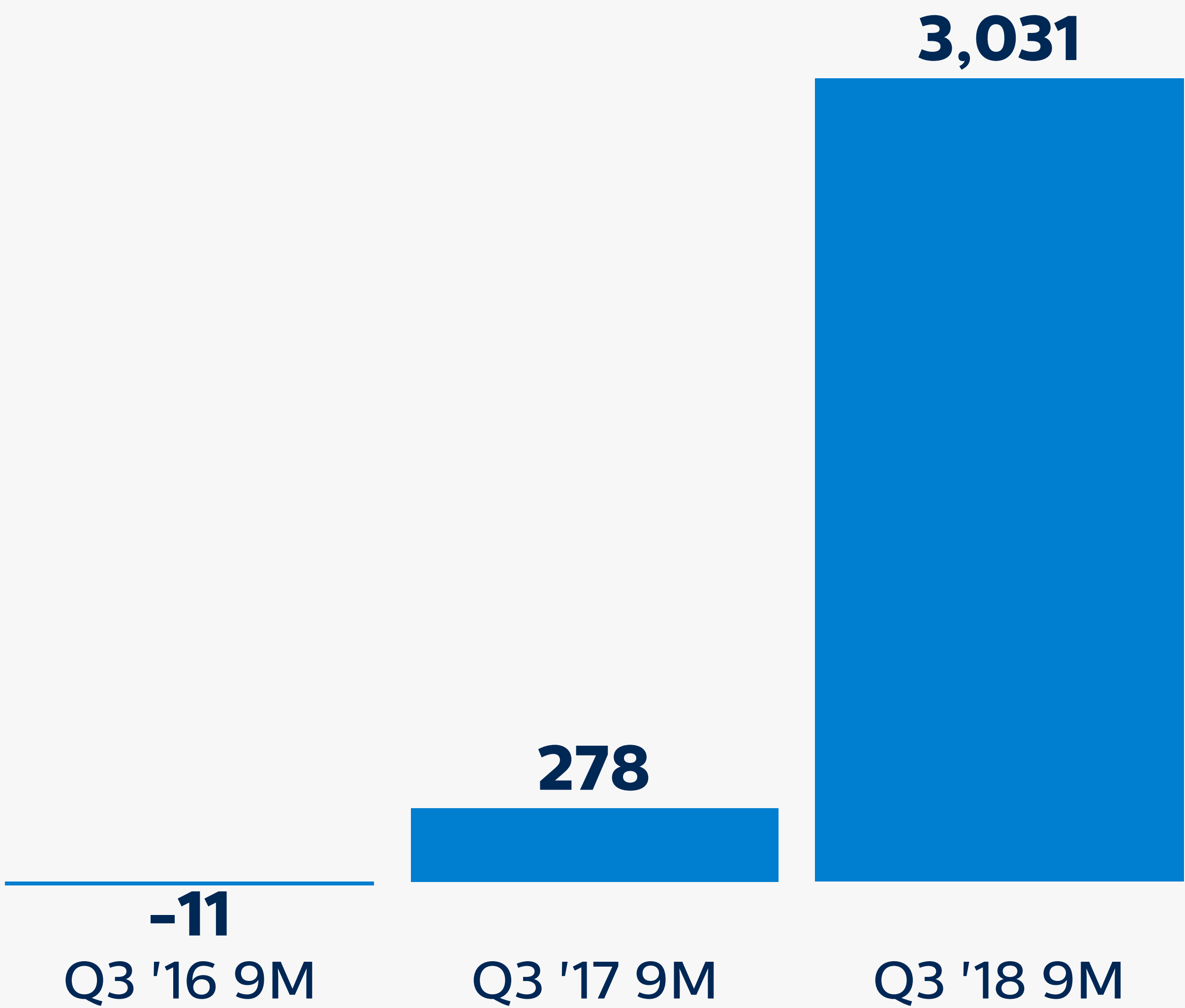
## Low debt ratio among peers



Source: Bloomberg  
Türk Telekom's ratio is based on Q3'18 financials; other's based on their latest data

## Increasing Cash Flow\*

(TL mn)



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



TL mn	2017 YE	2018 Previous Guidance	2018 Revised Guidance
Revenue (exc. IFRIC 12) <sup>1</sup>	17,435	~11% growth	~13% growth
EBITDA	6,452	TL 7.6 to 7.8 bn	TL 8.0 to 8.2 bn
CAPEX	3,221	~TL 4.1 bn	~TL 4.2 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

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# Appendix





# Income Statement

(TL mn)	9M '17	9M '18	YoY Change	Q3 '17	Q3 '18	YoY Change
Revenues	13,340	15,033	12.7%	4,532	5,396	19.1%
EBITDA	4,927	6,206	26.0%	1,687	2,267	34.3%
Margin	36.9%	41.3%		37.2%	42.0%	
Operating Profit	2,720	3,457	27.1%	973	1,305	34.1%
Margin	20.4%	23.0%		21.5%	24.2%	
Financial Inc. / (Exp.) <sup>1</sup>	(893)	(8,136)	811.0%	(519)	(5,077)	877.9%
FX & Hedging Gain / (Loss)	(568)	(7,718)	1,258.6%	(398)	(4,906)	1,133.0%
Interest Inc./ (Exp.)	(249)	(443)	78.1%	(88)	(186)	111.0%
Other Financial Inc./ (Exp.)	(76)	25	n.m.	(33)	14	n.m.
Tax Expense <sup>1</sup>	(578)	1,073	n.m.	(161)	926	n.m.
Net Income <sup>1</sup>	1,249	(3,606)	n.m.	293	(2,846)	n.m.
Margin	9.4%	n.m.		6.5%	n.m.	

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(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)	30.09.2017	30.06.2018	30.09.2018
<b>Total Assets</b>	<b>26,519</b>	<b>30,461</b>	<b>38,945</b>
Cash and Equivalents	2,761	4,304	<b>6,187</b>
Intangible Assets	8,193	9,332	<b>9,679</b>
Tangible Assets <sup>1</sup>	8,362	9,004	<b>14,147</b>
Other Assets <sup>2&amp;5</sup>	7,202	7,821	<b>8,931</b>
<b>Total Equities and Liabilities</b>	<b>26,519</b>	<b>30,461</b>	<b>38,945</b>
Share Capital	3,260	3,260	<b>3,260</b>
Reserves, Retained Earnings and Other Equity Items <sup>5</sup>	1,389	973	<b>2,262</b>
Interest Bearing Liabilities <sup>3&amp;5</sup>	15,398	19,060	<b>24,713</b>
Other Liabilities <sup>4</sup>	6,471	7,168	<b>8,709</b>

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(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 and other current assets.

(3) Includes short-term and long-term borrowing and short-term and long-term obligations under finance leases

(4) Major items within other liabilities are deferred tax liability, trade payables, provisions, income tax payable, due related parties, other current liabilities, 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.



# IFRS 15 Adoption Reconciliation

(TL mn)	Q3 '18	IFRS 15 Impact	Q3 '18 w/o adoption of IFRS 15
Revenues	5,396	(4)	5,399
EBITDA	2,267	159	2,108
Margin	42.0%		39.0%
Operating Profit	1,305	38	1,267
Margin	24.2%		23.5%
Financial Inc. / (Exp.)	(5,077)	(6)	(5,072)
FX & Hedging Gain / (Loss)	(4,906)		(4,906)
Interest Inc./ (Exp.)	(186)		(186)
Other Financial Inc./ (Exp.)	14	(6)	20
Tax Expense	926	(2)	928
Net Income	(2,846)	31	(2,877)
Margin	n.m.		n.m.

Türk Telekom adopted IFRS 15 and IFRS 9 accounting standards starting from 1 January 2018. For further details please refer to “Financial Footnotes” & “Summary Financial and Operational xls” on our web site.



# IFRS 15 Adoption Reconciliation

(TL mn)	30.09.2018	IFRS 15 Impact	30.09.2018 w/o adoption of IFRS 15
Total Assets	38,945	947	37,998
Cash and Equivalents	6,187		6,187
Intangible Assets	9,679	949	8,730
Tangible Assets	14,147		14,147
Other Assets	8,931	(2)	8,933
Total Equities and Liabilities	38,945	947	37,998
Share Capital	3,260		3,260
Reserves, Retained Earnings and Other Equity Items	2,262	609	1,653
Interest Bearing Liabilities	24,713		24,713
Other Liabilities	8,709	338	8,371

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# Q&A

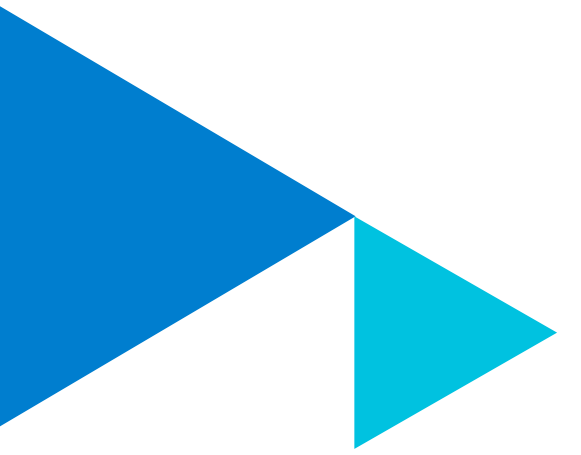
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