

Investor Presentation

2018 Q4



Notice

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

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

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

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

Note: EBITDA is a non-GAAP financial measure. 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



8.3 mn
DOWNLOADS
as of December

Online İşlemler

24 mn
DOWNLOADS

as of December

63%

penetration
among our
smartphone users



Fixed Broadband Penetration Increase



Almost half

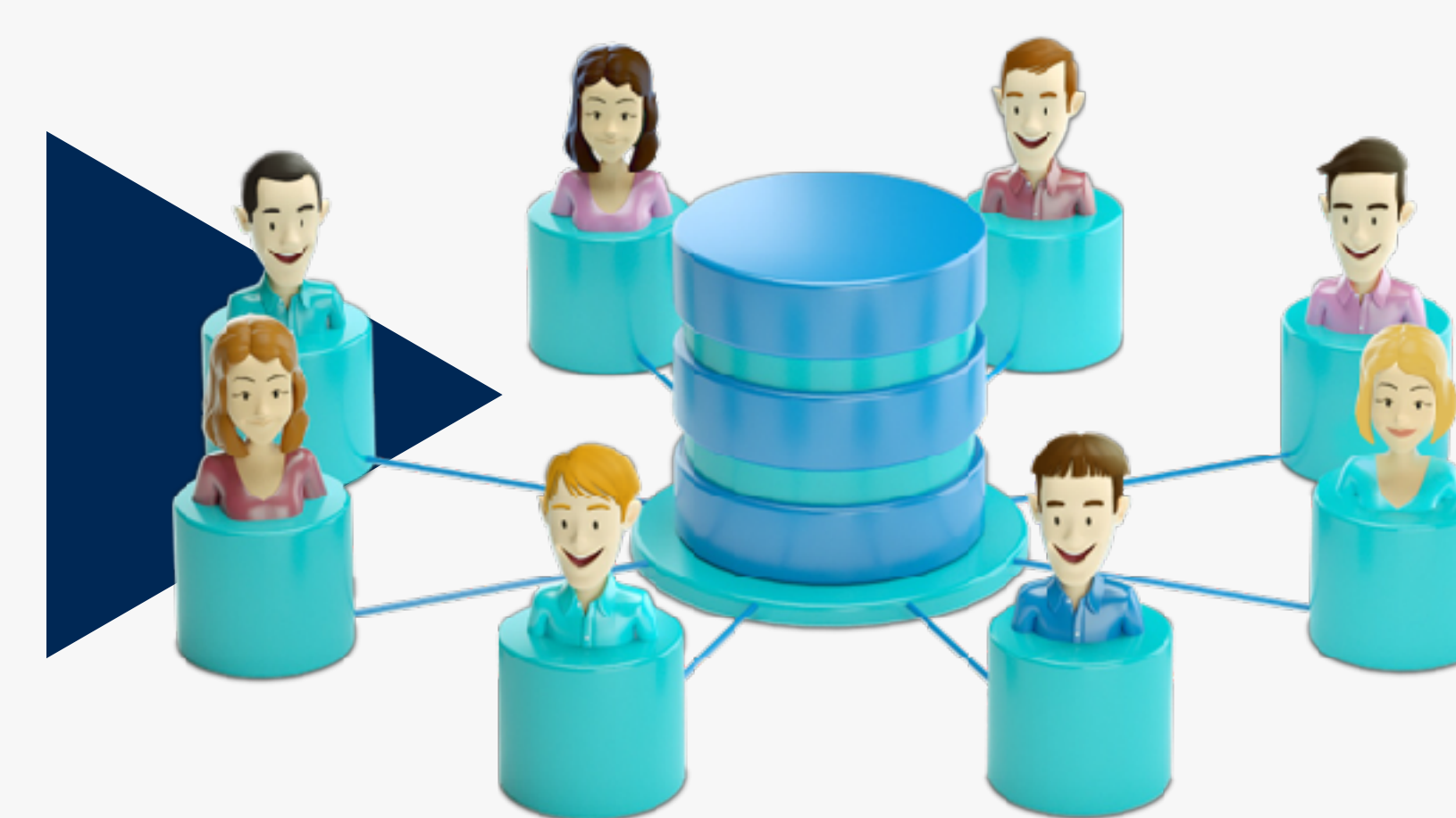
of the 2018 FBB net
adds
came via
İnternet Bizden

Cyber Security Center



Türk Telekom integrated its Corporate Security Services in Ankara under the largest Cyber Security Services

Customer Database



72%

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

4.7ppt

YoY increase in multi
product ownership to

63%*

*Among constant customer sub_universe that provided consent last year

Infrastructure Rental



Pilot Project with
Vodafone on Leasing
of Fixed Electronic
Communication
Infrastructure was
completed

Net Subscriber Additions

4.3mn
net additions*
in 2018

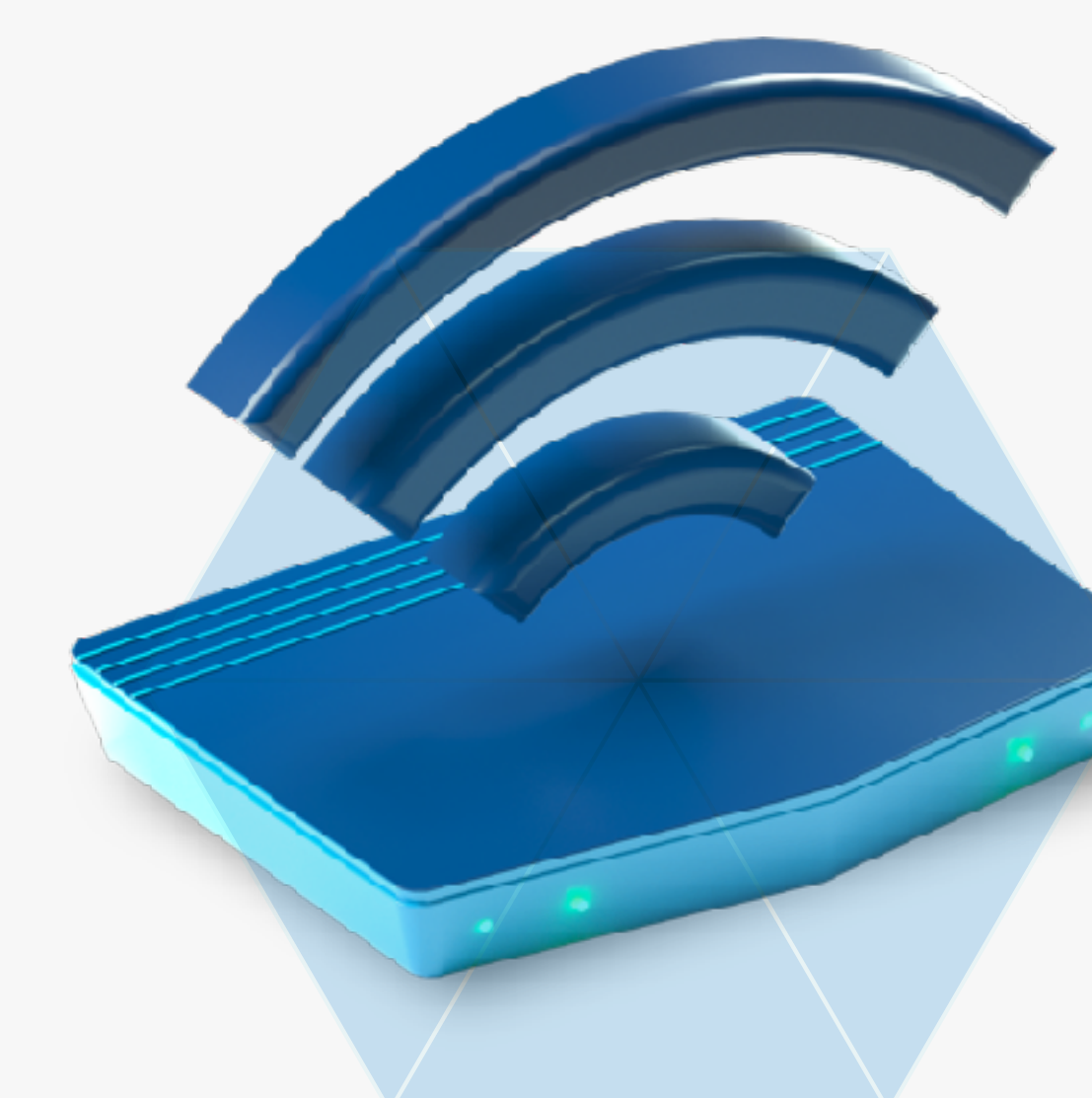
1.2mn
net additions*
in Q4

*Includes Tivibu Go

Broadband

308k
Q4 '18

1.2mn
2018



46.0mn
total
subscribers

Mobile

718k
Q4 '18

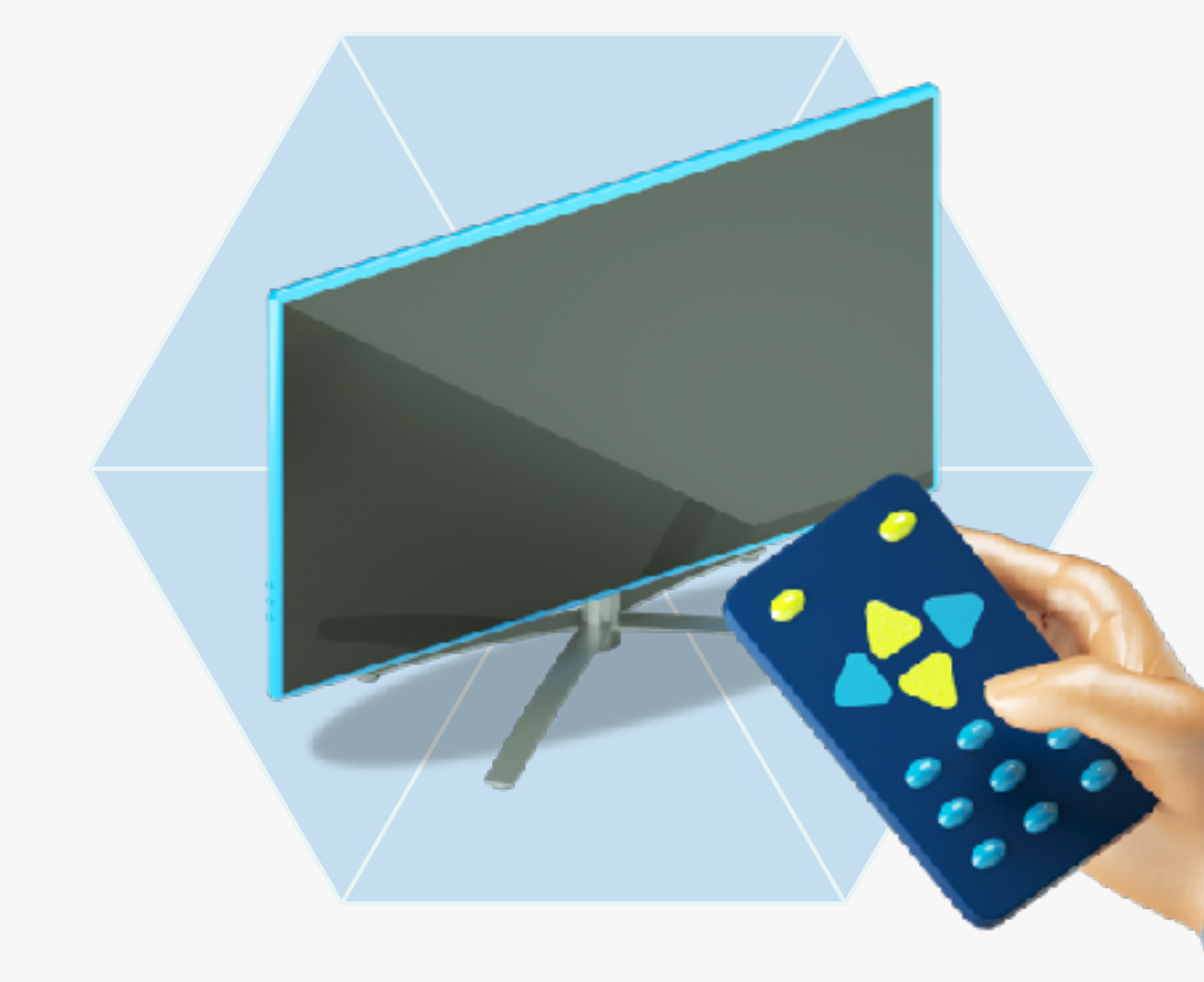
1.9mn
2018



Home TV

59k
Q4 '18

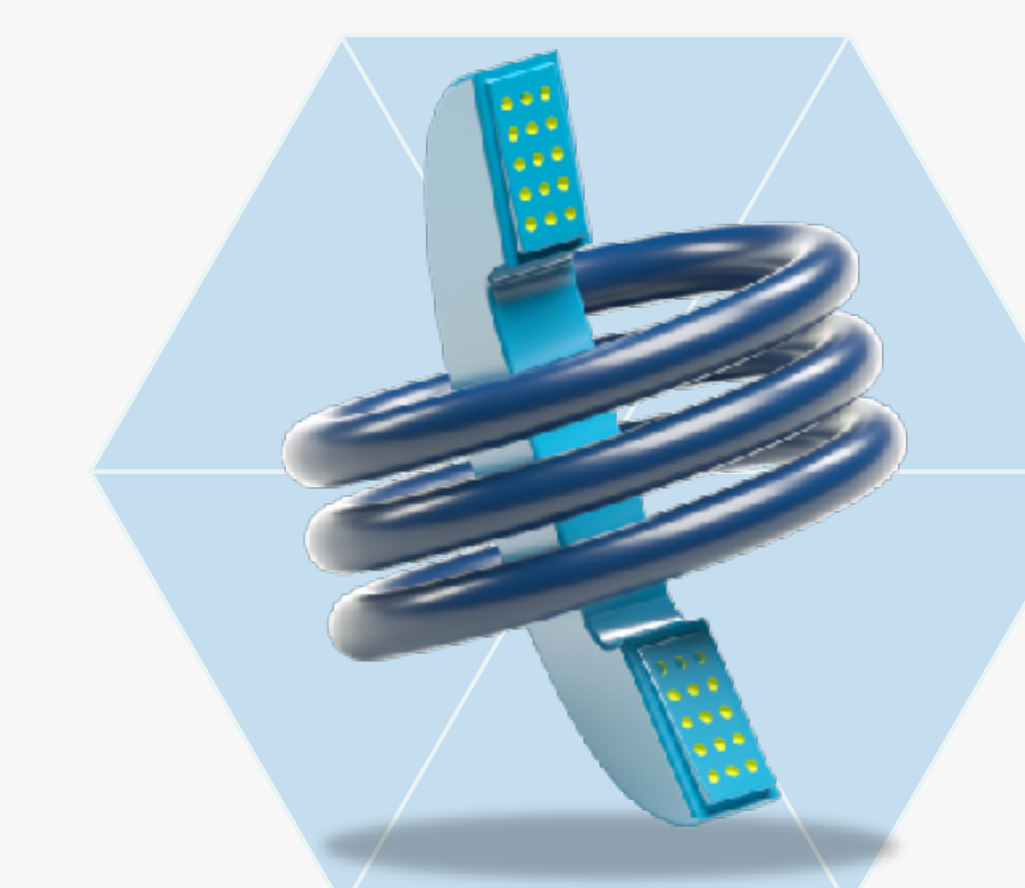
492k
2018



Fixed Voice

108k
Q4 '18

338k
2018



Financial Performance

(TL mn)	2017	2018	Growth (YoY)	2017 Q4	2018 Q4	Growth (YoY)
Revenue	18,140	20,431	12.6%	4,800	5,398	12.5%
Revenue (exc. IFRIC12) ¹	17,435	19,660	12.8%	4,586	5,220	13.8%
EBITDA	6,452	8,436	30.7%	1,525	2,229	46.2%
EBITDA Margin	35.6%	41.3%		31.8%	41.3%	
Operating Profit	3,433	4,701	36.9%	713	1,244	74.5%
Net Income	1,136	(1,391)	n.m.	(113)	2,215	n.m.
Adjusted Net Income ²	2,416	3,354	38.8%	636	856	34.6%
CAPEX	3,221	4,087	26.9%	1,722	1,451	(15.8%)

(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

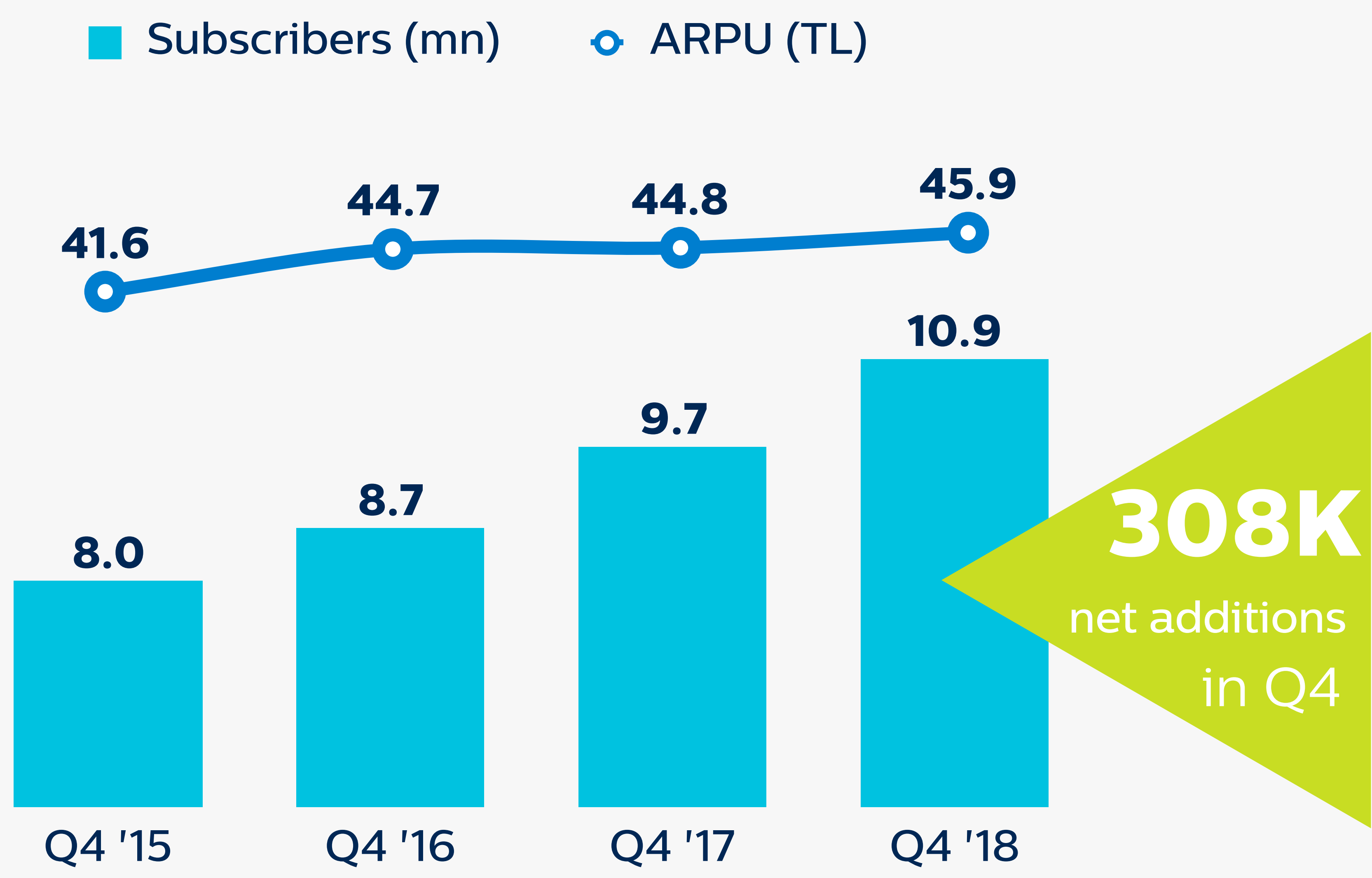
(2) Adjusted net income excludes the net impact of FX & FX hedging gain/loss (after tax) during respective period.

Türk Telekom adopted IFRS 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

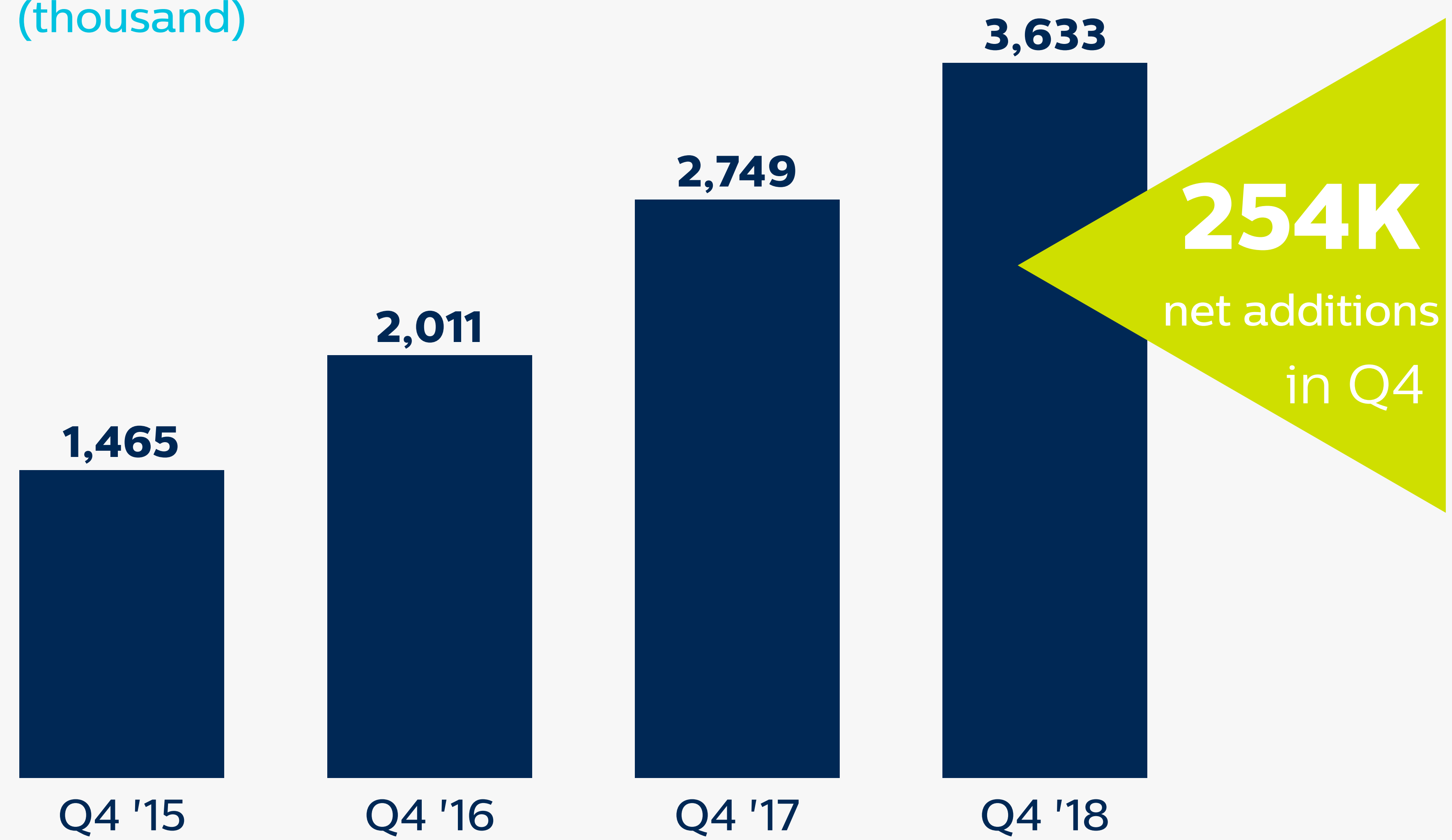


Almost half

of the 2018 FBB net adds came via Internet Bizden campaign

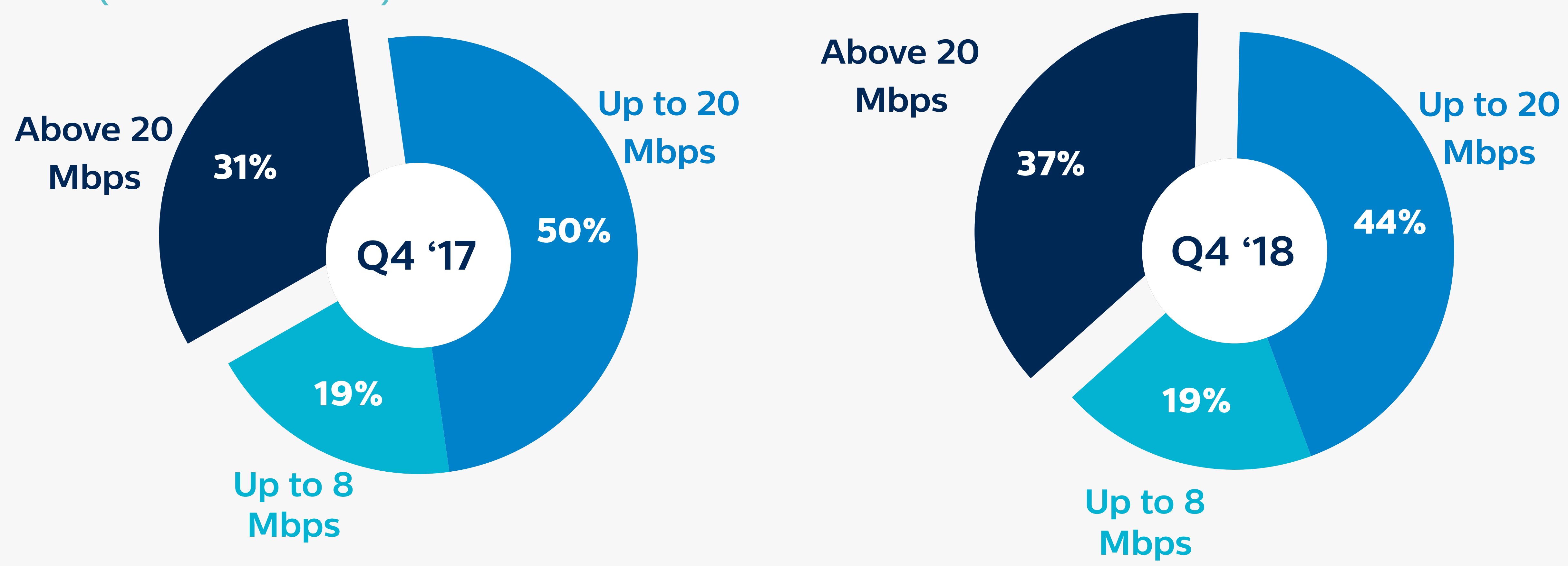
Fiber Subscribers

(thousand)



Speed Breakdown

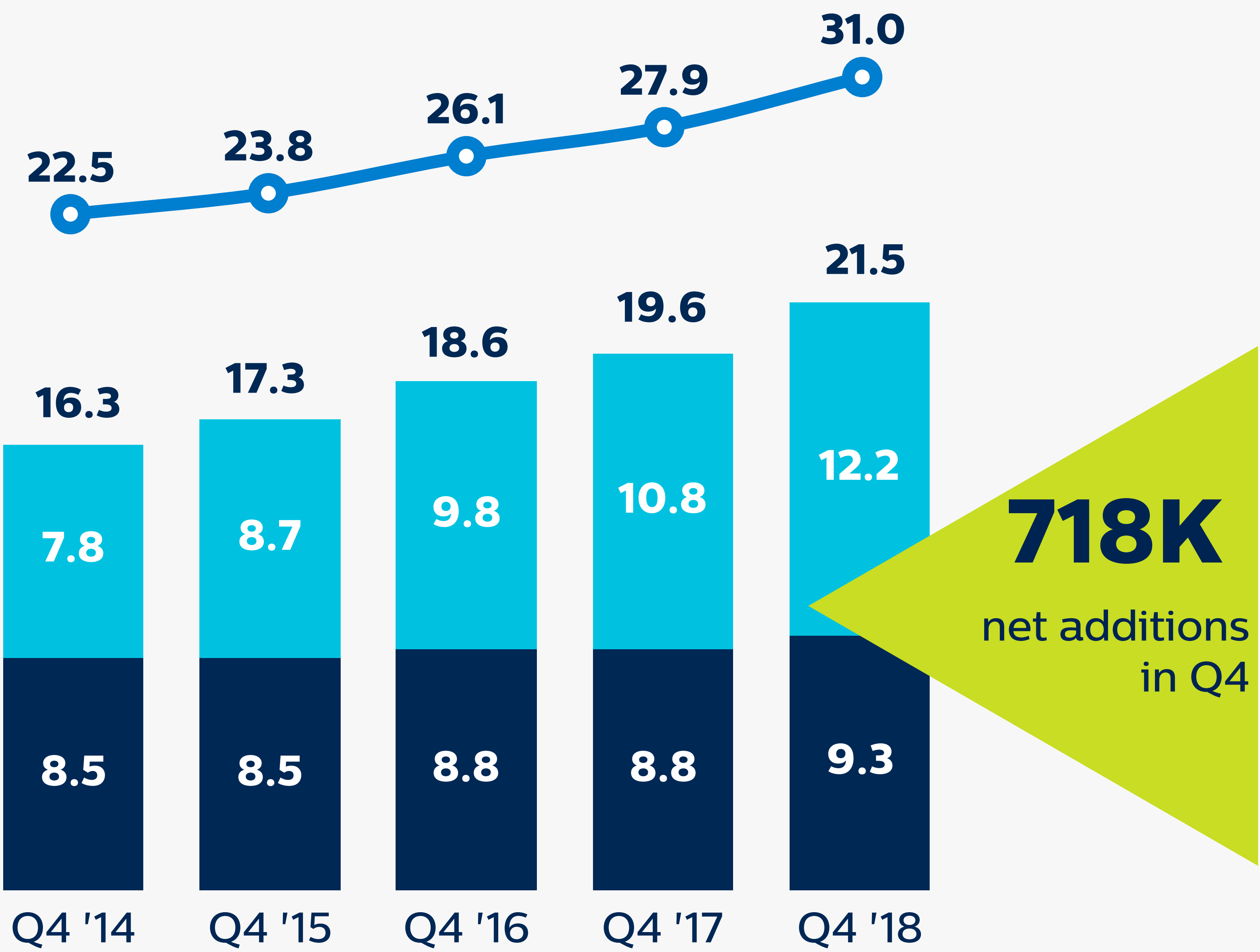
(% of Subscribers)



Mobile Performance

Growing ARPU & Subscribers

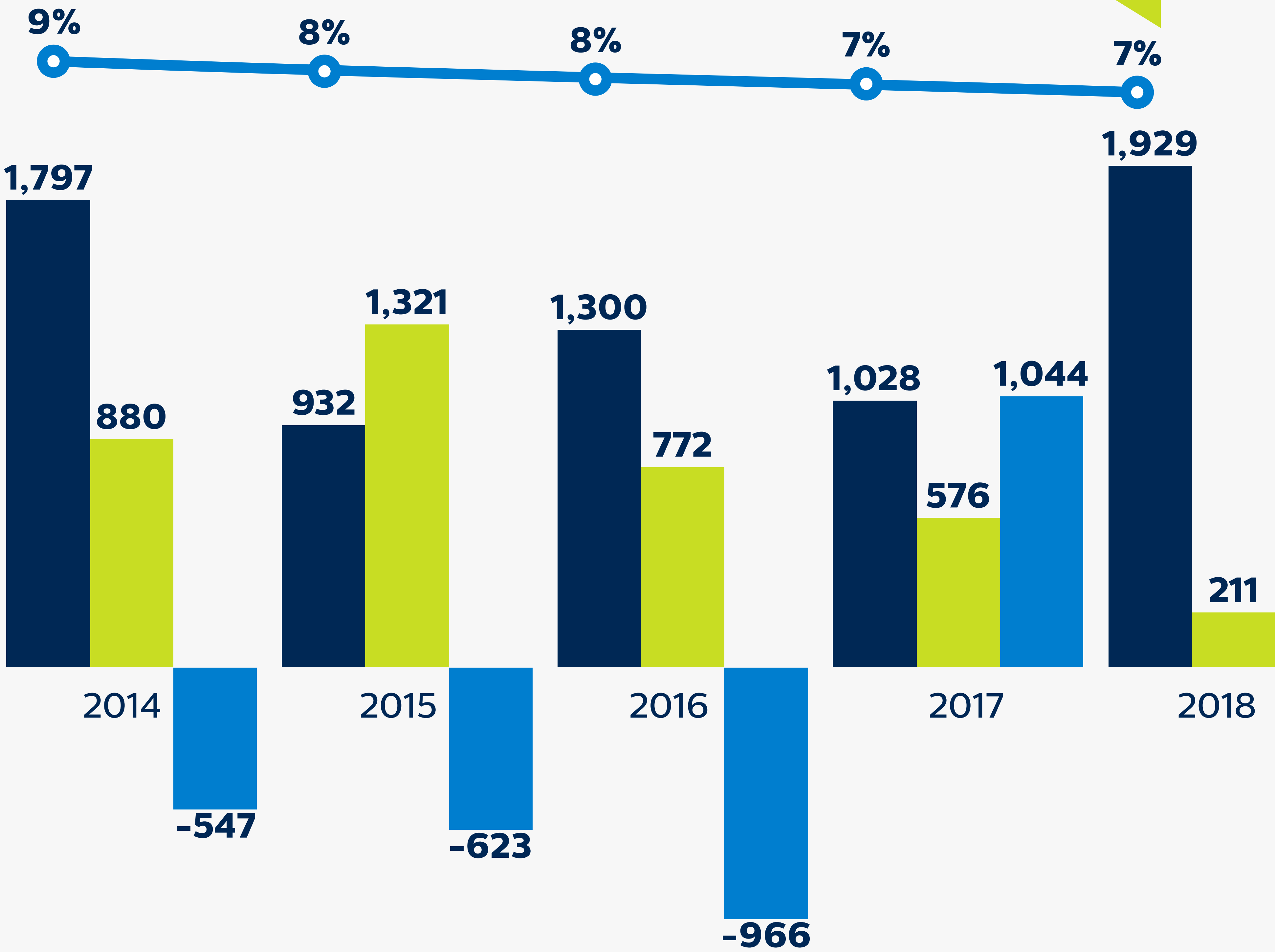
- Blended ARPU (TL)
- Prepaid (mn)
- Postpaid (mn)



Net Subscriber Additions

(thousand)

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

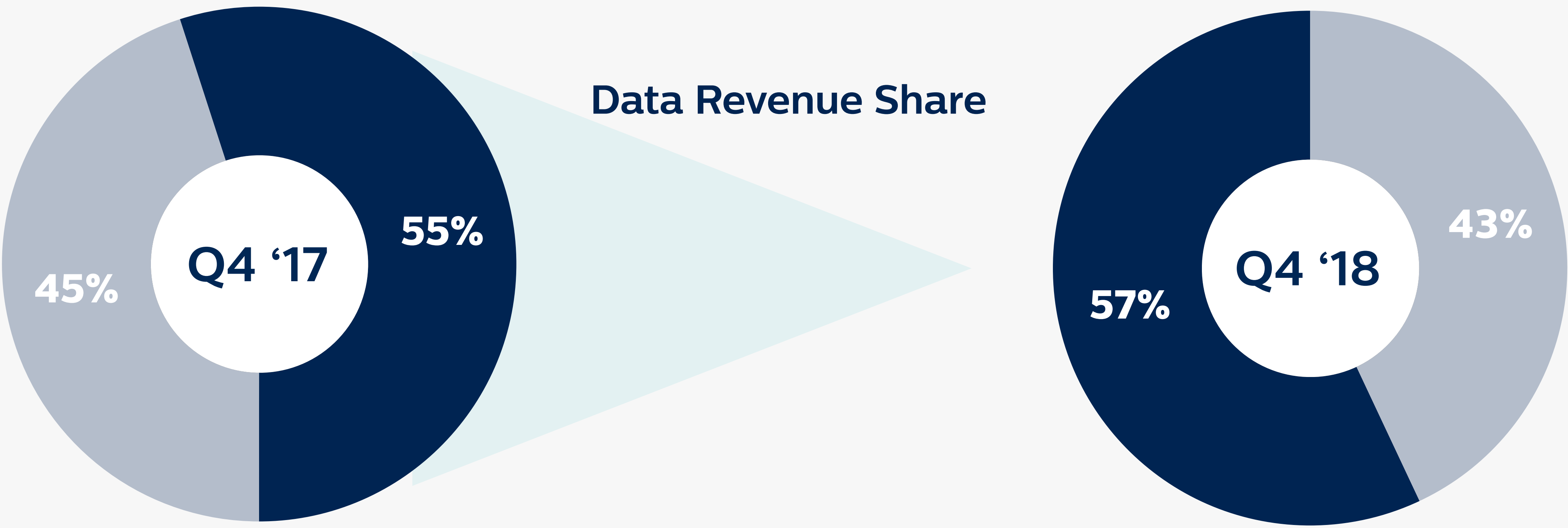


Other operators' data are from their own publications.

Mobile Data

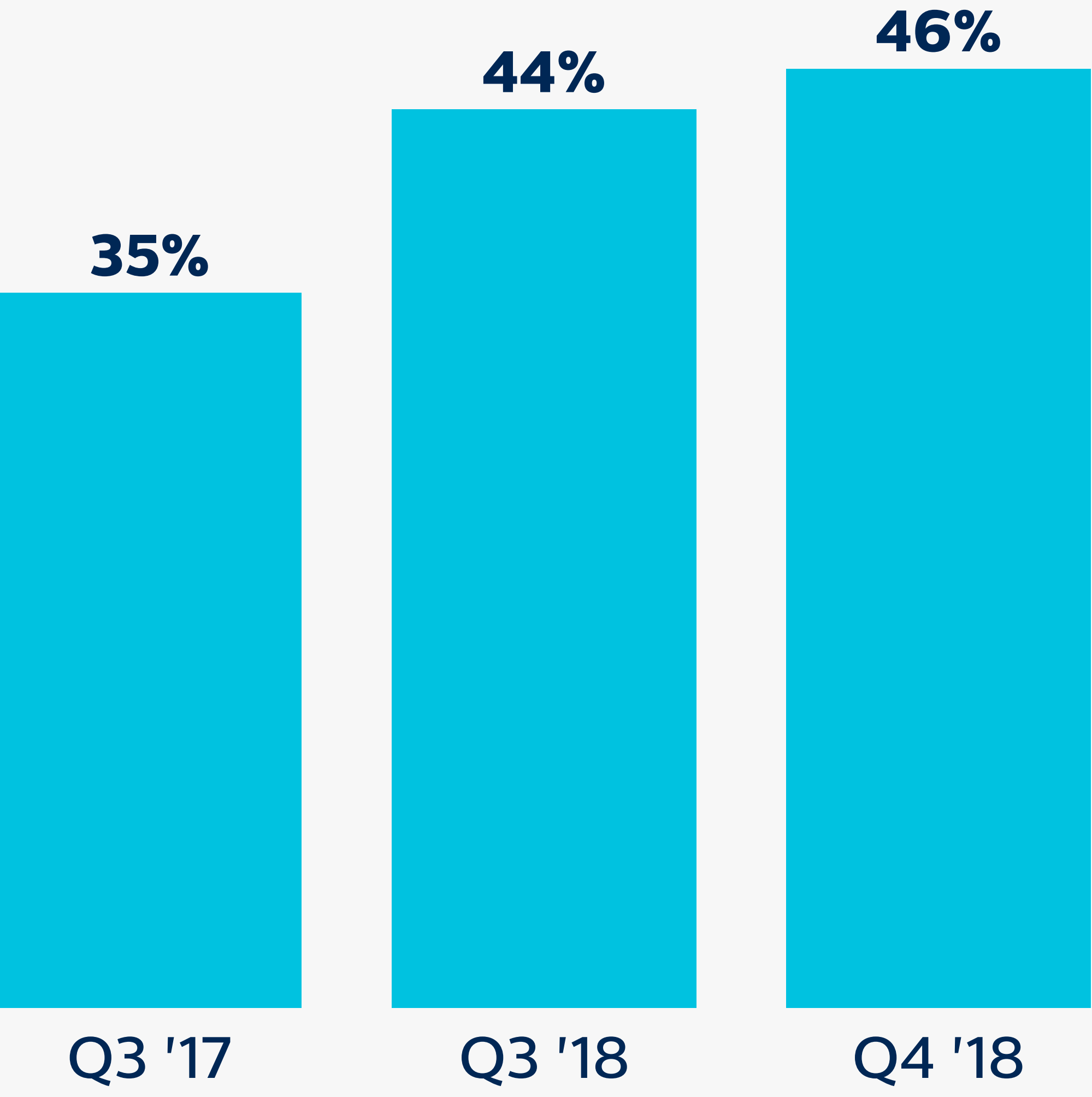
Data Revenue

(Mobile service revenue share)

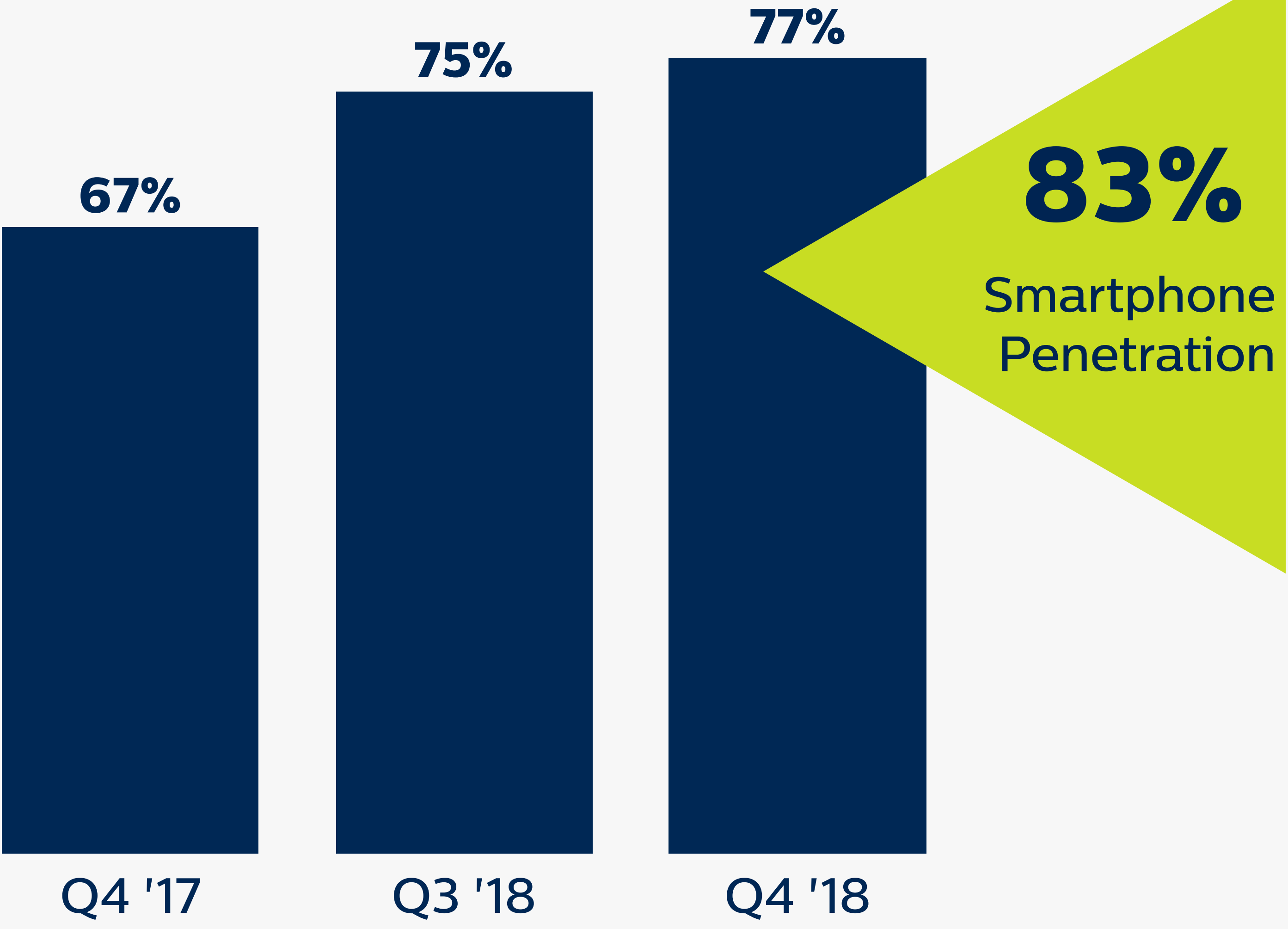


LTE Users*

(Total subscriber share)

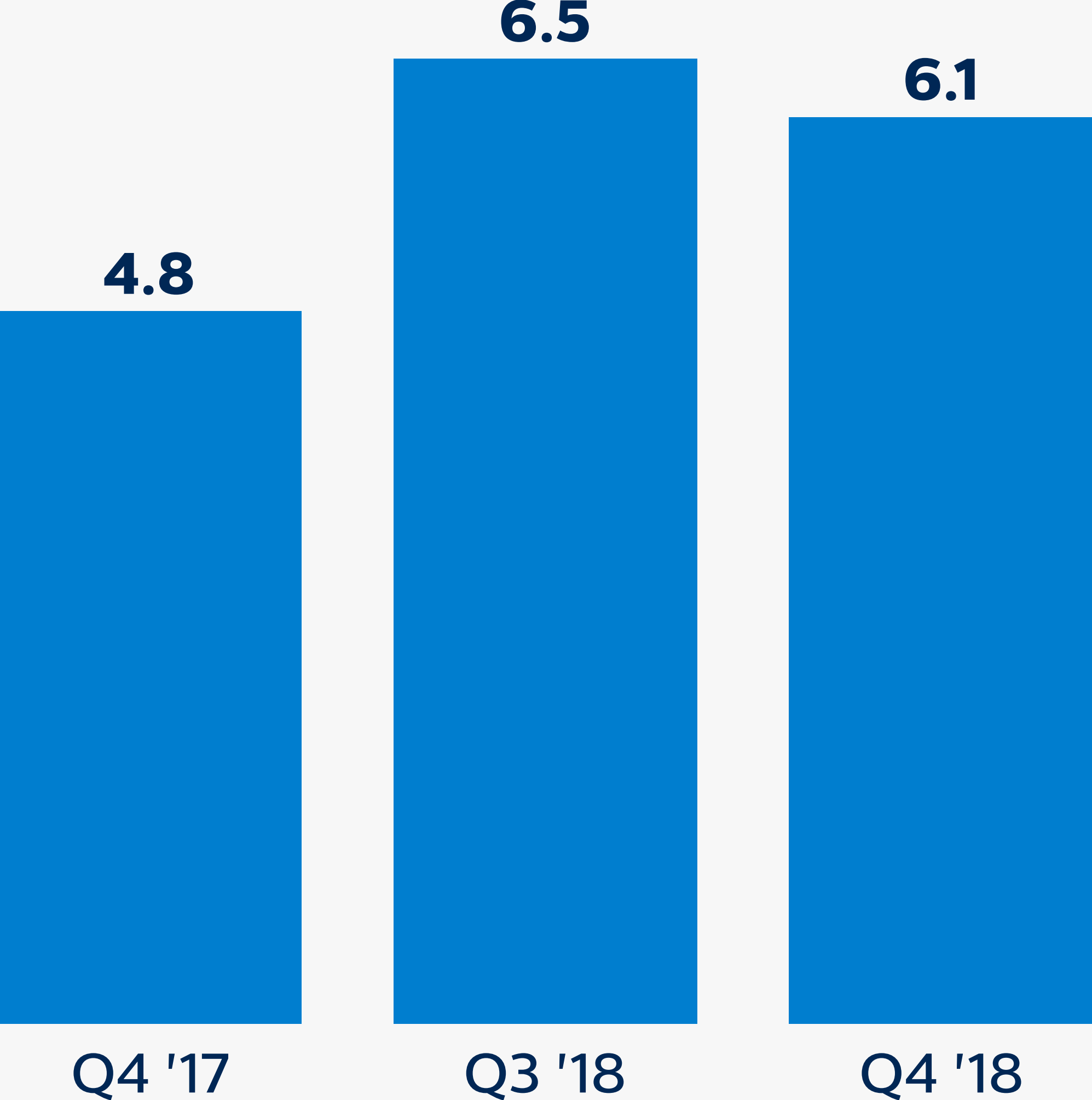


LTE Compatible Smartphone**



Avg. Monthly Mobile Data Usage

(GB per LTE user)



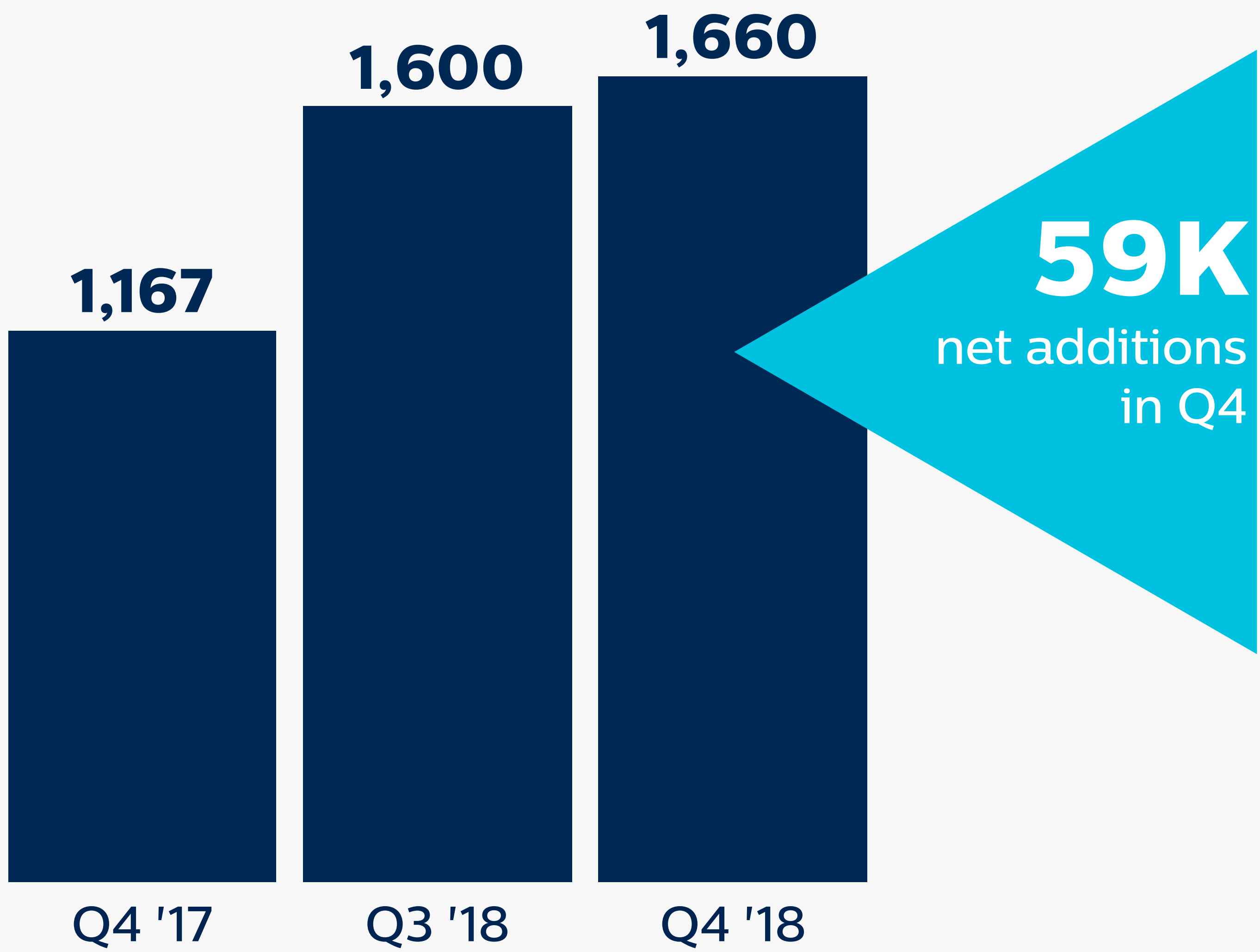
*Subscribers who
1) registered for LTE
2) have LTE compatible device and simcard

**Among smartphone users

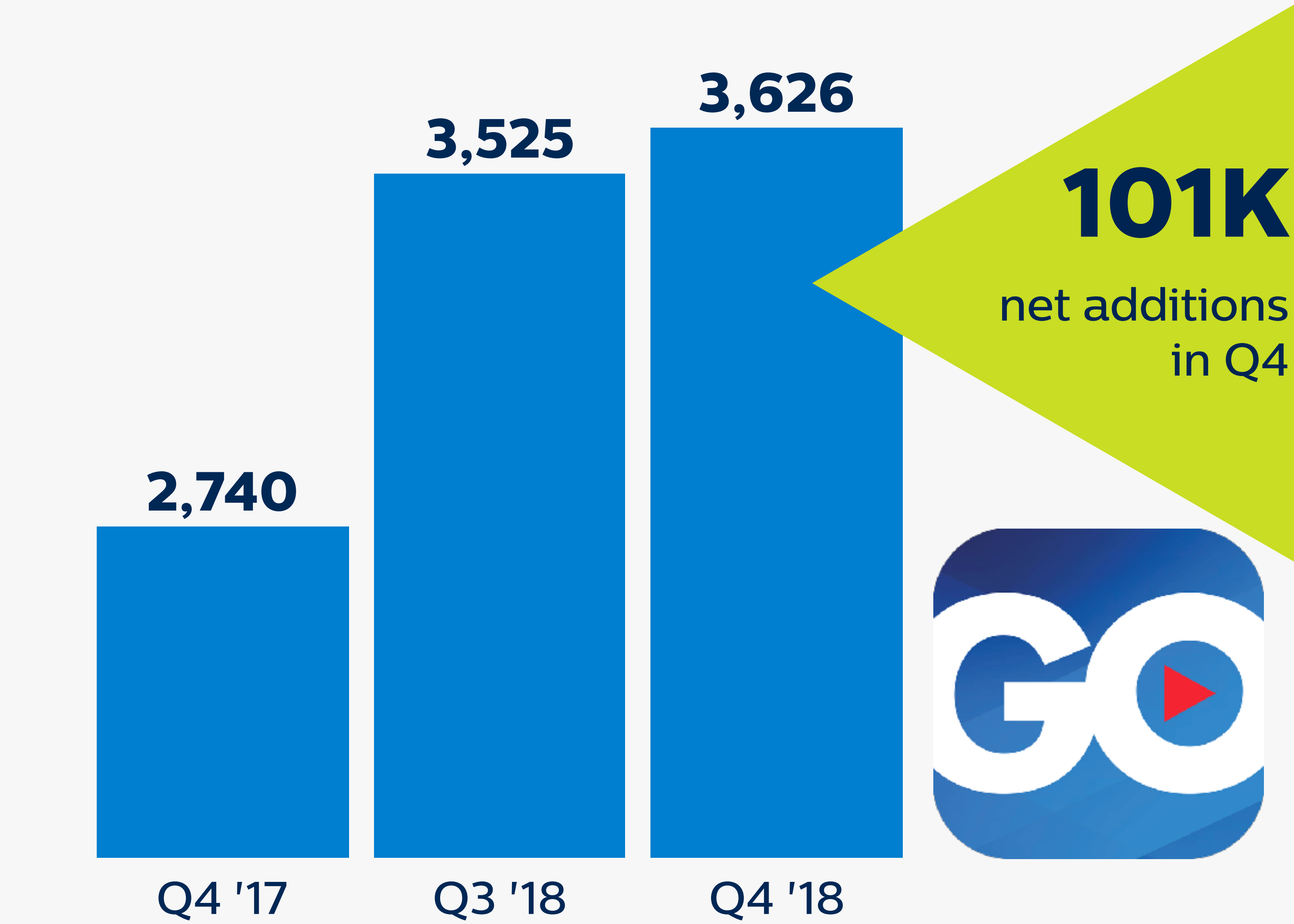
TV Performance

Subscribers (thousand)

■ Tivibu Home



■ Total TV (Tivibu Home + Tivibu Go)



Wireless Homes

86% of Q4 '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

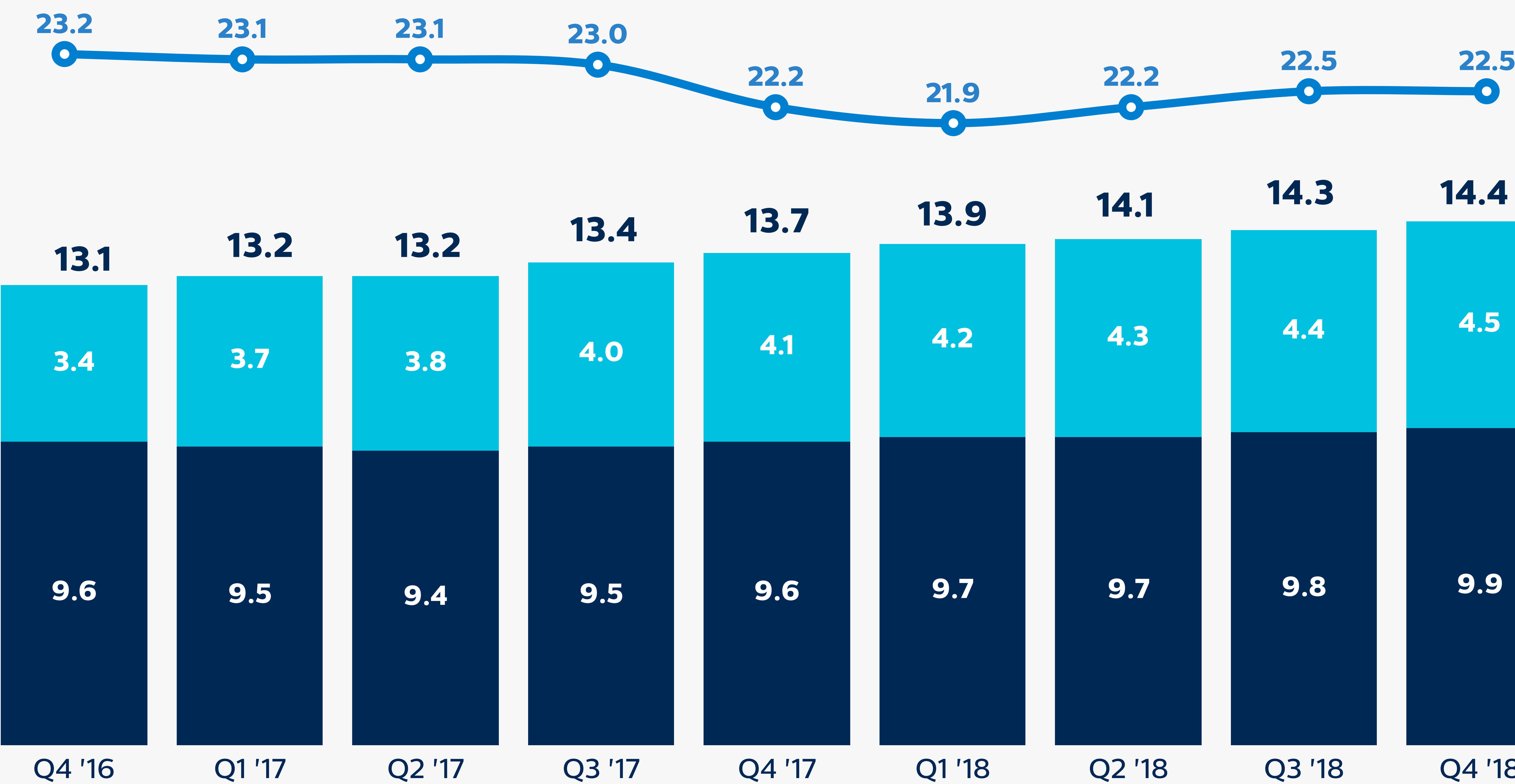
- ▶ 3 Sports Inhouse Channels
- ▶ Kids & Documentary Channels
- ▶ 6000+ on demand assets

Fixed Voice Performance

Access Lines and ARPU

■ Fixed Voice (mn) ■ Naked Broadband (mn)

○ Fixed Voice ARPU (TL)



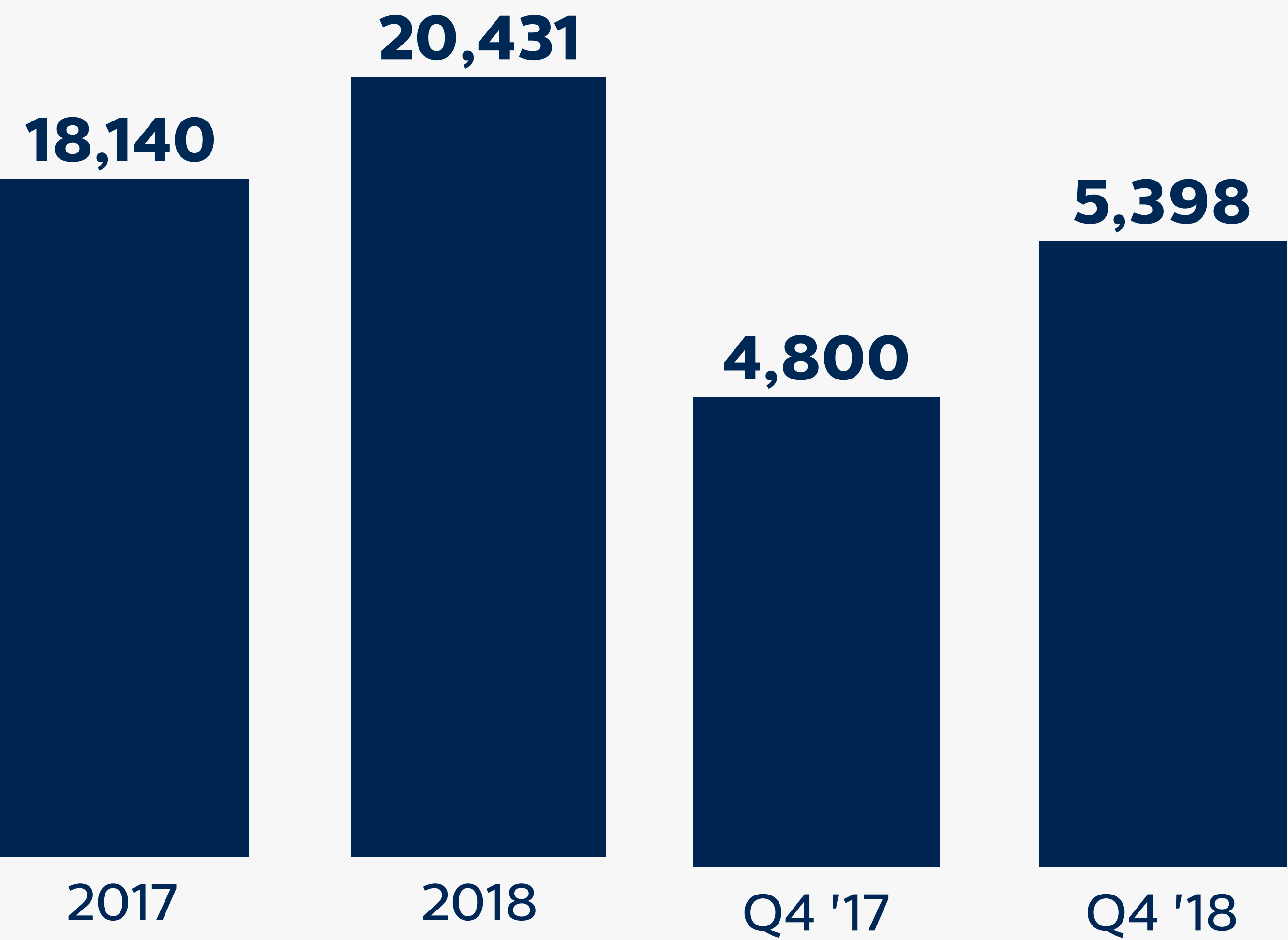
108K
net additions
in Fixed
Voice in Q4

Financials

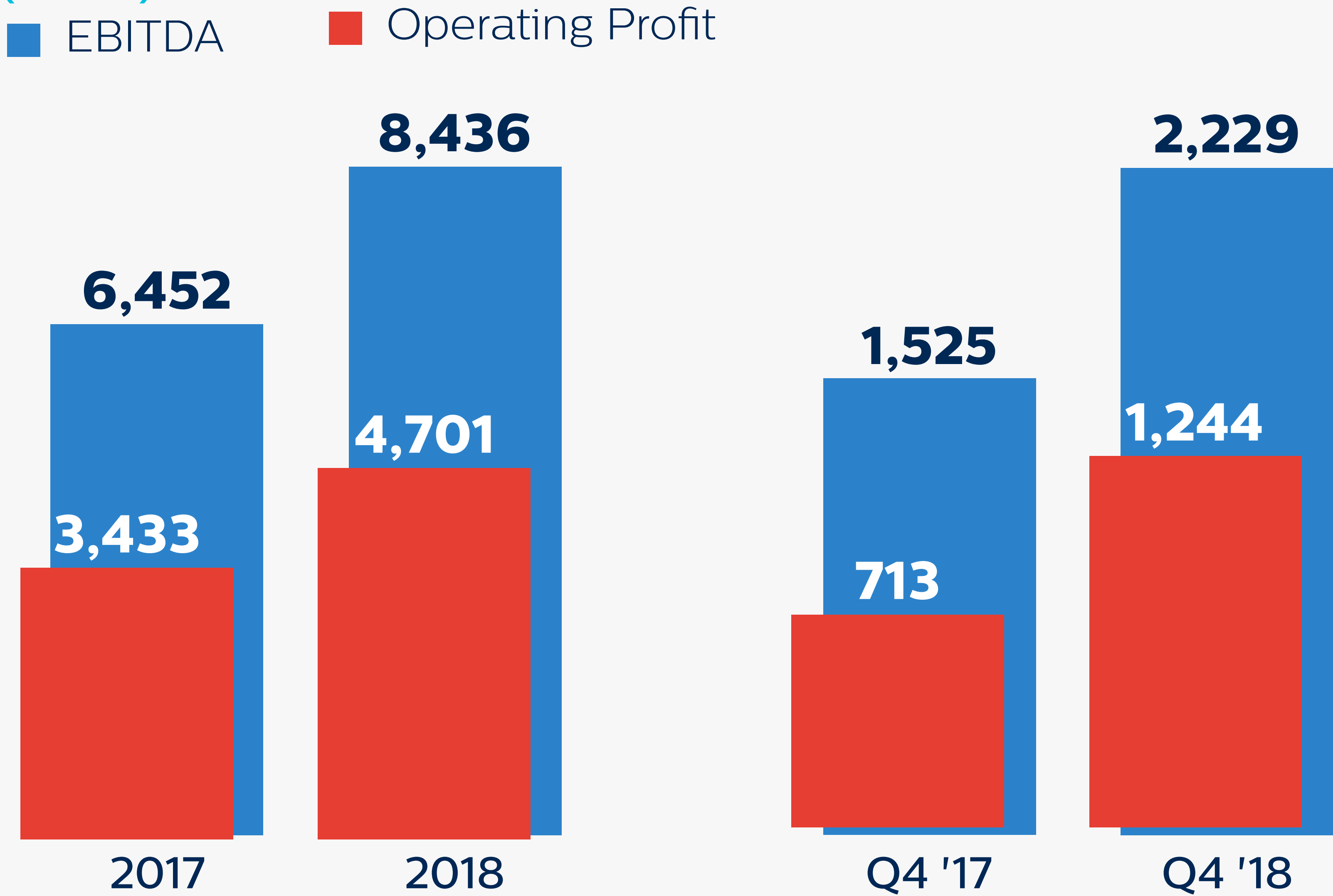


Financial Performance

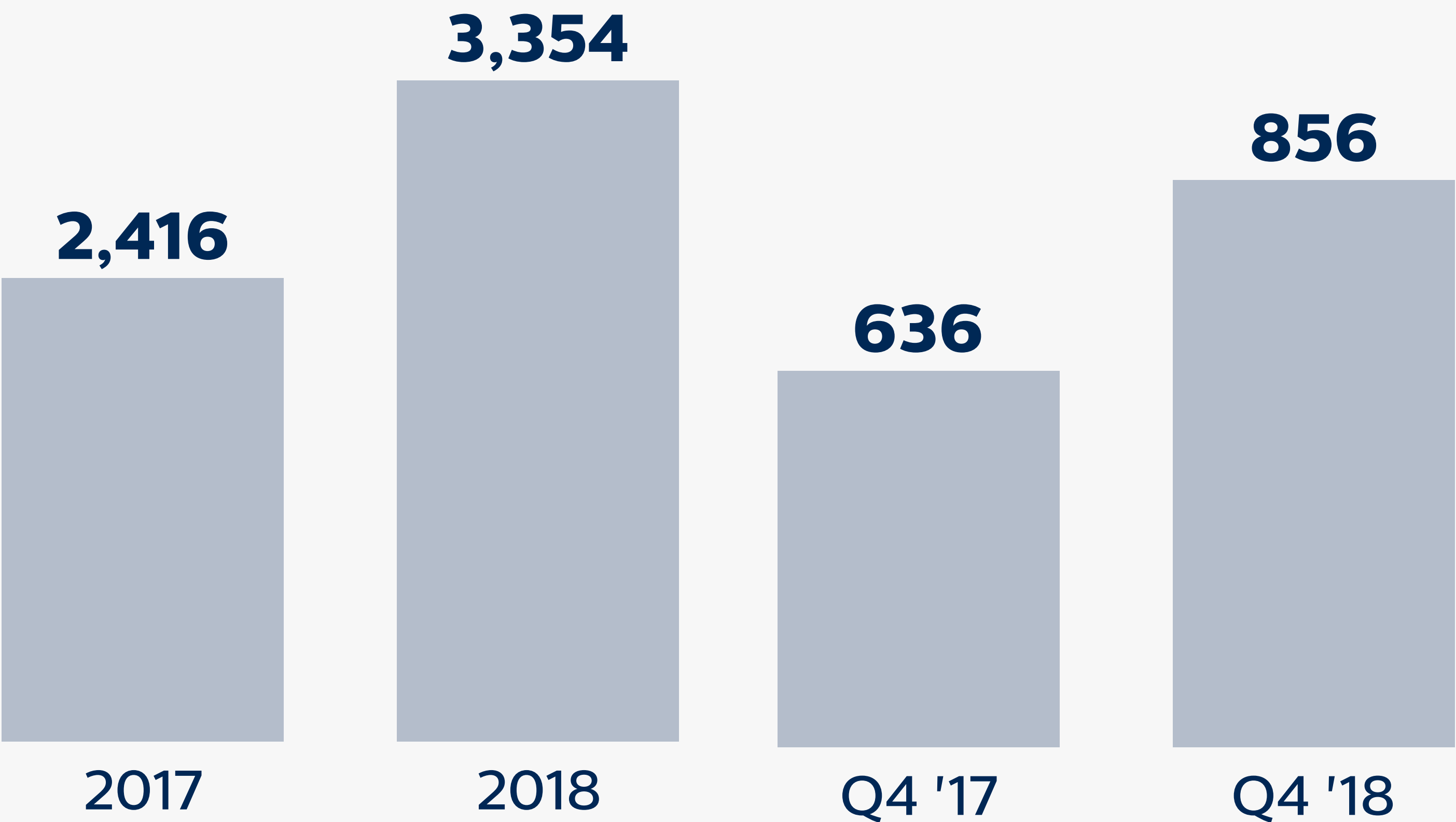
Revenue
(TL mn)



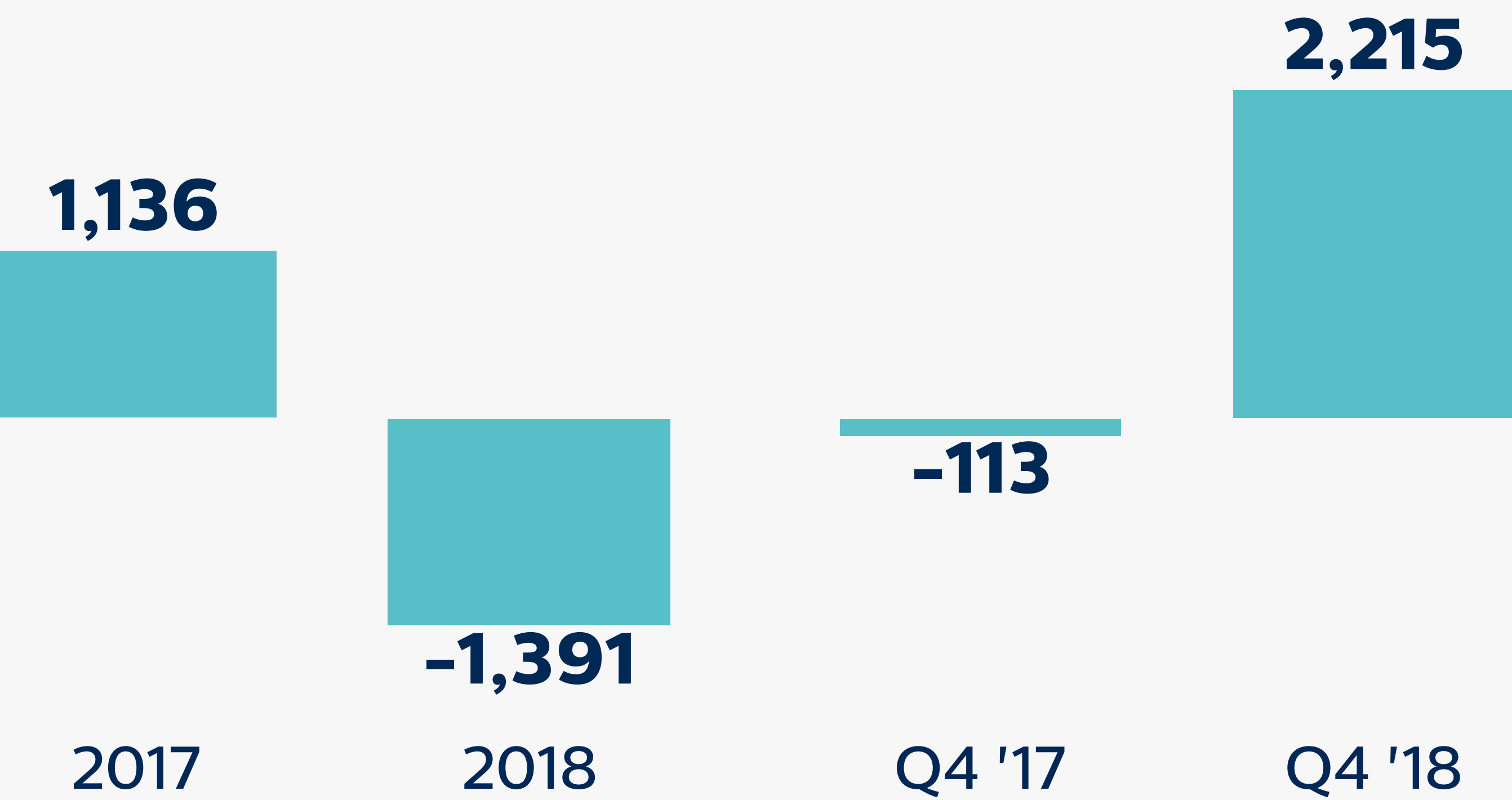
EBITDA & Operating Profit
(TL mn)



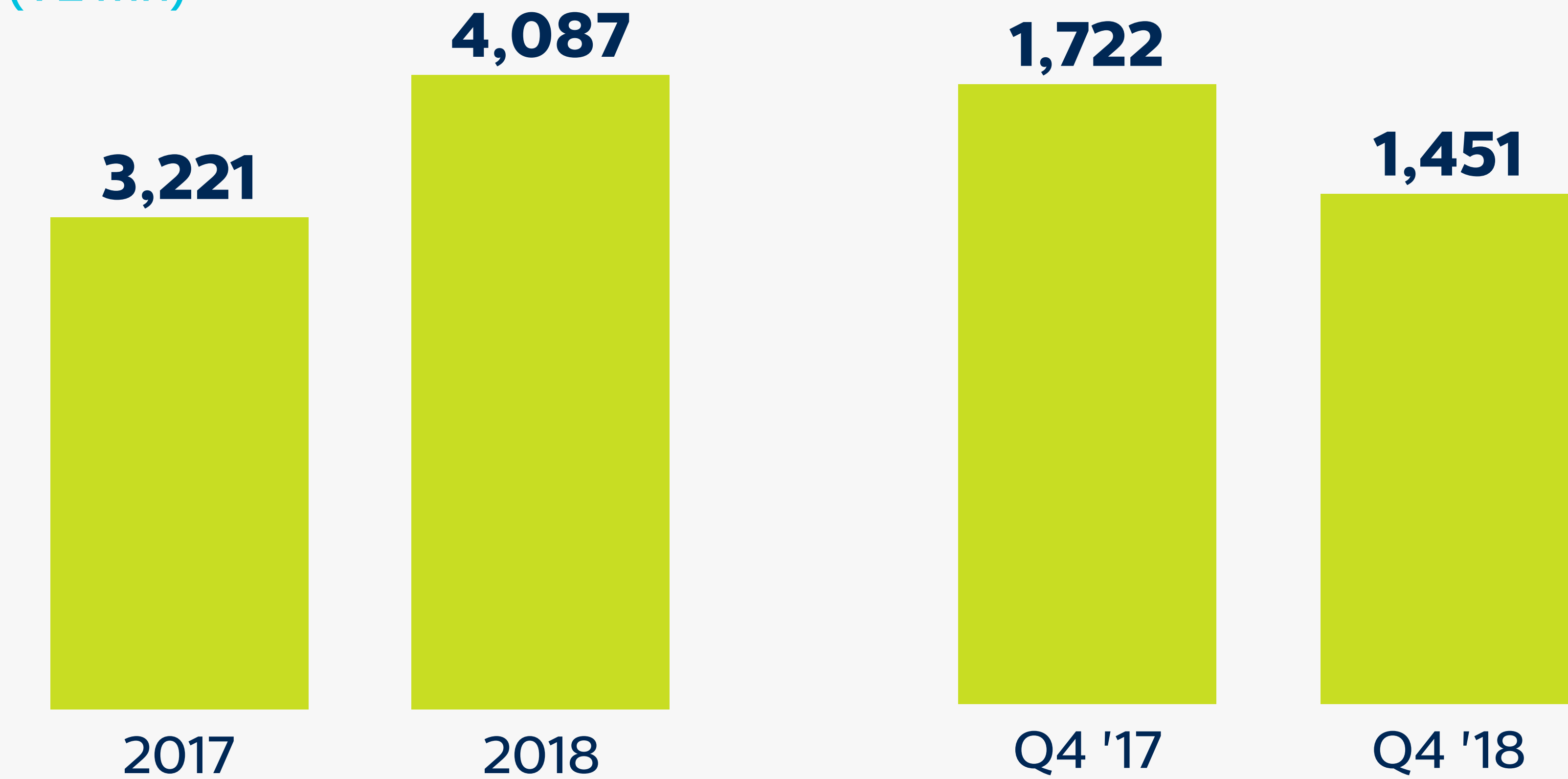
Adjusted Net Income*
(TL mn)



Net Income
(TL mn)



Capex
(TL mn)

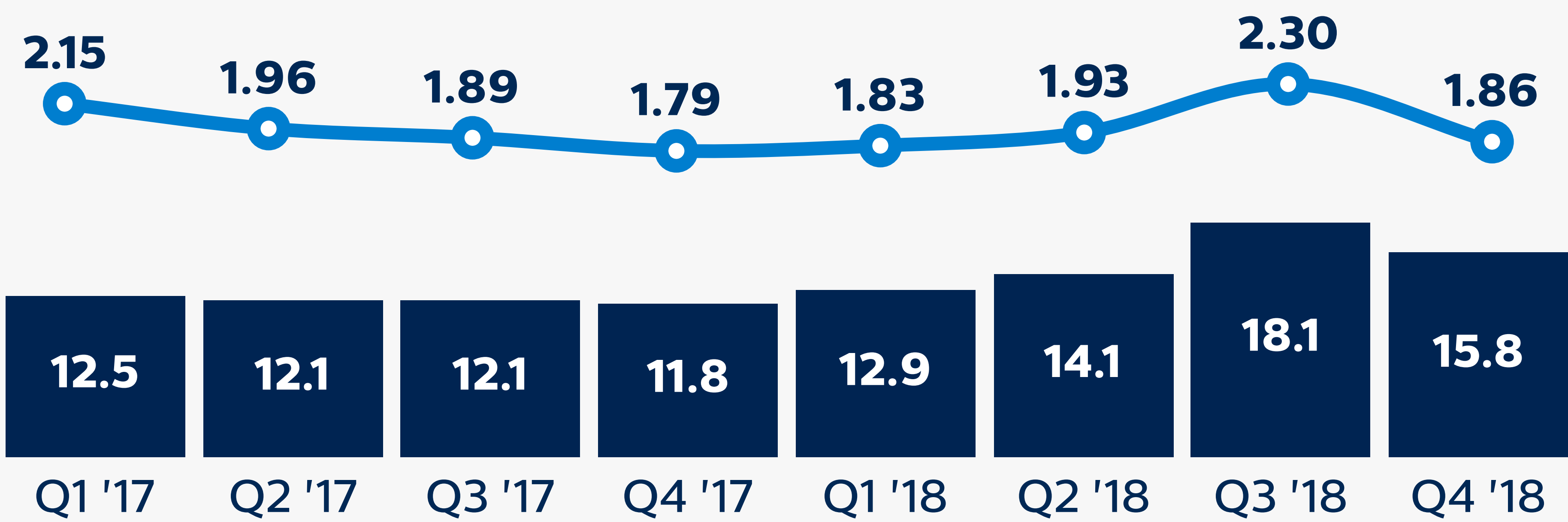


*Adjusted net income excludes the net impact of FX & FX hedging gain/loss (after tax) during respective period.
Türk Telekom adopted IFRS 15 and IFRS 9 accounting standards starting from 1 January 2018. For further details please refer to “Financial Footnotes” & “Summary Financial and Operational xls”. on our web site.

Debt Profile

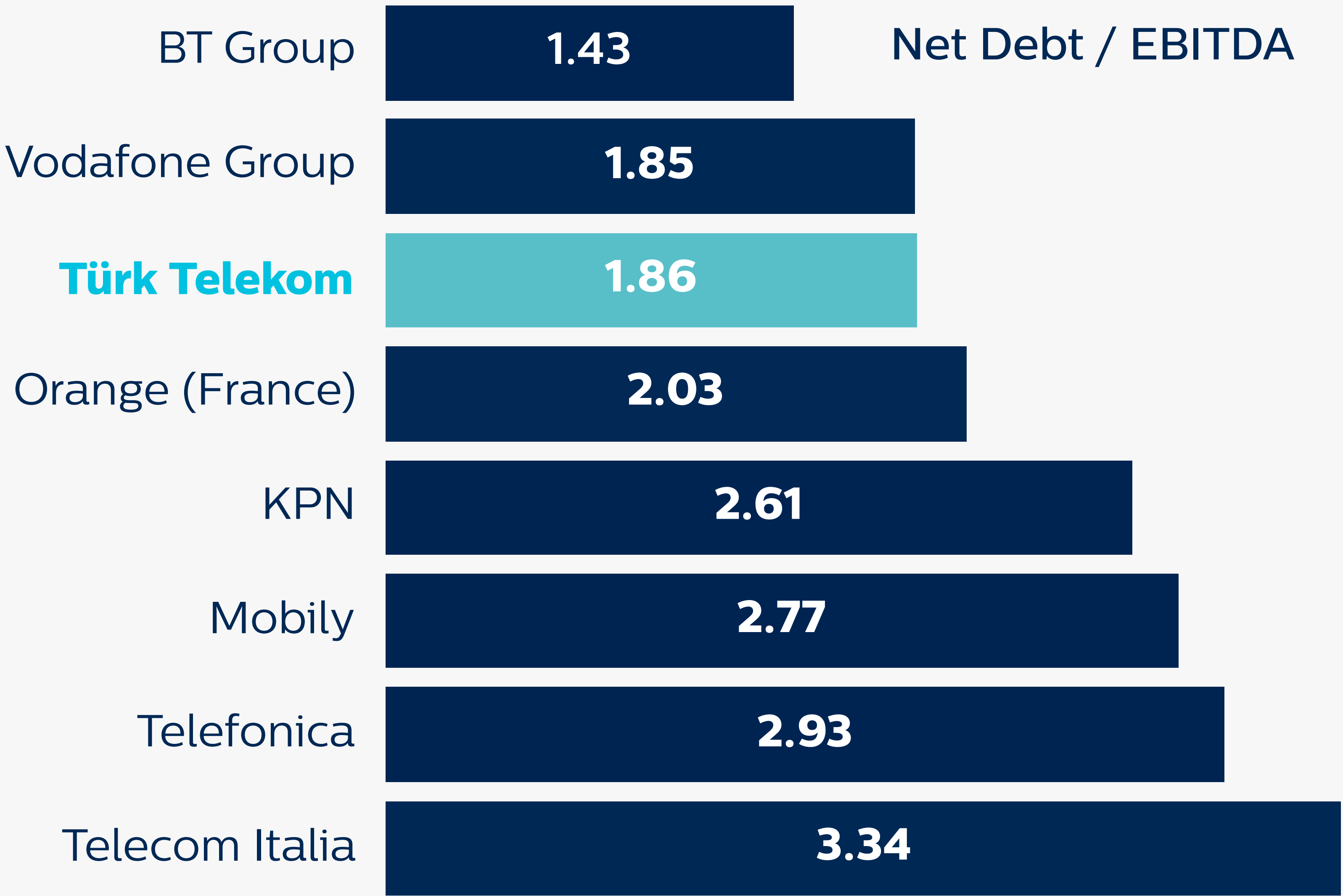
Net Debt

■ Net Debt (TL bn) ○ Net Debt/EBITDA



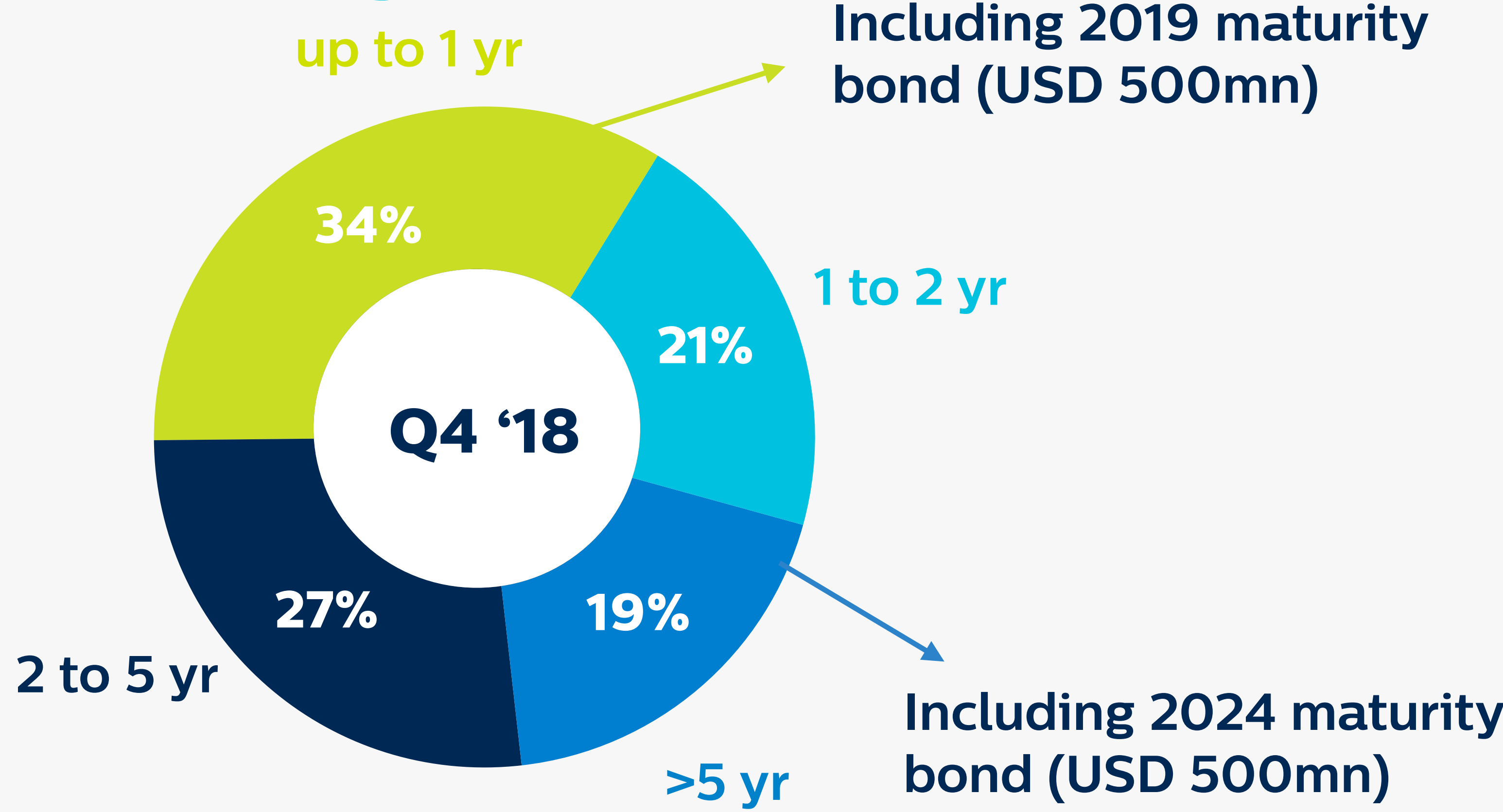
Note: Net Debt calculation includes MTM from FX to TRY Currency Swaps
Net Debt/EBITDA calculation excludes extraordinary claims EBITDA calculation

Low debt ratio among peers



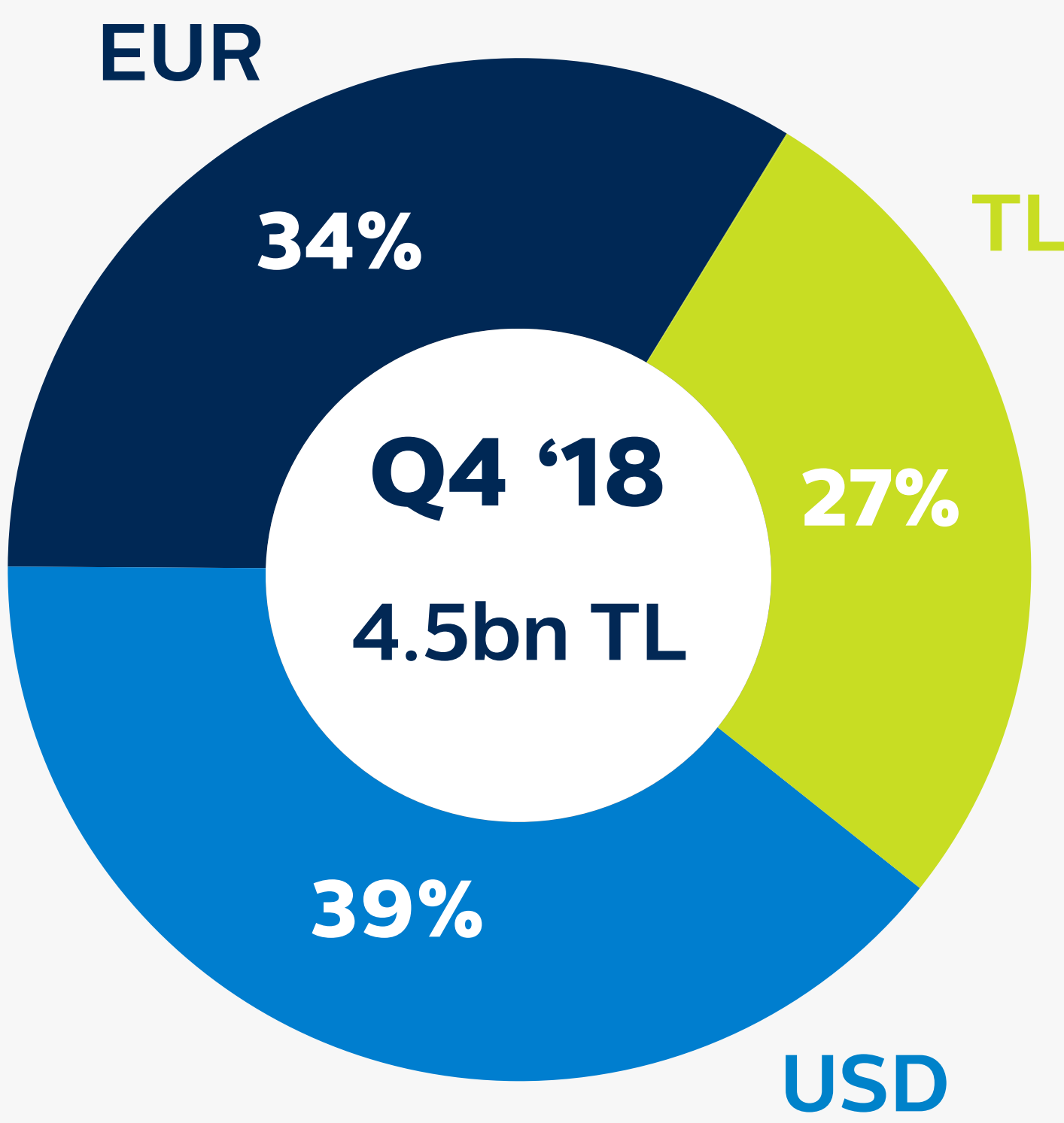
Source: Bloomberg
*ürk Telekom's ratio is based on Q4 '18 financials; other's based on their latest data

Maturity Profile

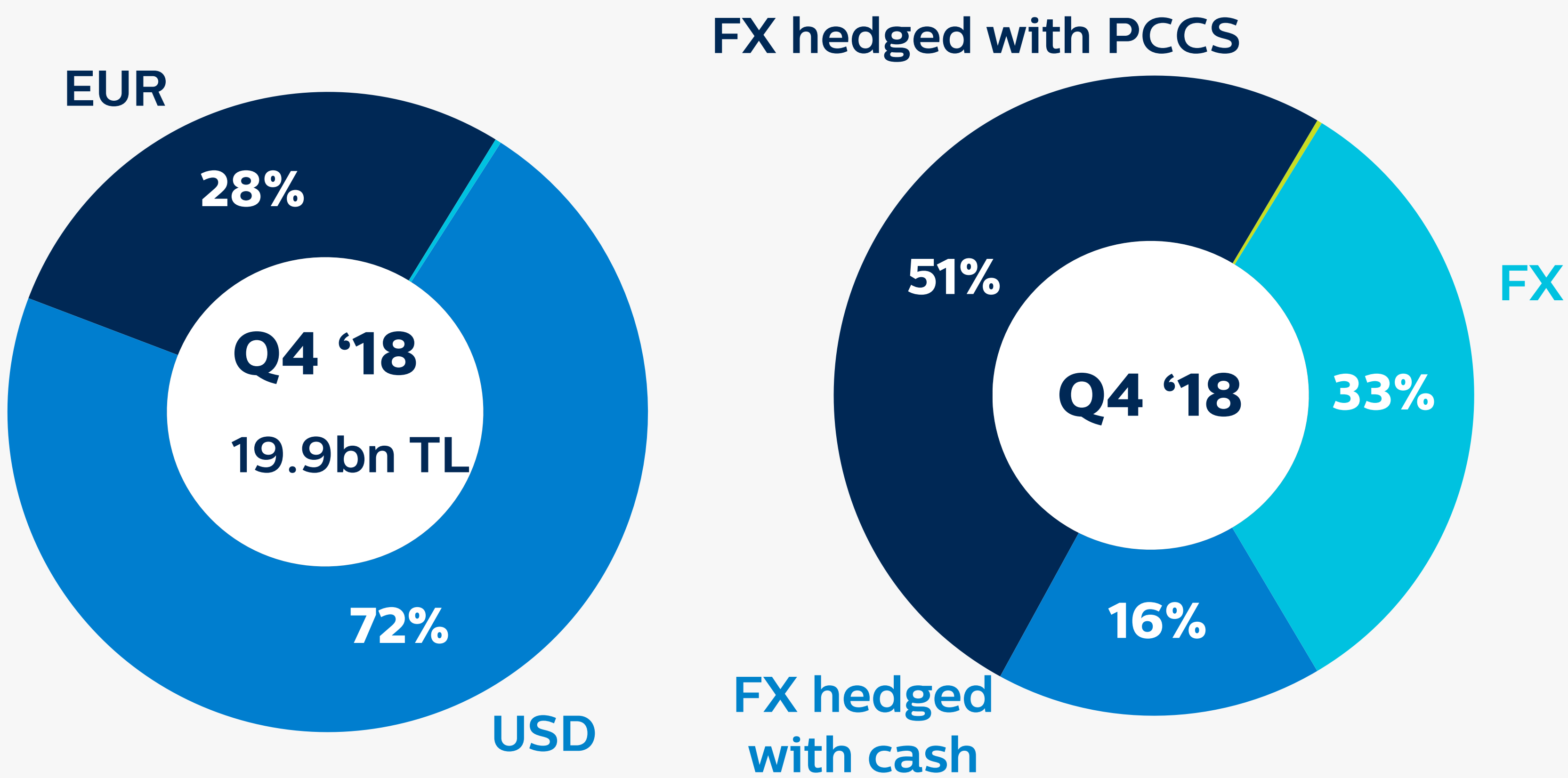


All loans are senior unsecured

Cash FX Breakdown



Gross Debt FX Breakdown



Debt Profile

Prudent Balance Sheet Management

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

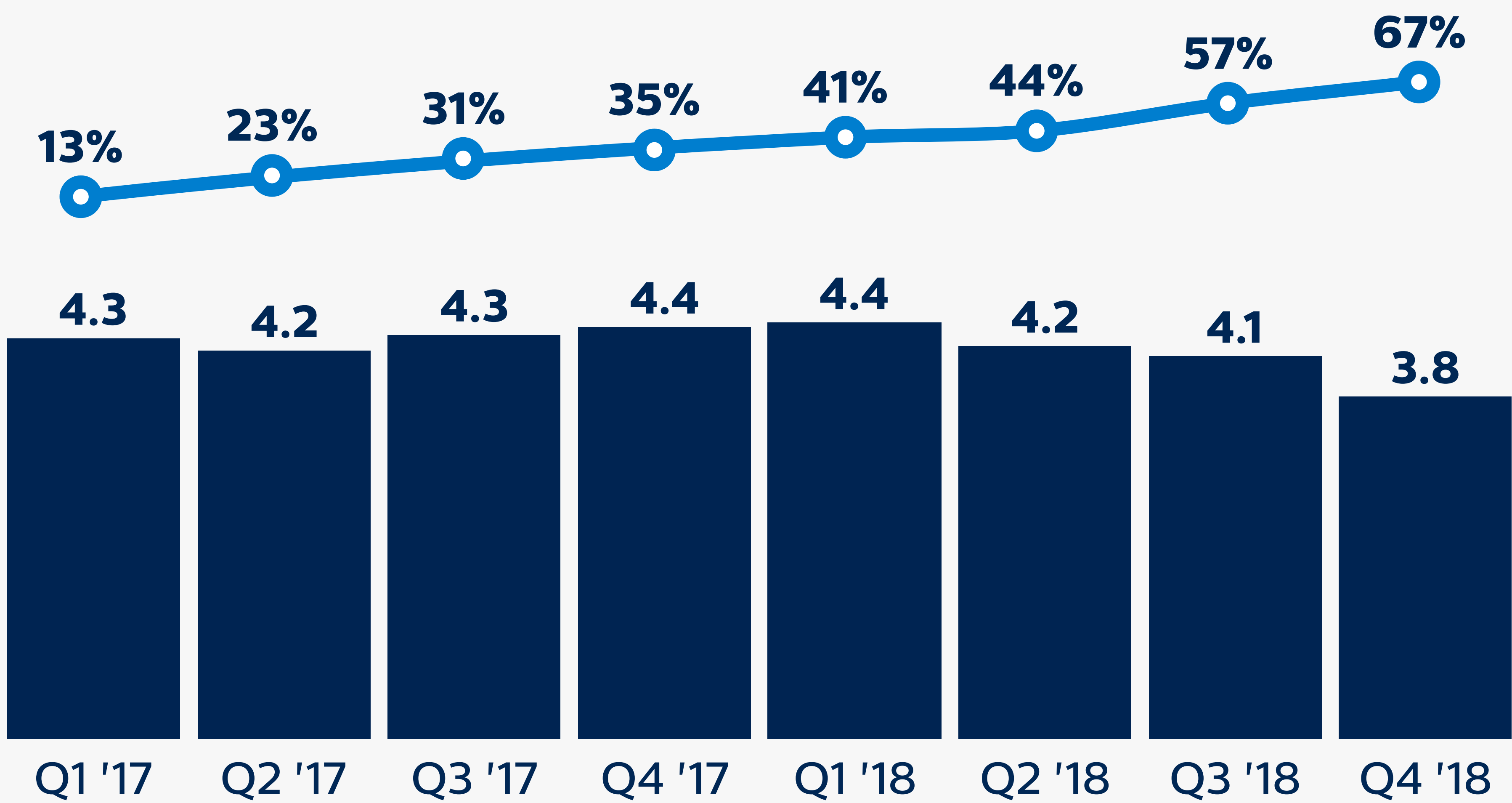
BB+ Negative Outlook

S&P Global Ratings

BB- Stable Outlook

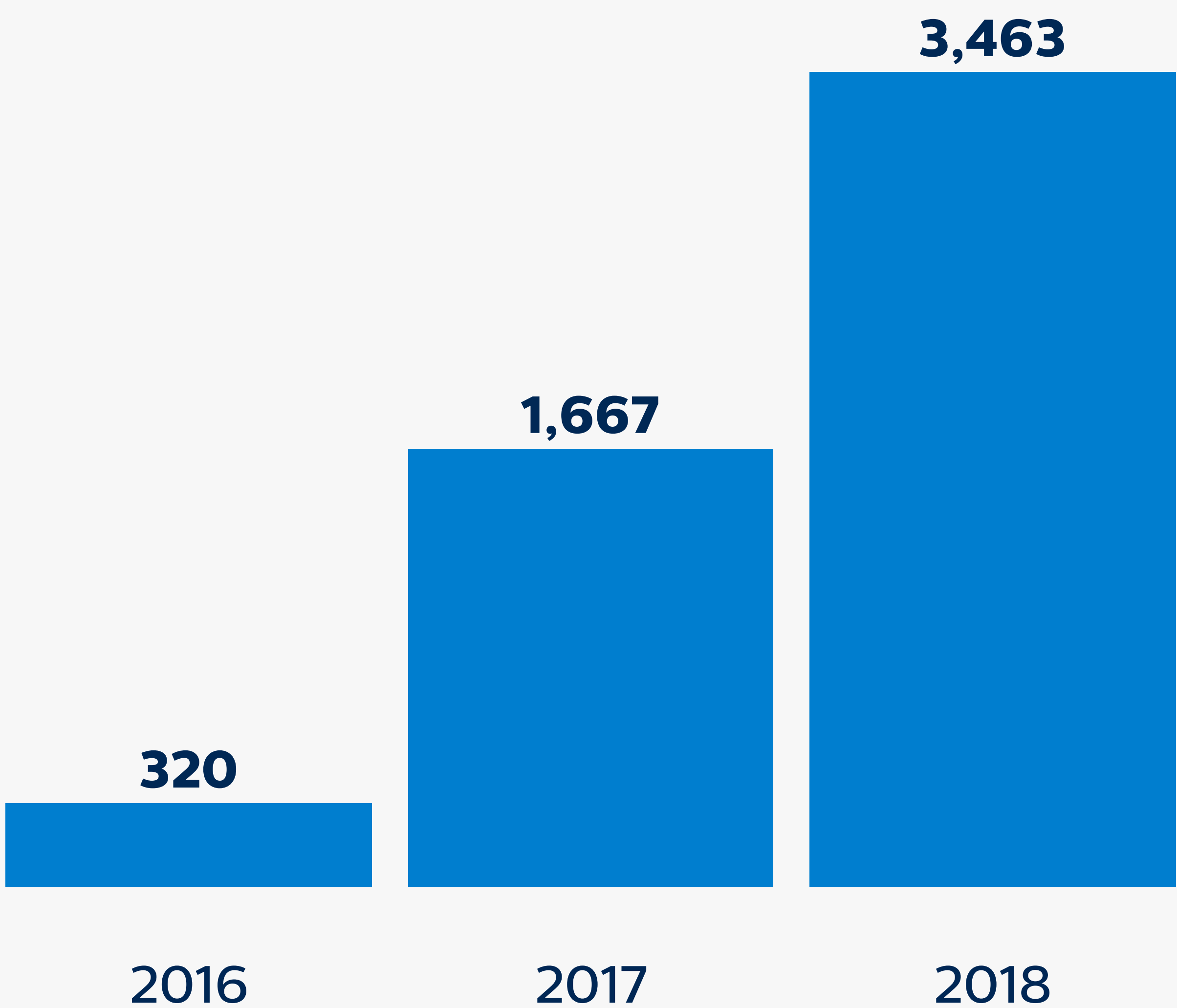
Hedge Ratio

■ Gross FX Debt (bn USD) ● Hedge Ratio



Increasing Cash Flow*

(TL mn)



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

Guidance

TL mn	2018 YE	2019 Guidance
Revenue (exc. IFRIC 12) ¹	19,660	15% - 16% growth
EBITDA	8,436	TL 10.0 to 10.2 bn
CAPEX	4,087	TL 5.5 bn to 5.7 bn

Türk Telekom adopted IFRS 16 accounting standards starting from 1 January 2019. Guidance includes IFRS 16 impact on EBITDA (TL 650 - 700 mn) and CAPEX (TL 850 - 900 mn).

(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 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.

Appendix



Income Statement

(TL mn)	2017	2018	YoY Change	Q4 '17	Q4 '18	YoY Change
Revenues	18,140	20,431	12.6%	4,800	5,398	12.5%
EBITDA	6,452	8,436	30.7%	1,525	2,229	46.2%
Margin	35.6%	41.3%		31.8%	41.3%	
Operating Profit	3,433	4,701	36.9%	713	1,244	74.5%
Margin	18.9%	23.0%		14.8%	23.0%	
Financial Inc. / (Exp.) ¹	(1,954)	(6,723)	244.0%	(1,061)	1,413	n.m.
FX & Hedging Gain / (Loss)	(1,454)	(5,982)	311.3%	(886)	1,736	n.m.
Interest Inc./ (Exp.)	(340)	(659)	93.8%	(91)	(216)	136.8%
Other Financial Inc./ (Exp.)	(160)	(82)	(48.7%)	(84)	(107)	27.9%
Tax Expense ¹	(343)	631	n.m.	235	(442)	n.m.
Net Income ¹	1,136	(1,391)	n.m.	(113)	2,215	n.m.
Margin	6.3%	n.m.		n.m.	41.0%	

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.

(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)	31.12.2017	30.09.2018	31.12.2018
Total Assets	29,149	38,945	36,199
Cash and Equivalents	4,100	6,187	4,495
Intangible Assets	8,482	9,679	9,783
Tangible Assets ¹	9,138	14,147	14,274
Other Assets ^{2&5}	7,428	8,931	7,647
Total Equities and Liabilities	29,149	38,945	36,199
Share Capital	3,260	3,260	3,260
Reserves, Retained Earnings and Other Equity Items ⁵	1,295	2,262	4,193
Interest Bearing Liabilities ^{3&5}	16,492	24,713	19,921
Other Liabilities ⁴	8,102	8,709	8,823

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.

(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)	Q4 '18	IFRS 15 Impact	Q4 '18 w/o adoption of IFRS 15
Revenues	5,398	(17)	5,415
EBITDA	2,229	184	2,046
Margin	41.3%		37.8%
Operating Profit	1,244	58	1,186
Margin	23.0%		21.9%
Financial Inc. / (Exp.)	1,413	(5)	1,418
FX & Hedging Gain / (Loss)	1,736		1,736
Interest Inc./ (Exp.)	(216)		(216)
Other Financial Inc./ (Exp.)	(107)	(5)	(102)
Tax Expense	(442)	(4)	(439)
Net Income	2,215	50	2,165
Margin	41.0%		40.0%

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)	31.12.2018	IFRS 15 Impact	31.12.2018 w/o adoption of IFRS 15
Total Assets	36,199	1,020	35,179
Cash and Equivalents	4,495		4,495
Intangible Assets	9,783	1,024	8,759
Tangible Assets	14,274		14,274
Other Assets	7,647	(4)	7,651
Total Equities and Liabilities	36,199	1,020	35,179
Share Capital	3,260		3,260
Reserves, Retained Earnings and Other Equity Items	4,193	665	3,528
Interest Bearing Liabilities	19,921		19,921
Other Liabilities	8,823	355	8,468

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.

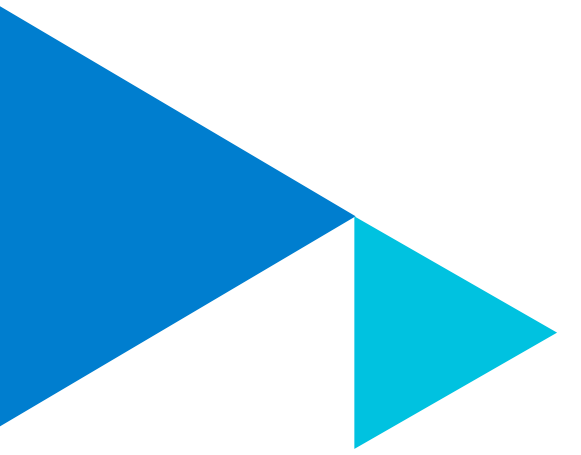
Q&A

Türk Telekom Investor Relations

investorrelations@turktelekom.com.tr | +90 212 309 96 30 | ttinvestorrelations.com | twitter.com/ttkomir



Thank You



Türk Telekom Investor Relations

investorrelations@turktelekom.com.tr | +90 212 309 96 30 | ttinvestorrelations.com | twitter.com/ttkomir

