

# Investor Call

2016 Q4



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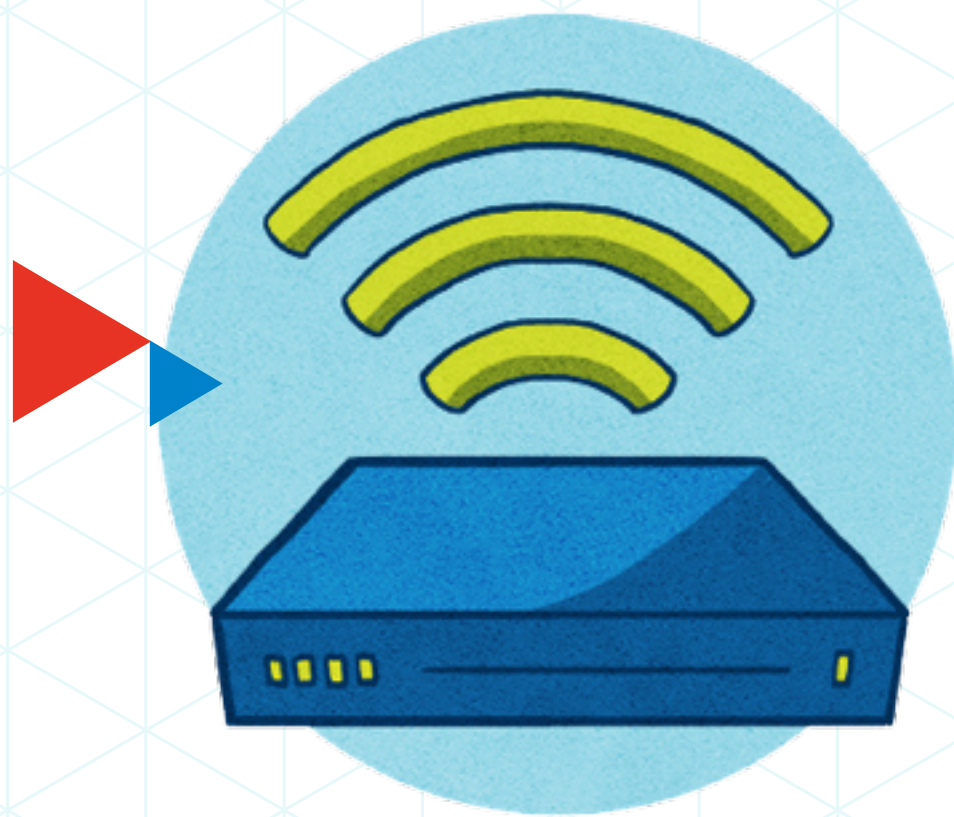
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Note: EBITDA is a non-GAAP financial measure. In this presentation, EBITDA represents revenue less cost of sales and other operating expenses plus other operating income/ (expense) plus income/(expense) from investing activities but excluding financial income/ (expense) presented in other operating income/(expense) (i.e., foreign exchange gain/ (loss), interest income / (expense) and discount income/(expense) on receivables and payables excluding financial borrowings), depreciation, amortization and impairment, income on unconsolidated subsidiaries and minority interest.



# Operational Highlights

Strong net subscriber gains in all segments



## Broadband

**262K**

Q4 '16

**691K**

2016



## Mobile

**187K**

Q4 '16

**1.3mn**

2016



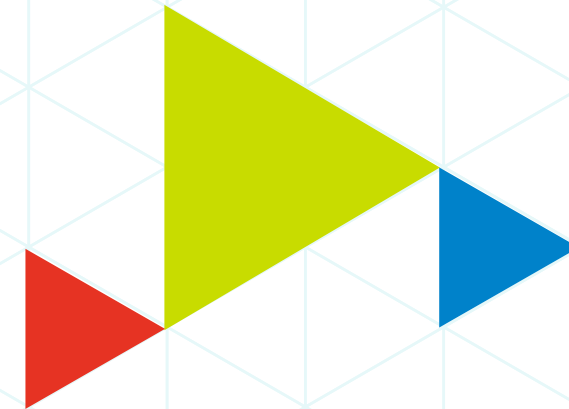
## Home TV

**87K**

Q4 '16

**293K**

2016



# Financial Performance

(TL mn)	2015 Q4	2016 Q4	Growth (YoY)	2015 YE	2016 YE	Growth (YoY)
Revenue	3,867	4,250	9.9%	14,523	16,109	10.9%
Revenue (exc. construction adj) <sup>1</sup>	3,706	4,171	12.6%	14,190	15,696	10.6%
EBITDA	1,416	1,434	1.3%	5,334	5,470	2.6%
EBITDA Margin	36.6%	33.8%		36.7%	34.0%	
Net Income	1,039	-1,388	n.m.	907	-724	n.m.
CAPEX <sup>2</sup>	1,156	963	(16.7%)	2,929	3,027	3.4%

(1) Construction accounting 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) Excluding license fees

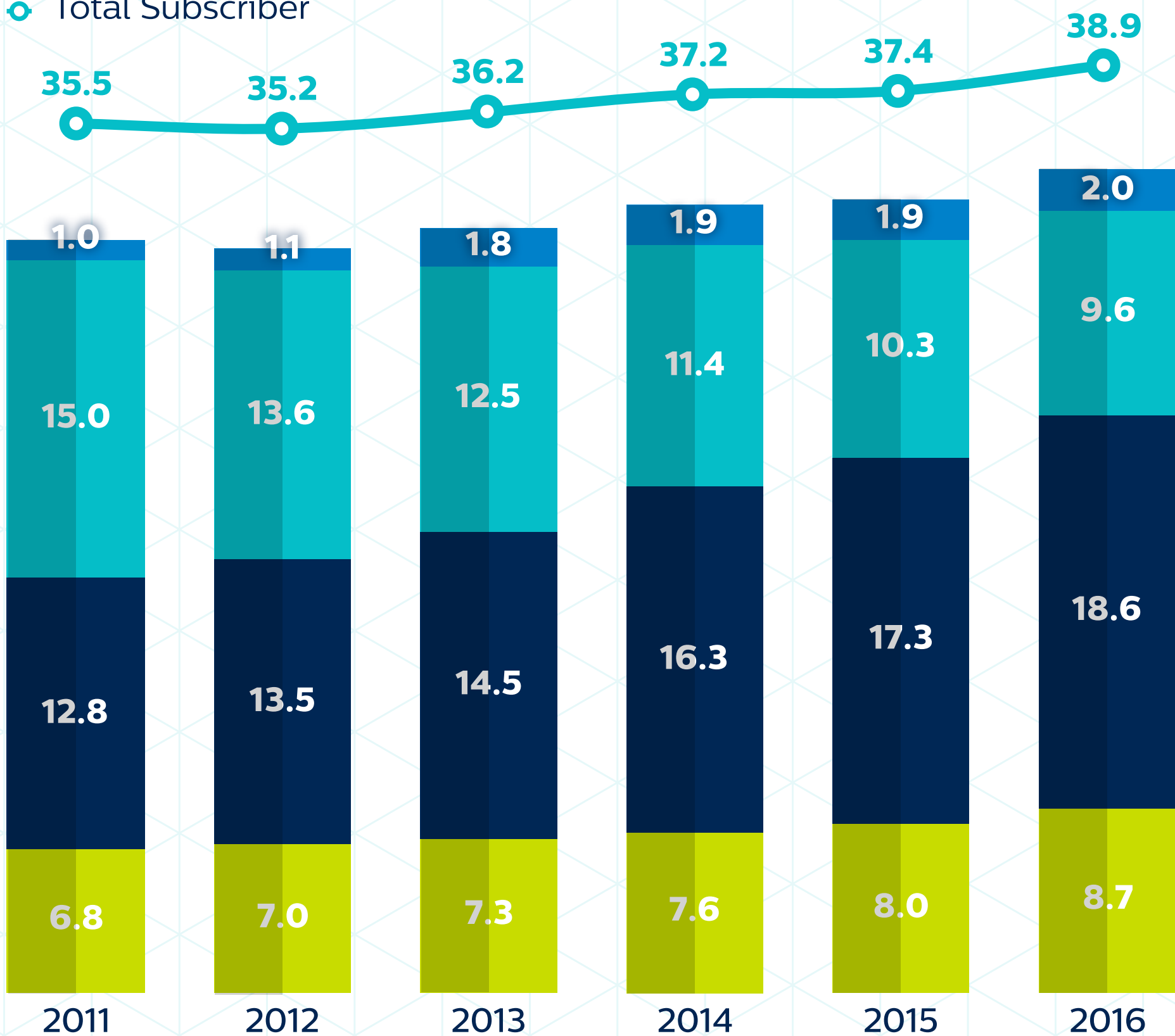


# Accelerated Net Additions

## Subscriber Breakdown

(mn)

■ Broadband ■ Mobile ■ Fixed Voice ■ TV  
○ Total Subscriber

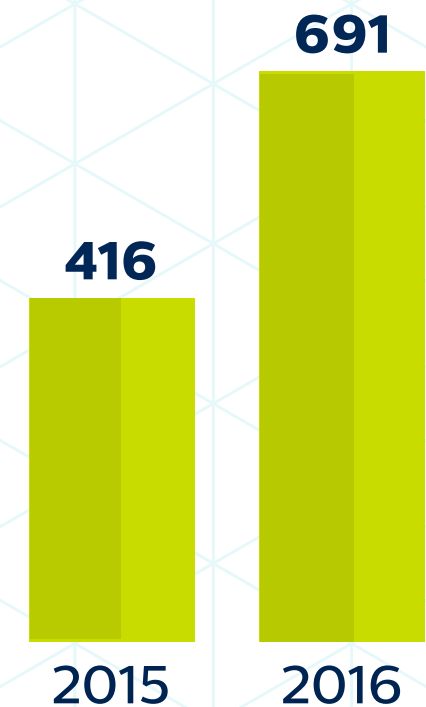


## Fixed Broadband

Subscribers (mn)

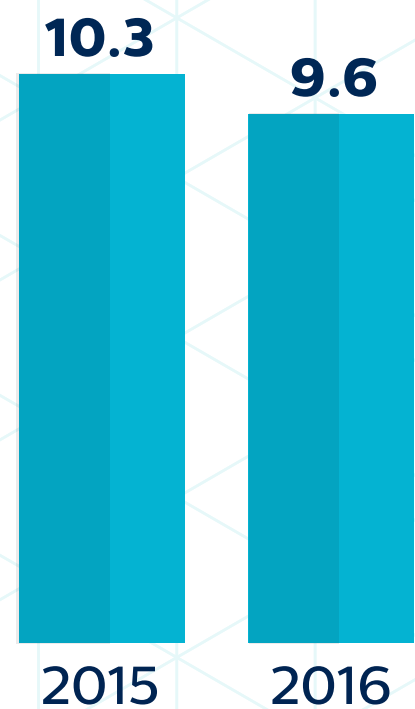


Net Additions (thousand)

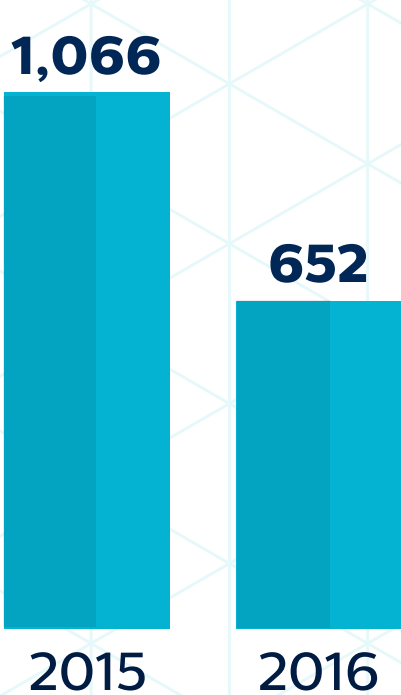


## Fixed Voice

Subscribers (mn)

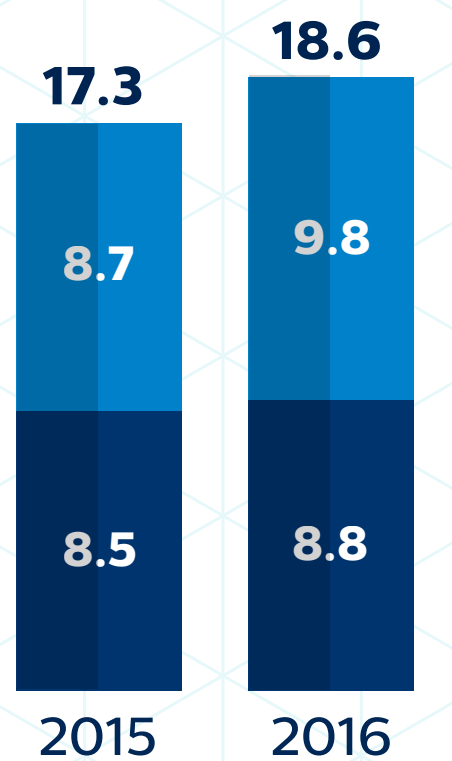


Net Decline (thousand)



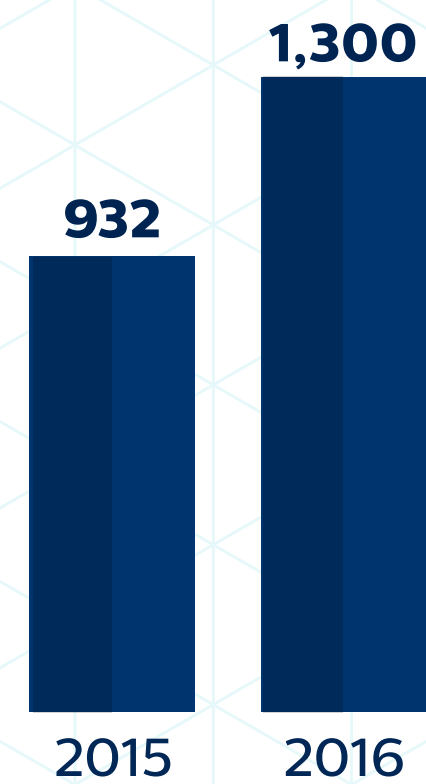
## Mobile

Subscribers (mn)



■ Postpaid  
■ Prepaid

Net Additions (thousand)



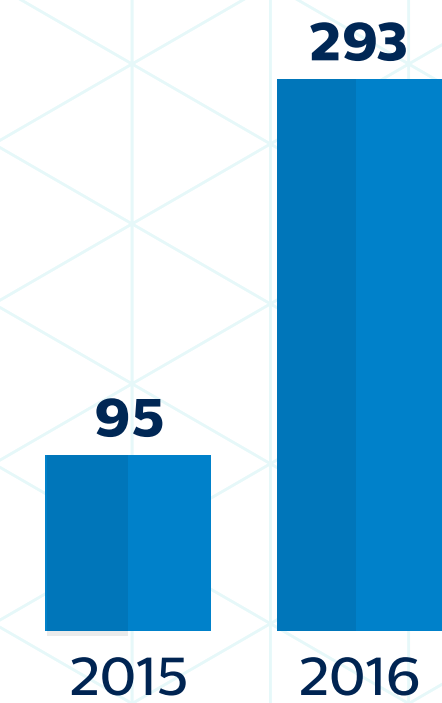
## TV

Subscribers (thousand)



■ Tivibu Go  
■ Tivibu Home

Home TV Net Additions (thousand)





# The Most Diversified Product Portfolio

Unique position in convergence

## Robust ARPU Generation

### Q4 '16 ARPU

Mobile

Broadband

Pay TV

Fixed Voice

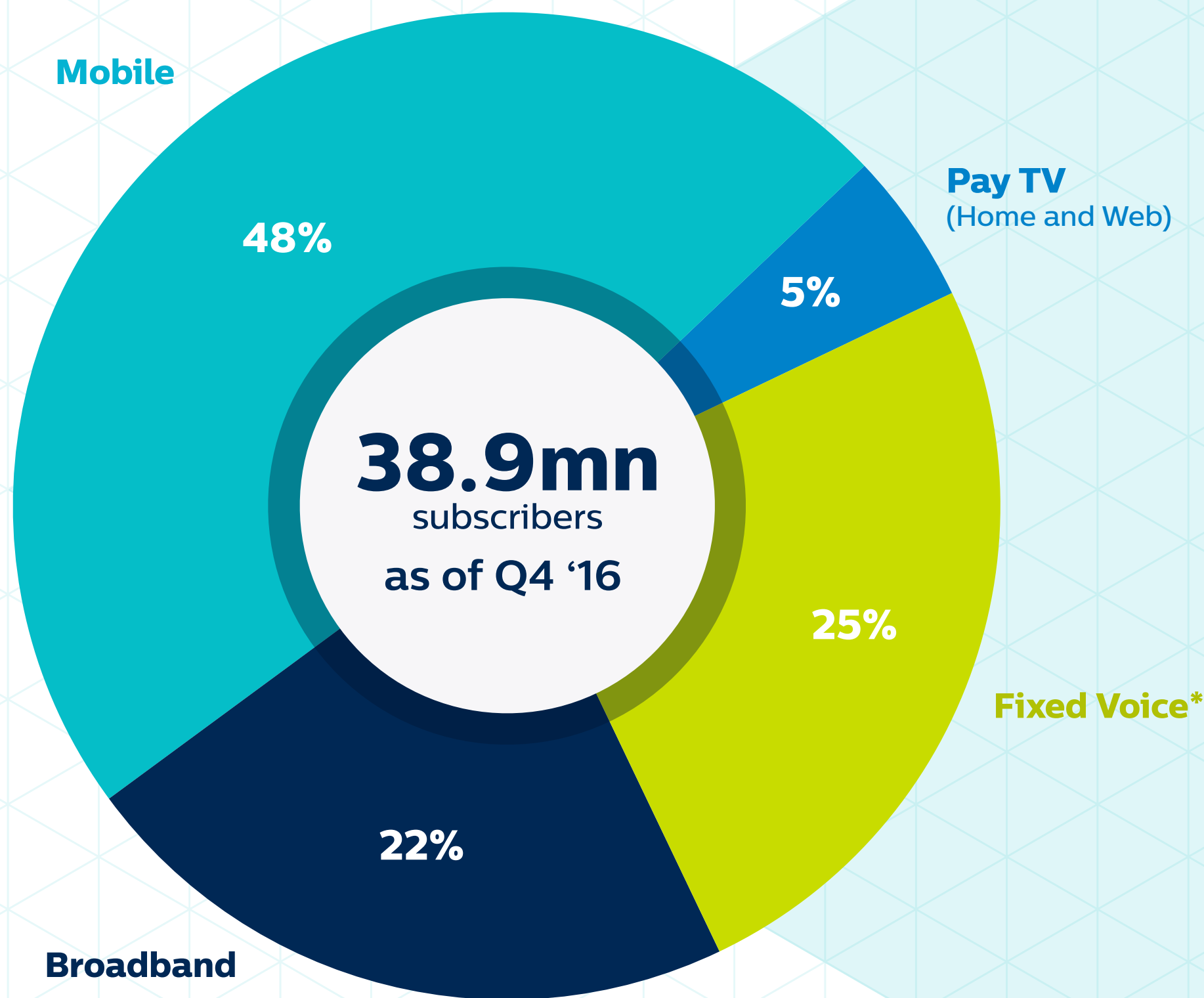
### Türk Telekom

TL 26.1

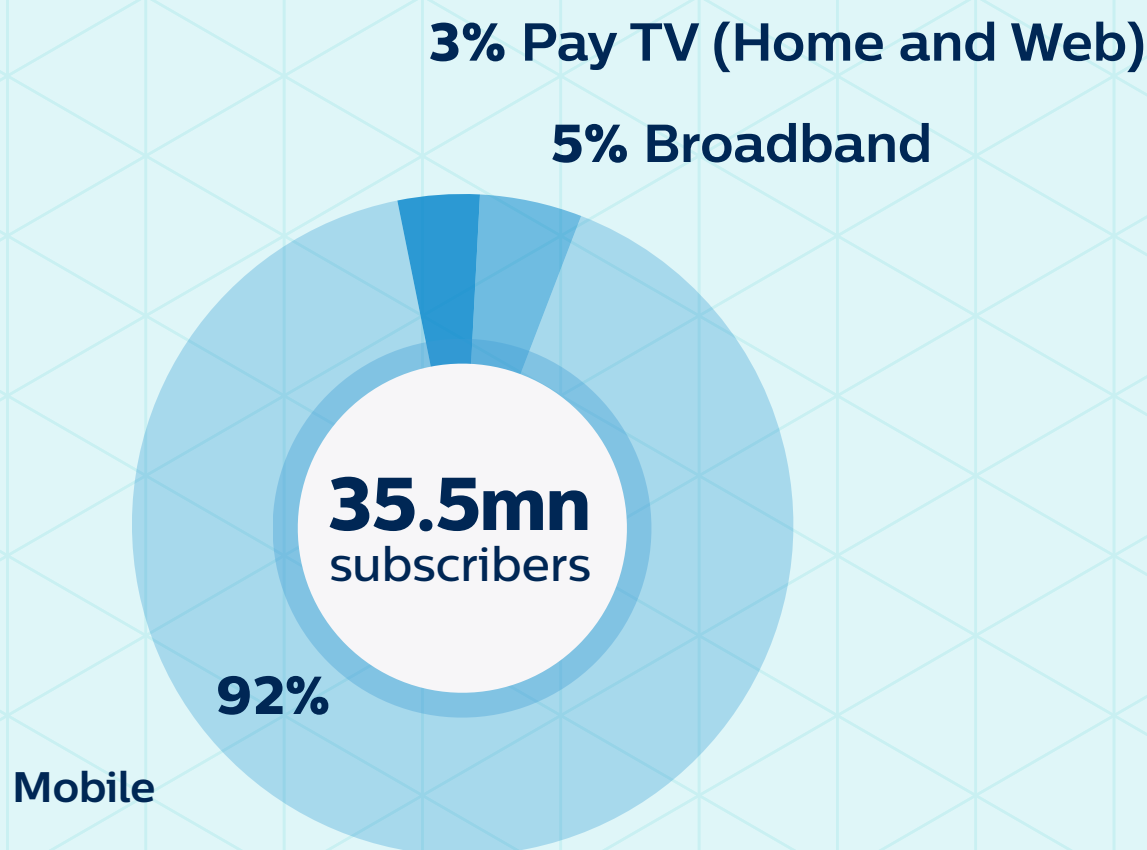
TL 44.7

TL 19.2

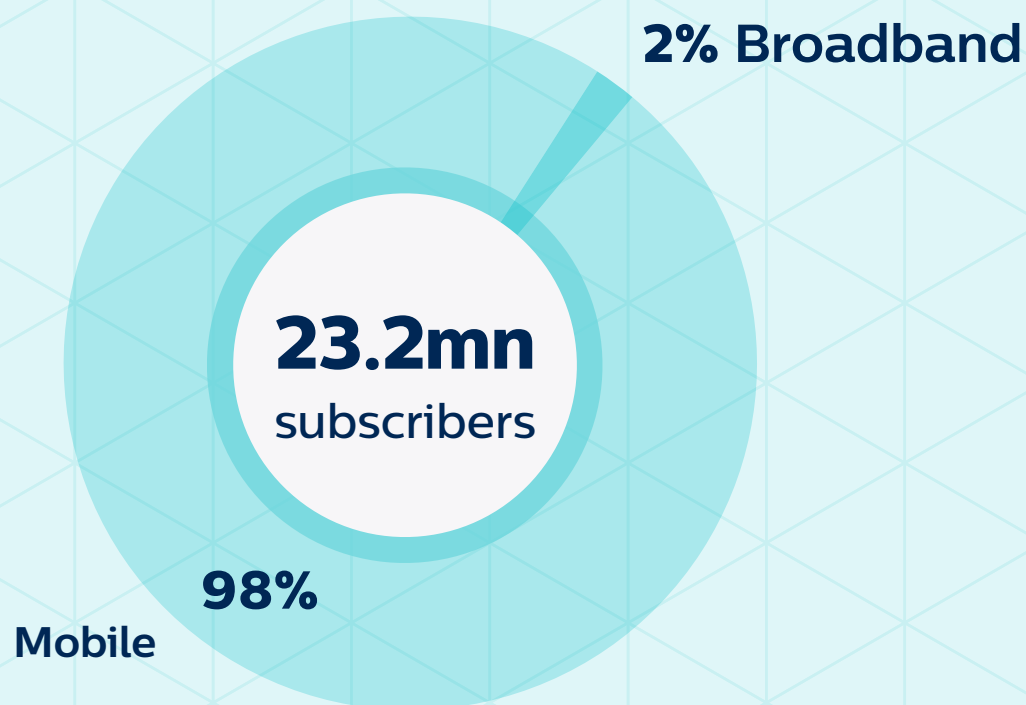
TL 23.2



Türk Telekom



Turkcell



Vodafone

Turkcell's and Vodafone's data are from their own publications as of Q3 '16 and Q4 '16, respectively.  
\*VOIP is not included.



# Türk Telekom's Digital Service Portfolio

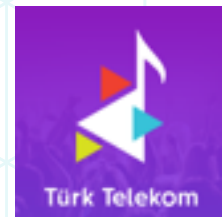


## Turkey's Most Preferred Value Added Services



### Turkey's New Generation TV Platform: **Tivibu GO** Launch: 2010

Türk Telekom's TV platform with national and exclusive channels, VoDs, and catchup programs in HD quality



### Turkey's Most Loved Digital Music Platform: **TT Music** Launch: 2008

Turkey's most preferred and loved digital music platform with millions of Turkish and foreign songs to download and to listen in HD quality, and numerous videos



### Turkey's Leader Digital Gaming Platform: **Playstore** Launch: 2011

Turkey's first and leader digital game platform and e-pin sales platform



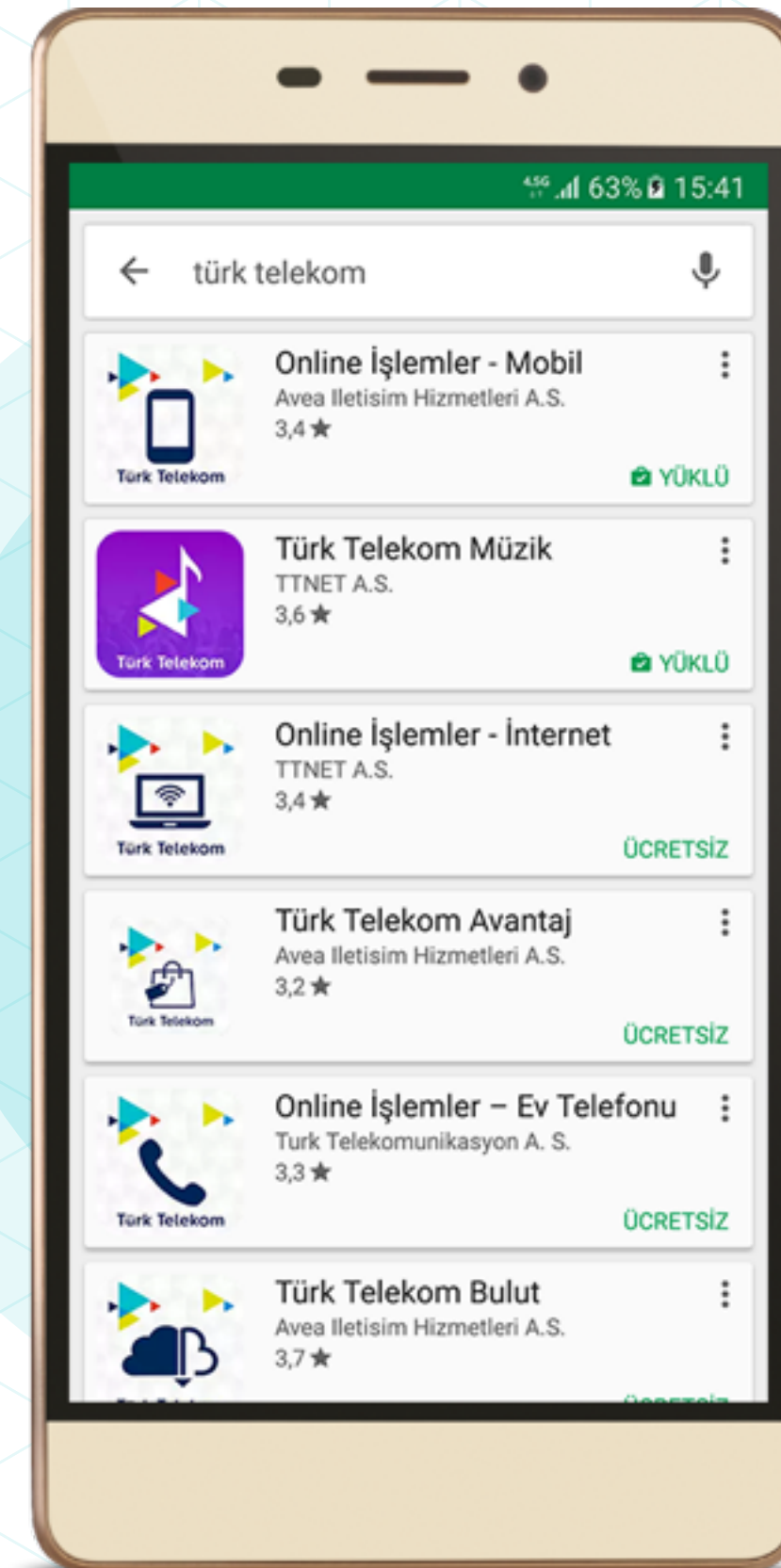
### Turkey's First Interactive Education Platform Launch: 2008

Turkey's biggest online education platforms: Vitamin for pre-school to high grades students, Raunt for uni preparation, ProG for professionals



### Turkey's Widest Wifi Broadband Network: **TT WiFi** Launch: 2006

Turkey's widest broadband network by covering 5K WiFi hotspot points and giving service more 2.5K Turkish Airlines flights



**Türk Telekom Mobile Payment Service;** Mobile Payment is a service that enables Türk Telekom mobile customers to pay easily, quickly and securely via mobile phones.

### Turkey's Real-Time Integrated Sport Platform: **Tivibuspor** Launch: 2010

Türk Telekom's sport platform presents sport news, videos, UEFA matches and instant match video delivery



### Turkey's Online Technology Magazine Platform: **TT Mobile Magazine** Launch: 2013

Turkey's online magazine with a wide selection of technology tips, special devices and mobile application researches



### Turkey's Most Comprehensive Security Platform: **TT Security** Launch: 2009

Turkey's most comprehensive and secure anti-virus and family protection service



### Türk Telekom's Advantageous Cloud Solution: **Netdisk** Launch: 2010

Türk Telekom's cloud storage solution exclusive for Türk Telekom broadband subscribers



### Turkey's First Operator Based OTT Messaging Platform: **Wirofon** Launch: 2008

Türk Telekom's OTT messaging and VoIP platform which enables the usage of Türk Telekom's PSTN minutes on mobile devices.



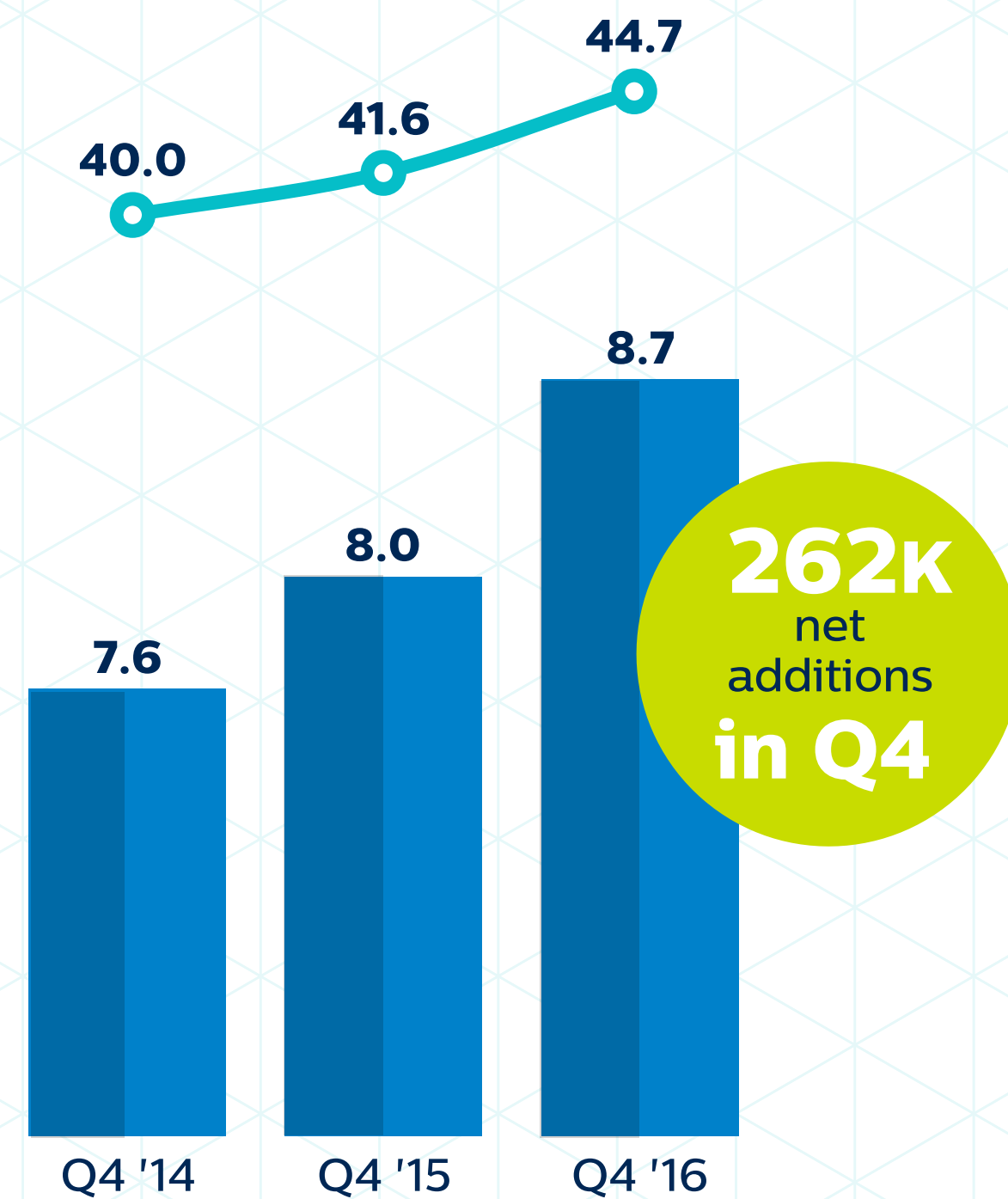
Türk Telekom has **40+ mobile applications**, and **200+ value added services**. In near future will launch “**Selfy & Prime**” applications to support segments' digital strategies, “**Life is Simple with Internet**” application to increase internet literacy and **Launcher** application to provide exclusive TT branded smartphone usage.



# Fixed Broadband Performance

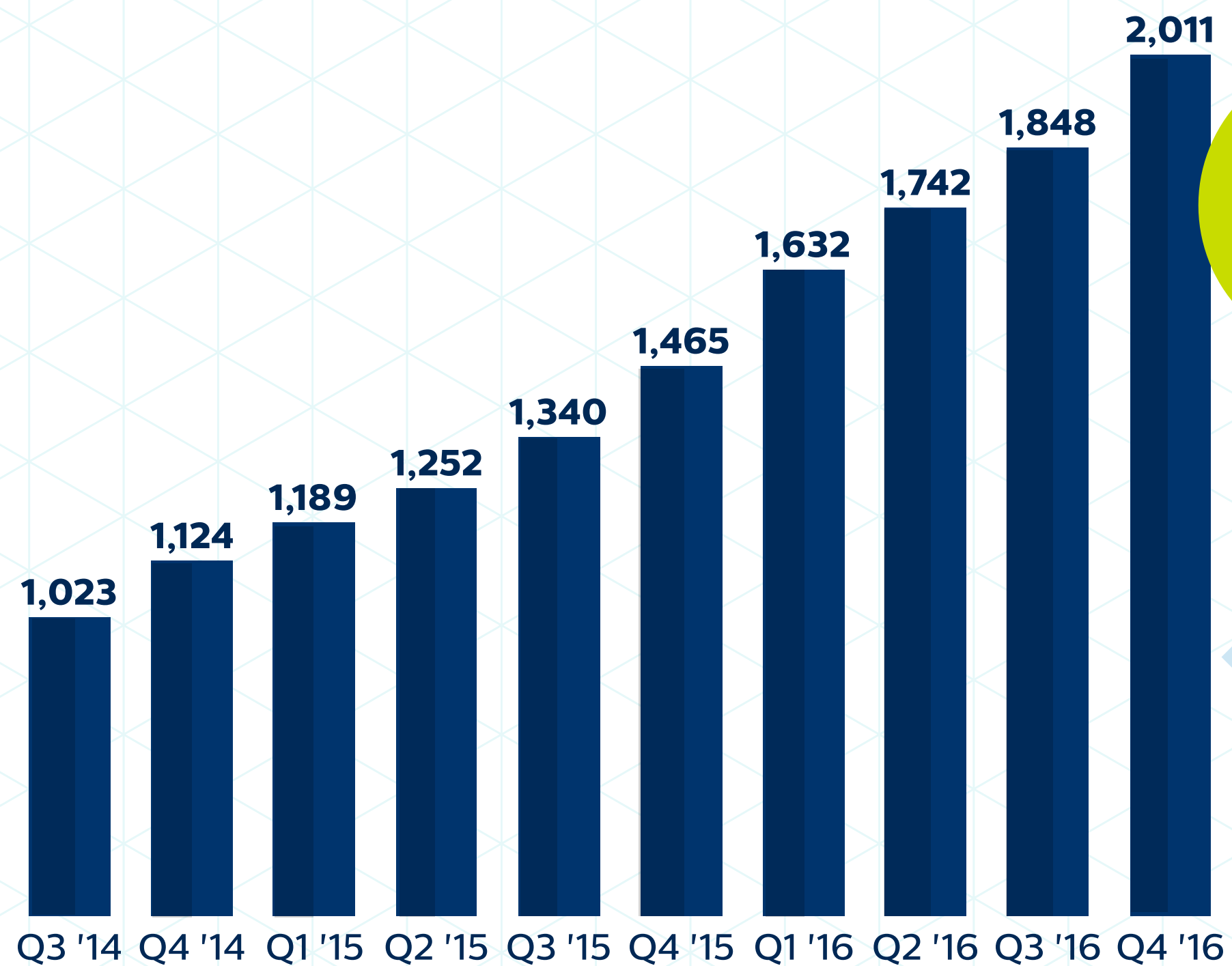
## ARPU & Subscribers

○ ARPU (TL) ■ Subscribers (mn)

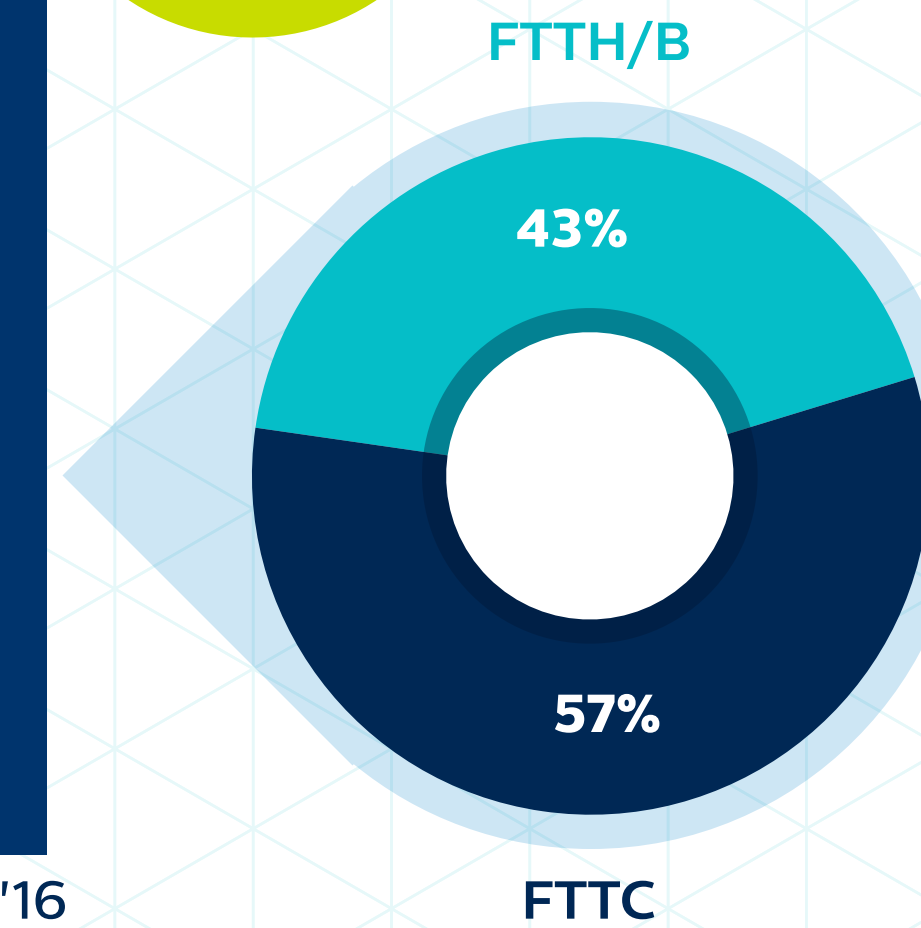


## Fiber Subscribers

(thousand)



164k  
net  
additions  
in Q4

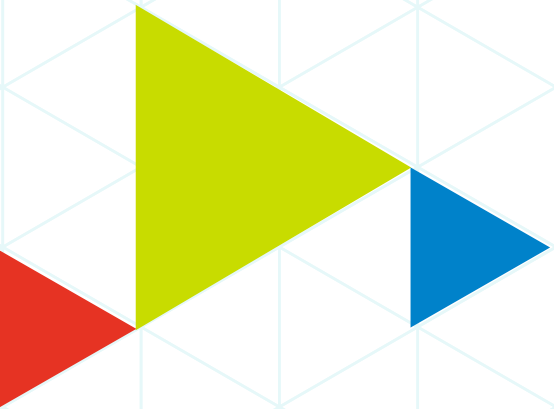


FTTH/B & FTTC tariffs have same prices for a given speed/quota





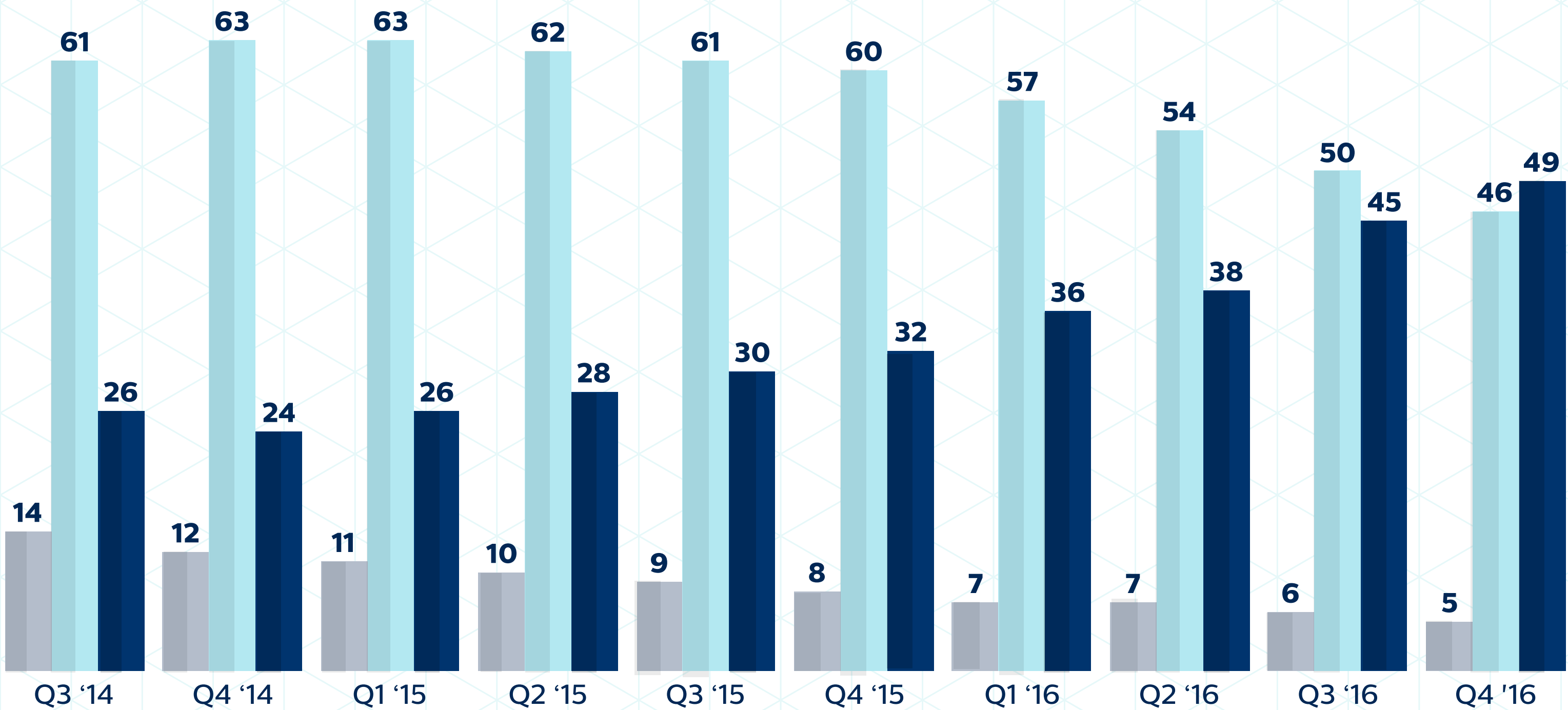
# Upselling Dynamics in Fixed Broadband



## Capacity Breakdown

(% of Subscribers)

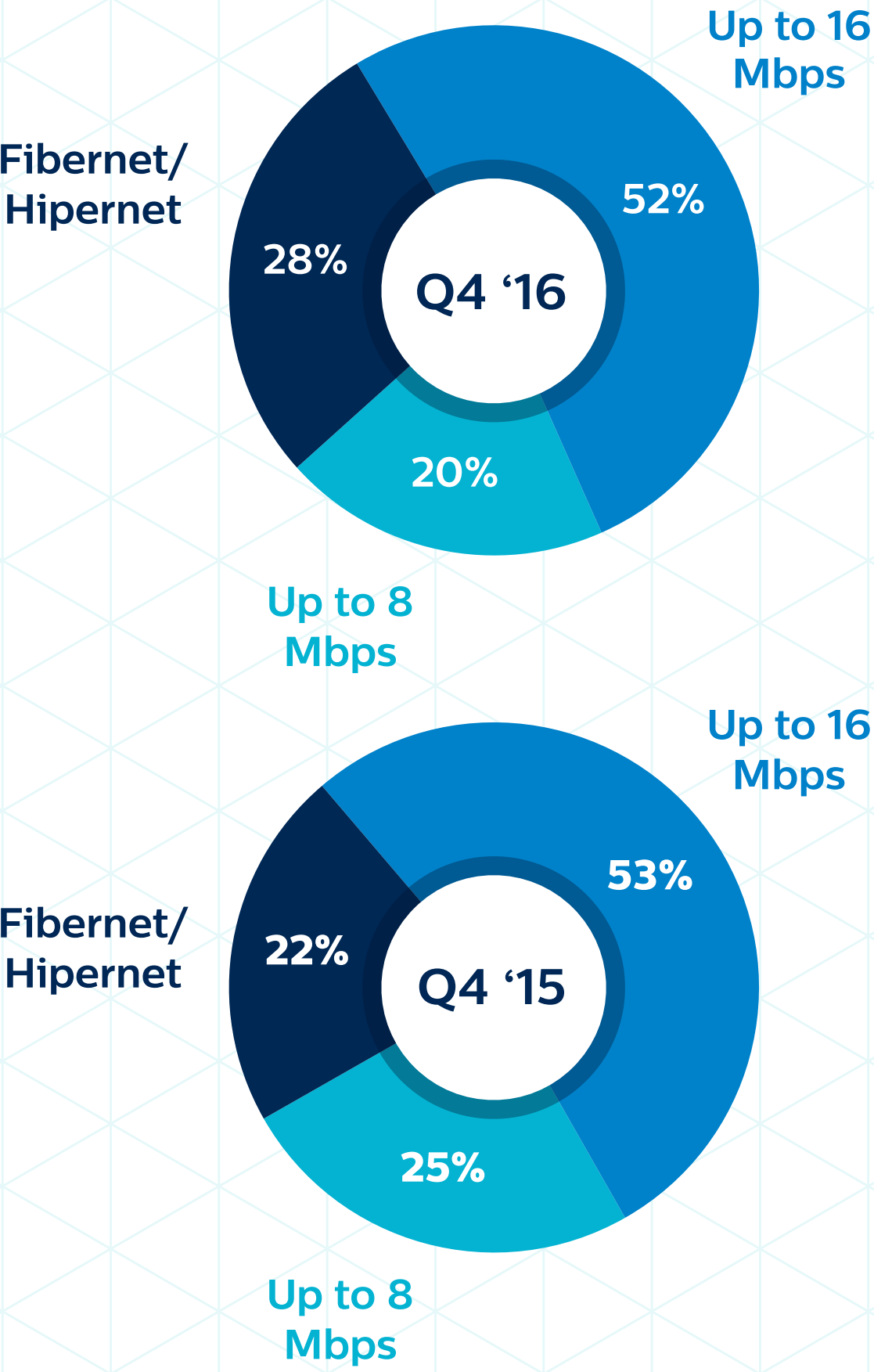
■ 25 GB & Below ■ 25 to 50 GB ■ Above 50 GB



All figures are based on Türk Telekom's retails subscribers

## Speed Breakdown

(% of Subscribers)





# Nationwide Fiber

Türk Telekom Fiber Network



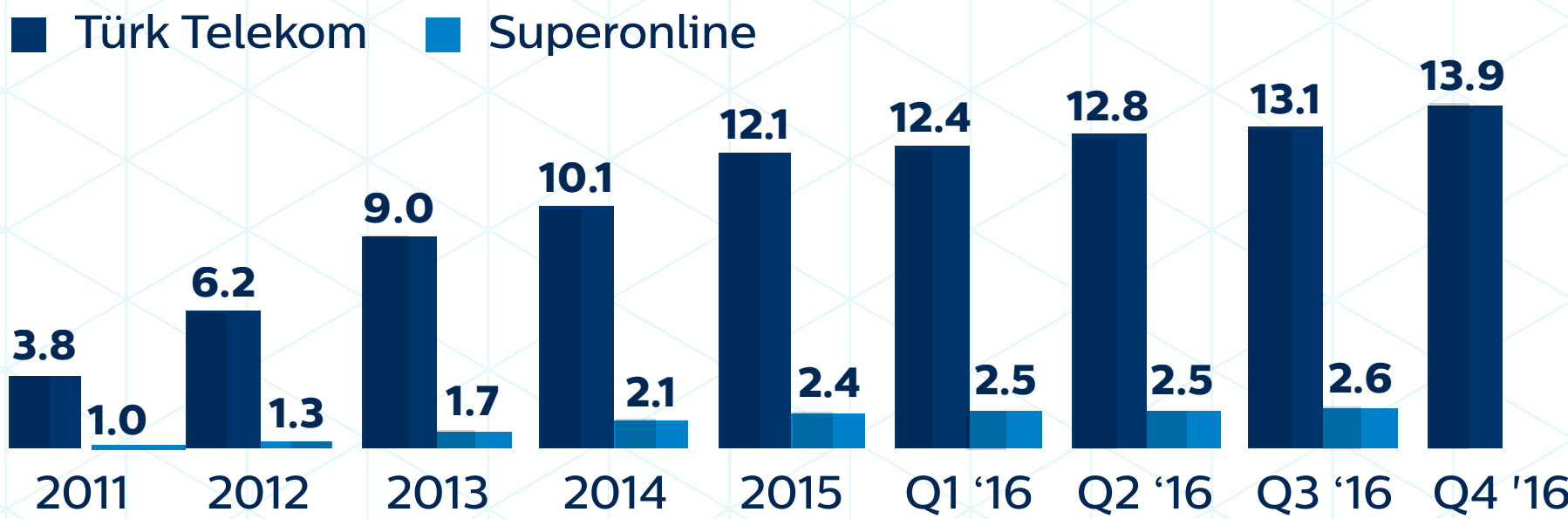
Superonline Fiber Network



36.3K km fiber length  
Wholesale customer of Türk Telekom

## Fiber Homepass

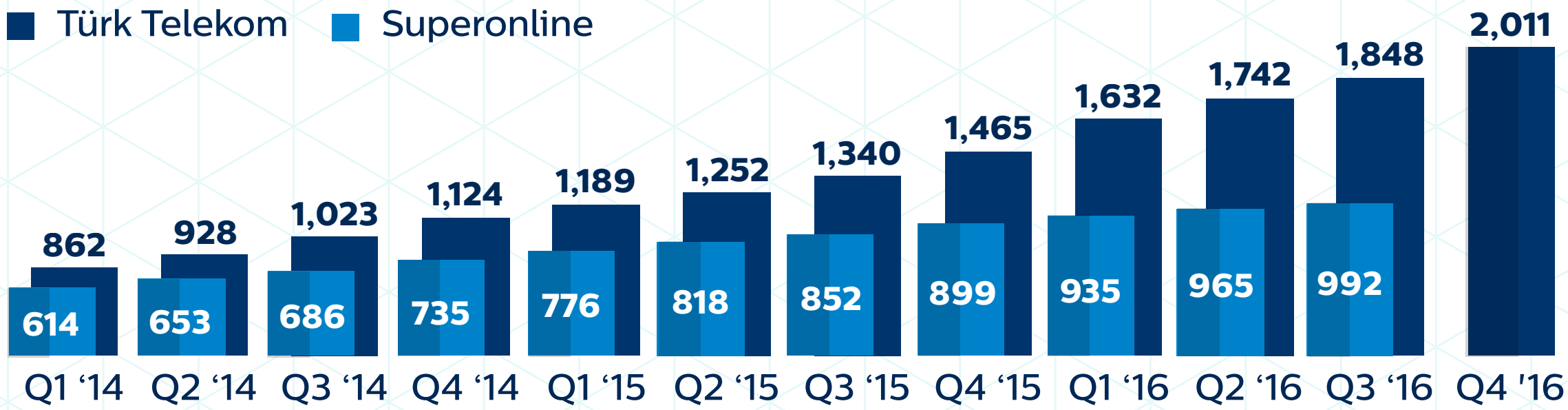
(mn)



Fiber homepass includes FTTH/B & FTTC

## Fiber Subscribers

(thousand)



Fiber subscribers include FTTH/B & FTTC subscribers

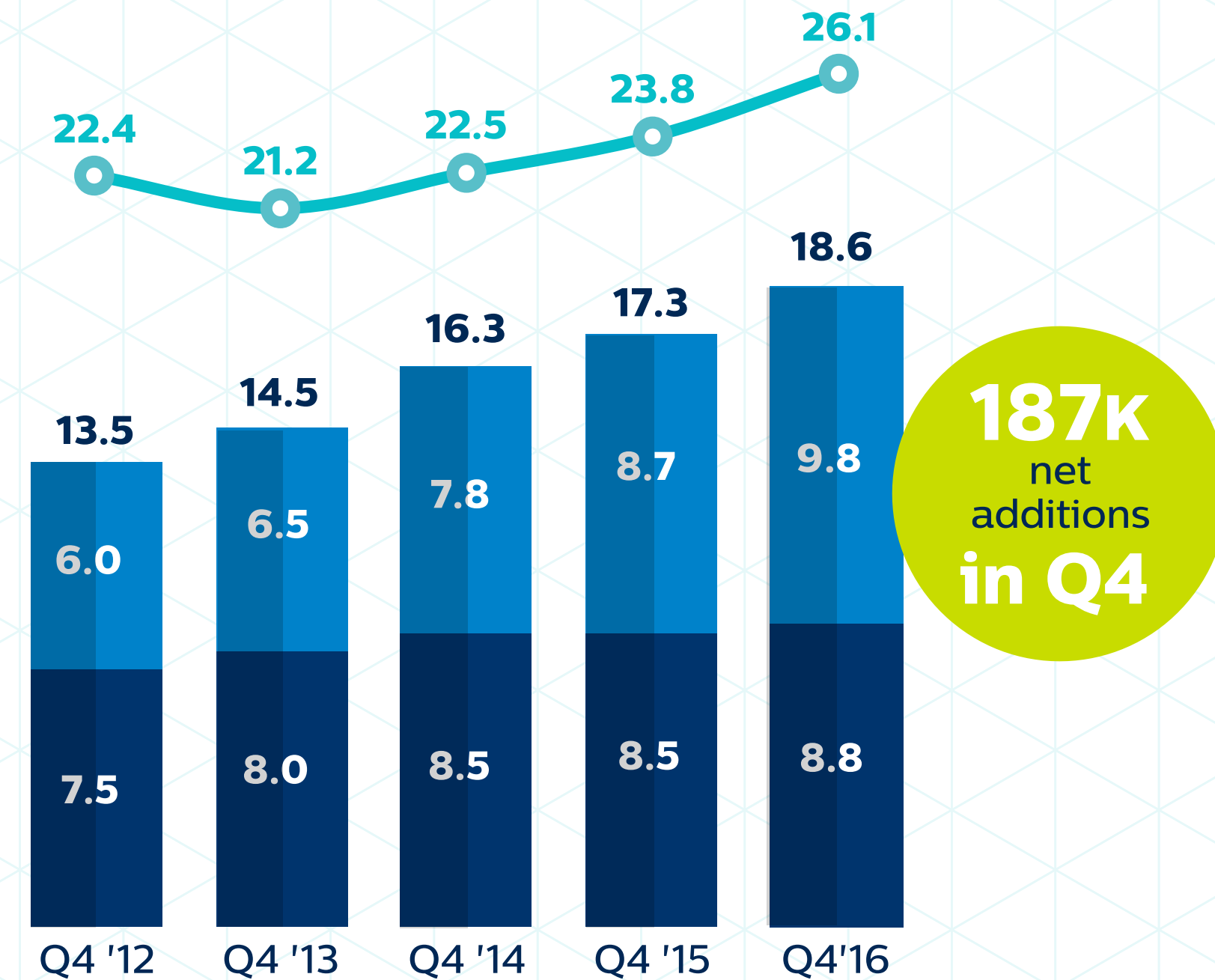


# Mobile Performance

## Growing ARPU & Subscribers

Blended ARPU (TL)

Prepaid (mn) Postpaid (mn)

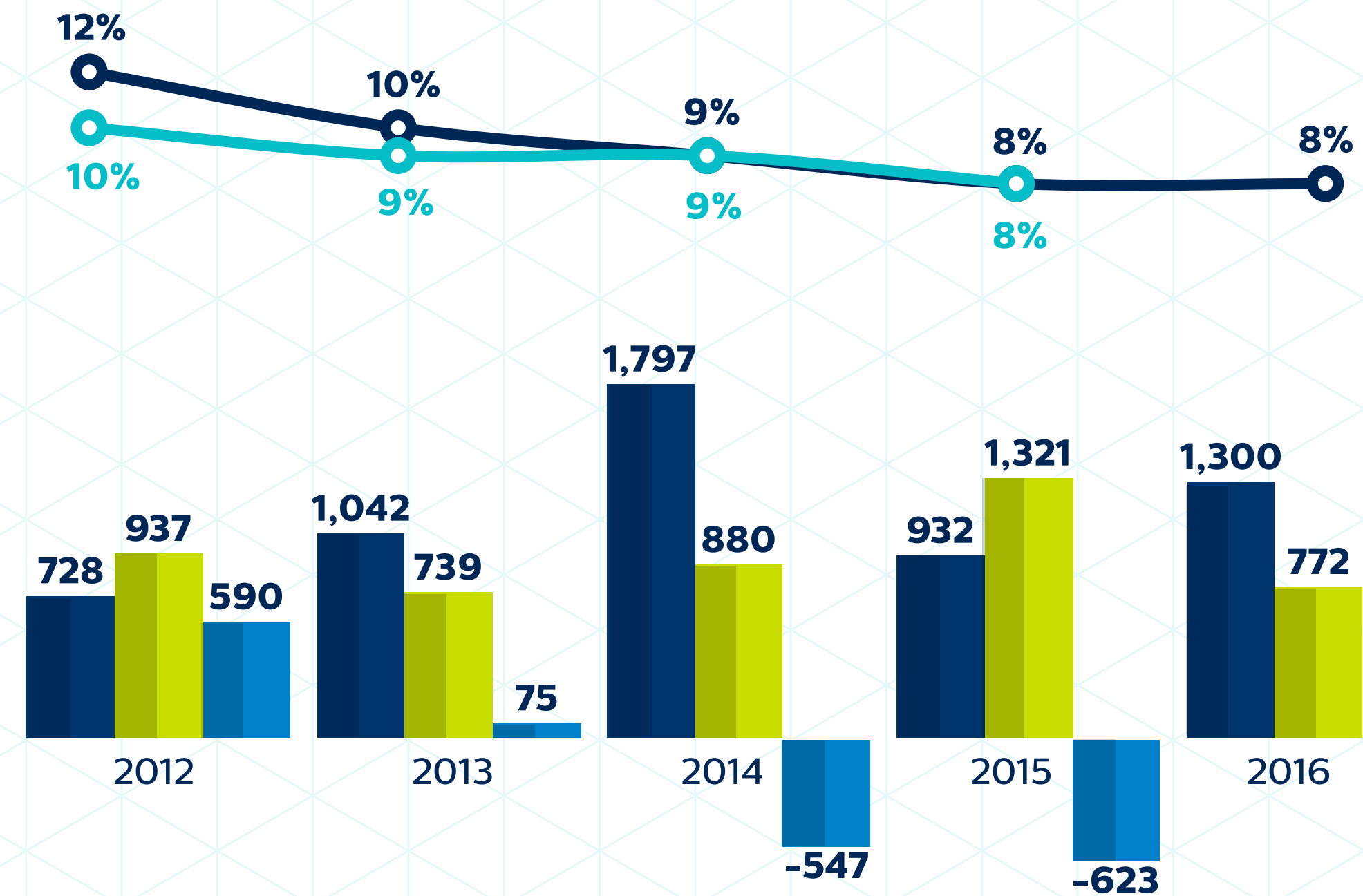


## Net Subscriber Addition & Churn Rate

Türk Telekom Vodafone Turkcell

Market Quarterly Avg. Churn Rate

Türk Telekom Quarterly Avg. Churn Rate



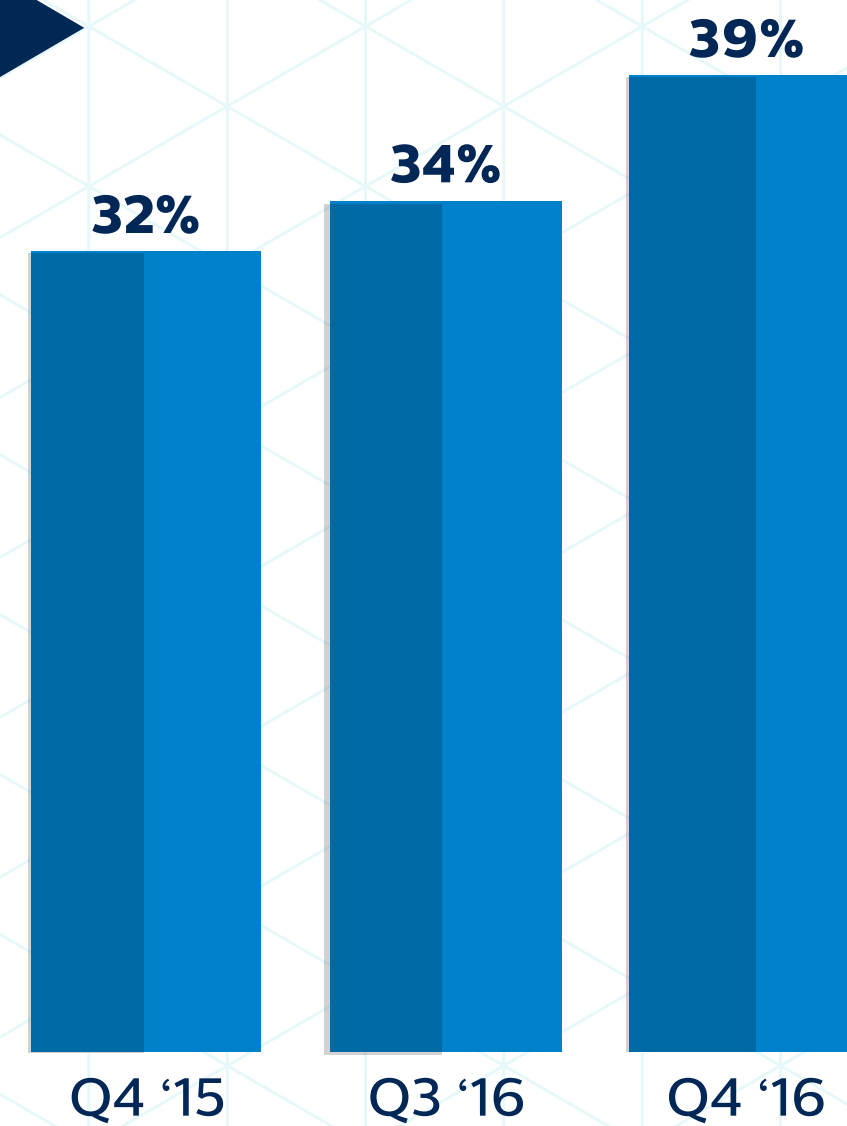
Other operators' data are from their own publications.



# Monetizing Data

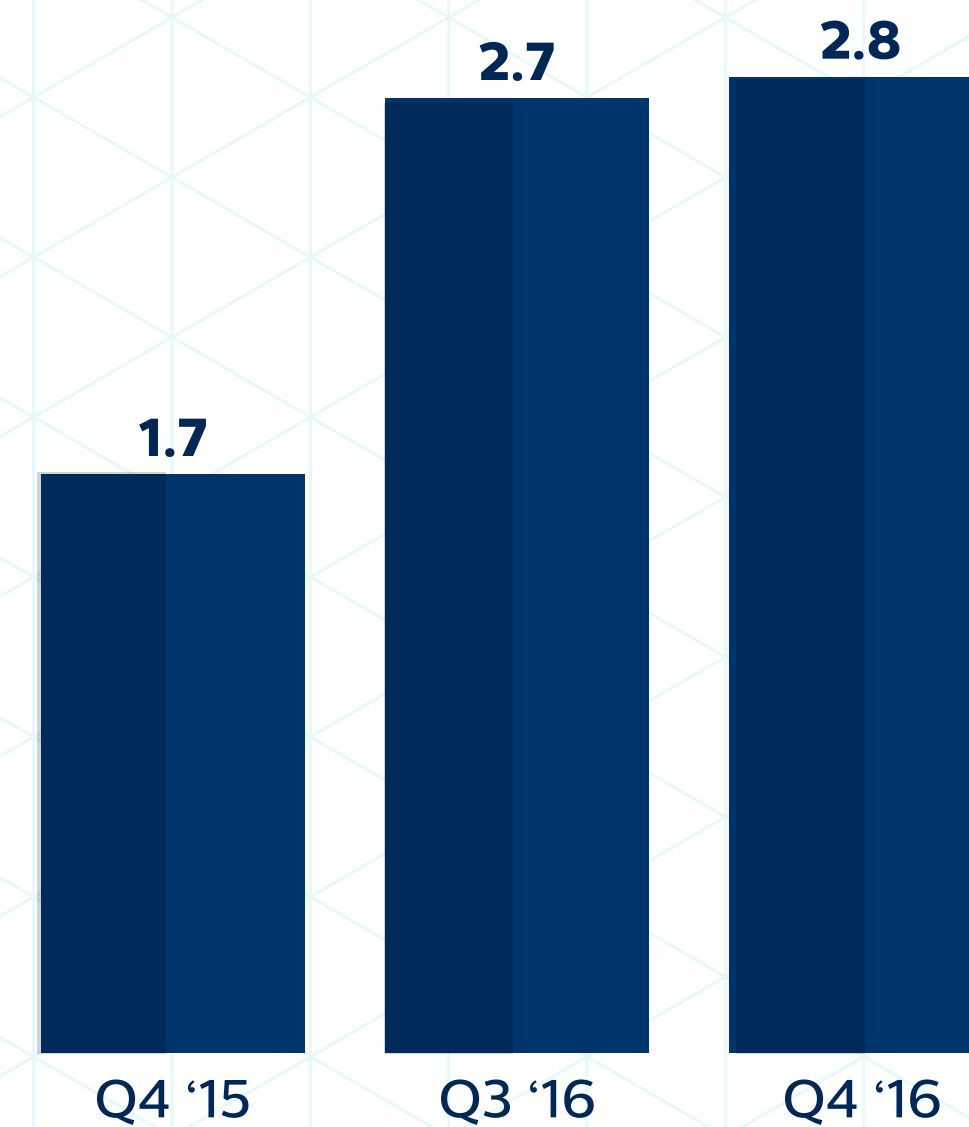
## Data Revenue

(Service revenue shares)



## Avg. Monthly Mobile Data Usage

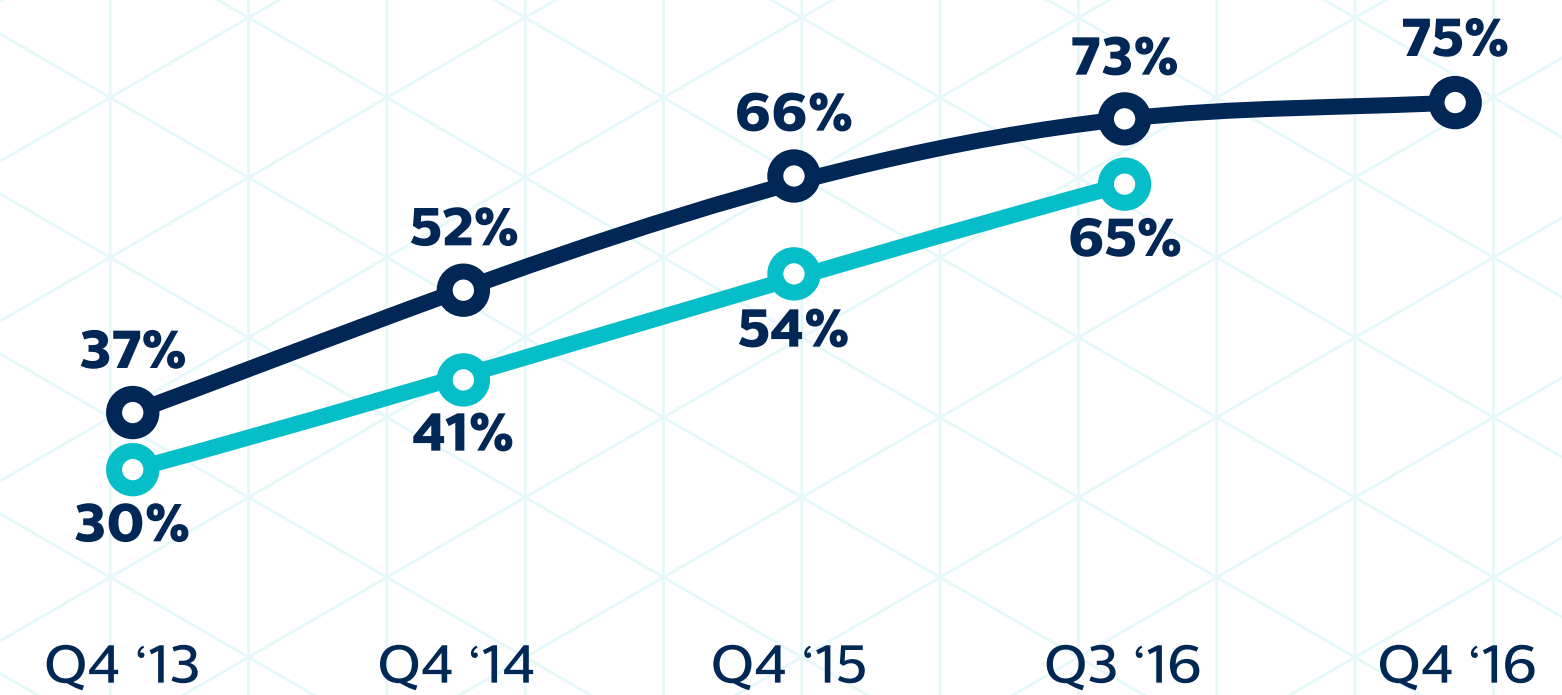
(GB per user<sup>1</sup>)



(1) Türk Telekom smartphone users

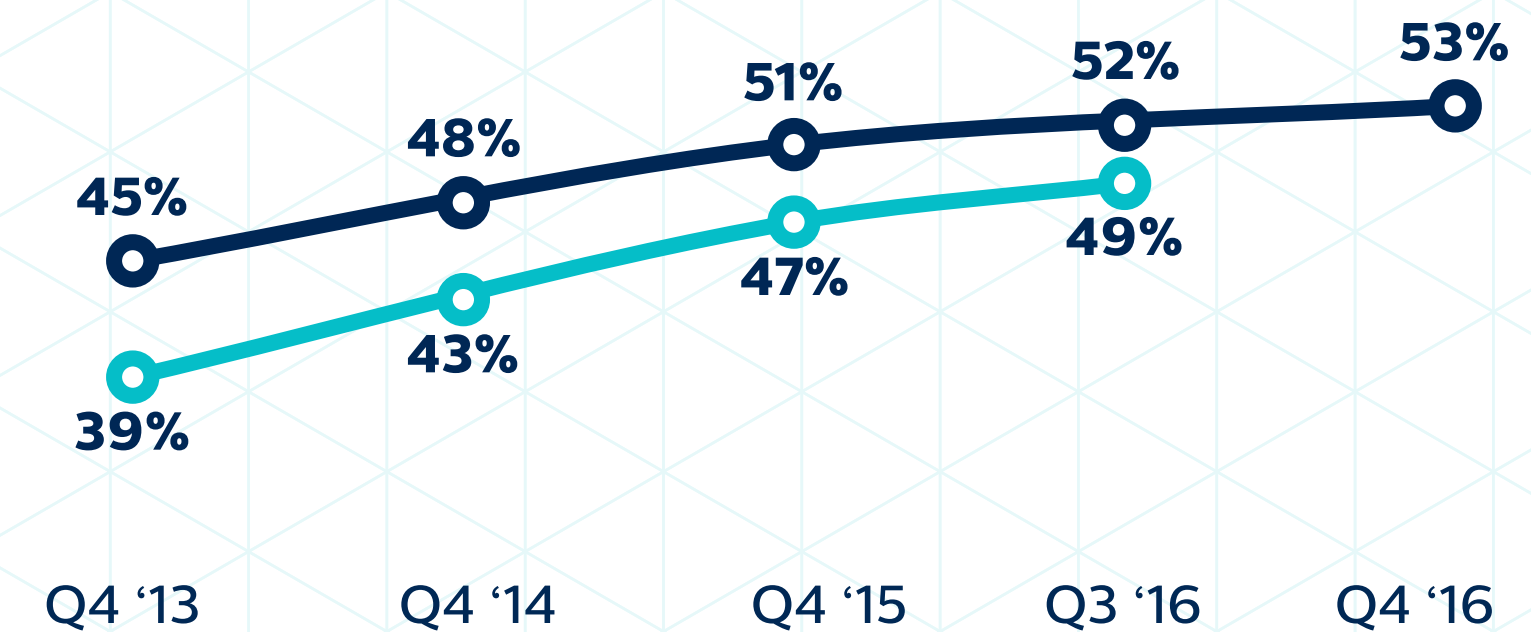
## Smartphone Penetration

Rest of the Market Türk Telekom



## Postpaid Ratio

Rest of the Market Türk Telekom





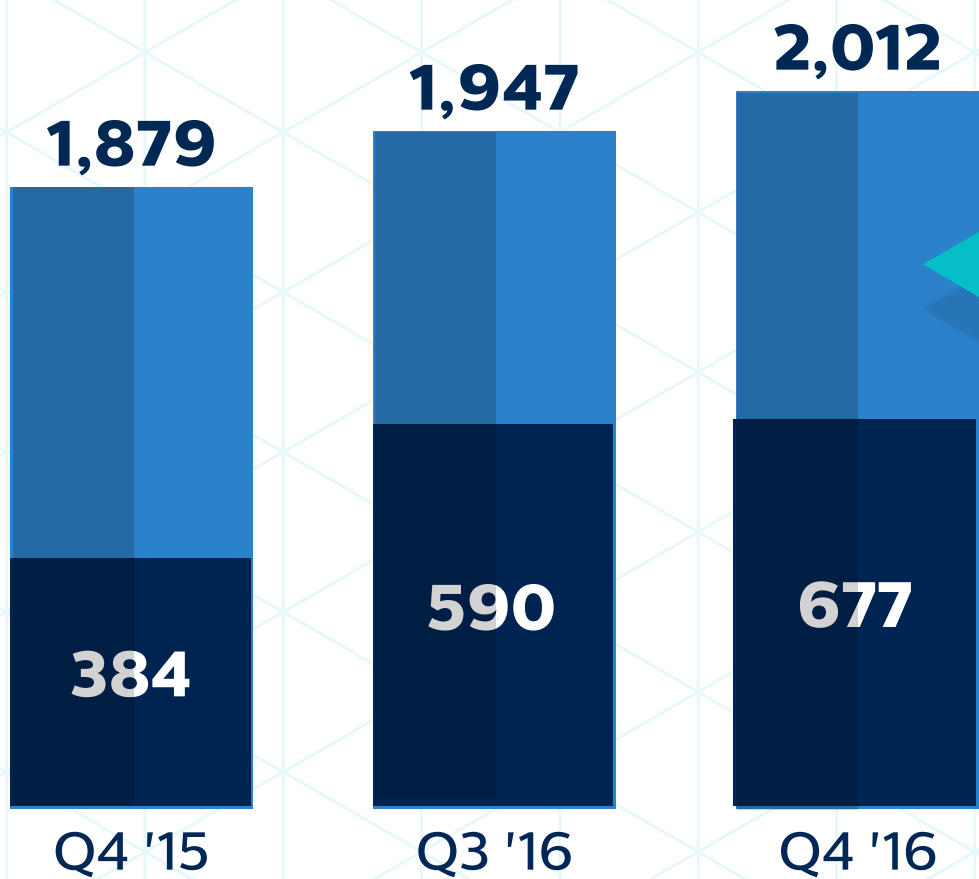
# TV Performance

Türk Telekom Tivibu

## Subscribers

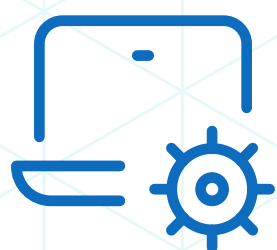
(thousand)

■ Tivibu Go ■ Tivibu Home



Q4 Tivibu  
Home ARPU  
**TL 19.2**

**293K** net additions in 2016  
in Tivibu Home



### Technology



### Exclusive Content

**Türk Telekom**

IPTV + DTH

- ▶ Champions League
- ▶ UEFA Europe League

**Turkcell**

IPTV

English Premier League

**Digiturk**

DTH

Turkish Soccer League

**D-Smart**

DTH

None

**Cable**

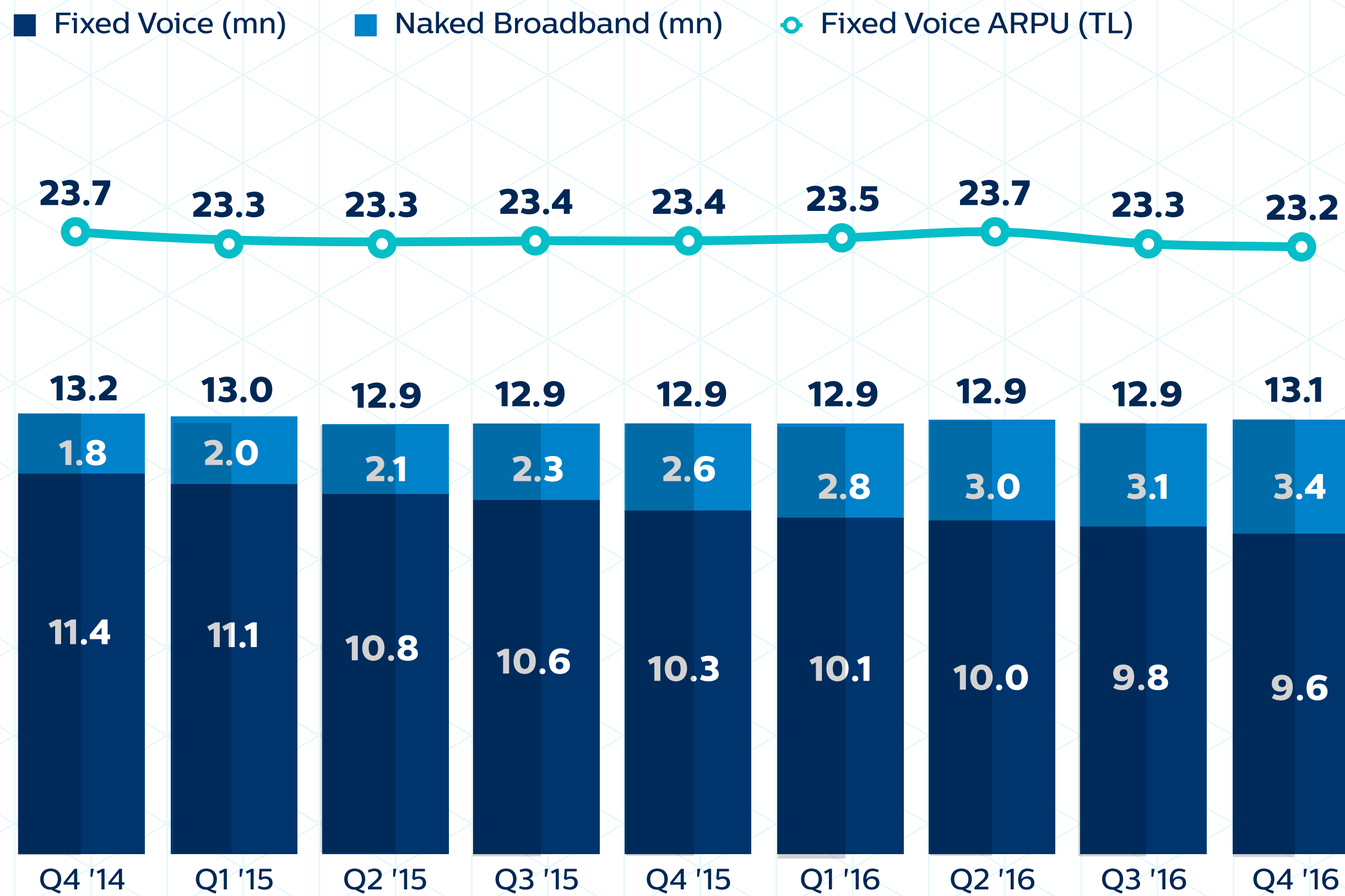
Cable

None



# Fixed Voice

## Access Lines and ARPU



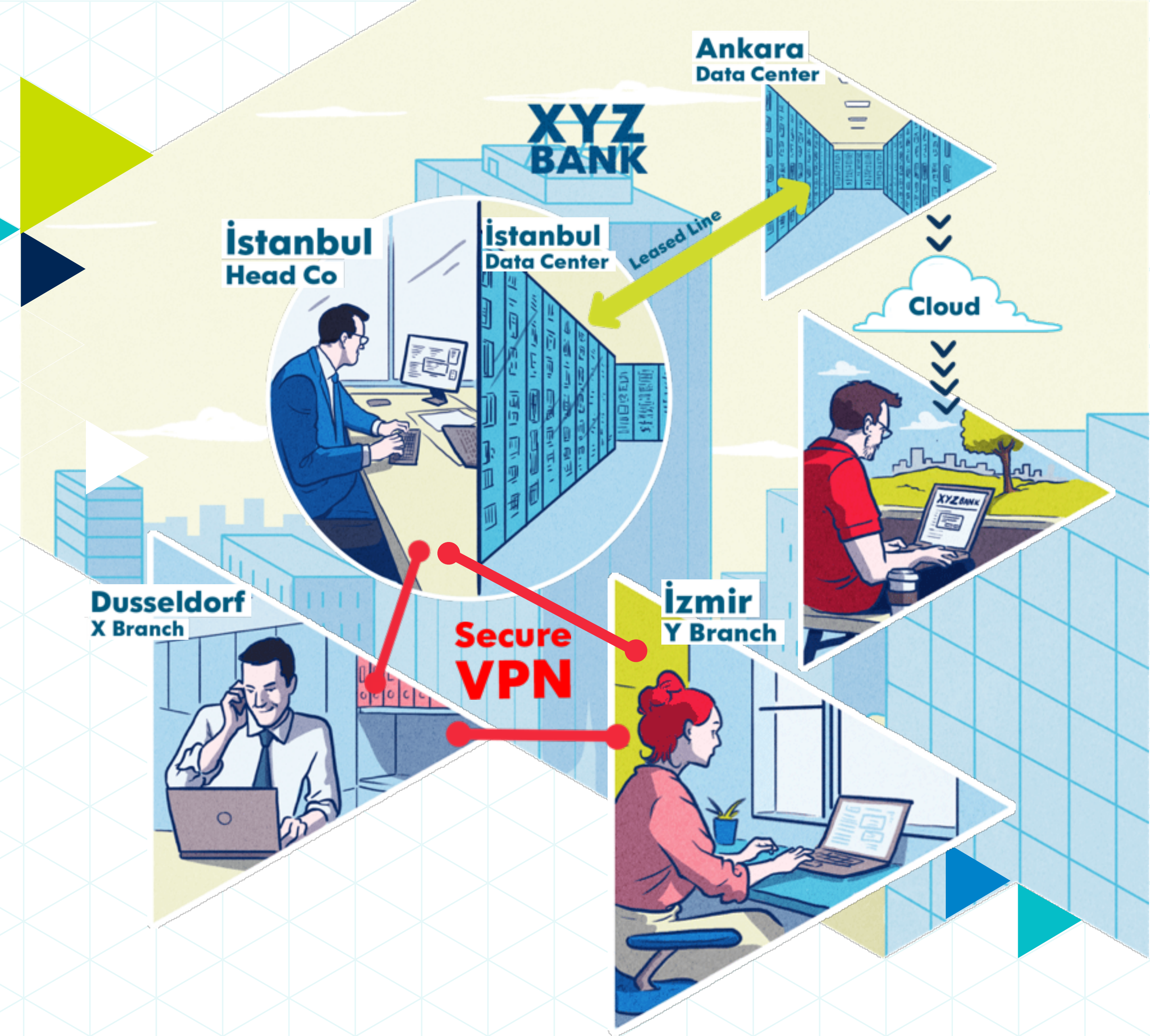
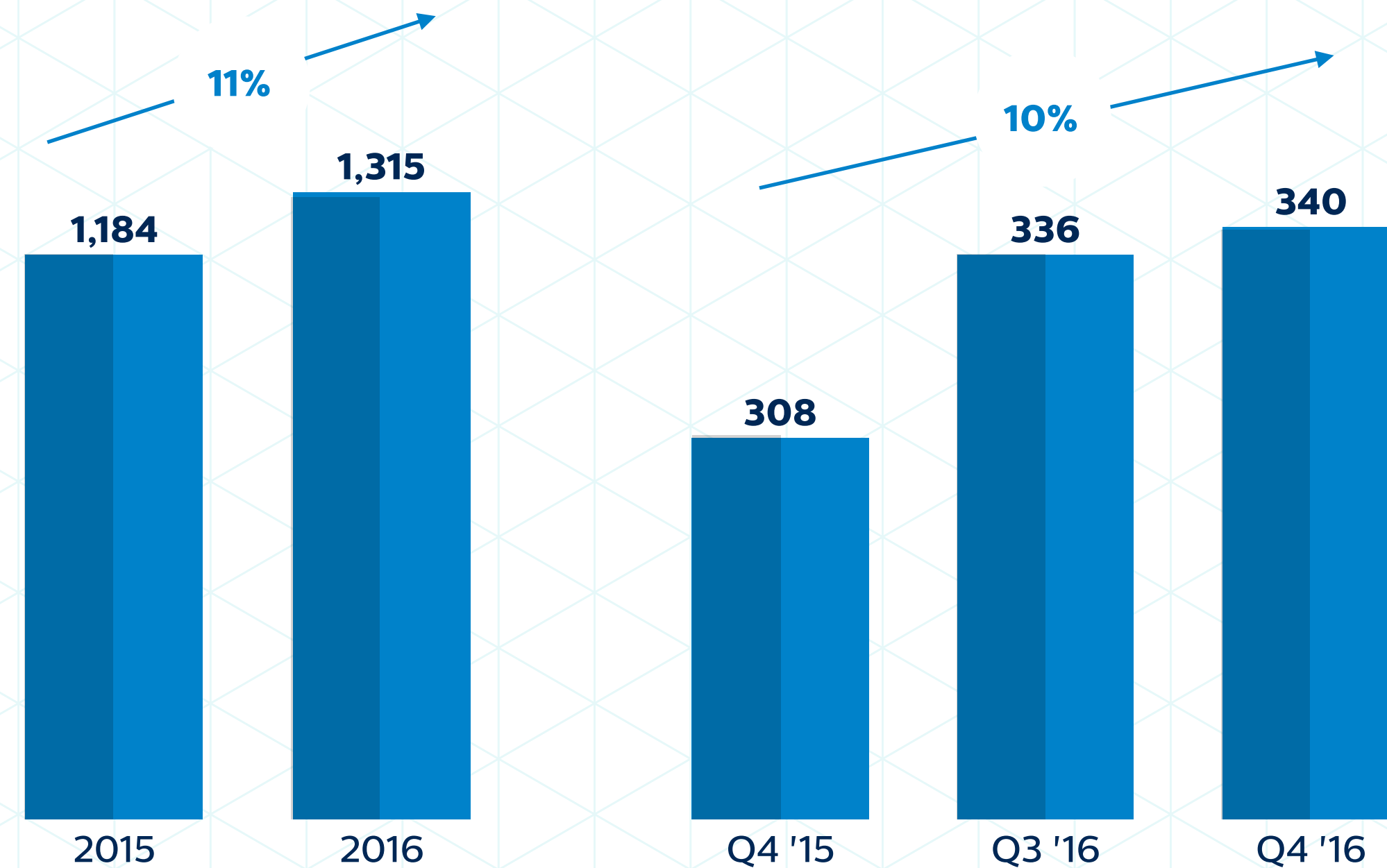


# Corporate Data

- ▶ 8% of our total revenues are generated by corporate data business in 2016
- ▶ Corporate data revenue growth is mainly driven by metroethernet revenues

## Revenues

(TL mn)





# Group Companies

**Türk Telekom**  
INTERNATIONAL

A full range of international data infrastructure, internet, and wholesale voice services  
Operating in over 40 countries.  
Over 40,000 km of own fiber optic network

**ARGELA**

R&D innovation company focusing on the next generation telecommunication technologies  
Developing intellectual property for 5G and 5G enabling technologies  
Partner of Turkey's first and only national 4G-LTE/5G base station development project "ULAK"

**innova**

Leading software developer and system integrator  
ICT consulting, design, application development, integration and support services.  
End-to-end solutions in Healthcare Campus Projects

**Türk Telekom**

**aSSiSTT**

Strategic partner for leading private enterprises and public institutions providing call center services as well as value added services for their sales and marketing activities

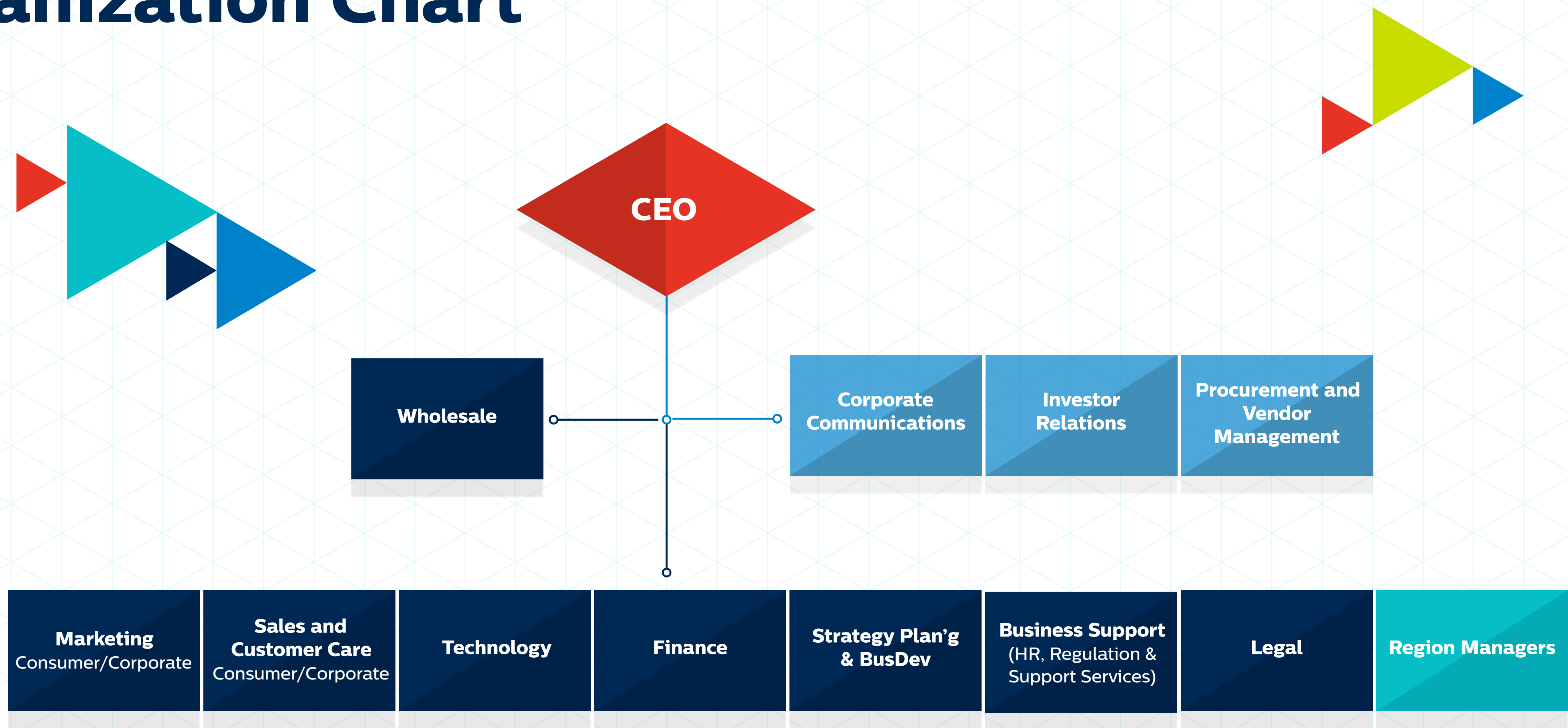
**s e b i t**

Largest educational technologies with 29 years of R&D experience  
interactive E-Education products: Raunt, Vitamin  
Providing content and platform to E-Education Transformation project (FATİH)

While Türk Telekom unified mobile, fixed voice, fixed broadband and TV brands under single "Türk Telekom" brand, TTNET A.Ş., and Avea İletişim Hizmetleri A.Ş. legal entities remain intact



# Organization Chart



■ AGM ■ Director





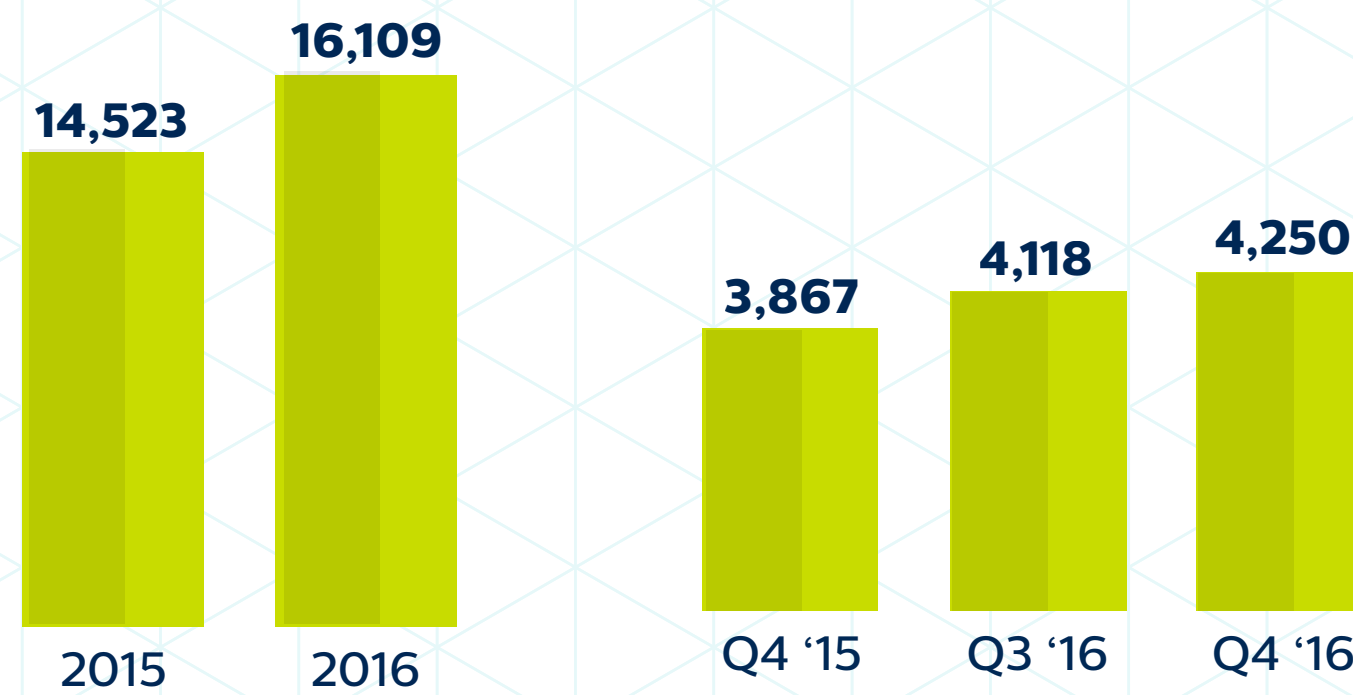
# Financials



# Financial Performance

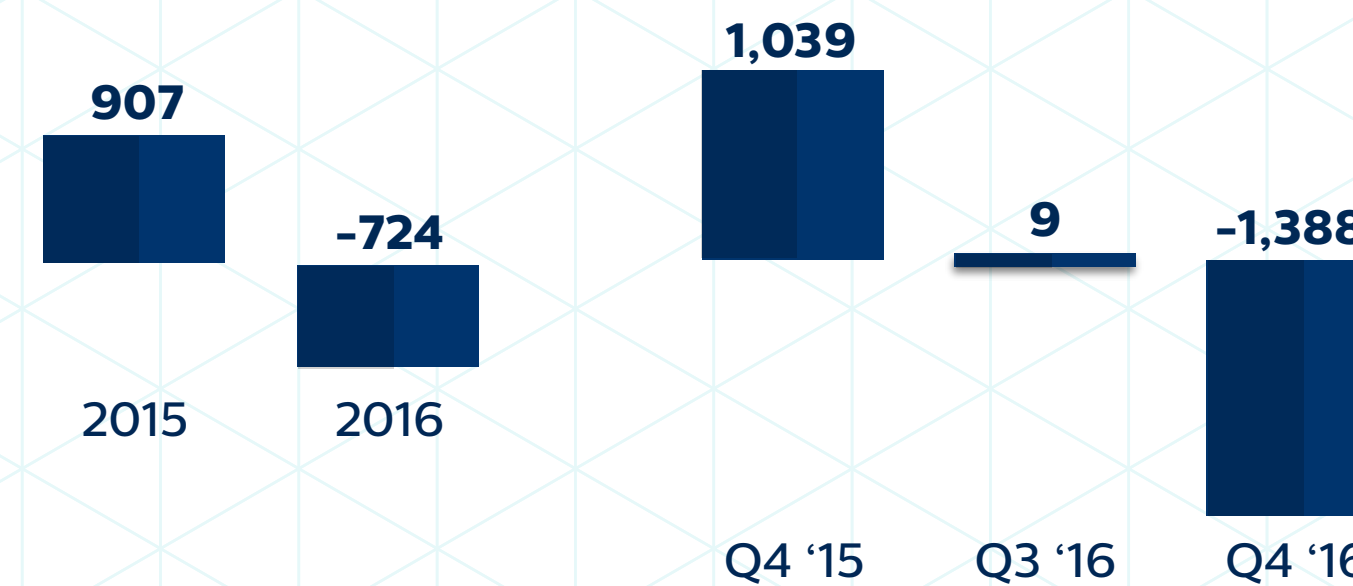
## Revenue

(TL mn)



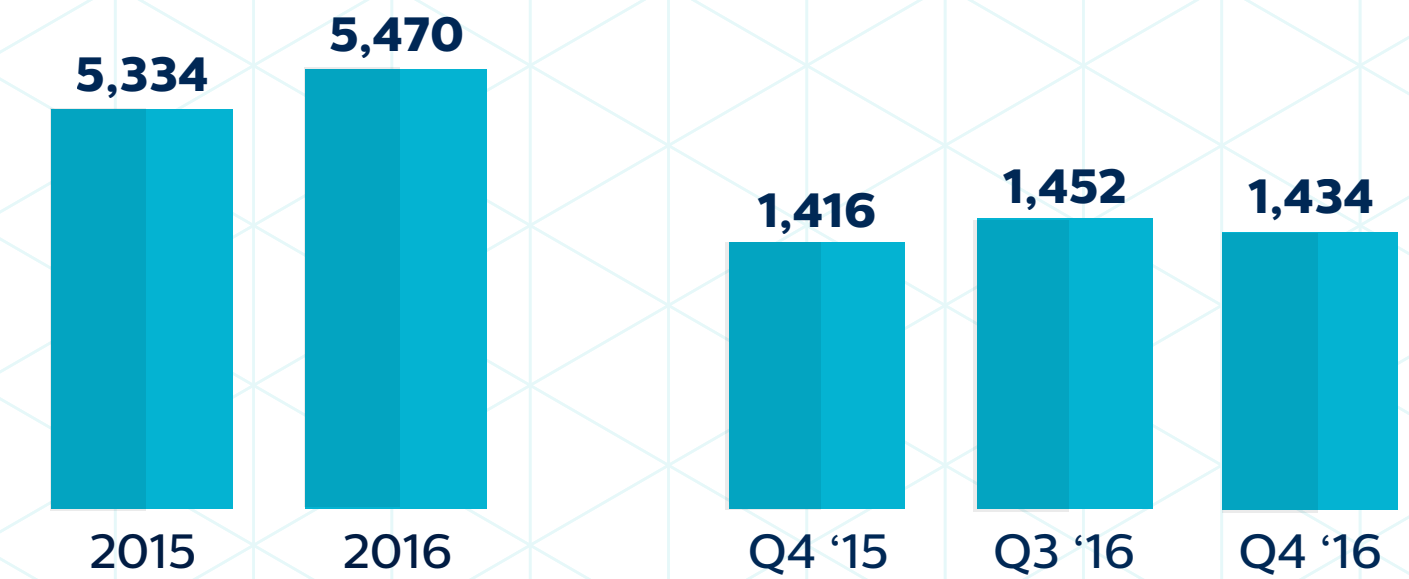
## Net Income

(TL mn)



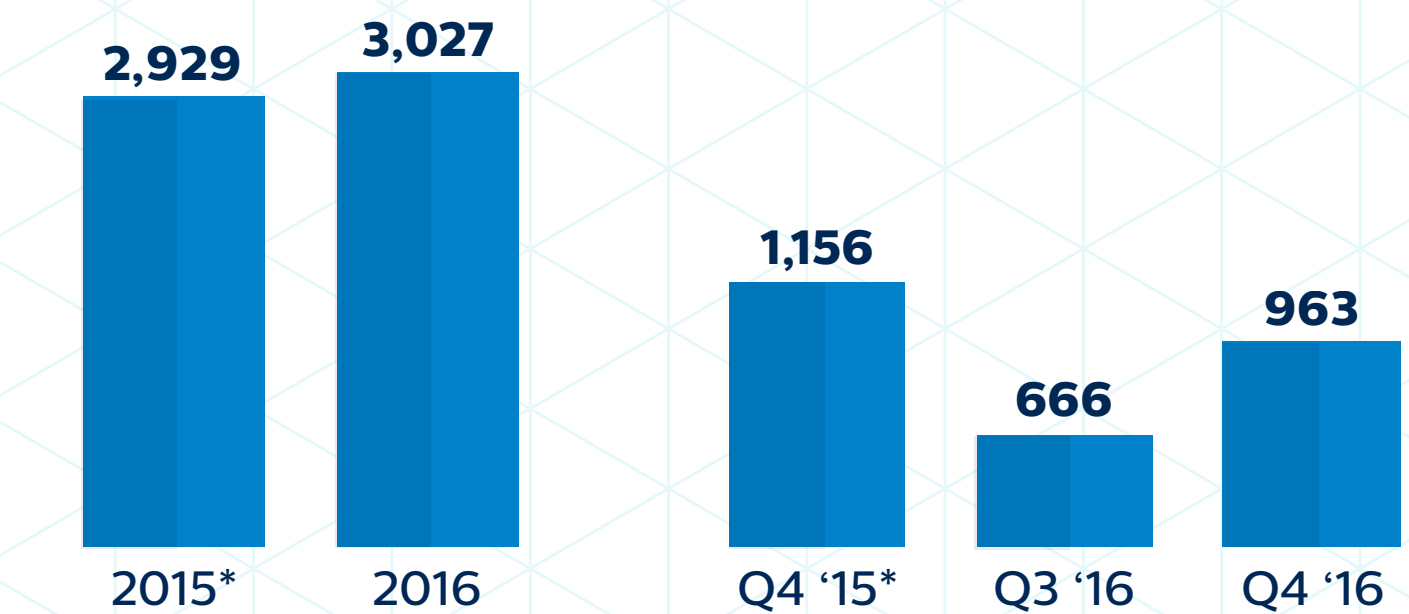
## EBITDA

(TL mn)



## Capex

(TL mn)

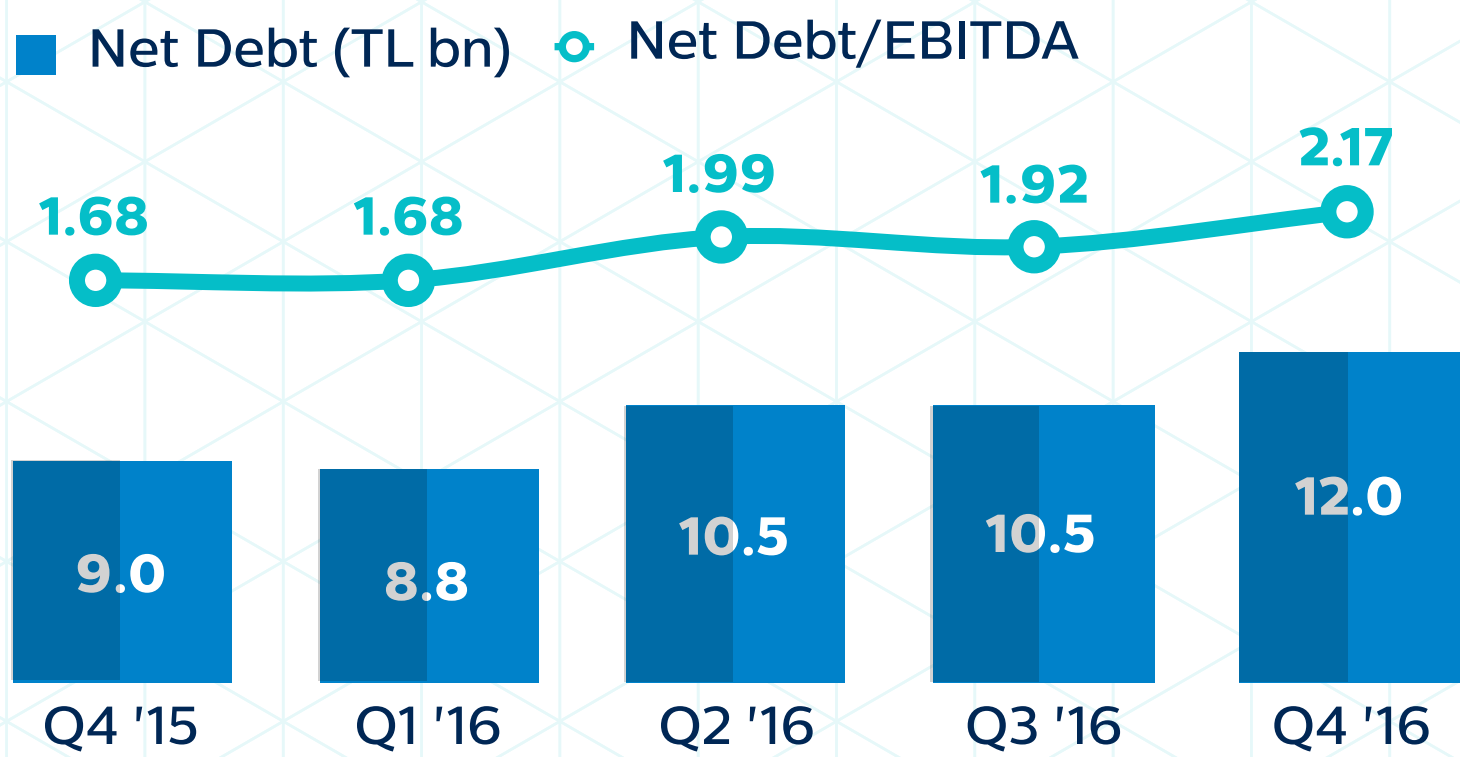


\*Excludes license fee payment



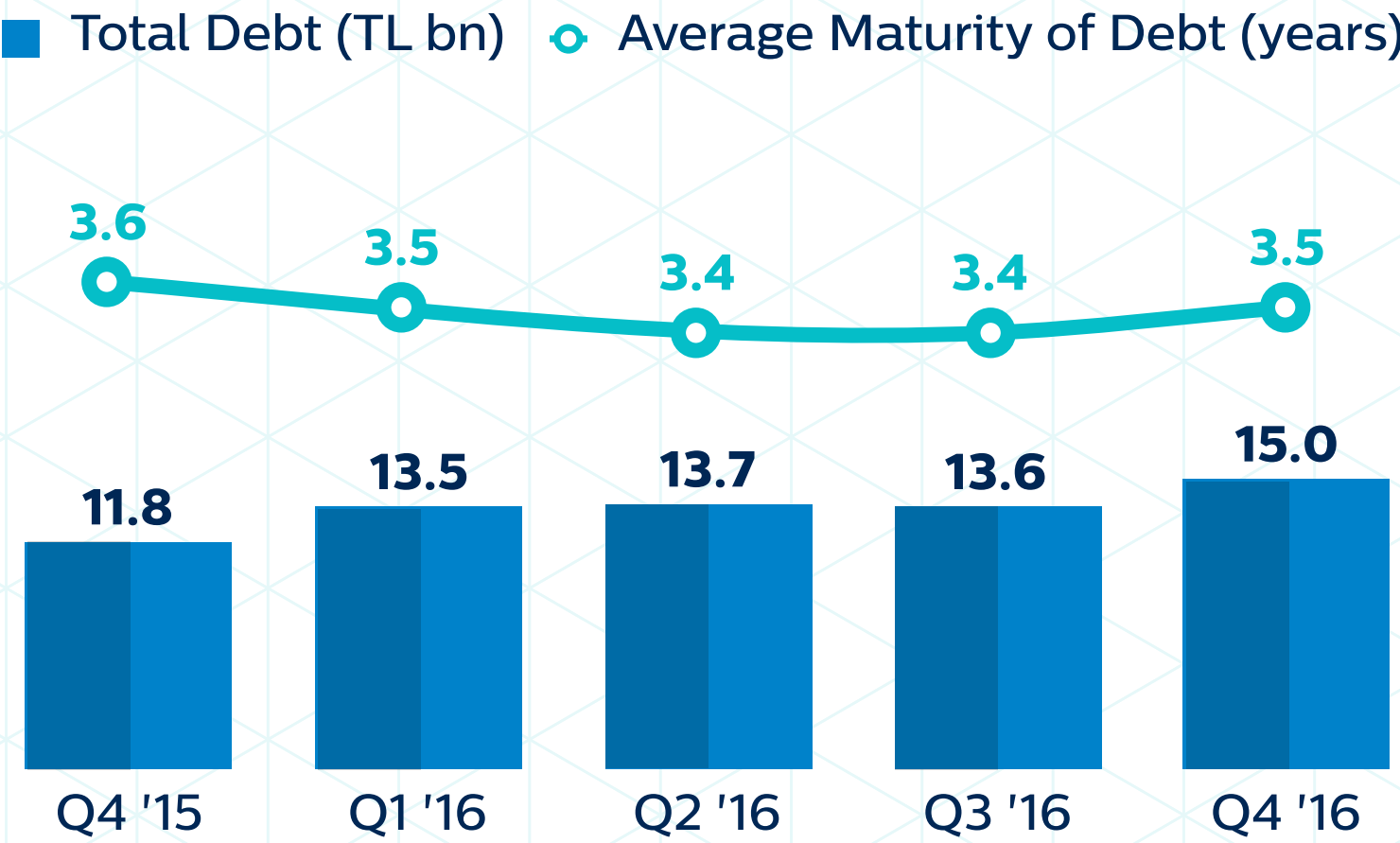
# Debt Profile

## Net Debt

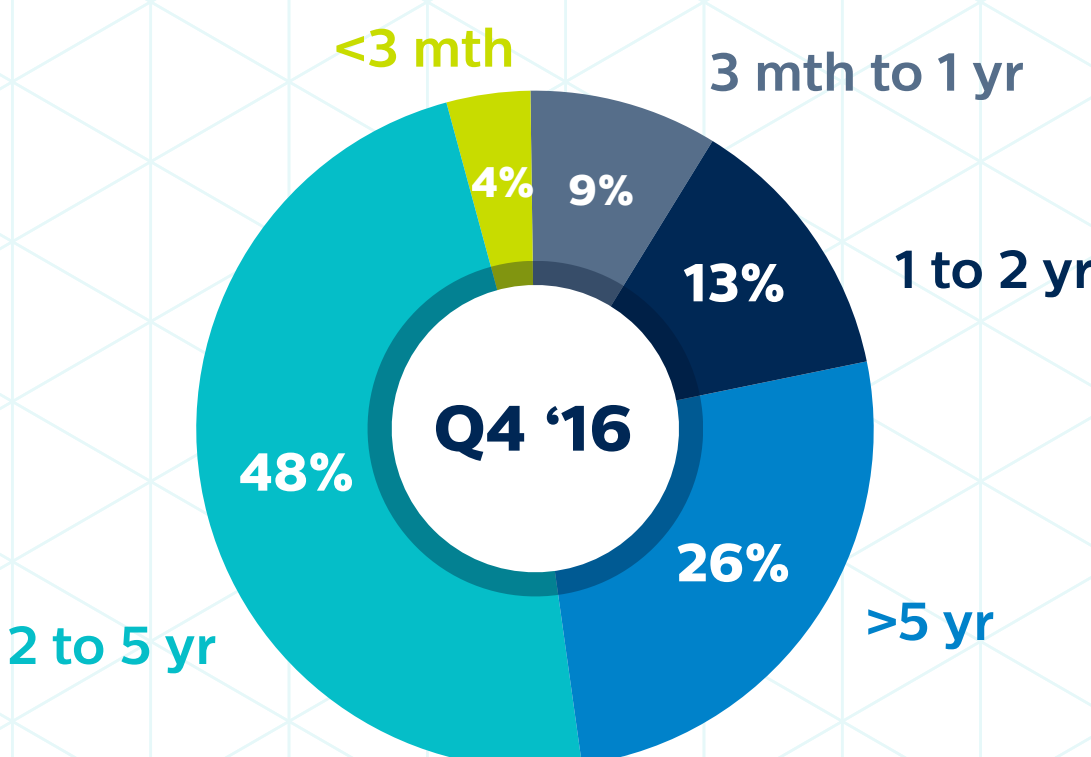


Note: As of Dec-16, EBITDA in Net Debt/EBITDA calculation excludes extraordinary claims

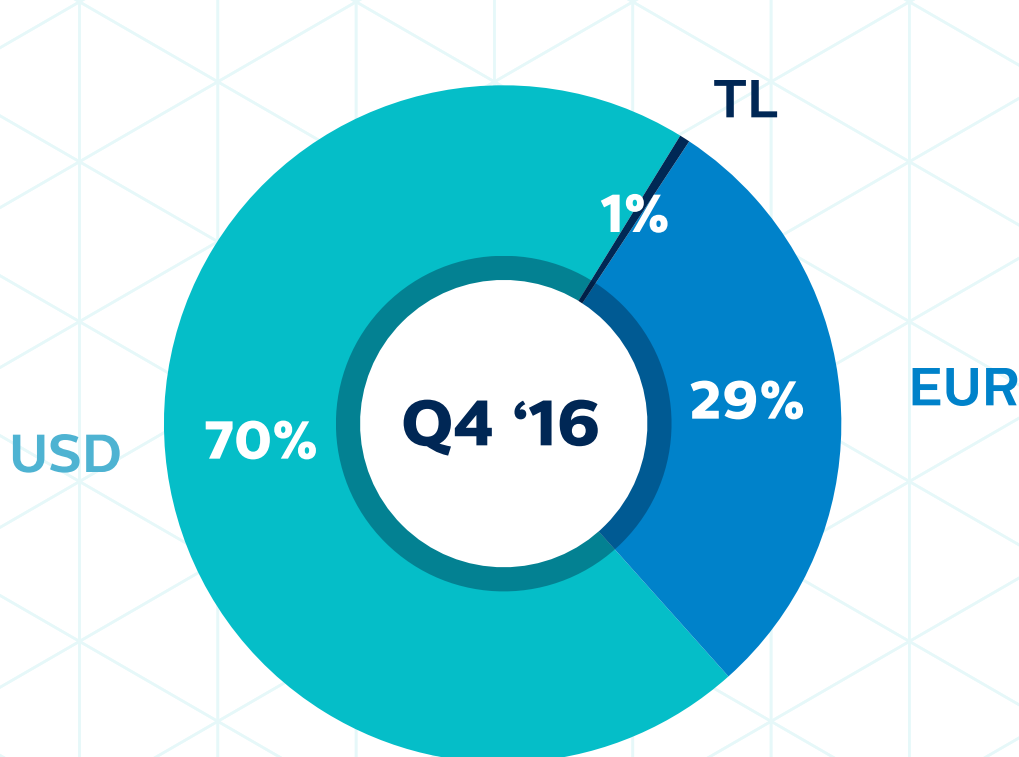
## Average Maturity of Debt



## Maturity Profile

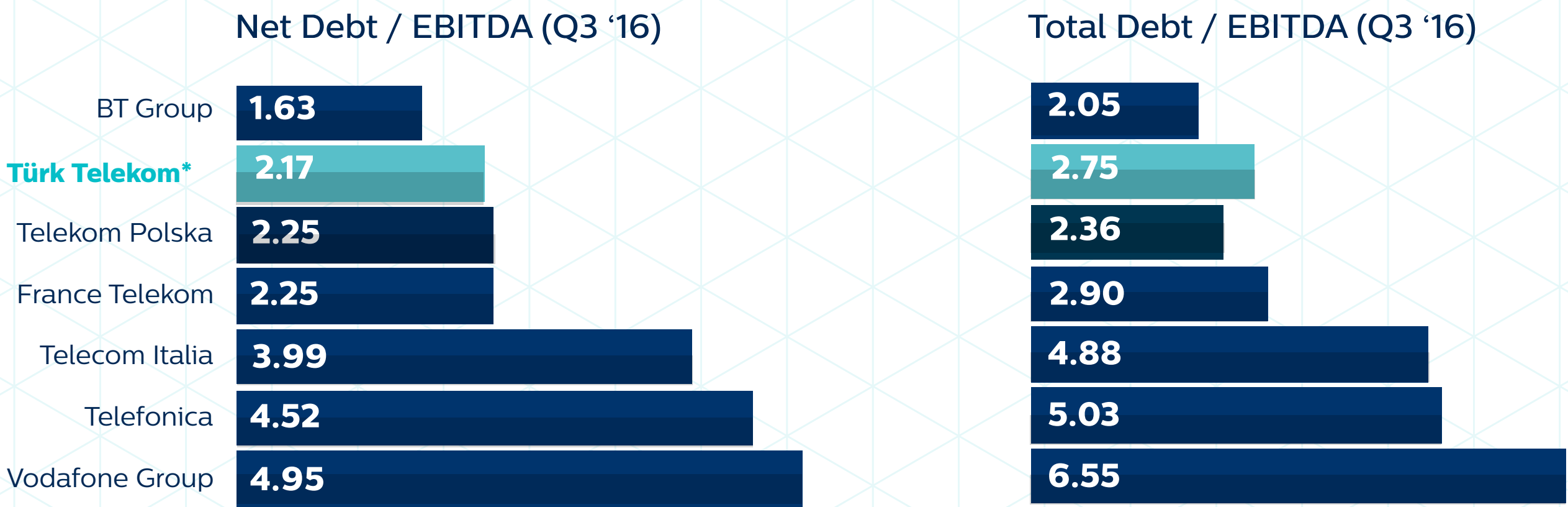


## Debt Breakdown



Note: Hedging activities are available on financial footnotes

## Low debt burden compared to peers



\*Türk Telekom's ratios are calculated from Q4'16 numbers



# Guidance

TL mn	2015 YE	2016 YE	2017 Guidance
<b>Revenue</b> (exc. construction adjustment) <sup>1</sup>	<b>14,190</b>	<b>15,696</b>	<b>8% to 9% growth</b>
<b>EBITDA</b>	<b>5,334</b>	<b>5,470</b>	<b>TL 5.8 to 6.0bn</b>
<b>CAPEX<sup>2</sup></b>	<b>2,929</b>	<b>3,027</b>	<b>~TL 3bn</b>

(1) Construction accounting 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

(2) Excluding license fees



# Appendix

The background of the slide is a collage of business-related images. On the right, a man with glasses and a beard, wearing a blue shirt, is looking at a laptop. In the center, a man with a beard, wearing a grey shirt, is gesturing with his hand while smiling. On the left, a woman with long hair, wearing a blue shirt, is looking down at a document. The background also shows other people in an office setting. A large white triangle points from the left towards the center, and a series of smaller triangles in dark blue, teal, yellow, and red are arranged in a row at the bottom left.



# Summary Income Statement



(TL mn)	2015	2016	YoY Change	Q4 '15	Q4 '16	YoY Change
Revenues	14,523	16,109	10.9%	3,867	4,250	9.9%
EBITDA	5,334	5,470	2.6%	1,416	1,434	1.3%
Margin	36.7%	34.0%		36.6%	33.8%	
Operating Profit	3,062	2,621	(14.4%)	801	658	(17.8%)
Margin	21.1%	16.3%		20.7%	15.5%	
Financial Income / (Expense)	(1,801)	(3,018)	67.6%	470	(2,180)	n.m.
FX & Hedging Gain / (Loss)	(1,659)	(2,517)	51.7%	469	(2,007)	n.m.
Interest Income/(Expense)	(1)	(360)	n.m.	72	(90)	n.m.
Other Financial Income/ (Expense)	(141)	(141)	0.0%	(71)	(84)	18.2%
Tax Expense	(398)	(328)	(17.7%)	(232)	134	n.m.
Net Income	907	(724)	n.m.	1,039	(1,388)	n.m.
Margin	6.2%	n.m.		26.9%	n.m.	

Note: FX Rates used in financial income/expense calculation are as follows: **December -16:** USD/TRY: 3.5192; EUR/TRY: 3.7099; **December-15:** USD/TRY: 2.9076; EUR/TRY: 3.1776.



# Summary Balance Sheet

(TL mn)	31.12.2015	30.09.2016	31.12.2016
<b>Total Assets</b>	<b>25,774</b>	<b>26,590</b>	<b>26,874</b>
Intangible Assets <sup>1</sup>	8,217	8,038	8,341
Tangible Assets <sup>2</sup>	8,565	8,761	8,710
Other Assets <sup>3</sup>	6,154	6,641	6,806
Cash and Equivalents	2,838	3,150	3,016
<b>Total Equities and Liabilities</b>	<b>25,774</b>	<b>26,590</b>	<b>26,874</b>
Share Capital	3,260	3,260	3,260
Reserves, Retained Earnings and Other Equity Items	1,733	1,433	126
Interest Bearing Liabilities <sup>4</sup>	11,803	13,615	15,041
Provisions for Employee Termination Benefits	635	614	696
Other Liabilities <sup>5, 6</sup>	8,342	7,669	7,751

(1) Intangible assets excluding goodwill

(2) Tangible assets include property, plant and equipment and investment property

(3) Major items within other assets are trade receivables, prepaid expenses, other current assets and deferred tax asset

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

(5) Major items within other liabilities are deferred tax liability, trade payables, provisions, income tax payable, employee benefit obligations, deferred revenue, other current liabilities, and minority put option liability

(6) As of Q3 '15 minority put option liability was terminated due to acquisition of minority shares of Avea



# Q & A



## Türk Telekom Investor Relations

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# Thank you



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