

# Türk Telekom

## H1 2009 - Investor Presentation

July 2009

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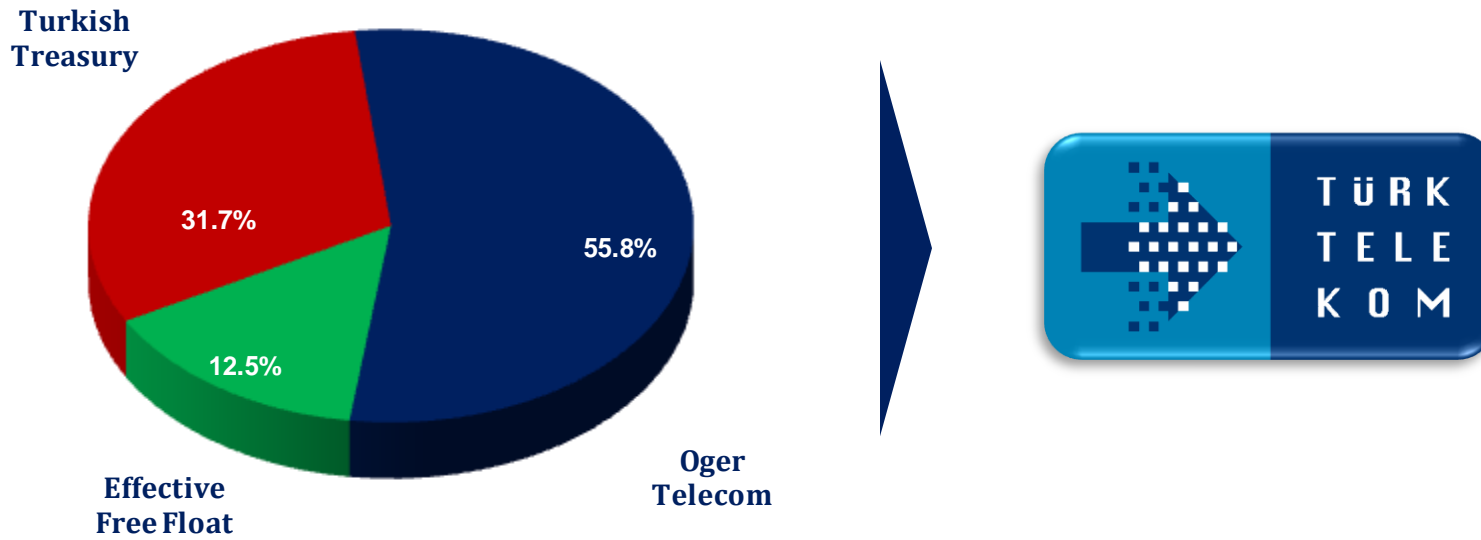
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**Note:** EBITDA numbers in this presentation include revenues, direct cost of revenues, selling and marketing expenses, general administrative expenses, research & development costs, and other operating income/(expense), but exclude depreciation and amortization cost, financial income/(expense), income/(loss) from related parties, and minority interest.

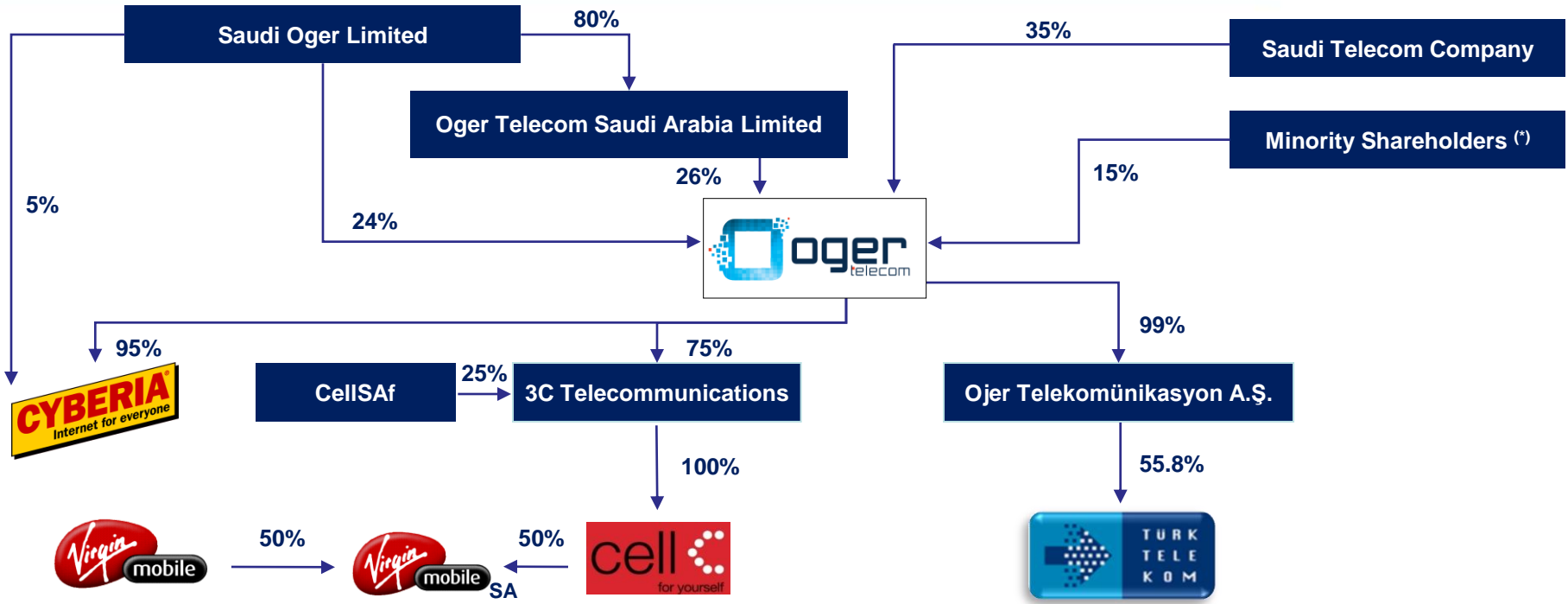
# Section I: Türk Telekom Overview

# Ownership Structure - Türk Telekom



- ✓ Oger Telecom appoints 6 Board Members
- ✓ Turkish Treasury appoints 4 Board Members (1 of which represents Golden Share)

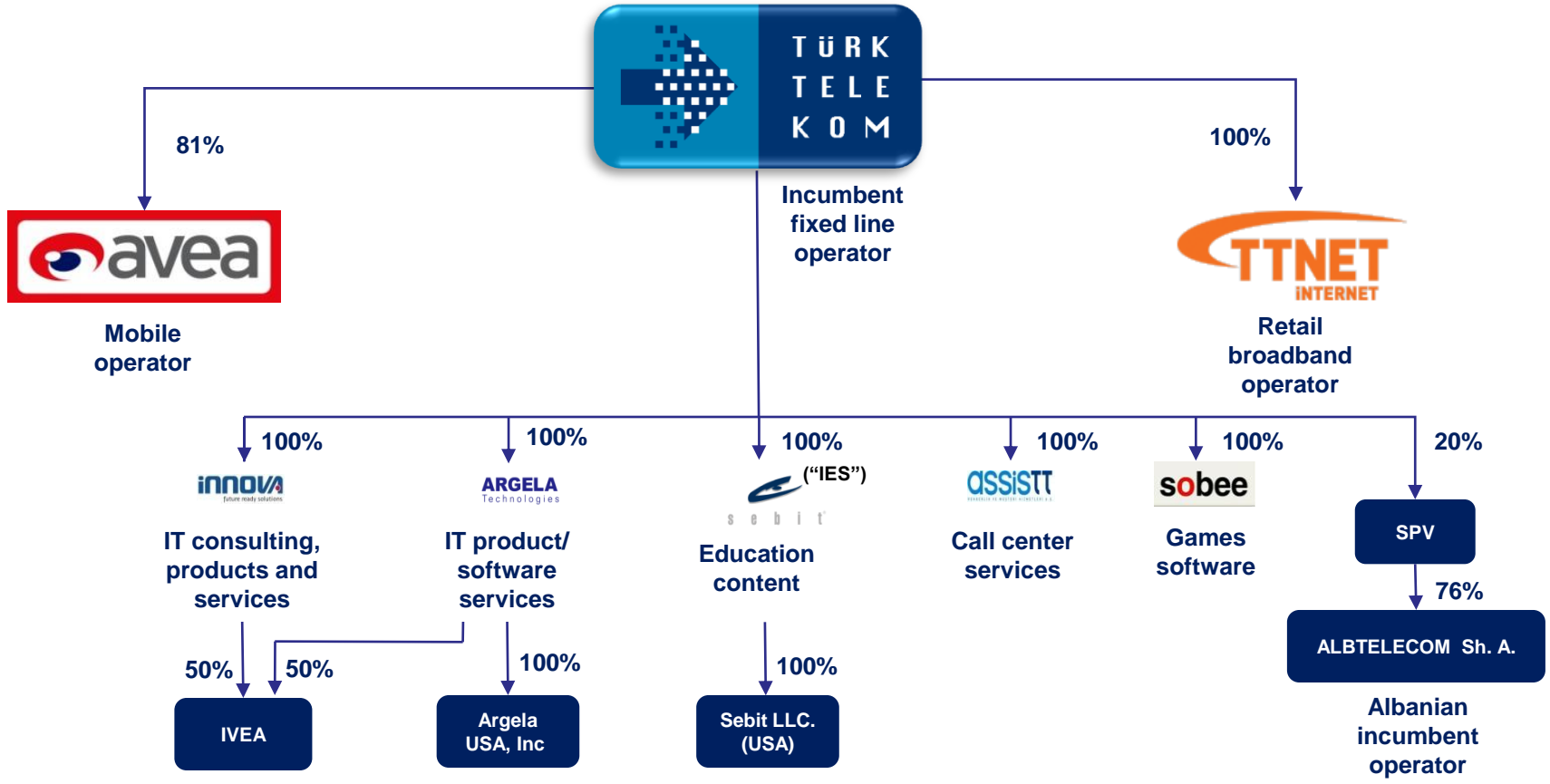
# Ownership Structure – Oger Telecom



(\*) Among Oger Telecom’s direct and indirect minority shareholders are regional and ‘blue chip’ global financial investors.



# Group Structure



# Business Overview

Stability in PSTN core business

Leading and growing broadband operator

Challenger mobile business



Design, implement and manage integrated communication solutions with convergence to drive collaboration, business flexibility and growth

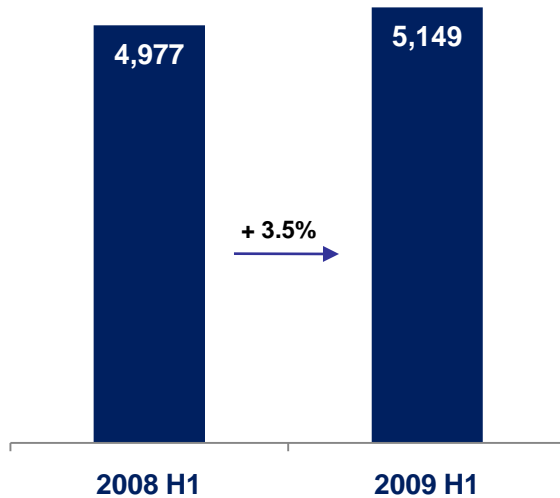


## Section II: Türk Telekom Consolidated

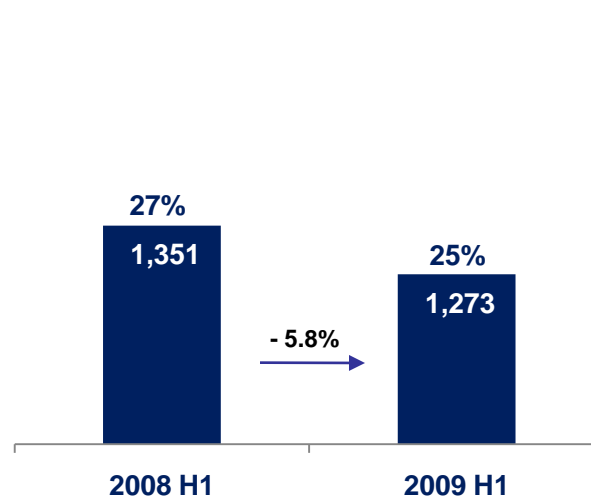


# Consolidated Performance

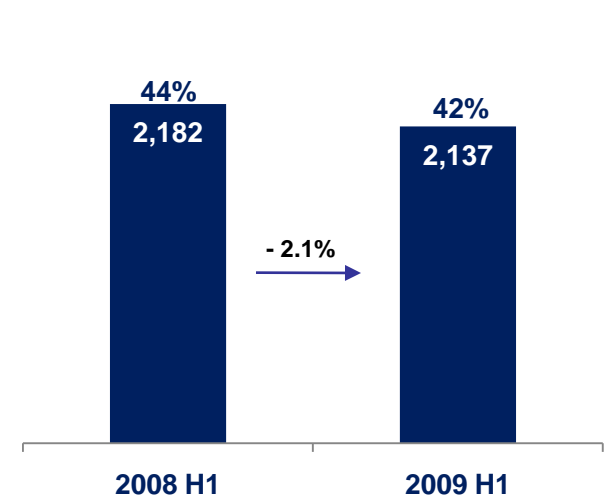
## Revenue (TL millions)



## Operating Profit (TL millions)



## EBITDA (TL millions)



- ✓ Revenue growth is in line with expectations with mobile growth continuing to accelerate as the key driver for achieving growth guidance for the year
- ✓ Consolidated EBITDA margin maintained at low 40%s despite mobile price wars and cost of investment in mobile growth

# Regulatory Environment

- ✓ **FNP postponed to September 2009**
- ✓ **Alternative operators with local call licenses are expected to start services in H2 09**
- ✓ **Competition Board resolution on naked-ADSL being challenged at the court**
- ✓ **MVNO regulation is in place**
- ✓ **Wimax licenses expected in H2 2009**
- ✓ **MTR cut (29% on average) effective from May 1<sup>st</sup> , 2009**
- ✓ **Ongoing compliance issues regarding Turkcell's onnet pricing**

# Section III: Fixed Line Business

# Convergence Initiatives

- ✓ **Wi-Phone (Call origination and termination service over internet connected end devices) will be launched in August 2009**
- ✓ **WIRO “I-Pass” agreement has been finalized with a planned launch date in H2 2009 (I-Pass: Wireless roaming service over 100K hotspots in more than 160 countries)**
- ✓ **TT-MSN live call service will be launched in H2 2009**
- ✓ **IP based call origination & termination services and numbering for IP based nomadic services approved by Telecom Authority**
- ✓ **Calls between Videophones and PSTN now possible**
- ✓ **IP Centrex will be launched in H2 2009 (enables IP-based services as well as connectivity to the regular telephone system)**



# PSTN Initiatives

- ✓ **Bundle Packages** now constitute approximately 10% of total subscriber base
- ✓ **GSM and international add-on tariffs** to be launched in H2 2009
- ✓ **Retention and acquisition campaigns** launched

JEMBEY'DEN BEKLENEN HABER:

## Jettvel'e geç, faturanı sen seç!

Jettvel 100	Jettvel 200	Jettvel 300
197 TL	237 TL	277 TL
100 dakika	200 dakika	300 dakika
+100	+200	+300



Jettvel herkesten daha çok konuşacak, daha az ödeyecek!  
Her yeni telefonunla bir Jettvel'e geçebilirsin.  
Jettvel kampanyası hakkında detayları, Jettvel karakteri hakkında bilgi için her hafta  
www.jettvel.com.tr adresine ulaşabilirsin.

TURK TELEKOM



SINIR TANIMAYANLAR'DAN

## Jettfon

TURK TELEKOM

# ADSL Initiatives

- ✓ NET packages (up to 8 Mbps) launched in May with strong take-up reaching 4% of total customer base in one month
- ✓ Complementary mobile internet package (Flying Internet) launched in Q2 09 to enhance customers' internet experience (3G USB dongle, 250 MB mobile data provided by AVEA, 10 hours Wi-Fi)
- ✓ Games on Demand service has been launched on TTNET Game Portal; users can access hundreds of downloadable PC games
- ✓ Wi-Fi hot spots around 4,300
- ✓ Try Three & Pick One campaign (initiated around tax cut ) continues

TTNET  
**UÇAN**  
INTERNET



TTNET  
**OYUN**

TTNET  
**WiFi**  
KABLOSUZ İNTERNET

TTNET  
**GÜVENLİK**

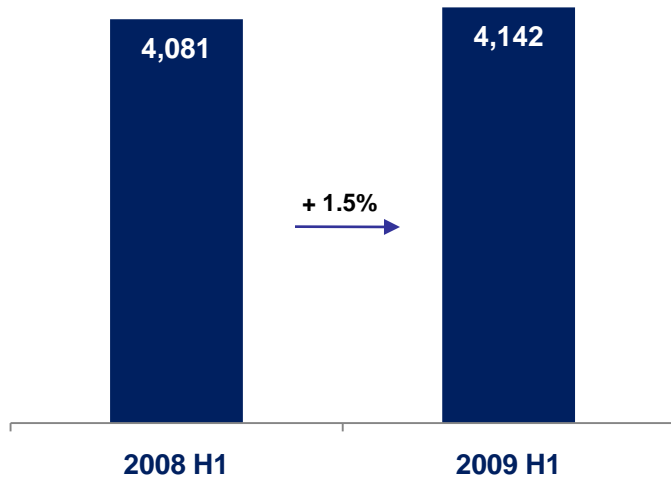
TTNET  
**Müzik**

# Fixed Line Competition

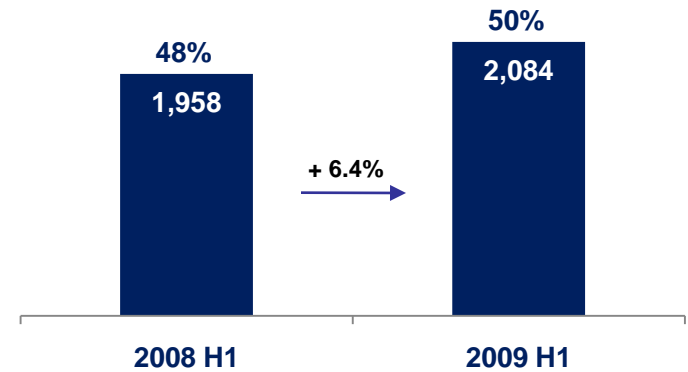
- ✓ **FNP postponed to September 2009**
- ✓ **Alternative operators with local call licenses are expected to start services in H2 09**
- ✓ **TT's positive discrimination for ISP's other than TTNET continues.**
- ✓ **KoçNet / Biri offers 50% discount for the first 2 months with 24 months contract; also offers low priced local call service in ADSL packages**
- ✓ **Doğan / Smile double-play offering continues (ADSL & Satellite TV)**
- ✓ **Tellcom / Superonline continues fiber access offering with speeds up to 100MB in selected locations ; also offers free 150 minutes local calls with some ADSL packages**
- ✓ **Turksat / UyduNet (Cable Broadband) offers basic 1MB package free for 3 months with 24 months contract; also offers faster connections with speeds up to 20 MB**

# Fixed Line Revenue & EBITDA Highlights

## Revenue (TL millions)



## EBITDA (TL millions)

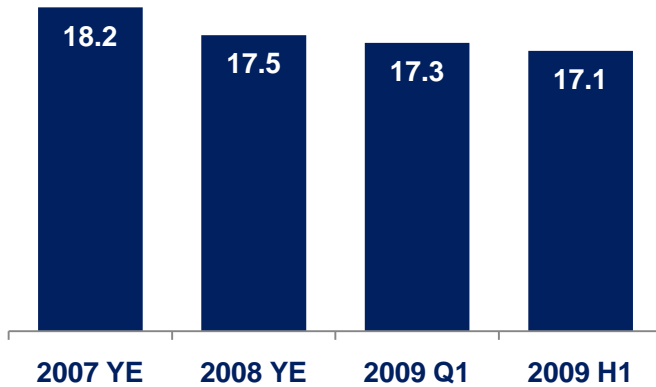


- ✓ Revenue growth underpinned by 29% ADSL growth y-o-y
- ✓ Strong EBITDA performance achieved by focusing on OPEX controls

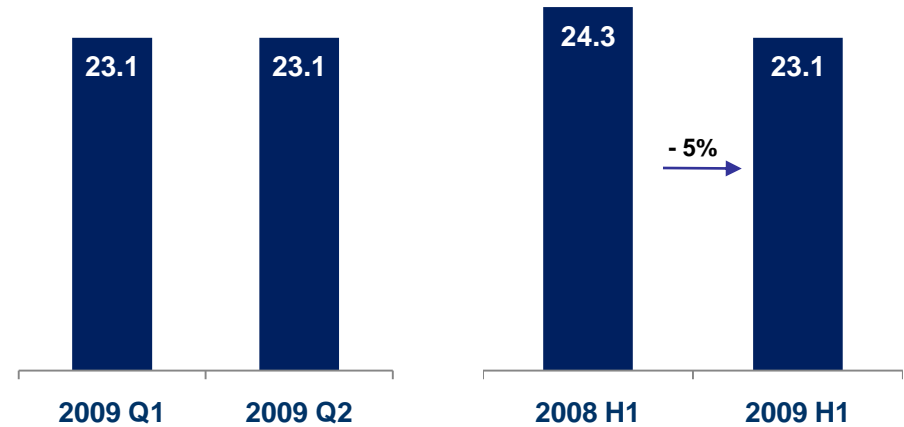


# PSTN Highlights

# of PSTN Access Lines (millions)



PSTN ARPU (TL)\*

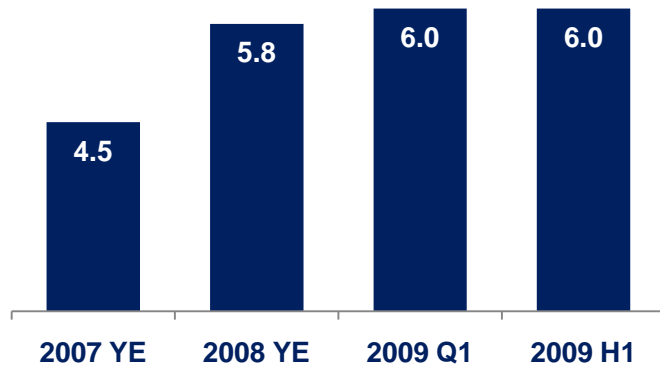


- ✓ Access lines continue to decline with impact from economic recession
- ✓ PSTN ARPU negatively impacted by the mobile price battles compared to last year

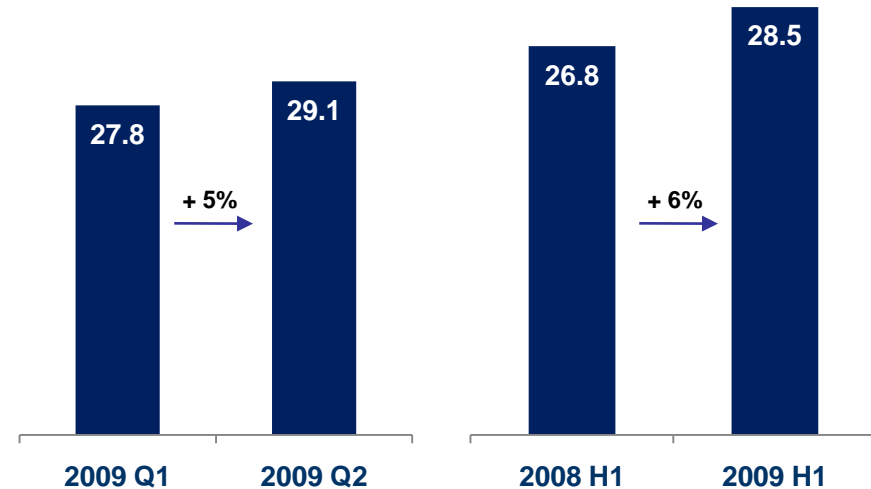
\* PSTN revenue divided by average PSTN access lines in service

# ADSL Highlights

## Wholesale ADSL Connections (millions)



## ADSL ARPU (TL)\*

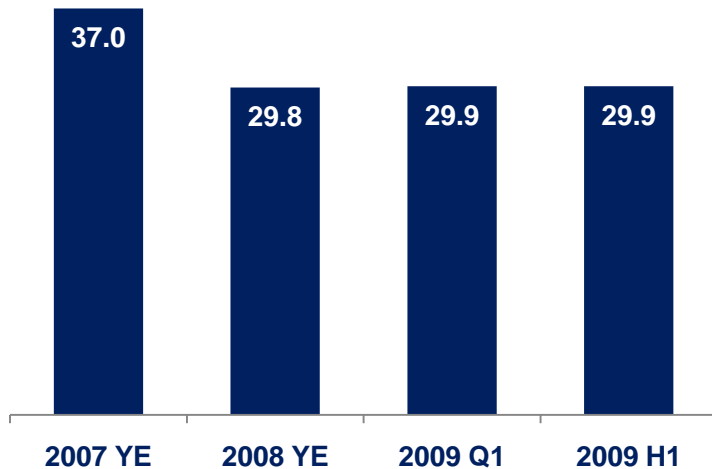


- ✓ ADSL connection growth stalled as a result of the recession and lack of effective competition in the retail market
- ✓ ARPU improvement primarily due to TNET actions of up-selling to existing customers

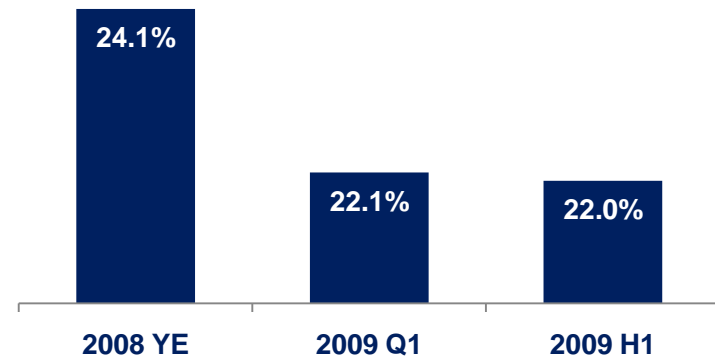
\* ADSL revenue divided by average number of ADSL subscribers

# Fixed Business Headcount

Number of Employees (thousands)\*



Total Personnel Cost as a % of Revenue



- ✓ Access lines per employee is 571 in H1 09 compared to 540 in H1 08
- ✓ Total fixed line personnel cost as a percentage of revenue is maintained at 22%

\* Fixed Network Operating Unit only

# Section IV: Mobile Business

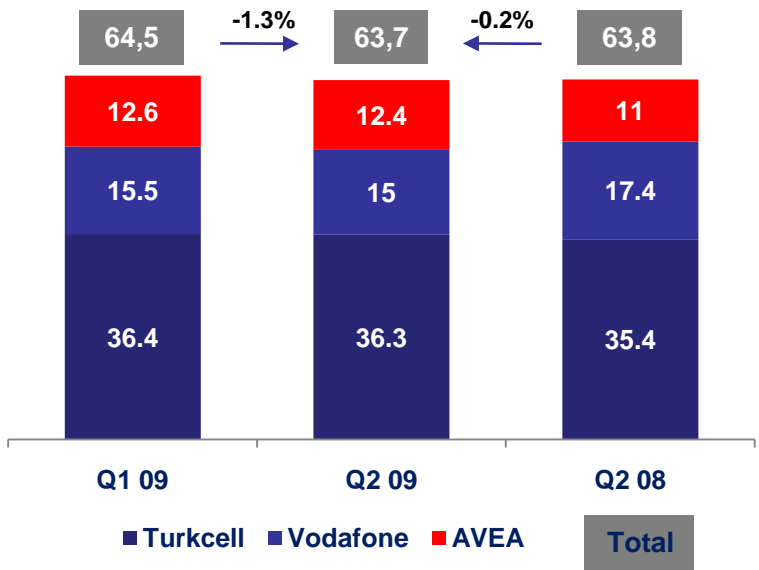
# Mobile Initiatives

- ✓ 3G services to start end of July 2009
- ✓ Unlimited offer re-launched in May 2009
- ✓ New offers and tariffs targeted to corporate and SME segment; “Aveaİş”, “İşiniz Rahat”, and SMS packages
- ✓ Prepaid flat offer revised following the increase of Scratch Card prices and MTR reductions
- ✓ Wholesale mobile internet offer available to all ISPs
- ✓ AVEA Technopark established

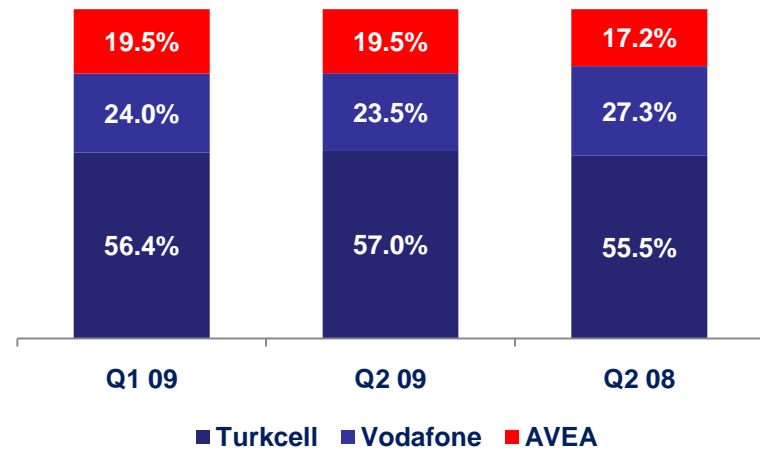


# Mobile Market

Mobile Subscribers (millions)

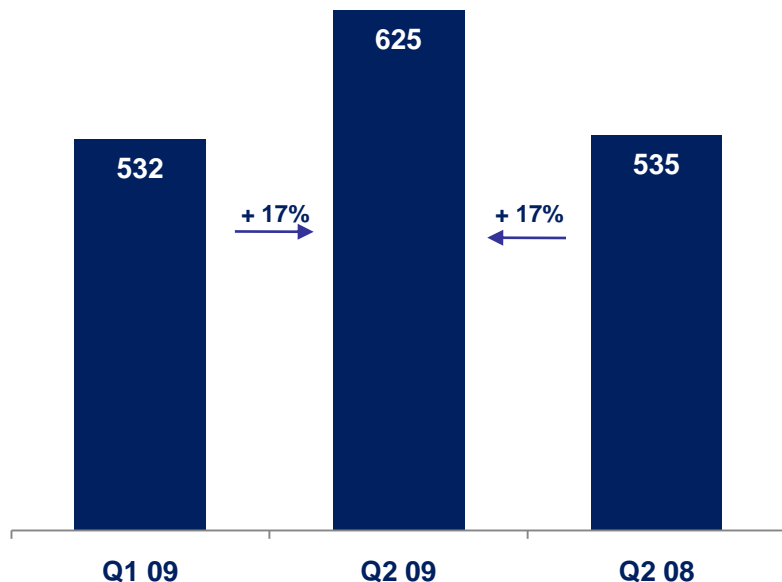


Mobile Subscriber Market Shares

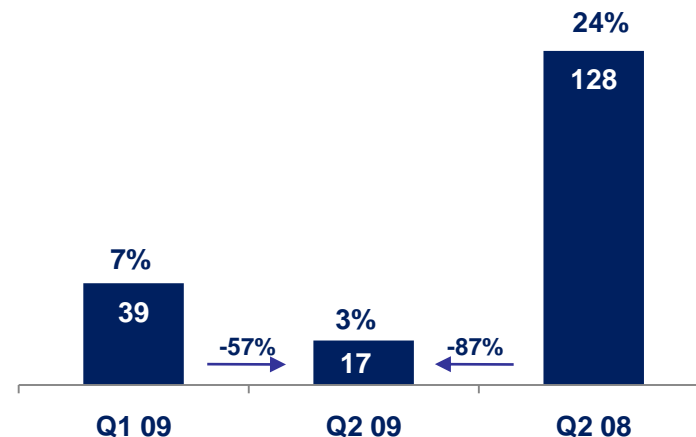


# Mobile Business Revenue & EBITDA Highlights

Revenue (TL millions)



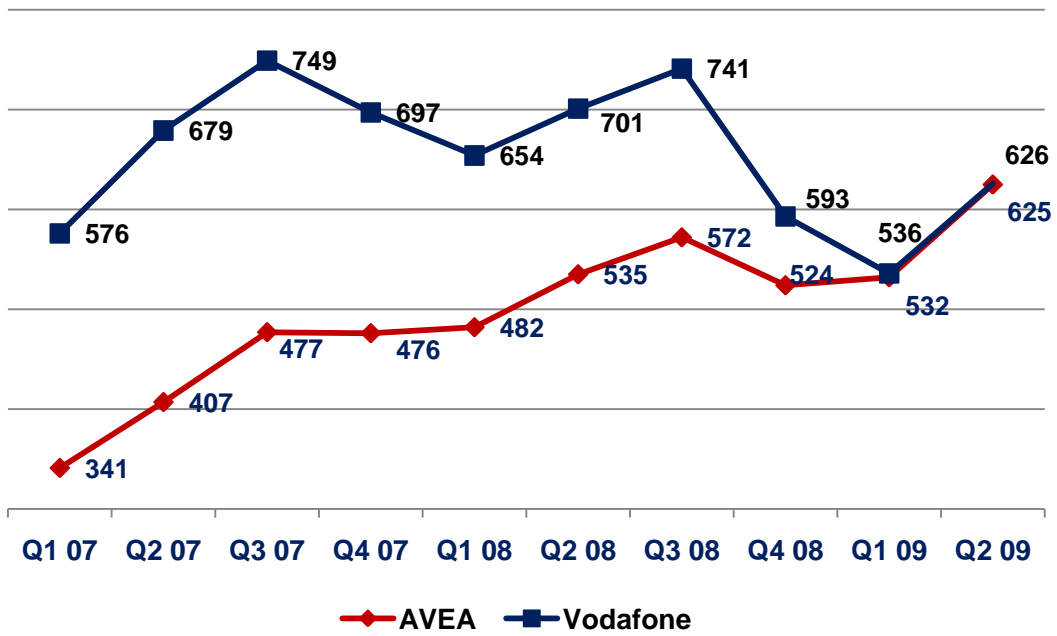
EBITDA (TL millions)



- ✓ Q2 revenue shows a 17% growth compared to Q1 driven by the unlimited offer
- ✓ EBITDA margin low as a result of continued price battles and the cost of our investment in growth

# Mobile Revenue Trend

Revenue Trend (TL millions) \*



✓ Against an expected background of minimal growth in the mobile market in Q2 (compared to Q1) mobile revenues managed a 17 % growth catching Vodafone's revenues.

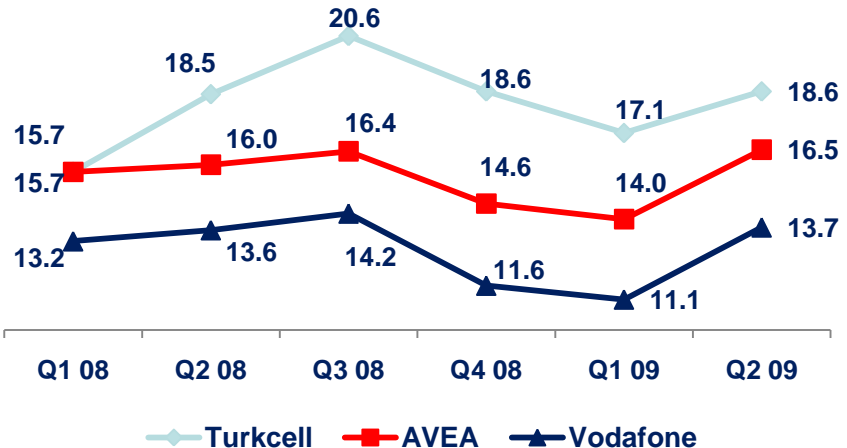
\* Vodafone TL revenue figures are calculated based on blended TL ARPU figures and average number of subscribers in the relevant period.



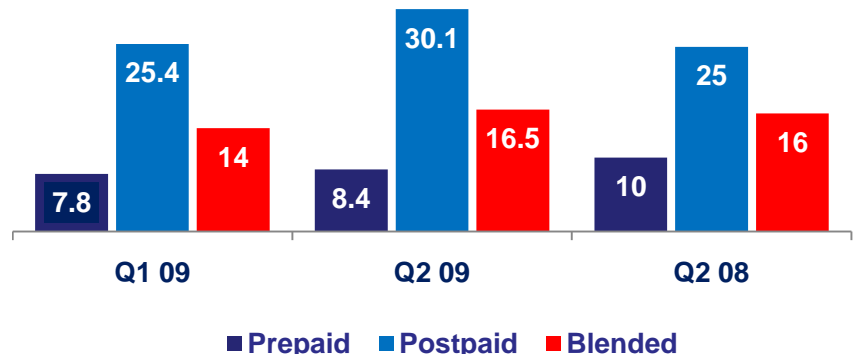


# Mobile ARPU

Market Blended ARPU Trend (TL)



AVEA ARPU (TL)

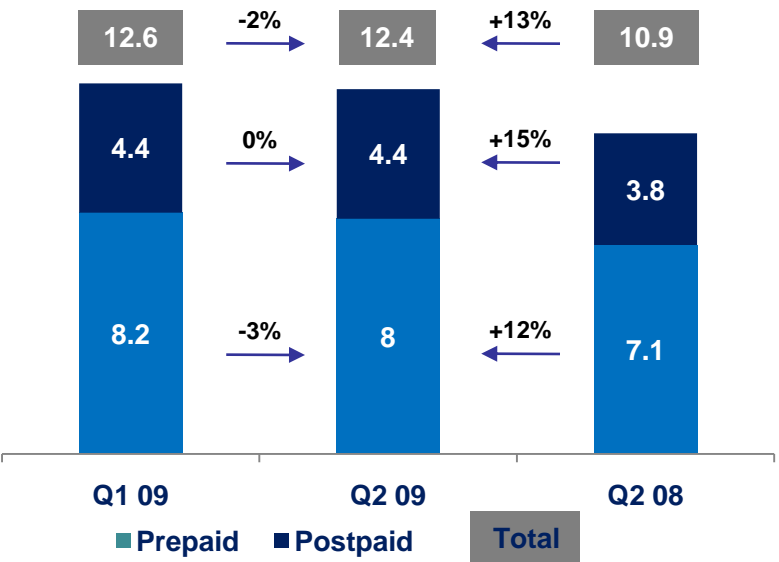


- ✓ Blended ARPU now at its highest level since Q1 2008
- ✓ Prepaid ARPU continues to be low whereas postpaid ARPU is increasing as a result of unlimited offer with its associated high volume of interconnect costs

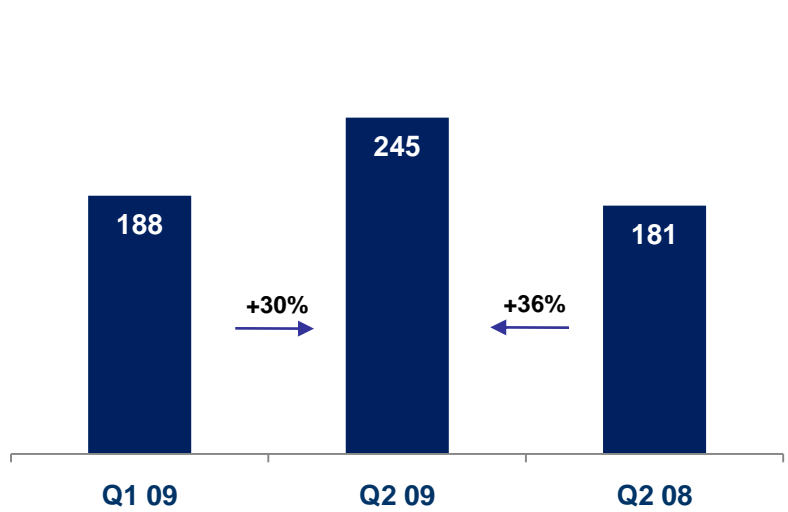


# Mobile Subscriber Composition & MoU

Subscriber Composition (millions)



Blended MoU

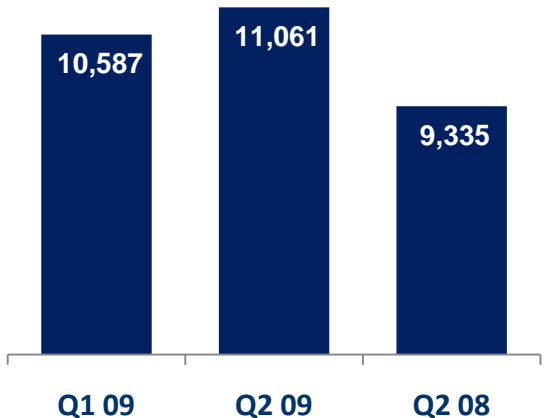


- ✓ In Q2 09 net subscriber loss was 0.2 million which was all in the prepaid segment
- ✓ Blended MoU continues to grow as the unlimited offer customer base is expanding

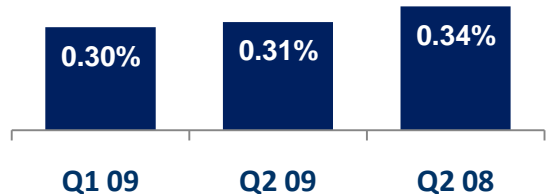


# Mobile Business Quality Indicators

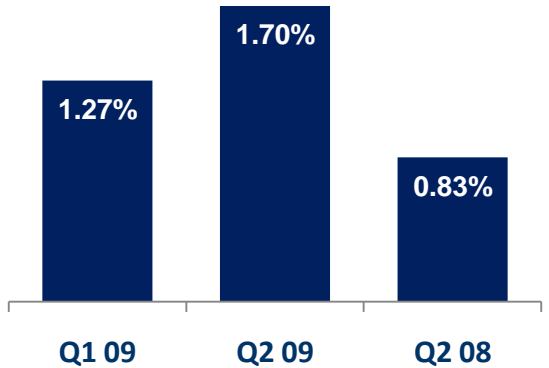
Number of Sites\*



Network Busy Hour Call Drop Rate (%)



Network Busy Hour Call Block Rate (%)



\* Population Coverage 95.75%; Surface Coverage 72.54%; EDGE Penetration Rate 97.72%



# Financials

# Summary Türk Telekom Consolidated P&L

<i>TL millions</i>	2008 YE	2008 H1	2009 H1
<b>Revenues</b>	<b>10,195</b>	<b>4,977</b>	<b>5,149</b>
<b>EBITDA</b>	<b>4,342</b>	<b>2,182</b>	<b>2,137</b>
<i>Margin</i>	43%	44%	42%
<b>Operating Profit</b>	<b>2,710</b>	<b>1,351</b>	<b>1,273</b>
<i>Margin</i>	27%	27%	25%
<b>Financial Income/Expense, net</b>	<b>(574)</b>	<b>(52)</b>	<b>(235)</b>
FX Gain/Loss, net	(580)	(114)	(35)
Interest Income/Expense, net	29	67	(26)
Other Financial Income/Expense, net	(22)	(5)	(174)
<b>Tax Expense</b>	<b>(509)</b>	<b>(305)</b>	<b>(302)</b>
<b>Profit/Loss <sup>(a)</sup></b>	<b>1,752</b>	<b>1,026</b>	<b>821</b>
<i>Margin</i>	17%	21%	16%

(a) After minority interest

# Summary Türk Telekom Consolidated Balance Sheet

<i>TL millions</i>	2008 YE	2008 H1	2009 H1
Intangible Assets <sup>(a)</sup>	2,734	2,650	3,122
Tangible Assets <sup>(b)</sup>	6,588	6,263	6,494
Other Assets <sup>(c)</sup>	2,295	2,365	2,534
Cash and Equivalents	1,042	1,103	731
<b>Total Assets</b>	<b>12,659</b>	<b>12,381</b>	<b>12,881</b>
Share capital	3,260	3,260	3,260
Reserves and Retained Earnings	1,853	1,133	1,276
Interest Bearing Liabilities <sup>(d)</sup>	3,455	2,942	4,484
Provisions for Long-term Employee Benefits	667	872	714
Other Liabilities <sup>(e)</sup>	3,424	4,174	3,147
<b>Total Equity and Liabilities</b>	<b>12,659</b>	<b>12,381</b>	<b>12,881</b>

**(a)** Intangible assets excluding goodwill

**(b)** Tangible assets include property, plant and equipment and investment property.

**(c)** Major items within Other Assets are Trade Receivables, Due from Related Parties, Other Current Assets and Deferred Tax Asset.

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

**(e)** Major items within Other Liabilities are Deferred Tax Liability, Trade Payables, Provisions, Income Tax Payable, Due to Related Parties, Other Current Liabilities, Provisions for Employee Termination Benefits and Minority Put Option Liability

# Summary Consolidated Cash Flow Statement

<i>TL millions</i>	2008 YE	2008 H1	2009 H1
<b>Cash Flow from Operating Activities</b>	<b>3,353</b>	<b>1,325</b>	<b>1,266</b>
<b>Cash Flow from Investing Activities</b>	<b>(1,330)</b>	<b>(309)</b>	<b>(953)</b>
<i>CAPEX</i>	<i>(1,638)</i>	<i>(460)</i>	<i>(1,066)</i>
<i>Other Investing Activities</i>	<i>308</i>	<i>151</i>	<i>113</i>
<b>Cash Flow from Financing Activities</b>	<b>(2,329)</b>	<b>(1,246)</b>	<b>(634)</b>
<b>Net Change in Cash Position <sup>(a)</sup></b>	<b>(306)</b>	<b>(230)</b>	<b>(321)</b>

(a) Blocked deposits are included in operating activities rather than net cash position.

# Summary Fixed Line P&L

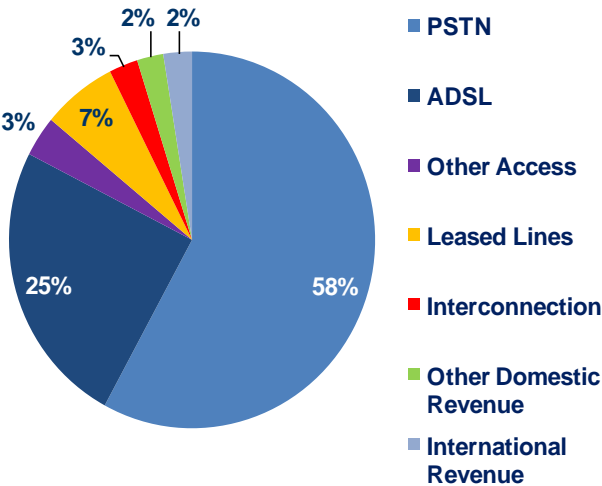
<i>TL millions</i>	2008 YE	2008 H1	2009 H1
<b>Revenues</b>	<b>8,319</b>	<b>4,081</b>	<b>4,142</b>
<b>EBITDA</b>	<b>3,897</b>	<b>1,958</b>	<b>2,084</b>
<i>Margin</i>	<i>47%</i>	<i>48%</i>	<i>50%</i>
<b>Operating Profit</b>	<b>2,766</b>	<b>1,375</b>	<b>1,496</b>
<i>Margin</i>	<i>33%</i>	<i>34%</i>	<i>36%</i>
<b>CAPEX</b>	<b>1,291</b>	<b>404</b>	<b>498</b>
<i>CAPEX as % of Revenue</i>	<i>16%</i>	<i>10%</i>	<i>12%</i>



# Fixed Line Revenue Breakdown

TL millions	2008YE	2008 H1	2009 H1
PSTN	5,218	2,613	2,396
ADSL	1,670	791	1,021
Other access	239	109	144
Leased lines	556	288	273
Interconnection <sup>(a)</sup>	172	82	105
Other domestic revenue	148	81	96
International revenue <sup>(b)</sup>	216	110	104
<b>Sub-Total Revenue</b>	<b>8,219</b>	<b>4,074</b>	<b>4,139</b>
Construction Revenue (IFRIC 12)	100	7	3
<b>Total Revenue</b>	<b>8,319</b>	<b>4,081</b>	<b>4,142</b>

Fixed Line Revenue Breakdown 2009 H1\*



\* Figures are rounded

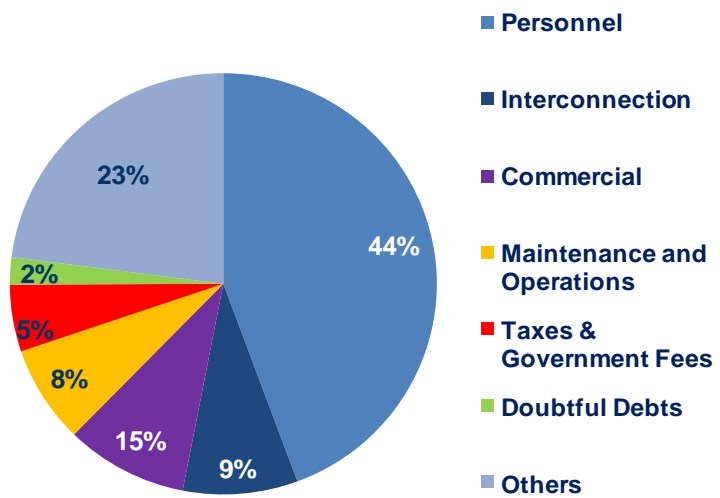
(a) Interconnection includes Domestic  
 (b) Revenue from international data services and inbound traffic terminated at Turk Telekom's international gateway



# Fixed Line OPEX Breakdown

<i>TL millions</i>	2008 YE	2008 H1	2009 H1
Personnel	2,009	976	912
Interconnection	453	270	178
Commercial (a)	443	165	190
Maintenance and Operations	407	213	154
Taxes & Government Fees	205	96	106
Doubtful Debts	136	51	43
Others	678	349	472
<b>Sub-Total</b>	<b>4,331</b>	<b>2,120</b>	<b>2,055</b>
Construction Cost (IFRIC 12)	91	3	3
<b>Total OPEX</b>	<b>4,422</b>	<b>2,123</b>	<b>2,058</b>

Fixed Line OPEX Breakdown 2009 H1\*



\* Figures are rounded

(a) Includes Commissions, Advertising & Marketing, SAC, SRC



# Summary Mobile P&L

<i>TL millions</i>	2008 YE	2008 H1	2009 H1
<b>Revenues</b>	<b>2,113</b>	<b>1,017</b>	<b>1,157</b>
<b>EBITDA</b>	<b>446</b>	<b>224</b>	<b>55</b>
<i>Margin</i>	<i>21%</i>	<i>22%</i>	<i>5%</i>
<b>Operating Profit / Loss</b>	<b>-55</b>	<b>-25</b>	<b>-222</b>
<i>Margin</i>	<i>-3%</i>	<i>-2%</i>	<i>-19%</i>
<b>CAPEX (excluding leasing)</b>	<b>465</b>	<b>113</b>	<b>660*</b>
<i>CAPEX as % of Revenue</i>	<i>22%</i>	<i>11%</i>	<i>57%</i>

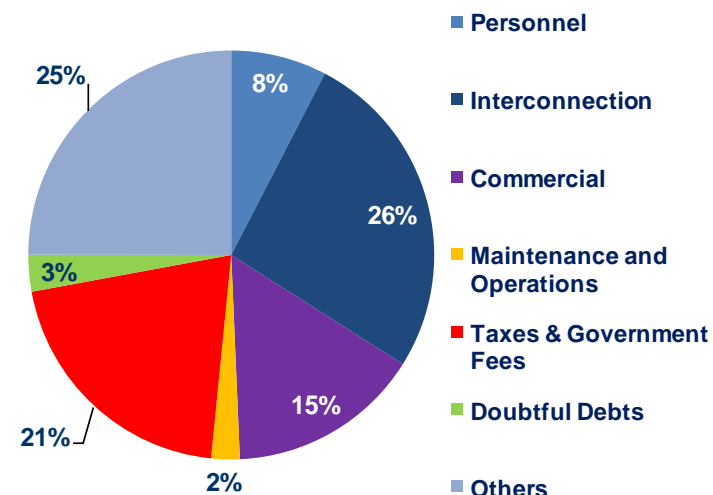
\* Includes 3G License Fee

# Summary Mobile Business OPEX Breakdown

TL millions	2008 YE <sup>(b)</sup>	2008 H1	2009 H1
Personnel	153	73	84
Interconnection	241	120	290
Commercial <sup>(a)</sup>	351	155	169
Maintenance and Operations	40	18	25
Taxes & Government Fees	390	189	226
Doubtful Debts	45	22	32
Others	447	216	276
<b>Total</b>	<b>1,667</b>	<b>793</b>	<b>1,102</b>

- (a) Includes Commissions, Advertising & Marketing, SAC, SRC  
 (b) Some figures under 2008 YE OPEX Breakdown has changed due to the mapping differences with no change to the total figure of TL 1,667 million. Accordingly, Training & Travel expenses, Scratch Card Related Promotion Expenses, and Usage & License Fees, previously classified under **Others** heading, are now classified under **Personnel**, **Commercial**, and **Taxes & Government Fees**, respectively. Running costs, previously classified under **Maintenance and Operations**, are now classified under **Others**.

Mobile Business OPEX Breakdown 2009 H1\*



\* Figures are rounded

## THANK YOU

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