

# Türk Telekom

## Q3 2009 - Investor Presentation

# Notice

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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.

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# Section I

## Market Update & Consolidated Performance

# Market Update

## Fixed Line Market

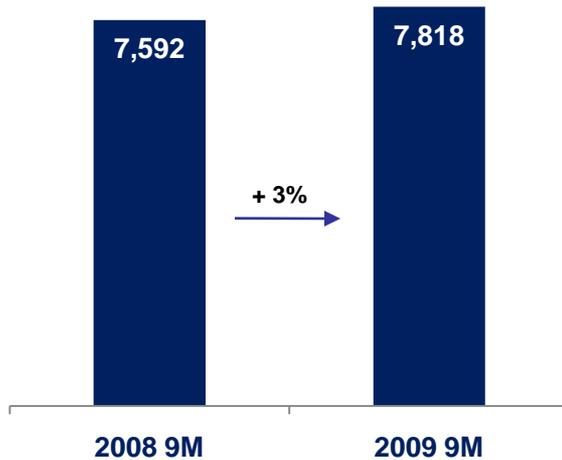
- ✓ FNP is in place since Sep'09
- ✓ Local call licenses granted. Interconnection protocols yet to be agreed.
- ✓ Naked ADSL being discussed with TA
- ✓ Positive discrimination for alternative operators continues

## Mobile Market

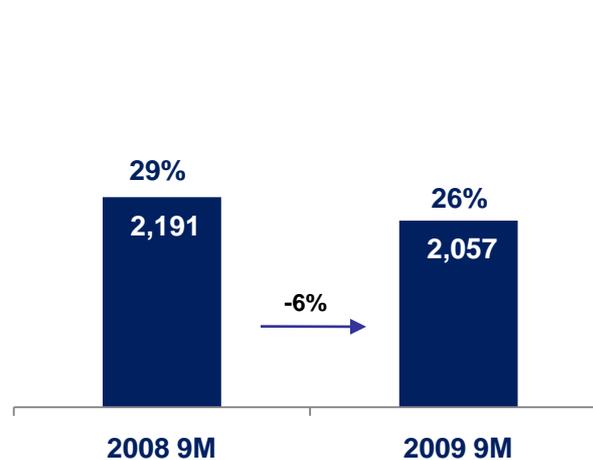
- ✓ Price war damaging the market overall
- ✓ “Light in the tunnel” seen recently with the prepaid counter pricing adjustments but more action required
- ✓ Overall off-net traffic increasing due to transformation to all direction offers
- ✓ On the technology front, 3G services launch has been completed in Q3

# Consolidated Performance

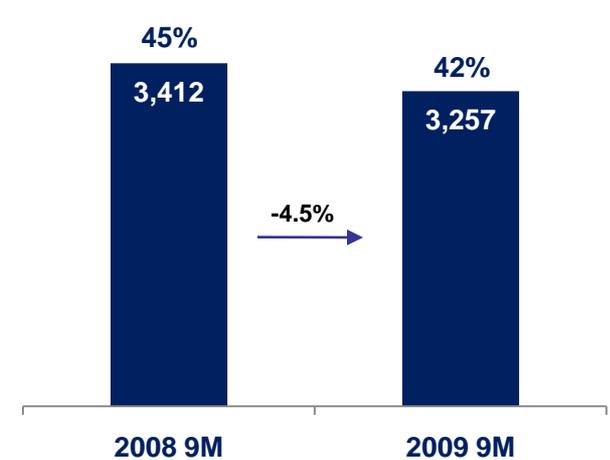
## Revenue (TL millions)



## Operating Profit (TL millions)



## EBITDA (TL millions)



- ✓ Despite recession and mobile price war, revenue grew by 3% on the back of strong growth in mobile and broadband
- ✓ Consolidated EBITDA margin maintained at low 40%<sup>s</sup> with the help of strong OPEX controls

## Section II

# Fixed Line Results & Strategy

# Fixed Voice

- ✓ Fixed voice is now less than 20% of total voice traffic
- ✓ Focusing on increasing share of fixed fee in PSTN revenue via bundle packages
  - JeTTfon
  - JeTTvel
- ✓ Convergence is a priority
  - Wirofon: Call origination and termination service over internet connected end devices
  - Nomadic numbers & Web-based Wirofon
  - Medical assistance, entertainment & information services at Videophone
- ✓ E-invoice is a big success with approximately 6mn subscribers



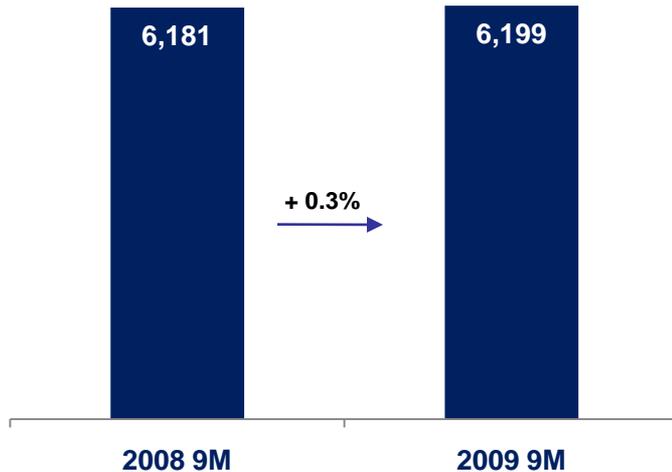
# ADSL

- ✓ ARPU improvement as a strong revenue growth driver
  - Successful up-sell: NET packages (up to 8Mbps) reached 21% of total customer base
  - Various VAS to come: Sobee, Web TV, etc.
- ✓ Need to regain momentum in household penetration
  - “NeTTe çocuk var” School-safe internet
  - Vitamin now covering school curriculum up to age 18
  - Starter internet just launched
- ✓ Wi-Fi hot spots now over 5,000
- ✓ Complementary mobile internet offer launched in mid-September

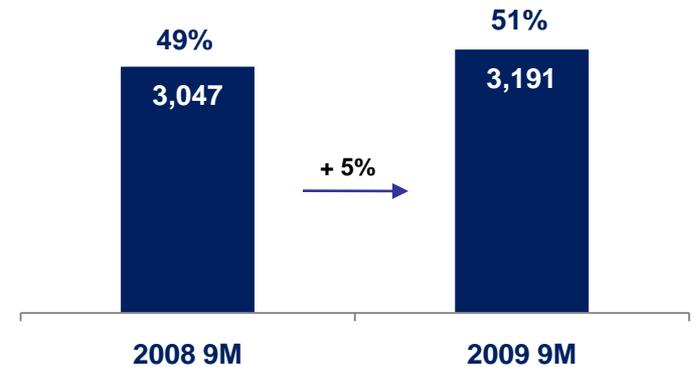


# Fixed Line Revenue & EBITDA Highlights

## Revenue (TL millions)



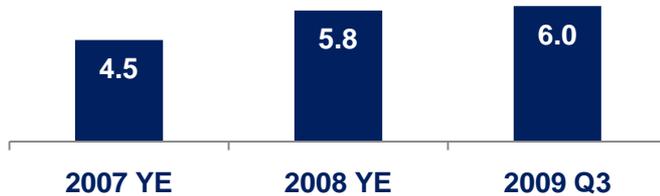
## EBITDA (TL millions)



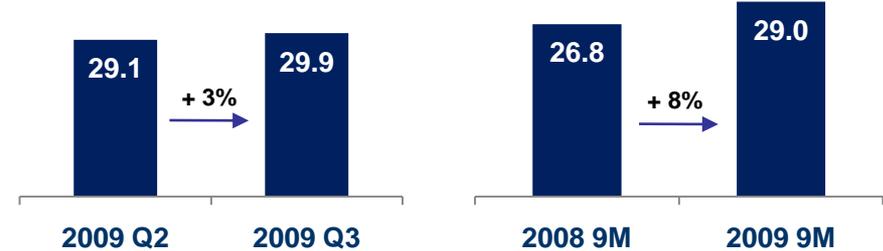
- ✓ ADSL growth has offset the negative impact on fixed voice revenues from mobile price wars and recession
- ✓ Strong OPEX controls resulted in better EBITDA margin

# Fixed Line Highlights

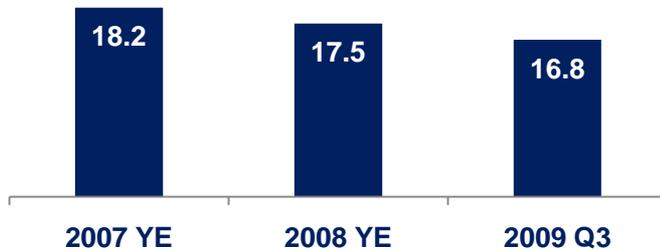
## Wholesale ADSL Connections (millions)



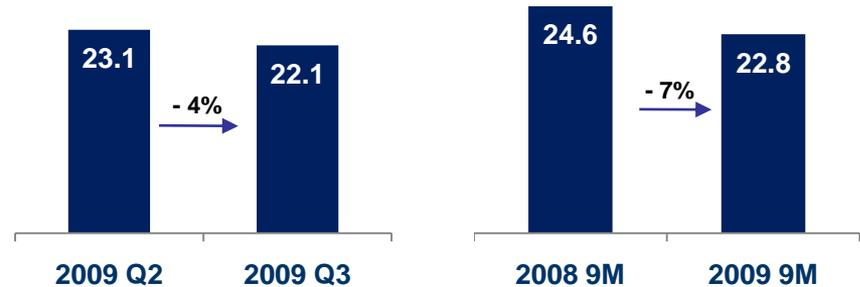
## ADSL ARPU (TL)\*



## PSTN Access Lines (millions)



## PSTN ARPU (TL)\*

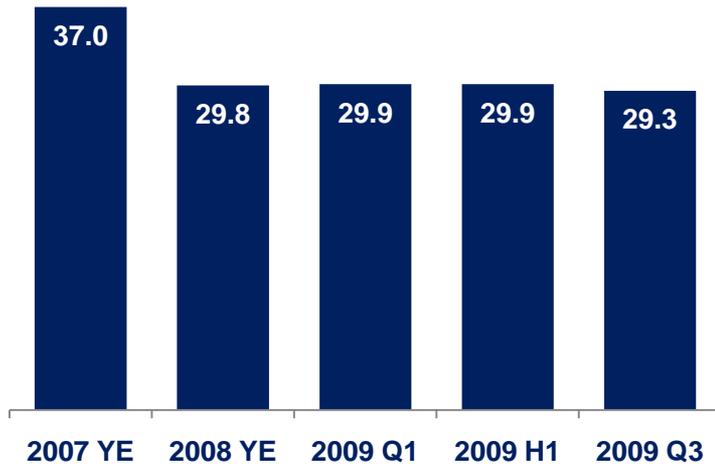


- ✓ Focus in 2009 for TTNET has been ARPU growth via up-selling to existing customers while ADSL connection growth stalled as a result of the recession and lack of effective competition in the retail market
- ✓ Access lines continue to decline with impact from economic recession; PSTN ARPU negatively impacted by mobile price war

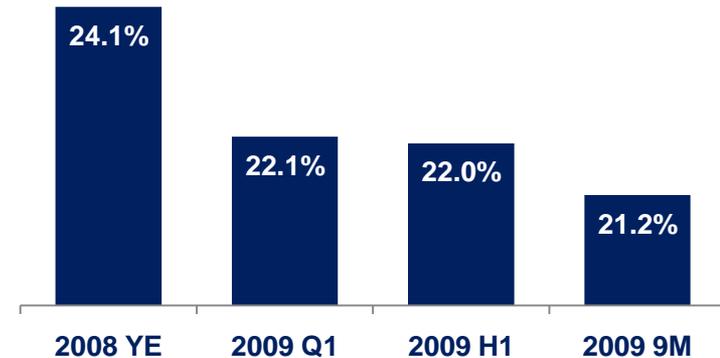
\* Revenue divided by average number of access lines/subscribers

# Fixed Business Headcount

Number of Employees (thousands) \*



Total Personnel Cost as a % of Revenue



- ✓ Access lines per employee is 573 in Q3 2009 compared to 547 in Q3 2008
- ✓ Total fixed line personnel cost as a percentage of revenue is maintained at low 20%<sup>s</sup>

\* Fixed Network Operating Unit only

# Section III

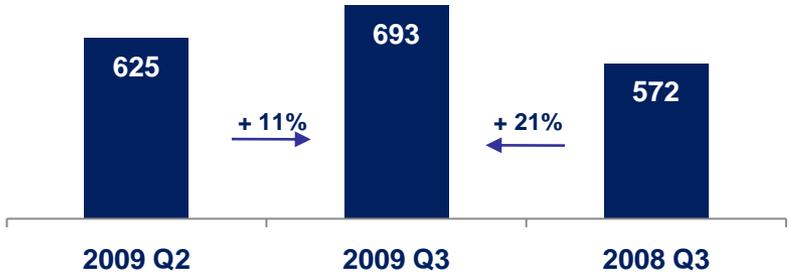
## Mobile Results & Strategy

# Mobile Business – 2009 YTD

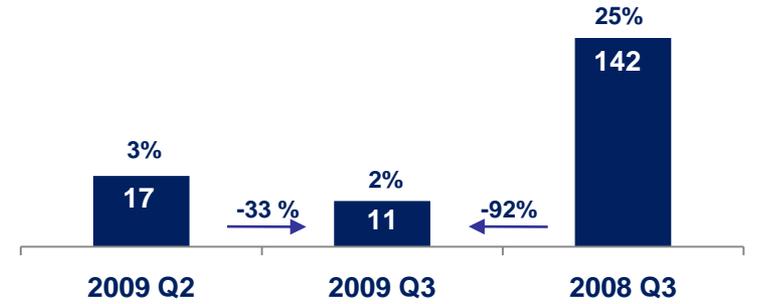
- ✓ Price war shrinking the profit pool for all operators; but initial signs of price rationalization
- ✓ Reduced mobile market penetration in 2009 YTD
- ✓ New leadership being built
- ✓ 3G services successfully launched by August
- ✓ Wholesaling mobile internet to all ISPs as a complement to their fixed offers
- ✓ Avea raised its prepaid counter pricing - potentially more pricing moves

# Mobile Revenue & EBITDA Highlights

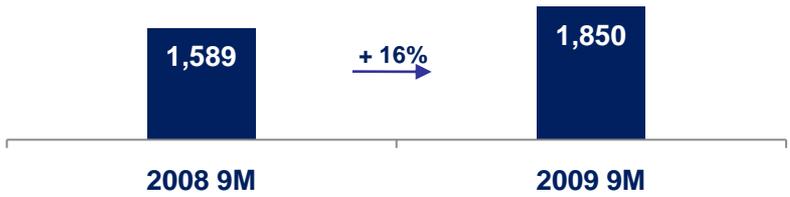
Quarterly Revenue (TL millions)



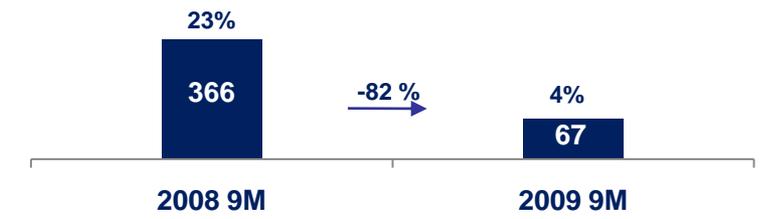
Quarterly EBITDA (TL millions)



YTD Revenue (TL millions)



YTD EBITDA (TL millions)

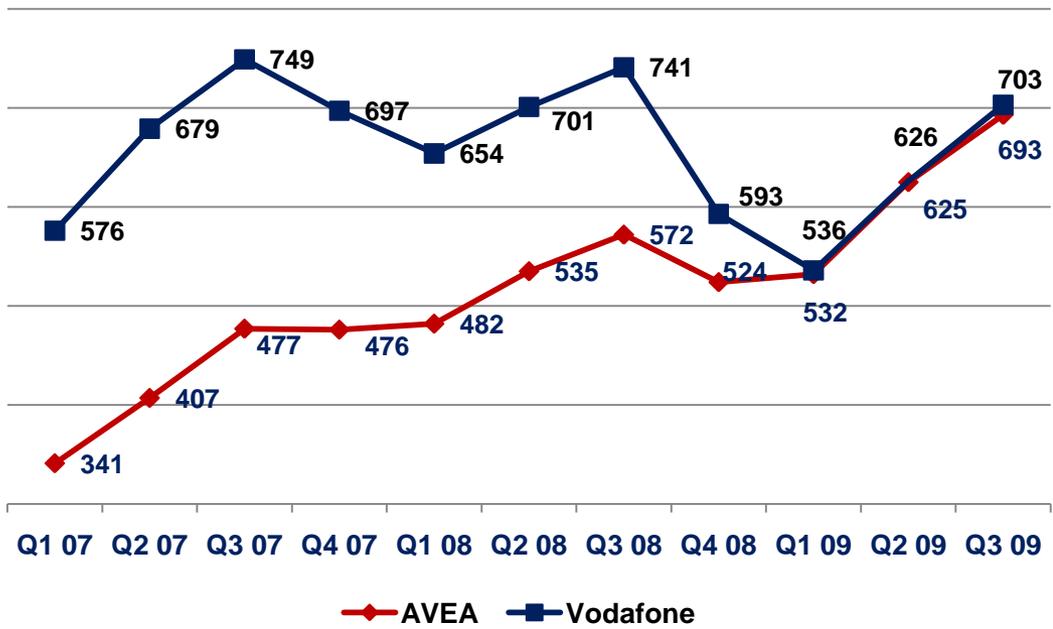


- ✓ Q3 revenue, a quarter record, shows 11% growth compared to Q2
- ✓ EBITDA margin low as a result of continued pre-paid price war and costs of investing in revenue growth



# Mobile Revenue Trend

Revenue Trend (TL millions) \*



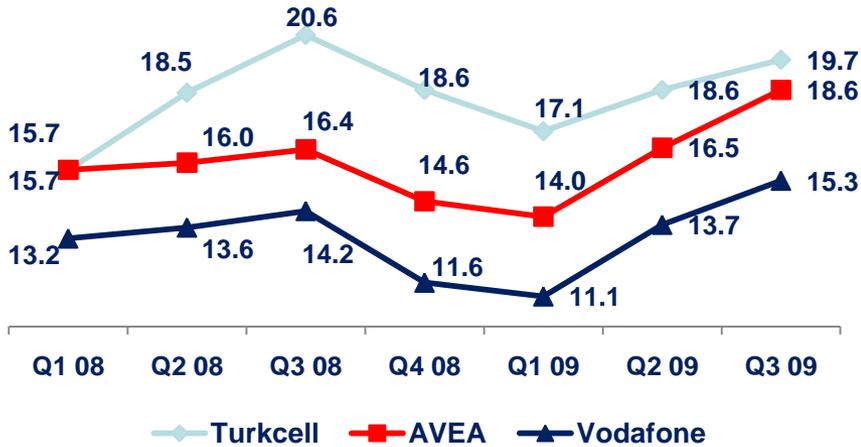
✓ Avea has continued to match Vodafone revenues throughout 2009

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

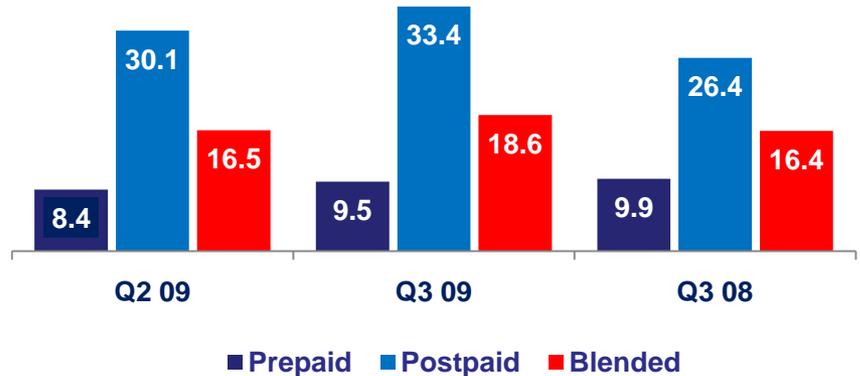


# Mobile ARPU

Market Blended ARPU Trend (TL)



AVEA ARPU (TL)

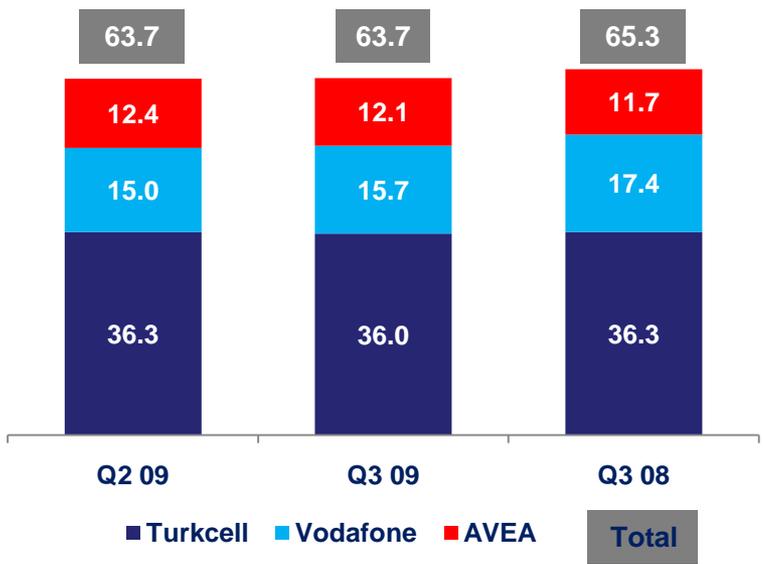


- ✓ Postpaid ARPU continue to grow
- ✓ Prepaid ARPU growth in Q3 mainly result of the impact from the change in the post-paid market dynamic where there is increasing use of “all direction” offers

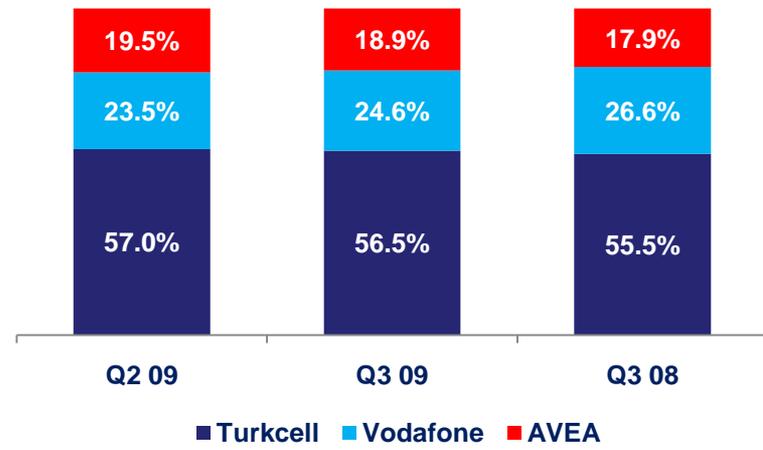


# Mobile Market

Mobile Subscribers (millions)\*



Mobile Subscriber Market Shares



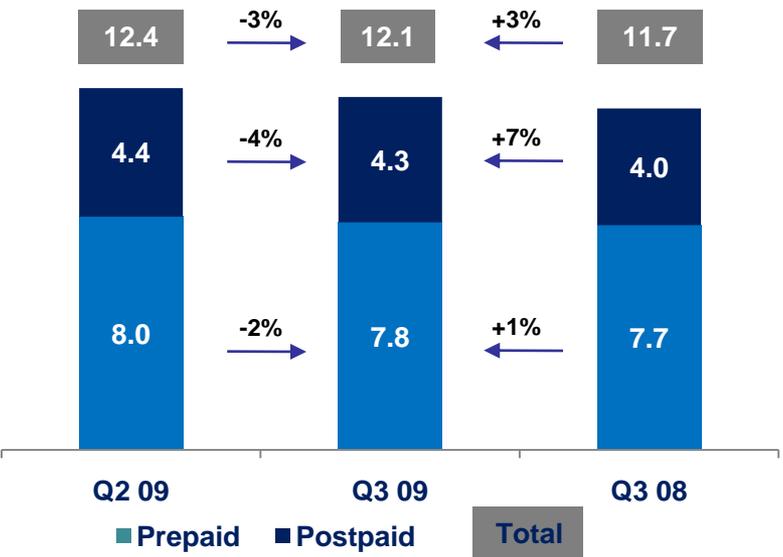
✓ Market total mobile subscribers declined by 2.6% y-o-y

\* Figures are rounded

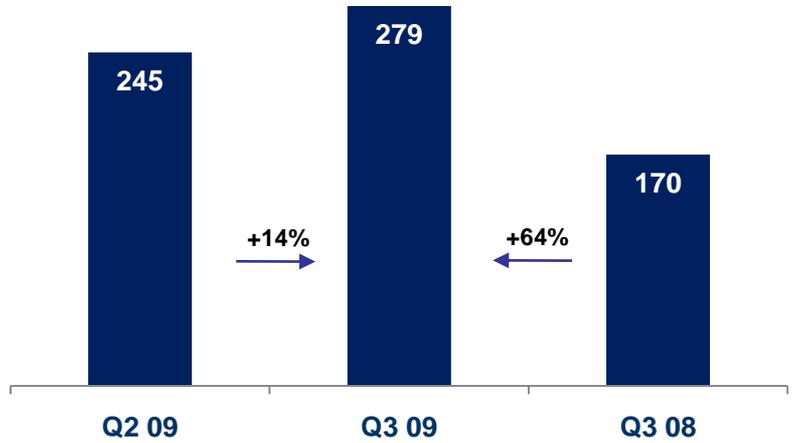


# Mobile Subscriber Composition & MoU

Subscriber Composition (millions)\*



Blended MoU



- ✓ Subscriber base declined due to continued competitive environment
- ✓ MoU growth controlled with the actions taken around HYO tariff towards the end of Q3

\* Figures are rounded



# Section IV

## Financials

# Summary Consolidated P&L

<i>TL millions</i>	2008 YE	2008 9M	2009 9M
<b>Revenues</b>	<b>10,195</b>	<b>7,592</b>	<b>7,818</b>
<b>EBITDA</b>	<b>4,342</b>	<b>3,412</b>	<b>3,257</b>
<i>Margin</i>	43%	45%	42%
<b>Operating Profit</b>	<b>2,710</b>	<b>2,191</b>	<b>2,057</b>
<i>Margin</i>	27%	29%	26%
<b>Financial Income/Expense, net</b>	<b>(574)</b>	<b>(80)</b>	<b>(348)</b>
FX & Hedging Gain/Loss, net	(596)	(132)	(224)
Interest Income/Expense, net	29	60	(54)
Other Financial Income/Expense, net	(7)	(8)	(70)
<b>Tax Expense</b>	<b>(509)</b>	<b>(466)</b>	<b>(474)</b>
<b>Profit/Loss <sup>(a)</sup></b>	<b>1,752</b>	<b>1,680</b>	<b>1,369</b>
<i>Margin</i>	17%	22%	18%

(a) After minority interest

# Summary Consolidated Balance Sheet

<i>TL millions</i>	2008 YE	2008 9M	2009 9M
Intangible Assets <sup>(a)</sup>	2,734	2,611	3,140
Tangible Assets <sup>(b)</sup>	6,588	6,371	6,711
Other Assets <sup>(c)</sup>	2,295	2,373	2,527
Cash and Equivalents	1,042	1,109	856
<b>Total Assets</b>	<b>12,659</b>	<b>12,464</b>	<b>13,234</b>
Share capital	3,260	3,260	3,260
Reserves and Retained Earnings	1,853	1,783	1,740
Interest Bearing Liabilities <sup>(d)</sup>	3,455	3,322	4,418
Provisions for Long-term Employee Benefits	667	887	732
Other Liabilities <sup>(e)</sup>	3,424	3,212	3,084
<b>Total Equity and Liabilities</b>	<b>12,659</b>	<b>12,464</b>	<b>13,234</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 9M	2009 9M
<b>Cash Flow from Operating Activities</b>	<b>3,353</b>	<b>2,269</b>	<b>1,917</b>
<b>Cash Flow from Investing Activities</b>	<b>(1,330)</b>	<b>(695)</b>	<b>(1,376)</b>
<i>CAPEX</i>	<i>(1,638)</i>	<i>(887)</i>	<i>(1,549)</i>
<i>Other Investing Activities</i>	<i>308</i>	<i>192</i>	<i>172</i>
<b>Cash Flow from Financing Activities</b>	<b>(2,329)</b>	<b>(1,836)</b>	<b>(717)</b>
<b>Net Change in Cash Position <sup>(a)</sup></b>	<b>(306)</b>	<b>(262)</b>	<b>(177)</b>

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

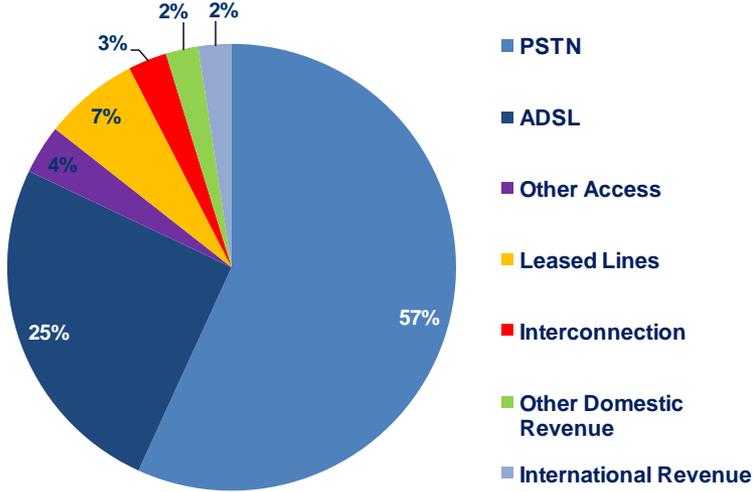
# Summary Fixed Line P&L

<i>TL millions</i>	2008 YE	2008 9M	2009 9M
<b>Revenues</b>	<b>8,319</b>	<b>6,181</b>	<b>6,199</b>
<b>EBITDA</b>	<b>3,897</b>	<b>3,047</b>	<b>3,191</b>
<i>Margin</i>	<i>47%</i>	<i>49%</i>	<i>51%</i>
<b>Operating Profit</b>	<b>2,766</b>	<b>2,197</b>	<b>2,415</b>
<i>Margin</i>	<i>33%</i>	<i>36%</i>	<i>39%</i>
<b>CAPEX</b>	<b>1,291</b>	<b>698</b>	<b>853</b>
<i>CAPEX as % of Revenue</i>	<i>16%</i>	<i>11%</i>	<i>14%</i>

# Fixed Line Revenue Breakdown

TL millions	2008YE	2008 9M	2009 9M
PSTN	5,218	3,961	3,520
ADSL	1,670	1,223	1,565
Other access	239	169	220
Leased lines	556	420	425
Interconnection <sup>(a)</sup>	172	131	173
Other domestic revenue	148	111	145
International revenue <sup>(b)</sup>	216	160	148
<b>Sub-Total Revenue</b>	<b>8,219</b>	<b>6,175</b>	<b>6,196</b>
Construction Revenue (IFRIC 12)	100	7	3
<b>Total Revenue</b>	<b>8,319</b>	<b>6,181</b>	<b>6,199</b>

Fixed Line Revenue Breakdown 2009 9M\*



\* Figures are rounded

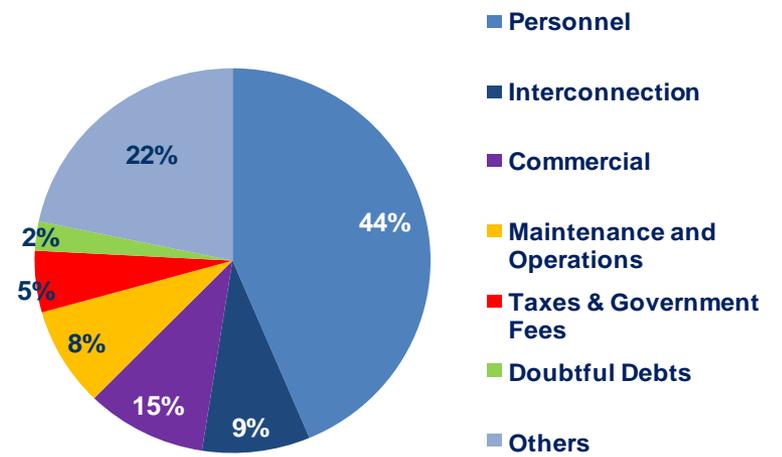
(a) Interconnection includes Domestic  
 (b) Revenue from international data services and inbound traffic terminated at Turk Telekom's international gateway



# Fixed Line OPEX Breakdown

TL millions	2008 YE	2008 9M	2009 9M
Personnel	2,009	1,397	1,312
Interconnection	453	365	264
Commercial (a)	443	251	295
Maintenance and Operations	407	310	251
Taxes & Government Fees	205	144	156
Doubtful Debts	136	114	74
Others	678	546	652
<b>Sub-Total</b>	<b>4,331</b>	<b>3,128</b>	<b>3,005</b>
Construction Cost (IFRIC 12)	91	6	3
<b>Total OPEX</b>	<b>4,422</b>	<b>3,134</b>	<b>3,008</b>

Fixed Line OPEX Breakdown 2009 9M\*



\* Figures are rounded

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



# Summary Mobile P&L

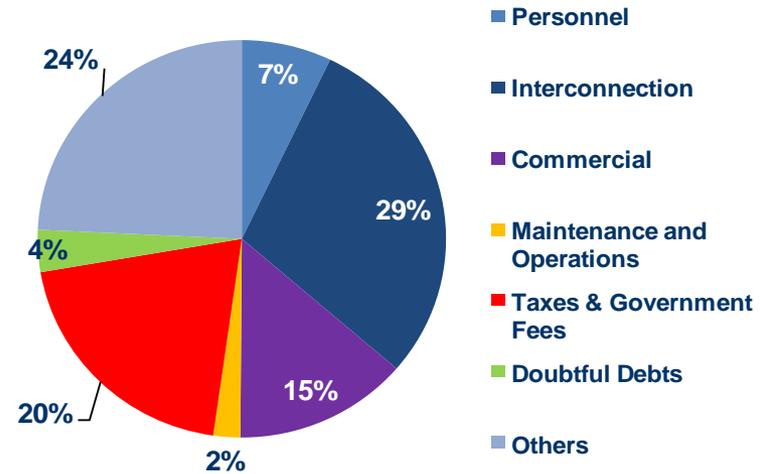
<i>TL millions</i>	2008 YE	2008 9M	2009 9M
<b>Revenues</b>	<b>2,113</b>	<b>1,589</b>	<b>1,850</b>
<b>EBITDA</b>	<b>446</b>	<b>366</b>	<b>67</b>
<i>Margin</i>	21%	23%	4%
<b>Operating Profit / Loss</b>	<b>(55)</b>	<b>(4)</b>	<b>(358)</b>
<i>Margin</i>	-3%	0%	-19%
<b>CAPEX (excluding leasing)</b>	<b>465</b>	<b>272</b>	<b>897*</b>
<i>CAPEX as % of Revenue</i>	22%	17%	48%

\* Includes 3G License Fee

# Summary Mobile Business OPEX Breakdown

<i>TL millions</i>	2008 YE	2008 9M	2009 9M
Personnel	153	112	127
Interconnection	241	182	521
Commercial <sup>(a)</sup>	351	247	246
Maintenance and Operations	40	29	38
Taxes & Government Fees	390	295	358
Doubtful Debts	45	33	61
Others	447	325	433
<b>Total</b>	<b>1,667</b>	<b>1,223</b>	<b>1,783</b>

Mobile Business OPEX Breakdown 2009 9M\*



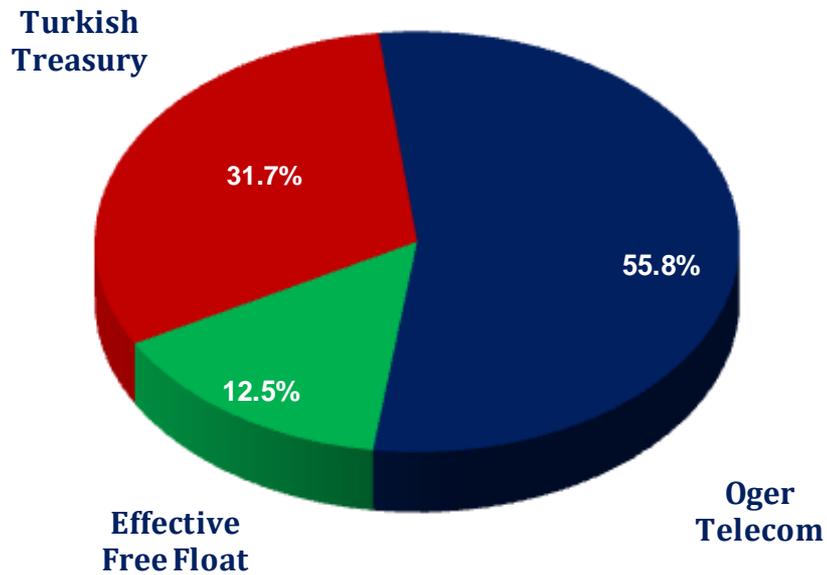
\* Figures are rounded

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

# Section V

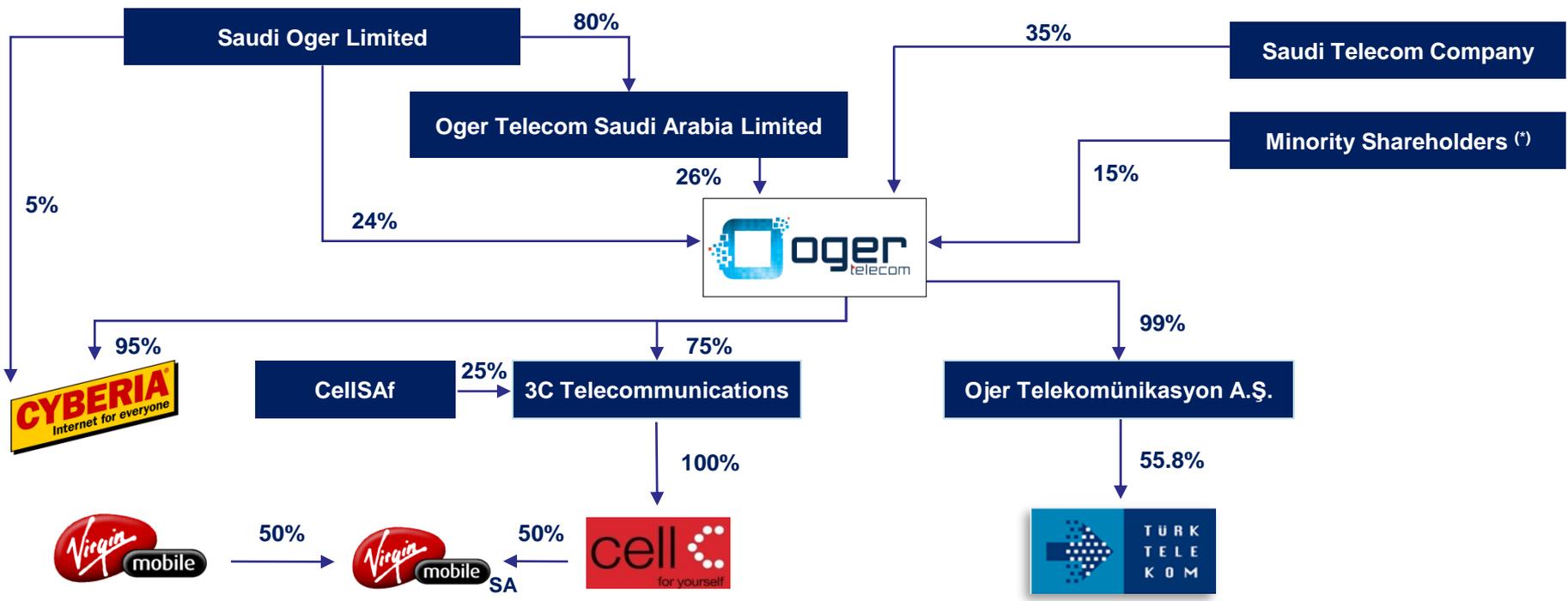
## Appendix

# Türk Telekom Ownership Structure



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

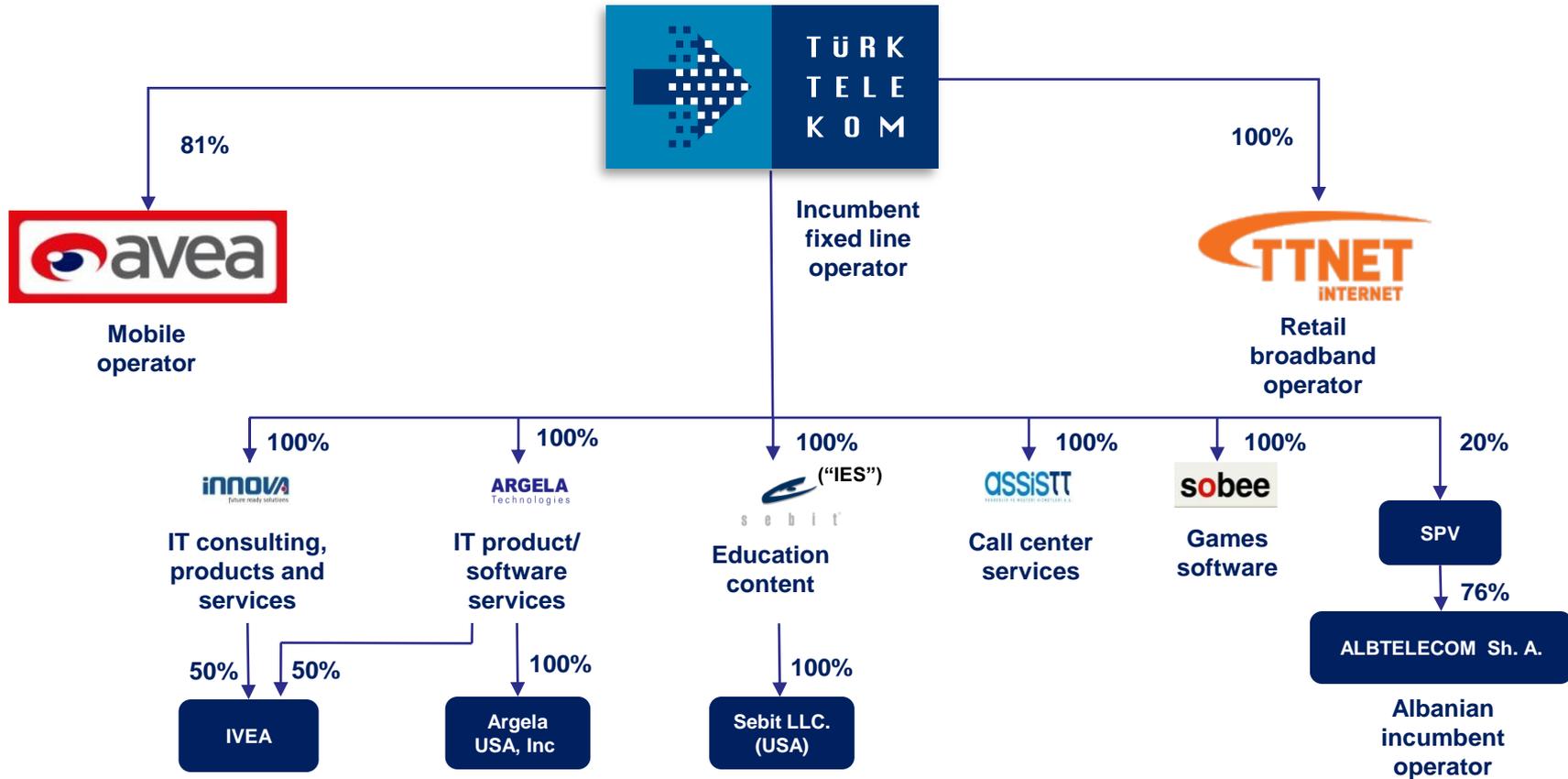
# Oger Telecom



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



# Türk Telekom Group



# Fixed Line Competition

- ✓ **Koç- Biri offers voice bundle with ADSL: One month free call (local, long distance and international) with 24 months contract; also offers low priced ADSL**
- ✓ **Doğan-Smile offers aggressive pricing while its double-play offering continues (ADSL & Satellite TV)**
- ✓ **Tellcom-Superonline focuses more on high speed fiber offers. Also offers triple play packages (Superplay-Web TV + ADSL + Voice, free 150 minutes for 3 months)**
- ✓ **Turksat- UyduNet (Cable Broadband) double play offering continues (90 channels + cable internet)**

# Türk Telekom Investor Relations

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