

# 2013 Q3 Results

Türk Telekom Group



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Note: EBITDA is a non-GAAP financial measure. The EBITDA definition used in this presentation includes Revenues, Direct Cost of Revenues excluding depreciation and amortization, Selling and Marketing expenses, Administrative expenses, and other operating income/(expense), but excludes translation gain/(loss), financial income, income on unconsolidated subsidiaries, gain on sale of investments, and minority interest.

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# Consolidated Performance

2013 Q3 Results  
**Türk Telekom Group**

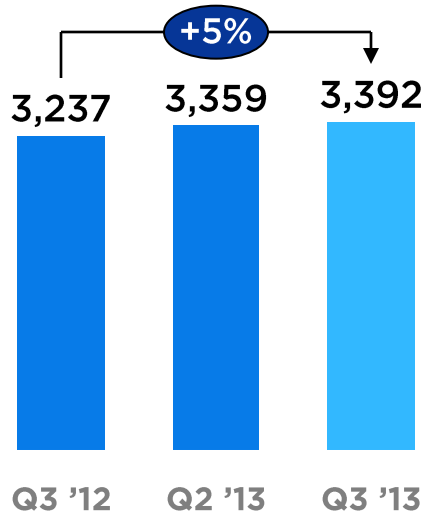
# 2013 Third Quarter Highlights

- ❖ Consolidated revenues up 5% YoY
- ❖ Robust growth in fixed line business revenues with 5% YoY led by broadband, corporate data and ICT businesses
- ❖ Continued high single digit growth in broadband revenues driven by solid subscriber growth and increased ARPU
- ❖ Strong revenue growth in mobile despite the MTR cut backed by 224K net subscriber additions
- ❖ Net income affected by TL depreciation against USD and EUR

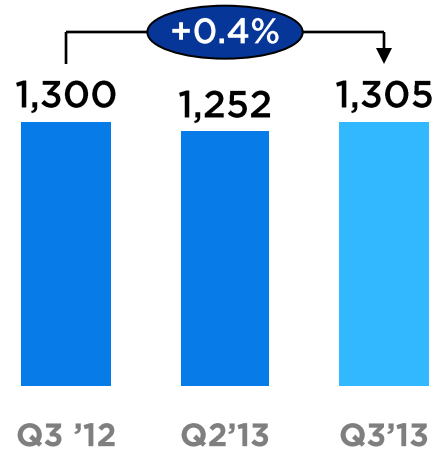
# Consolidated Financials

(TL mn)

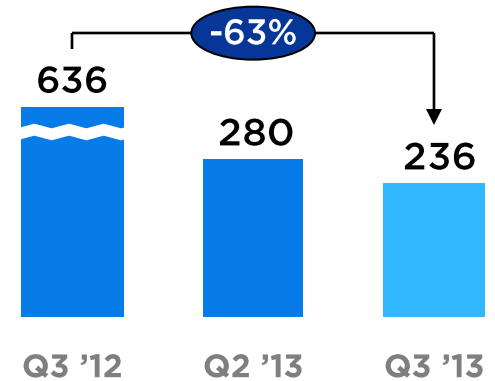
Revenue



EBITDA



Net Income

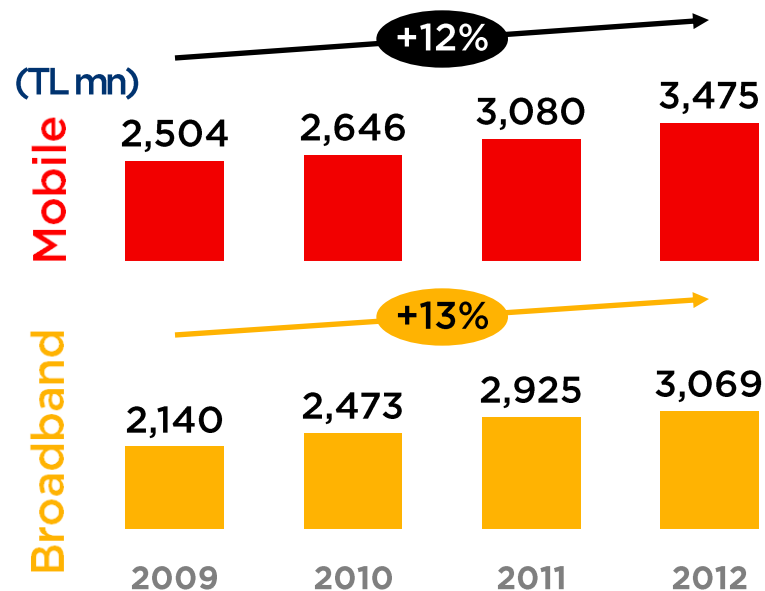


## Revenue growth keeps on track to reach YE guidance

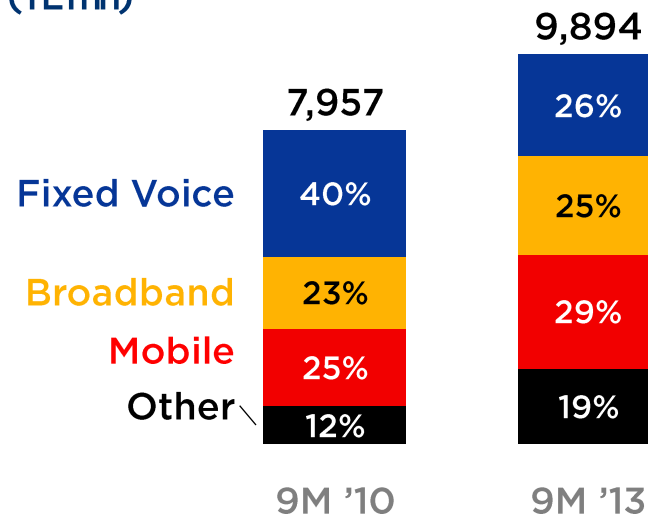
- ❖ 5% YoY and 5% YTD top line growth
- ❖ EBITDA sustained YoY
- ❖ Negative effect of TL depreciation against EUR and USD on net income

# Transforming Revenues...

... while increasing EBITDA



## Consolidated Revenues (TL mn)



## Broadband revenues set to surpass fixed voice

- Fixed voice share is now 26% of total revenues, soon to be third largest revenue source
- 55% of total revenues come from mobile and broadband businesses, with 12% combined growth rate YoY
- EBITDA contribution of high growth businesses is increasing

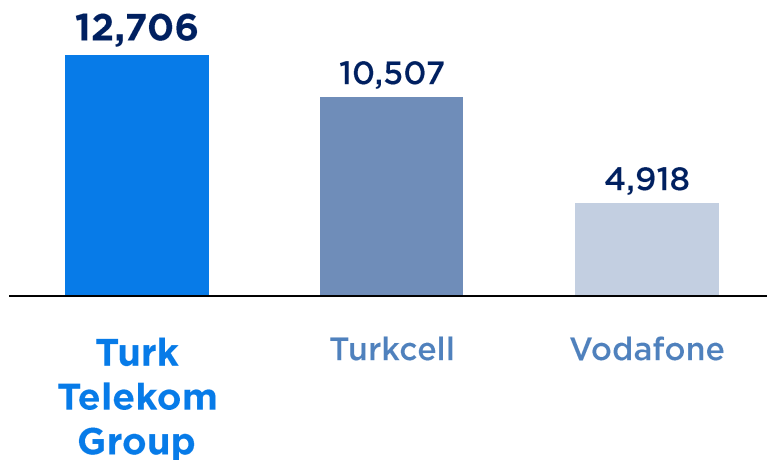
Note: Other Revenues include TT International (formerly Pantel) acquisition effect, which was completed in Q4 2010

# TT: Strong Leader of the Market

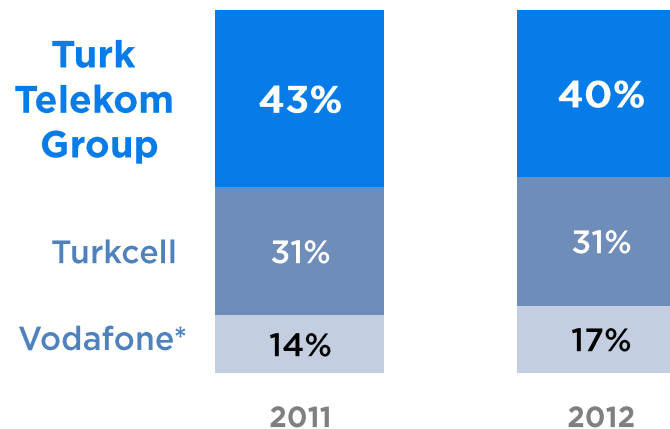
## Largest and Most Profitable Operator in Turkey

### Telecom Operators by Revenue

(2012, TL.mn)



### Telecom Operators' EBITDA Margins



- ❖ 45% of the total revenues in Turkish telecom market is generated by Turk Telekom Group
- ❖ Clear leader in profitability
- ❖ Strongest position to provide end to end wireless and wireline telecom services to both consumers and corporates

Note: Other operators' figures are from their published financials. Vodafone's EBITDA Margin figure is from their 2012 financials



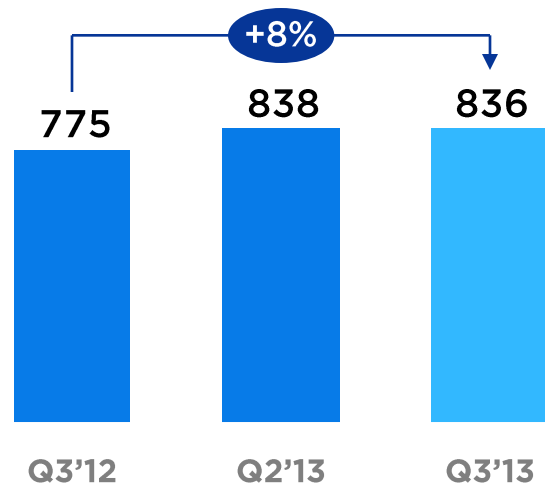
# Fixed Line

2013 Q3 Results  
**Türk Telekom Group**

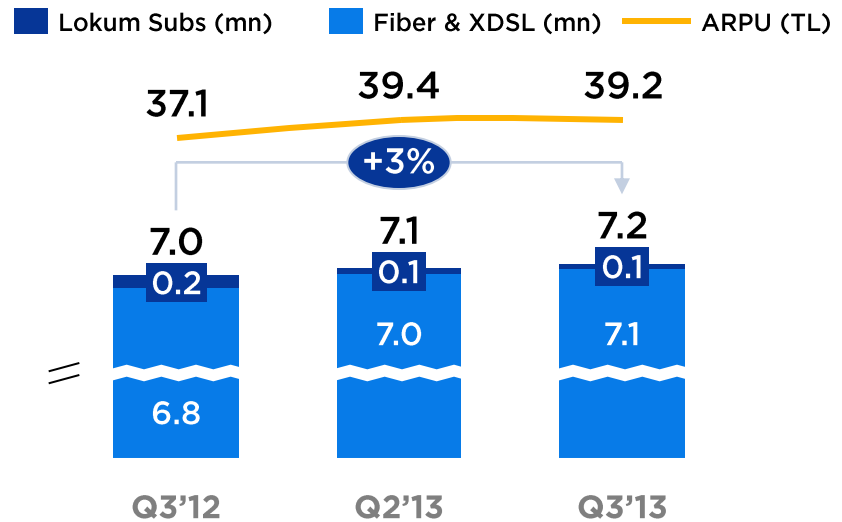
# High Speed Broadband

## Strong subscriber net additions

Revenue (TL mn)



ARPU and Subscribers

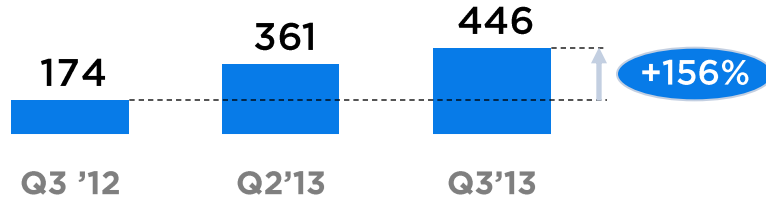


- ✦ 71K net additions in Q3 2013, highest net additions in the last nine quarters
- ✦ 8% YoY revenue growth backed by ARPU and subscriber increase
- ✦ Excluding “phasing out” Lokum subscribers, net additions are 88K in Q3 2013
- ✦ 6% YoY ARPU increase in Q3 2013

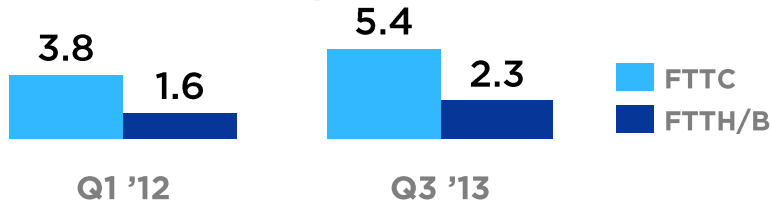
# Fiber means Turk Telekom

## Coverage of all 81 cities , 174K km fiber network

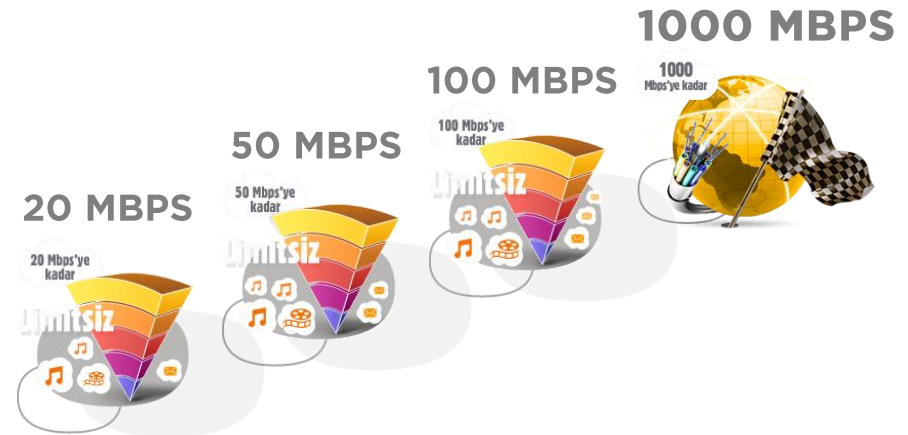
### Surging Fiber Subscribers (thousand)



### Unmatched homepass (million)



### Speeds offered



### Turk Telekom Fiber Network



### Alternative Operator



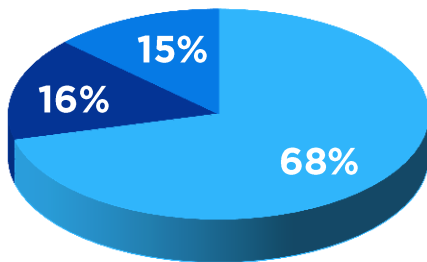
Note: Other operators' data are from their own publications

# Broadband Speed and Capacity

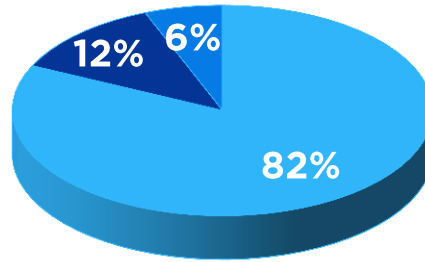
## Customer preferences continue to support upsell

### Capacity

- Unlimited
- Limited (Over 4 GB)
- Limited (4 GB and below)

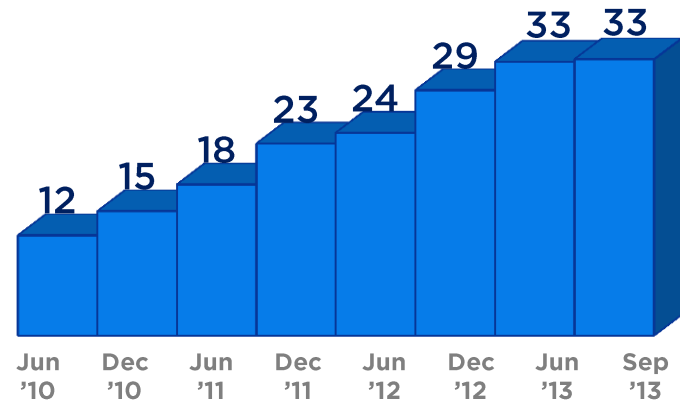


Q3 2012



Q3 2013

### Monthly Data Usage (GB)



### Strong trend towards unlimited and higher speed packages

- ✦ 94% of our customers are now in “up to 8 MBPS” or higher speed packages
- ✦ Unlimited quota subscribers are 82% of our total base (up from 68%)
- ✦ High monthly data usage - at 33GB - mainly driven by video consumption

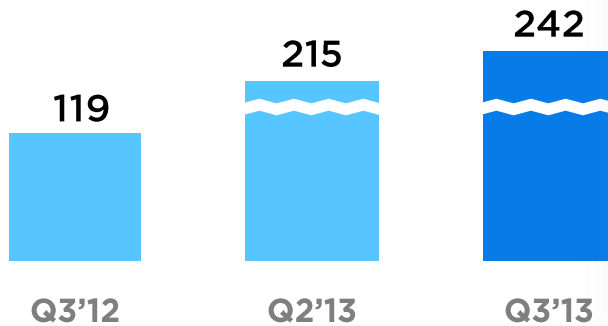


## Turkey's Leading TV Platform by Turk Telekom

- ✦ First and leading internet TV service in Turkey
- ✦ Multi-screen experience: TV | Tablet | PC | Laptop | Smartphone
- ✦ Content agreements with global distributors
- ✦ Includes premium content such as European Football
- ✦ 1.5 million paying users (Tivibu Web, Home - IPTV, and Mobile)
- ✦ Over 150 TV Channels and over 4,000 content archive



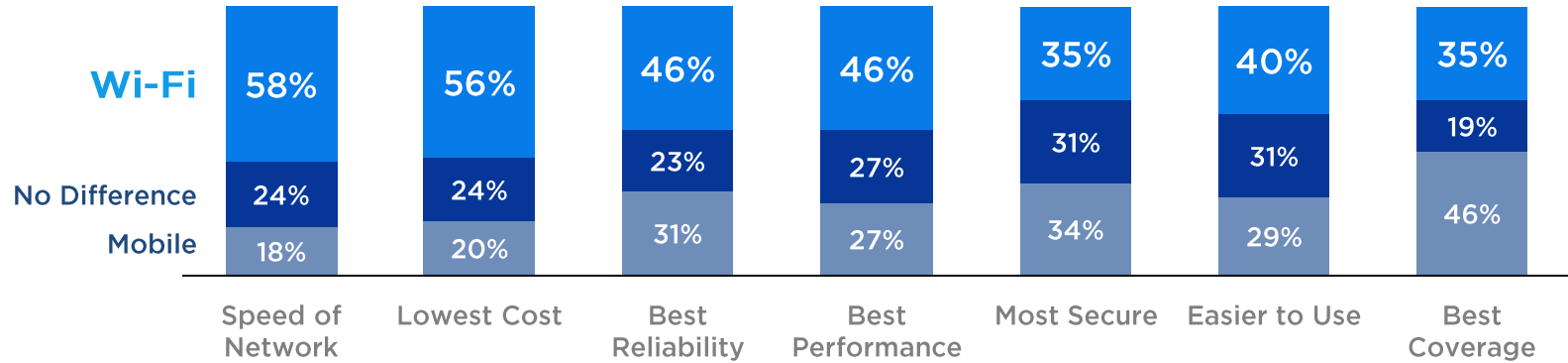
IP TV Subscribers (thousand)



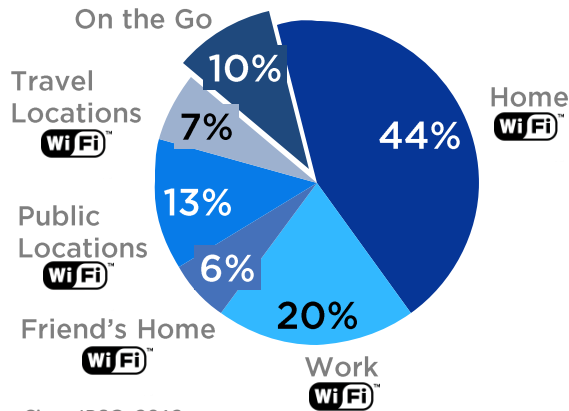
# Wi-Fi

## The Preferred Access Method for Mobile Devices

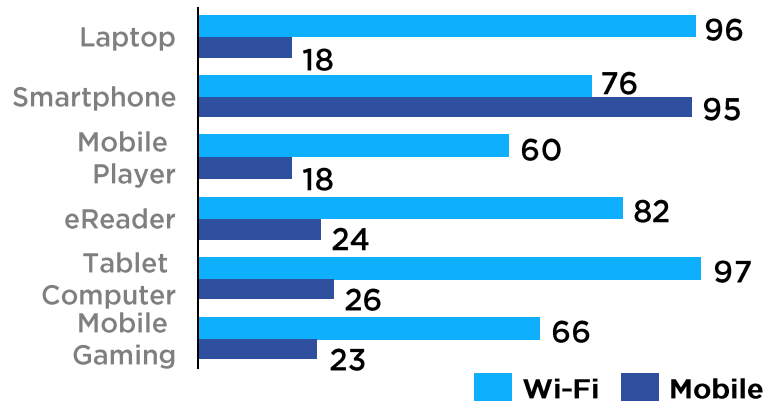
Preferred Network Access for Various Features



Mobile Device Usage By Location



Mobile Device Network Connection Capability (%)

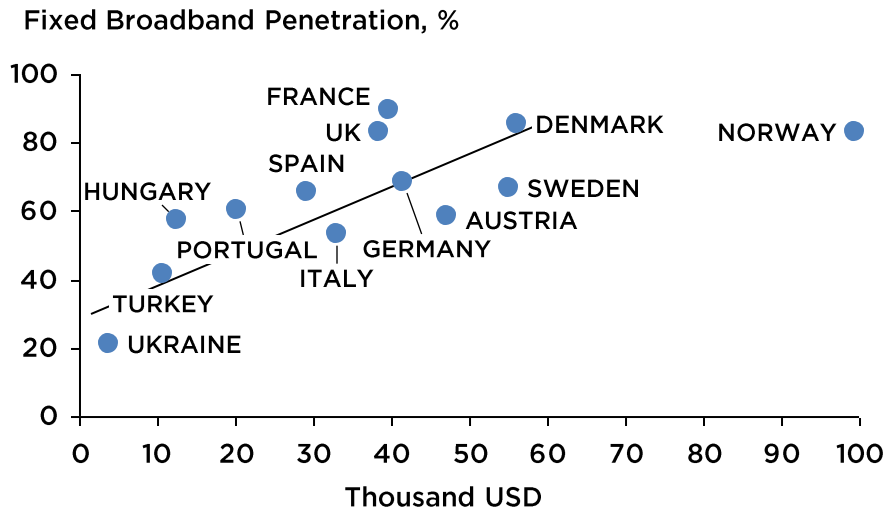


Source: Cisco IBSG, 2012

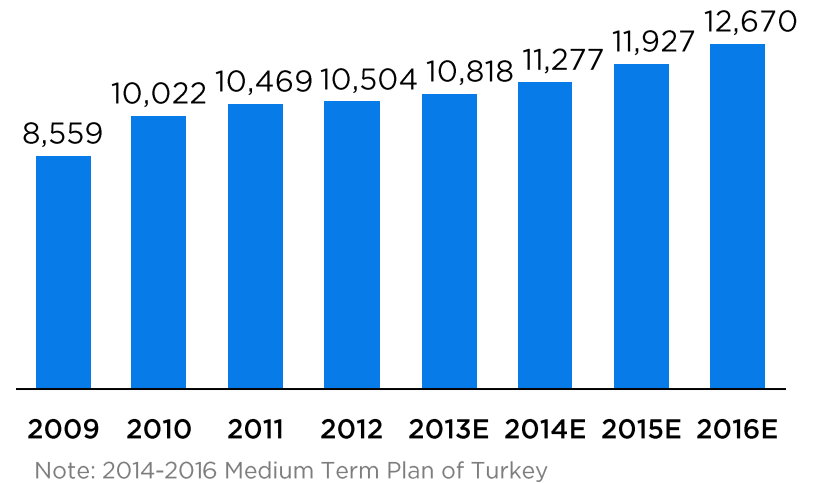
# Broadband Penetration

## Macroeconomic trends point to penetration growth

### Fixed BB penetration vs GDP per Capita<sup>1</sup>



### GDP Per Capita in Turkey<sup>2</sup> (USD)



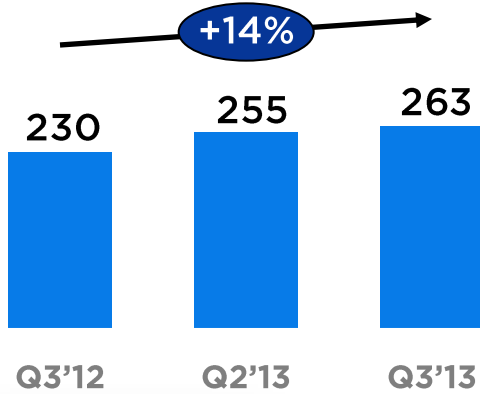
- ✦ Broadband penetration increases in line with GDP per Capita growth
- ✦ Turkey's GDP per Capita is set to grow in the upcoming years
- ✦ Household broadband penetration is already low in Turkey with 42% compared to European levels of 61%

(1) Analysis Mason, 2012YE  
(2) 2014-2016 Medium Term Plan of Turkey

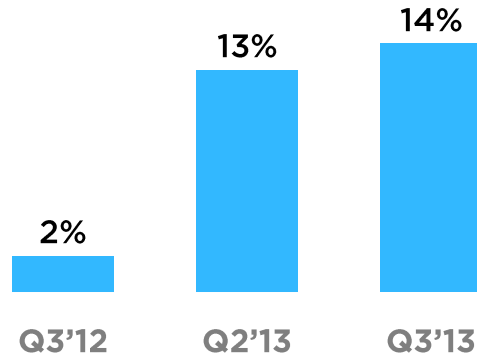
# Corporate Data

## Supports fixed line growth

Revenue (TL mn)



Revenue Growth Rate



### Significant growth in Corporate Data business

- ❖ Through Metroethernet, TT-VPN, Leased Line, and other customized products, we provide cost efficient, flexible, and safe high speed connectivity and act as technology partners of corporate clients
- ❖ Corporate data makes up 10% of total fixed line revenues as of 9M 2013

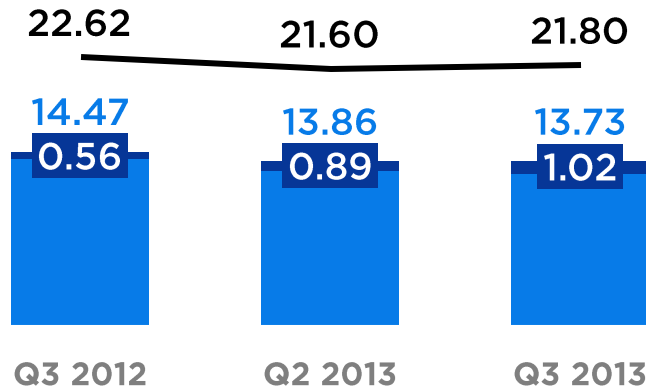


# Fixed Voice

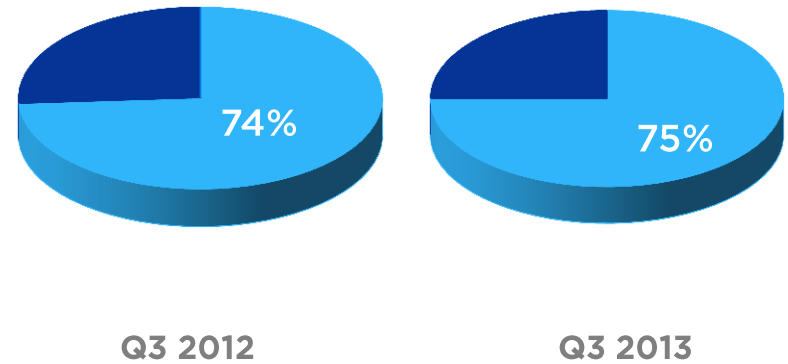
## Slight deceleration in access line loss

### Access Lines & ARPU<sup>(1)</sup>

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



### Recurring Revenue Share within Fixed Voice Revenues



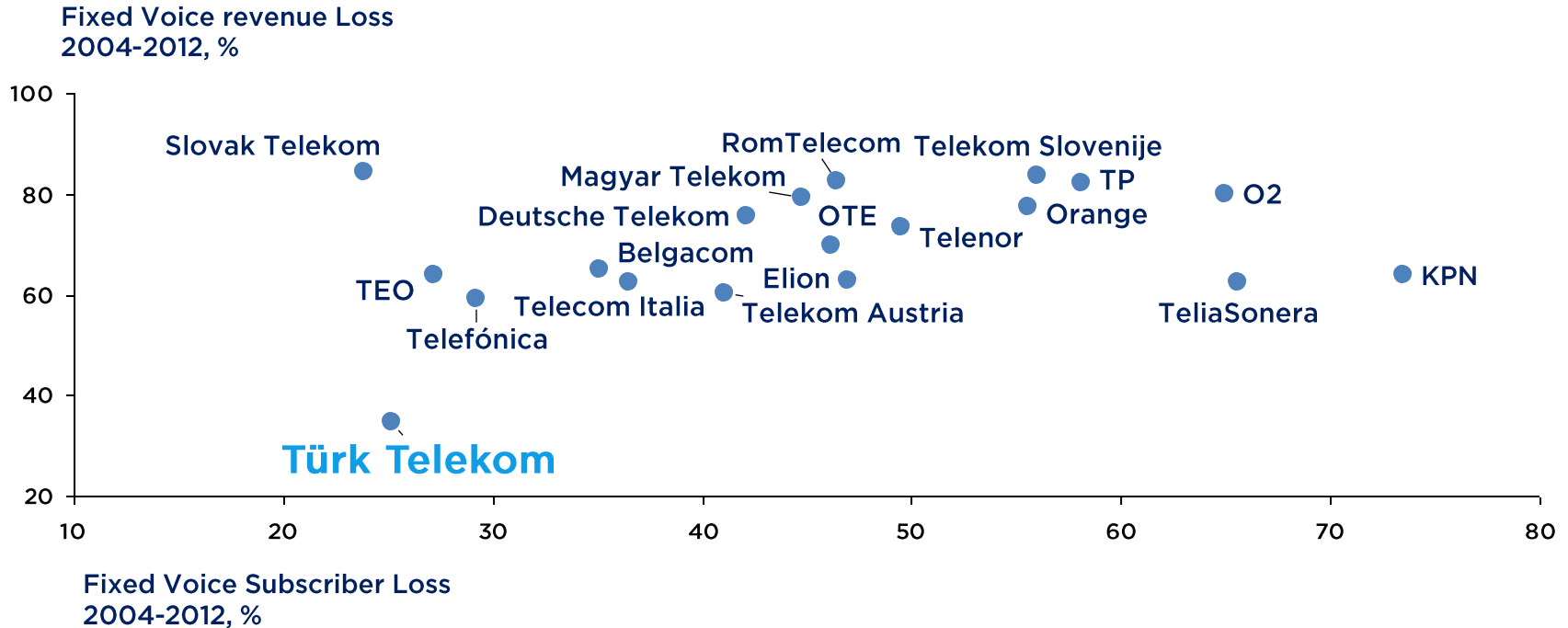
### Stimulating home phone usage...

- ✦ Addressing customers' demand through special offers on most preferred call directions
- ✦ Discount benefits from leading retailers and joint offers with group companies
- ✦ Fixed voice decline partially offset by increased naked broadband additions
- ✦ ARPU slightly decreased YoY mainly due to Wholesale Line Rental

(1) Revenue divided by average number of connections

# Fixed Voice

## Benchmarking well among fixed line incumbents ...



- ❖ Fixed voice revenues and subscriber losses are lower than many peers' around the world, indicating successful efforts by Turk Telekom to protect subscribers and revenues

Source: Turk Telekom Company Data and Analysis Mason for other operators.

# Mobile

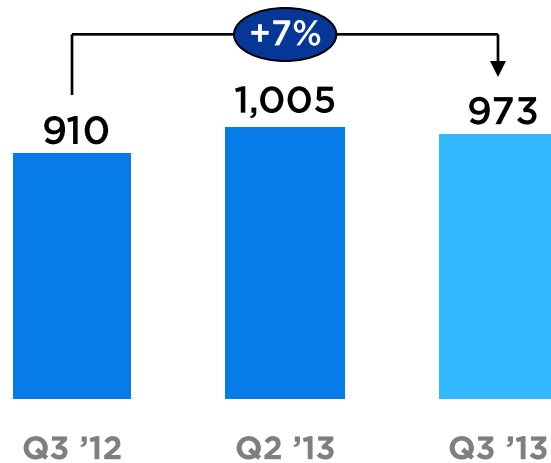
2013 Q3 Results  
**Türk Telekom Group**

# Mobile

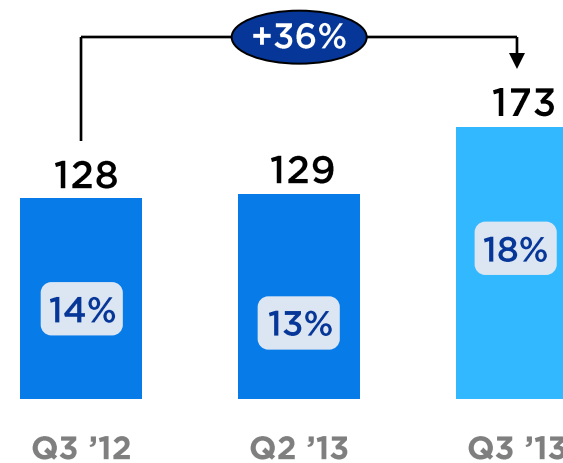
## Revenue growth persists despite the MTR cut

(TLmn)

Revenue



EBITDA (TLmn) & Margin



### Persistent revenue and EBITDA growth

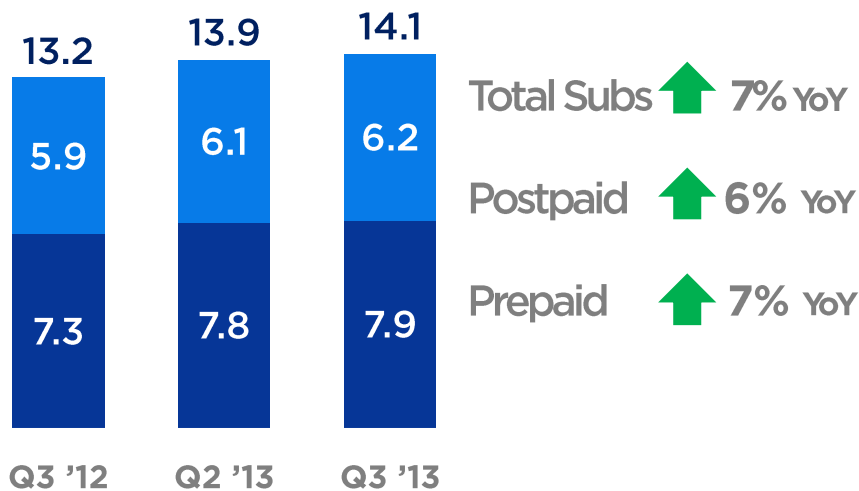
- ✦ Revenues 7% up YoY - excluding MTR cut effect double digit growth continues
- ✦ EBITDA grew by 36% YoY with 18% EBITDA margin
- ✦ Mobile data growth, and higher outgoing calls supported revenue and EBITDA increase

# Mobile Operational KPIs

## Growing the base in both prepaid and postpaid

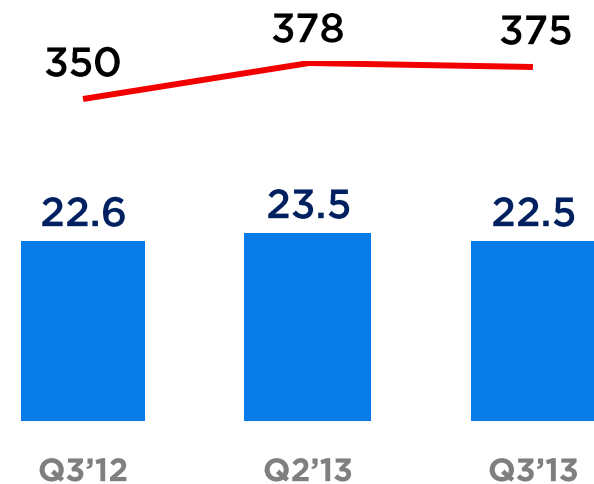
### Subscribers (mn)

Postpaid Prepaid



### MoU and ARPU

MoU Blended ARPU (TL)

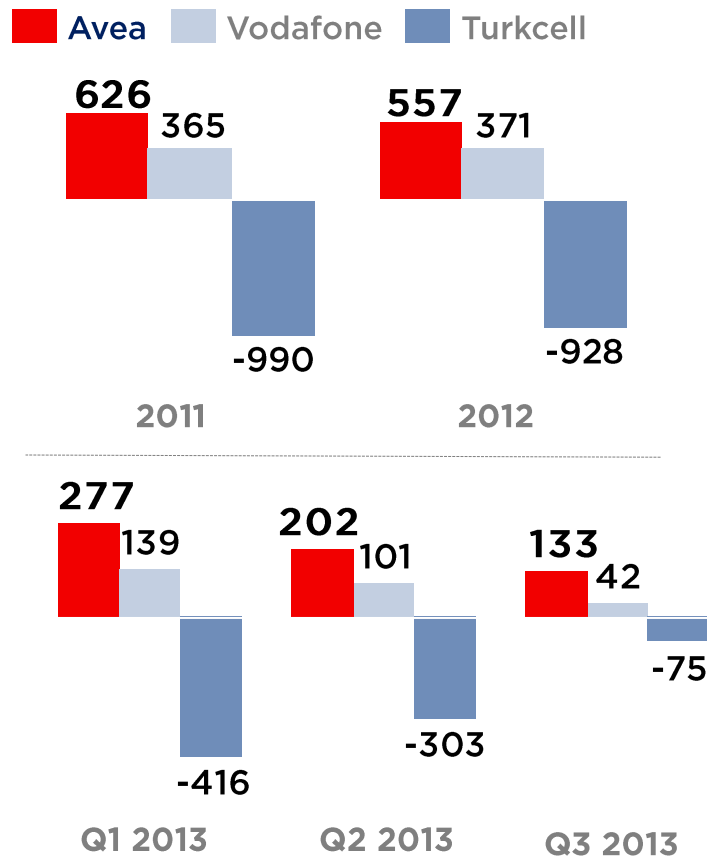


- ✦ 224K net additions in the quarter with a healthy balance between postpaid & prepaid
- ✦ %44 postpaid ratio in total subscriber base - highest in the market as of Q2 2013
- ✦ Slight decline in ARPU due to MTR cut effect - highest ARPU in the market as of Q2 '13
- ✦ 7% YoY growth in MoU

# Mobile Number Portability

## Avea - Preferred operator among MNP customers

### MNP Subscriber Additions (thousand)



Source: ICTA & Central MNP Database

➤ Avea continues to outperform competitors in Mobile Number Portability gains in Q3 2013 with 133K

**GALAXY S4 AİLESİ AVEA İLE HER CEBE GİRECEK.**  
 Siz de Avea'ya gelin, yepyeni Samsung Galaxy S4 modellerden dilediğiniz avantajlı tekliflere alın. Üstelik tüm modellerde 6 ay boyunca Avea'lık bedel!

1TL, 9TL, 19TL

SEC, SAMSUNG, avea

**SEÇ AVEA'DAN NE DİLERSEN**  
 Sade, ekonomik, çeşitli S.E.C. tarifeleriyle dilediğiniz kadar her yöne konuşun, mesajlaşın, internete girin.

**HER YÖNE 500 DK 1 GB 33 TL**

SEC, avea

**KAT KAT HIZLI MOBİL İNTERNET AVEALILARIN EMRİNDE**  
 Avea Z kat hızlı mobil internet teknolojisi MobilPlus! Türkiye'nin 01. İnce Hızlı İnterneti sundu.

avea

**AKILLI TELEFONUN KEYFİNİ ÇIKARIN DİYE**

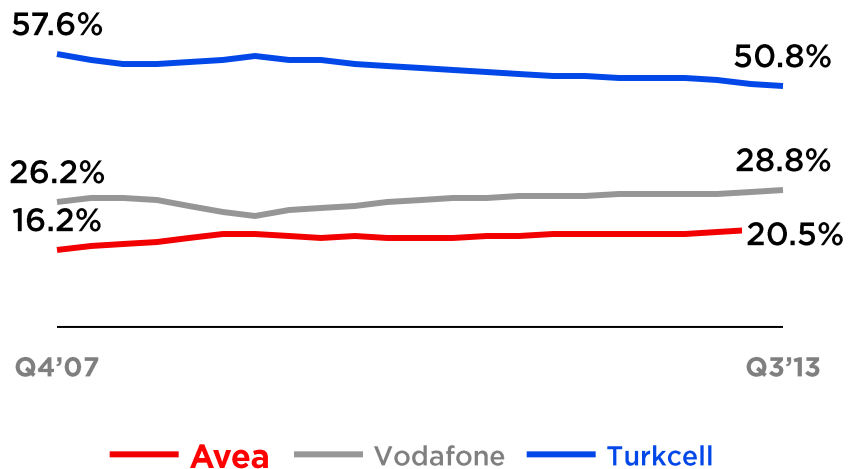
**4GB 1000 DK 49TL**

avea

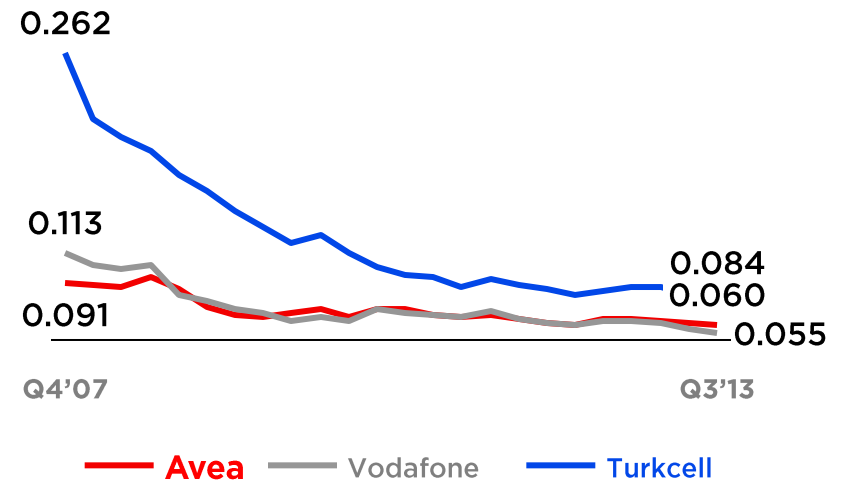
# Mobile Market Outlook

## Avea gains subscribers with a strict eye on profitability ...

### Subscriber Market Share (%)



### Revenue per Minute (TL)



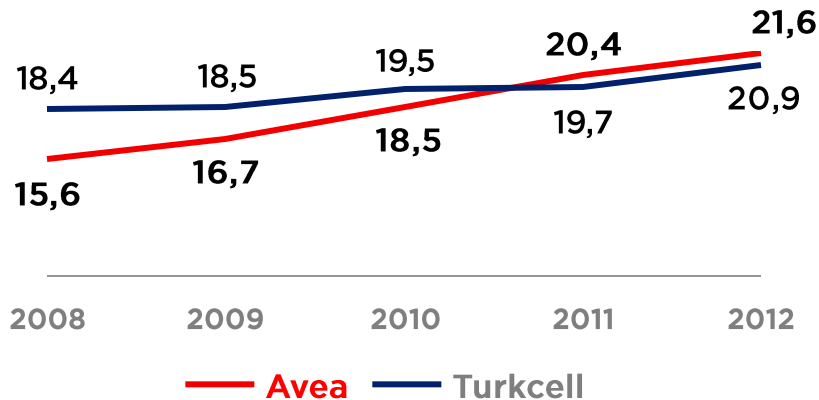
- ✦ Avea grew market share despite aggressive market conditions while keeping a strict eye on profitability
- ✦ Incumbent operator eroded 68% of its Revenue per Minute while continuing to lose market share

Note: Other operators' figures are from their own publications

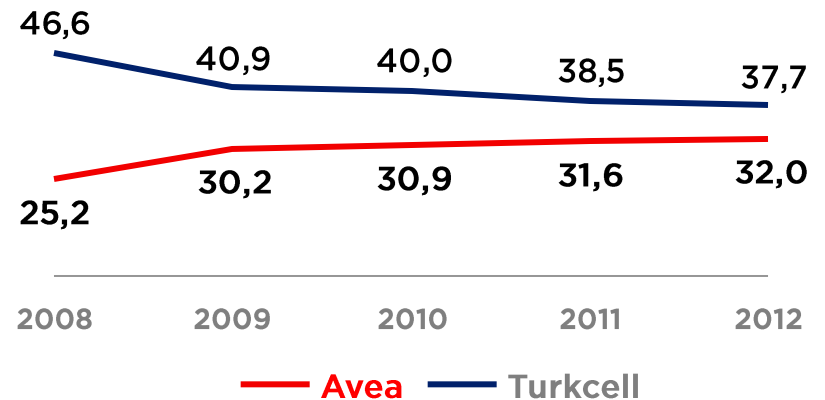
# Mobile ARPU Comparison

## Incumbent and challenger ...

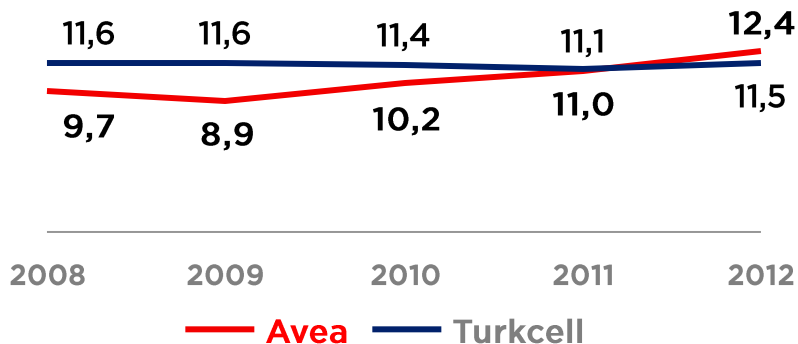
### Blended ARPU - Annual (TL)



### Postpaid ARPU (TL)



### Prepaid ARPU (TL)



- ✦ Avea increased its postpaid ARPU by 27% and prepaid ARPU by 28% since 2008. Its blended ARPU went up 37% in the same period
- ✦ Incumbent operator decreased its postpaid ARPU by 19% and prepaid ARPU by 1% in the same period

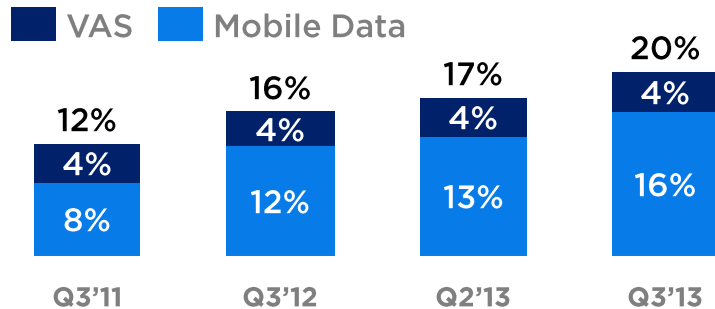
Note: Other operators' figures are from their own publications



# Mobile Data

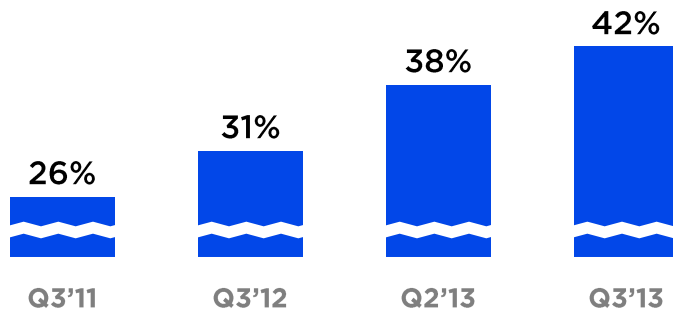
## Strong trend in data revenue growth

### Mobile Data<sup>1</sup> and VAS<sup>2</sup> shares in Revenues



SMS not included in mobile data

### Share of Small Screen Data Users<sup>3</sup>



(1) Mobile data revenues consist of small & large screen and M2M revenues

(2) VAS: Value Added Services

(3) Small Screen defined as all handheld devices that access internet via mobile broadband except dongles that are used for PC's. Small screen % = Small screen users/Total Avea base excluding large screen users.

### Data revenue resumed its fast growth

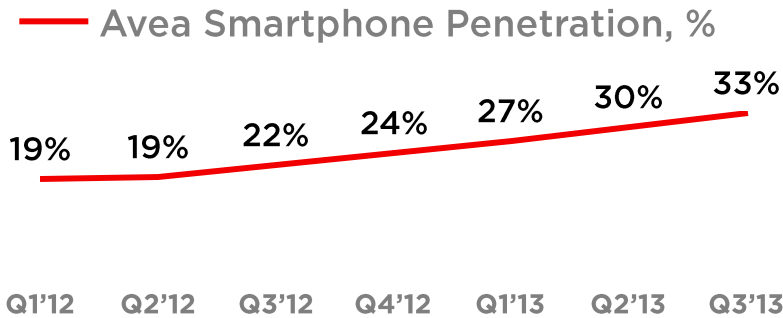
- ✦ 44% YoY and 16% QoQ increase in mobile data
- ✦ Non-SMS mobile data makes up 20% of total service revenues
- ✦ Affordable smartphones offered to further grow data subscribers

### Strong smartphone and tablet take up

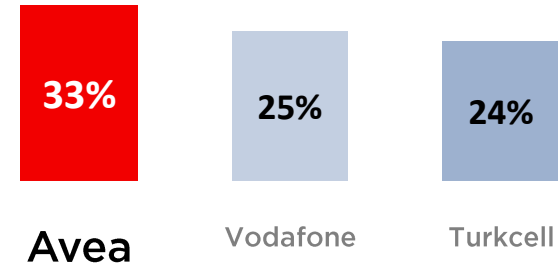
- ✦ Smartphone and tablet users increased 41% YoY
- ✦ Jet Modem (USB stick) subscribers are up 7% YoY

# Smartphones

## Continued leadership in penetration



## Smartphone Penetration as of Q3 2013



## Inherent advantages to boost smartphone users

- ❖ Avea inTouch Android smartphone – Second version in stores building on the success of the original inTouch
- ❖ Highest share of postpaid customers and youth segment
- ❖ Innovative data & voice tariffs enabling customers to mix and match

Note: Other operators' figures are from their own publications

# New Partnerships & Vertical Services

## Incremental growth ...

### Alternative Channels Through Partnerships



- Accessing micro segments through partnerships with retail giant and Turkish State Postal Service

### Avea Mobile Health



- Preventative and informational health SMS/IVR services
- Telehealth solutions
- Telecare solutions

### Avea Applications to make life easier



Avea Music



Avea Backup



Avea League



Online Transactions



Avea Legal



Avea Mobilife

# Financials

2013 Q3 Results  
**Türk Telekom Group**

# Consolidated

## Summary Income Statement

TL Millions	2012 Q3	2013 Q2	2013 Q3	QoQ % Change	YoY % Change
Revenues	3,237	3,359	3,392	1%	5%
EBITDA	1,300	1,252	1,305	4%	0.4%
Margin	40%	37%	38%		
Operating Profit	892	811	864	7%	-3%
Margin	28%	24%	25%		
Financial Income/(Expense)	(85)	(445)	(553)	-24%	NM
FX & Hedging Gain/(Loss)	(19)	(411)	(497)	-21%	NM
Interest Income/(Expense)	(44)	(13)	(27)	-111%	38%
Other Financial Income/(Expense)	(22)	(21)	(29)	-39%	-30%
Tax Expense	(176)	(96)	(81)	16%	54%
Net Income	636	280	236	-16%	-63%
Margin	20%	8%	7%		

# Consolidated Summary Balance Sheet

TL Millions	30.09.2012	30.06.2013	30.09.2013
Intangible Assets <sup>1</sup>	3,768	4,096	4,247
Tangible Assets <sup>2</sup>	8,257	8,178	8,285
Other Assets <sup>3</sup>	3,762	4,324	4,442
Cash and Equivalents	1,038	973	1,167
<b>Total Assets</b>	<b>16,825</b>	<b>17,571</b>	<b>18,140</b>
Share capital	3,260	3,260	3,260
Reserves and Retained Earnings	2,450	1,599	1,810
Interest Bearing Liabilities <sup>4</sup>	6,479	8,390	8,482
Provisions for Employee Termination Benefits	664	607	612
Other Liabilities <sup>5</sup>	3,972	3,715	3,975
<b>Total Equity and Liabilities</b>	<b>16,825</b>	<b>17,571</b>	<b>18,140</b>

(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, Due from Related Parties, 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, Due to Related Parties, Other Current Liabilities, Provisions for Employee Termination Benefits and Minority Put Option Liability

# Consolidated

## Summary Cash Flow Statement

TL Millions	2012 Q3	2013 Q2	2013 Q3	QoQ % Change	YoY % Change
Cash Flow from Operating Activities	1,217	1,066	1,207	13%	-1%
Cash Flow from Investing Activities	(497)	(374)	(518)	-39%	-4%
CAPEX	(565)	(479)	(633)	-32%	-12%
Other Investing Activities	68	106	115	9%	71%
Cash Flow from Financing Activities <sup>1</sup>	(482)	(1,036)	(494)	52%	-2%
Net Change in Cash Position <sup>2</sup>	238	(344)	195	NM	-18%

(1) Includes FX gain/loss on balance sheet items at the beginning of the period

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

# Consolidated

## Summary Revenue Breakdown

TL Millions	2012 Q3	2013 Q2	2013 Q3	QoQ % Change	YoY % Change
<b>Fixed Line</b>	<b>2,421</b>	<b>2,455</b>	<b>2,532</b>	<b>3%</b>	<b>5%</b>
Domestic PSTN	957	849	839	-1%	-12%
Broadband	775	838	836	0%	8%
Corporate Data <sup>1</sup>	230	255	263	3%	14%
International Settlements	125	127	148	16%	18%
Domestic interconnection	79	94	91	-2%	15%
Rental income from GSM operator	24	20	21	4%	-11%
Other <sup>2</sup>	84	138	175	27%	109%
Construction Revenue (IFRIC 12) <sup>3</sup>	146	133	158	19%	9%
<b>Mobile</b>	<b>910</b>	<b>1,005</b>	<b>973</b>	<b>-3%</b>	<b>7%</b>
Elimination	(93)	(101)	(112)	-11%	-21%
<b>Total Revenue</b>	<b>3,237</b>	<b>3,359</b>	<b>3,392</b>	<b>1%</b>	<b>5%</b>

(1) Includes Leased Line and Data Services

(2) ICT companies, device sales, other

(3) According to IFRIC (International Financial Reporting Interpretations Committee) Interpretation 12. Large increase in construction revenue is due to higher amount of eligible CAPEX recorded in the period



# Consolidated

## Summary OPEX Breakdown

TL Millions	2012 Q3	2013 Q2	2013 Q3	QoQ % Change	YoY % Change
Personnel	501	546	534	-2%	7%
Domestic interconnection	227	266	191	-28%	-16%
International interconnection	89	82	95	17%	8%
Commercial <sup>1</sup>	239	255	233	-9%	-2%
Maintenance and Operations	117	125	125	0%	7%
Taxes & Government Fees	210	247	242	-2%	15%
Doubtful Receivables	58	38	49	28%	-15%
Cost of Equipment and Technology Sales	28	58	113	96%	303%
Others	341	371	365	-2%	7%
<b>Sub-Total</b>	<b>1,809</b>	<b>1,989</b>	<b>1,948</b>	<b>-2%</b>	<b>8%</b>
Construction Cost (IFRIC 12) <sup>2</sup>	129	118	140	19%	9%
<b>Total OPEX</b>	<b>1,937</b>	<b>2,107</b>	<b>2,088</b>	<b>-1%</b>	<b>8%</b>

(1) Includes Commissions, Advertising & Marketing, Subscriber Acquisition & Retention Costs and Promotion

(2) According to IFRIC (International Financial Reporting Interpretations Committee) Interpretation 12. Large increase in construction cost is due to higher amount of eligible CAPEX recorded in the period

# Fixed Line

## Summary Income Statement

TL Millions	2012 Q3	2013 Q2	2013 Q3	QoQ % Change	YoY % Change
Revenues	2,421	2,455	2,532	3%	5%
EBITDA	1,175	1,122	1,132	1%	-4%
Margin	49%	46%	45%		
Operating Profit	927	856	873	2%	-6%
Margin	38%	35%	34%		
CAPEX	418	360	386	7%	-8%
CAPEX as % of Revenue	17%	15%	15%		

# Fixed Line

## Summary OPEX Breakdown

TL Millions	2012 Q3	2013 Q2	2013 Q3	QoQ % Change	YoY % Change
Personnel	439	492	476	-3%	8%
Domestic interconnection	45	61	58	-4%	29%
International interconnection	85	77	89	16%	4%
Commercial <sup>1</sup>	123	129	123	-5%	0%
Maintenance and Operations	84	88	90	2%	7%
Taxes & Government Fees	52	54	51	-5%	-3%
Doubtful Receivables	44	20	28	34%	-37%
Cost of Equipment and Technology Sales	33	60	126	112%	282%
Others	210	235	219	-7%	4%
<b>Sub-Total</b>	<b>1,117</b>	<b>1,215</b>	<b>1,260</b>	<b>4%</b>	<b>13%</b>
Construction Cost (IFRIC 12) <sup>2</sup>	129	118	140	19%	9%
<b>Total OPEX</b>	<b>1,246</b>	<b>1,333</b>	<b>1,399</b>	<b>5%</b>	<b>12%</b>

(1) Includes Commissions, Advertising & Marketing, Subscriber Acquisition & Retention Costs and Promotion

(2) According to IFRIC (International Financial Reporting Interpretations Committee) Interpretation 12. Large increase in construction costs is due to higher amount of eligible CAPEX recorded in the period

# Mobile

## Summary Income Statement

TL Millions	2012 Q3	2013 Q2	2013 Q3	QoQ % Change	YoY % Change
Revenues	910	1,005	973	-3%	7%
EBITDA	128	129	173	34%	36%
Margin	14%	13%	18%		
Operating Profit	(33)	(46)	(9)	80%	71%
Margin	-4%	-5%	-1%		
CAPEX	146	113	257	127%	76%
CAPEX as % of Revenue	16%	11%	26%		

# Mobile

## Summary OPEX Breakdown

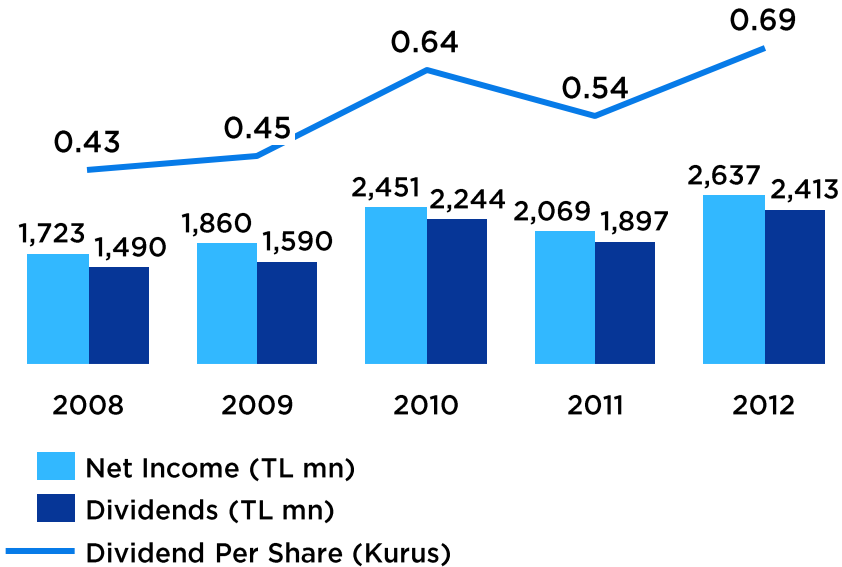
TL Millions	2012 Q3	2013 Q2	2013 Q3	QoQ % Change	YoY % Change
Personnel	63	60	66	9%	4%
Domestic interconnection	211	241	167	-31%	-21%
International interconnection	4	5	6	11%	71%
Commercial <sup>1</sup>	117	127	112	-12%	-5%
Maintenance and Operations	31	36	38	5%	20%
Taxes & Government Fees	158	193	191	-1%	21%
Doubtful Receivables	14	18	21	20%	58%
Others <sup>2</sup>	185	194	198	2%	7%
<b>Total</b>	<b>782</b>	<b>876</b>	<b>800</b>	<b>-9%</b>	<b>2%</b>

(1) Includes Commissions, Advertising & Marketing, Subscriber Acquisition & Retention Costs and Promotion

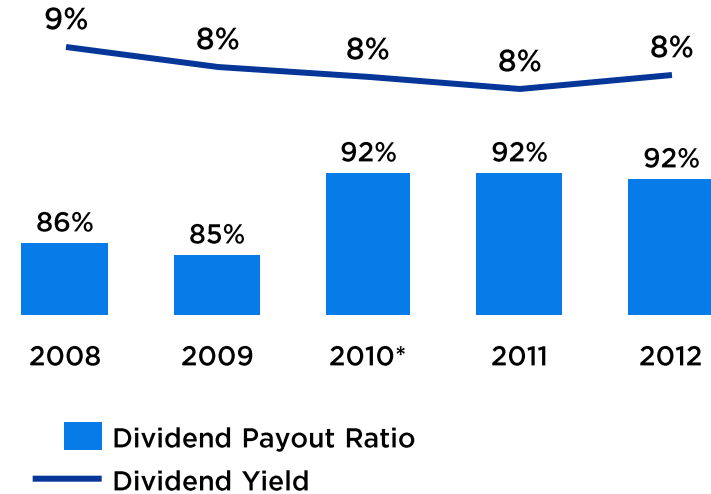
(2) Includes Rent Expense, Utilities, Leased Line Expense and other expenses

# Shareholder Remuneration

## Dividend Distribution



## Dividend Yield & Payout Ratio



- ✦ Consistently the highest dividends in ISE since IPO, with top ranking payout ratio
- ✦ Solid dividend policy of maximum payout as defined in the Articles of Association

(\* Note: We reached the cap in the first legal reserve in 2010)

# Debt Profile

Debt (Millions)	In Currency	TL Equivalent	<3 Month	3 Months to 1 Year	1 to 5 Years	>5 Years
TL	881	881	867	14	0	0
USD	2,090	4,251	318	732	2,637	564
EUR	1,172	3,221	144	774	2,105	198
JPY	4,957	102	0	34	68	0
<b>TOTAL</b>		<b>8,455</b>	<b>1,329</b>	<b>1,554</b>	<b>4,810</b>	<b>762</b>

Ratios	2012 Q3	2013 Q3
Net Debt / EBITDA	1.08	1.46
Net Debt / Assets	0.32	0.40
Debt (Total Liabilities) / Equity	1.95	2.58
Debt (Financial) / Equity	1.13	1.67
Current Ratio	0.83	0.90

✦ Average maturity of FX denominated debt is 2.2 years

✦ Comfortable Net Debt / EBITDA ratio at 1.46

# Group Companies

2013 3Q Results  
**Türk Telekom Group**





# Türk Telekom International

## Expanding Global Footprint

- ❖ Pantel's brand and logo changed into Türk Telekom International; a new approach to Group synergy with a new brand and a new management
- ❖ International arm of the Group; handling all international data and wholesale voice business functions within a unique geographical coverage in 20 countries
- ❖ High quality connectivity from Asia to USA
- ❖ Over 40,000 km of fiber optic network
- ❖ More than 50 major POPs in Asia, Europe and USA



## IT Solutions spread over 28 countries



### Innova

- . Turkey's leading software developer and integrator in different industries
- . A team of more than 800 IT professionals
- . Over 10 years of international experience in 28 countries in 3 continents
- . 21 prestigious awards in just 5 years



### Kiosk Innova

- . Online Banking Solutions
- . Advanced Payment and Collection Solutions
- . Product Showcase Solutions
- . Digital Signage
- . Wayfinding
- . Top-up Solutions



### Payflex Innova

- . E-invoice services with the Special integrator title of Innova, given by Revenue Administration
- . Cloud based collection systems through Turk Telekom data center
- . Secure and innovative solutions for mobile payments
- . Loyalty Solutions



### Awards

- . 1<sup>st</sup> ranked business systems integrator among ICT 500 companies in Turkey in 2013
- . Winner of 'Partners Across Borders' award of EuroFM Institution in 2013
- . Fastest growing Turkish IT company for the last 7 years in Deloitte Fast50 List

# ASSISTT

## Turkey's Leading Call Center

- ❖ Presence in 20 locations in 14 cities of Turkey
- ❖ Over 5,500 seat capacity
- ❖ Over 120 millions of calls responded per year
- ❖ Fastest growing call center in Turkey with consistently increasing market share
- ❖ More than a traditional call center as the strategic partner of its customers by producing sales and marketing oriented data
- ❖ Call center solutions for Turk Telekom Group and other leading companies and institutions in Turkey
- ❖ Partner of Turkish Ministry of Health for Turkey's Central Hospital Scheduling system call center services



# A Global Player in E-education



## Sebit

- . The biggest education technologies company in Turkey
- . A multinational e-education solution provider with operations in the US, Europe, Middle East and Asia
- . 25 years of experience in online education technologies
- . Developer of first and only educational market place and educational search engine in Turkey



## Sebit Turkey

- . Vitamin; e-education solutions to state & private schools as well as consumers
- . 3 mn monthly unique visitors viewing over 50 mn pages
- . Piloting educational transformation in government's e-education project (FATİH)
- . Group synergy by adding Sebit's Vitamins to TTNET broadband services



## Sebit International

- . Products chosen by Ministers of Education in a number of countries with country-wide solutions
- . Adaptive Curriculum; e-education support for numerous schools in the US
- . Vitamin Malaysia; implemented in schools nationwide in Malaysia
- . Vitamin Arabic; delivered by Saudi Telecom to broadband subscribers



## A Global Provider of Next Generation Telecom Solutions

- ❖ International experience in providing a wide variety of telecom solutions in CIS, Middle East, Africa, USA, LATAM, Balkans and Eastern Europe

- ❖ Partner of Turkey's first 4G-LTE project to build and develop 4G base stations in the country

- ❖ Leading developer of iTV and small cell technologies in Turkey

- ❖ Key Solutions and Products:

- › ITV; a distinguished TV solution with multiscreen functions
- › Small cell solutions; 3G & LTE coverage for hard to reach areas
- › Network Performance Monitor
- › Intelligent Network Services and Applications
- › Targeted Advertising
- › Fixed-Mobile Convergence

3G  
LTE

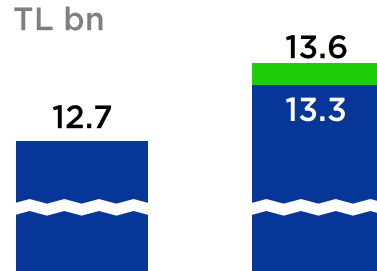


# Appendix

2013 Q3 Results  
**Türk Telekom Group**

# 2013 Guidance

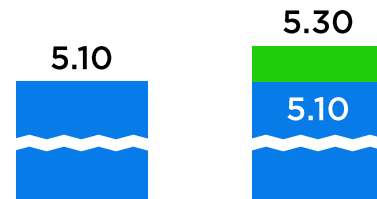
Revenue Growth of 5% - 7%



## Revenue Growth Enablers

- ✦ Mobile growth
- ✦ Broadband growth
- ✦ Combined offers

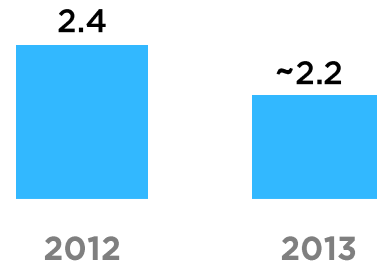
EBITDA between TL 5.1bn & TL 5.3bn



## EBITDA Growth

- ✦ Focusing on absolute EBITDA
- ✦ OPEX saving initiatives

CAPEX ~ TL 2.2bn



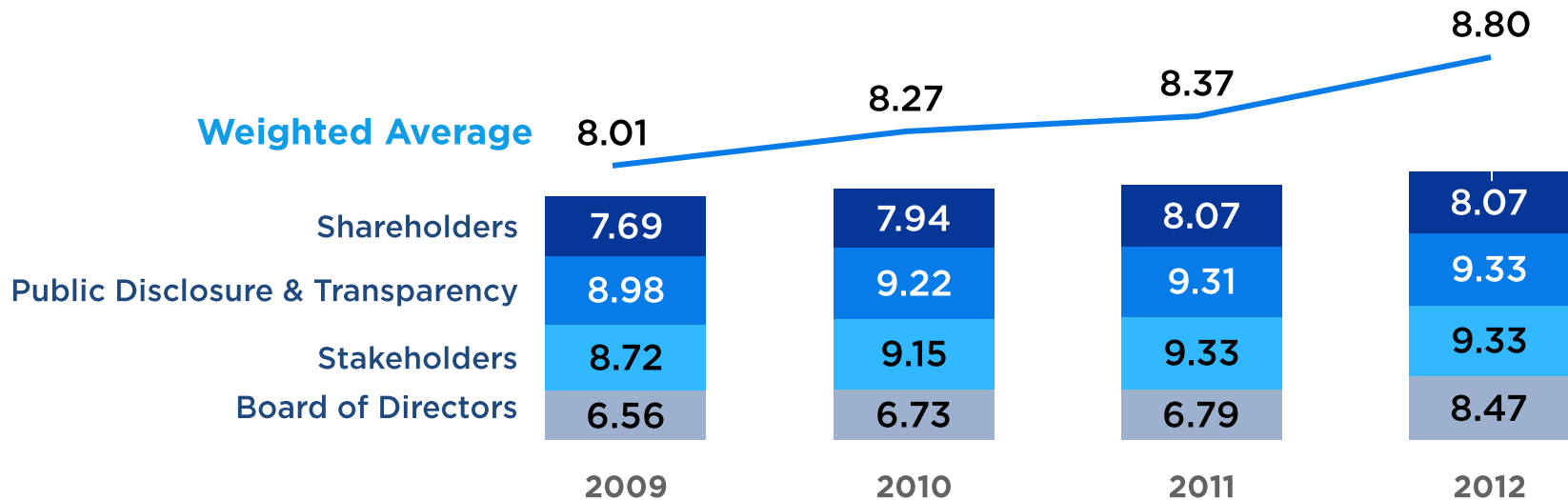
## CAPEX

- ✦ Reducing CAPEX since major CAPEX programs' peak investment levels passed

# Corporate Governance at Turk Telekom

## Exemplary Practices

Corporate Governance Ratings of Turk Telekom (out of 10)



**Turk Telekom demonstrates exemplary practices in Corporate Governance**

- ✦ First and only telecom company in ISE Corporate Governance Index
- ✦ Achieved 8.8 over 10 in 2012
- ✦ Compliance to Capital Market Board Corporate Governance Principles

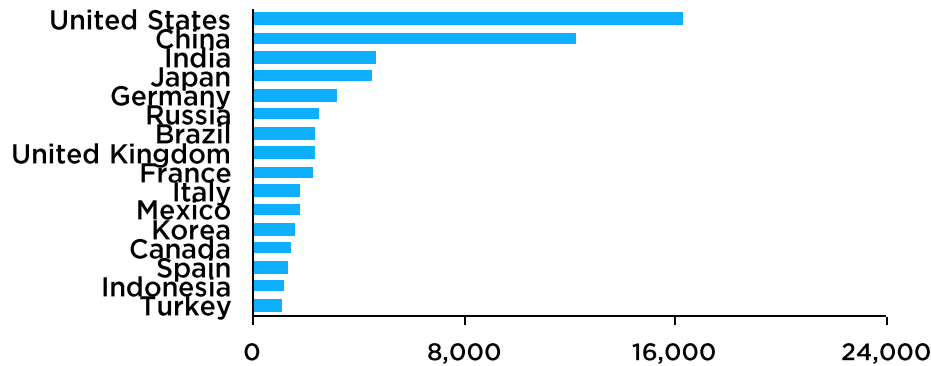
Note: Independent Rating Study conducted by Saha Corporate Governance and Credit Rating Services Inc.



# Strong Macro Environment

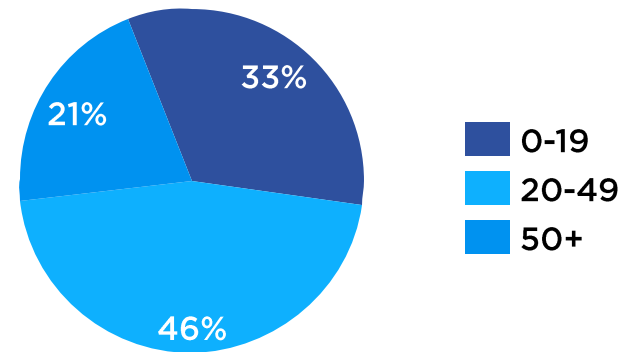
## Large & sustainable growth economy & favorable demographics

Turkey among World Economies, (GDP based on PPP, US\$ bn, 2012)<sup>1</sup>



- ❖ World's 16th largest economy
- ❖ Europe's 6th largest economy
- ❖ Moderate and sustainable economic growth/growth prospects
- ❖ Strategic location
- ❖ Ongoing positive economic and structural development momentum

## Age Group Distribution (2012)<sup>2</sup>

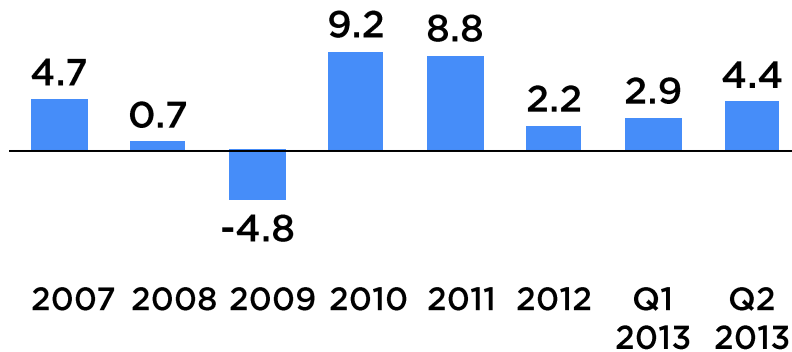


- ❖ 2nd largest European country (75.6 mn population)
- ❖ Population growth forecast of around 1.0% per annum (2013-2030)
- ❖ Young and increasingly affluent population
- ❖ GDP per capita up from us\$ 3,523 in 2002 to US\$ 10,527 in 2012

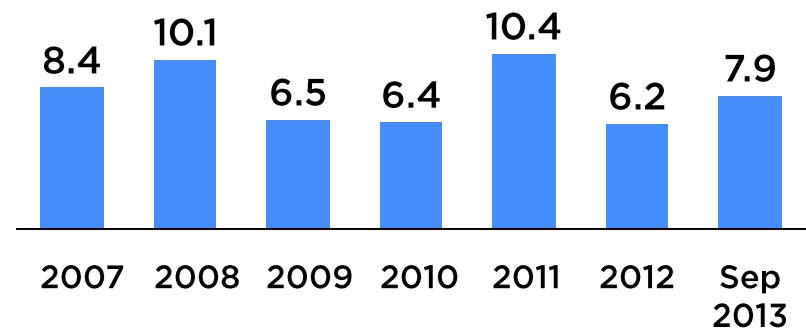
Source for 1 & 2: TURKSTAT, IMF World Economic Outlook Database October 2013

# Macroeconomic Highlights - I

## Annual Real GDP Growth Rate, %<sup>1</sup>



## Annual CPI Inflation, % (eop)<sup>2</sup>

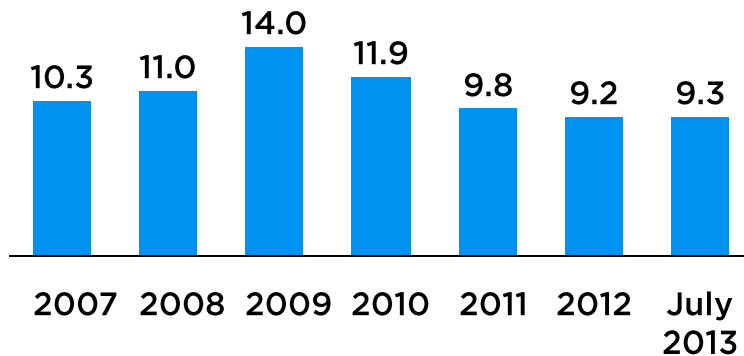


- ✦ The Turkish economy grew by 4.4% y/y in 2Q 2013, after the 2.9% growth in 1Q 2013,
- ✦ According to the Medium-Term Program, the Government's 2013 GDP growth rate forecast is 3.6%
- ✦ As of September, the annual CPI inflation registered as 7.9%
- ✦ According to the Medium Term Program, 2013 year-end annual CPI inflation estimate is 6.8%.

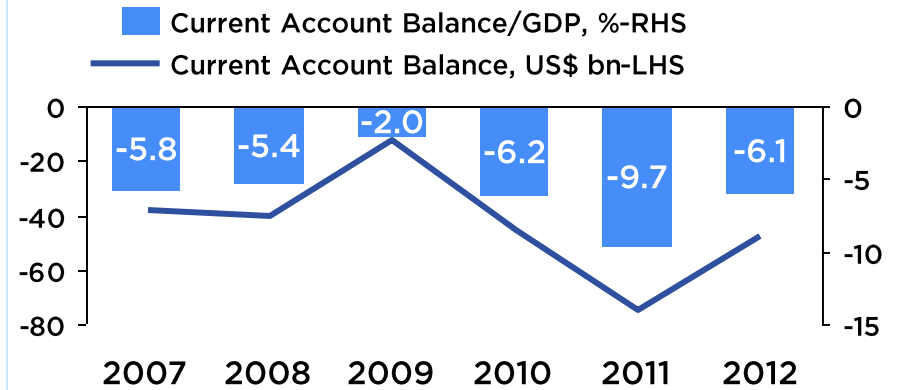
Source for 1 & 2: TURKSTAT

# Macroeconomic Highlights - II

## Unemployment Rate, %<sup>1</sup>



## Current Account Balance<sup>2</sup>

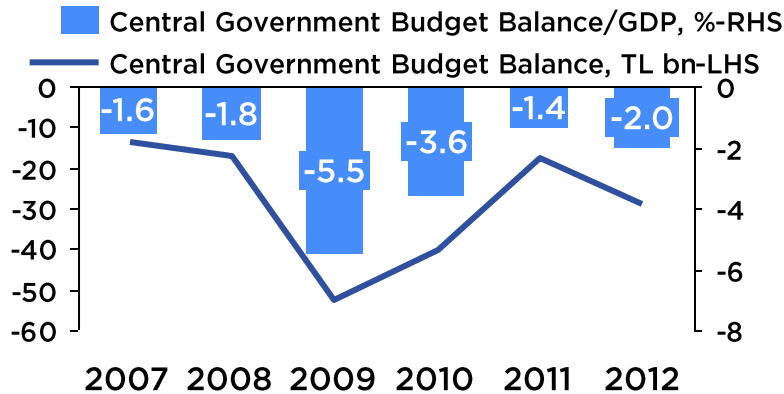


- ✦ Unemployment rate in July 2013 registered as 9.3%.
- ✦ According to the Medium-Term Program, the Government forecasts the unemployment rate as 9.5% in 2013
- ✦ The current account deficit registered as US\$ 2.0 bn in August. Year-to-date current account deficit registered as US\$ 44.3 bn.
- ✦ According to the Medium-Term Program, the Government estimates the current account deficit as US\$ 58.8 bn (7.1% of GDP) in 2013.

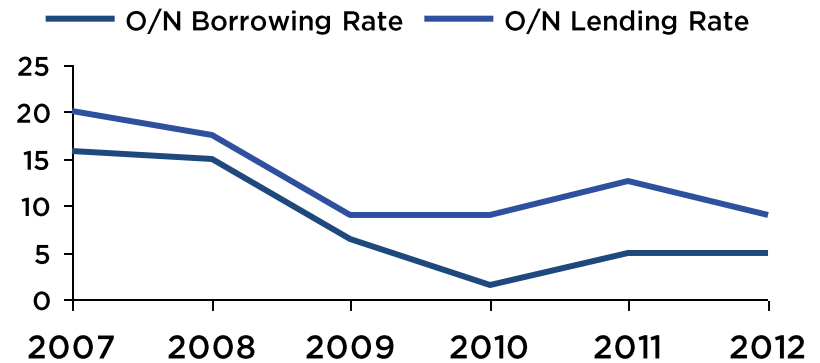
Source for 1 & 2: TURKSTAT, CBT

# Macroeconomic Highlights – III

## Central Government Budget Balance <sup>1</sup>



## CBT's Interest Rate Corridor, %(eop) <sup>2</sup>



- ✦ During the first 8-month period of the year, budget deficit and primary surplus registered as TL 4.7 bn and TL 1.4 bn.
- ✦ According to the Medium-Term Program, the Government projects TL 19.4 bn budget deficit (1.2% of GDP) in 2013.
- ✦ As of end-October, the policy rate stood at 4.5%, while the overnight borrowing and lending rates were at 3.5% and 7.75% respectively.

Source for 1 & 2: TURKSTAT,CBT, Ministry of Finance

# Regulatory Actions

2008

2009

2010

2011

2012

2013

## April

- Interconnection rate decrease in Fixed (10%) and Mobile (33%)

## November

- 3G tender held
- Mobile Number Portability introduced
- New Electronic Communications Law passed

## January

- About 50%-55% reduction in MTRs on SMS

## March

- Reduction in SCT rate (25% to 5%) on internet services

## April

- Onnet retail pricing threshold for TCELL

## May

- About 29% reduction in MTRs
- MVNO regulation was in place

## July

- 3G services started

## September

- Fixed Number portability introduced

## October

- Local call liberalization

## April

- About 52% reduction in MTRs
- 17% cut in double tandem FTR
- 38% decrease in GSM to GSM rate retail cap
- TL per minute pricing introduced

## July

- ICTA announced Naked DSL fee as TL 8.13

- ICTA postponed 20 second billing for an indefinite time

## December

- Naked DSL services started

## April

- Mobile off-net price cap increased by 4%
- SMS price cap decreased by 48%

## September

- Deregulation on MTRs on international calls and liberalization on their pricing

## October

- ICTA's fiber decision: FTTH/B will be excluded from the process of market analysis until 25% fiber market share or 5 years

## January

- WLR introduced

## November

- Deregulation on FTRs on international calls and liberalization on their pricing

## March

- Mobile on-net pricing cap for TCELL formulated by Mobile Termination Price\*1,7

## April

- 75% reduction in MTRs on SMS

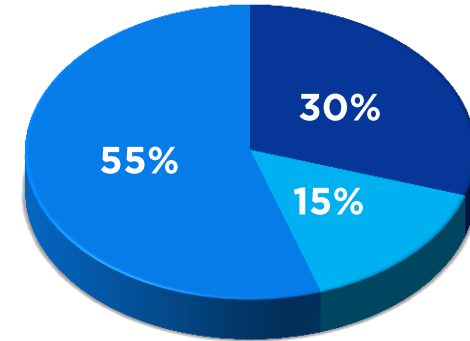
## July

- 20% reduction in MTRs

# Türk Telekom Group

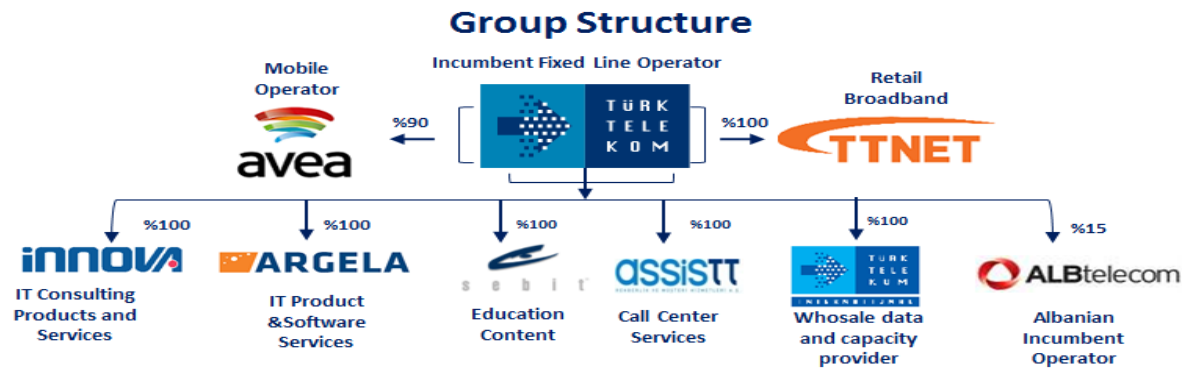
## Ownership Structure

- ✦ Oger Telecom nominates 7 Board Members
- ✦ Turkish Treasury nominates 5 Board Members (1 represents Golden Share, 4 independent)



- Turkish Treasury
- Free Float\*
- Oger Telecom

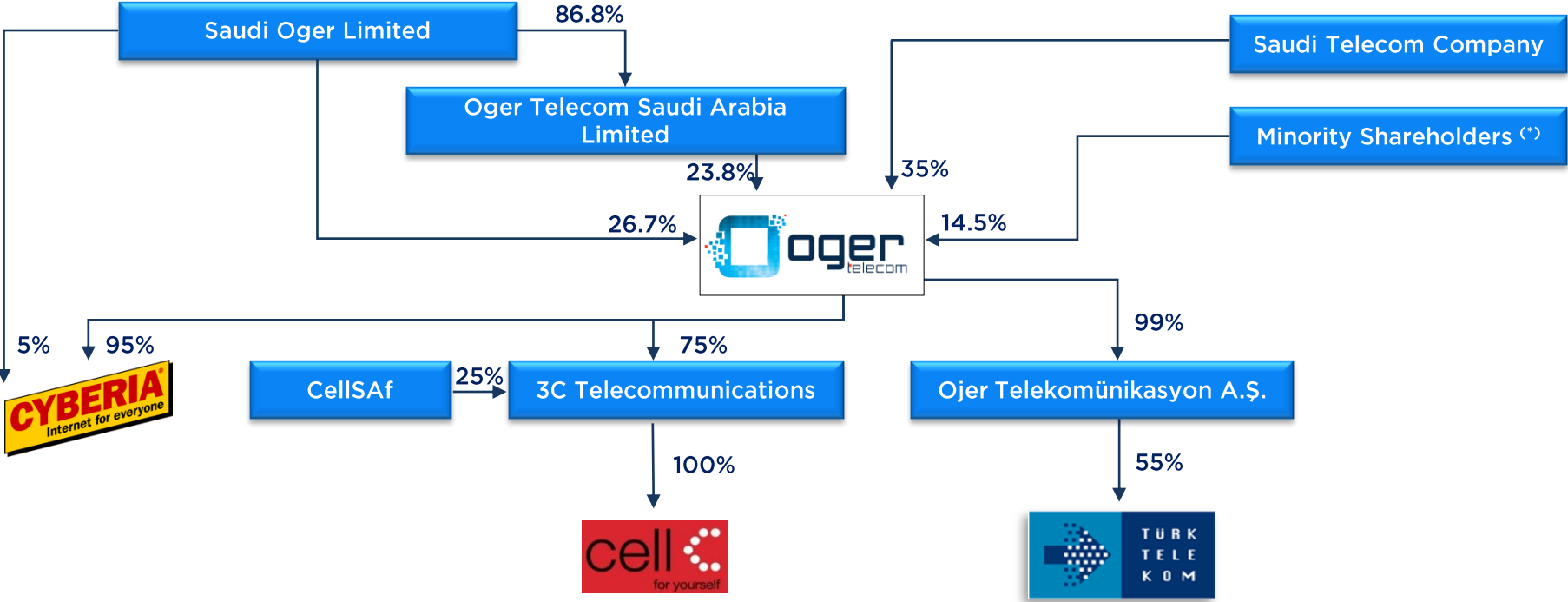
## Group Structure



\*Note: Turkish Treasury and Oger Telecom bought 1.68% and 0.8% additional stakes respectively, from free float.

# Oger Telecom

## Ownership Structure



Note: Among Oger Telecom’s direct and indirect minority shareholders are regional and ‘blue chip’ global financial investors.



# THANK YOU

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