

TURKEY'S  
TELECOMMUNICATION  
LEADER



2010 H1 - Financial & Operational Results  
July 20<sup>th</sup>, 2010

***A Strong Quarter with Solid Execution on Strategy***

# 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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**MARKET UPDATE &  
CONSOLIDATED PERFORMANCE**



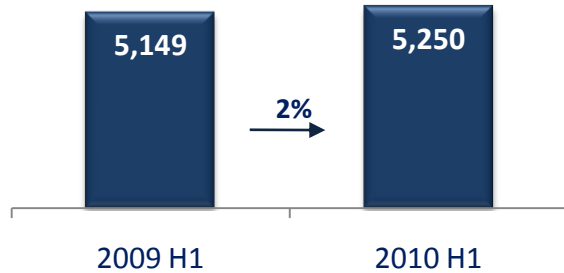
# Telecom Market Update

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- New PSTN tariff structure boosted MoU's and slowed subscriber decline
- ADSL market still growing; supported by subscriber growth and upsell
- Mobile market remains highly competitive
- Regulatory Actions
  - New MTRs (52% cut from previous)
  - Double Tandem FTR (17% cut from previous)
  - GSM rate cap (38% reduction from 64 Kurus to 40 Kurus) effective as of April 1st for all operators
  - TL per minute pricing in place as of April 1<sup>st</sup>
  - TA postponed 20 second billing for fixed line and mobile for an indefinite time

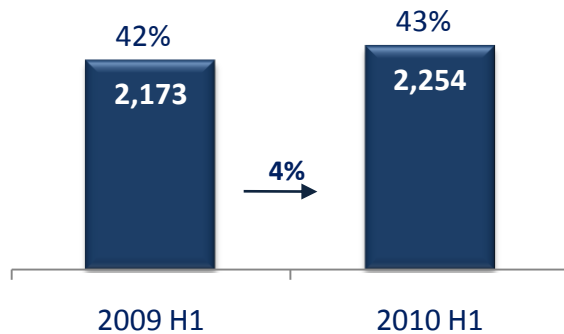
# Consolidated Performance

## Revenue (TL mn)



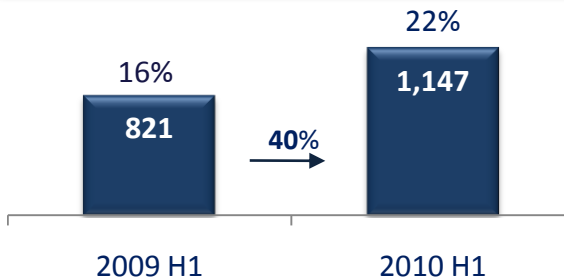
*Strong growth in mobile and broadband supported 2% consolidated revenue growth*

## EBITDA\* (TL mn)



*Consolidated EBITDA margin improved to 43%*

## Net Income (TL mn)



*Net income surged by 40% on the back of better operating performance and lower net financial expense*

## FIXED LINE BUSINESS PERFORMANCE



# Fixed Line Business – Voice & Convergence

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- Home Advantage bundles with significantly improved benefits for customers introduced in March
- Combined with the above, the campaign across all tariffs of 7pm to 7am free onnet resulted in higher MoUs and lower levels of subscriber decline
- Virtual Fixed Number service for Turkish people living abroad to support PSTN base

*Bundle Packages /*

**>25%**

*Total PSTN Subs*

*MoU at 119 minutes*

**14%  
YTD**

*Share of fixed fee in*

*total PSTN revenue*

**>50%**



# Fixed Line Business – ADSL

- Upsell and acquisition campaigns, and initiatives like *Daily Internet* and *Tivibu* to support ADSL penetration and usage
- Tivibu, launched end of February, reached 250K subscribers in Q2
- Ranking top 5 in the world in terms of # of Wi-Fi hotspots by an operator in a single country (over 8,000)

**TTNET up to 8 Mbps**

**Packages /**

**Subscriber base**

**>50%**

**TTNET Unlimited**

**packages /**

**Subscriber base**

**>40%**

**Average monthly**

**Data usage now 12GB**

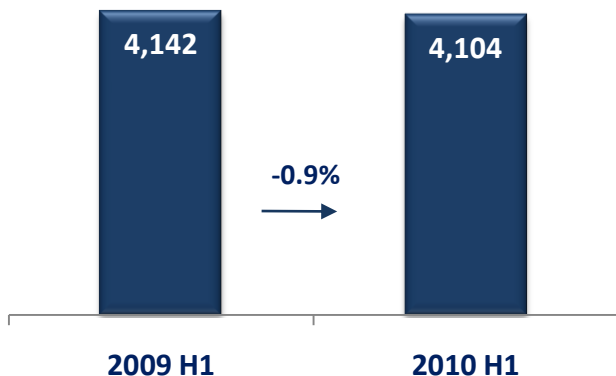
**60%  
YoY**

**TTNET EVET!**



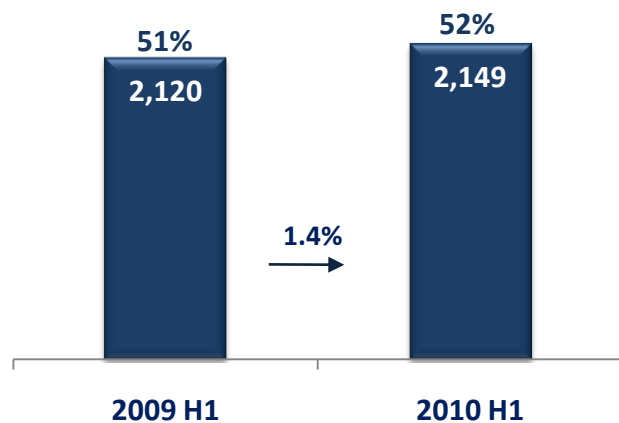
# Fixed Line Business – Revenue & EBITDA Highlights

## Revenue (TL mn)



*Revenue remained almost flat with ADSL growth and slowing decline in PSTN*

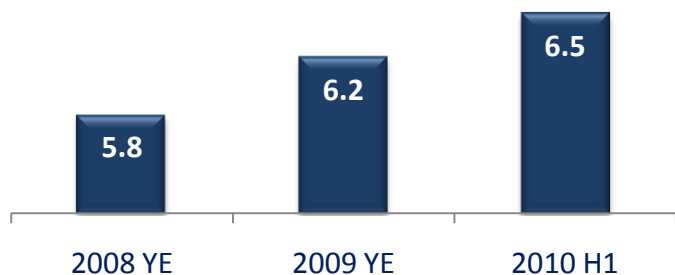
## EBITDA\* (TL mn)



*Strong OPEX control and lower interconnection expenses pushed EBITDA margin over 52%*

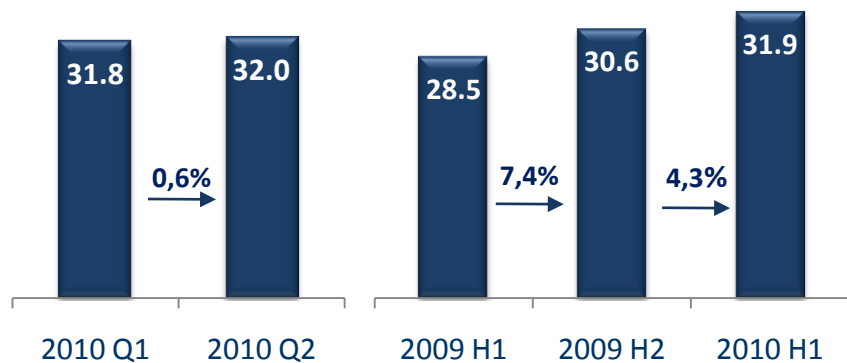
# Fixed Line Business – ADSL Highlights

## Wholesale ADSL Connections (millions)



*First half 2010 connection growth almost equal to full year 2009 growth*

## ADSL ARPU (TL)\*

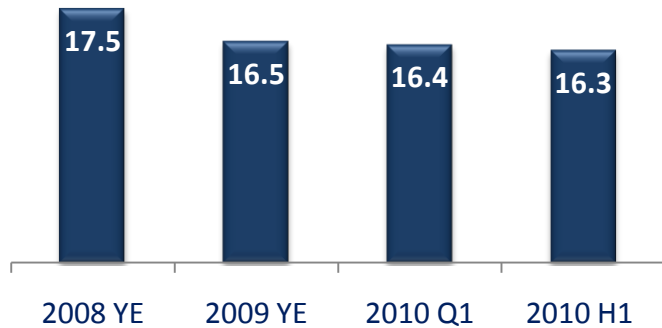


*ARPU is still growing, but at a slower rate*

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

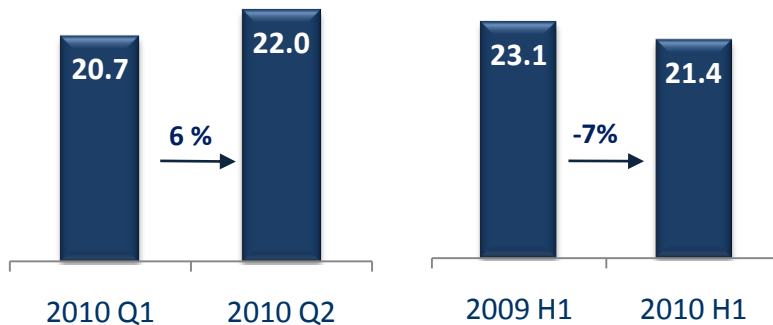
# Fixed Line Business – PSTN Highlights

# of PSTN Access Lines (millions)



*New tariff structure in PSTN and Retention & Acquisition campaigns resulted in lower subscriber decline*

PSTN ARPU (TL)\*

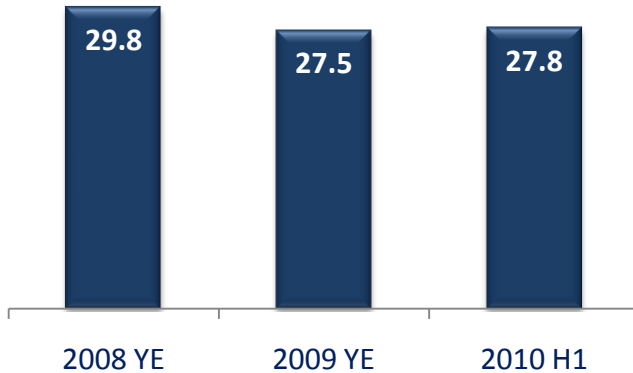


*ARPU positively impacted by new tariff structure and now back to the ARPU level of Q3 2009*

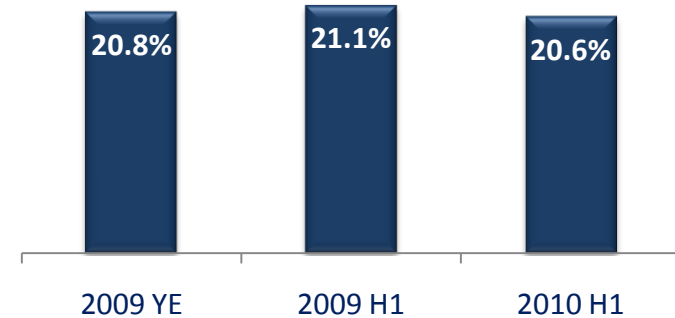
\* Revenue divided by average number of access lines/connections

# Fixed Line Business - Headcount

Number of Employees (thousands)\*



Personnel Cost as a % of Revenue\*\*



- *Personnel cost remained at 21% of revenue*
- *Access lines per employee is 585 in Q2 2010 compared to 570 in Q2 2009*

\*Fixed network operating unit

\*\*Please see reclassification note in appendix

## MOBILE BUSINESS PERFORMANCE



# Mobile Business

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- Various tariffs rebalancing to offset negative revenue impact from maximum rate cap
- Launch of new mass postpaid “19’luk” tariff and institutional “657 Kamu” tariff to drive acquisitions
- Soft-launch of NFC (Credit Card application inside Avea SIM – among the first in the world) with Garanti Bank

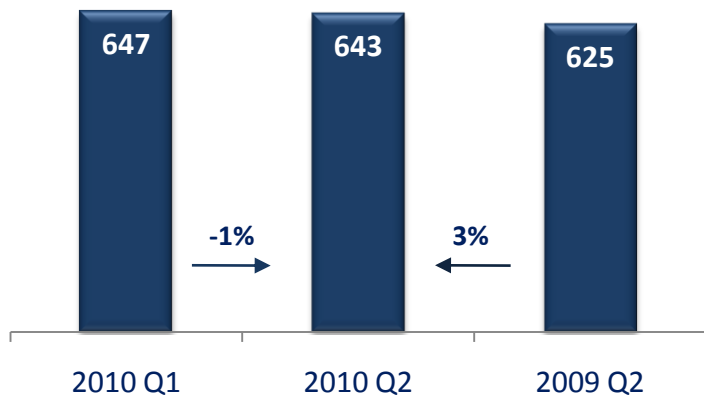
***EBITDA increase in Q2  
compared to Q1***

**97%**



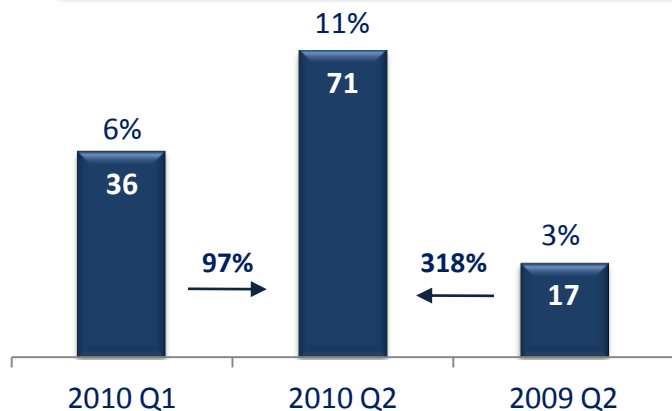
# Mobile Business – Revenue & EBITDA Highlights

## Revenue (TL mn)



*Minimal change in revenue as market continues to be challenging*

## EBITDA (TL mn)

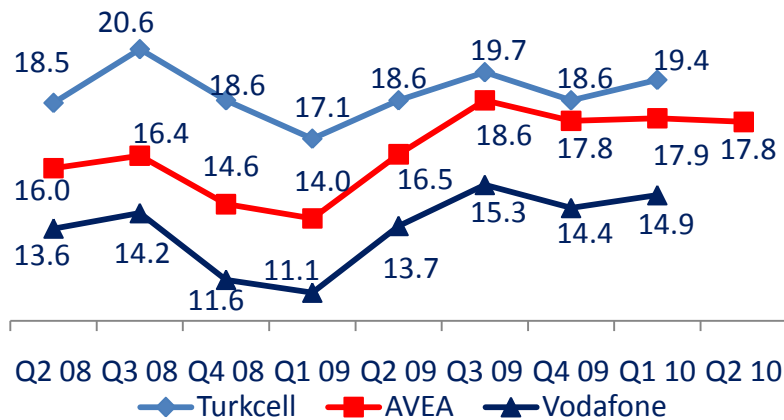


*EBITDA margin back into double digit through combination of cost controls and commercial actions*

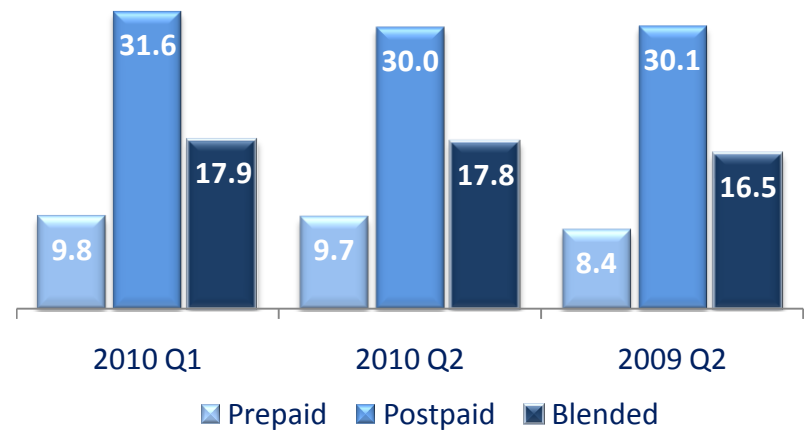


# Mobile Business – ARPU Highlights

Market Blended ARPU Trend (TL)

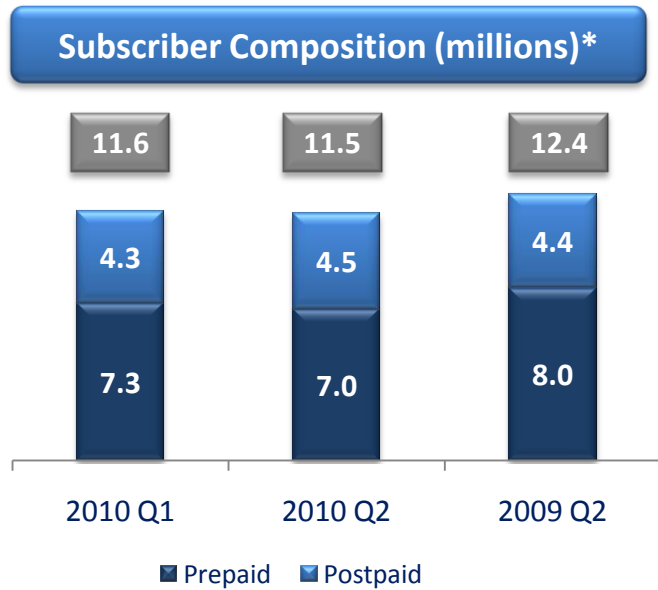


AVEA ARPU (TL)

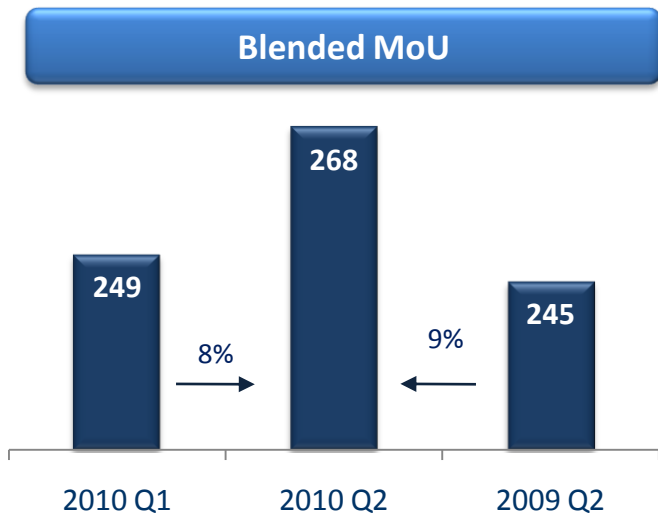


*ARPU negatively impacted by MTR cut*

# Mobile Business - Subscriber Composition & MoU



*Gained ~120K postpaid subscribers in Q2 2010; subscriber loss from prepaid*



*Higher MoU due to new/revised offers in flat tariffs*

\* Figures are rounded (2010 Q1 Prepaid: 7.32 mn, Postpaid: 4.33 mn, Total: 11.65 mn)

## FINANCIALS



# TT Consolidated - Summary P&L Statement

TL millions	2009 YE	2009 H1	2010 H1
<b>Revenues</b>	<b>10,568</b>	<b>5,149</b>	<b>5,250</b>
<b>EBITDA</b>	<b>4,321</b>	<b>2,173</b>	<b>2,254</b>
<i>Margin</i>	41%	42%	43%
<b>Operating Profit</b>	<b>2,763</b>	<b>1,309</b>	<b>1,498</b>
<i>Margin</i>	26%	25%	29%
<b>Financial Income/Expense, net</b>	<b>(438)</b>	<b>(271)</b>	<b>(7)</b>
FX & Hedging Gain/Loss, net	(237)	(175)	8
Interest Income/Expense, net	(132)	(26)	15
Other Financial Income/Expense, net	(69)	(70)	(30)
<b>Tax Expense</b>	<b>(673)</b>	<b>(302)</b>	<b>(424)</b>
<b>Profit*</b>	<b>1,832</b>	<b>821</b>	<b>1,147</b>
<i>Margin</i>	17%	16%	22%

**40% profit increase achieved with solid operating performance and lower net financial expenses**

\* After minority interest

# TT Consolidated - Summary Balance Sheet

TL millions	2009 YE	2009 H1	2010 H1
Intangible Assets <sup>(a)</sup>	3,286	3,122	3,196
Tangible Assets <sup>(b)</sup>	6,920	6,493	6,768
Other Assets <sup>(c)</sup>	2,441	2,535	2,524
Cash and Equivalents	754	731	811
<b>Total Assets</b>	<b>13,401</b>	<b>12,881</b>	<b>13,299</b>
Share capital	3,260	3,260	3,260
Reserves and Retained Earnings	2,162	1,276	1,678
Interest Bearing Liabilities <sup>(d)</sup>	3,974	4,484	4,576
Provisions for Long-term Employee Benefits	634	714	680
Other Liabilities <sup>(e)</sup>	3,371	3,147	3,105
<b>Total Equity and Liabilities</b>	<b>13,401</b>	<b>12,881</b>	<b>13,299</b>

**Sound capital structure with low leverage**

(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

# TT Consolidated - Summary Cash Flow Statement

TL millions	2009 YE	2009 H1	2010 H1
<b>Cash Flow from Operating Activities</b>	<b>3,252</b>	<b>1,267</b>	<b>1,546</b>
<b>Cash Flow from Investing Activities</b>	<b>(2,079)</b>	<b>(953)</b>	<b>(479)</b>
<i>CAPEX</i>	(2,321)	(1,066)	(611)
<i>Other Investing Activities</i>	242	113	132
<b>Cash Flow from Financing Activities</b>	<b>(1,472)</b>	<b>(634)</b>	<b>(1,052)</b>
<b>Net Change in Cash Position <sup>(a)</sup></b>	<b>(298)</b>	<b>(320)</b>	<b>15</b>

**Strong cash generation continues**

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

# TT Consolidated- Summary Revenue Breakdown

TL millions	2009 YE	2009 H1	2010 H1
Domestic PSTN	4,581	2,396	2,104
ADSL	2,143	1,021	1,218
GSM	2,504	1,157	1,290
Data service revenue	305	144	172
International interconnection revenue	194	104	82
Domestic interconnection revenue	244	105	138
Leased lines	579	273	255
Rental income from GSM operators	115	58	51
Other	103	38	70
Eliminations	(322)	(150)	(144)
<b>Sub-Total Revenue</b>	<b>10,445</b>	<b>5,146</b>	<b>5,236</b>
Construction Revenue (IFRIC 12)	123	3	14
<b>Total Revenue</b>	<b>10,568</b>	<b>5,149</b>	<b>5,250</b>

➤ **ADSL and GSM revenue constitutes 48% of consolidated revenue (compared to 42% in 2009 H1)**

➤ **PSTN revenue in first and second quarter 2010 stable with Q4 2009**

(a) Domestic Interconnection

(b) Revenue from international data services and inbound traffic terminated at Türk Telekom's international gateway

# TT Consolidated - Summary OPEX Breakdown

TL millions	2009 YE	2009 H1	2010 H1
Personnel <sup>(a)</sup>	1,908	955	936
Interconnection	950	410	357
Commercial <sup>(b)</sup>	773	378	478
Maintenance and Operations	384	179	148
Taxes & Government Fees	705	331	360
Doubtful Receivables	183	76	45
Others	1,235	644	661
<b>Sub-Total</b>	<b>6,138</b>	<b>2,973</b>	<b>2,984</b>
Construction Cost (IFRIC 12)	109	3	12
<b>Total OPEX</b>	<b>6,247</b>	<b>2,976</b>	<b>2,996</b>

**Total OPEX stable with prior year**

(a) Interest cost of severance expenses have been reclassified to severance pay interest cost under financial expenses from Cost of sales, marketing, sales and distribution expenses and general administrative expenses.

(b) Includes Commissions, Advertising & Marketing, Subscriber Acquisition & Retention Costs



# Fixed Line Business- Summary P&L Statement

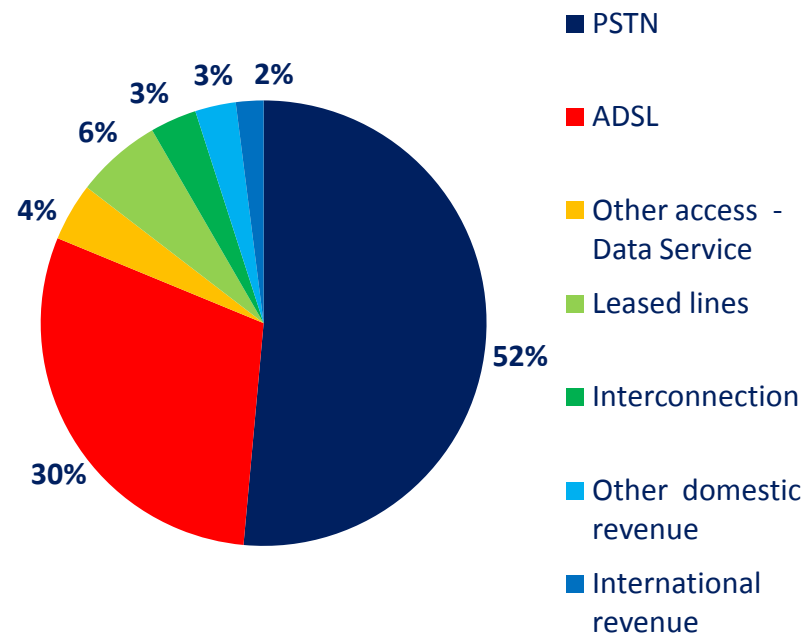
TL millions	2009 YE	2009 H1	2010 H1
Revenues	8,386	4,142	4,104
EBITDA	4,268	2,120	2,149
<i>Margin</i>	51%	51%	52%
Operating Profit	3,287	1,532	1,712
<i>Margin</i>	39%	37%	42%
CAPEX	1,327	498	399
<i>CAPEX as % of Revenue</i>	16%	12%	10%

High EBITDA margin maintained whilst operating profit benefited from lower depreciation expenses

# Fixed Line Business- Summary Revenue Breakdown

TL millions	2009 YE	2009 H1	2010 H1
PSTN	4,581	2,396	2,104
ADSL	2,140	1,021	1,218
Other access - Data Service	302	144	172
Leased lines	579	273	255
Interconnection <sup>(a)</sup>	244	105	138
Other domestic revenue	224	96	121
International revenue <sup>(b)</sup>	194	104	82
<b>Sub-Total Revenue</b>	<b>8,264</b>	<b>4,139</b>	<b>4,090</b>
Construction Revenue (IFRIC 12)	123	3	14
<b>Total Revenue</b>	<b>8,387</b>	<b>4,142</b>	<b>4,104</b>

2010 H1 Breakdown



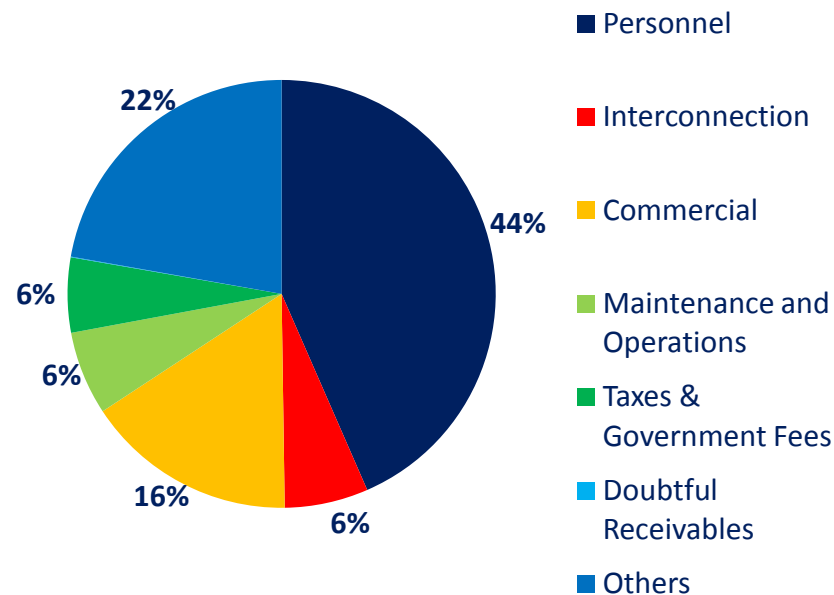
(a) Domestic Interconnection

(b) Revenue from international data services and inbound traffic terminated at Türk Telekom's international gateway

# Fixed Line Business – Summary OPEX Breakdown

TL millions	2009 YE	2009 H1	2010 H1
Personnel	1,748	876	845
Interconnection	351	178	123
Commercial (a)	460	209	311
Maintenance and Operations	332	154	123
Taxes & Government Fees	215	105	110
Doubtful Receivables	88	43	(1)
Others	815	453	432
<b>Sub-Total</b>	<b>4,009</b>	<b>2,020</b>	<b>1,943</b>
Construction Cost (IFRIC 12)	109	3	12
<b>Total OPEX</b>	<b>4,118</b>	<b>2,023</b>	<b>1,955</b>

2010 H1 Breakdown



(a) Includes Commissions, Advertising & Marketing, Subscriber Acquisition & Retention Costs

# Mobile Business – Summary P&L Statement

TL millions	2009 YE	2009 H1	2010 H1
Revenues	2,504	1,157	1,290
EBITDA	54	55	107
<i>Margin</i>	2%	5%	8%
Operating Profit / Loss	(523)	(222)	(213)
<i>Margin</i>	(21%)	(19%)	(17%)
CAPEX (excluding leasing)	1,155*	648*	119
<i>CAPEX as % of Revenue</i>	46%	56%	9%

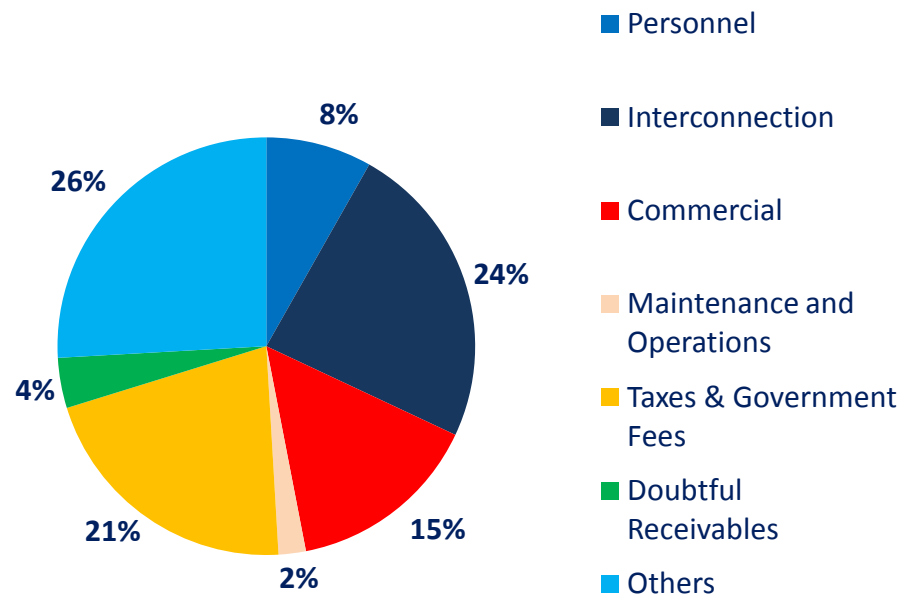
Revenue up 11% YoY with  
EBITDA doubling

\* Includes 3G License Fee

# Mobile Business – Summary OPEX Breakdown

TL millions	2009 YE	2009 H1	2010 H1
Personnel	172	84	97
Interconnection	712	290	281
Commercial (a)	314	168	177
Maintenance and Operations	53	25	25
Taxes & Government Fees	490	231	250
Doubtful Receivables	94	32	46
Others	615	270	306
<b>Total</b>	<b>2,450</b>	<b>1,102</b>	<b>1,183</b>

2010 H1 Breakdown



(a) Includes Commissions, Advertising & Marketing, Subscriber Acquisition & Retention Costs

# Debt Profile

2010 H1 - in thousands			Maturities				
Debt	Total Amount in Original Currency	Total Amount in TL	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
TL Debt	1,192,953	1,192,953	1,192,953	-	-	-	1,192,953
USD Debt	1,367,805	2,153,883	131,182	558,280	1,367,779	96,642	2,153,883
EUR Debt	639,441	1,228,814	11,836	283,885	925,077	8,016	1,228,814
<b>TOTAL</b>		<b>4,575,650</b>	<b>1,335,971</b>	<b>842,165</b>	<b>2,292,856</b>	<b>104,657</b>	<b>4,575,650</b>

TL debt mainly for funding dividend payments

## APPENDIX



## Reclassification Note

**Reclassification Note:** In Q1 2010, interest cost of severance expenses have been reclassified to severance pay interest cost under financial expenses from Cost of sales, marketing, sales and distribution expenses and general administrative expenses.

(TL millions)	2009 Full Year After Reclassifications	2009 Full Year Before Reclassifications	H1 2009 After Reclassifications	H1 2009 Before Reclassifications
<b>Consolidated EBITDA</b>	4,321	4,249	2,173	2,137
<b>Fixed EBITDA</b>	4,268	4,196	2,120	2,084
<b>Net Operating Expenses excluding Depreciation and Amortization</b>	(6,247)	(6,319)	(2,976)	(3,012)
<b>Operating Profit</b>	2,763	2,692	1,309	1,273
<b>Net Financial Income/ (Expense)</b>	(438)	(367)	(271)	(235)
<b>Consolidated OPEX – Personnel</b>	(1,908)	(1,980)	(955)	(991)
<b>Fixed OPEX – Personnel</b>	(1,748)	(1,819)	(876)	(912)



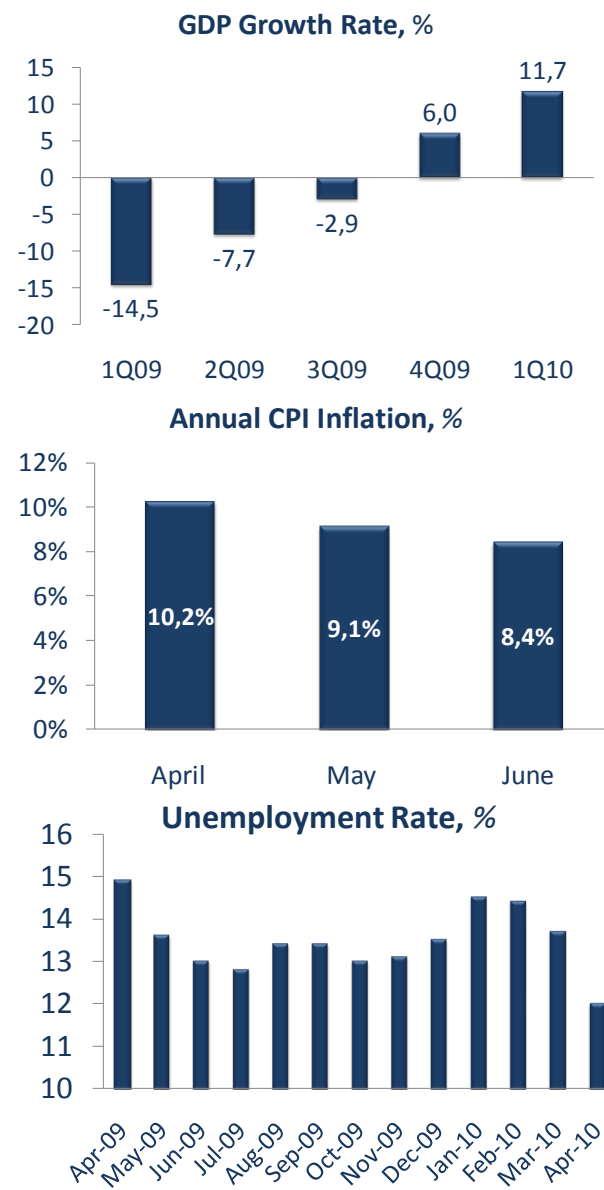
## Regulatory & Legal Updates

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- TT proposal for Naked ADSL pending for approval
- TL per minute pricing is in place as of April 1st
- New MTRs are effective as of April 1st; 52% cut from previous rates
- New GSM rate cap is effective as of April 1st; 38% reduction from 64 Kuruş to 40 Kuruş
- New double tandem FTR is effective as of April 1st; 17% cut from previous rate
- With respect to two lawsuits against the new termination rates and price cap filed by Turkcell, the courts rejected Turkcell's motions for stay and therefore, Turkcell filed an objection to such interim decisions of the courts. The courts are still examining Turkcell's objection and the cases are still ongoing
- Appeal process for Millenicom case is continuing

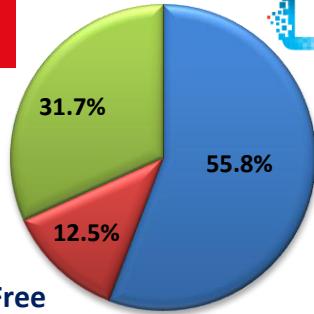
# 2010 H1 Macro Highlights

- Fiscal Rule was announced in Turkey on May 11, 2010 but the passage of the Rule through the Parliament is delayed until October 2010
- GDP growth rate came out very high in the first quarter as 11.7% yoy
- CPI has been decreasing since April. Annual CPI change was 10.2%, 9.1%, and 8.4% respectively in the second quarter's months
- Similarly, annual PPI change was 10.4%, 9.2%, and 7.6% in April, May and June of 2010 respectively
- Unemployment rate is decreasing compared to previous year (12.0% in April 2010, down by 2.9 points)
- Capacity Utilization in manufacturing registered as 73.6% in June 2010, comparing favorably to one year ago with 66.8%
- IMF and EU announced aid to Greece; nevertheless, concerns over Portugal and Spain continued to perturb the markets
- The IMF and EU have suspended talks with Hungary on Saturday, July 17, 2010



# Turk Telekom Group

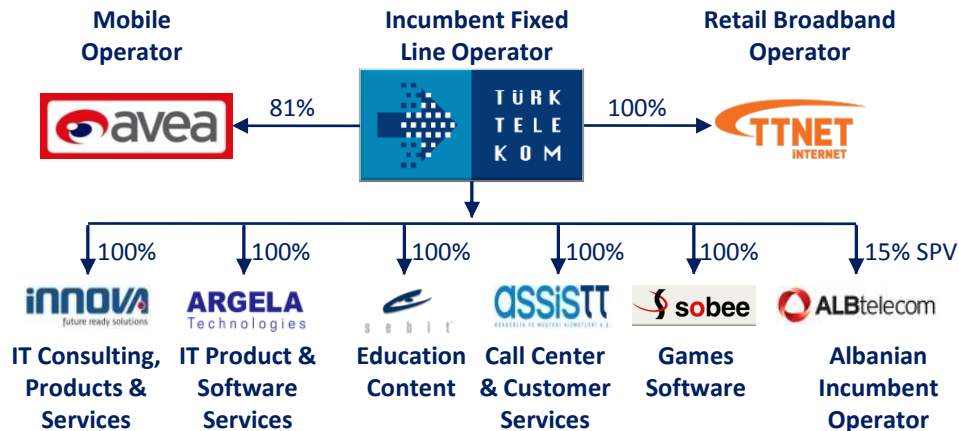
## Ownership Structure



- Oger Telecom appoints 6 Board Members
- Turkish Treasury appoints 4 Board Members (1 represents Golden Share)
- Free Float is 15%; Turkish Treasury and Oger Telecom bought 1.7% and 0.8% additional stakes, respectively after the IPO in 2008

Effective Free Float

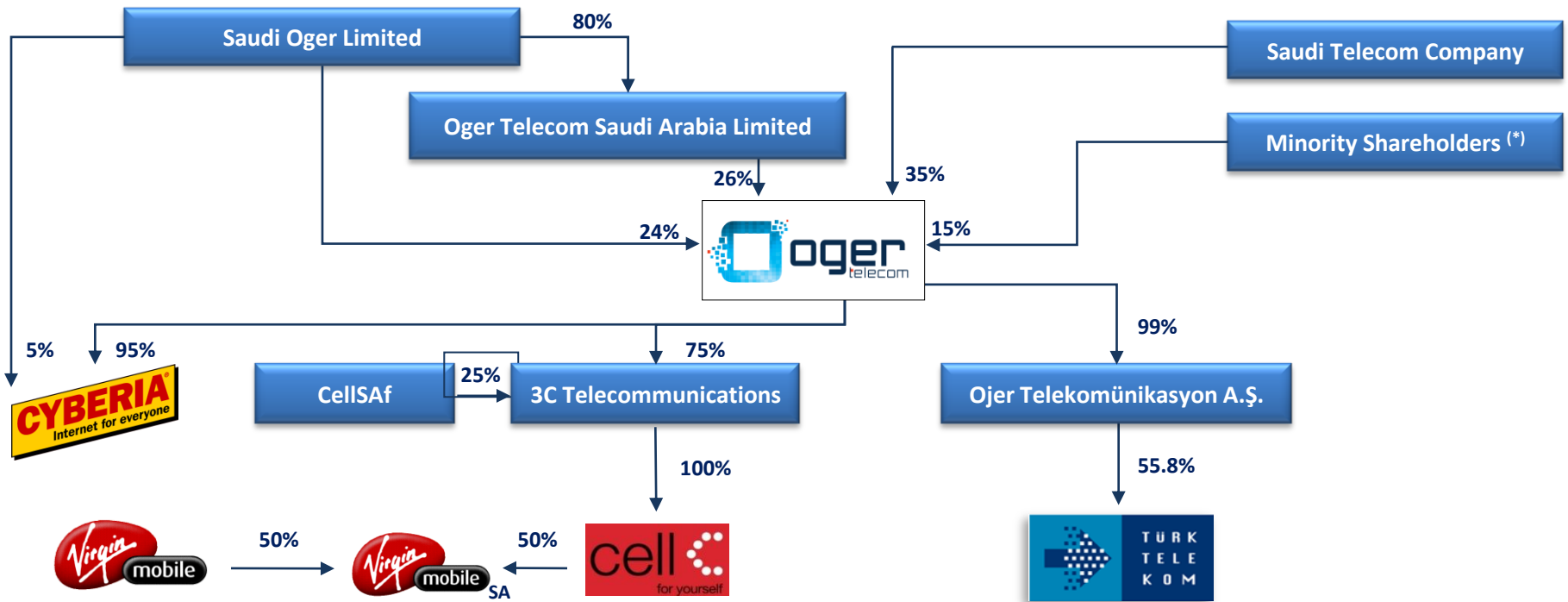
## Group Companies



An SPA to acquire 100% of Invitel International AG (including its subsidiaries), AT-INVITEL GmbH, Invitel International Hungary Kft and S.C. EuroWeb Romania S.A. from Invitel Holdings A/S for an EV of 221 Mn Euro. The transaction is pending for regulatory approvals.

Invitel International is the leading independent provider of wholesale data and capacity services in Central and South-Eastern Europe with a high-quality 27K km optical fiber network and presence in 16 countries. Invitel International's Revenue and Recurring EBITDA as of 2009 year-end are 121.1 and 41.6 Mn Euro, respectively.

# Oger Telecom Ownership Structure



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



# Türk Telekom Investor Relations

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