



# TÜRK TELEKOM GROUP 2012 Q2 Results

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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



# 2012 Second Quarter Highlights

- 7% YoY revenue growth in the quarter
- Sustained consolidated EBITDA margin with 40%
- Net income up by 24% YoY
- Strong growth in mobile revenues continues with 13% amid prolonged harsh competition
- 5% YoY increase in fixed broadband revenues supported by successful launches of initiatives earlier this year
- Increased focus on synergies among group companies demonstrated by “BIZ” launch for corporate segment



# Consolidated Financial Summary

## Revenues (TL mn)



## EBITDA (TL mn) & Margin



## Net Income (TL mn) & Margin



- Consolidated **revenues up 7% YoY** driven primarily by mobile and fixed broadband revenue growth together with growth in construction revenue<sup>1</sup> due to increased level of eligible CAPEX

- EBITDA grew 2%**, while EBITDA margin was kept at **40%**

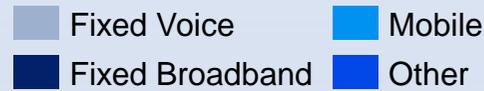
- Net Income increased 24%**, supported by favorable exchange rate movements

(1) According to IFRIC (International Financial Reporting Interpretations Committee) Interpretation 12



# Increased Revenue Share from High Growth Areas

## Consolidated Revenue Mix (TL mn)



- Fixed voice revenues now **less than one third of total revenues** compared to 45% in Q2 2009
- Fixed broadband and mobile revenues produce **more than half of total revenues** and they jointly record a **9% growth**

Note: Other Revenues include Pantel acquisition effect, which was completed in Q4 2010



# FIXED LINE



# Fixed Line

## Revenues (TL mn)



- Fixed line revenues increased 5% YoY. **New initiatives launched earlier this year** and **price increases** in fixed voice and unlimited fixed broadband packages contributed to the growth

## EBITDA (TL mn)

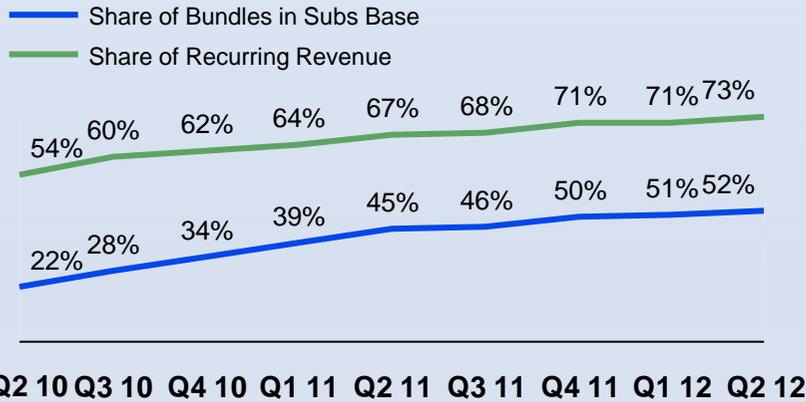


- Healthy EBITDA margin at 49%**
  - Personnel cost at **19%** of revenues
  - Access lines per employee at 608

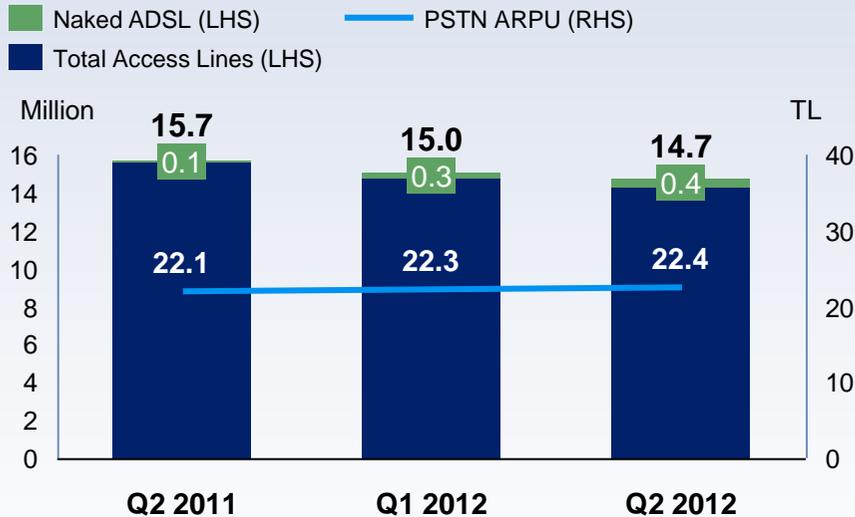


# Revenue Stabilization Efforts in Fixed Voice

## Bundle Packages and Recurring Revenue



## Total Access Lines and ARPU<sup>1</sup>



(1) Revenue divided by average number of connections

- **Home insurance offer**, in cooperation with Allianz, free for PSTN line holders – a first in Turkey
- **Partnerships with leading brands** offering discount benefits in various areas like travel, energy, electronics, family stores
- Minute bundle packages continue to support **fixed portion of PSTN revenue**
- **Naked ADSL subscribers**, now at 415 K (an increase of **27% QoQ**), mitigate PSTN line declines
- **ARPU increased** together with a price increase effective June 1<sup>st</sup> 2012.

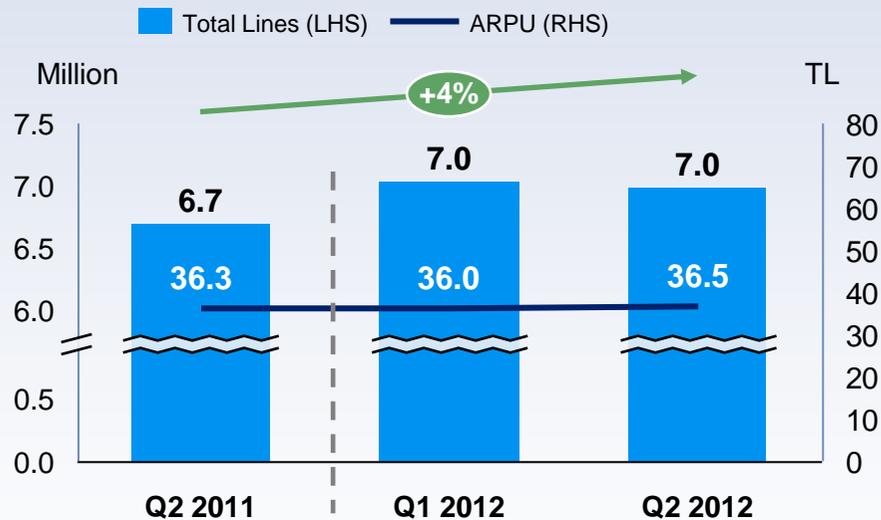


# Strong revenue growth in Fixed Broadband

## Fixed Broadband Revenues (TL mn)



## Fixed Broadband Lines & ARPU



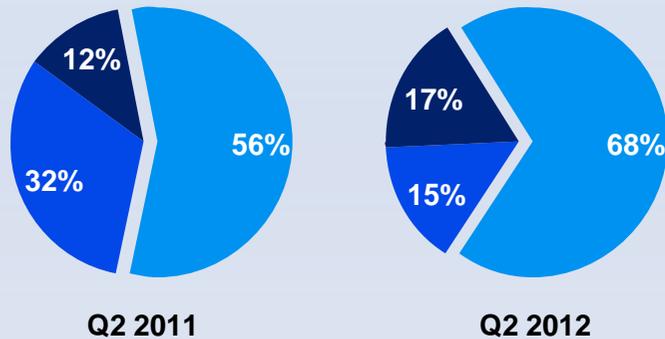
- **5% YoY revenue growth in fixed broadband** driven mainly by upsells and price increase
- 250K YoY net adds in fixed broadband subscribers
- Launched “Smart Home” concept which offers triple play (fixed voice, fixed broadband and TV)
- Tivibu Home (IPTV) subscribers surpassed 100K
- First online portal for digital education led by Sebit, our education software & content company
- Fixed broadband household penetration reached **41% as of 2011**, still behind European average of **61%**, indicating significant potential



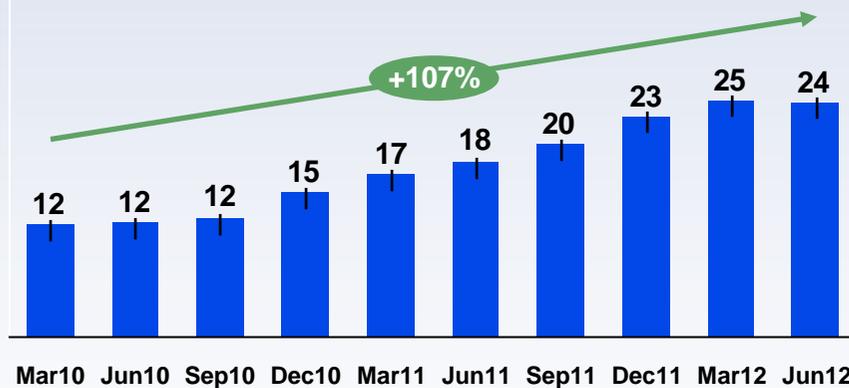
# Fixed Broadband – Upselling continues

## Capacity Breakdown

■ Limited (4GB and below) ■ Unlimited  
■ Limited (over 4GB)



## Monthly Data Usage (GB)



- Demand for higher speed and higher capacity packages remains high
  - **87% of total customers are now in “up to 8 mbps” and higher speed packages, which grew 6% YoY**
  - **Unlimited capacity subscribers reached 68% of total, a growth of 21% YoY**
  - **Average monthly data usage reached 24 GB per month, an increase of 107% in the past 2 years**

Note: Capacity, speed and data usage are TTNET figures

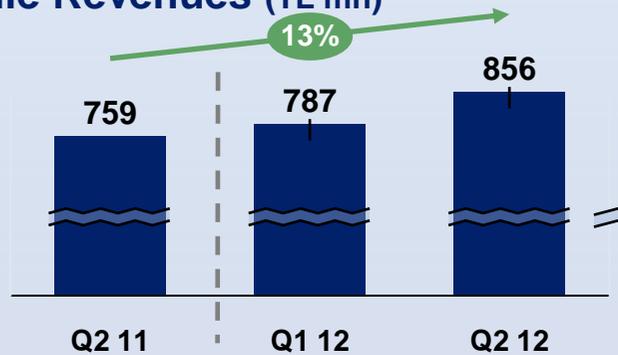


# MOBILE



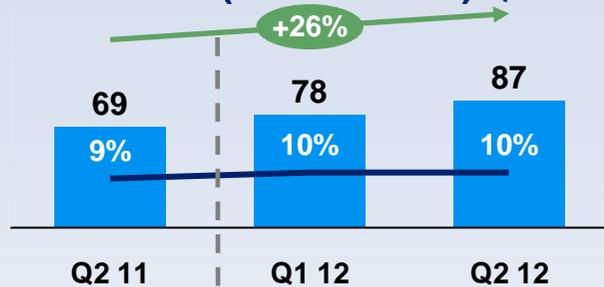
# Mobile – Continued Solid Growth in Challenging Conditions

Mobile Revenues (TL mn)



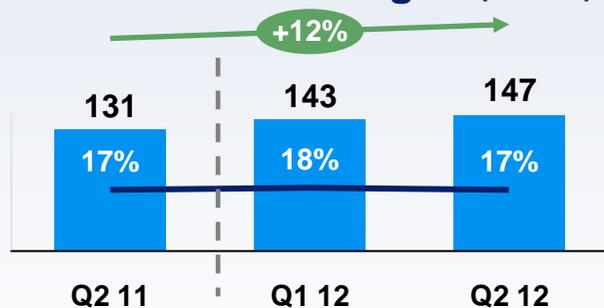
- 13% YoY revenue growth reaching 856mn, a record quarterly revenue, driven by increased data revenue, subscriber base growth, and improved tariff mix despite intense competition in Q2 2012.

Mobile EBITDA (Standalone) (TL mn)



- EBITDA increased 26% YoY while EBITDA margin improved to 10%

Mobile Contributive Margin<sup>1</sup> (TL mn)



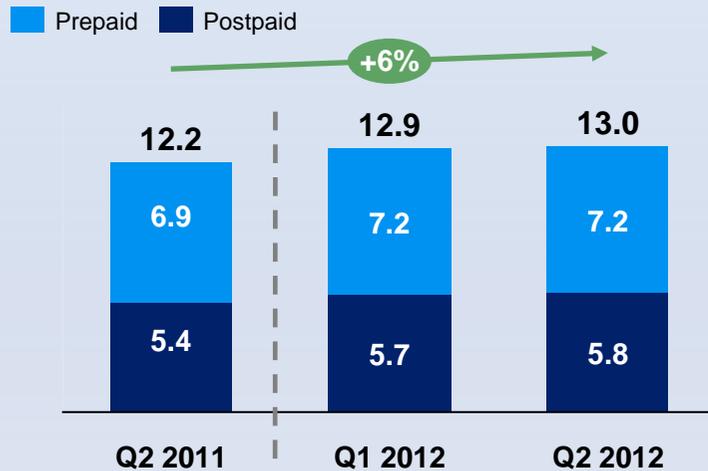
- Contribution of Avea to the consolidated EBITDA (Mobile Contributive Margin) improved by 12% with margin stable at 17%. Contributive margin excludes intercompany transactions, which is mainly the cost of using TT Fixed Line infrastructure by Avea

(1) Contributive method eliminates all intercompany transactions between Avea and TT Fixed-Line companies.



# Mobile – Subscriber Composition

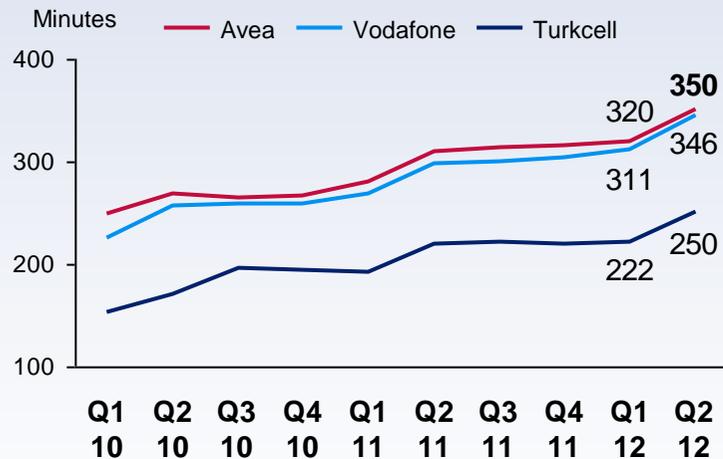
## Subscriber Composition



- 70K subscriber net add in Q2 2012 and 770K net add since Q2 2011

- Post-paid subscribers grew 8% YoY while pre-paid subscribers increased 5%

## Market MoU



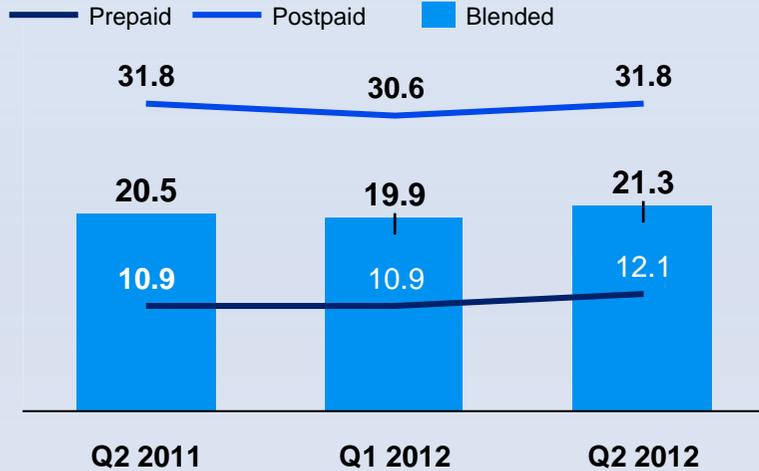
- MoU increased %13 YoY with continued upward trend in postpaid subscriber ratio and increased all direction offers in the market

- Record MoU level, consistently highest in the past 5 years



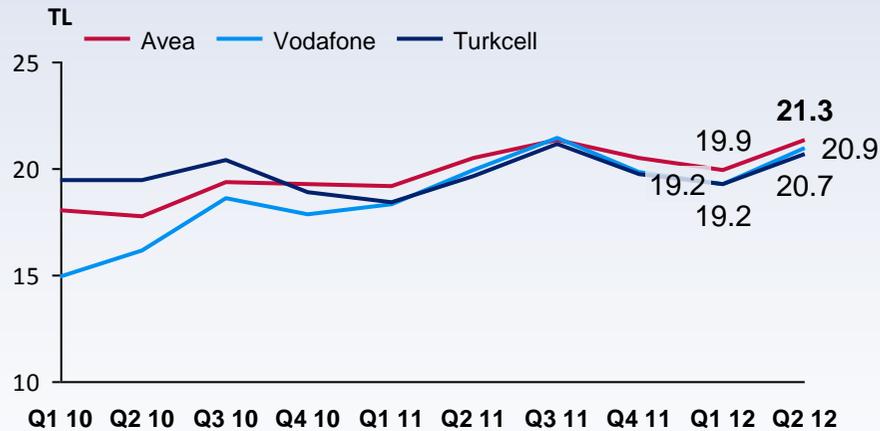
# Mobile – Average Revenue Per User

## Avea ARPU (TL)



- **Blended ARPU increased by 4% YoY** driven by increased data usage and incoming traffic

## Market Blended ARPU (TL)

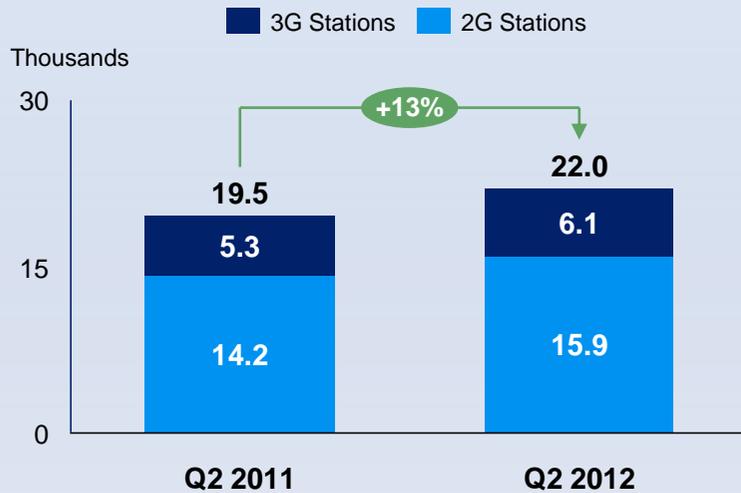


- **Highest blended ARPU in the market as of Q1 2012**



# Mobile – Transformation continues

## Base Stations



- **15% increase in 3G base stations**, reaching a population coverage of over **79%**
- **12% increase in 2G base stations**, reaching a population coverage of **98%**
- **15% increase in exclusive dealers**
- **3% decrease in non-exclusive dealers as part of optimization**

## Distribution Channel

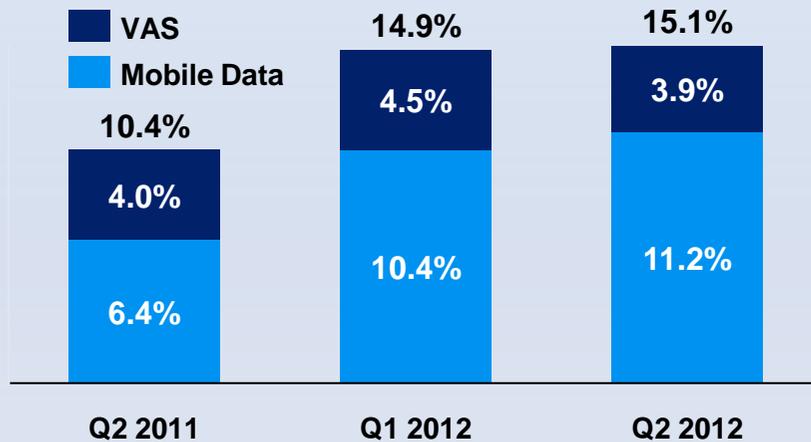


- 1,300 TT & TTNET cross sale points also sell Avea products
- **Bundled offerings** of fixed and mobile products in cooperation with TTNET
- **Alternative channels** through partnerships with leading retailers such as BIM

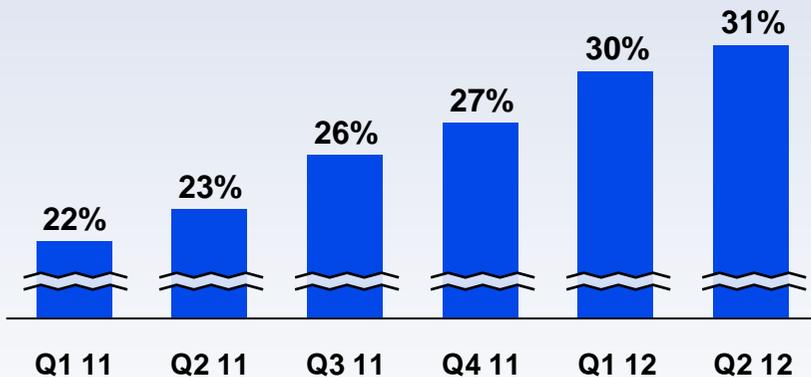


# Mobile – Focus on Mobile Data

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



## Share of Small Screen Data Users



- **Substantial growth in mobile data revenues** with **97%** YoY increase in Q2 2012
- Mobile data revenues constitute **11%** of total service revenues in Q2 2012
- **Smartphone and tablet campaigns** (including BlackBerry, Samsung Galaxy series and iPad campaigns) launched to increase data revenues and promote customer loyalty
- **Number of small screen<sup>3</sup> data users** accessing internet via mobile broadband, including smartphones and tablets, **grew 37%** YoY in Q2 2012

(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 base excluding large screen users.



# FINANCIALS





# TT Consolidated – Summary Balance Sheet

TL Millions	30.06.2011	31.03.2012	30.06.2012
Intangible Assets <sup>1</sup>	3.439	3.474	3.597
Tangible Assets <sup>2</sup>	7.626	8.197	8.263
Other Assets <sup>3</sup>	3.281	3.637	3.668
Cash and Equivalents	858	1.063	930
<b>Total Assets</b>	<b>15.204</b>	<b>16.371</b>	<b>16.458</b>
Share capital	3.260	3.260	3.260
Reserves and Retained Earnings	1.690	3.167	1.826
Interest Bearing Liabilities <sup>4</sup>	5.775	5.312	6.830
Provisions for Long-term Employee Benefits	622	583	645
Other Liabilities <sup>5</sup>	3.857	4.049	3.897
<b>Total Equity and Liabilities</b>	<b>15.204</b>	<b>16.371</b>	<b>16.458</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



# TT Consolidated – Summary Cash Flow Statement

TL Millions	2011 Q2	2012 Q1	2012 Q2	YoY % Change	QoQ % Change
<b>Cash Flow from Operating Activities</b>	<b>863</b>	<b>347</b>	<b>842</b>	<b>-2%</b>	<b>143%</b>
<b>Cash Flow from Investing Activities</b>	<b>(526)</b>	<b>(315)</b>	<b>(538)</b>	<b>2%</b>	<b>71%</b>
<i>CAPEX</i>	(567)	(375)	(658)	16%	75%
<i>Other Investing Activities</i>	41	60	120	193%	100%
<b>Cash Flow from Financing Activities</b>	<b>(528)</b>	<b>86</b>	<b>(434)</b>	<b>18%</b>	<b>NM</b>
<b>Net Change in Cash Position<sup>1</sup></b>	<b>(191)</b>	<b>118</b>	<b>(131)</b>	<b>-31%</b>	<b>NM</b>

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



# TT Consolidated – Summary Revenue Breakdown

TL Millions	2011 Q2	2012 Q1	2012 Q2	YoY % Change	QoQ % Change
<b>Fixed Line</b>	<b>2.292</b>	<b>2.255</b>	<b>2.408</b>	<b>5%</b>	<b>7%</b>
Domestic PSTN	1.043	990	974	-7%	-2%
ADSL	734	744	767	5%	3%
Data Services	108	133	134	24%	1%
International Settlements	113	104	102	-9%	-2%
Domestic interconnection	81	77	73	-10%	-5%
Leased lines	115	99	93	-19%	-6%
Rental income from GSM operators	25	24	24	-6%	0%
Other	47	51	64	35%	25%
Construction Revenue (IFRIC 12) <sup>1</sup>	27	33	177	556%	436%
<b>Mobile</b>	<b>759</b>	<b>787</b>	<b>856</b>	<b>13%</b>	<b>9%</b>
Eliminations	(83)	(82)	(82)	1%	0%
<b>Total Revenue</b>	<b>2.968</b>	<b>2.960</b>	<b>3.182</b>	<b>7%</b>	<b>8%</b>

(1) 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



# TT Consolidated – Summary OPEX Breakdown

TL Millions	2011 Q2	2012 Q1	2012 Q2	YoY % Change	QoQ % Change
Personnel	508	534	512	1%	-4%
Domestic interconnection	154	175	201	31%	15%
International interconnection	70	66	71	1%	8%
Commercial <sup>1</sup>	310	276	282	-9%	2%
Maintenance and Operations	106	88	105	-1%	19%
Taxes & Government Fees	202	197	207	2%	5%
Doubtful Receivables	31	27	(8)	NM	NM
Others	309	335	383	24%	14%
<b>Sub-Total</b>	<b>1.691</b>	<b>1.699</b>	<b>1.753</b>	<b>4%</b>	<b>3%</b>
Construction Cost (IFRIC 12) <sup>2</sup>	24	29	157	554%	441%
<b>Total OPEX</b>	<b>1.714</b>	<b>1.728</b>	<b>1.910</b>	<b>11%</b>	<b>11%</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 revenue is due to higher amount of eligible CAPEX recorded in the period



# Fixed Line Business – Summary P&L Statement

TL Millions	2011 Q2	2012 Q1	2012 Q2	YoY % Change	QoQ % Change
<b>Revenues</b>	<b>2.292</b>	<b>2.255</b>	<b>2.408</b>	<b>5%</b>	<b>7%</b>
<b>EBITDA<sup>1</sup></b>	<b>1.186</b>	<b>1.152</b>	<b>1.186</b>	<b>0%</b>	<b>3%</b>
Margin	52%	51%	49%		
<b>Operating Profit</b>	<b>941</b>	<b>893</b>	<b>911</b>	<b>-3%</b>	<b>2%</b>
Margin	41%	40%	38%		
<b>CAPEX</b>	<b>349</b>	<b>269</b>	<b>544</b>	<b>56%</b>	<b>102%</b>
CAPEX as % of Revenue	15%	12%	23%		

(1) Please see the footnote on slide 19



# Fixed Line Business – Summary OPEX Breakdown

TL Millions	2011 Q2	2012 Q1	2012 Q2	YoY % Change	QoQ % Change
Personnel	462	484	455	-1%	-6%
Domestic interconnection	26	25	26	0%	5%
International interconnection	67	63	67	1%	8%
Commercial <sup>1</sup>	177	158	154	-13%	-2%
Maintenance and Operations	81	60	81	1%	35%
Taxes & Government Fees	59	56	57	-3%	3%
Doubtful Receivables	11	17	(19)	NM	NM
Others	199	211	243	22%	15%
<b>Sub-Total</b>	<b>1.082</b>	<b>1.073</b>	<b>1.065</b>	<b>-2%</b>	<b>-1%</b>
Construction Cost (IFRIC 12) <sup>2</sup>	24	29	157	554%	441%
<b>Total OPEX</b>	<b>1.106</b>	<b>1.102</b>	<b>1.222</b>	<b>10%</b>	<b>11%</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 Business – Summary P&L Statement

TL Millions	2011 Q2	2012 Q1	2012 Q2	YoY % Change	QoQ % Change
<b>Revenues</b>	<b>759</b>	<b>787</b>	<b>856</b>	<b>13%</b>	<b>9%</b>
<b>EBITDA<sup>1</sup></b>	<b>69</b>	<b>78</b>	<b>87</b>	<b>26%</b>	<b>12%</b>
Margin	9%	10%	10%		
<b>Operating Profit</b>	<b>(73)</b>	<b>(79)</b>	<b>(70)</b>	<b>4%</b>	<b>11%</b>
Margin	-10%	-10%	-8%		
<b>CAPEX</b>	<b>217</b>	<b>136</b>	<b>134</b>	<b>-38%</b>	<b>-1%</b>
CAPEX as % of Revenue	29%	17%	16%		

(1) Please see the footnote on slide 19



# Mobile Business – Summary OPEX Breakdown

TL Millions	2011 Q2	2012 Q1	2012 Q2	YoY % Change	QoQ % Change
Personnel	51	53	61	19%	15%
Domestic interconnection	150	172	196	31%	14%
International interconnection	3	3	4	14%	11%
Commercial <sup>1</sup>	134	119	128	-4%	8%
Maintenance and Operations	26	29	26	-1%	-9%
Taxes & Government Fees	143	141	150	5%	6%
Doubtful Receivables	19	11	11	-42%	0%
Others	163	180	192	18%	6%
<b>Total</b>	<b>691</b>	<b>709</b>	<b>769</b>	<b>11%</b>	<b>9%</b>

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



# Debt Profile

Debt	In Currency	TL Equivalent	< 3 Months	3 Months to 1 Year	1 to 5 Years	> 5 Years
TL	2.068	2.068	2.068	0	0	0
USD	1.371	2.476	342	301	1.599	234
EUR	992	2.256	125	251	1.645	235
<b>TOTAL</b>		<b>6.799</b>	<b>2.535</b>	<b>552</b>	<b>3.244</b>	<b>469</b>

In Millions

Average maturity of foreign currency debt is 2.4 years

Ratios	Q2 2011	Q2 2012
Net Debt / EBITDA	0,96	1,17
Net Debt / Assets	0,32	0,36
Debt (Total Liabilities) / Equity	2,07	2,24
Debt (Financial) / Equity	1,17	1,34
Current Ratio	0,68	0,73



# APPENDIX



# Guidance for 2012

- Consolidated Revenue: 6 - 8% Growth over 2011
- Consolidated EBITDA Margin: Low 40%<sup>s</sup>
- Consolidated CAPEX: Around TL 2.4 billion



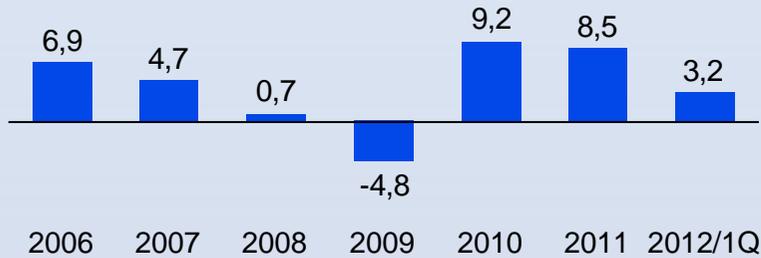
# Dividend

TL Millions	2010	2011
<b>Net Profit</b>	<b>2.451</b>	<b>2.069</b>
Legal Reserves	207	172
<b>Total Dividend</b>	<b>2.244</b>	<b>1.897</b>
Payout Ratio	92%	92%
<b><i>Gross Dividend Per Share (TL)</i></b>	<b><i>0,64</i></b>	<b><i>0,54</i></b>



# Macro Highlights

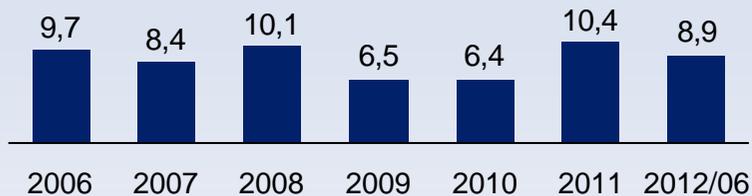
## Annual Real GDP Growth Rate, % <sup>1</sup>



- The Turkish economy grew by 3.2% y/y in 1Q 2012.

▪ *Following the slowdown in 1Q 2012, leading indicators such as industrial production and credit growth suggest a modest recovery for 2Q 2012.*

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



- As of June, the annual CPI inflation is at 8.9%.

▪ *In the period ahead, favorable course in energy and unprocessed food prices as well as ongoing support from aggregate demand conditions is expected to lead to a better inflation outlook.*

## Unemployment Rate, % <sup>3</sup>



- As of April, the unemployment rate is at 9.0%.

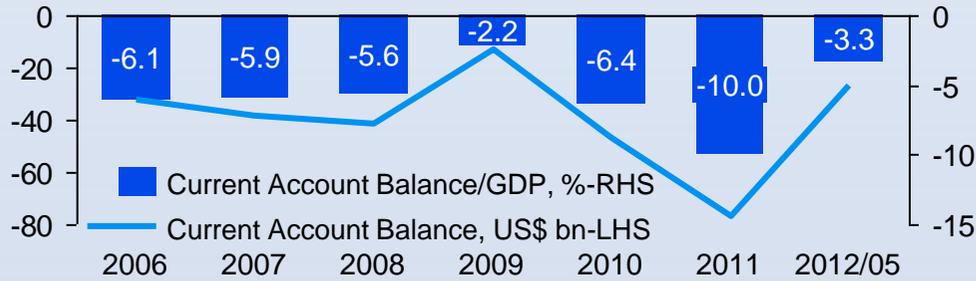
▪ *In the period ahead, ongoing downside risks on the global economy stand out as the main source of concern regarding employment conditions and employment growth.*

Source for 1 & 2 & 3: TURKSTAT



# Macro Highlights (continued)

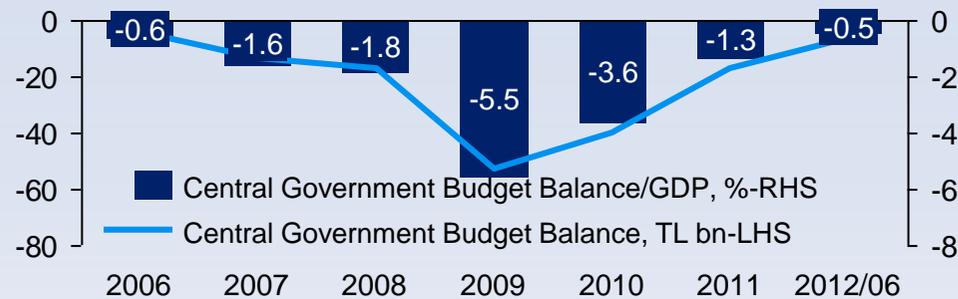
## Current Account Balance <sup>4</sup>



■ As of May, a current account deficit of US\$ 27.1 bn is recorded on year-to-date basis, equaling around 3.3% of the GDP.

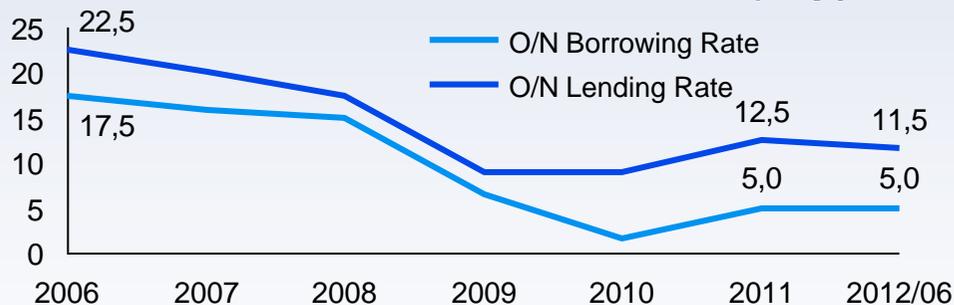
■ *The gradual improvement in the current account deficit is expected to continue in the forthcoming period. Moreover, the mild and favorable course in oil prices, if sustained, is likely to continue to support the improvement in the current account deficit.*

## Central Govt. Budget Balance <sup>5</sup>



■ As of June, the year-to-date budget deficit and primary surplus are registered as TL 6.7 bn (32% of the year-end target) and TL 19.6 bn (67% of the year-end target) respectively.

## CBT's Interest Rate Corridor, % (eop) <sup>6</sup>



■ As of June, the policy rate (the one-week repo auction rate) stands at 5.75%, while the overnight borrowing and lending rates are at 5% and 11.5% respectively.

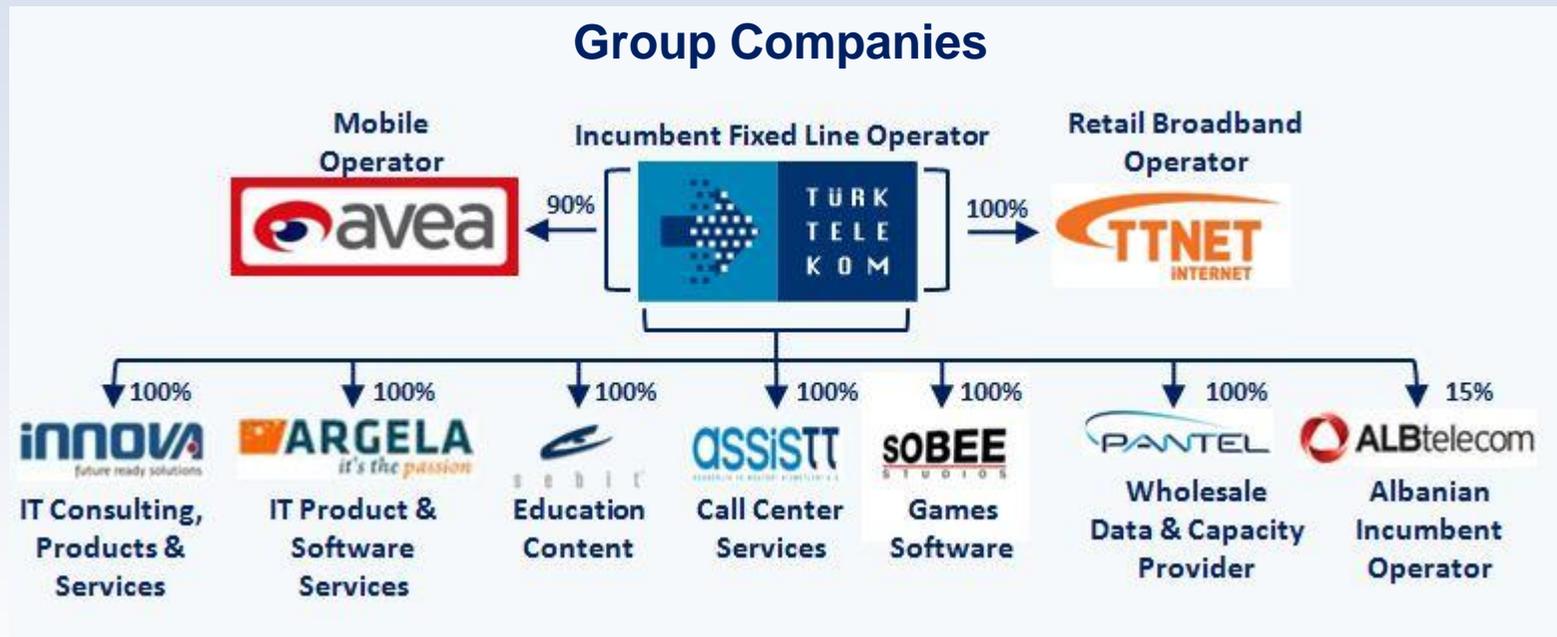
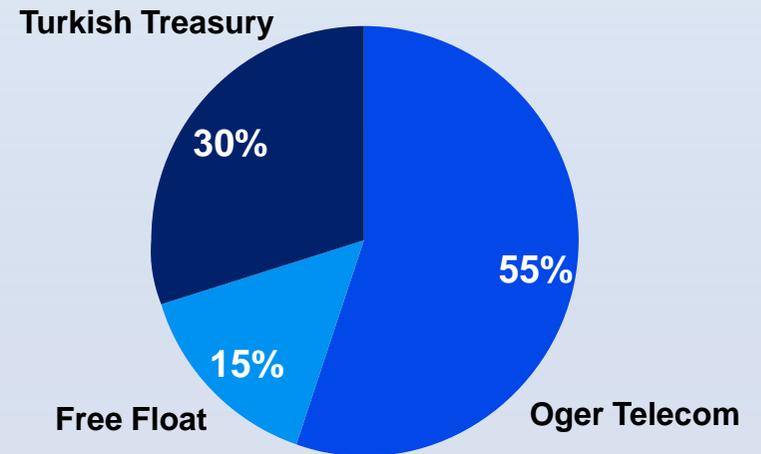
■ In May, though S&P has updated Turkey's credit rating outlook from "positive" to "stable" (rating at "BB"), Moody's has upgraded the rating by one notch in June (from "Ba2" to "Ba1", with "positive" outlook).

Source: 4: CBT, TURKSTAT  
5: Ministry of Finance, TURKSTAT  
6: CBT

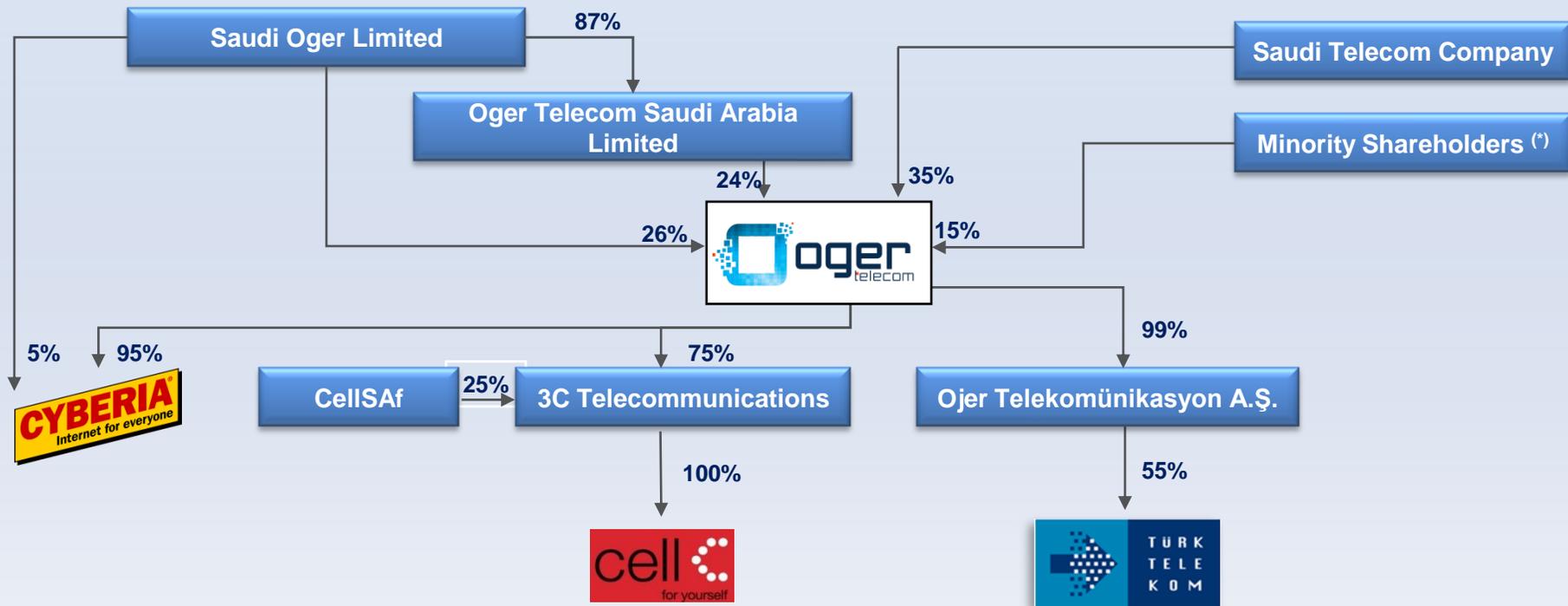


# Turk Telekom Group Ownership Structure

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



# Oger Telecom Ownership Structure



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



# Regulatory Actions

2008

2009

2010

2011

2012

## ▪April

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

## ▪November

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

## ▪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 cap
- TL per minute pricing introduced

## ▪July

- TA announced Naked ADSL fee as TL 8.13
- TA postponed 20 second billing for an indefinite time

## ▪December

- Naked ADSL services started

## ▪April

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

## ▪October

- BTK'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



**THANK YOU...**

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**TÜRK TELEKOM  
GROUP**

