



**Türk Telekom Group**  
**2011 H1– Investor Presentation**

# Notice

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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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# MARKET UPDATE & CONSOLIDATED PERFORMANCE



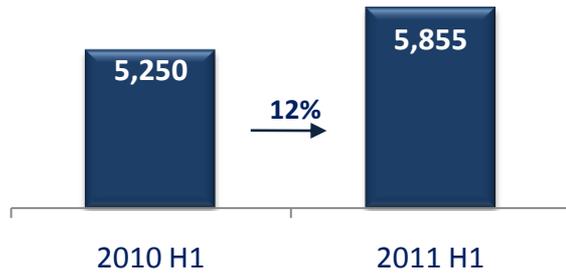
# Market Update

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- Successful performance in all business segments
  - Fixed voice revenue stabilized at Q4 2009 levels with the success of bundle tariffs introduced in 2010
  - ADSL revenue growth continues at double digit levels
  - Subscriber and revenue growth at AVEA
- Mobile market competition has intensified during H1 2011
- Higher quotas and speeds offered to ADSL subscribers
- Network investments continue both in mobile and fixed line
- Strategic cooperation with Telefonica in German market
  
- **Türk Telekom Guidance for 2011**
  - Consolidated Revenue Growth: 9-10% on the back of strong revenue growth in H1 (Previous guidance: Between 5-7%)
  - Consolidated EBITDA Margin: Low to mid 40%s (Same with previous guidance)
  - Consolidated CAPEX: Around TL 2.2 bn due to accelerated growth and acceleration of infrastructure investments (Previous guidance: Around TL 2 bn)

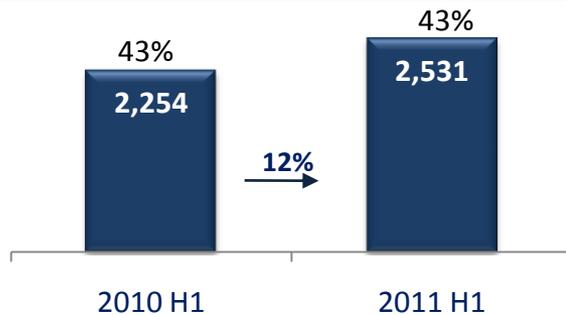
# Consolidated Performance

## Revenue (TL mn)



**Strong revenue growth in H1**

## EBITDA (TL mn)



**EBITDA growth from both Fixed and Mobile**

## Net Income (TL mn)



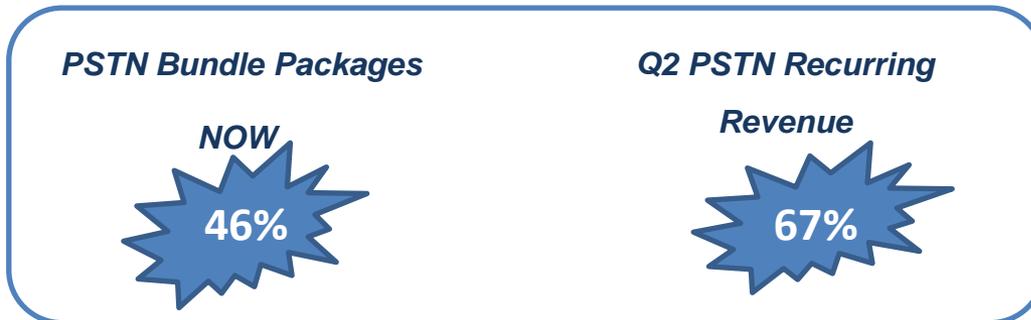
**Net Income similar to H1 2010 despite FX & Hedging losses of TL368mn in H1 2011**

## FIXED LINE BUSINESS PERFORMANCE



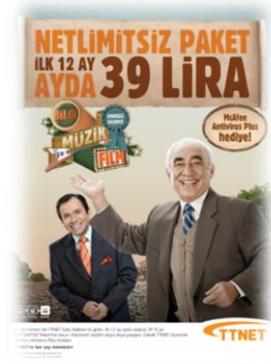
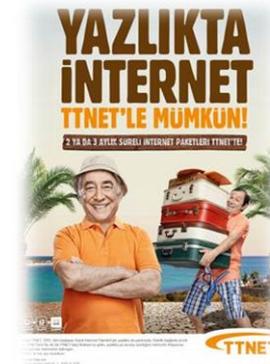
# Fixed Line Business – Voice

- Motorola XOOM Tablet campaign launched in June 2011
- Bundle packages continue to grow strongly and support increase in fixed portion of PSTN revenue and stable MoU and ARPU
- Home Advantage bundle minutes include calls to mobile and International directions, as a promotion, until year end

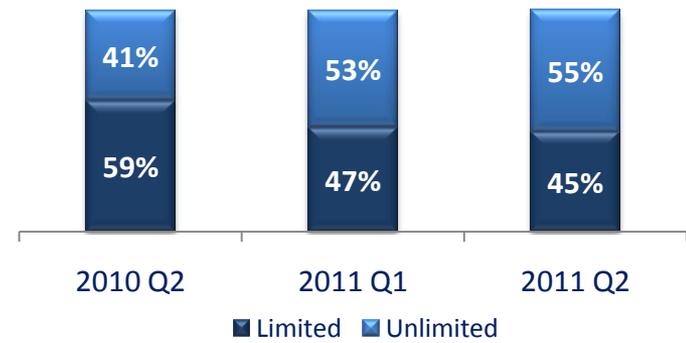


# Fixed Line Business – ADSL

- Fiber to the neighborhood (FTTN) now covers over 3 mn homes
- Tivibu Home (IPTV) launched in February available in 30 cities, following the success of Tivibu Web
- Triple Play Tariff Packages with IPTV and ADSL
- International gateway data capacity is now 1.2 TB compared to 30 GB in 2005 with the PANTEL acquisition and network investments
- New Acquisition Campaigns like PC, VAS bundle and discount campaigns



**TTNET ADSL Subscriber Breakdown**



**TTNET up to 8 Mbps Packages / Subscriber base**

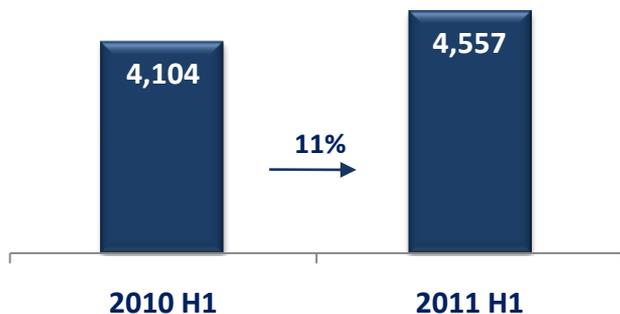
**82%**

**Average Monthly Data usage now 18.1 GB**

**50% YoY**

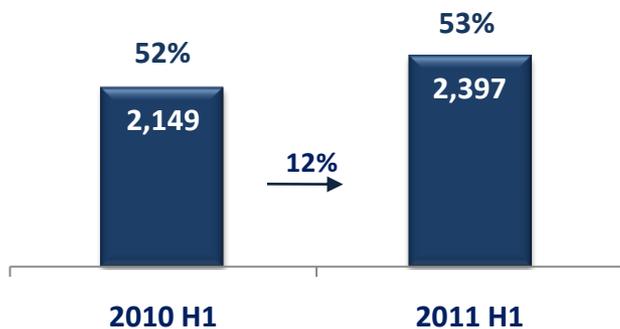
## Fixed Line Business – Revenue & EBITDA Highlights

### Revenue (TL mn)



*Mainly ADSL & Int. revenue growth with stable PSTN revenue resulted 11% fixed line growth*

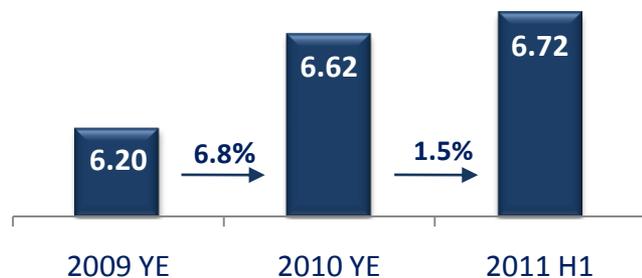
### EBITDA (TL mn)



*Fixed EBITDA margin remained over 50%*

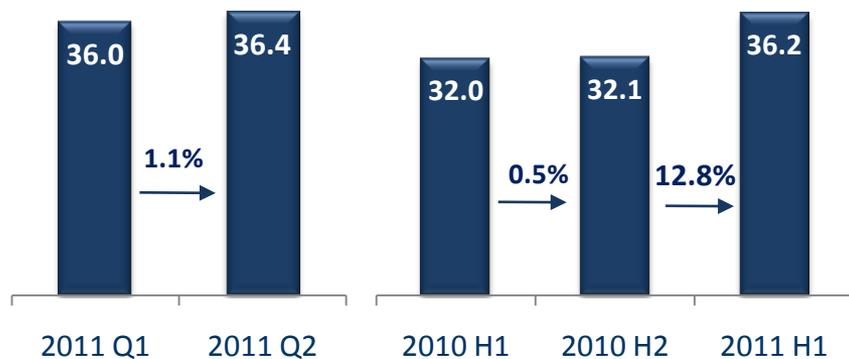
## Fixed Line Business – ADSL Highlights

### Wholesale ADSL Connections(millions)



*Slight increase in ADSL Subscribers*

### ADSL ARPU (TL)\*

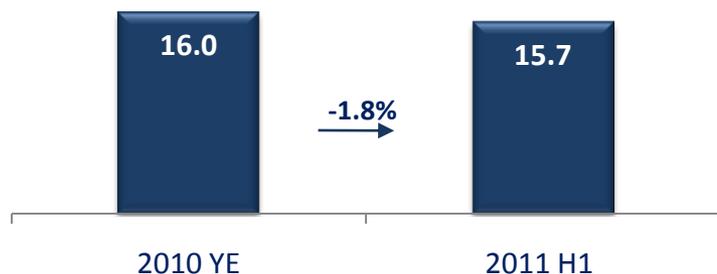


*All time high ARPU driven by migration to unlimited packages and inflationary price adjustments*

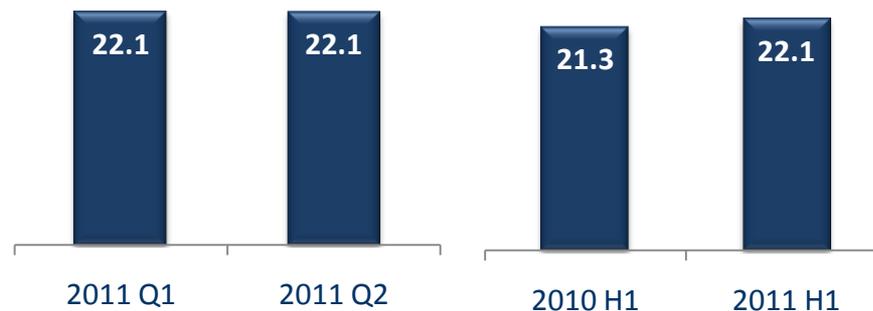
\* Revenue divided by average number of connections

## Fixed Line Business – PSTN Highlights

# of Access Lines (millions)



PSTN ARPU (TL)\*



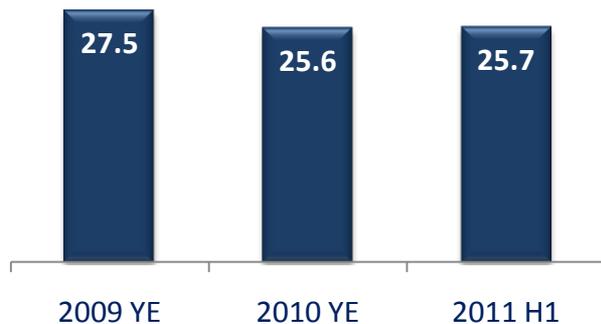
	2010 YE	2011 H1
PSTN Lines (mn)	16.0	15.6
Naked ADSL (mn)	0.0	0.1

*The net line loss recorded in H1 2011 is in line with the percentage loss seen in H1 2010*

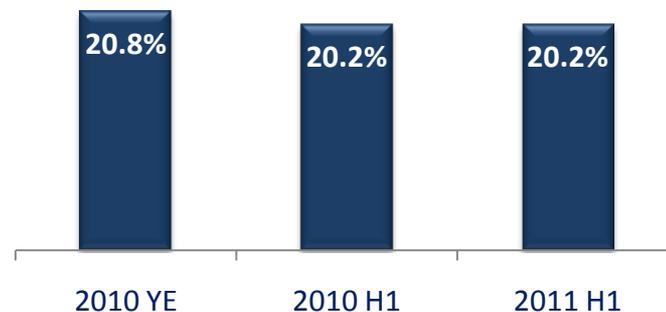
\* Revenue divided by average number of PSTN lines

## Fixed Line Business - Headcount

Number of Employees (thousands)\*



Personnel Cost as a % of Revenue



- *Personnel cost remained at 20% of revenue*
- *Access lines per employee is 607 in H1 2011 compared to 585 in H1 2010*

\* Fixed network operating unit

## MOBILE BUSINESS PERFORMANCE



# Mobile Business

- Strong revenue and subscriber growth achieved while EBITDA margin remains under pressure due to aggressive competition in the market
- Postpaid growth and leadership in Institutional (Civil Servants) segment enhanced through new tariffs and campaigns
- ARPU increased and retention enhanced via upsell and churn prevention campaigns
- Growth in data usage & revenue enhanced with new data offers
- Device campaigns to support activation and retention performance
- Partnerships with more than 60 leader retailers & banks to support customer loyalty via offering non-GSM benefits
- Channel transformation continued to support higher market share

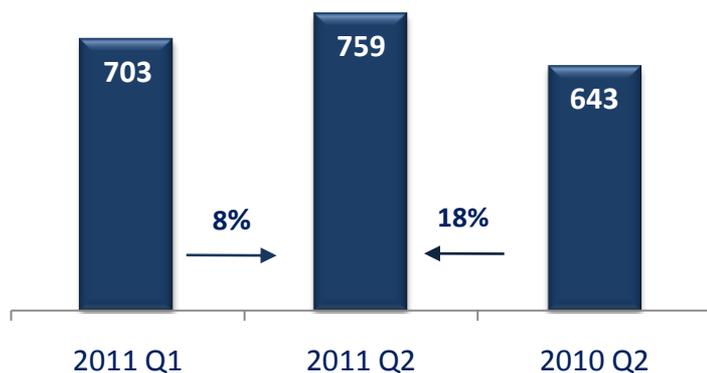


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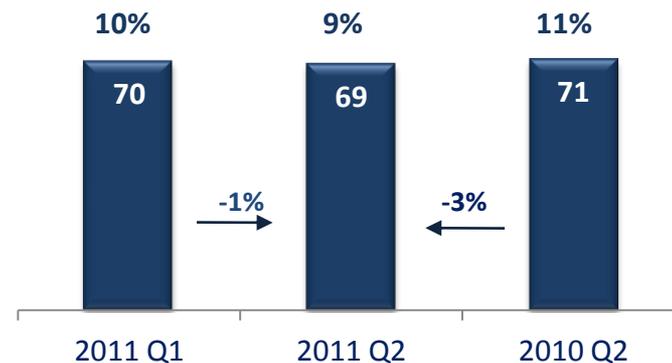


## Mobile Business – Revenue & EBITDA Highlights

Revenue (TL mn)



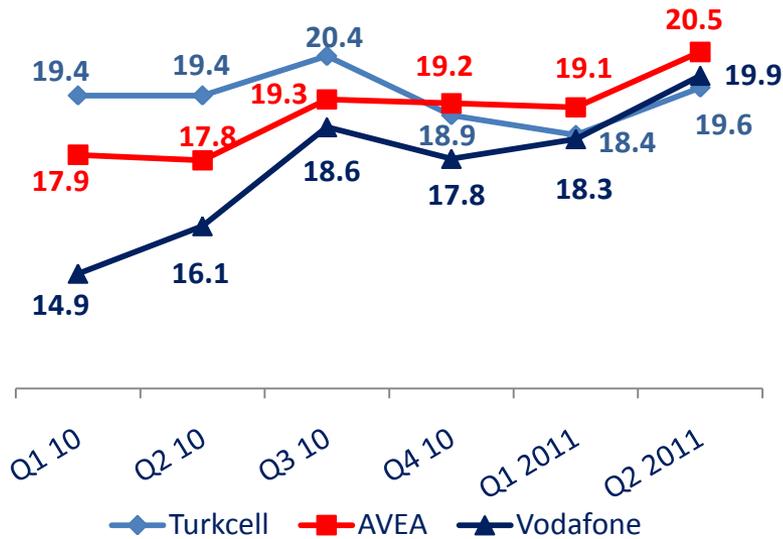
EBITDA (TL mn)



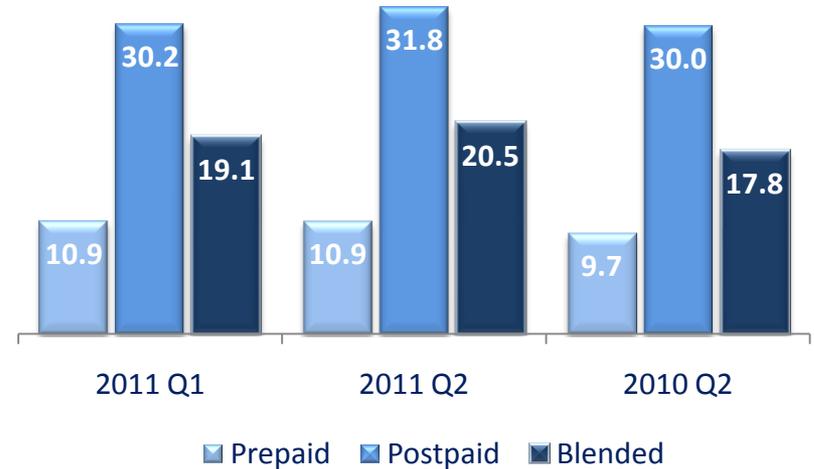
***Double digit revenue growth achieved while EBITDA Margin remains under pressure due to fierce competition in mobile market***

# Mobile Business – ARPU Highlights

Market Blended ARPU Trend (TL)



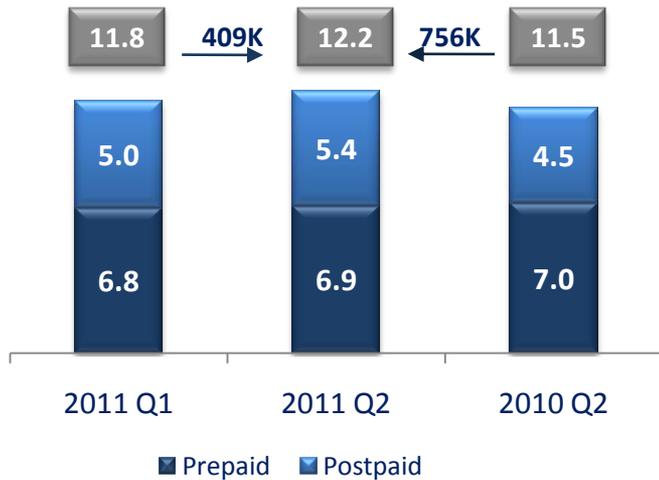
AVEA Quarterly ARPU (TL)



**Blended ARPU surged by 15% YoY and reached highest level driven by 11% increase in Prepaid ARPU and increased share of Postpaid in subscriber base**

# Mobile Business - Subscriber Composition & MoU

## Subscriber Composition (millions)

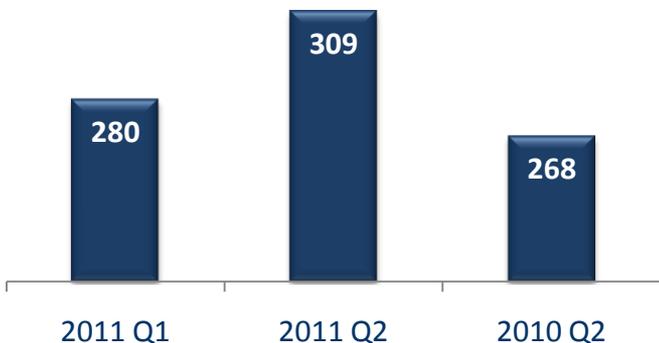


➤ *Total subscribers reached 12.2 million with a YoY growth of 7%*

➤ *Continued increase in postpaid subscribers*

*~150K of the net adds due to change in churn policy required by BTK (Turkish regulator)*

## Blended MoU



*MoU at high levels as customers are migrating to the post paid offers which have high minute bundles*

## FINANCIALS



# TT Consolidated - Summary P&L Statement

TL millions	2010 YE	2010 H1	2011 H1
<b>Revenues</b>	<b>10,852</b>	<b>5,250</b>	<b>5,855</b>
<b>EBITDA</b>	<b>4,835</b>	<b>2,254</b>	<b>2,531</b>
<i>Margin</i>	45%	43%	43%
<b>Operating Profit</b>	<b>3,311</b>	<b>1,498</b>	<b>1,740</b>
<i>Margin</i>	31%	29%	30%
<b>Financial Income/Expense, net</b>	<b>(184)</b>	<b>(7)</b>	<b>(355)</b>
FX & Hedging Gain/Loss, net	(87)	8	(368)
Interest Income/Expense, net	(29)	15	8
Other Financial Income/Expense, net	(68)	(30)	5
<b>Tax Expense</b>	<b>(799)</b>	<b>(424)</b>	<b>(352)</b>
<b>Net Income*</b>	<b>2,451</b>	<b>1,147</b>	<b>1,115</b>
<i>Margin</i>	23%	22%	19%

➤ **ADSL, Mobile and Pantel supported revenue growth**

➤ **Net income increase 29% YoY, if we exclude FX losses**

\* After minority interest

## TT Consolidated - Summary Balance Sheet

TL millions	2010 YE	2010 H1	2011 H1
Intangible Assets <sup>(a)</sup>	3,517	3,196	3,439
Tangible Assets <sup>(b)</sup>	7,435	6,768	7,626
Other Assets <sup>(c)</sup>	2,929	2,524	3,281
Cash and Equivalents	1,219	811	858
<b>Total Assets</b>	<b>15,100</b>	<b>13,299</b>	<b>15,204</b>
Share capital	3,260	3,260	3,260
Reserves and Retained Earnings	2,915	1,678	1,690
Interest Bearing Liabilities <sup>(d)</sup>	4,199	4,576	5,775
Provisions for Long-term Employee Benefits	607	680	622
Other Liabilities <sup>(e)</sup>	4,119	3,105	3,857
<b>Total Equity and Liabilities</b>	<b>15,100</b>	<b>13,299</b>	<b>15,204</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

## TT Consolidated - Summary Cash Flow Statement

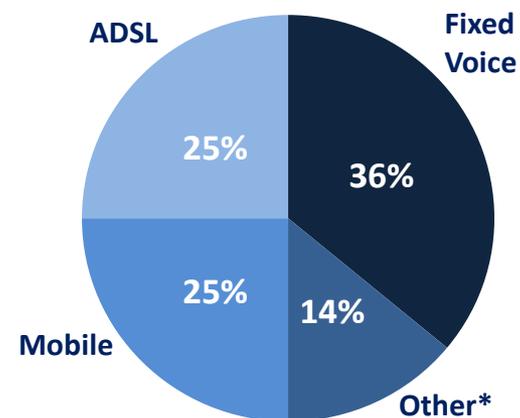
TL millions	2010 YE	2010 H1	2011 H1
<b>Cash Flow from Operating Activities</b>	<b>3,844</b>	<b>1,555</b>	<b>1,585</b>
<b>Cash Flow from Investing Activities</b>	<b>(1,761)</b>	<b>(479)</b>	<b>(634)</b>
<i>CAPEX</i>	(1,805)	(611)	(765)
<i>Other Investing Activities</i>	44	132	131
<b>Cash Flow from Financing Activities</b>	<b>(1,805)</b>	<b>(1,052)</b>	<b>(1,191)</b>
<b>Net Change in Cash Position<sup>(a)</sup></b>	<b>278</b>	<b>24</b>	<b>(240)</b>

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

## TT Consolidated- Summary Revenue Breakdown

TL millions	2010 YE	2010 H1	2011 H1
Domestic PSTN	4,255	2,104	2,098
ADSL	2,473	1,218	1,455
GSM	2,646	1,290	1,462
Data service revenue	364	172	213
International interconnection revenue	229	82	210
Domestic interconnection revenue	283	138	156
Leased lines	486	255	233
Rental income from GSM operators	101	52	51
Other	179	68	108
Eliminations	(305)	(144)	(164)
<b>Sub-Total Revenue</b>	<b>10,711</b>	<b>5,236</b>	<b>5,822</b>
Construction Revenue (IFRIC 12)	141	14	33
<b>Total Revenue</b>	<b>10,852</b>	<b>5,250</b>	<b>5,855</b>

Revenue Breakdown – 2011 H1



\*Other: Leased Lines, Data Ser., Domestic Interco., Int'l Sett., Rental income

## TT Consolidated - Summary OPEX Breakdown

TL millions	2010 YE	2010 H1	2011 H1
Personnel	1,844	911	1,010
Domestic Interconnection	524	295	279
International Interconnection	158	62	127
Commercial <sup>(a)</sup>	1,023	500	595
Maintenance and Operations	389	178	183
Taxes & Government Fees	717	355	390
Doubtful Receivables	91	45	71
Others	1,146	638	641
<b>Sub-Total</b>	<b>5,892</b>	<b>2,984</b>	<b>3,295</b>
Construction Cost (IFRIC 12)	125	12	29
<b>Total OPEX</b>	<b>6,017</b>	<b>2,996</b>	<b>3,324</b>

➤ **Most OPEX growing below or in line with revenue growth except:**

➤ **Commercial costs impacted negatively by highly competitive market and increased advertising unit prices**

➤ **International Interconnection impacted by inclusion of PANTEL business**

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

## Fixed Line Business- Summary P&L Statement

TL millions	2010 YE	2010 H1	2011 H1
Revenues	8,511	4,104	4,557
EBITDA	4,507	2,149	2,397
<i>Margin</i>	53%	52%	53%
Operating Profit	3,615	1,712	1,908
<i>Margin</i>	42%	42%	42%
CAPEX	1,263	399	488
<i>CAPEX as % of Revenue</i>	15%	10%	11%

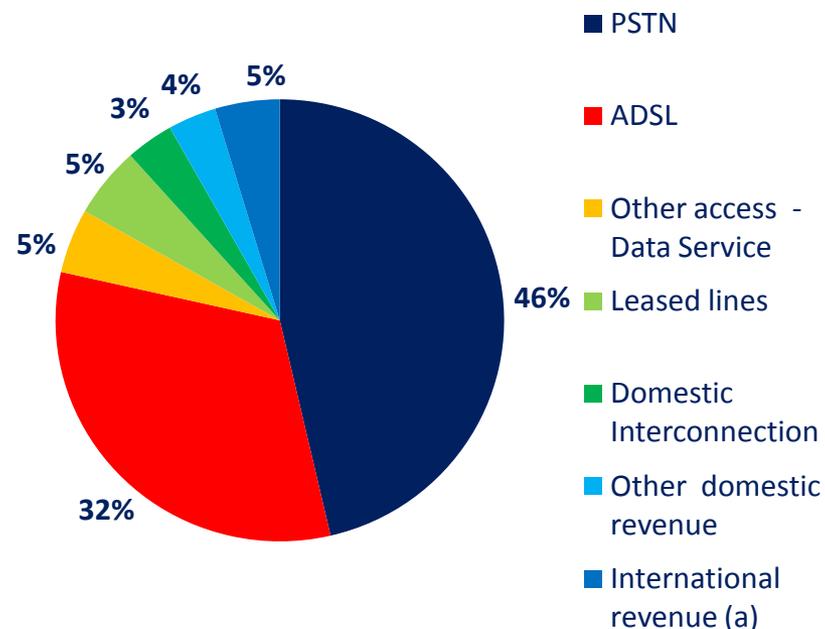
➤ Double digit growth in Fixed Revenue

➤ EBITDA and Operating profit margins maintained at 2010 FY levels

## Fixed Line Business- Summary Revenue Breakdown

TL millions	2010 YE	2010 H1	2011 H1
PSTN	4,255	2,104	2,098
ADSL	2,473	1,218	1,455
Other access - Data Service	364	172	213
Leased lines	486	255	233
Domestic Interconnection	283	138	156
Other domestic revenue	280	121	158
International revenue <sup>(a)</sup>	229	82	211
<b>Sub-Total Revenue</b>	<b>8,370</b>	<b>4,090</b>	<b>4,524</b>
Construction Revenue (IFRIC 12)	141	14	33
<b>Total Revenue</b>	<b>8,511</b>	<b>4,104</b>	<b>4,557</b>

2011 H1 Breakdown

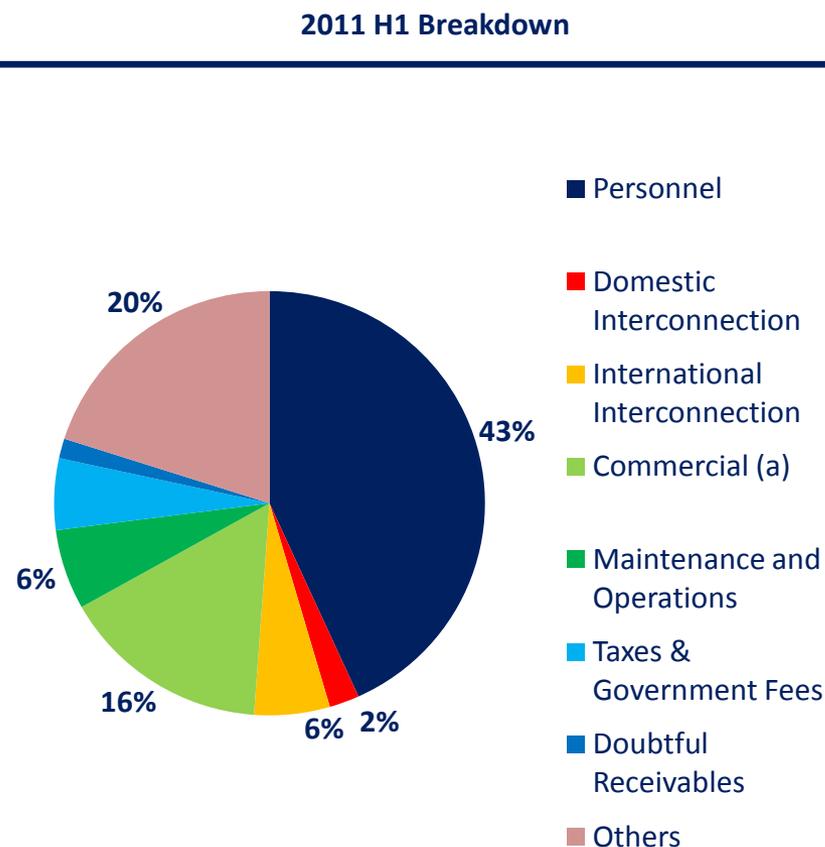


**Strong ADSL and Other Access growth, whilst PSTN stable**

(a) Pantel revenue (starting Q4 2010) from international data services and inbound traffic terminated at Türk Telekom's international gateway.

## Fixed Line Business – Summary OPEX Breakdown

TL millions	2010 YE	2010 H1	2011 H1
Personnel	1,683	828	921
Domestic Interconnection	118	70	48
International Interconnection	142	53	121
Commercial <sup>(a)</sup>	615	311	335
Maintenance and Operations	282	123	130
Taxes & Government Fees	224	110	116
Doubtful Receivables	15	(1)	32
Others	800	449	428
<b>Sub-Total</b>	<b>3,879</b>	<b>1,943</b>	<b>2,131</b>
Construction Cost (IFRIC 12)	125	12	29
<b>Total OPEX</b>	<b>4,004</b>	<b>1,955</b>	<b>2,160</b>



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

## Mobile Business – Summary P&L Statement

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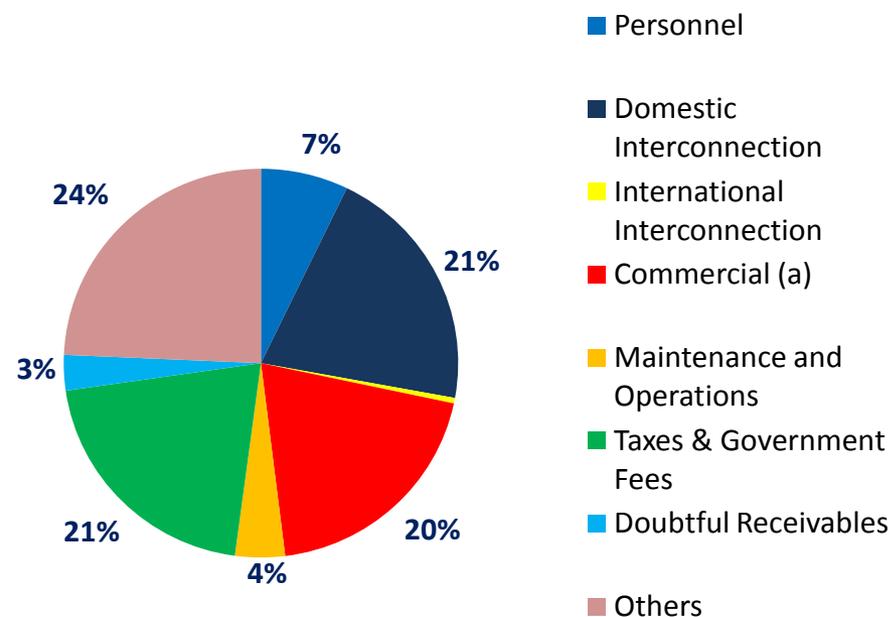
TL millions	2010 YE	2010 H1	2011 H1
Revenues	2,646	1,290	1,462
EBITDA	332	107	139
<i>Margin</i>	13%	8%	9%
Operating Profit / (Loss)	(302)	(213)	(164)
<i>Margin</i>	(11%)	(17%)	(11%)
CAPEX	470	119	395
<i>CAPEX as % of Revenue</i>	18%	9%	27%

**Strong revenue growth**

## Mobile Business – Summary OPEX Breakdown

TL millions	2010 YE	2010 H1	2011 H1
Personnel	178	89	95
Domestic Interconnection	495	271	274
International Interconnection	16	9	6
Commercial (a)	410	199	261
Maintenance and Operations	111	56	54
Taxes & Government Fees	493	245	273
Doubtful Receivables	77	46	39
Others	534	269	322
<b>Total</b>	<b>2,314</b>	<b>1,184</b>	<b>1,325</b>

2011 H1 Breakdown



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

## Debt Profile

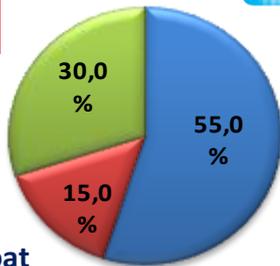
2011 H1 - in mn			Maturities			
Debt	Total Amount in Original Currency	Total Amount in TL	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
TL Debt	1,536	1,536	1,535	1	0	0
USD Debt	1,367	2,228	277	425	1,335	191
EUR Debt	841	1,975	93	454	1,220	208
<b>TOTAL</b>		<b>5,738</b>	<b>1,905</b>	<b>880</b>	<b>2,555</b>	<b>398</b>

Ratios	2010 YE	2010 H1	2011 H1
Net Debt / EBITDA	0.62	0.85	0.96
Net Debt / Assets	0.20	0.28	0.32
Debt (Total Liabilities) / Equity	1.45	1.69	2.07
Debt (Financial) / Equity	0.68	0.93	1.17
Current Ratio	0.77	0.68	0.68

## APPENDIX



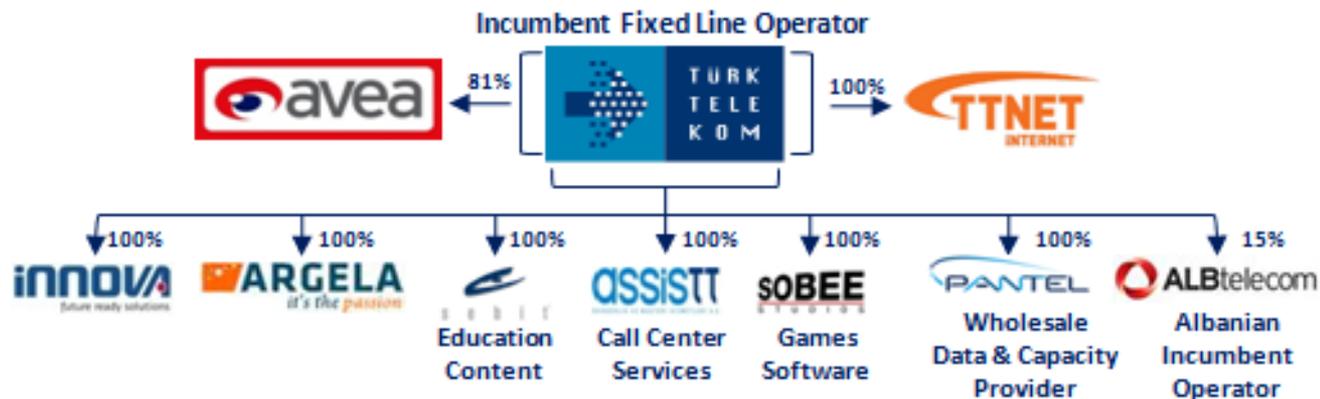
## Ownership Structure



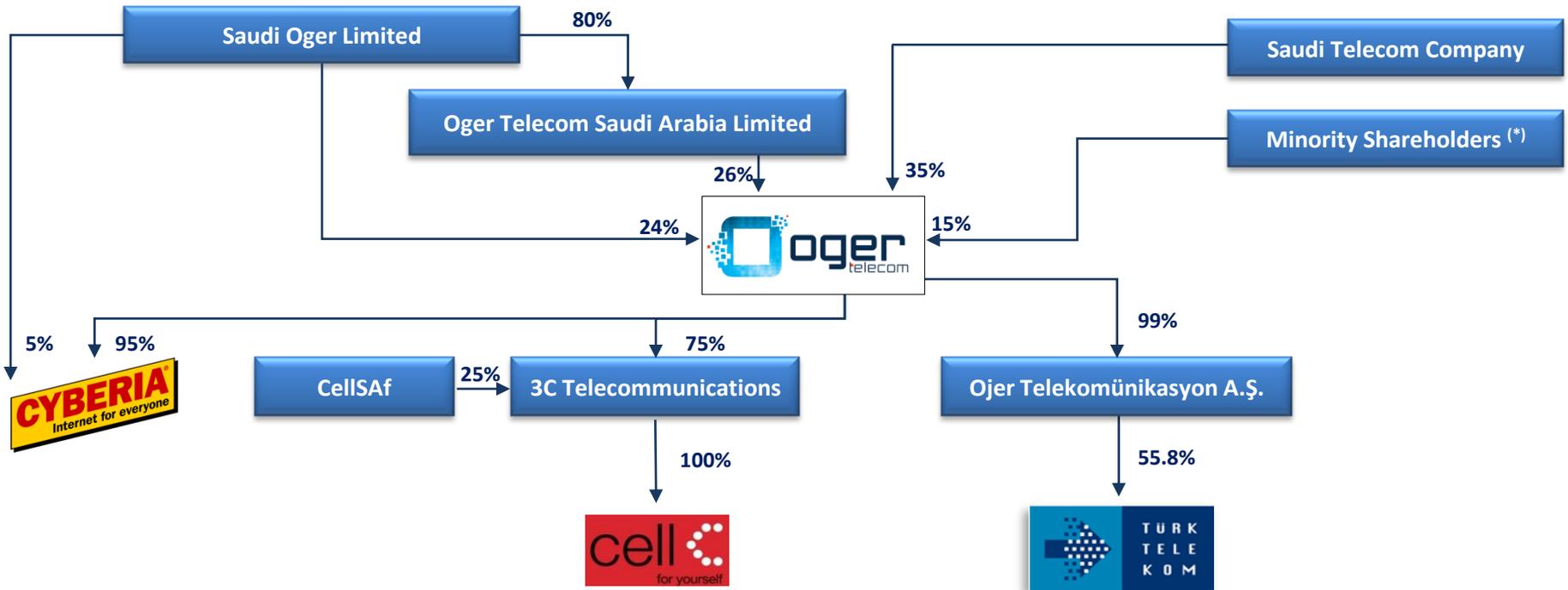
Free Float

- Oger Telecom appoints 6 Board Members
- Turkish Treasury appoints 4 Board Members (1 represents Golden Share)
- Turkish Treasury and Oger Telecom bought 1.7% and 0.8% additional stakes respectively, from free float.

## Group Companies



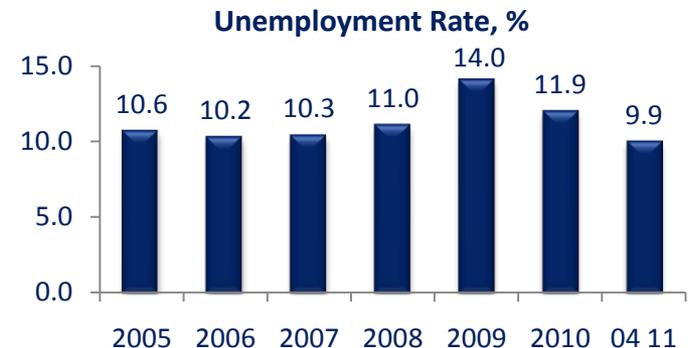
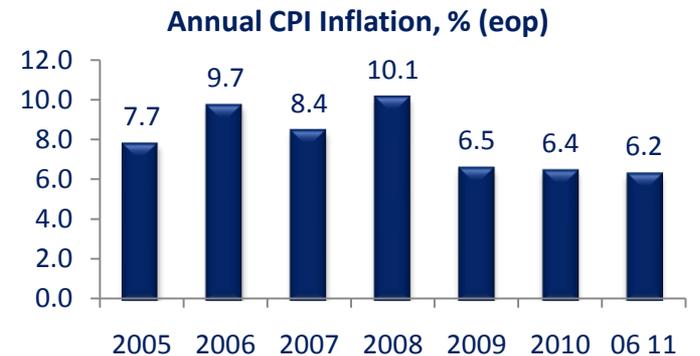
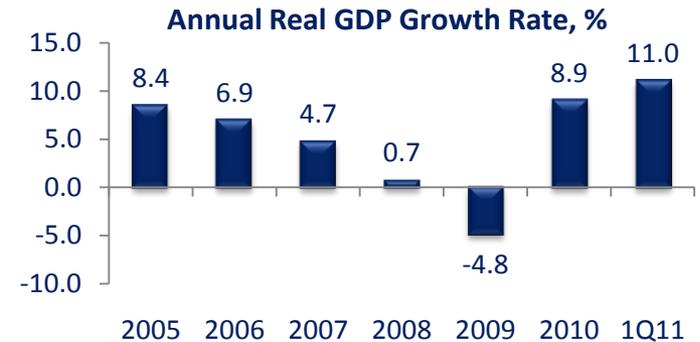
# Oger Telecom Ownership Structure



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

# Macro Highlights

- The Turkish economy grew by 11.0% y/y in 1Q (after 9.2% growth in 4Q 2010).
  - ✓ *As suggested by leading indicators such as industrial production and capacity utilization rates, economic activity is likely to slow down in 2Q.*
  
- At the end of 2Q, the annual CPI inflation was 6.2% (up from 4.0% in 1Q).
  - ✓ *In line with the Central Bank's projections, the annual CPI inflation rose in 2Q mainly due to the base effects stemming from food prices. Accordingly, the Central Bank foresees annual inflation to decline in 3Q.*
  
- As of April, the unemployment rate was 9.9% (down from 11.4% in December).
  - ✓ *Employment conditions continue to improve and the unemployment rate has returned to its pre-crisis levels. The Central Bank expects the improvement in employment to continue in the short term, albeit at a slower pace.*



# Regulatory Actions

2008

## April

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

## November

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

2009

## May

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

## July

- 3G services started

## September

- Fixed Number portability introduced

## October

- Local call Liberalization

2010

## 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

2011

## April

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



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