

# Türk Telekom Investor Presentation

November 14, 2008

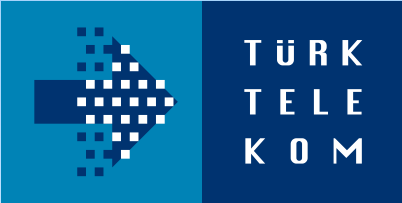
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## Section I: Türk Telekom Consolidated

# 2008 Q3 YTD Consolidated Performance



- ✓ Revenue increased to TRY 7,592 m, up by 10% compared to 2007 Q3 YTD on the back of strong growth in Mobile and Broadband businesses
- ✓ Operating profit increased by 15% to TRY 2,191 m compared to the 2007 Q3 YTD
- ✓ Foreign Exchange Losses (compared to gains in 2007)\*\* brings down Net Income in 2008 Q3 YTD

\* After Minority Interest

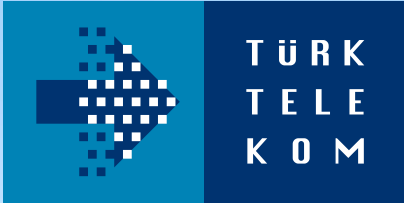
\*\* A negative TRY 446 m variance in exchange gain / (loss) due to exchange rate fluctuations



# Regulatory Environment



- ✓ **Electronic Communication Law approved by the President on November 10, 2008**
- ✓ **Regulator is finalizing LRAIC models in mobile and fixed access termination rates**
- ✓ **Injunction on the Off-net/On-net mobile pricing regulation**
- ✓ **MNP launched on November 9, 2008**
- ✓ **FNP to be in place in May 2009**
- ✓ **3G tender to be held on November 28, 2008**
- ✓ **MVNO regulation to be finalized in H1 2009**
- ✓ **WiMAX licenses to be granted by H1 2009**
- ✓ **Competition Authority to release its decision on the investigation for TT and TTNNet practices in broadband services shortly**
- ✓ **Positive discrimination by TT to ISP's other than TTNET continued**



## Section II: Fixed Line Business

# PSTN Initiatives

- ✓ Akşam Konuşturan add-on package (after 6pm free long distance) is launched and targeted outbound calls are started for new voice packages. Bundled packages reached to 200K subscribers in total



- ✓ New PSTN bundle packages sent to TA for approval
- ✓ Rahatt campaign to sell DECT phones with 24 month installments; 100K customers in 1 month
- ✓ Payphone with wifi hotspot and TT Nokta (Multimedia public phone) installations
- ✓ WIRO (PSTN service over WiFi) to be launched in Q4 2008





# ADSL Initiatives

- ✓ “Welcome to Internet” campaign and “TTNET ADSL World” campaign
- ✓ VITAMIN product commercially launched on Sep 22 to create demand in households with children. Available to all ISPs. Adopted very quickly. Already over 40K subscribers
- ✓ WiFi coverage increased to promote nomadic internet usage
- ✓ TTNET VIDEO and TTNET GAME portals to be launched in Q4 08
- ✓ Positive discrimination for ISPs other than TTNET continued





# Fixed Line Competition



## Borusan Telecom

- ✓ *Acquisition by Dhanus Technologies (India) failed.*

## Tellcom - Superonline

- ✓ *Low price ADSL campaigns launched (1Mb/s, 4 GB limited ADSL access for TRY 9.99)*

## Turksat – UyduNet (Cable)

- ✓ *Introduced UyduNet brand (1Mb/s, unlimited ADSL access for TRY 19)*

## Koçnet –Biri

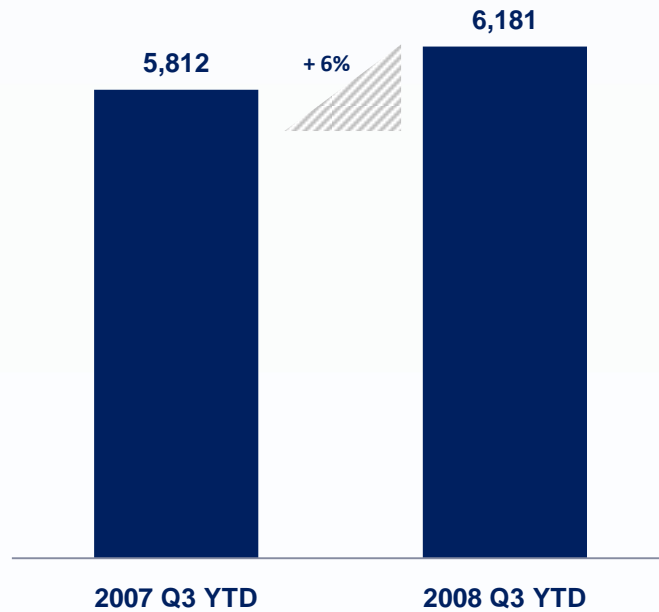
- ✓ *Introduced “Biri” brand for its ADSL offering with no long term contract (1Mb/s, 4 GB limited ADSL access for TRY 14.90)*

## Doğan – Smile

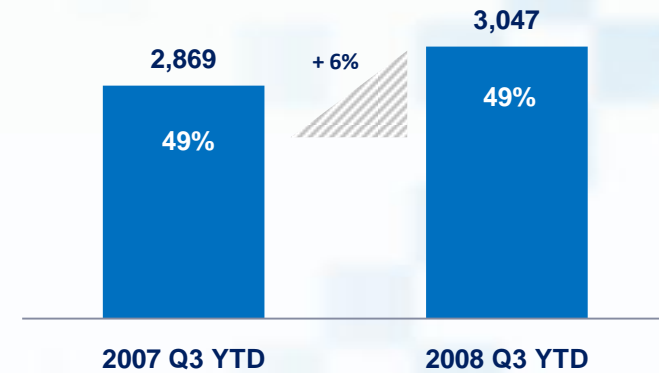
- ✓ *Low Price ADSL campaigns continued (1Mb/s, 4 GB limited ADSL access for TRY 14.99)*

## Local call licenses expected in 2009

# Fixed Line Revenue & EBITDA Highlights



■ Revenue (TRY m)



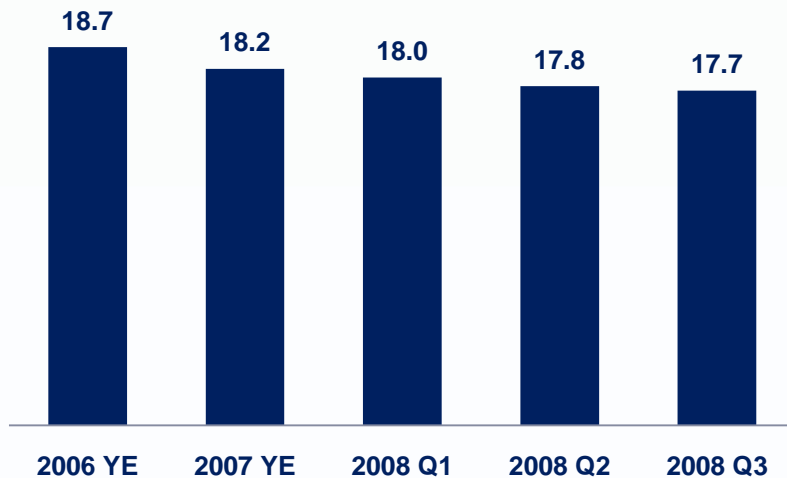
■ EBITDA (TRY m)

- ✓ Strong revenue growth underpinned by 35% ADSL growth
- ✓ High EBITDA margin maintained in 2008

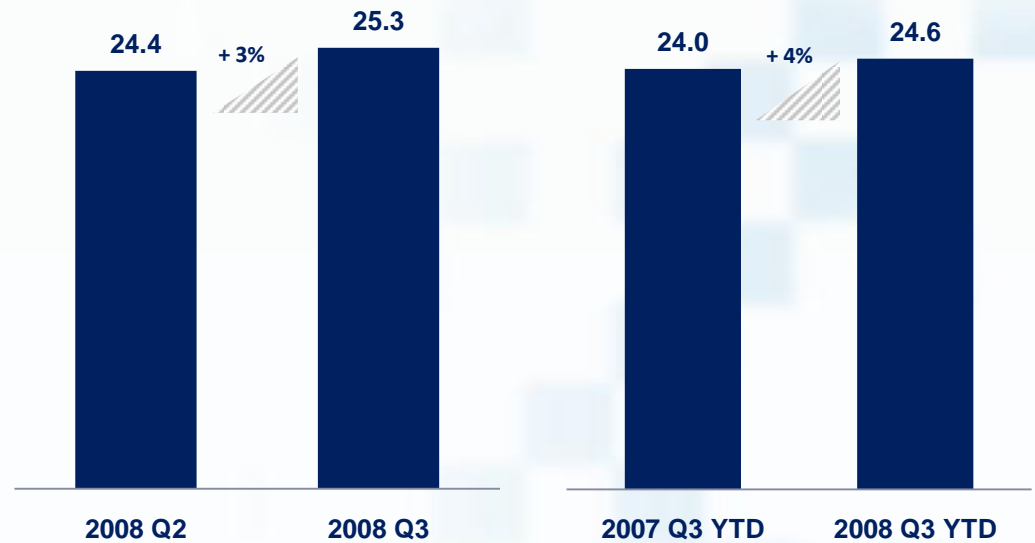
# PSTN 2008 Q3 Highlights



PSTN Access lines (million)



PSTN ARPU (TRY) (a)



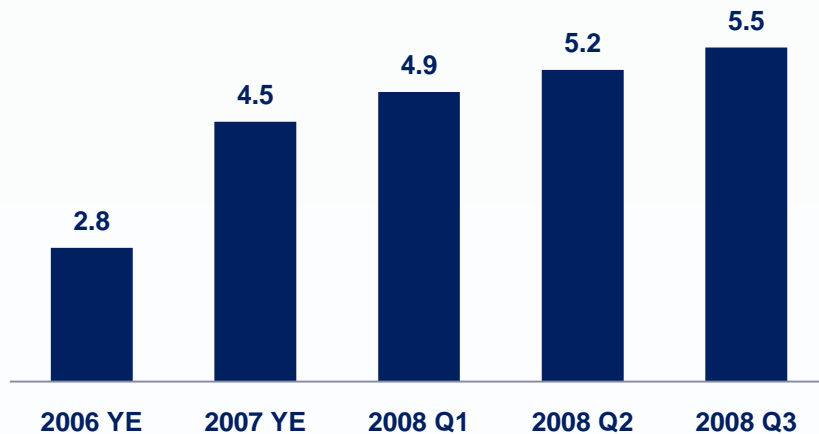
- ✓ PSTN access lines continue slight decline, but...
- ✓ PSTN ARPU is improving

(a) The numbers represent the PSTN revenue divided by average PSTN access lines in service.

# ADSL 2008 Q3 Highlights



Wholesale ADSL Connections (million)



ADSL ARPU <sup>(a)</sup> (TRY)



✓ Connection growth continuing, but most growth from TNet...

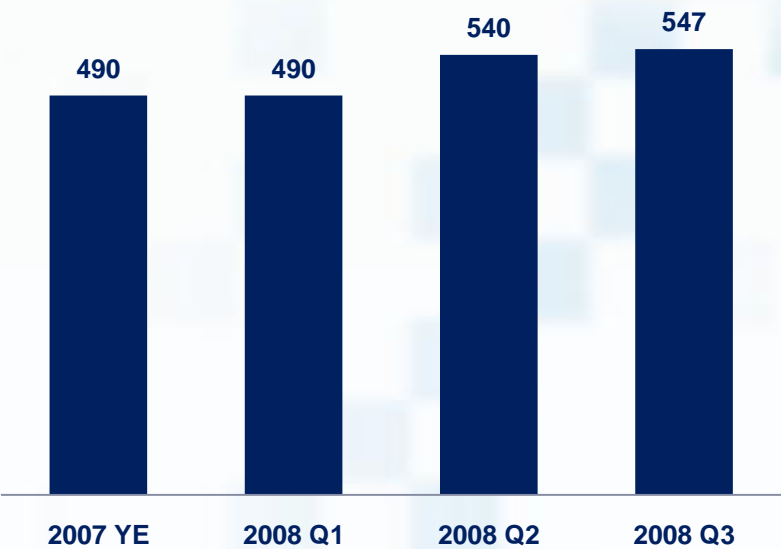
(a) The numbers represent the ADSL revenue divided by average ADSL subscribers.

# Fixed Line Employee Figures

No of Employees (thousand)

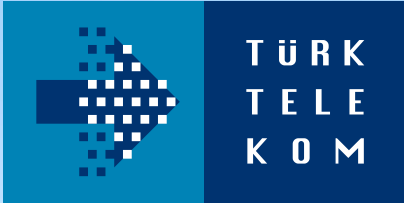


Access Lines Per Network Employee <sup>(a)</sup>



✓ Employee numbers continue to decline in Q3 2008

(a) The numbers are rounded and based on the number of TT legal entity employees.



## Section III: Mobile Business

# Mobile Initiatives

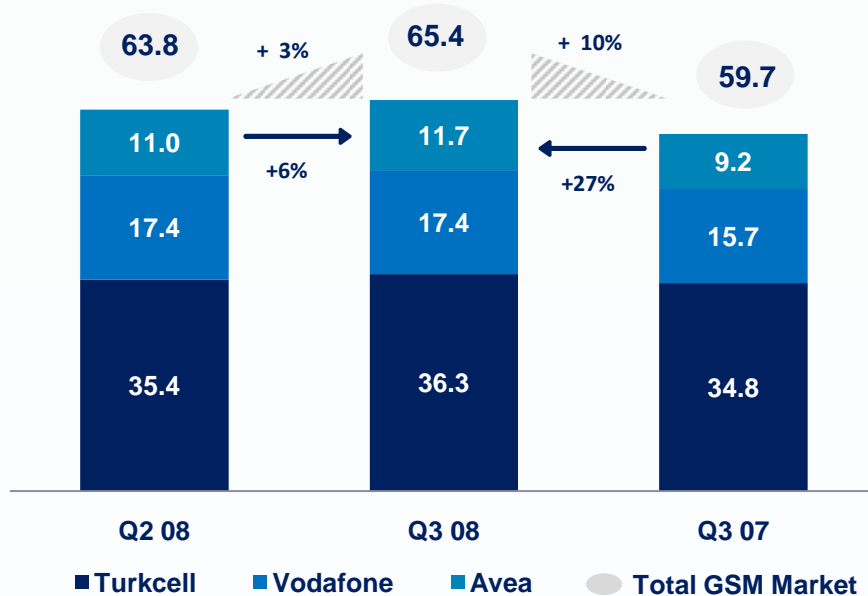
- ✓ Flat bundle offers promoted for high spenders; **HerYöne500 & HerYöne1000 Tariffs**
- ✓ Campaign launched stimulating prepaid to postpaid migration among the customer base; targeting retention of high spenders in prepaid segment getting closer to MNP
- ✓ Promotions to new prepaid acquisitions; **Ramadan Campaign**, 200 & 500 free onnet minutes followings their first reloads
- ✓ Continue with growth through acquisitions in business & institutional segments through onnet offers launched at end of Q2 ; **Sınırsız Kamu ,Tümiş+Ofis Tariff**



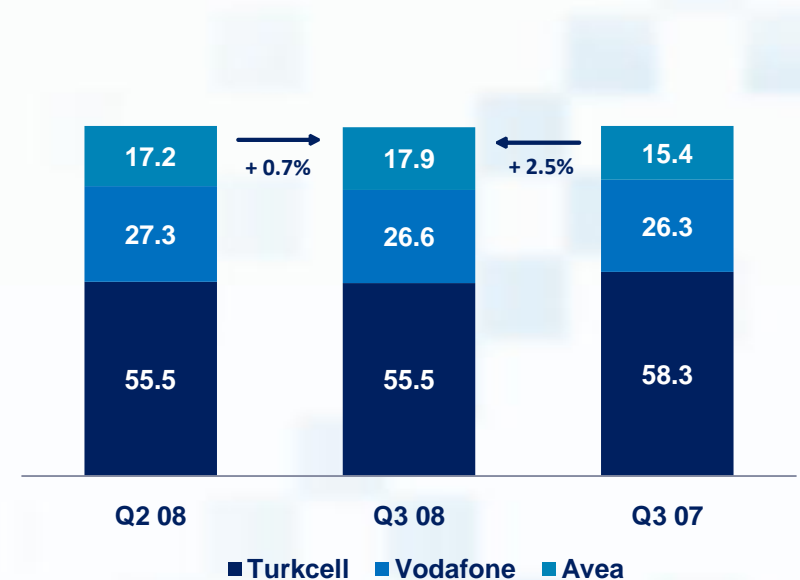


# Mobile Competition

Mobile Growth (Subscriber Base-million)



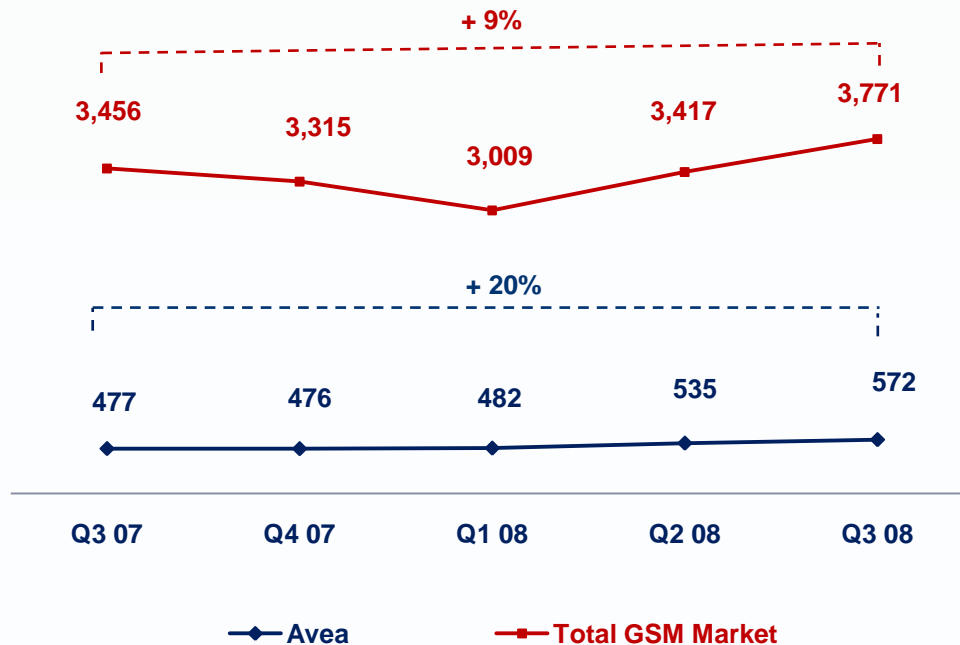
Market Share (% Subscriber Base)



- ✓ Total market penetration reached 92% in Q3 2008
- ✓ Avea continued to increase its market share, as it has done for the last seven quarters

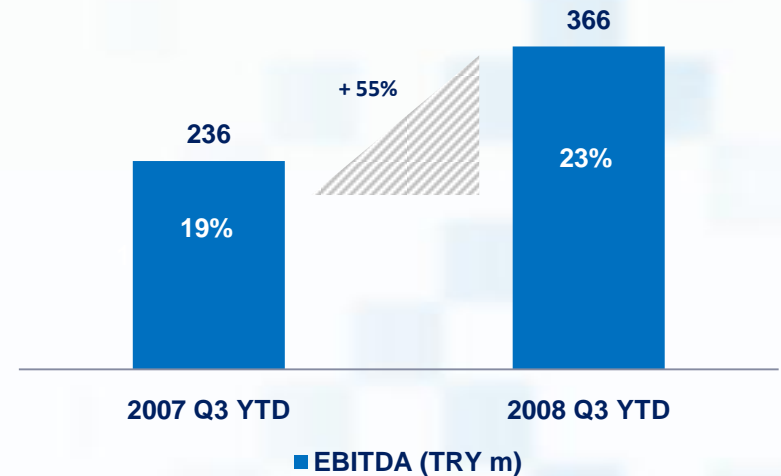
# Mobile Market Revenue Trend

Revenue Trend (TRY million)



✓ Avea has grown its revenues by over double the total market revenue growth

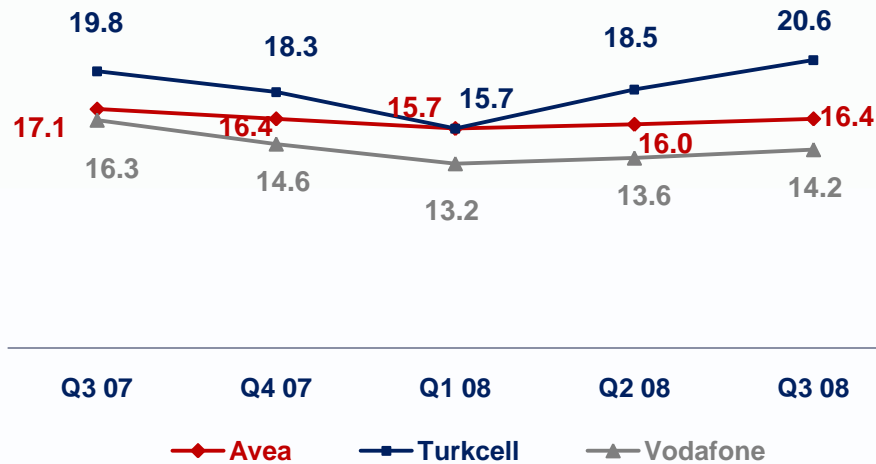
# Mobile Business Revenue & EBITDA Highlights



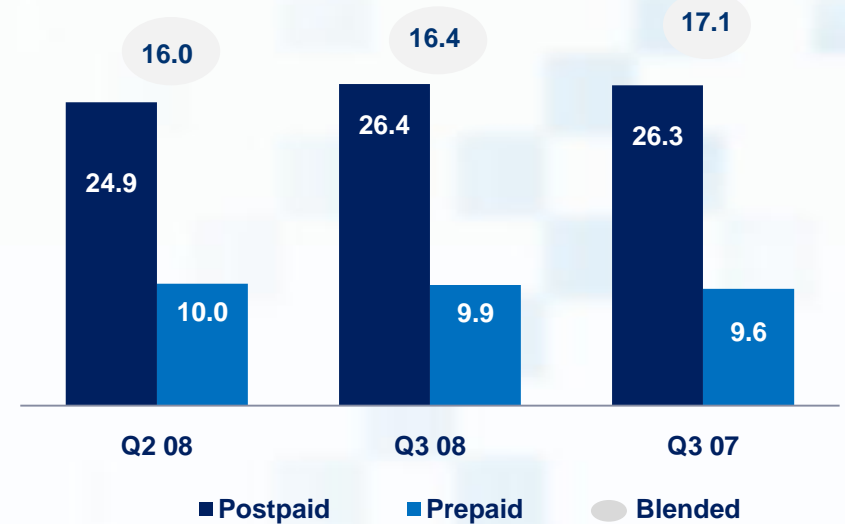
✓ Q3 YTD YoY EBITDA growth of 55%, with the EBITDA margin reaching 23%

# Mobile ARPU

ARPU Trend (TRY)



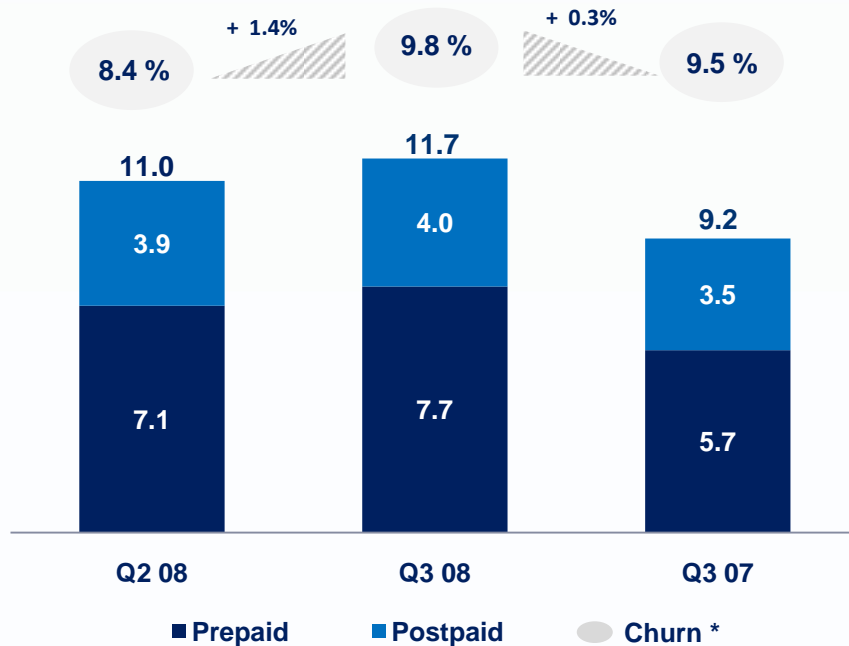
ARPU (TRY)



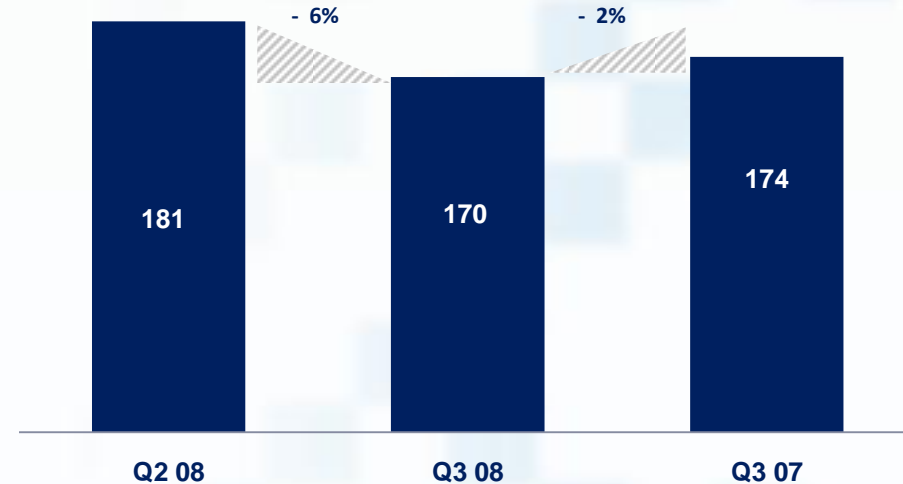
- ✓ Q3 2008 Blended ARPU increased by 3% vs. previous quarter while decrease vs Q3 2007 is mainly due to the decrease in the interconnection rates and dilutive effect of the increase in the prepaid mix of customers.

# Mobile Subscriber Composition & MoU

Subscriber Base (million)



Blended MoU

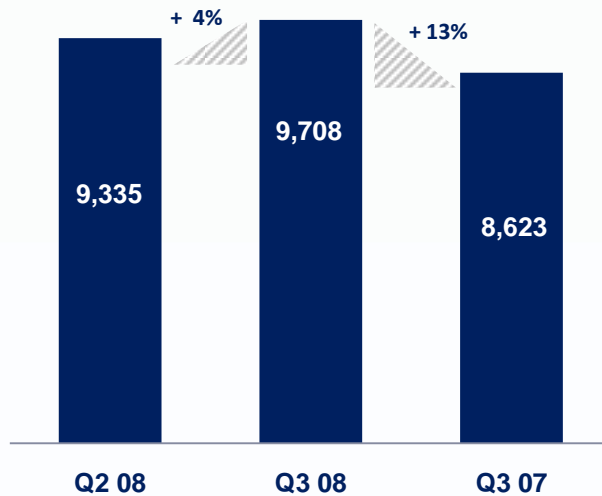


- ✓ Mobile customers reached 11.7 million with a YoY growth of 27%
- ✓ Prepaid customer base grew by 35% vs Q3 2007 while postpaid growth was 14%

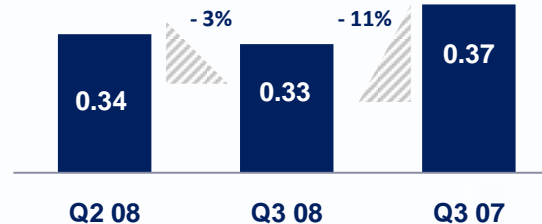
\* Churn Rate is defined as the total number of de-activations in the period divided by the average number of customers in that period.

# Mobile Business Quality Indicators

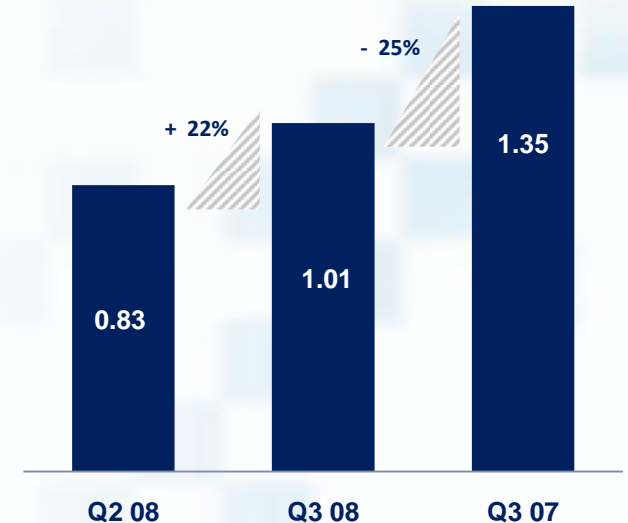
No. of Sites



Network Busy Hour Call Drop Rate (%)

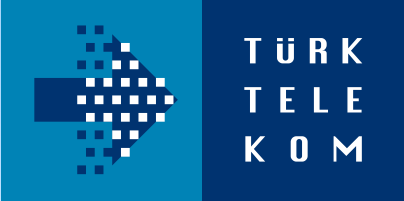


Network Busy Hour Call Block Rate (%)



- Coverage reached to
  - 99.83% in areas populated 3000+ households
  - 99.47% in areas populated 2000+ households
  - 98.63% in areas populated 1000+ households

- EDGE Penetration Rate 94.1%
- Population Coverage 94.5%
- Surface Coverage 71.1%



# APPENDIX



# Summary Türk Telekom Consolidated P&L

<i>TRY million</i>	2007	2007 Q3	2008 Q3
<b>Revenues</b>	<b>9,424</b>	<b>6,876</b>	<b>7,592</b>
Change			10%
<b>EBITDA</b>	<b>4,204</b>	<b>3,136</b>	<b>3,412</b>
Margin	45%	46%	45%
<b>Operating Profit</b>	<b>2,566</b>	<b>1,909</b>	<b>2,191</b>
Margin	27%	28%	29%
<b>Profit Before Tax</b>	<b>3,001</b>	<b>2,272</b>	<b>2,111</b>
Margin	32%	33%	28%
<b>Profit/(Loss) For The Year <sup>(a)</sup></b>	<b>2,547</b>	<b>1,788</b>	<b>1,680</b>
Margin	27%	26%	22%

(a) After Minority Interest

# Summary Türk Telekom Consolidated Balance Sheet

<i>TRY million</i>	2007 YE	2008 Q3
Intangible Asset <sup>(a)</sup>	2,691	2,611
Tangible Assets <sup>(b)</sup>	6,546	6,371
Other Assets <sup>(c)</sup>	2,200	2,373
Cash and equivalents	1,333	1,109
<b>Total Assets</b>	<b>12,770</b>	<b>12,464</b>
Share capital	3,260	3,260
Reserves and retained earnings	2,900	1,783
Interest Bearing Liabilities <sup>(d)</sup>	2,148	3,322
Provisions for long-term employee benefits	965	887
Other Liabilities <sup>(e)</sup>	3,497	3,212
<b>Total Equity And Liabilities</b>	<b>12,770</b>	<b>12,464</b>

(a) Intangible assets excluding goodwill

(b) Tangible assets include property, plant and equipment and investment property.

(c) Major items within Other Assets are Trade Receivables, Due from Related Parties, Other Current Assets and Deferred Tax Asset.

(d) Includes short-term and long-term borrowing and short-term and long-term obligations under finance leases

(e) Major items within Other Liabilities are Deferred Tax Liability, Trade Payables, Provisions, Income Tax Payable, Due to Related Parties, Other Current Liabilities, Provisions for Employee Termination Benefits and Minority Put Option Liability



# Summary Consolidated Cash Flow Statement

<i>TRY million</i>	2007	2007 Q3	2008 Q3
Cash Flow From Operating Activities	3,106	2,093	2,269
Cash Flow From Investing Activities	-700	-350	-695
<i>Capex</i>	-992	-529	-887
<i>Other Investing Activities</i>	292	179	192
Cash Flow From Financing Activities	-2,577	-2,601	-1,836
Net Change in Cash Position	-171	-858	-262

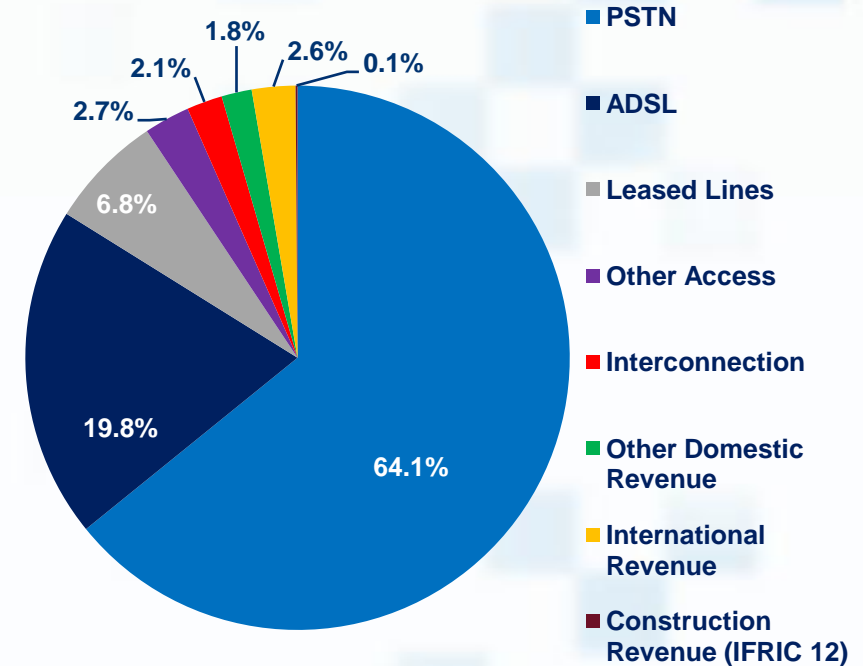
# Summary PSTN and Broadband P&L

<i>TRY million</i>	2007	2007 Q3	2008 Q3
<b>Revenues</b>	<b>7,943</b>	<b>5,812</b>	<b>6,181</b>
<i>Change</i>			6%
<b>Operating Profit</b>	<b>2,712</b>	<b>1,998</b>	<b>2,197</b>
<i>Margin</i>	34%	34%	36%
<b>EBITDA</b>	<b>3,870</b>	<b>2,869</b>	<b>3,047</b>
<i>Margin</i>	49%	49%	49%
<b>Capex</b>	<b>898</b>	<b>390</b>	<b>698</b>
Capex as % of Revenue	11%	7%	11%

# PSTN and Broadband Revenue Breakdown

TRY million	2007	2007 Q3	2008 Q3	YoY Change
PSTN	5,336	4,015	3,960	-1%
ADSL	1,224	906	1,224	35%
Other access	170	122	168	38%
Leased lines	523	388	420	8%
Interconnection <sup>(a)</sup>	170	131	131	0%
Other domestic revenue	119	88	111	26%
International revenue <sup>(b)</sup>	210	130	160	23%
<b>Sub-Total Revenue</b>	<b>7,752</b>	<b>5,780</b>	<b>6,174</b>	<b>7%</b>
Construction Revenue (IFRIC 12)	191	32	7	
<b>Total Revenue</b>	<b>7,943</b>	<b>5,812</b>	<b>6,181</b>	<b>6%</b>

Revenue Breakdown 2008 Q3



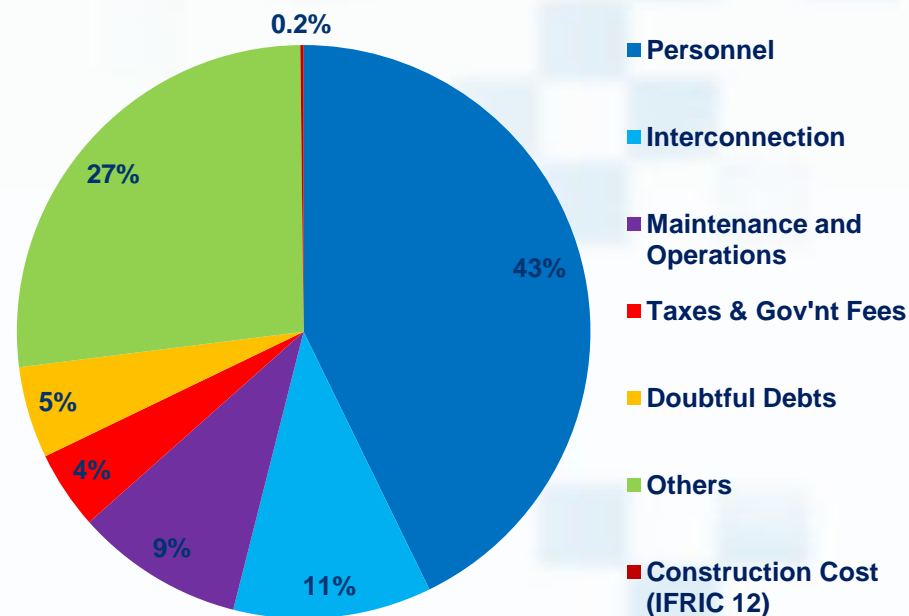
(a) Interconnection includes Domestic and International

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

# PSTN and Broadband OPEX Composition and Trends

OPEX Breakdown	2007 YE	2007 Q3	2008 Q3
Cost of Services	3,309	2,369	2,113
Selling and Marketing	521	375	424
General & Administrative	530	376	723
Research & Development	-	1	6
<b>Total Opex</b>	<b>4,360</b>	<b>3,121</b>	<b>3,266</b>

OPEX Breakdown 2008 Q3 (a)



(a) Excluding Other Operating Income / Expense (Net)

# Avea Summary P&L

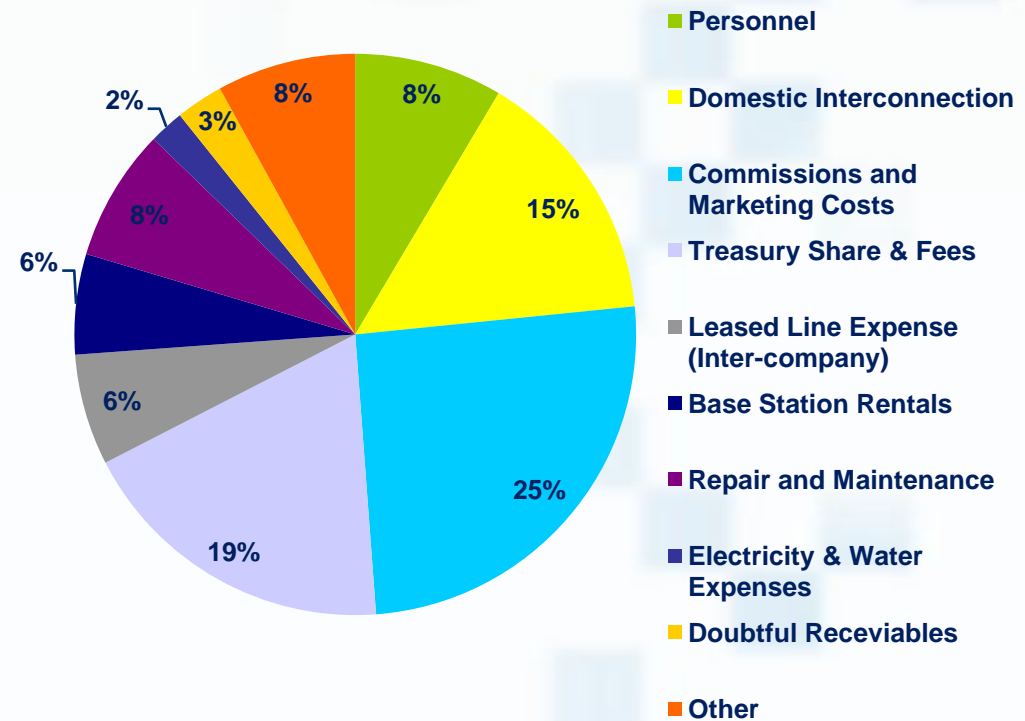
<i>TRY million</i>	2007 YE	2007 Q3	2008 Q3
<b>Revenues</b>	<b>1,701</b>	<b>1,225</b>	<b>1,589</b>
<i>Change</i>			30%
Total Operating Expenses	-1,396	-989	-1,223
Amortization & Depreciation	-480	-356	-371
FX Gain / Loss (Net)	325	271	-105
<b>EBITDA</b>	<b>305</b>	<b>236</b>	<b>366</b>
<i>Margin</i>	18%	19%	23%
<b>Capex (excluding leasing)</b>	<b>285</b>	<b>190</b>	<b>272</b>
Capex as % of Revenue	17%	16%	17%



# Summary Mobile Business OPEX Composition

OPEX Breakdown	2007 YE	2007 Q3	2008 Q3
Cost of Services	845	606	719
Selling & Marketing	407	287	371
General & Administrative	144	96	133
<b>Total Opex</b>	<b>1,396</b>	<b>989</b>	<b>1,223</b>

OPEX Breakdown 2008 Q3





# Q&A

Note: EBITDA number in this presentation includes revenues, direct cost of revenues, selling and marketing expenses, general administrative expenses, research & development costs, and other operating income/(expense), but excludes depreciation and amortization cost, financial income/(expense), income/(loss) from related parties, and minority interest.

