

# 2013 Q2 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 Q2 Results  
**Türk Telekom Group**

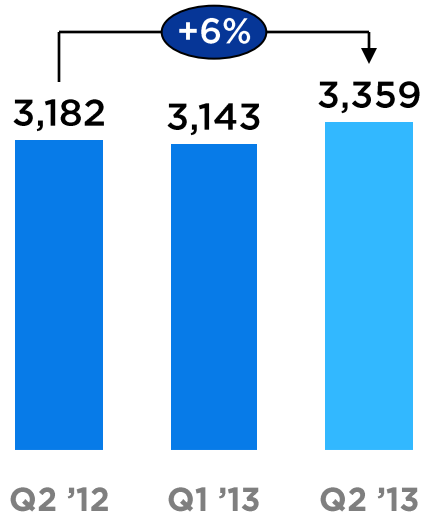
# 2013 Second Quarter Highlights

- ✦ Continued consolidated revenue increase with 6% YoY
- ✦ Growth in fixed line business, led by broadband and corporate data
- ✦ 9% YoY revenue growth in broadband with ARPU and subscriber increase
- ✦ Solid revenue and subscriber growth in mobile business – revenues increased 17% YoY with 161k net subscriber additions in the quarter
- ✦ Slight decline in YoY EBITDA, still on track for YE guidance
- ✦ Net income decline driven by depreciation of TL

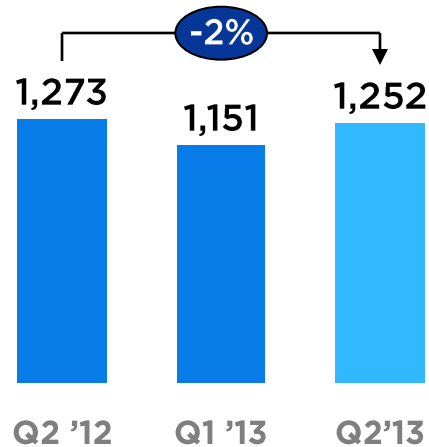
# Consolidated Financials

(TLmn)

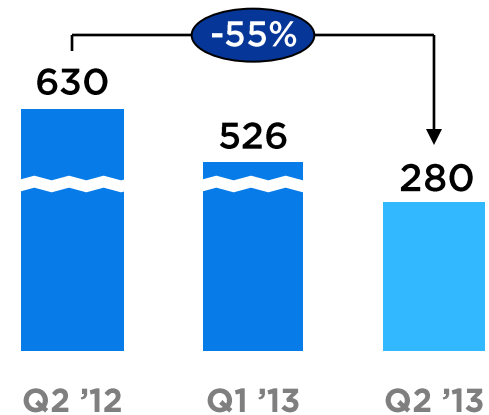
Revenue



EBITDA



Net Income

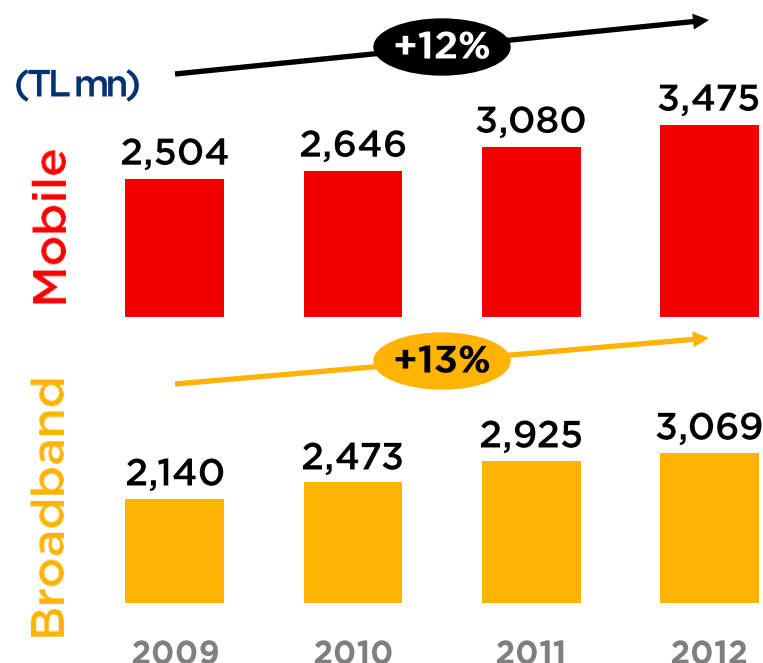


## Sustained Revenue Growth

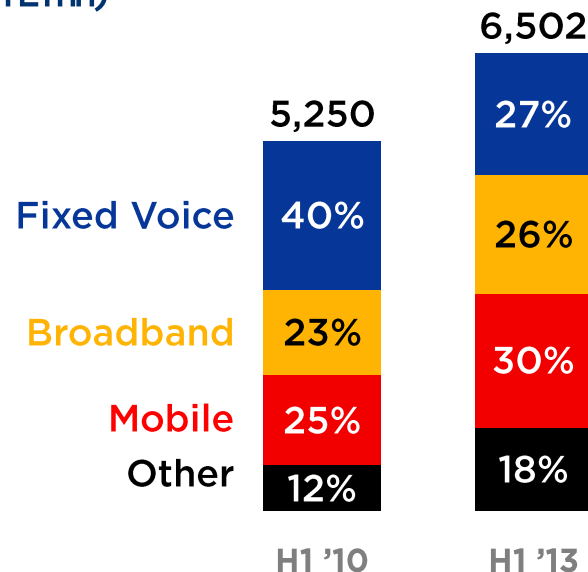
- ✦ Top line grew on track with the year end guidance
- ✦ Slight decline in EBITDA
- ✦ Net income decrease driven by TL depreciation against USD and EUR

# Revenue Mix

## Shifting towards high growth businesses



### Consolidated Revenues (TLmn)



### Transforming the revenue mix with less reliance on fixed voice

- ✦ Fixed voice share was 27% of total revenues in H1 2013
- ✦ 56% of total revenues come from mobile and broadband
- ✦ Mobile and broadband businesses together grew 14% YoY in Q2 2013

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

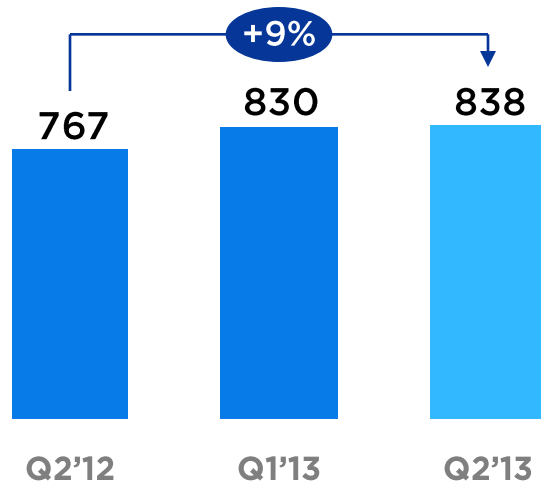
# Fixed Line

2013 Q2 Results  
Türk Telekom Group

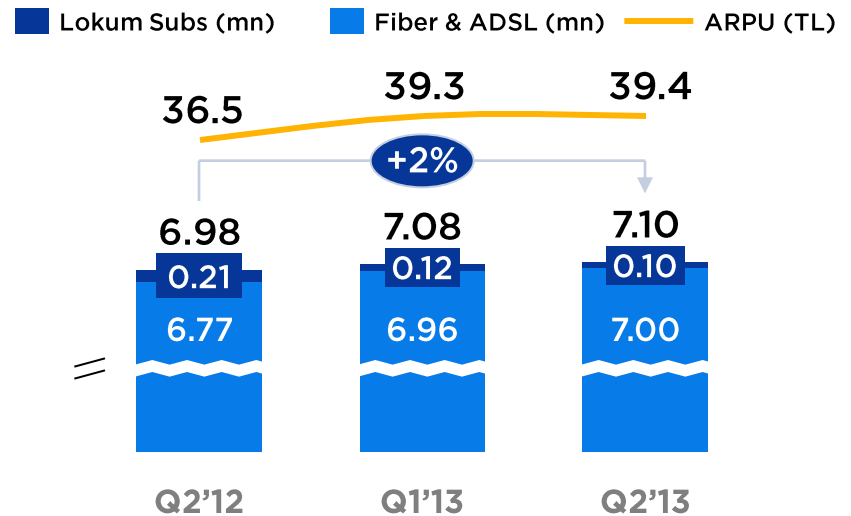
# High Speed Broadband

## Continued revenue and subscriber growth

Revenue (TL mn)



ARPU and Subscribers



- ❖ 9% revenue growth backed by ARPU and subscriber increase
- ❖ Subscriber growth continued with 17K net additions in Q2 2013
- ❖ Excluding “phasing out” Lokum subscribers, net additions are 34K in Q2 2013
- ❖ 8% YoY ARPU increase in Q2 2013

# Fiber means Turk Telekom

## Availability of Fiber

### Turk Telekom Fiber Network



### Alternative Operator

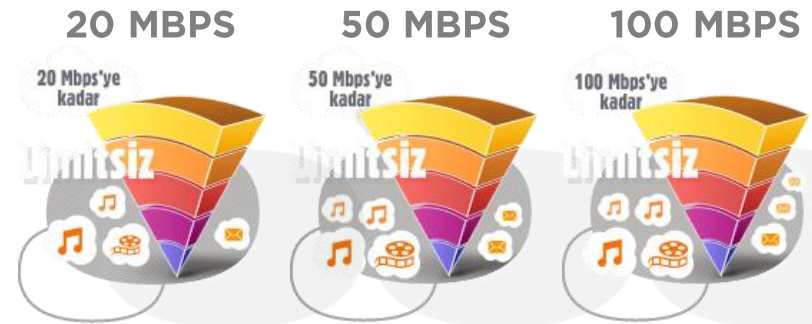


## Accelerated Fiber Subscribers

- ✦ Coverage of all 81 cities as opposed to competitor's limited reach
- ✦ 171 thousand km fiber network
- ✦ 2.2 million Fiber to the Home/Building, 5.1 million Fiber to the Curb homepass
- ✦ 360K subscribers - up 90K in Q2 2013

Note: Other operators' data are from their own publications

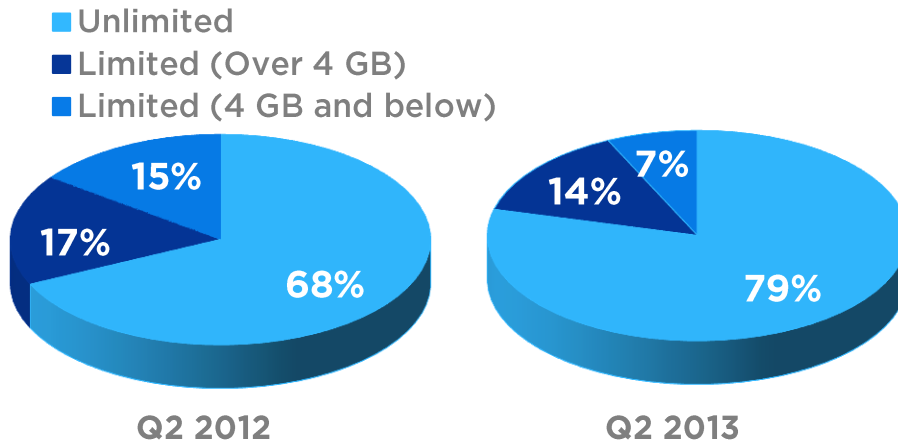
## Speeds offered :



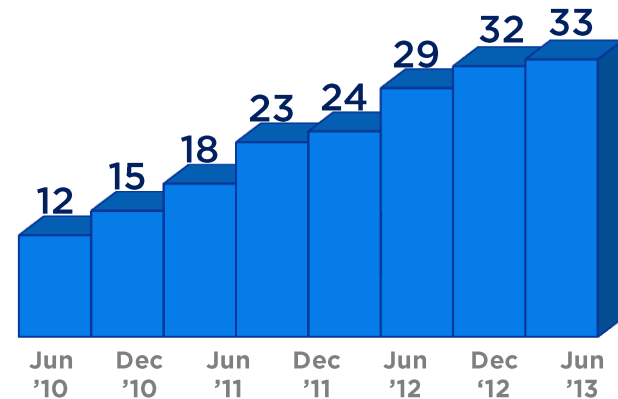
# Broadband Speed and Capacity

## Unwavering demand leads to upsell

### Capacity



### Monthly Data Usage (GB)



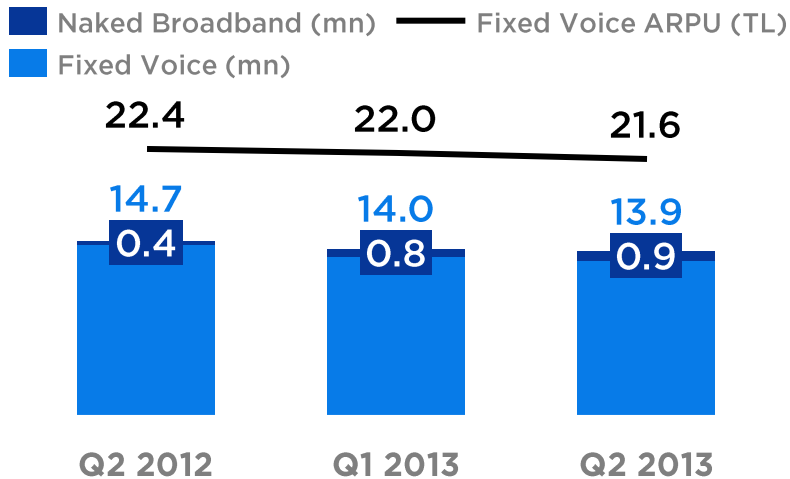
### Customers want speed and capacity

- ✦ 93% of our customers are now in “up to 8 MBPS” or higher speed packages
- ✦ Unlimited quota subscribers are 79% of our total base (up from 68%)
- ✦ As speed increases, average monthly data usage of customers grows – now at 33GB

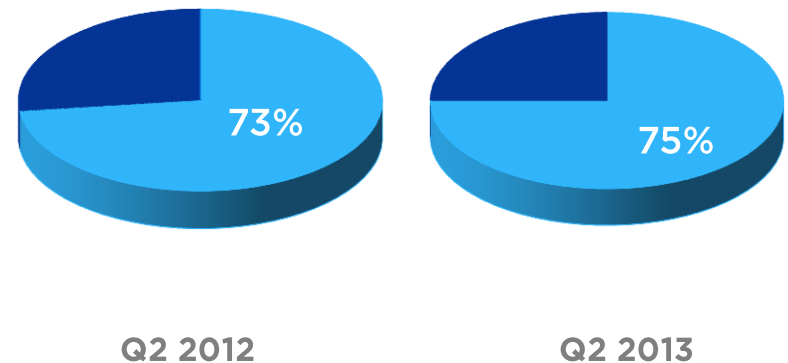
# Fixed Voice

## Defending revenues despite challenges

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



### Recurring Revenue Share within Fixed Voice Revenues



### Offers to keep home phone relevant helps slow down the decline...

- ✦ Free minutes to mobile directions from 7 p.m to 7 a.m.
- ✦ Discount benefits from leading retailers and joint offers from group companies
- ✦ Fixed voice decline partially offset by naked broadband additions
- ✦ ARPU slightly decreased YoY mainly due to Wholesale Line Rental

(1) Revenue divided by average number of connections

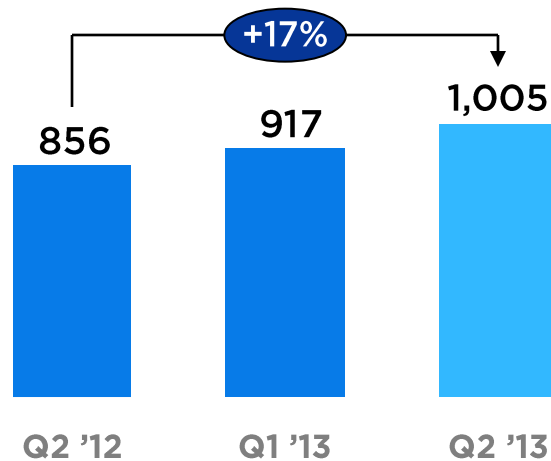
# Mobile

2013 Q2 Results  
**Türk Telekom Group**

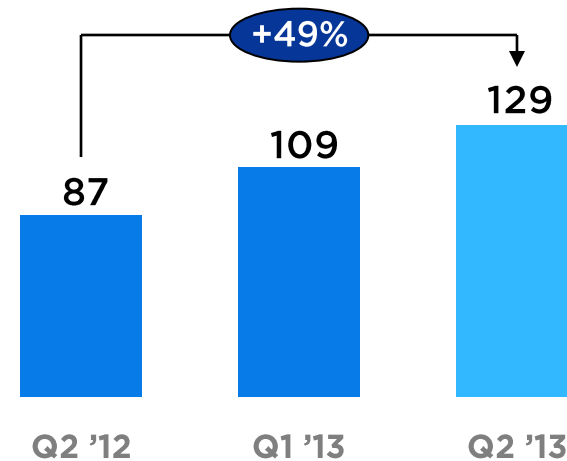
# Mobile

## Progress continues in all market conditions

(TLmn)  
Revenue



EBITDA



### High growth in revenues and EBITDA

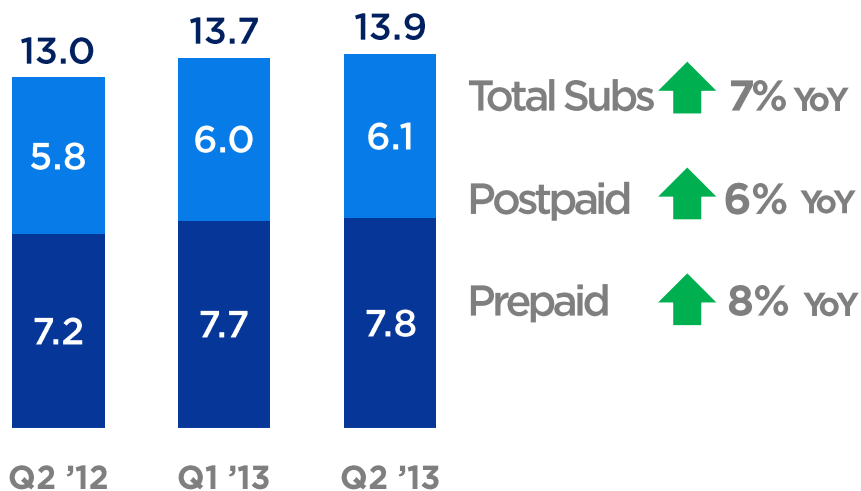
- ✦ 13% EBITDA margin. EBITDA up 49% YoY.
- ✦ Revenues 17% up YoY second quarter in a row. High teens growth maintained.

# Mobile Operational KPIs

Uninterrupted subs growth, record MOU, higher ARPU

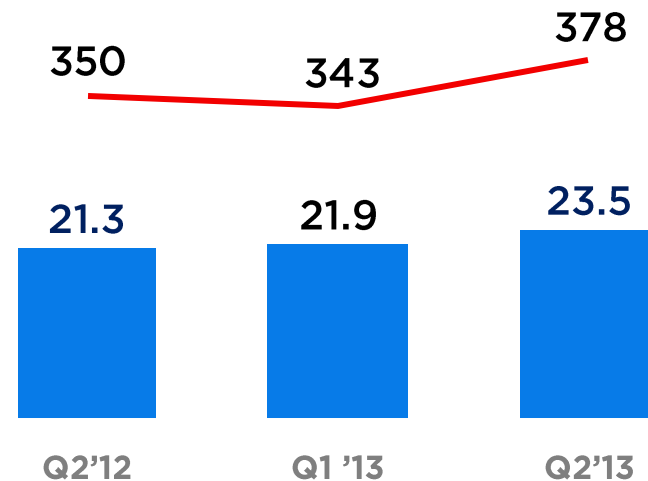
## Subscribers (mn)

Postpaid Prepaid



## MoU and ARPU

MoU Blended ARPU (TL)

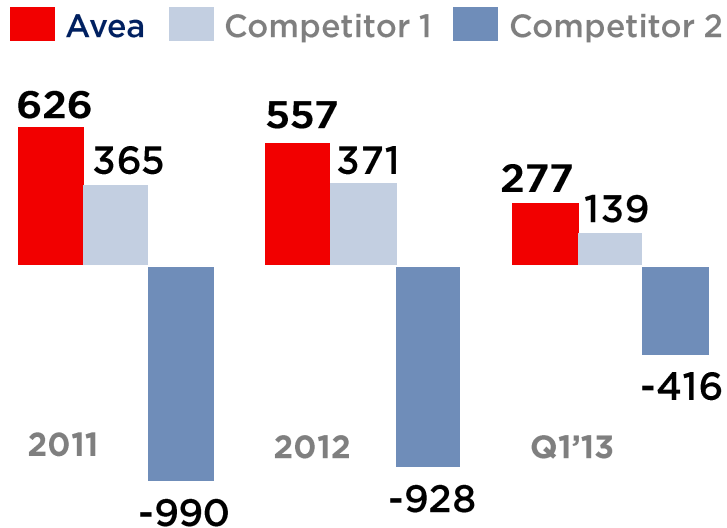


- ✦ Postpaid and prepaid subscriber growth; 161K net additions in the quarter
- ✦ Highest postpaid to total subscribers ratio in the market
- ✦ 10% YoY growth in ARPU – Highest ARPU in the market as of Q1 2013
- ✦ 8% YoY growth in MoU – Consistently the highest MoU in the market for the past 5 years

# Mobile Number Portability

## Avea - Preferred operator among MNP customers

### MNP Subscriber Additions (thousand)



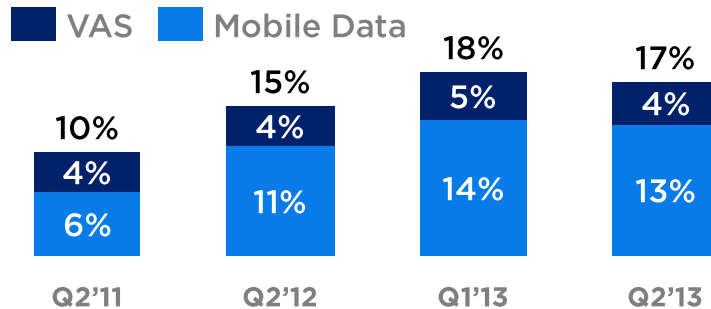
❖ Avea continues to outperform competitors in Mobile Number Portability gains



# Mobile Data

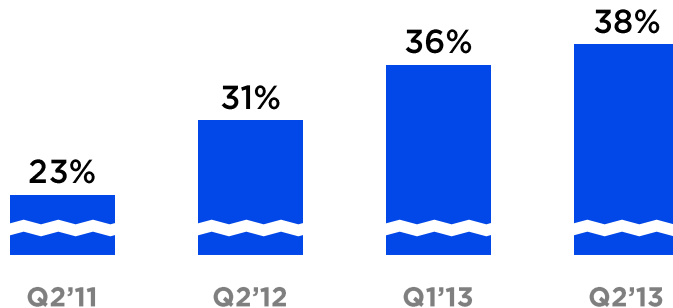
## High growth continues...

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



SMS not included in mobile data

### Avea 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.

### Set to further boost data revenues ...

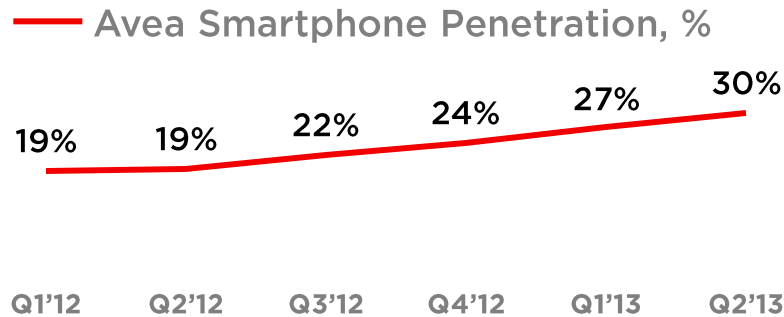
- ✚ 42% YoY increase in mobile data
- ✚ Non-SMS mobile data makes up 17% of total service revenues
- ✚ Affordable smartphones offered to further grow data subscribers

### Continued growth in small screen data users and USB stick modem

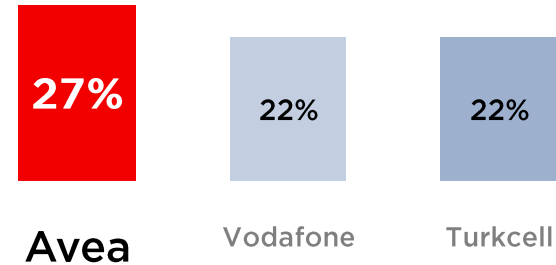
- ✚ Smartphone and tablet users increased 34% YoY
- ✚ Jet Modem (USB stick) subscribers are up 13% YoY

# Smartphones

## Leader in penetration ...



## Smartphone Penetration as of Q1 2013



## Utilizing advantages to sustain leadership position in smartphones

- ✦ 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

# Financials

2013 Q2 Results  
**Türk Telekom Group**

# Consolidated

## Summary Income Statement

TL Millions	2012 Q2	2013 Q1	2013 Q2	QoQ % Change	YoY % Change
Revenues	3,182	3,143	3,359	7%	6%
EBITDA	1,273	1,151	1,252	9%	-2%
Margin	40%	37%	37%		
Operating Profit	840	712	811	14%	-3%
Margin	26%	23%	24%		
Financial Income/Expense	(21)	(34)	(445)	NM	NM
FX & Hedging Gain/Loss	37	(3)	(411)	NM	NM
Interest Income/Expense	(21)	(8)	(13)	62%	39%
Other Financial Income/Expense	(36)	(24)	(21)	12%	43%
Tax Expense	(199)	(161)	(96)	40%	52%
Net Income	630	526	280	-47%	-55%
Margin	20%	17%	8%		

# Consolidated

## Summary Balance Sheet

TL Millions	30.06.2012	31.03.2013	30.06.2013
Intangible Assets <sup>1</sup>	3,597	4,013	4,096
Tangible Assets <sup>2</sup>	8,263	8,179	8,178
Other Assets <sup>3</sup>	3,668	4,135	4,324
Cash and Equivalents	930	1,429	973
<b>Total Assets</b>	<b>16,458</b>	<b>17,756</b>	<b>17,571</b>
Share capital	3,260	3,260	3,260
Reserves and Retained Earnings	1,826	3,691	1,599
Interest Bearing Liabilities <sup>4</sup>	6,830	6,548	8,390
Provisions for Long-term Employee Benefits	645	620	607
Other Liabilities <sup>5</sup>	3,897	3,637	3,715
<b>Total Equity and Liabilities</b>	<b>16,458</b>	<b>17,756</b>	<b>17,571</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 Q2	2013 Q1	2013 Q2	QoQ % Change	YoY % Change
Cash Flow from Operating Activities	858	211	1,066	NM	24%
Cash Flow from Investing Activities	(554)	(220)	(374)	-70%	33%
CAPEX	(658)	(293)	(479)	-64%	27%
Other Investing Activities	104	73	106	-45%	2%
Cash Flow from Financing Activities <sup>1</sup>	(434)	435	(1,036)	NM	-139%
Net Change in Cash Position <sup>2</sup>	(131)	426	(344)	NM	-163%

(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 Q2	2013 Q1	2013 Q2	QoQ % Change	YoY % Change
<b>Fixed Line</b>	<b>2,408</b>	<b>2,319</b>	<b>2,455</b>	<b>6%</b>	<b>2%</b>
Domestic PSTN	974	883	849	-4%	-13%
Broadband	767	830	838	1%	9%
Data Services	134	165	179	9%	33%
International Settlements	102	125	127	2%	25%
Domestic interconnection	73	78	94	21%	28%
Leased lines	93	80	76	-4%	-18%
Rental income from GSM operator	24	20	20	1%	-14%
Other	64	99	138	39%	114%
Construction Revenue (IFRIC 12) <sup>1</sup>	177	40	133	233%	-25%
<b>Mobile</b>	<b>856</b>	<b>917</b>	<b>1,005</b>	<b>10%</b>	<b>17%</b>
Elimination	(82)	(93)	(101)	-8%	-23%
<b>Total Revenue</b>	<b>3,182</b>	<b>3,143</b>	<b>3,359</b>	<b>7%</b>	<b>6%</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

# Consolidated

## Summary OPEX Breakdown

TL Millions	2012 Q2	2013 Q1	2013 Q2	QoQ % Change	YoY % Change
Personnel <sup>1</sup>	512	609	546	-10%	7%
Domestic interconnection	201	235	266	13%	33%
International interconnection	71	77	82	6%	15%
Commercial <sup>2</sup>	265	240	255	6%	-4%
Maintenance and Operations	105	105	125	20%	20%
Taxes & Government Fees	207	232	247	7%	19%
Doubtful Receivables	(8)	41	38	-6%	NM
Cost of Equipment and Technology Sales	26	50	58	16%	123%
Others	375	367	371	1%	-1%
<b>Sub-Total</b>	<b>1,753</b>	<b>1,956</b>	<b>1,989</b>	<b>2%</b>	<b>13%</b>
Construction Cost (IFRIC 12) <sup>3</sup>	157	35	118	233%	-25%
<b>Total OPEX</b>	<b>1,910</b>	<b>1,992</b>	<b>2,107</b>	<b>6%</b>	<b>10%</b>

(1) Q1 2013 personnel expense included TL 78 mn one-off expense related to personnel incentive program initiated in the quarter.

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

(3) 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 Q2	2013 Q1	2013 Q2	QoQ % Change	YoY % Change
Revenues	2,408	2,319	2,455	6%	2%
EBITDA	1,186	1,041	1,122	8%	-5%
Margin	49%	45%	46%		
Operating Profit	911	775	856	10%	-6%
Margin	38%	33%	35%		
CAPEX	524	191	360	89%	-31%
CAPEX as % of Revenue	22%	8%	15%		

# Fixed Line

## Summary OPEX Breakdown

TL Millions	2012 Q2	2013 Q1	2013 Q2	QoQ % Change	YoY % Change
Personnel <sup>1</sup>	455	554	492	-11%	8%
Domestic interconnection	26	53	61	16%	134%
International interconnection	67	71	77	8%	13%
Commercial <sup>2</sup>	137	125	129	3%	-6%
Maintenance and Operations	81	75	88	18%	8%
Taxes & Government Fees	57	53	54	2%	-6%
Doubtful Receivables	(19)	20	20	3%	NM
Cost of Equipment and Technology Sales	26	51	60	17%	131%
Others	234	242	235	-3%	0%
<b>Sub-Total</b>	<b>1,065</b>	<b>1,243</b>	<b>1,215</b>	<b>-2%</b>	<b>14%</b>
Construction Cost (IFRIC 12) <sup>3</sup>	157	35	118	233%	-25%
<b>Total OPEX</b>	<b>1,222</b>	<b>1,278</b>	<b>1,333</b>	<b>4%</b>	<b>9%</b>

(1) Q1 2013 personnel expense included TL 78 mn one-off expense related to personnel incentive program initiated in the quarter.

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

(3) 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 Q2	2013 Q1	2013 Q2	QoQ % Change	YoY % Change
Revenues	856	917	1,005	10%	17%
EBITDA	87	109	129	18%	49%
Margin	10%	12%	13%		
Operating Profit	(70)	(65)	(46)	29%	35%
Margin	-8%	-7%	-5%		
CAPEX	134	61	113	86%	-17%
CAPEX as % of Revenue	16%	7%	11%		

# Mobile

## Summary OPEX Breakdown

TL Millions	2012 Q2	2013 Q1	2013 Q2	QoQ % Change	YoY % Change
Personnel	61	58	60	4%	-1%
Domestic interconnection	196	213	241	13%	23%
International interconnection	4	6	5	-3%	48%
Commercial <sup>1</sup>	128	115	127	10%	-1%
Maintenance and Operations	26	34	36	6%	37%
Taxes & Government Fees	150	179	193	8%	29%
Doubtful Receivables	11	21	18	-15%	57%
Others <sup>2</sup>	192	183	194	6%	1%
<b>Total</b>	<b>769</b>	<b>808</b>	<b>876</b>	<b>8%</b>	<b>14%</b>

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

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

# Debt Profile

Debt (Millions)	In Currency	TL Equivalent	<3 Month	3 Months to 1 Year	1 to 5 Years	>5 Years
TL	1,416	1,416	1,401	15	0	0
USD	2,018	3,885	162	636	2,527	561
EUR	1,180	2,967	103	529	2,130	205
JPY	4,956	96	0	0	96	0
<b>TOTAL</b>		<b>8,363</b>	<b>1,665</b>	<b>1,180</b>	<b>4,752</b>	<b>766</b>

Ratios	2012 Q2	2013Q2
Net Debt / EBITDA	1.17	1.48
Net Debt / Assets	0.36	0.42
Debt (Total Liabilities) / Equity	2.24	2.62
Debt (Financial) / Equity	1.34	1.73
Current Ratio	0.72	0.89

✚ Average maturity of FX denominated debt is 2.2 years

✚ Comfortable Net Debt / EBITDA ratio at 1.48

# Appendix

2013 Q2 Results  
**Türk Telekom Group**

# 2013 Guidance

Revenue  
Growth of  
5% - 7%

TL bn

12.7



13.6

13.3



## Revenue Growth Enablers

- ✚ Mobile growth
- ✚ Broadband growth
- ✚ Combined offers

EBITDA  
between  
TL 5.1bn &  
TL 5.3bn

5.10



5.30

5.10



## EBITDA Growth

- ✚ Focusing on absolute EBITDA
- ✚ OPEX saving initiatives

CAPEX  
~ TL 2.2bn

2.4



~2.2

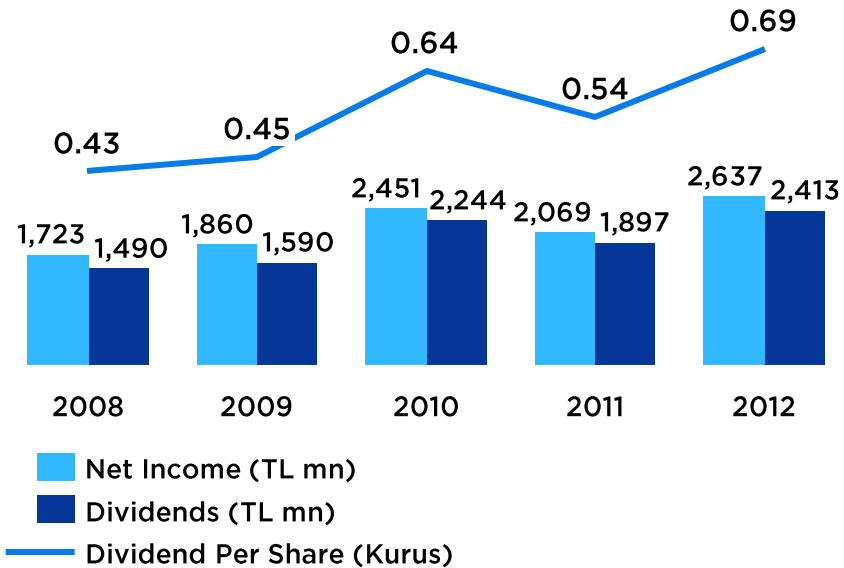


## CAPEX

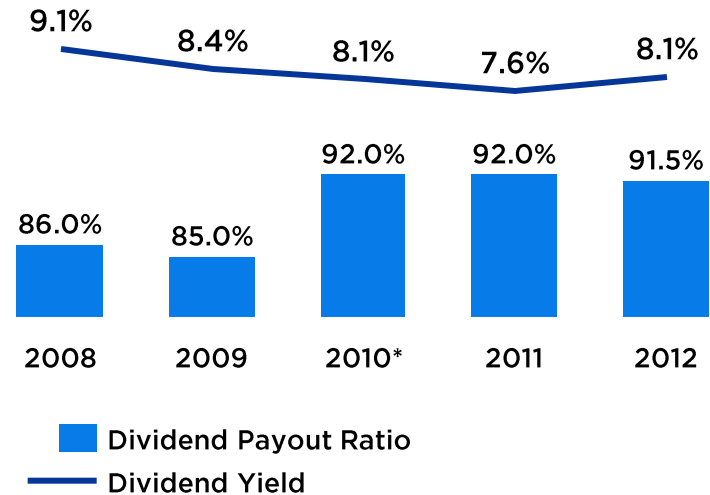
- ✚ Reducing CAPEX since major CAPEX programs' peak investment levels passed

# 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



# THANK YOU

## **TURK TELEKOM INVESTOR RELATIONS**

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