

# Türk Telekom

## 2010 Q1 - Financial & Operational Results

April 21st, 2010

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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

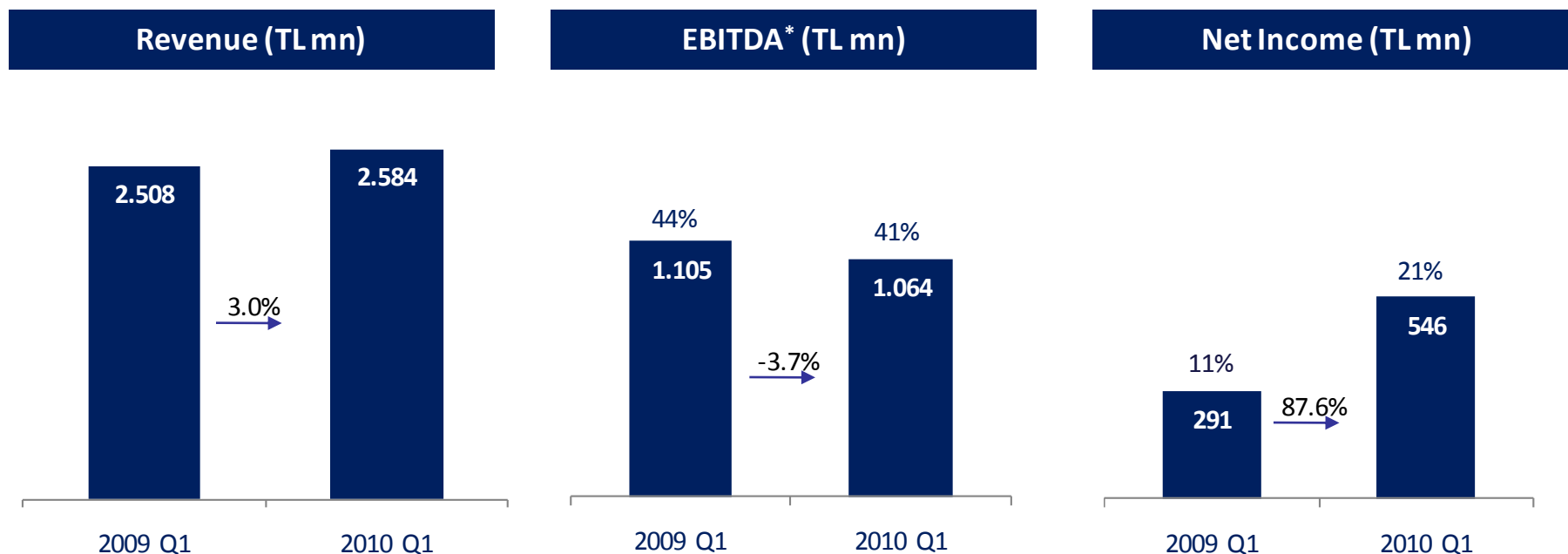
## 2010 Q1 at a Glance

- Improving global backdrop and better than expected economic readings keep supporting Turkish growth case.
- Q1 was a good start for Türk Telekom group with 3% revenue and 88% net income growth YoY and 41% EBITDA margin;
  - Increased MOU and lower net declines in fixed voice subscribers
  - ADSL subscriber growth continues into Q1 2010
  - WebTV (Tivibu) reached 150K subscribers in 2 months.
  - An EBITDA margin improvement has already started in mobile compared to 2009 YE.
- Dividend distribution on May 24<sup>th</sup> ; a total of TL 1,590 mn cash dividend from 2009 net profit (0.45 Kurus gross and 0.39 Kurus net DPS).

# Market Update

- New MTRs (52% cut from previous), double tandem FTR (17% cut from previous), and GSM to 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 1st; accordingly mobile operators adjusted their pre-paid pricing
- Increasing average minutes of use and a lower loss of fixed voice access lines in Q1 are indicative of customers enjoying both the new bundles and our campaigns.
- Increasing movement to unlimited fixed internet packages ; data usage continues to increase.
- ADSL market continues to grow with 200K net subs gain in Q1; no significant 3G take up so far.

# Group Performance



- Strong growth in mobile and broadband supported 3% consolidated revenue growth
- Consolidated EBITDA margin of 41% achieved against increased OPEX YoY
- 88% Net Income growth on the back of TL 323 mn lower net financial expense YoY

\* Please see Reclassification Note on slide 30

# Fixed Line Business Performance



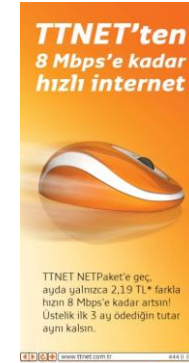
# Fixed Line Business - Voice & Convergence

- PSTN MoU stimulation and Retention & Acquisition campaigns resulted in higher MoUs and lower net declines
- Bundle JeTTvel tariffs became Home Advantage after rebalancing in March; minutes now include national calls and attractive mobile rates
- Fixed fees for Standart and Hesaplı (Now Klasik) tariffs revised as of March
- Focusing on increasing share of fixed fee in PSTN revenue via bundle packages ; now over 20% of total lines
- Wirofon IP based call service reached over 150K subscribers; planned features include online call service, video call, and instant messaging
- Virtual Fixed Number service launched for Turkish people living abroad



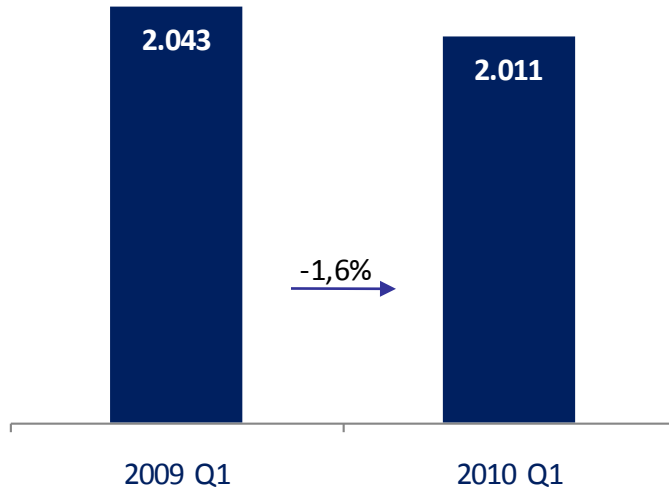
# Fixed Line Business - ADSL

- NET packages (up to 8Mbps speeds) number of subscribers now over 52% of total customer base thanks to strong up-sell campaigns and new acquisitions
- Tivibu (WebTV service) great success reaching 150K subscribers in 2 months; live TV channels, TV series, documentaries and movies
- Add-on 3G offer and 7,200 Wi-Fi hot spots provide mobility

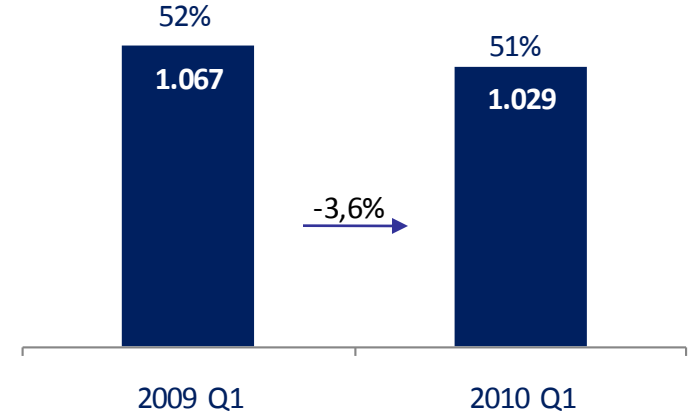


# Fixed Line Business - Revenue & EBITDA Highlights

Revenue (TL millions)



EBITDA\* (TL millions)

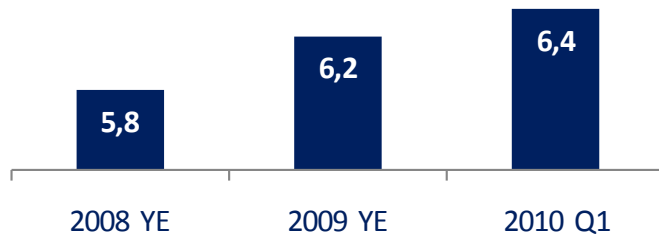


- ADSL growth of 21% YoY has mainly offset the negative impact on fixed voice revenues from mobile price wars
- Fixed line business EBITDA margin still over 50%

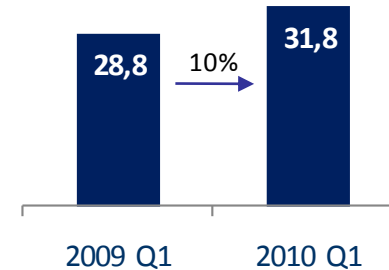
\* Please see Reclassification Note on slide 30

# Fixed Line Business - ADSL & PSTN Highlights

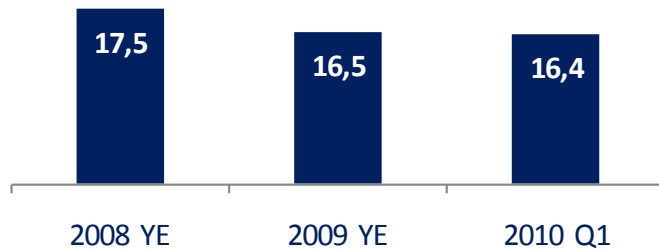
Wholesale ADSL Connections (millions)



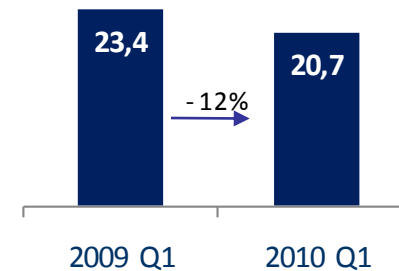
ADSL ARPU (TL)\*



PSTN Access Lines (millions)



PSTN ARPU (TL)\*

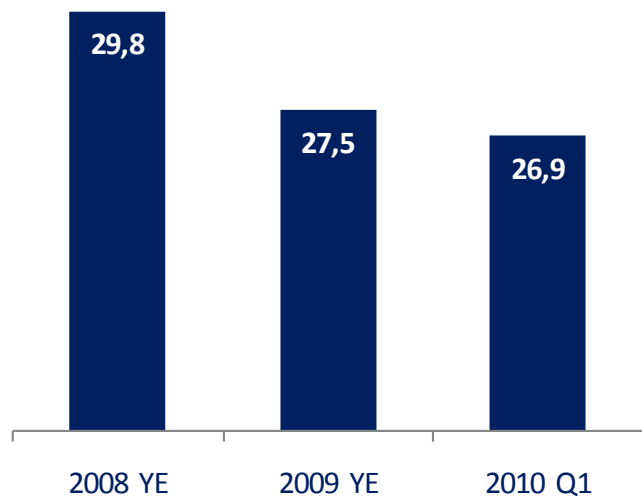


- ADSL connection growth and ARPU enhancement continued in Q1 2010.
- PSTN access lines churn improved with positive impact from campaigns and new tariffs.

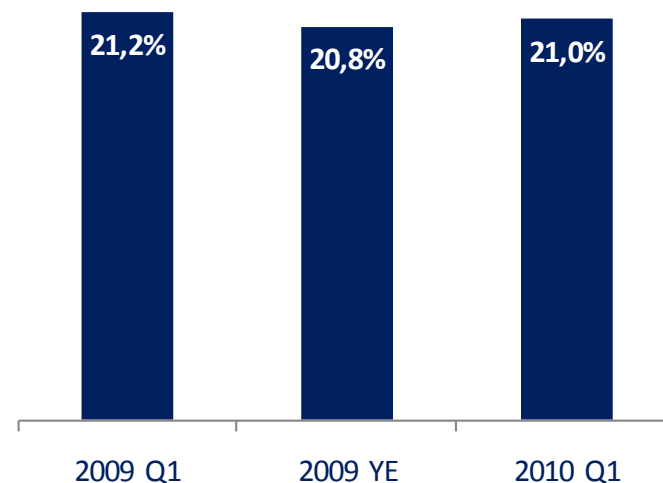
\* Revenue divided by average number of access lines/connections

# Fixed Line Business - Headcount

Number of Employees (thousands)\*



Personnel Cost as a % of Revenue\*\*



- The number of government status employees decreased by 1,454 in Q1 2010.
- Access lines per employee is 610 in Q1 2010 compared to 578 in Q1 2009.

\*Fixed network operating unit

\*\*Please see reclassification note on slide 30

# Mobile Business Performance

# Mobile Business

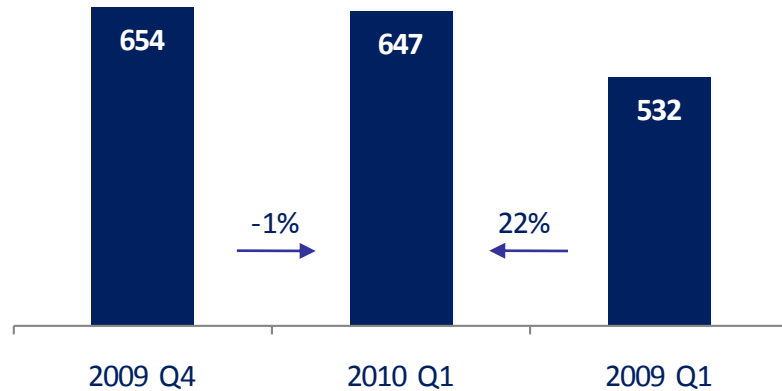
## Various initiatives to strengthen our market position

- Continued to encourage migration to post paid
- New TL based tariffs and campaigns introduced in prepaid
- Wholesaling mobile internet to all ISPs as a complement to their fixed offers
- In addition to major football clubs, pre-MVNOs targeting certain municipal and occupational audience have started; total subscribers reached 370K
- MNP free minutes offer reduced to 600 from 1,500

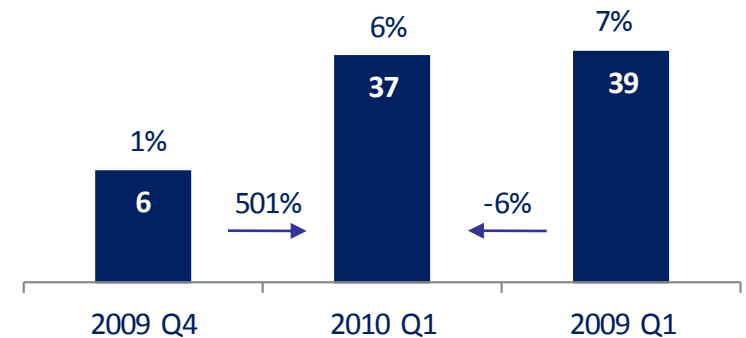


# Mobile Business - Revenue & EBITDA Highlights

Quarterly Revenue (TL mn)



Quarterly EBITDA\* (TL mn)



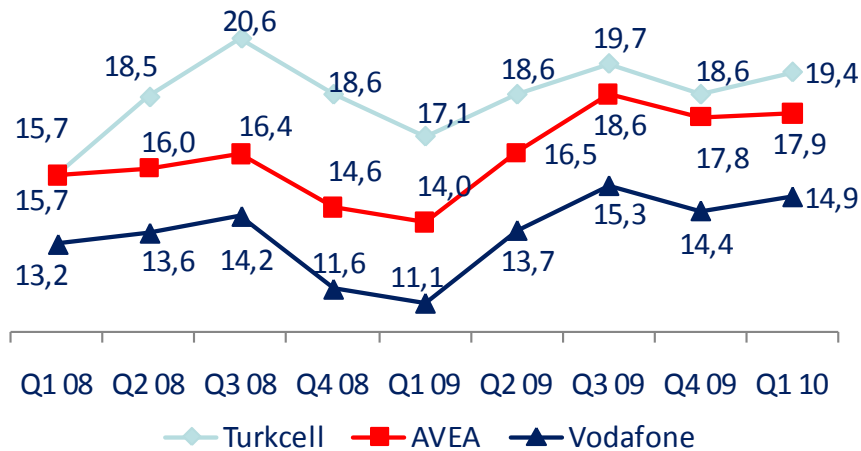
- Q1 2010 revenue grew by 22% YoY driven by all direction offers
- EBITDA margin improvement has already started compared to 2009 YE

\* Adjusted EBITDA figures exclude roaming VAT&SCT penalty provision of TL 1.2 mn for Q1 2010, 18.6 mn for Q4 2009 and 0.5 mn for Q1 2009.

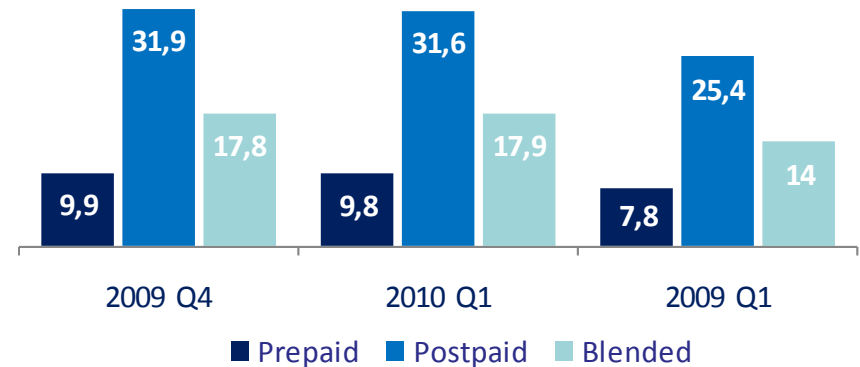


# Mobile Business - ARPU Highlights

Market Blended ARPU Trend (TL)



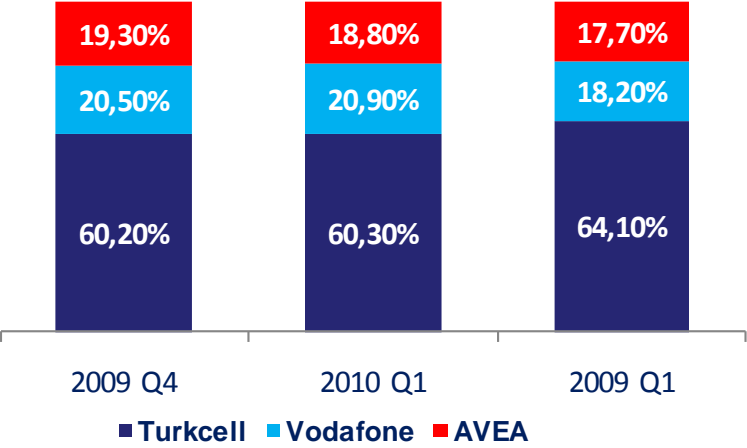
AVEA ARPU (TL)



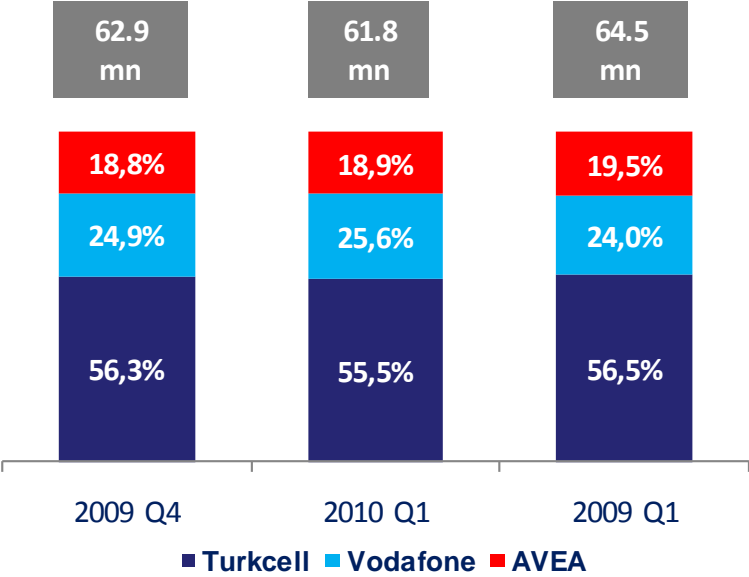
- Postpaid ARPU grew by 25% compared to Q1 2009 driven by all direction offers
- Prepaid ARPU up by 26% YoY driven by incoming traffic
- Blended ARPU increased by 28% YoY

# Mobile Market

Service Revenue Market Share - %

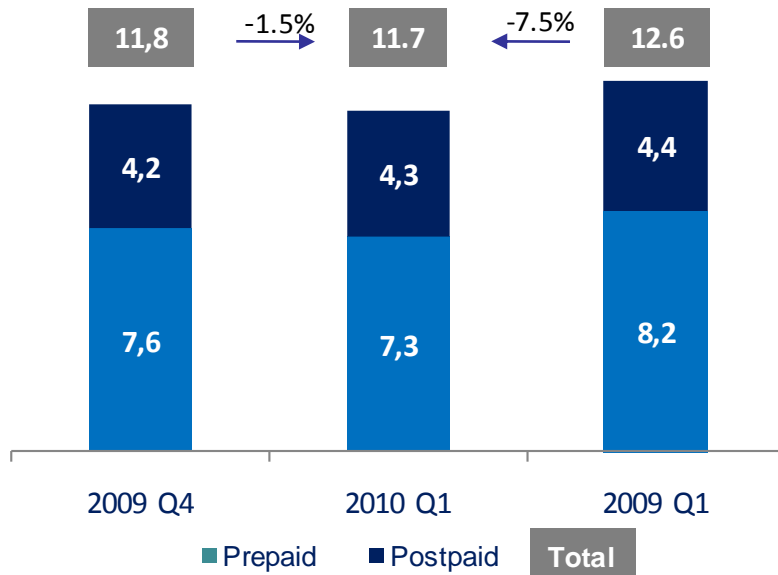


Total Subscribers & Market Share - %

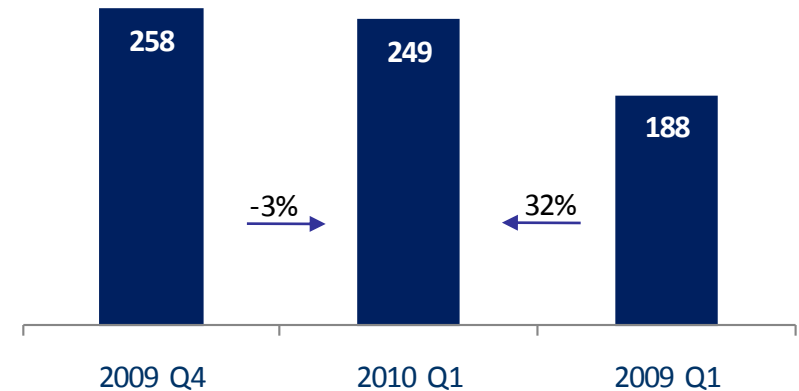


# Mobile Business - Subscriber Composition & MoU

Subscriber Composition (millions)\*



Blended MoU



- Gained ~90K postpaid subscribers in Q1 2010; subscriber loss from prepaid
- MoU growth controlled

\* 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 Q1	2010 Q1
<b>Revenues</b>	<b>10,568</b>	<b>2,508</b>	<b>2,584</b>
<b>EBITDA</b>	<b>4,321</b>	<b>1,105</b>	<b>1,064</b>
<i>Margin</i>	41%	44%	41%
<b>Operating Profit</b>	<b>2,763</b>	<b>681</b>	<b>689</b>
<i>Margin</i>	26%	27%	27%
<b>Financial Income/Expense, net</b>	<b>(438)</b>	<b>(314)</b>	<b>9</b>
FX & Hedging Gain/Loss, net	(237)	(273)	20
Interest Income/Expense, net	(132)	(17)	3
Other Financial Income/Expense, net	(69)	(24)	(15)
<b>Tax Expense</b>	<b>(673)</b>	<b>(148)</b>	<b>(194)</b>
<b>Profit*</b>	<b>1,832</b>	<b>291</b>	<b>546</b>
<i>Margin</i>	17%	12%	21%

\* After minority interest

# TT Consolidated - Summary Balance Sheet

TL millions	2009 YE	2009 Q1	2010 Q1
Intangible Assets <sup>(a)</sup>	3,286	2,695	3,211
Tangible Assets <sup>(b)</sup>	6,920	6,431	6,823
Other Assets <sup>(c)</sup>	2,441	2,455	2,525
Cash and Equivalents	754	927	727
<b>Total Assets</b>	<b>13,401</b>	<b>12,508</b>	<b>13,286</b>
Share capital	3,260	3,260	3,260
Reserves and Retained Earnings	2,162	2,061	2,686
Interest Bearing Liabilities <sup>(d)</sup>	3,974	3,206	3,501
Provisions for Long-term Employee Benefits	634	689	656
Other Liabilities <sup>(e)</sup>	3,371	3,291	3,183
<b>Total Equity and Liabilities</b>	<b>13,401</b>	<b>12,508</b>	<b>13,286</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	2009 YE	2009 Q1	2010 Q1
<b>Cash Flow from Operating Activities</b>	<b>3,252</b>	<b>648</b>	<b>626</b>
<b>Cash Flow from Investing Activities</b>	<b>(2,079)</b>	<b>(149)</b>	<b>(157)</b>
<i>CAPEX</i>	(2,321)	(204)	(215)
<i>Other Investing Activities</i>	242	55	58
<b>Cash Flow from Financing Activities</b>	<b>(1,472)</b>	<b>(618)</b>	<b>(512)</b>
<b>Net Change in Cash Position <sup>(a)</sup></b>	<b>(298)</b>	<b>(119)</b>	<b>(43)</b>

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

# Fixed Line Business - Summary P&L Statement

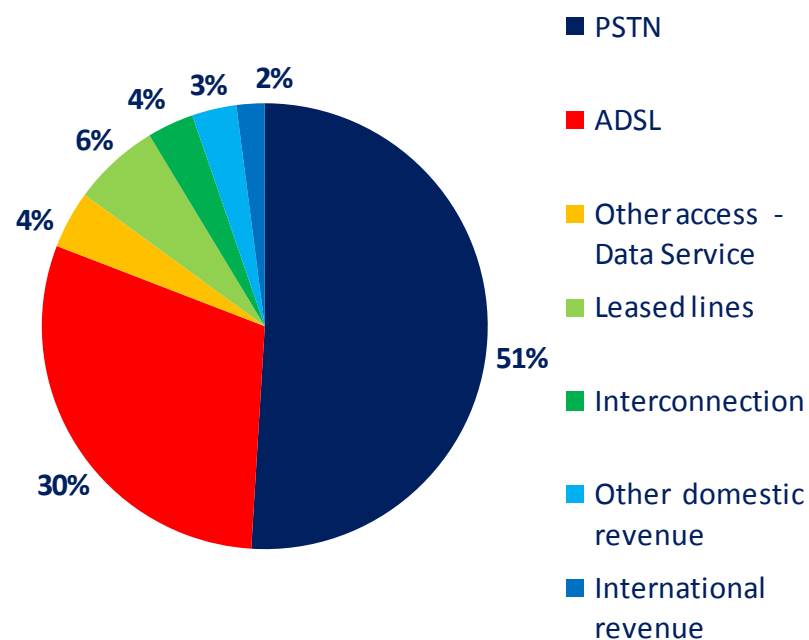
TL millions	2009 YE	2009 Q1	2010 Q1
<b>Revenues</b>	<b>8,386</b>	<b>2,043</b>	<b>2,011</b>
<b>EBITDA</b>	<b>4,268</b>	<b>1,067</b>	<b>1,029</b>
<i>Margin</i>	<i>51%</i>	<i>52%</i>	<i>51%</i>
<b>Operating Profit</b>	<b>3,287</b>	<b>777</b>	<b>812</b>
<i>Margin</i>	<i>39%</i>	<i>38%</i>	<i>40%</i>
<b>CAPEX</b>	<b>1,327</b>	<b>170</b>	<b>149</b>
<i>CAPEX as % of Revenue</i>	<i>16%</i>	<i>8%</i>	<i>7%</i>



# Fixed Line Business - Summary Revenue Breakdown

TL millions	2009 YE	2009 Q1	2010 Q1
PSTN	4,581	1,205	1,025
ADSL	2,140	496	601
Other access - Data Service	302	72	84
Leased lines	579	136	127
Interconnection <sup>(a)</sup>	244	46	68
Other domestic revenue	224	36	65
International revenue <sup>(b)</sup>	194	51	41
<b>Sub-Total Revenue</b>	<b>8,263</b>	<b>2,042</b>	<b>2,010</b>
Construction Revenue (IFRIC 12)	123	1	1
<b>Total Revenue</b>	<b>8,386</b>	<b>2,043</b>	<b>2,011</b>

2010 Q1 Breakdown



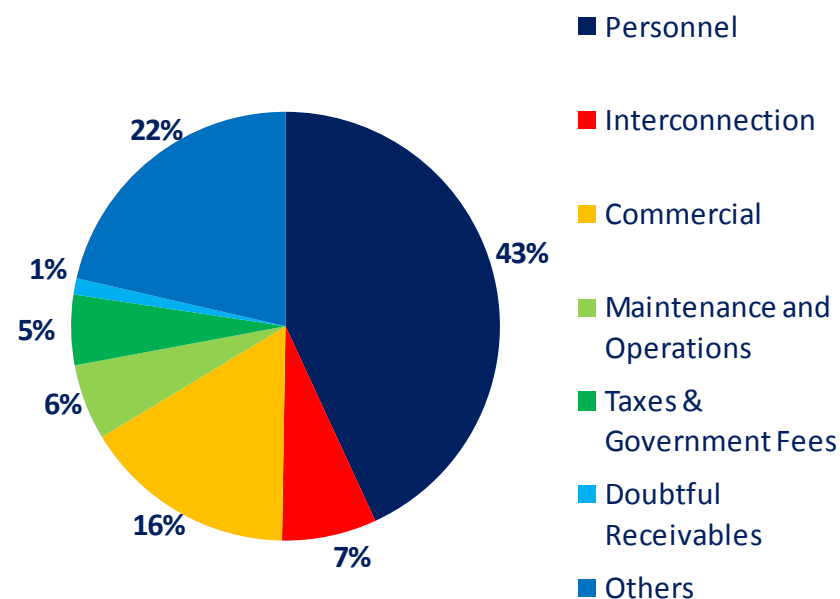
(a) Domestic Interconnection

(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 Q1	2010 Q1
Personnel	1,748	434	423
Interconnection	351	90	70
Commercial <sup>(a)</sup>	460	100	158
Maintenance and Operations	332	60	56
Taxes & Government Fees	215	49	52
Doubtful Receivables	88	12	12
Others	815	231	210
<b>Sub-Total</b>	<b>4,009</b>	<b>975</b>	<b>982</b>
Construction Cost (IFRIC 12)	109	1	0
<b>Total OPEX</b>	<b>4,118</b>	<b>976</b>	<b>982</b>

2010 Q1 Breakdown



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

# Mobile Business - Summary P&L Statement

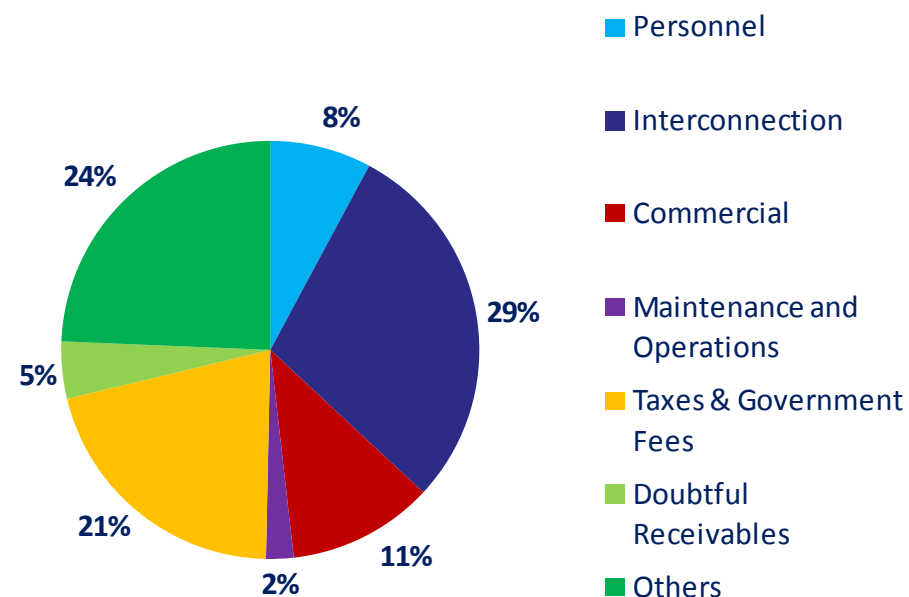
TL millions	2009 YE	2009 Q1	2010 Q1
<b>Revenues</b>	<b>2,504</b>	<b>532</b>	<b>647</b>
<b>EBITDA</b>	<b>54</b>	<b>39</b>	<b>36</b>
<i>Margin</i>	<i>2%</i>	<i>7%</i>	<i>6%</i>
<b>Operating Profit / Loss</b>	<b>(523)</b>	<b>(95)</b>	<b>(123)</b>
<i>Margin</i>	<i>(21%)</i>	<i>(18%)</i>	<i>(19%)</i>
<b>CAPEX (excluding leasing)</b>	<b>1,155*</b>	<b>64</b>	<b>55</b>
<i>CAPEX as % of Revenue</i>	<i>46%</i>	<i>12%</i>	<i>9%</i>

\* Includes 3G License Fee

# Mobile Business - Summary OPEX Breakdown

TL millions	2009 YE	2009 Q1	2010 Q1
Personnel	172	40	48
Interconnection	712	101	178
Commercial <sup>(a)</sup>	314	85	69
Maintenance and Operations	53	12	13
Taxes & Government Fees	490	109	128
Doubtful Receivables	94	13	27
Others	615	133	149
<b>Total</b>	<b>2,450</b>	<b>494</b>	<b>612</b>

2010 Q1 Breakdown



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

# Debt Profile

2010 Q1 - 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	131.640	131.640	131.640	-	-	-	131.640
USD Debt	1.338.573	2.036.639	18.425	431.274	1.513.160	73.780	2.036.639
EUR Debt	630.410	1.293.790	16.268	163.095	1.114.427	-	1.293.790
<b>TOTAL</b>		3.462.069	166.333	594.369	2.627.587	73.780	3.462.069

## Recent debt transactions

Bank	Date	Loan Amount	Maturity	Interest payment period	Interest rate
Halkbank	March 2010	€222 mn	5 Years (Including 1.5 years grace period)	6 months (No grace period)	6 months EURIBOR+ 2.85%
Akbank	March 2010	\$300 mn	5 Years (Including 1.5 years grace period)	6 months (No grace period)	6 months LIBOR+ 3.10%
EIB	April 2010	€100 mn	8 years (Including 2 years grace period)	6 months (No grace period)	EURIBOR+2.5% p.a.

# Appendix

# Reclassification Note

**Reclassification Note:** 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. The table below shows figures before and after reclassification. Financial tables in this presentation show after reclassification 2009 figures where necessary.

(TL millions)	2009 Full Year After Reclassification	2009 Full Year Before Reclassification	Q1 2009 After Reclassification	Q1 2009 Before Reclassification
<b>Consolidated EBITDA</b>	4,321	4,249	1,105	1,087
<b>Fixed EBITDA</b>	4,268	4,196	1,067	1,049
<b>Net Operating Expenses excluding Depreciation and Amortization</b>	(6,248)	(6,319)	(1,403)	(1,420)
<b>Operating Profit</b>	2,763	2,692	681	664
<b>Net Financial Income/ (Expense)</b>	(438)	(367)	(314)	(296)
<b>Consolidated OPEX – Personnel</b>	(1,908)	(1,980)	(471)	(489)
<b>Fixed OPEX – Personnel</b>	(1,748)	(1,819)	(434)	(452)

# Regulatory & Legal Update

- New MTRs are effective as of April 1st; 52% cut from previous rates
- New GSM to 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 1<sup>st</sup>; 17% cut from previous rate
- TL per minute pricing is in place as of April 1st
- Naked ADSL in Telecom Authority's (TA) agenda for June 2010; TT proposal submitted for TA approval
- TA approved first MVNO
- Turkcell ordered by commercial court to pay Türk Telekom to recover Türk Telekom's losses due to Millenicom case. Appeal process is continuing

## **New Termination Rates Table**

Effective Date			Avea	Turkcell	Vodafone
01.04.2010	2G Termination Rate (Kr/dk)		3.70	3.13	3.23
	3G Network Termination Rate (Kr/dk)	Voice Call	3.70	3.13	3.23
		Video Call	7.75	7.75	7.75
	Fixed Network Termination Rate (Kr/dk)		<b>Local</b>	<b>Single Tandem</b>	<b>Double Tandem</b>
			1.39	1.71	2.24

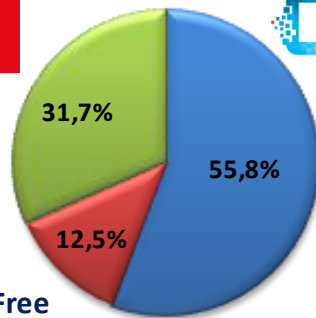


# Q1 2010 Macro Highlights

- Unemployment and inflationary pressure will be among the top concerns for most of the countries.
- Turkey has ended talks with the IMF over a new loan agreement.
- Though the Central Bank of Turkey (CBT) did not change the policy rate in Q1, the market expects rate hike(s) in 2010.
- In 2009; Fitch, Moody's, and JCR upgraded Turkey's sovereign rating; and S&P followed them in 1Q 2010 .
  - Turkey is now one-notch below investment grade (Fitch).

# Türk Telekom Group

## Ownership Structure

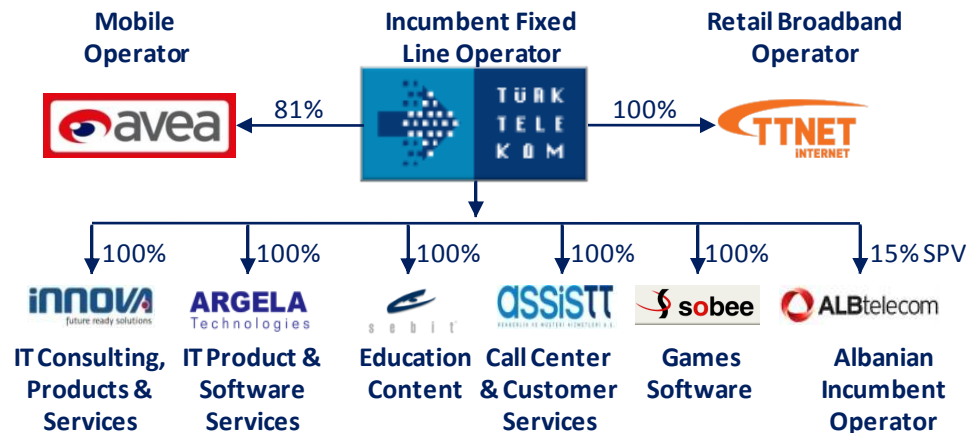


Effective Free Float

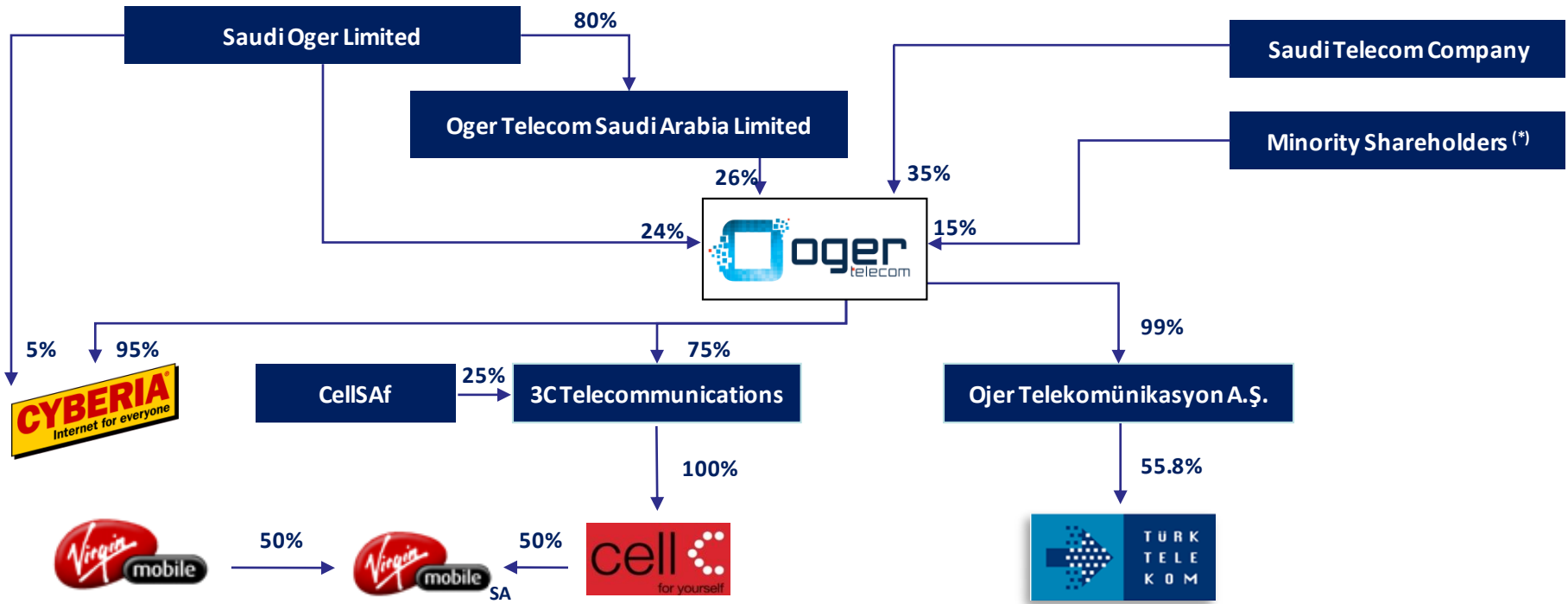


- Oger Telecom appoints 6 Board Members
- Turkish Treasury appoints 4 Board Members (1 represents Golden Share)
- Free Float is 15%; Turkish Treasury and Oger Telecom bought 1.7% and 0.8% additional stakes, respectively after the IPO in 2008

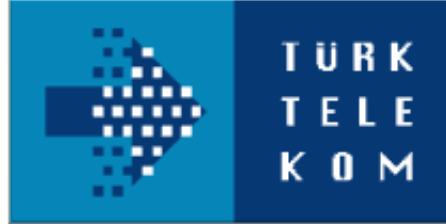
## Group Companies



# 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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