

# 2013 Q3 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 Q3 Results  
**Türk Telekom Group**

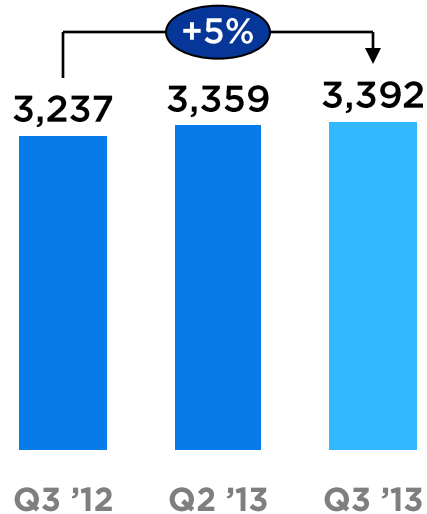
# 2013 Third Quarter Highlights

- ✦ Consolidated revenues up 5% YoY
- ✦ Robust growth in fixed line business revenues with 5% YoY led by broadband, corporate data and ICT businesses
- ✦ Continued high single digit growth in broadband revenues driven by solid subscriber growth and increased ARPU
- ✦ Strong revenue growth in mobile despite the MTR cut backed by 224K net subscriber additions
- ✦ Net income affected by TL depreciation against USD and EUR

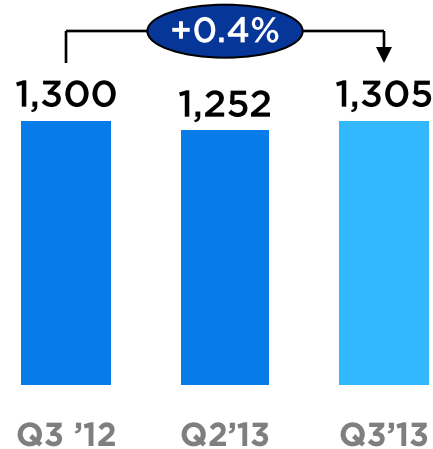
# Consolidated Financials

(TLmn)

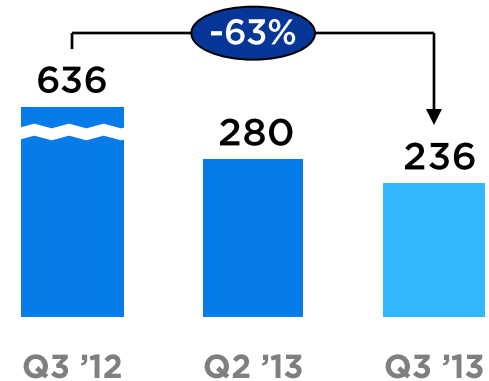
Revenue



EBITDA



Net Income

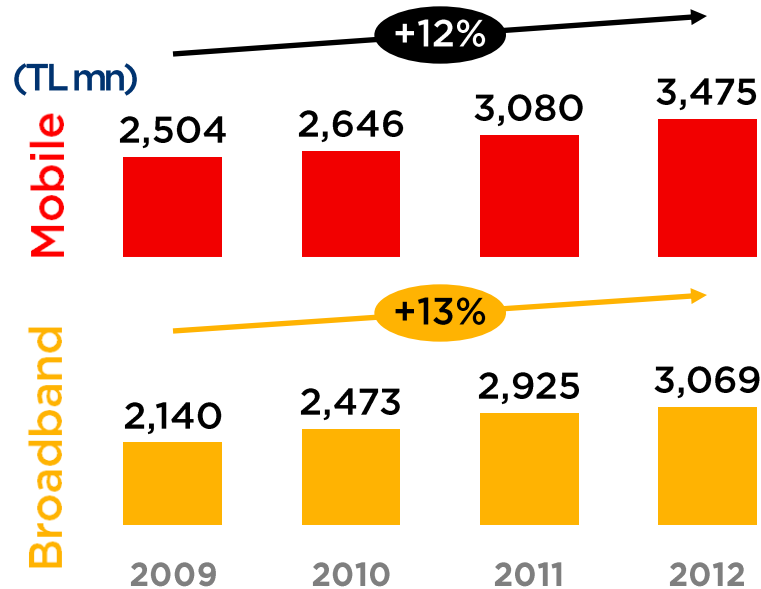


## Revenue growth keeps on track to reach YE guidance

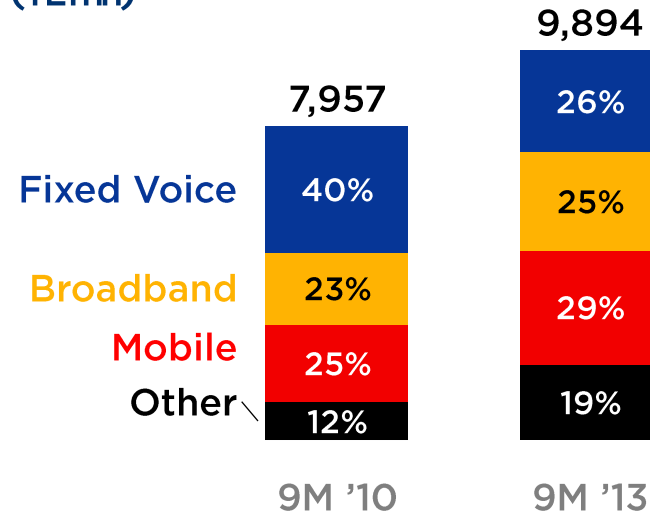
- ✚ 5% YoY and 5% YTD top line growth
- ✚ EBITDA sustained YoY
- ✚ Negative effect of TL depreciation against EUR and USD on net income

# Transforming Revenues...

... while increasing EBITDA



## Consolidated Revenues (TLmn)



## Broadband revenues set to surpass fixed voice

- Fixed voice share is now 26% of total revenues, soon to be third largest revenue source
- 55% of total revenues come from mobile and broadband businesses, with 12% combined growth rate YoY
- EBITDA contribution of high growth businesses is increasing

Note: Other Revenues include TT International (formerly Pantel) acquisition effect, which was completed in Q4 2010

# Fixed Line

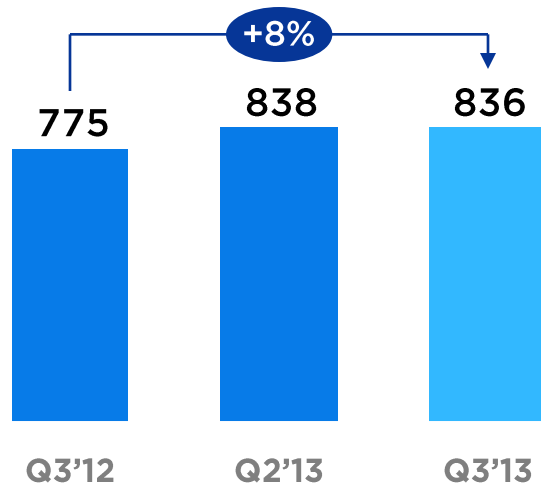
2013 Q3 Results  
Türk Telekom Group



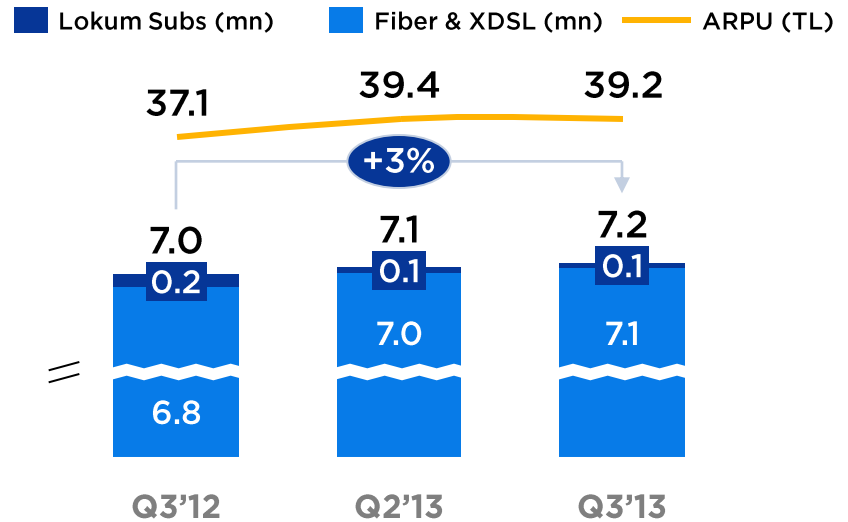
# High Speed Broadband

## Strong subscriber net additions

Revenue (TL mn)



ARPU and Subscribers

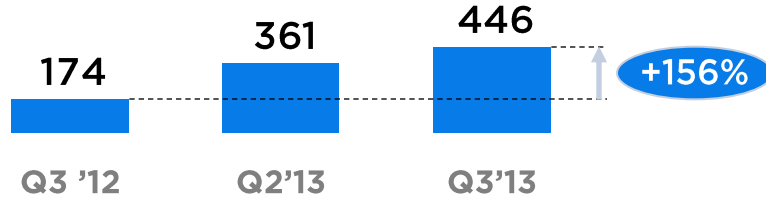


- ✦ 71K net additions in Q3 2013, highest net additions in the last nine quarters
- ✦ 8% YoY revenue growth backed by ARPU and subscriber increase
- ✦ Excluding “phasing out” Lokum subscribers, net additions are 88K in Q3 2013
- ✦ 6% YoY ARPU increase in Q3 2013

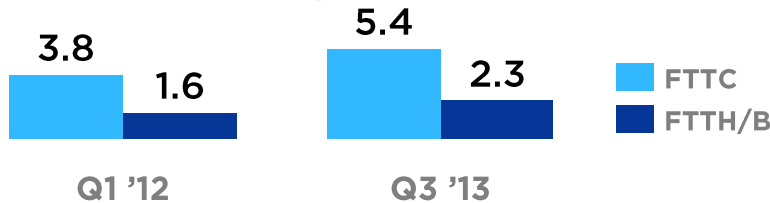
# Fiber means Turk Telekom

Coverage of all 81 cities , 174K km fiber network

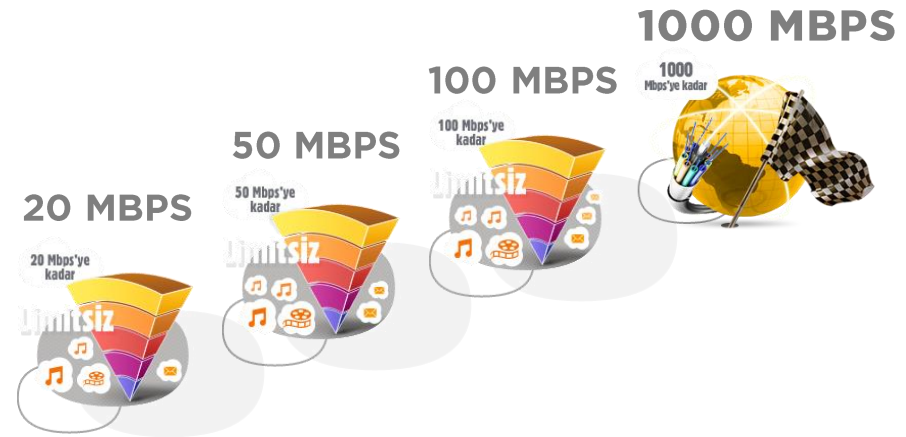
Surging Fiber Subscribers (thousand)



Unmatched homepass (million)



Speeds offered



Türk Telekom Fiber Network



Alternative Operator

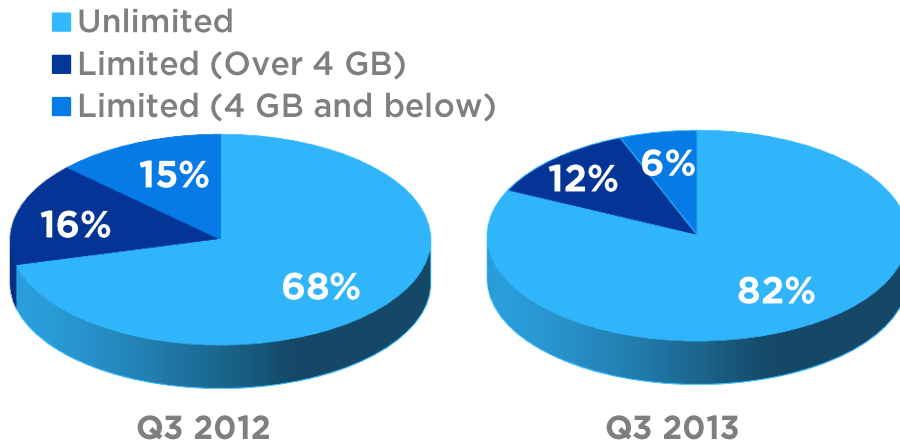


Note: Other operators' data are from their own publications

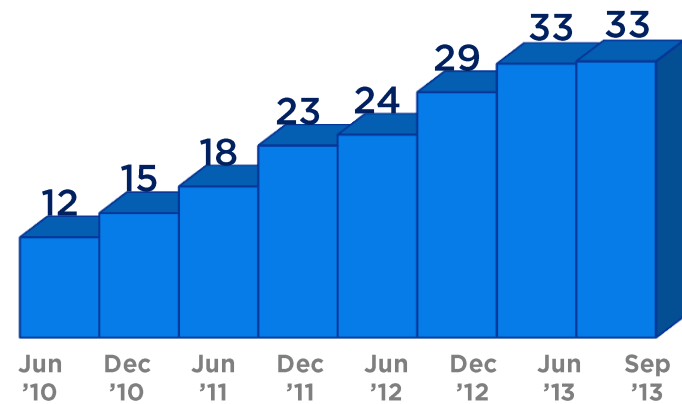
# Broadband Speed and Capacity

## Customer preferences continue to support upsell

### Capacity



### Monthly Data Usage (GB)



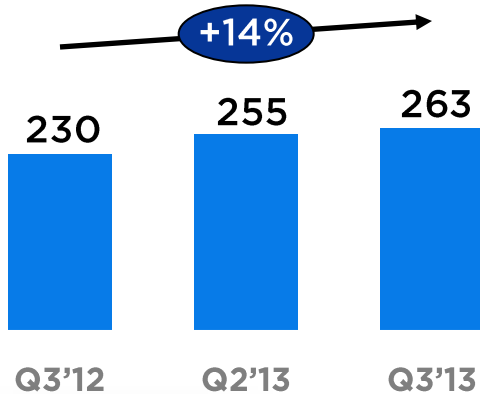
### Strong trend towards unlimited and higher speed packages

- ✦ 94% of our customers are now in “up to 8 MBPS” or higher speed packages
- ✦ Unlimited quota subscribers are 82% of our total base (up from 68%)
- ✦ High monthly data usage - at 33GB – mainly driven by video consumption

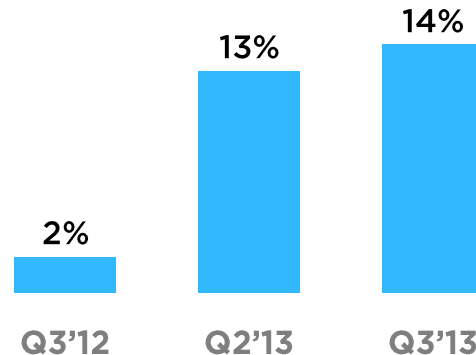
# Corporate Data

## Supports fixed line growth

Revenue (TL mn)



Revenue Growth Rate



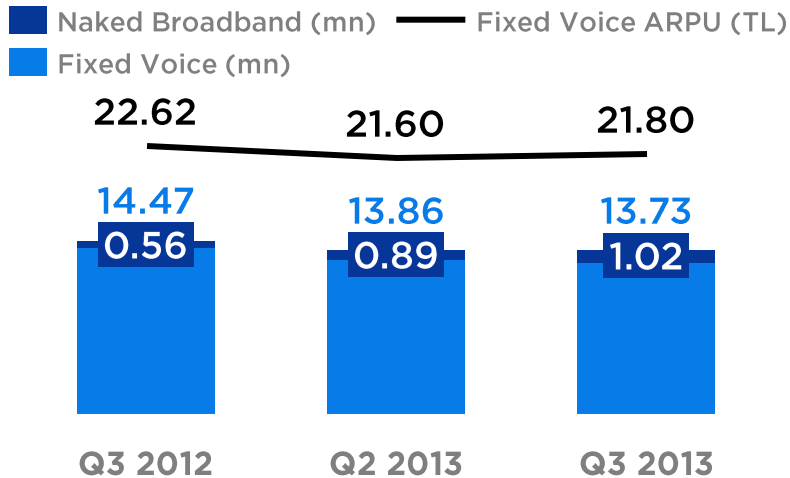
## Significant growth in Corporate Data business

- ❖ Through Metroethernet, TT-VPN, Leased Line, and other customized products, we provide cost efficient, flexible, and safe high speed connectivity and act as technology partners of corporate clients
- ❖ Corporate data makes up 10% of total fixed line revenues as of 9M 2013

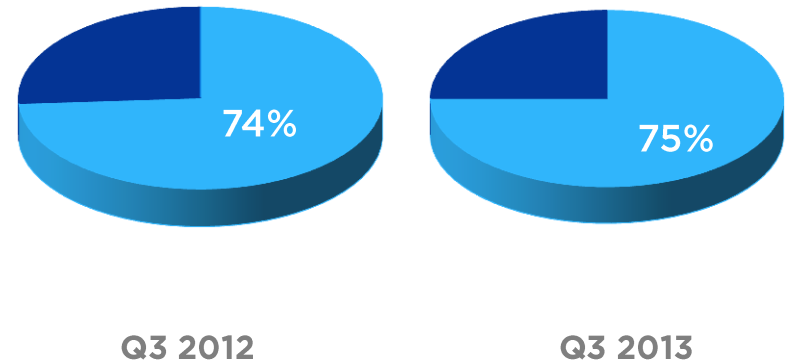
# Fixed Voice

## Slight deceleration in access line loss

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



### Recurring Revenue Share within Fixed Voice Revenues



### Stimulating home phone usage...

- ✦ Addressing customers' demand through special offers on most preferred call directions
- ✦ Discount benefits from leading retailers and joint offers with group companies
- ✦ Fixed voice decline partially offset by increased naked broadband additions
- ✦ ARPU slightly decreased YoY mainly due to Wholesale Line Rental

(1) Revenue divided by average number of connections

# Mobile

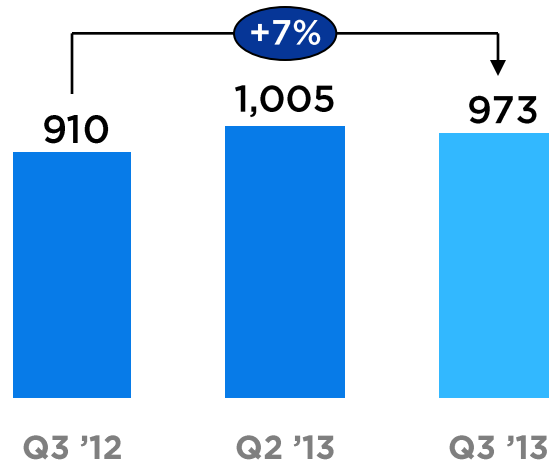
2013 Q3 Results  
**Türk Telekom Group**

# Mobile

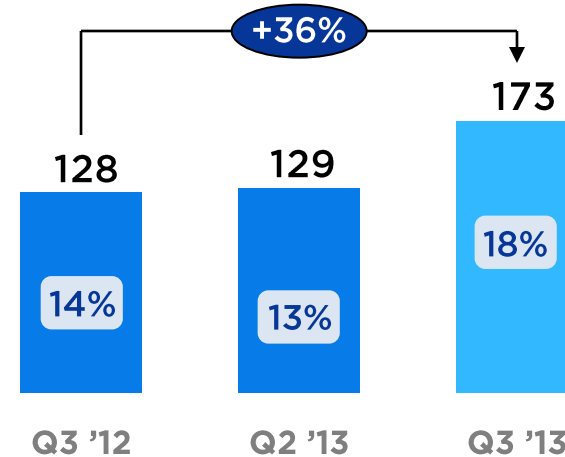
## Revenue growth persists despite the MTR cut

(TLmn)

Revenue



EBITDA (TLmn) & Margin



### Persistent revenue and EBITDA growth

- ✦ Revenues 7% up YoY - excluding MTR cut effect double digit growth continues
- ✦ EBITDA grew by 36% YoY with 18% EBITDA margin
- ✦ Mobile data growth, and higher outgoing calls supported revenue and EBITDA increase

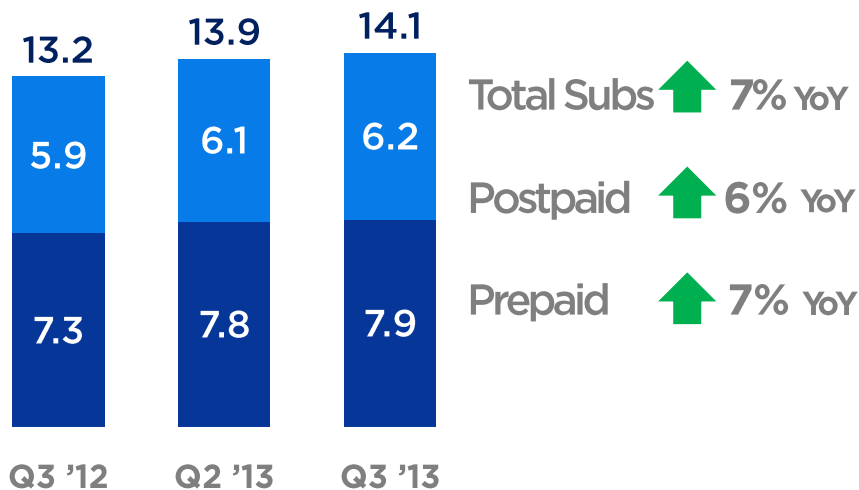


# Mobile Operational KPIs

Growing the base in both prepaid and postpaid

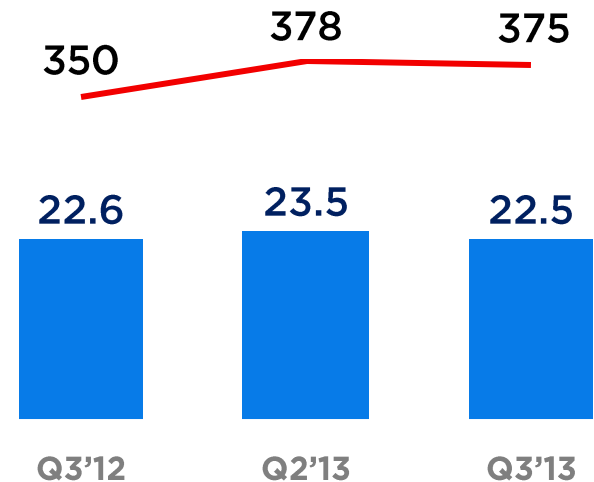
## Subscribers (mn)

Postpaid Prepaid



## MoU and ARPU

MoU Blended ARPU (TL)



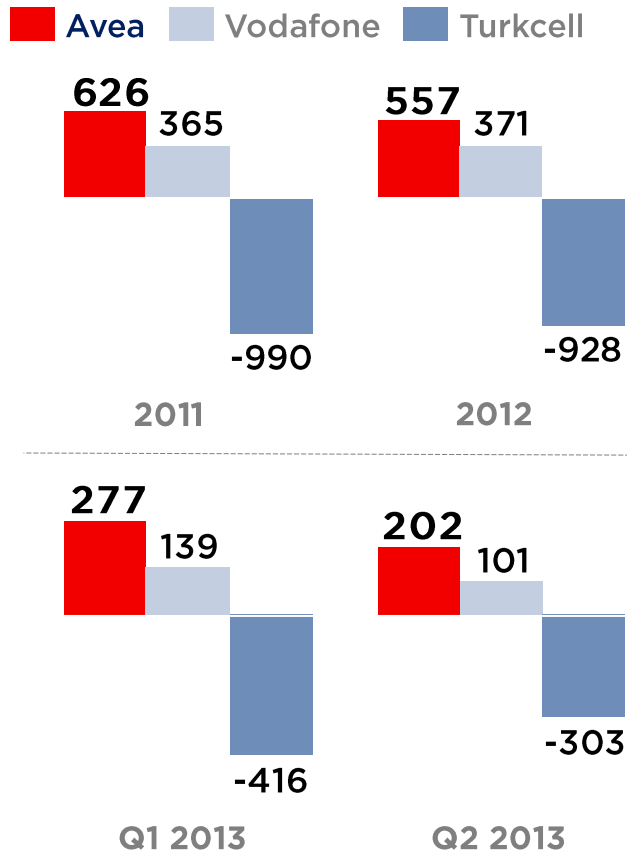
- ✦ 224K net additions in the quarter with a healthy balance between postpaid & prepaid
- ✦ %44 postpaid ratio in total subscriber base - highest in the market as of Q2 2013
- ✦ Slight decline in ARPU due to MTR cut effect – highest ARPU in the market as of Q2 '13
- ✦ 7% YoY growth in MoU



# Mobile Number Portability

## Avea - Preferred operator among MNP customers

### MNP Subscriber Additions (thousand)



Source: ICTA & Central MNP Database

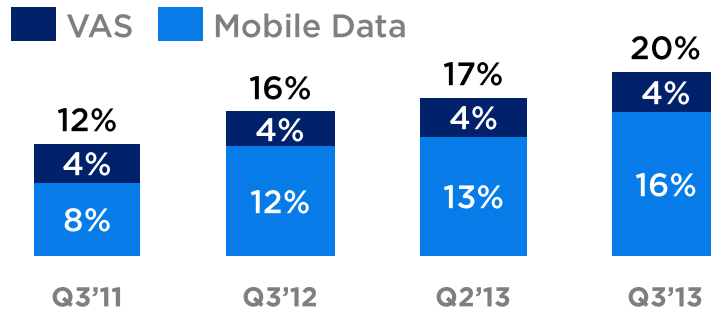
❖ Avea continues to outperform competitors in Mobile Number Portability gains in Q3 2013 with 133K



# Mobile Data

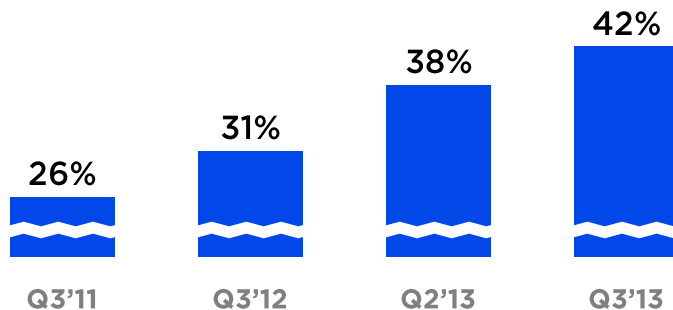
## Strong trend in data revenue growth

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



SMS not included in mobile data

### 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.

### Data revenue resumed its fast growth

✚ 44% YoY and 16% QoQ increase in mobile data

✚ Non-SMS mobile data makes up 20% of total service revenues

✚ Affordable smartphones offered to further grow data subscribers

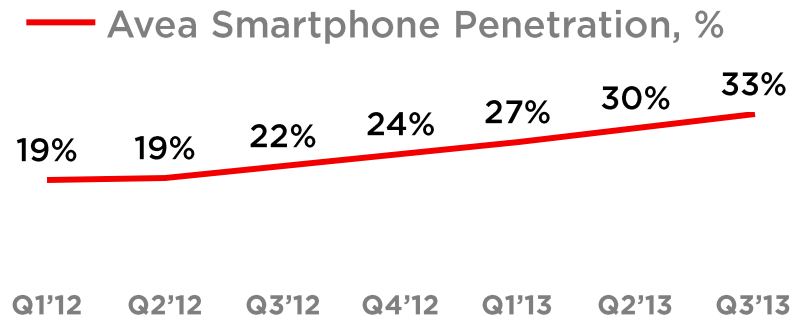
### Strong smartphone and tablet take up

✚ Smartphone and tablet users increased 41% YoY

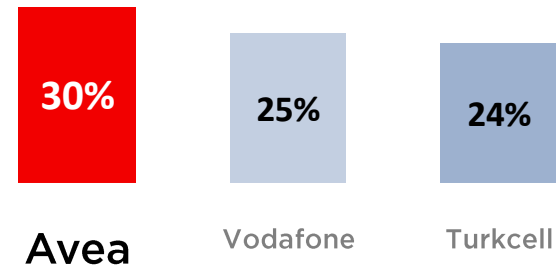
✚ Jet Modem (USB stick) subscribers are up 7% YoY

# Smartphones

## Continued leadership in penetration



## Smartphone Penetration as of Q2 2013



## Inherent advantages to boost smartphone users

- ❖ 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 Q3 Results  
**Türk Telekom Group**

# Consolidated

## Summary Income Statement

TL Millions	2012 Q3	2013 Q2	2013 Q3	QoQ % Change	YoY % Change
Revenues	3,237	3,359	3,392	1%	5%
EBITDA	1,300	1,252	1,305	4%	0.4%
Margin	40%	37%	38%		
Operating Profit	892	811	864	7%	-3%
Margin	28%	24%	25%		
Financial Income/Expense	(85)	(445)	(553)	-24%	NM
FX & Hedging Gain/Loss	(19)	(411)	(497)	-21%	NM
Interest Income/Expense	(44)	(13)	(27)	-111%	38%
Other Financial Income/Expense	(22)	(21)	(29)	-39%	-30%
Tax Expense	(176)	(96)	(81)	16%	54%
Net Income	636	280	236	-16%	-63%
Margin	20%	8%	7%		

# Consolidated

## Summary Balance Sheet

TL Millions	30.09.2012	30.06.2013	30.09.2013
Intangible Assets <sup>1</sup>	3,768	4,096	4,247
Tangible Assets <sup>2</sup>	8,257	8,178	8,285
Other Assets <sup>3</sup>	3,762	4,324	4,442
Cash and Equivalents	1,038	973	1,167
<b>Total Assets</b>	<b>16,825</b>	<b>17,571</b>	<b>18,140</b>
Share capital	3,260	3,260	3,260
Reserves and Retained Earnings	2,450	1,599	1,810
Interest Bearing Liabilities <sup>4</sup>	6,479	8,390	8,482
Provisions for Employee Termination Benefits	664	607	612
Other Liabilities <sup>5</sup>	3,972	3,715	3,975
<b>Total Equity and Liabilities</b>	<b>16,825</b>	<b>17,571</b>	<b>18,140</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 Q3	2013 Q2	2013 Q3	QoQ % Change	YoY % Change
Cash Flow from Operating Activities	1,217	1,066	1,207	13%	-1%
Cash Flow from Investing Activities	(497)	(374)	(518)	-39%	-4%
CAPEX	(565)	(479)	(633)	-32%	-12%
Other Investing Activities	68	106	115	9%	71%
Cash Flow from Financing Activities <sup>1</sup>	(482)	(1,036)	(494)	52%	-2%
Net Change in Cash Position <sup>2</sup>	238	(344)	195	NM	-18%

(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 Q3	2013 Q2	2013 Q3	QoQ % Change	YoY % Change
<b>Fixed Line</b>	<b>2,421</b>	<b>2,455</b>	<b>2,532</b>	<b>3%</b>	<b>5%</b>
Domestic PSTN	957	849	839	-1%	-12%
Broadband	775	838	836	0%	8%
Corporate Data <sup>1</sup>	230	255	263	3%	14%
International Settlements	125	127	148	16%	18%
Domestic interconnection	79	94	91	-2%	15%
Rental income from GSM operator	24	20	21	4%	-11%
Other <sup>2</sup>	84	138	175	27%	109%
Construction Revenue (IFRIC 12) <sup>3</sup>	146	133	158	19%	9%
<b>Mobile</b>	<b>910</b>	<b>1,005</b>	<b>973</b>	<b>-3%</b>	<b>7%</b>
Elimination	(93)	(101)	(112)	-11%	-21%
<b>Total Revenue</b>	<b>3,237</b>	<b>3,359</b>	<b>3,392</b>	<b>1%</b>	<b>5%</b>

(1) Includes Leased Line and Data Services

(2) ICT companies, device sales, other

(3) 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 Q3	2013 Q2	2013 Q3	QoQ % Change	YoY % Change
Personnel	501	546	534	-2%	7%
Domestic interconnection	227	266	191	-28%	-16%
International interconnection	89	82	95	17%	8%
Commercial <sup>1</sup>	239	255	233	-9%	-2%
Maintenance and Operations	117	125	125	0%	7%
Taxes & Government Fees	210	247	242	-2%	15%
Doubtful Receivables	58	38	49	28%	-15%
Cost of Equipment and Technology Sales	28	58	113	96%	303%
Others	341	371	365	-2%	7%
<b>Sub-Total</b>	<b>1,809</b>	<b>1,989</b>	<b>1,948</b>	<b>-2%</b>	<b>8%</b>
Construction Cost (IFRIC 12) <sup>2</sup>	129	118	140	19%	9%
<b>Total OPEX</b>	<b>1,937</b>	<b>2,107</b>	<b>2,088</b>	<b>-1%</b>	<b>8%</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 cost is due to higher amount of eligible CAPEX recorded in the period

# Fixed Line

## Summary Income Statement

TL Millions	2012 Q3	2013 Q2	2013 Q3	QoQ % Change	YoY % Change
Revenues	2,421	2,455	2,532	3%	5%
EBITDA	1,175	1,122	1,132	1%	-4%
Margin	49%	46%	45%		
Operating Profit	927	856	873	2%	-6%
Margin	38%	35%	34%		
CAPEX	418	360	386	7%	-8%
CAPEX as % of Revenue	17%	15%	15%		

# Fixed Line

## Summary OPEX Breakdown

TL Millions	2012 Q3	2013 Q2	2013 Q3	QoQ % Change	YoY % Change
Personnel	439	492	476	-3%	8%
Domestic interconnection	45	61	58	-4%	29%
International interconnection	85	77	89	16%	4%
Commercial <sup>1</sup>	123	129	123	-5%	0%
Maintenance and Operations	84	88	90	2%	7%
Taxes & Government Fees	52	54	51	-5%	-3%
Doubtful Receivables	44	20	28	34%	-37%
Cost of Equipment and Technology Sales	33	60	126	112%	282%
Others	210	235	219	-7%	4%
<b>Sub-Total</b>	<b>1,117</b>	<b>1,215</b>	<b>1,260</b>	<b>4%</b>	<b>13%</b>
Construction Cost (IFRIC 12) <sup>2</sup>	129	118	140	19%	9%
<b>Total OPEX</b>	<b>1,246</b>	<b>1,333</b>	<b>1,399</b>	<b>5%</b>	<b>12%</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

## Summary Income Statement

TL Millions	2012 Q3	2013 Q2	2013 Q3	QoQ % Change	YoY % Change
Revenues	910	1,005	973	-3%	7%
EBITDA	128	129	173	34%	36%
Margin	14%	13%	18%		
Operating Profit	(33)	(46)	(9)	80%	71%
Margin	-4%	-5%	-1%		
CAPEX	146	113	257	127%	76%
CAPEX as % of Revenue	16%	11%	26%		

# Mobile

## Summary OPEX Breakdown

TL Millions	2012 Q3	2013 Q2	2013 Q3	QoQ % Change	YoY % Change
Personnel	63	60	66	9%	4%
Domestic interconnection	211	241	167	-31%	-21%
International interconnection	4	5	6	11%	71%
Commercial <sup>1</sup>	117	127	112	-12%	-5%
Maintenance and Operations	31	36	38	5%	20%
Taxes & Government Fees	158	193	191	-1%	21%
Doubtful Receivables	14	18	21	20%	58%
Others <sup>2</sup>	185	194	198	2%	7%
<b>Total</b>	<b>782</b>	<b>876</b>	<b>800</b>	<b>-9%</b>	<b>2%</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	881	881	867	14	0	0
USD	2,090	4,251	318	732	2,637	564
EUR	1,172	3,221	144	774	2,105	198
JPY	4,957	102	0	34	68	0
<b>TOTAL</b>		<b>8,455</b>	<b>1,329</b>	<b>1,554</b>	<b>4,810</b>	<b>762</b>

Ratios	2012 Q3	2013 Q3
Net Debt / EBITDA	1.08	1.46
Net Debt / Assets	0.32	0.40
Debt (Total Liabilities) / Equity	1.95	2.58
Debt (Financial) / Equity	1.13	1.67
Current Ratio	0.83	0.90

✦ Average maturity of FX denominated debt is 2.2 years

✦ Comfortable Net Debt / EBITDA ratio at 1.46

# Appendix

2013 Q3 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



2012

~2.2



2013

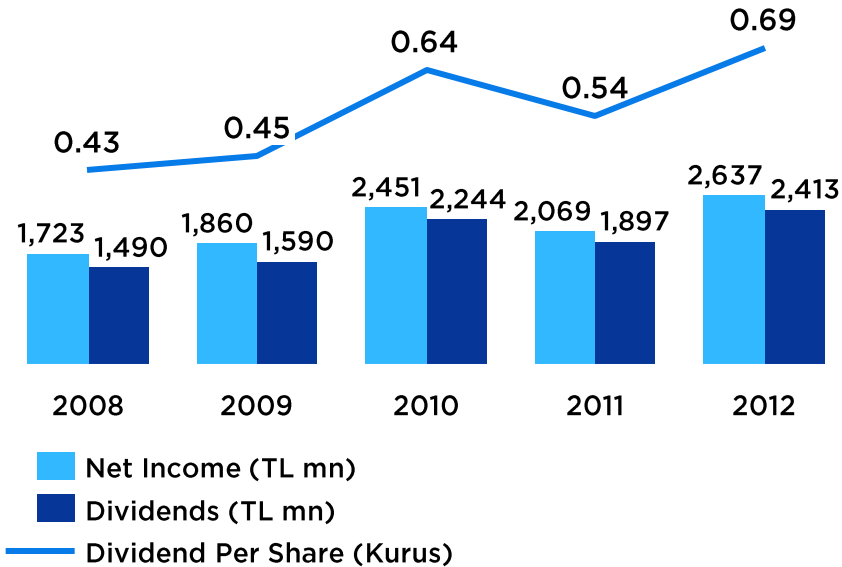
## CAPEX

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

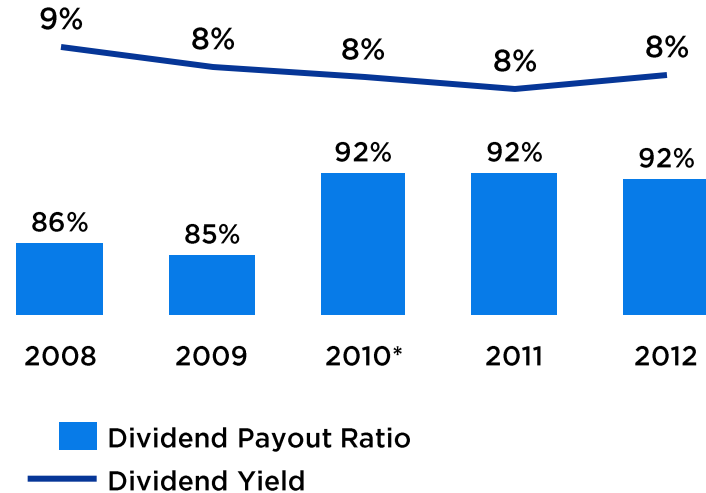


# Shareholder Remuneration

## 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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