

# Türk Telekom 2008 H1 Financial & Operational Results

- 22 August 2008

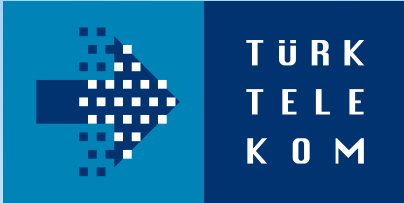
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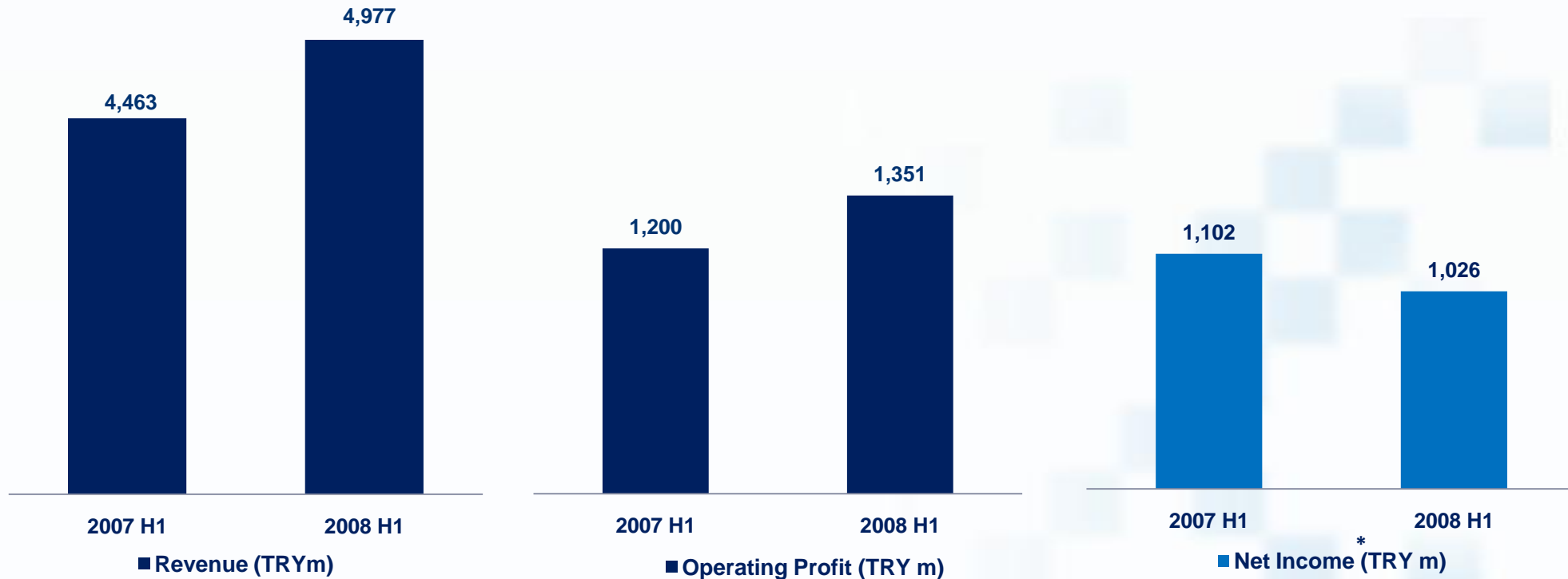
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## Section I: Türk Telekom Consolidated

# 2008 H1 Consolidated Performance



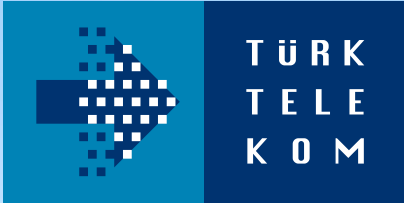
- ✓ Revenue increased to TRY 4,977m, up by 12% compared to H1 2007 on the back of strong growth in Mobile and Broadband businesses
- ✓ Operating profit increased 13% to TRY 1,351 m compared to the H1 2007
- ✓ Foreign Exchange Losses (*compared to gains in 2007*) brings down Net Income in H1 2008

\* After Minority Interest

# Regulatory Environment



- ✓ **Electronic Communication Act adopted by the Parliament on July 31, 2008. However, in August 18, 2008, the President used its veto power and sent it back to the Parliament due to almost unlimited powers granted to the TA**
- ✓ **Decrease in interconnect rates for Fixed and Mobile should be applicable from April 1, 2008**
- ✓ **Regulator is finalizing LRAIC models in mobile and fixed access termination rates**
- ✓ **Injunction on the Off-net/On-net mobile pricing regulation**
- ✓ **MNP expected to be launched by November 10, 2008**
- ✓ **FNP to be in place in May 10, 2009**
- ✓ **3G tender in 2007 was postponed, the new tender is planned for late 2008 or early 2009**
- ✓ **Draft regulation for MVNO is circulated by TA for discussion**
- ✓ **Competition Authority Investigation for TT and TNet practices in broadband services expected to be completed by late 2008 or early 2009**
- ✓ **Positive discrimination offered by TT to ISP's other than TNET**



## Section II: Fixed Line Business



# PSTN Initiatives

- ✓ Promising pilot results for initiatives addressing customer churn
- ✓ ~5% Fixed fee adjustment (as of June 17, 2008) and ~5% usage fee adjustment (as of August 19, 2008)
- ✓ Two new voice tariff packages are launched



- ✓ DECT phone penetration and usage stimulation campaigns are in place



- ✓ Videophone launched, penetration activities are planned for the rest of the year
- ✓ Stimulation/Migration campaigns continuing
- ✓ Sales channel uplift project launched

# ADSL Initiatives

- ✓ “No home without internet” campaign



- ✓ “Welcome to Internet” campaign



- ✓ TTNET İŞYERİM ADSL Packages for SMEs: catering to all of the internet access and IT needs of small companies



- ✓ TTNETVİTAMİN Contest together with Ministry of Education and SEBIT to create awareness for upcoming TTNETVİTAMİN product



- ✓ TTNET WIFI minutes to ADSL customers to promote nomadic internet usage



- ✓ TTNET MUSIC and TTNET VIDEO portals to increase usage



- ✓ Avea-TTNET SME campaign





# Fixed Line Competition



## **Borusan Telecom**

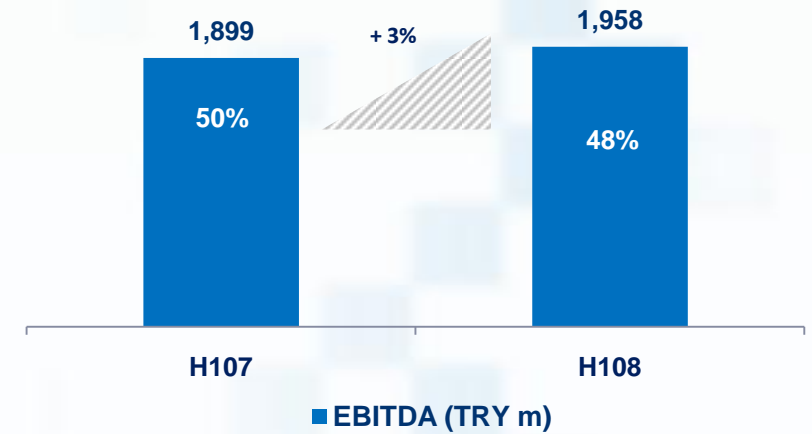
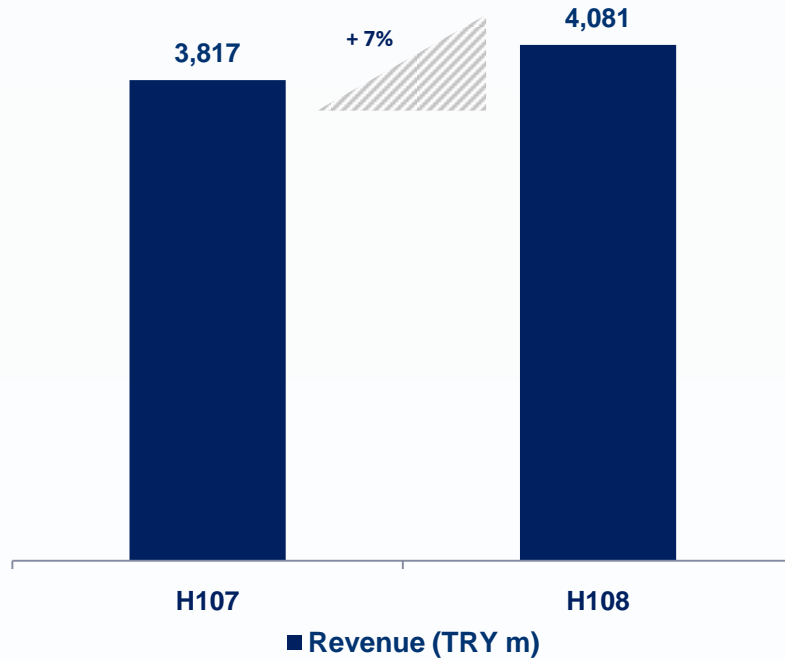
- ✓ Acquisition by Dhanus Technologies (India) is not closed yet

## **Tellcom**

- ✓ Merged with Superonline
- ✓ Significant downsizing in terms of headcount

**Local call licenses delayed to next year**

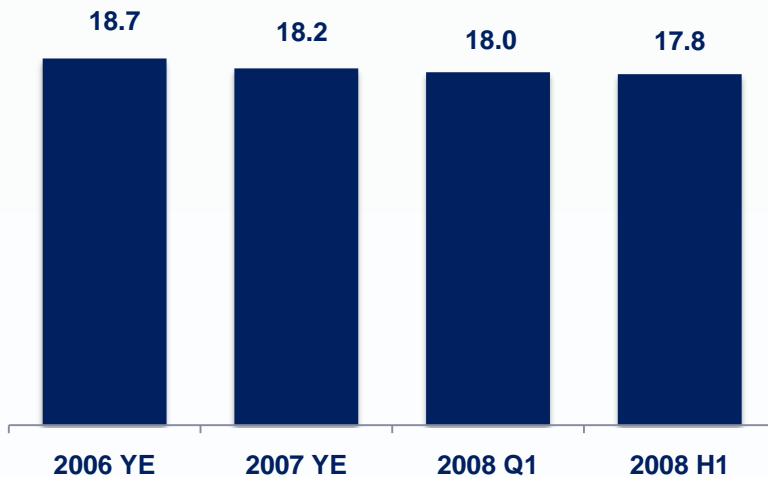
# Fixed Line Revenue & EBITDA Highlights



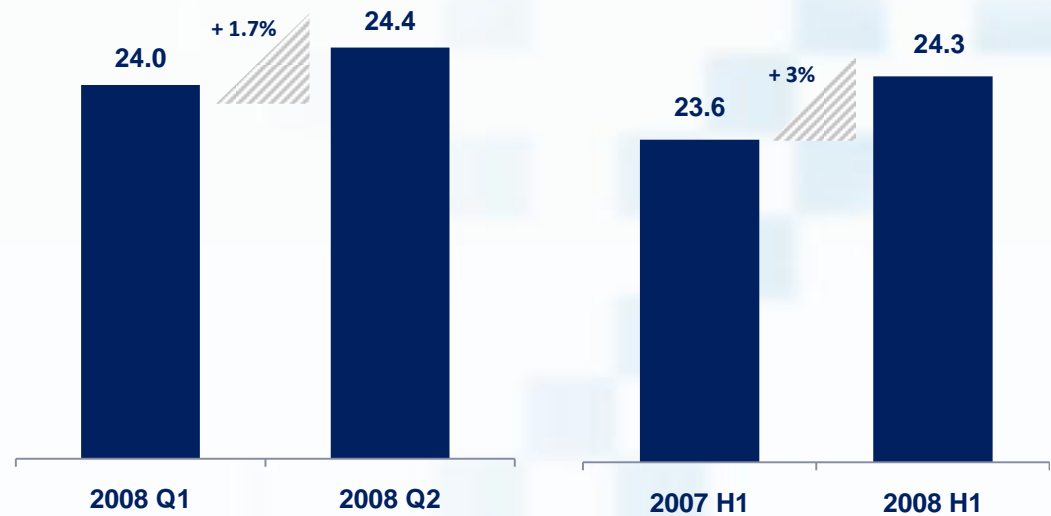
- ✓ Strong revenue growth underpinned by 36% ADSL growth
- ✓ High EBITDA margin maintained in 2008

# PSTN 2008 H1 Highlights

PSTN Access lines (million)



PSTN ARPU (TRY) (a)

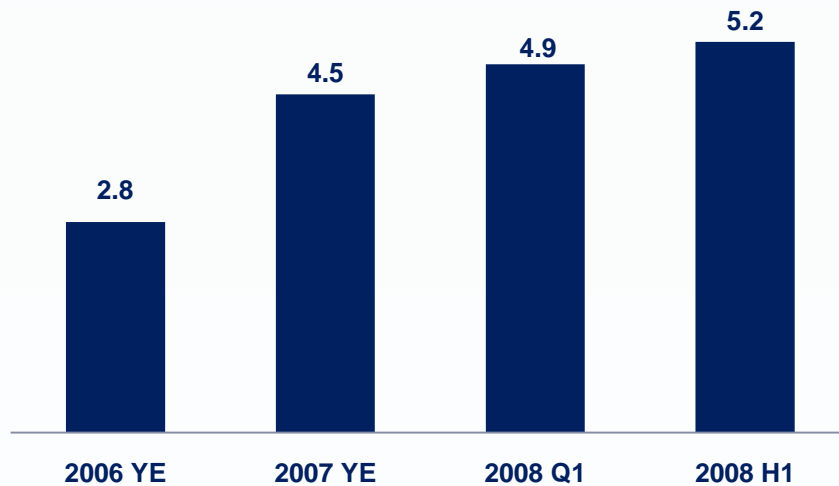


- ✓ PSTN access lines continue slight decline, but...
- ✓ PSTN ARPU is improving

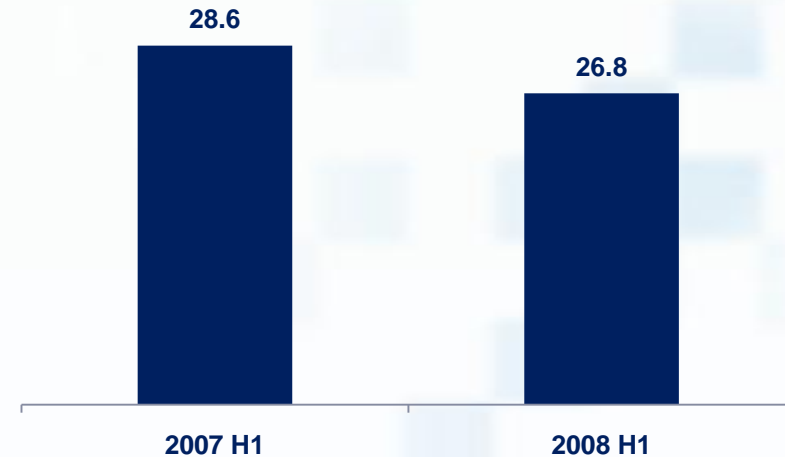
(a) The numbers represent the PSTN revenue divided by annual average PSTN access lines in service.

# ADSL 2008 H1 Highlights

Wholesale ADSL Connections (million)



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



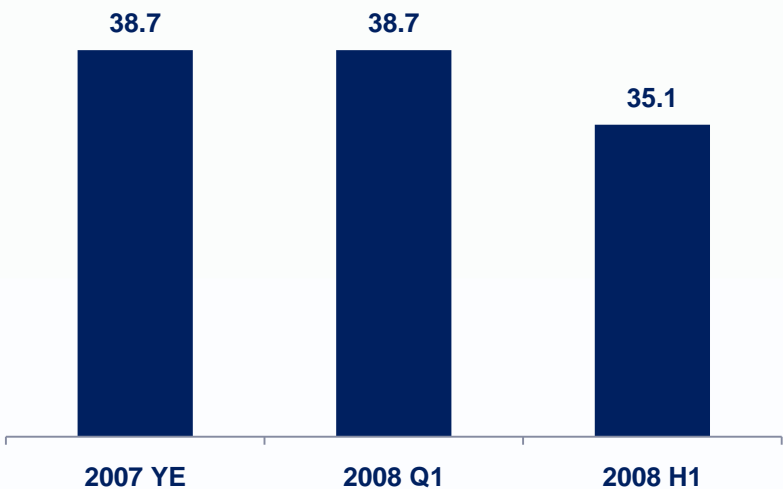
- ✓ Connection growth continuing, but all growth from TTNNet only...
- ✓ ADSL ARPU in-line with expectations

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

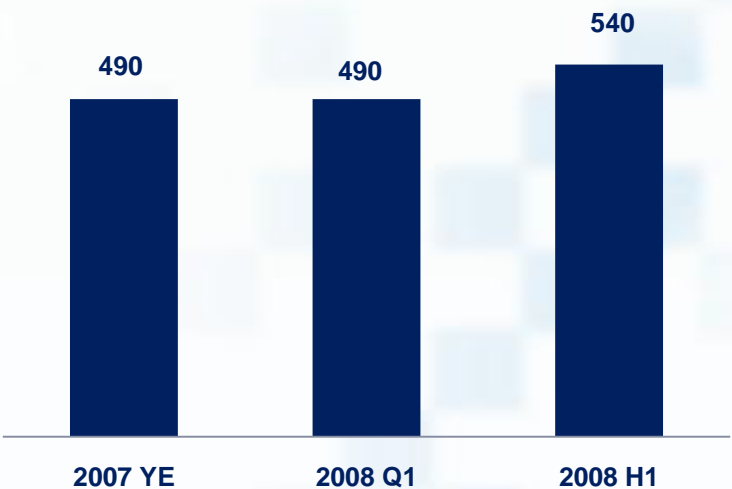
# Fixed Line Employee



No of Employees (thousand)

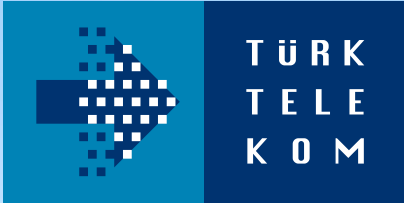


Access Lines Per Network Employee <sup>(a)</sup>



✓ Employee numbers see a significant decline in H1 2008

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



## Section III: Mobile Business



# Mobile Initiatives

✓ Competitive offers launched for Mass, SME and Corporate customers; **HerYöne300**,

**TümiŞ+Ofis, Sınırsız Kamu**

✓ Differentiated Simcard “**Patlıcan Sim Card** “ and campaigns for Patlıcan members

✓ Scratch card prices has increased by 6.5% in Q2 and 3.4% in Q1 totaling to 10% in H1

✓ Joint campaigns with Türk Telekom and TTNET

✓ **Kontör Deryası**; seasonal campaign, stimulating reloads

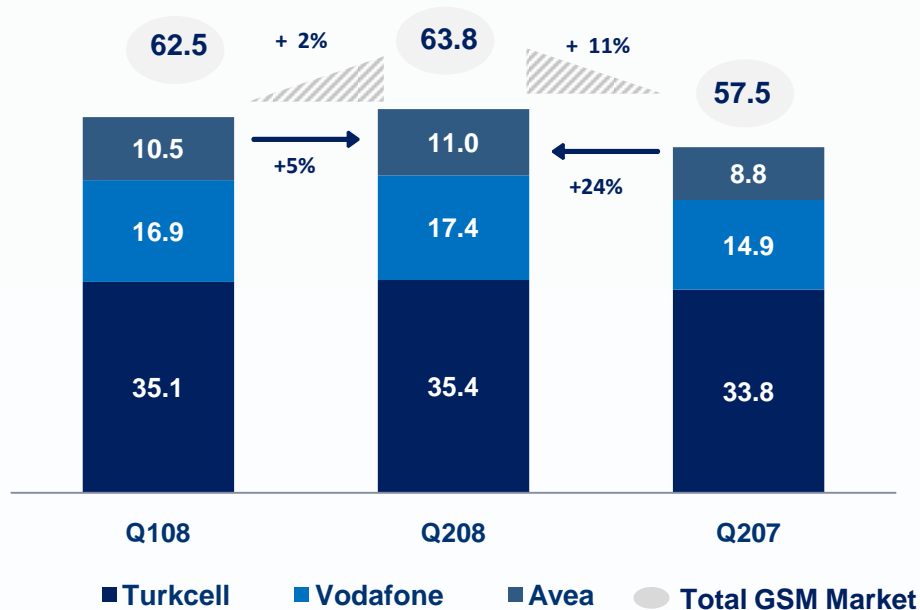
✓ **AranKazan**; Prepaid Loyalty Program

✓ **VAS services**; Müzik İndir, Electronic signature, Windows messenger, m-government services

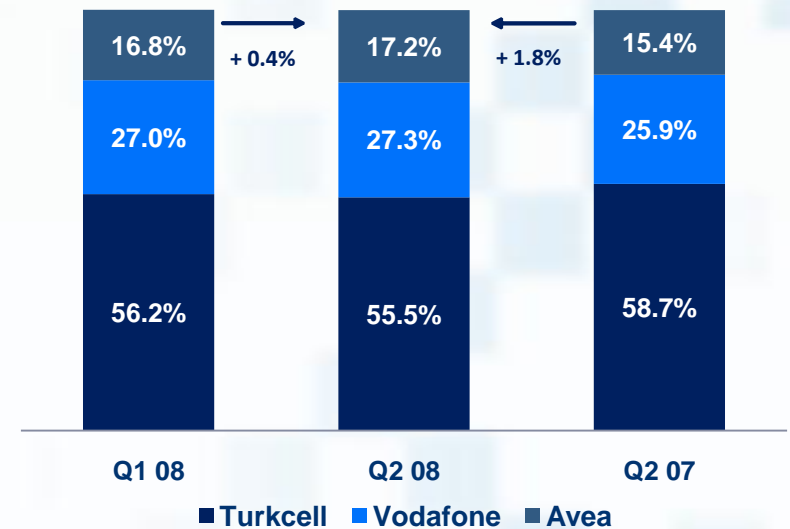


# Mobile Competition

Mobile Growth (Subscriber Base-million)



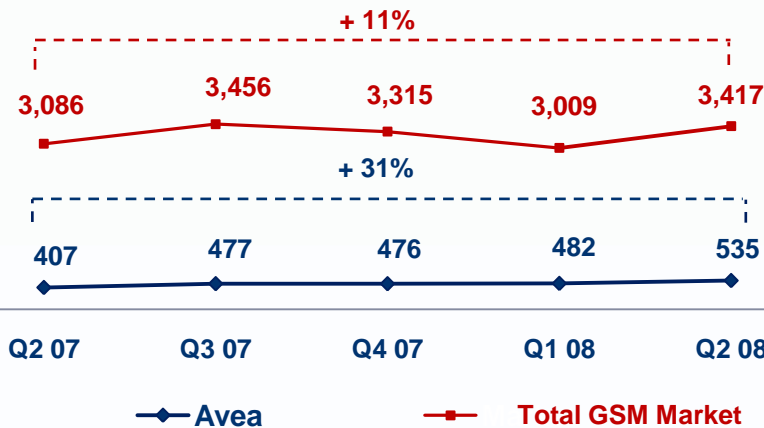
Market Share (Subscriber Base)



- ✓ Total market penetration reached 90% in Q208
- ✓ Avea continued to increase its Market Share, as it has done for the last six quarters

# Mobile Market Review

Revenue Trend (TRY million)

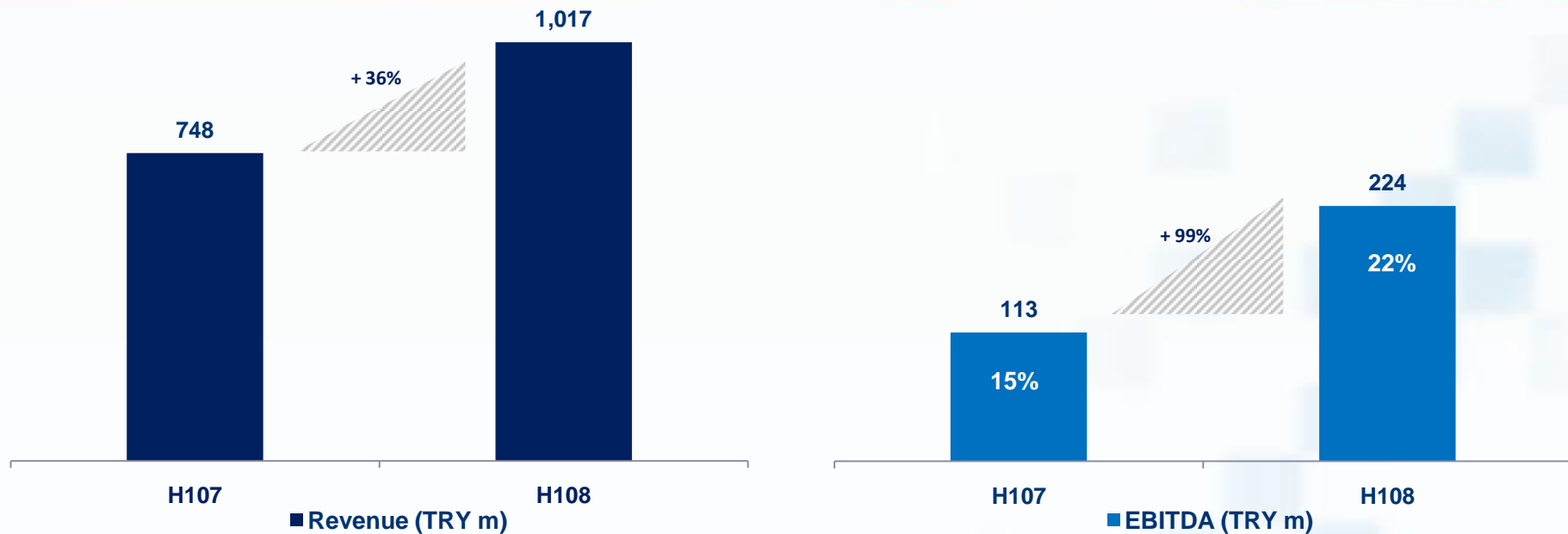


ARPU Trend (TRY)



- ✓ Avea has grown its revenues by 31% in Q208 vs Q207 while the growth of market revenues was limited to 11%
- ✓ Avea has been the only operator growing its ARPU in Q208 compared to Q207

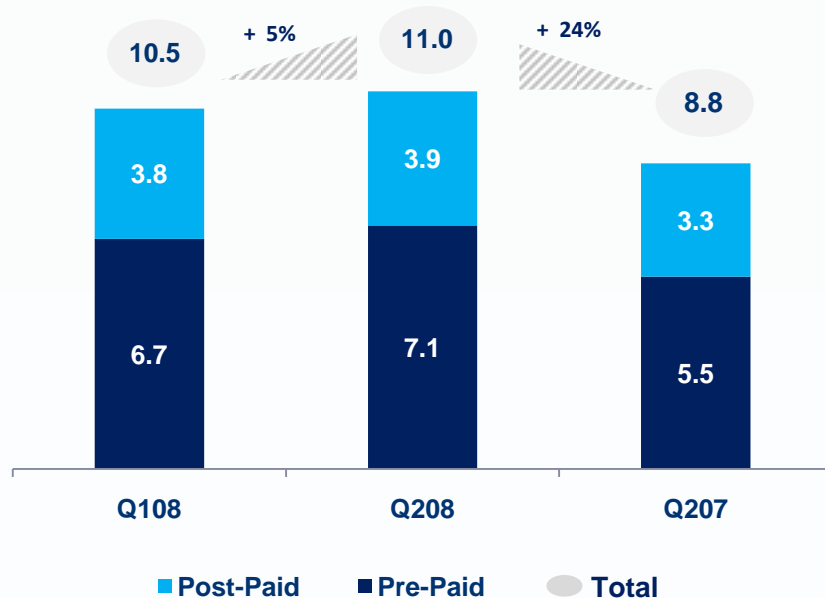
# Mobile Business Revenue & EBITDA Highlights



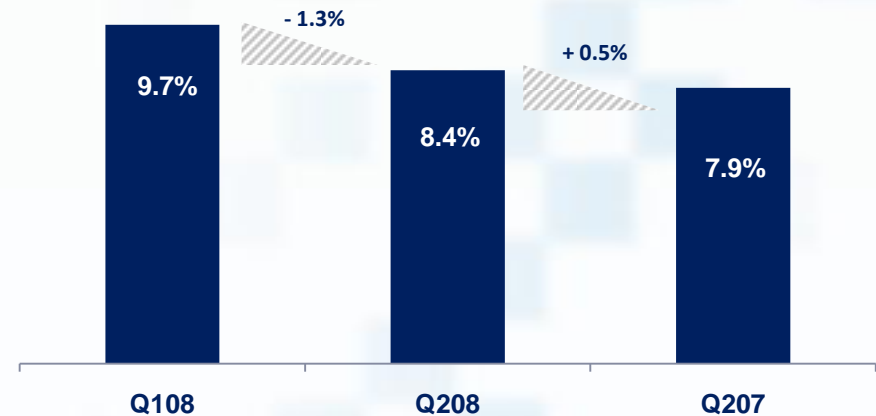
- ✓ Avea has almost doubled the EBITDA in H108 compared to the same period of 2007, with the EBITDA margin reaching 22%

# Mobile Business

Subscriber Base (million)



Churn Rate (%)



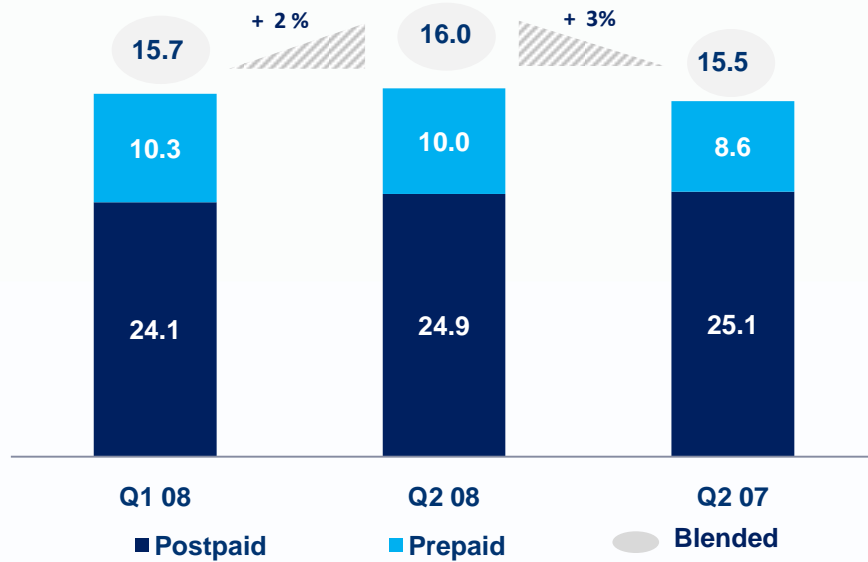
- ✓ Mobile customers increased by 1.1 million in H1 2008 reaching 11 million
- ✓ YoY customer growth is 24%, double of the market growth

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

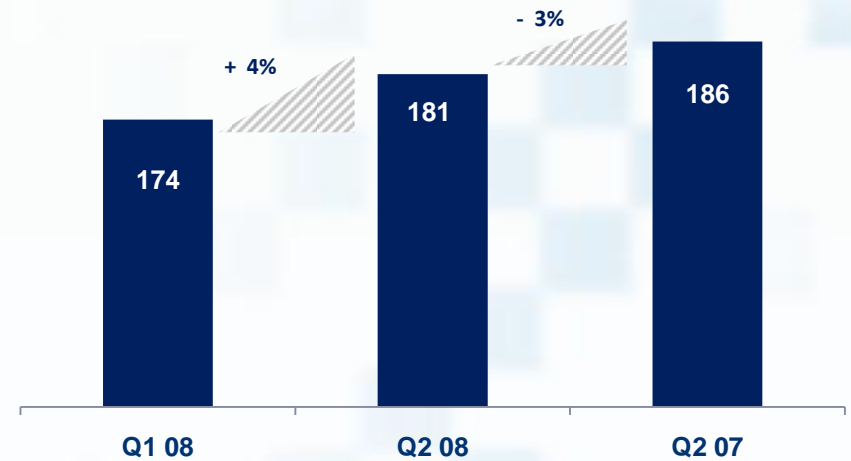
# Mobile Business



ARPU (TRY)



Blended MoU

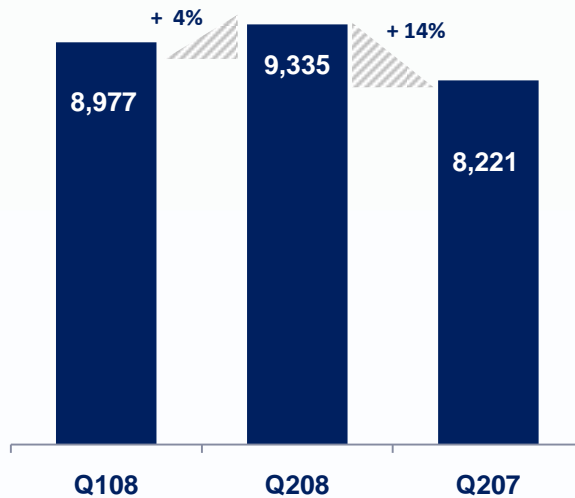


- ✓ Blended ARPU increased by Q207 and Q108 despite decrease in the termination rates in Q2 by 33%
- ✓ Postpaid ARPU decrease from Q207 related to the termination rate reduction impact

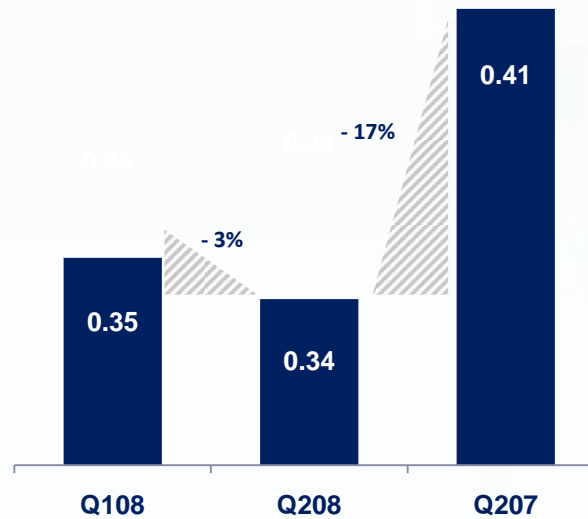


# Mobile Business

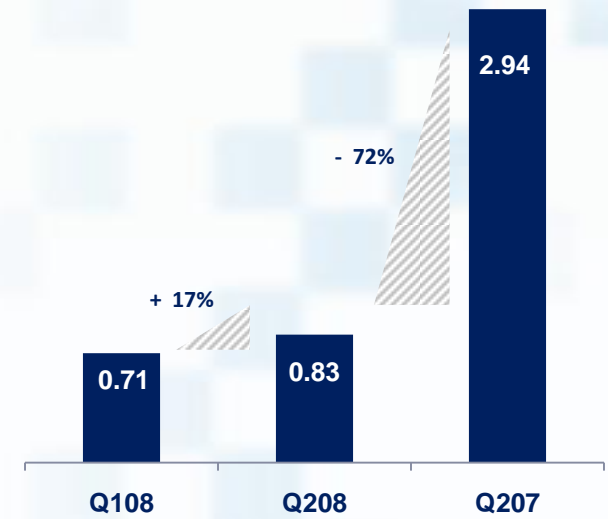
No. of Sites



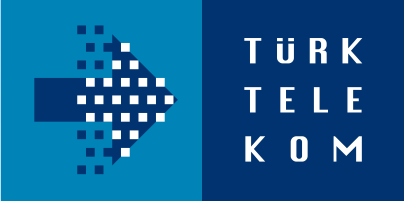
Network Busy Hour Call Drop Rate (%)



Network Busy Hour Call Block Rate (%)



- Coverage reached to
  - 99.83% in areas populated 3000+ households,
  - 99.47% in areas populated 2000+ households and
  - 98.57% in areas populated 1000+ households.
- EDGE Penetration Rate 91.3%
- Population Coverage 94.1%
- Surface Coverage 70.0%



# APPENDIX

# Summary Türk Telekom Consolidated P&L

| <i>TRY million</i>                               | 2007         | 2007 H1      | 2008 H1      |
|--|--------------|--------------|--------------|
| <b>Revenues</b>                                  | <b>9,424</b> | <b>4,463</b> | <b>4,977</b> |
| Change   |              |              | 12%          |
| <b>EBITDA</b>                                    | <b>4,204</b> | <b>2,042</b> | <b>2,182</b> |
| Margin   | 45%          | 46%          | 44%          |
| <b>Operating Profit</b>                          | <b>2,566</b> | <b>1,200</b> | <b>1,351</b> |
| Margin   | 27%          | 27%          | 27%          |
| <b>Profit Before Tax</b>                         | <b>3,001</b> | <b>1,404</b> | <b>1,298</b> |
| Margin   | 32%          | 31%          | 26%          |
| <b>Profit/(Loss) For The Year <sup>(a)</sup></b> | <b>2,547</b> | <b>1,102</b> | <b>1,026</b> |
| Margin   | 27%          | 25%          | 21%          |

(a) After Minority Interest

# Summary Türk Telekom Consolidated Balance Sheet

| <i>TRY million</i>                          | 2007 YE       | 2008 H1       |
|---|---------------|---------------|
| Intangible Asset <sup>(a)</sup>             | 2,691         | 2,650         |
| Tangible Assets <sup>(b)</sup>              | 6,546         | 6,263         |
| Other Assets <sup>(c)</sup>                 | 2,200         | 2,365         |
| Cash and equivalents                        | 1,333         | 1,103         |
| <b>Total Assets</b>                         | <b>12,770</b> | <b>12,381</b> |
| Share capital                               | 3,260         | 3,260         |
| Reserves and retained earnings              | 2,900         | 1,133         |
| Interest Bearing Liabilities <sup>(d)</sup> | 2,148         | 2,942         |
| Provisions for long-term employee benefits  | 965           | 872           |
| Other Liabilities <sup>(e)</sup>            | 3,497         | 4,174         |
| <b>Total Equity And Liabilities</b>         | <b>12,770</b> | <b>12,381</b> |

(a) Intangible assets including goodwill

(b) Tangible assets include property, plant and equipment, investment property and assets held for sale

(c) Major items within Other Assets are Trade Receivables, Due from Related Parties, Interest in Jointly Controlled Entity, Other Current and Non-Current Assets

(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 Other Non-Current Liabilities, Deferred Tax Liability, Trade Payables, Provisions, Income Tax Payable, Due to Related Parties, Other Payables and Expense Accruals and Minority Put Option Liability



# Summary Consolidated Cash Flow Statement

| <i>TRY million</i>                  | 2007   | 2007 1H | 2008 1H |
|-------------------------------------|--------|---------|---------|
| Cash Flow From Operating Activities | 3,106  | 1,301   | 1,325   |
| Cash Flow From Investing Activities | -700   | -102    | -309    |
| <i>Capex</i>                        | -992   | -292    | -460    |
| <i>Other Investing Activities</i>   | 292    | 190     | 151     |
| Cash Flow From Financing Activities | -2,577 | -2,045  | -1,246  |
| Net Change in Cash Position         | -171   | -846    | -230    |

# Summary PSTN and Broadband P&L

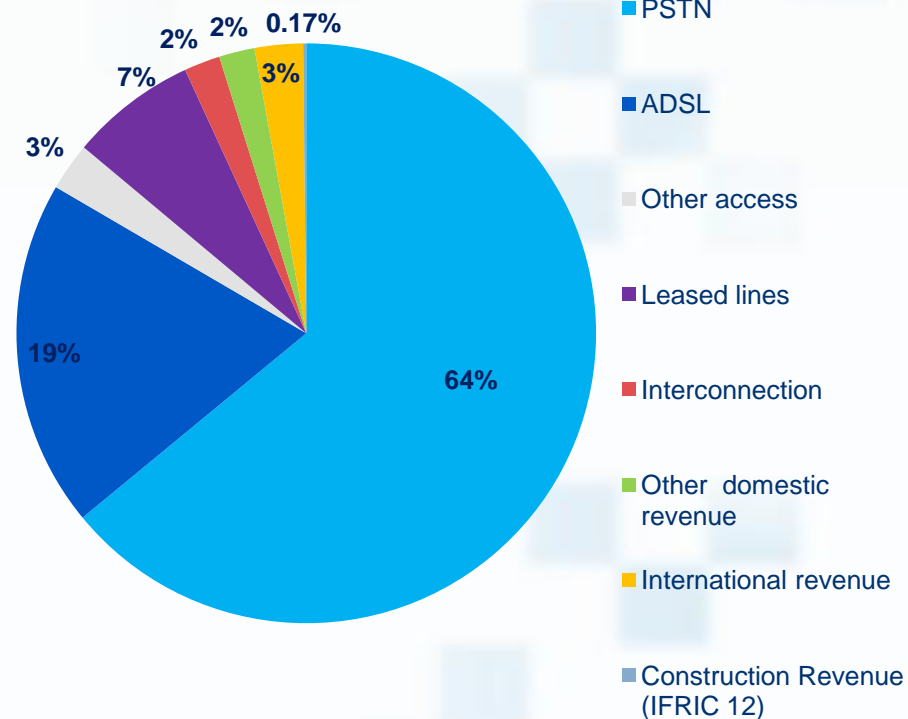
| <i>TRY million</i>      | 2007         | 2007 H1      | 2008 H1      |
|-------------------------|--------------|--------------|--------------|
| <b>Revenues</b>         | <b>7,943</b> | <b>3,817</b> | <b>4,081</b> |
| <i>Change</i>           |              |              | 7%           |
| <b>Operating Profit</b> | <b>2,712</b> | <b>1,294</b> | <b>1,375</b> |
| <i>Margin</i>           | 34%          | 34%          | 34%          |
| <b>EBITDA</b>           | <b>3,870</b> | <b>1,899</b> | <b>1,958</b> |
| <i>Margin</i>           | 49%          | 50%          | 48%          |
| <b>Capex</b>            | <b>898</b>   | <b>226</b>   | <b>404</b>   |
| Capex as % of Revenue   | 11%          | 6%           | 10%          |



# PSTN and Broadband Revenue Breakdown

| TRY million                          | 2007         | 2007 H1      | 2008 H1      | YoY Change |
|--------------------------------------|--------------|--------------|--------------|------------|
| PSTN                                 | 5,336        | 2,647        | 2,613        | -1%        |
| ADSL                                 | 1,224        | 580          | 791          | 36%        |
| Other access                         | 170          | 77           | 109          | 42%        |
| Leased lines                         | 523          | 257          | 288          | 12%        |
| Interconnection <sup>(a)</sup>       | 170          | 90           | 82           | -9%        |
| Other domestic revenue               | 119          | 59           | 81           | 37%        |
| International revenue <sup>(b)</sup> | 210          | 80           | 110          | 38%        |
| <b>Sub-Total Revenue</b>             | <b>7,752</b> | <b>3,790</b> | <b>4,074</b> | <b>7%</b>  |
| Construction Revenue (IFRIC 12)      | 191          | 27           | 7            |            |
| <b>Total Revenue</b>                 | <b>7,943</b> | <b>3,817</b> | <b>4,081</b> | <b>7%</b>  |

Revenue Breakdown 2008 H1



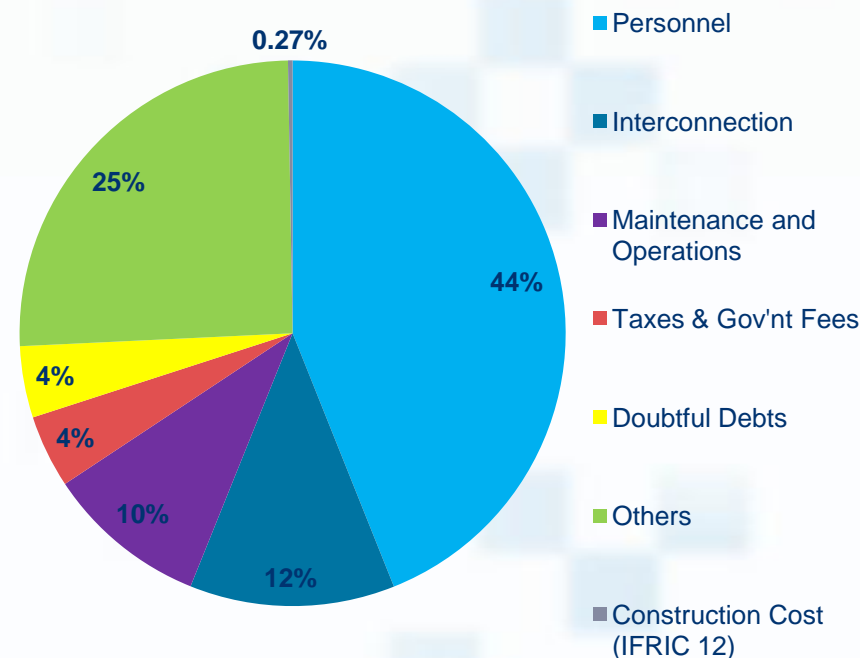
(a) Interconnection includes Domestic and International

(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 H1      | 2008 H1      |
|--------------------------|--------------|--------------|--------------|
| Cost of Services         | 3,309        | 1,550        | 1,485        |
| Selling and Marketing    | 521          | 248          | 256          |
| General & Administrative | 530          | 255          | 473          |
| Research & Development   | -            | -            | 7            |
| <b>Total Opex</b>        | <b>4,360</b> | <b>2,053</b> | <b>2,221</b> |

OPEX Breakdown 2008 H1 (a)



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

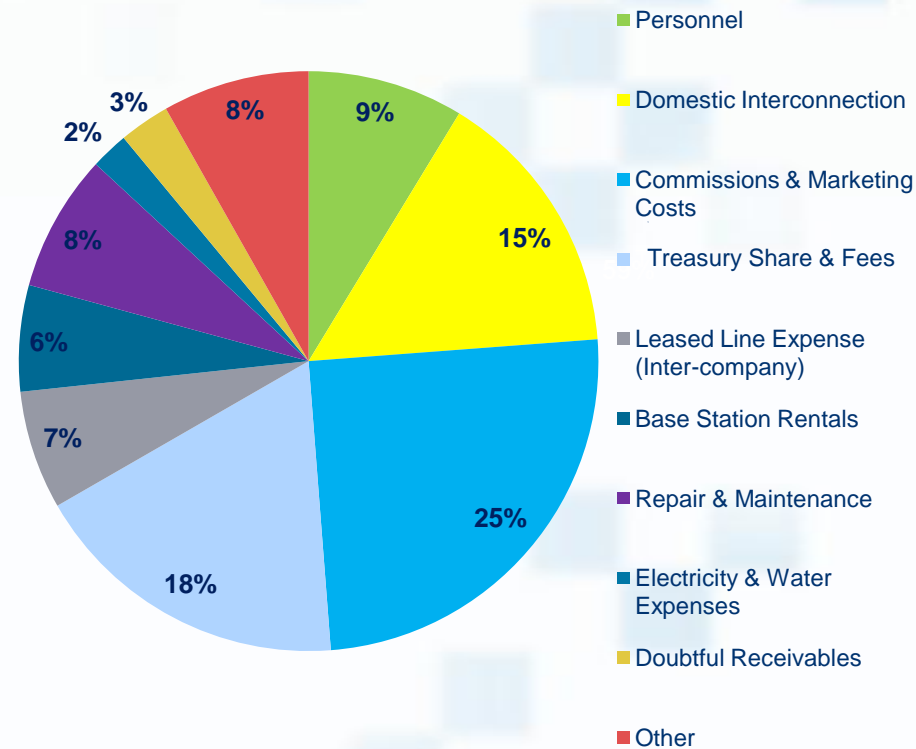
# Avea Summary P&L

| <i>TRY million</i>          | 2007 YE      | 2007 H1    | 2008 H1      |
|-----------------------------|--------------|------------|--------------|
| <b>Revenues</b>             | <b>1,701</b> | <b>748</b> | <b>1,017</b> |
| <i>Change</i>               |              |            | 36%          |
| Total Operating Expenses    | -1,396       | -635       | -793         |
| Amortization & Depreciation | -480         | -237       | -248         |
| FX Gain / Loss (Net)        | 325          | 137        | -100         |
| <b>EBITDA</b>               | <b>305</b>   | <b>113</b> | <b>224</b>   |
| <i>Margin</i>               | 18%          | 15%        | 22%          |
| <b>Capex (Exc. Leasing)</b> | <b>285</b>   | <b>101</b> | <b>113</b>   |
| Capex as % of Revenue       | 17%          | 14%        | 11%          |

# Summary Mobile Business OPEX Composition

| OPEX Breakdown           | 2007 YE      | 2007 H1    | 2008 H1    |
|--------------------------|--------------|------------|------------|
| Cost of Services         | 845          | 378        | 467        |
| Selling and Marketing    | 407          | 203        | 238        |
| General & Administrative | 144          | 54         | 88         |
| <b>Total Opex</b>        | <b>1,396</b> | <b>635</b> | <b>793</b> |

OPEX Breakdown 2008 H1





# 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.

