

TÜRK TELEKOMÜNİKASYON A.Ş.



**INTERIM ACTIVITY REPORT AS OF 30.09.2019
BASED ON NO:II-14.1 COMMUNIQUÉ OF CAPITAL MARKETS
BOARD**

October 31, 2019

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1. OVERVIEW OF TÜRK TELEKOM

Türk Telekom, with 179 years of history, is the first integrated telecommunications operator in Turkey. In 2015, Türk Telekomünikasyon A.Ş. adopted a “customer-oriented” and integrated structure in order to respond to the rapidly changing communication and technology needs of customers in the most powerful and accurate way, while maintaining the legal entities of TT Mobil İletişim Hizmetleri A.Ş. and TTNET A.Ş. intact and adhering to the rules and regulations to which they are subject. Having a wide service network and product range in the fields of individual and corporate services, Türk Telekom unified its mobile, internet, phone and TV products and services under the single “Türk Telekom” brand as of January 2016.

“Turkey’s Multiplay Provider” Türk Telekom has 14.6 million fixed access lines, 11.3 million broadband, 3.6 million TV and 22.8 million mobile subscribers as of September 30, 2019. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 31,530 employees with the vision of introducing new technologies to Turkey and accelerating Turkey’s transformation into an information society.

Türk Telekomünikasyon A.Ş., providing PSTN and wholesale broadband services, directly owns 100% of mobile operator TT Mobil İletişim Hizmetleri A.Ş., retail internet services, IPTV, satellite TV, Web TV, Mobile TV, Smart TV services provider TTNET A.Ş., convergence technologies company Argela Yazılım ve Bilişim Teknolojileri A.Ş., IT solution provider Innova Bilişim Çözümleri A.Ş., online education software company Sebit Eğitim ve Bilgi Teknolojileri A.Ş., call center company AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş., project development and corporate venture capital company TT Ventures Proje Geliştirme A.Ş, Electric Supply and Sales Company TTES Elektrik Tedarik Satış A.Ş. wholesale data and capacity service provider Türk Telekom International, and indirectly owns 100% of subsidiaries of Türk Telekom International, TV Broadcasting and VOD services provider Net Ekran Companies, telecommunications devices sales company TT Satış Ve Dağıtım Hizmetleri A.Ş and payment services company TT Ödeme ve Elektronik Para Hizmetleri A.Ş. and counselling services company 11818 Rehberlik ve Müşteri Hizmetleri A.Ş.

2. CORPORATE STRUCTURE

Ownership Structure

Group	Shareholder	Paid-in Capital Amount (TL)	Share (%)
A	LYY Telekomünikasyon A.Ş.	1,925,000,000.00	55
B	Republic of Turkey Ministry of Treasury and Finance	875,011,884.975	25
C	Republic of Turkey Ministry of Treasury and Finance	0.01	
B	Turkish Wealth Fund	174,988,115.015	5
D	Free Float	525,000,000.00	15
Total		3,500,000,000.00	100

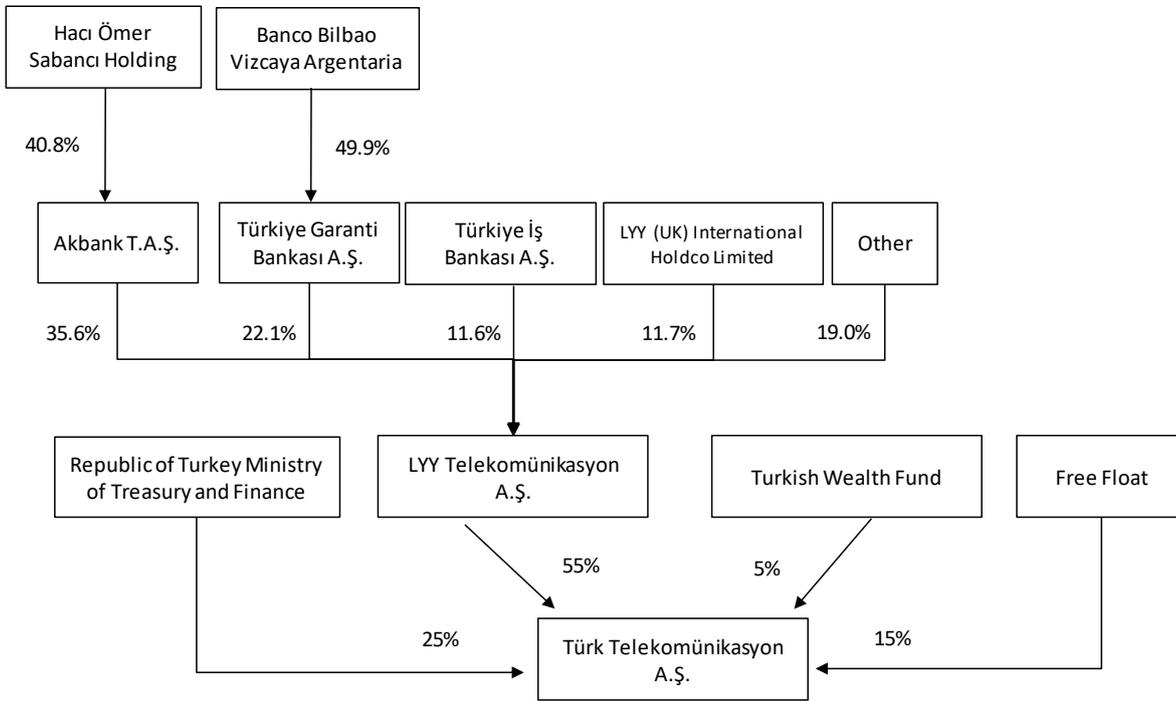
Note: According to the Official Gazette on February 5, 2017, the Council of Ministers decided to transfer the 6.68% stake (5% B Group shares and 1.68% D Group shares) of the Company belonging to the Turkish Treasury to the Turkish Wealth Fund. The transaction was completed in 2017.

The Türk Telekom Shareholders' Agreement and the Articles of Association further state that the Turkish Treasury owns a "golden share" (Class C share). The "golden share" is entitled to nominate a Board Member and has the below rights as per article 6 of the Articles of Association;

"In order to protect Turkey's national interests relating to national security and the economy, the Class C share's positive vote is required for the following matters regardless of the voting result in the Board or General Assembly, otherwise accepted as null and void;

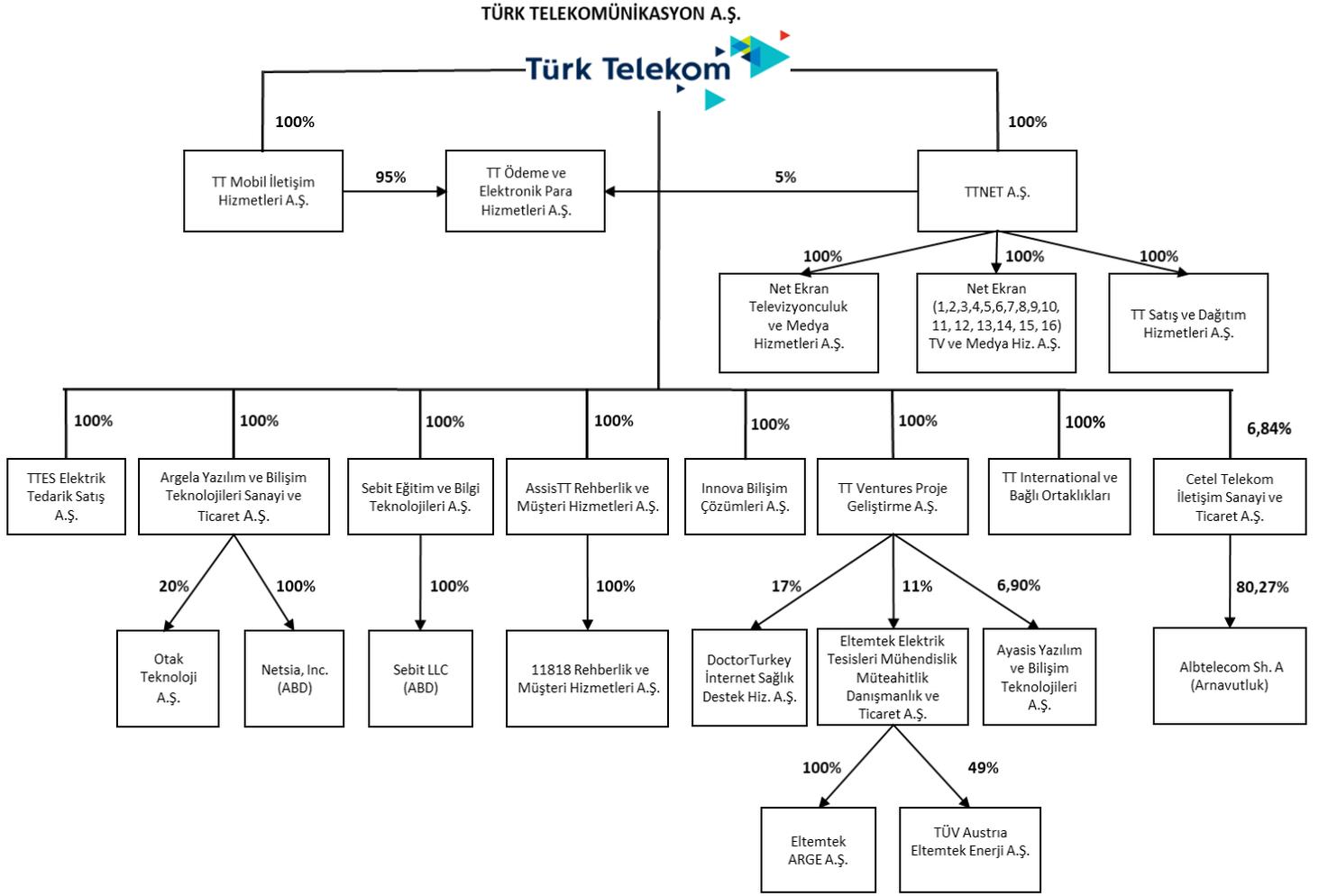
- a) Any proposed amendments to the Articles of Association;
- b) The transfer of any of the Company's registered shares which would result in a change in management control;
- c) The registration of any transfer of the Company's registered shares in the shareholder ledger.

Natural and legal persons owning over 5% of our Company shares, directly or indirectly are stated below:



Note: There is no natural or legal persons whose shareholding exceeds 5% except those shown in the shareholder structure.

- Subsidiaries and financial investments:



Management and Organization

Board of Directors

Dr. Ömer Fatih Sayan

Eyüp Engin

Yiğit Bulut

Hakan Aran

Selim Dursun

Dr. Nureddin Nebati

Dr. Muammer Cüneyt Sezgin

Aclan Acar

Ertuğrul Altın

Chairman of the Board of Directors and Member of the Board of Directors

Vice Chairman of Board of Directors and Independent Member of Board of Directors

Independent Member of the Board of Directors

Member of the Board of Directors

Independent Member of the Board of Directors

Independent Member of the Board of Directors

Member of the Board of Directors

Member of the Board of Directors

Member of the Board of Directors

Senior Management

Ümit Önal	CEO - General Manager Marketing and Customer Care Assistant General Manager (Acting) Sales Assistant General Manager (Acting)
Kaan Aktan	Finance Assistant General Manager
Dr. Ramazan Demir	Digital and Cyber Security Product Development Assistant General Manager
Fırat Yaman Er	Strategy, Planning and Business Development Assistant General Manager
Yusuf Kıraç	Technology Assistant General Manager
Mehmet Beytur	Support Services and Procurement Management Assistant General Manager Human Resources Assistant General Manager (Acting)
Yakup Öztunç	Legal and Regulation Assistant General Manager
Yavuz Türkmen	Head of Internal Audit
Yavuz Yıldırım	Wholesale Assistant General Manager

3. SIGNIFICANT BOARD RESOLUTIONS

Significant Board Resolutions taken during the period are presented under Material Issues During the Period section.

4. PERSONNEL MOVEMENTS

Consolidated headcount as of the 30.09.2019 and 31.12.2018 are 31,530 and 33,417 respectively.

5. FINANCIAL RISK MANAGEMENT

Türk Telekom Group is exposed to financial risks such as liquidity risk, foreign exchange risk, interest rate risk and counterparty risk.

To minimize liquidity risk, the Group obtains long-term financing from several geographies (U.S., Europe, Gulf, Japan, China, and Turkey) and several sources (commercial banks, international financial institutions such as EIB and EBRD, officially supported export credit agencies and bond). This strategy enables the Group to secure long-term financing at lower costs and also eliminates the Group's dependency on a single region or investor group.

Relating to Eurobonds issued by Türk Telekom, the Group actively monitors the price and yield dynamics of these bonds, which are tradeable instruments in the secondary markets, in order to formulate optimum cash management strategies on a total return and cost basis.

Long-term financing and diversified sources result in the Group carrying liabilities in foreign currencies. Due to net liabilities denominated in foreign currencies and fluctuating exchange rates, the Group is often exposed to foreign exchange risk, which may have an impact on cash flow and the balance sheet.

Türk Telekom minimizes the negative impact of foreign exchange risk on its cash flow by carefully planning foreign currency cash flow. In the face of exchange rate fluctuations between the Turkish Lira and these foreign currencies, the Group initiated a long-term hedging strategy in 2015. In this framework, as of 30 September 2019 the Company has hedge position of USD 2.14 billion equivalent, details of which are provided in the footnotes to the financial statement. Furthermore, in order to create a natural hedge against foreign exchange risk, Türk Telekom keeps a significant portion of its liquid assets in the form of foreign exchange cash.

To avoid interest rate risk, as of 30 September 2019 Türk Telekom has a position of USD 450 million equivalent of interest-rate swap, details of which are provided in the footnotes in the financial statements. Together with the use of fixed-cost funds such as bonds, Türk Telekom reduces its exposure to the risk of a floating interest rate.

With regard to its financial assets, Türk Telekom maintains its strategy of minimizing exposure to counterparty risks by implementing limits and a diversification policy.

Türk Telekom carries the transactions to manage the financial risks based on the Financial Risk Management Policy approved by the Board of Directors.

6. MATERIAL ISSUES DURING THE PERIOD

Regulatory Disclosure dated 18.07.2019 - Revision of Corporate Rating by Fitch

On July 12 2019, Fitch Ratings revised Turkey's Long-term Foreign Currency Issuer Default Rating (IDR) from "BB" to "BB-". Country ceiling was also revised from "BB+" to "BB-".

As a result of the revision in the country rating and country ceiling, Fitch has revised our Company's long-term foreign and local currency issuer default ratings (IDRs) and senior unsecured instrument ratings from "BB+" to "BB-".

Regulatory Disclosure dated 26.07.2019 - Guidance Revision for 2019 Consolidated Financial Results

Our company has decided to revise upwards its 2019 guidance on EBITDA on the back of strong operational profitability in the first half of 2019.

Accordingly, under current circumstances, guidance for 2019 is as below;

- Consolidated revenue growth (excluding IFRIC 12) to be around 15% - 16% over 2018
- Consolidated EBITDA to be at TL 10.3 billion and TL 10.5 billion levels
- Consolidated CAPEX to be around TL 4.6 billion – TL 4.8 billion

	Previous Guidance	Revised Guidance
Consolidated Revenue Growth (excluding IFRIC 12)	Around 15% - 16%	Around 15% - 16%
Consolidated EBITDA	TL 10.0 billion - TL 10.2 billion	TL 10.3 billion - TL 10.5 billion
Consolidated CAPEX	Around TL 4.6 billion - TL 4.8 billion	Around TL 4.6 billion - TL 4.8 billion

Our company adopted IFRS 16 accounting standards starting from 1 January 2019.

EBITDA includes IFRS 16 impact, while CAPEX does not include gross additions to right of use assets (TL 850- 900 million) which is netted of by gross additions to leasing liability arising from IFRS 16.

Regulatory Disclosure dated 26.07.2019 - Conclusion of the Related Party Transactions Report

Common and recurring asset, service and liability transfer transactions between TTNET A.Ş. and Türk Telekom in 01.01.2018 – 31.12.2018 financial year exceeded 10% of the reported sales revenue of Türk Telekom as stated under its 2018 year-end financial tables and projected to exceed in 2019. These transactions are considered to be made with fair, reasonable and suitable to arm's length prices considering positive discrimination for operators excluding TTNET A.Ş. by current pricing regulations.

Apart from those there are no asset, service and liability transfer transactions exceeding the threshold with the other related parties and is not projected to be done in 2019.

In addition, there is no non-recurring asset, service and liability transfers which reached or exceeded or projected to reach or exceed 5% of the publicly announced sales revenue, total assets or average of the adjusted daily weighted average market capitalization for 6 months period prior to the related Board Resolution date, as defined by the Article 9 of the Communiqué.

Regulatory Disclosure dated 31.07.2019 - Announcement Regarding the Change in Management

Our Company's General Manager/CEO Boulos H.B. Doany decided to leave his position which he held since September 26, 2016. Mr. Ümit Önal, our Company's Marketing and Customer Care Assistant General Manager is appointed as acting General Manager/CEO of Türk Telekom.

We thank Boulos H.B. Doany for his efforts and invaluable contributions to our Company through his service, and wish him every success in his future career.

Ümit Önal

Starting his professional life in media and communication sector, Ümit Önal joined Turkuvaz Media Group in 2007 and worked as General Manager of ATV, Advertisement VP and Executive Committee Member respectively until 2015.

In 2015, Ümit Önal took over the position of CEO and Executive Board Member of Digitürk and managed the sale process of Digitürk to BeIN group successfully.

Ümit Önal joined Türk Telekom at the end of 2016 and he served as Sales and Customer Care Assistant General Manager between 2016 and 2018. He has also served as Marketing and Customer Care Assistant General Manager since December 2018.

By leading the most successful growth performance since the IPO of Türk Telekom, in 2018 Ümit Önal put his signature under the record subscriber growth and highest revenue increase of the last decade.

As of 31st July 2019, Ümit Önal has been appointed as the CEO of Türk Telekom, the leader telecommunication and technology company of Turkey and he started to work with the vision of leading to the digital and technological transformation of our country.

He has more than 20 years expertise in media industry, which gave him a chance to be a part of Turkey's media transformation and he has played an active role in sector organizations throughout his career. He is the former Chairman and current Board Member at TIAK (TV Monitoring and Research Committee) and Committee Chairman at TVYD (Association of TV Broadcasters). He is married and father of three daughters. Ümit Önal, born in 1973, graduated from İstanbul University Department of Advertising and Public Relations of Faculty of Communication.

Regulatory Disclosure dated 07.08.2019 - Collective Bargaining Agreement negotiations were concluded with an agreement

Collective Bargaining Agreement negotiations between our company and Haber-İş Union for the 13th period that started on April 16, 2019 were concluded with an agreement. This Collective Bargaining Agreement covering around 10,200 of our unionized employees in Turkey will be effective for 2 years between March 1, 2019 and February 28, 2021.

According to the agreement, wage increases of all our unionized employees for the

- first 6-month period will be TL 480,
- second 6-month period will be TL 300,
- third and fourth 6-month periods will be 4.25% respectively.

Additionally, if CPI in the third and fourth 6-month periods exceeds 4.25% respectively, wages will be adjusted by the excess of the corresponding amount.

Regulatory Disclosure dated 19.09.2019 - Financial Advisory Mandate for sale of Levent Yapılandırma Yönetimi A.Ş. / Türk Telekomünikasyon A.Ş. shares

The regulatory disclosure by the shareholders of our main shareholder Levent Yapılandırma Yönetimi A.Ş. is as below.

"Morgan Stanley & Co. International plc. (Morgan Stanley) has been mandated as financial adviser for sale of Levent Yapılandırma Yönetimi A.Ş. or its 55% stake in Türk Telekomünikasyon A.Ş., and required steps for the process and sale negotiations with potential buyers will be initiated in this respect. Ak Yatırım

Menkul Değerler A.Ş., Garanti Yatırım Menkul Kıymetler A.Ş. and İş Yatırım Menkul Değerler A.Ş. will act as local advisers in the sale process."

Regulatory Disclosure dated 24.09.2019 - Organizational Changes

In line with the strategic goals of our company, the following changes have been made in our top management structure in order to create a more focused organizational structure in a way to increase our agility and sustain our growth and profitability within competitive sector dynamics.

With an aim to make our operational structure more efficient and to build a more effective leadership team, the responsibilities under the "Department of Human Resources, Regulation and Support", "Legal Department" and "Procurement and Vendor Management Directorate" are restructured.

- The Regulation function which has been managed under the "Human Resources, Regulation and Support Department" is merged with "Legal Department" and shall be named as "Legal and Regulation Department".
- Support function under "Human Resources, Regulation and Support Department" shall be merged with "Procurement and Vendor Management Directorate" which is currently reporting to CEO; "Support Services and Procurement Management Assistant General Manager" position has been created and Mehmet Beytur, currently serving as İstanbul Regional Director, has been appointed as "Support Services and Procurement Management Assistant General Manager".
- Human Resources function which has been managed under "Human Resources, Regulation and Support Department" has been created as "Human Resources Department" and "Support Services and Procurement Management Assistant General Manager" Mehmet Beytur will be serving as acting "Assistant General Manager of Human Resources".

Türk Telekom International Group General Manager Mehmet Candan Toros has left his position. Şükrü Kutlu, who has been serving as "Human Resources, Regulation and Support Assistant General Manager" in the previous structure has been appointed as Türk Telekom International General Manager.

Mehmet Beytur

After receiving bachelor's degree in Electronics and Communication Engineering from İstanbul Technical University in 1991, Mehmet Beytur obtained his master's degree in Economics from Marmara University in 1995 and his Ph.D. in Business Administration from Gebze Institute of Technology in 2008.

He started his career as an access engineer at Türk Telekom (at that time PTT) in 1991 and after serving as chief engineer, manager, assistant regional manager and provincial manager, he has served as İstanbul Region Manager for more than 10 years. In this role, he carried out technical, commercial and all support functions. Cable TV, X-Bar Transformation, Rural Transformation, NGN, Fiber Transformation, Dealership System, Call Center Project, Office Conversion Project, Performance Administration System and Organizational Alteration Projects were included in some of his projects.

Mehmet Beytur is the Chairman of the Board of Directors of the Türk Telekom BYS (Saving and Aid Fund), as well as a member of the Board of Directors of Türk Telekom Basketball Club.

7. MATERIAL ISSUES AFTER THE END OF THE PERIOD

Regulatory Disclosure dated 02.10.2019 - Resolution on domestic debt securities issuance and CMB application

Our Company's Board of Directors resolved in accordance with the Capital Markets Law No. 6362, the Communiqué on Borrowing Instruments numbered VII-128.8 and other relevant legislation and Article 7 of the Articles of Association of our Company titled "Issue of Debt Securities, Bonds and Similar Securities" provided that the necessary procedures are carried out and completed in accordance with the relevant

legislation, in particular the Capital Market Legislation, the Company shall issue Turkish Lira denominated debt instrument(s) within the domestic market to be sold to qualified investors without public offering, in single or multiple tranches, with different maturities up to maximum 5 (five) years and in the form of bonds and / or bills not exceeding TL 1,000,000,000 (one billion Turkish Lira) in total, and the Company shall apply to Capital Markets Board for the issuance of debt instruments. Pursuant to that resolution, our Company has applied to the Capital Markets Board for the necessary approval today.

Regulatory Disclosure dated 03.10.2019 - Long Term Loan Agreement

Our company signed a long-term loan agreement with BNP Paribas under the insurance coverage of Finnvera (Finnish export credit agency) in order to finance our company's and its subsidiaries' capital expenditures. The amount of the facility is EUR 140 million, the final maturity is June 2029 with an average maturity of 4.2 years. The interest rate is EURIBOR + 0.25% p.a. and total cost including the other upfront costs and insurance premium is EURIBOR + 2.24% p.a.

Regulatory Disclosure dated 11.10.2019 - Senior Management Appointment

Ümit Önal, who has been serving as Acting General Manager – CEO of our Company (Türk Telekomünikasyon A.Ş.), is appointed as General Manager – CEO of our Company.

Regulatory Disclosure dated 15.10.2019 - Fitch Ratings Credit Rating Announcement

Fitch Ratings has assigned National Long-Term Rating of AA+(tur) with a Stable Outlook for our Company.

Regulatory Disclosure dated 24.10.2019 - Corporate Governance Rating Agreement Extension

Our company signed an agreement with SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA) to renew our corporate governance rating. The agreement will be valid until October 24, 2020. SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. is authorized to conduct corporate governance rating in compliance with Corporate Governance Principals of Capital Markets Board.

8. SUMMARY FINANCIAL RESULTS

Summary Türk Telekom Consolidated Balance Sheet as of 31.12.2018 and 30.09.2019

TL millions	31.12.2018	30.09.2019
Cash and Equivalents	4,495	4,767
Tangible Assets ^(a)	14,274	14,058
Intangible Assets	9,783	9,772
Other Assets ^(b)	7,647	9,696
Total Assets	36,199	38,293
Share capital	3,260	3,260
Reserves, Retained Earnings and Other Equity Items	4,193	5,725
Interest Bearing Liabilities ^(c)	19,921	20,584
Other Liabilities ^(d)	8,823	8,724
Total Equity and Liabilities	36,199	38,293

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

(b) Major items within other assets are trade receivables, due from related parties, inventories, deferred tax asset, right of use and other current assets.

(c) Includes short-term and long-term borrowings and lease obligations

(d) Major items within other liabilities are deferred tax liability, trade payables, provisions, income tax payable, due to related parties, other current liabilities and provisions for employee termination benefits

IFRS 15 Adoption

Türk Telekom adopted IFRS 15 Revenue from Contracts with Customers with a date of initial application of 1 January 2018. The Group applied IFRS 15 using the cumulative effect method – by recognizing the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the previous periods were not restated. Reconciliation of IFRS 15 change on 2018 quarterly financials are available at financial footnotes and IFRS 15 Reconciliation tab of “Summary Financial and Operational Information” file at www.ttinvestorrelations.com.

IFRS 9 Adoption

The Group has initially adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Further details are available on 2018 FY financial statements and footnotes.

IFRS 16 Adoption

Türk Telekom adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. At transition to this standard, lease liabilities were measured at the present value of the remaining lease payments, whereas the right-of-use assets for most leases were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. The previous periods were not restated. Reconciliation of IFRS 16 change on 2019 Q1, Q2 and Q3 financials are available at financial footnotes and IFRS 16 Reconciliation tab of “Summary Financial and Operational Information” file at www.ttinvestorrelations.com.

Summary Türk Telekom Consolidated Income Statement for the periods of 2018 Q3 and 2019 Q3

TL millions	2018 Q3	2019 Q3
Revenues	5,396	6,210
EBITDA	2,267	3,005
<i>Margin</i>	<i>42.0%</i>	<i>48.4%</i>
Operating Profit ^(a)	1,305	1,822
<i>Margin</i>	<i>24.2%</i>	<i>29.3%</i>
Financial Income/Expense, net^(b)	(5,077)	(475)
FX & Hedging Gain/Loss, net	(4,906)	180
Interest Income/Expense, net	(186)	(543)
Other Financial Income/Expense, net	14	(112)
Tax Income/(Expense)	926	(229)
Profit/(Loss)	(2,846)	1,117
<i>Margin</i>	<i>n.m.</i>	<i>18.0%</i>

(a) Operating profit includes revenues, cost of sales, depreciation, amortization and impairment expenses, marketing, sales and distribution expenses, general administrative expenses, research and development expenses, other operating income/(expense), and income/(expense) from investing activities, but excludes financial income/(expenses) presented in other operating income/(expenses) on CMB financial statements (i.e. FX gain/(loss), interest and rediscount income/(expense) on current accounts excluding bank borrowings).

(b) Net financial income/(expense) includes financial income/(expense) and FX gain/(loss), interest and discount income/(expense) on current accounts excluding bank borrowings which are presented in other operating income/(expenses) on CMB financial statements.