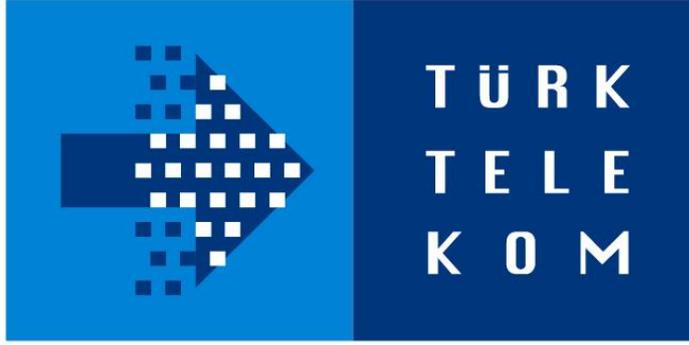


# TÜRK TELEKOMÜNİKASYON A.Ş.



INTERIM ACTIVITY REPORT AS OF 30.06.2015  
BASED ON NO:II-14.1 COMMUNIQUÉ OF CAPITAL MARKETS  
BOARD



July 22, 2015

## **CONTENTS**

- 1. OVERVIEW OF TURK TELEKOM**
- 2. CORPORATE STRUCTURE**
- 3. SIGNIFICANT BOARD RESOLUTIONS**
- 4. PERSONNEL MOVEMENTS**
- 5. FINANCIAL RISK MANAGEMENT**
- 6. MATERIAL ISSUES DURING THE PERIOD**
- 7. MATERIAL ISSUES AFTER THE END OF THE PERIOD**
- 8. SUMMARY FINANCIAL RESULTS**

## 1. OVERVIEW OF TÜRK TELEKOM

Türk Telekomünikasyon A.Ş. (“Türk Telekom”) with its subsidiaries, provides its customers with complete range of fixed line, mobile, data, and internet services as well as innovative convergence technologies through its extensive fixed-line telecommunications network, which covers almost 100% of the population.

Number of total access lines in service declined to 12.9 million in second quarter of 2015 from 13 million in the first quarter of 2015. This number was 13.4 million in the second quarter of 2014. Türk Telekom offers wholesale infrastructure services for ISPs besides being broadband internet provider having the widest sales network in Turkey, through its wholly owned subsidiary TTNET.

21% of broadband internet access in Turkey is through fixed broadband as of first quarter of 2015. The remaining 79% is attributable to mobile operators<sup>1</sup>. The number of fixed broadband subscribers of Türk Telekom increased to 7.7 million in the second quarter of 2015 from 7.4 million in the same quarter of 2014.

Türk Telekom, having 89.99% shares of Avea, the third largest mobile operator in Turkey, provides mobile communications services, including traditional and value added voice services, international roaming services, messaging and data services (using SMS, GPRS, EDGE and 3G technologies).

Avea has been founded in 2004 as a result of the merger of Aycell and Aria brands. Thanks to its performance, from its foundation to the second quarter of 2015 its subscriber base rose from 4.8 million to 16.7 million.

In addition to fixed line and mobile voice and data services, Türk Telekom operates IT consulting services, telecommunications product and software services and education businesses through its wholly owned subsidiaries Innova, Argela and Sebit. Türk Telekom also operates CRM systems, directory services and call centers through its wholly owned subsidiary AssisTT. Finally Türk Telekom International (with their old names respectively Invitel and Pantel), data and wholesale capacity provider, joined to Türk Telekom Group in 2010. In addition to these, Türk Telekom has 20% shares of CETEL that holds 76% shares of Albtelecom, incumbent fixed line operator in Albania.

Türk Telekom supports various education projects, sports, arts and environmentally sensible activities as part of its social responsibility program.

---

<sup>1</sup>Source: 2015 2<sup>nd</sup> Quarter Sector Report of Turkish Information and Communications Technologies Authority

## 2. CORPORATE STRUCTURE

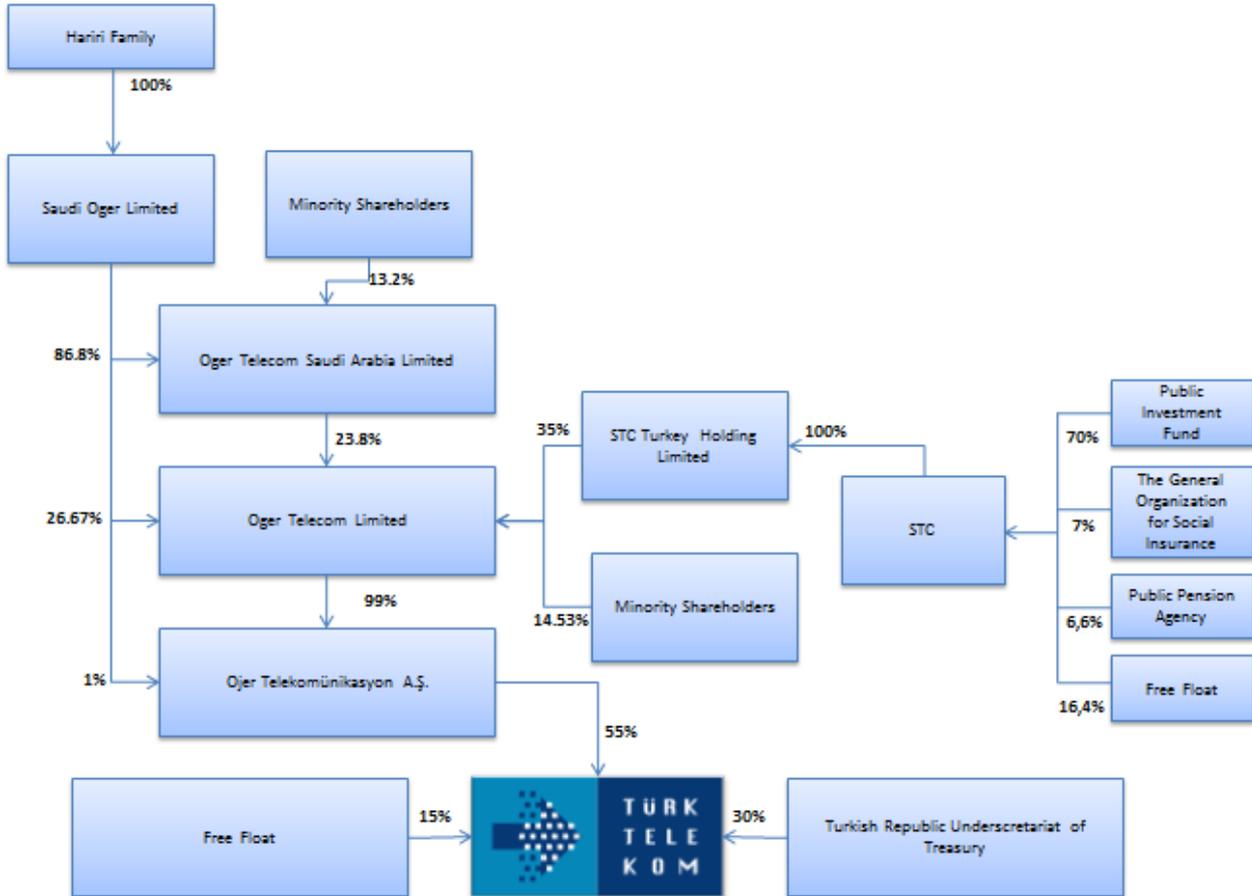
### • Ownership Structure

Class	Shareholder	Share Capital (TL)	Share (%)
A	Ojer Telekomünikasyon A.Ş.	1,925,000,000.00	55
B	T.R. Undersecretariat of Treasury	1,049,999,999.99	30
C	T.R. Undersecretariat of Treasury	0.01	
D	Free float	525,000,000.00	15
<b>Total</b>		<b>3,500,000,000.00</b>	<b>100</b>

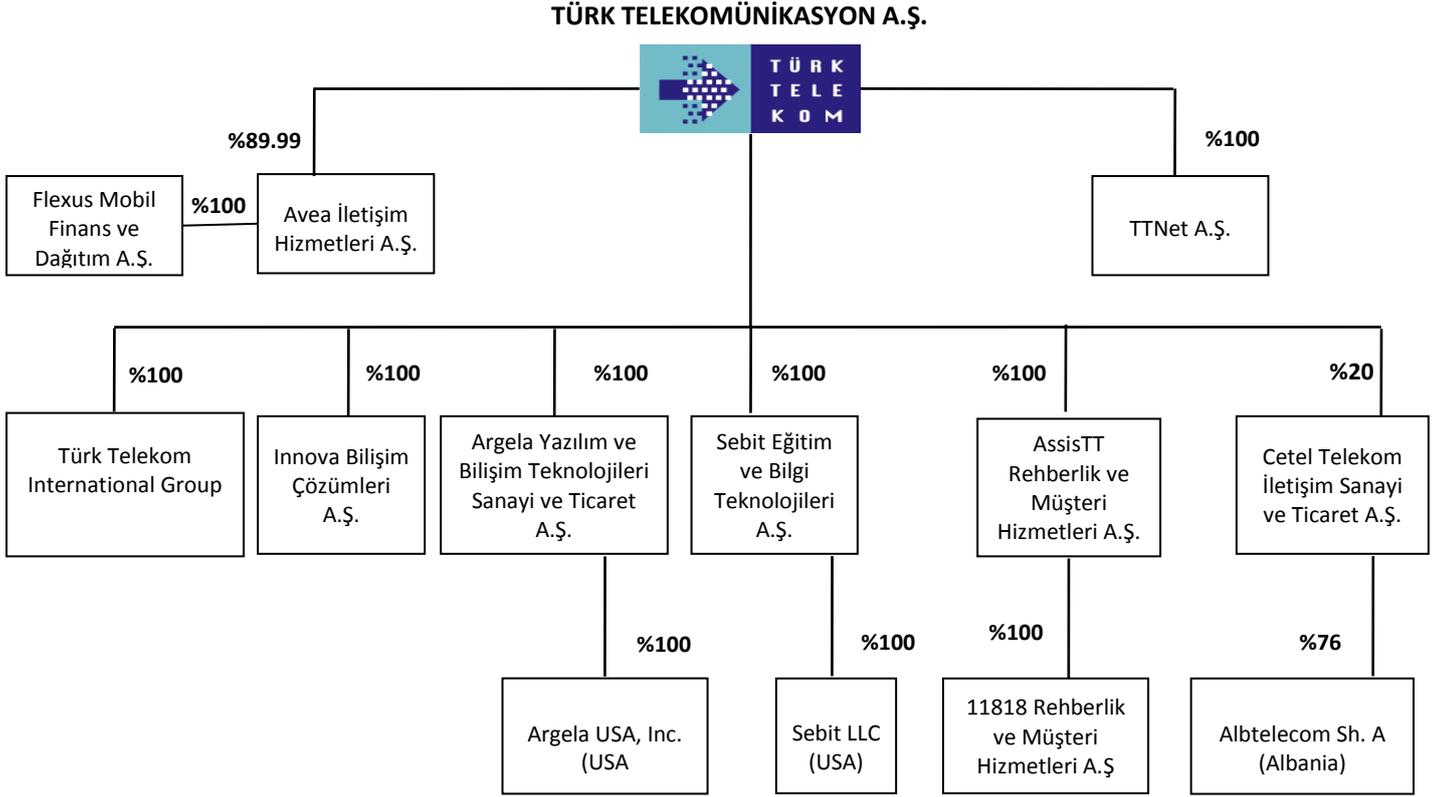
The Türk Telekom Shareholders' Agreement and the Articles of Association further state that the Turkish Treasury owns a "golden share" (Class C share). The "golden share" is required under the Telephone Law and provides that, in order to protect Turkey's national interests relating to national security and the economy, the Turkish Treasury's positive vote is required for the following matters:

- Any proposed amendments to the Articles of Association;
- The transfer of any of the Company's registered shares (i.e., the Class A shares) which would result in a change in management control;
- The registration of any transfer of the Company's registered shares in the shareholder ledger.

Natural and legal persons owing share from our Company's capital are stated below:



- **Subsidiaries and financial investments**



- **Management and Organization**

#### Board of Directors

Mohammed Hariri  
Abdullah Tivnikli  
Cenk Serdar  
Hakam Kanafani  
Khaled Biyari  
Mazen Abou Chakra  
Rami Aslan  
Talat Aydın  
Fahri Kasırğa  
İbrahim Eren  
Kemal Madenoğlu  
Yiğit Bulut

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

#### Statutory Audit Board

Lütfi Aydın  
Ali Polat  
Mustafa Koç

Member of the Statutory Audit Board  
Member of the Statutory Audit Board  
Member of the Statutory Audit Board

#### Senior Management

Rami Aslan  
Erkan Akdemir  
  
Mehmet Ali Akarca  
Kaan Aktan  
Bahattin Aydın  
Hüseyin Balcı

CEO and Member of Board of Directors  
CEO, Avea  
CEO of the Consumer Business Unit, TNET  
CEO of the Corporate Business Unit, TNET  
Chief Consumer Finance Officer, TNET  
Chief Human Resources Officer  
Chief Consumer Sales Officer, TNET

Necdet Mert Başar	Chief Corporate Marketing Officer, TTNET
Kadir Boysan	Chief Corporate Sales Officer, TTNET
Dr. Nazif Burca	Head of Internal Audit
Doğın Coşgun	Chief Legal Officer, Avea
Dr. Ramazan Demir	Chief Regulation Officer
Çağrı Dönmez	Chief TV Officer, TTNET
Hakan Dursun	Chief Strategy and Business Development Officer
Fırat Yaman Er	Chief Business Planning Officer
Metin Erhan	Chief Procurement and Vendor Management Officer
Dehşan Ertürk	Chief Consumer Marketing Officer, TTNET
Abdurrahman Güvenliođlu	Chief Support Services Officer
Nimet Güventepe	Chief Corporate Customer Care Officer, TTNET
Tevfik Fikret Karaman	Chief Field Management Officer, Türk Telekom
Murat Kırkgöz	Chief Financial Officer
Orçun Onat	Chief Consumer Care Officer, TTNET
Kaan Sümer	Chief Corporate Financial Officer, TTNET
Dr. Coşkun Şahin	Chief Technology Officer
Cemil Yıldırım	Chief Administrative Affairs Officer, Avea
Yavuz Yıldırım	President of Wholesale Clients Unit, Türk Telekom

### **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 second and first quarter of 2015 are 34,389 and 33,381 respectively.

### **5. FINANCIAL RISK MANAGEMENT**

Main financial instruments of the Company are forward market transactions, bank loans and cash and short-term deposits. They are being used with the aim of raising funds for the Group's operations and hedging interest rate risk. The risks stemming from these instruments are liquidity risk, foreign exchange risk, interest rate risk, and credit risk.

### **6. MATERIAL ISSUES DURING THE PERIOD**

As we have disclosed on April 3, 2015,

Our company signed two loan agreements with China Development Bank Corporation in order to finance our company's and subsidiaries purchases from Chinese vendors.

Total amount is USD 200 million, maturity is nine years including a grace period of two years, annual interest rate is Libor + 2.85%.

As we have disclosed on April 22, 2015,

Our Company has submitted a non-binding offer for the acquisition of the shares representing 10.0035% of the issued share capital of Avea İletişim Hizmetleri A.Ş. with a total nominal value of TL 820,294,269.73 held by Türkiye İş Bankası A.Ş., Türkiye Şişe ve Cam Fabrikaları A.Ş., Trakya Yatırım Holding A.Ş., Anadolu Hayat Emeklilik A.Ş., Efes Holding A.Ş. and Anadolu Anonim Türk Sigorta Şirketi.

As we have disclosed on April 29, 2015,

Our Company signed a Share Transfer Agreement with Türkiye İş Bankası A.Ş., Türkiye Şişe ve Cam Fabrikaları A.Ş., Trakya Yatırım Holding A.Ş., Anadolu Hayat Emeklilik A.Ş., Efes Holding A.Ş. and Anadolu Anonim Türk Sigorta Şirketi to purchase their 10.0035% shares in our affiliate Avea İletişim Hizmetleri A.Ş. for TL 875 million.

Payments will be done in TL, 6.3% of the total amount will be paid in two equal installments until January 2017, remaining 93.7% will be paid in 4 equal annual installments beginning in 2017 and ending in 2020. Our company will become the sole owner of Avea İletişim Hizmetleri A.Ş. after obtaining necessary approvals.

As we have disclosed on May 12, 2015,

The Board of Directors of our Company has convened and resolved that Our Company's Extra Ordinary General Assembly Meeting shall be held in the address of Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Merkezi, Turgut Özal Bulvarı 06103 Aydınlıkevler, Ankara and by electronic means on 30.06.2015 at 12:00 a.m. and in order to discuss the following agenda items,

#### TÜRK TELEKOMÜNİKASYON A.Ş. AGENDA FOR EXTRAORDINARY GENERAL ASSEMBLY MEETING

1. Opening and Election of the Chairmanship Committee;
2. Authorizing the Chairmanship Committee to sign the minutes of the General Assembly Meeting and the List of Attendees;
3. Election of the Board of Directors, defining their terms of office and their salaries;
4. Resolving on giving permission to the Board of Directors Members to carry out works within or out of the scope of the Company's operations on their own behalf or on behalf of others or to be a partner to companies who does such works, and to carry out other transactions, as per Article 395 and 396 of Turkish Commercial Code;
5. Comments and closing.

As we have disclosed on May 12, 2015,

As per item 4.5.1. of Capital Markets Board Corporate Governance Principles, annex of Corporate Governance Communique, II-17.1; Independent Board Member Yiğit Bulut is appointed to the vacant Chairmanship position of the Early Identification and Management of Risks Committee.

As per article 11.2. of Capital Markets Board Corporate Governance Communique, II-17.1; Süleyman Kısaç is appointed to the membership of Corporate Governance Committee.

As we have disclosed on June 17, 2015,

Our company signed a long-term loan agreement with HSBC, Mizuho and BNP under the insurance coverage of EKN (Swedish export credit agency), in order to finance our company's and its affiliates capital expenditures. The amount of the facility is USD 150 million, maturity is 10 years and interest rate is LIBOR + 0.535% p.a. including SEK cost of funding.

As we have disclosed on June 29, 2015,

Collective Bargaining Agreement negotiations between Türk Telekom and Haber-İş Union for the 11th Period began on April 15, 2015 were concluded with a settlement.

This Collective Bargaining Agreement covering 12,000 of our employees of all Turk Telekom offices in Turkey will be effective for 2 years between March 1, 2015 and February 28, 2017. According to the settlement, which will cover our unionized employees, wages below TL 1,500 will be increased to TL 1,500 and wage increases for the 1st 6-month period will be TL 200, 2nd, 3rd and 4th 6-month periods will be 4.5%, 3.5% and 3% respectively.

If CPI in 3rd and 4th 6-month periods exceeds 3.5% and 3% respectively, 100% of the difference will be compensated in the following 6-months period's wages.

As we have disclosed on June 30, 2015,

Fitch Ratings has affirmed our Long-term Foreign and Local Currency Issuer Default Ratings of "BBB-" (investment grade) with Stable Outlook, and senior unsecured rating of "BBB-", as part of a routine portfolio review process.

As we have disclosed on June 30, 2015,

Legal approval process our company started regarding the acquisition of the shares of Avea İletişim Hizmetleri A.Ş. owned by İş Bank Group continues.

## **7. MATERIAL ISSUES AFTER THE END OF THE PERIOD**

As we have disclosed on July 8, 2015,

Our company's Extraordinary General Assembly Meeting was held and aforementioned agenda items were discussed and resolved.

## 8. SUMMARY FINANCIAL RESULTS

### • Summary Türk Telekom Consolidated Balance Sheet as of 2015 Q2 and 2014 Q2

TL million	2015 Q2	2014 YE
Intangible Assets	4,741	4,838
Tangible Assets and Investment Property	8,042	8,194
Other Assets	5,029	4,308
Cash and equivalents	1,991	2,538
<b>Total Assets</b>	<b>19,803</b>	<b>19,878</b>
Share capital	3,260	3,260
Reserves and retained earnings	2,736	2,569
Interest Bearing Liabilities	10,421	8,878
Provisions for long-term employee benefits	594	556
Other Liabilities	2,430	3,403
Net Income	362	2,007
<b>Total Equity &amp; Liabilities</b>	<b>19,803</b>	<b>20,673</b>

### • Summary Türk Telekom Consolidated Income Statement for the periods of 2015 Q2 and 2014 Q2

TL million	2015 Q2	2014 Q2
<b>Revenues</b>	<b>3,526</b>	<b>3,300</b>
<b>EBITDA</b>	<b>1,320</b>	<b>1,253</b>
<i>Margin</i>	37.4%	37.9%
<b>Operating Profit*</b>	<b>788</b>	<b>783</b>
<i>Margin</i>	22%	24%
<b>Profit Before Tax</b>	449	1.029
<i>Margin</i>	13%	31%
<b>Tax Expense</b>	<b>-125</b>	<b>-237</b>
<b>Minorities</b>	<b>12</b>	<b>9</b>
<b>Profit/(Loss) For The Period</b>	<b>335</b>	<b>801</b>
<i>Margin</i>	10%	24%

\*Operating profit includes revenues, cost of sales, depreciation and amortization, selling and marketing expenses, administrative expenses, other operating income/(expense), and income/(expense) from investing activities, but excludes financial income/(expenses) presented in other operating income/(expenses) (i.e. FX gain/(loss), interest income /(expenses), and discount income/(expense) on receivables and payables), income on unconsolidated subsidiaries, and minority interest. Reported operating profit on CMB financial statements is different due to reclassification requirements of the POA/CMB since 2013 Q3 financial statements. Further explanations are available on notes 2.1 and 5 on financial statements.