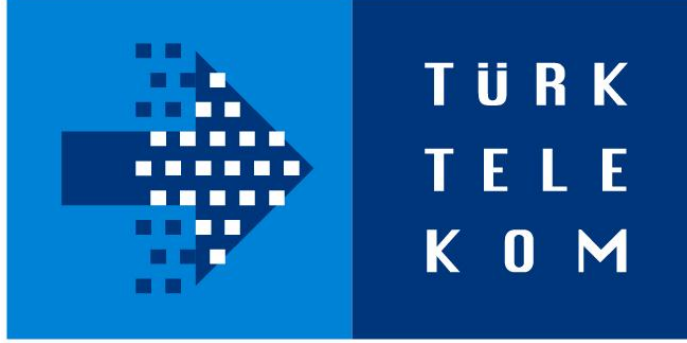


# TÜRK TELEKOMÜNİKASYON A.Ş.



INTERIM ACTIVITY REPORT AS OF 30.06.2014  
BASED ON NO:II-14.1 COMMUNIQUÉ OF CAPITAL MARKETS  
BOARD



JULY 21, 2014

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## 1. OVERVIEW OF TÜRK TELEKOM

Türk Telekomünikasyon A.Ş. (“Türk Telekom”) with its subsidiaries, provides a wide range of communications services from PSTN to mobile, broadband to value-added services for customers in Turkey through its extensive fixed-line telecommunications network, which covers almost 100% of the population.

Total access lines in service were 13.7 million as of 2013 year end and this number decreased to 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.

24% of the wholesale broadband internet access in Turkey is through ADSL as of 2014 first quarter. The remaining 76% is attributable to mobile operators<sup>1</sup>. The number of ADSL subscribers of Türk Telekom was 7.3 million as of 2013 year end and increased to 7.4 million as of June 30, 2014.

Türk Telekom, having 89.99% shares of Avea, the third largest mobile operator in Turkey, provides mobile communications services, including pre-paid, post-paid and value-added voice services.

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 2014 its subscriber base rose from 4.8 million to 15.8 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.

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<sup>1</sup>Source: 1st Quarter Sector Report of the Information Technologies and Communications Authority

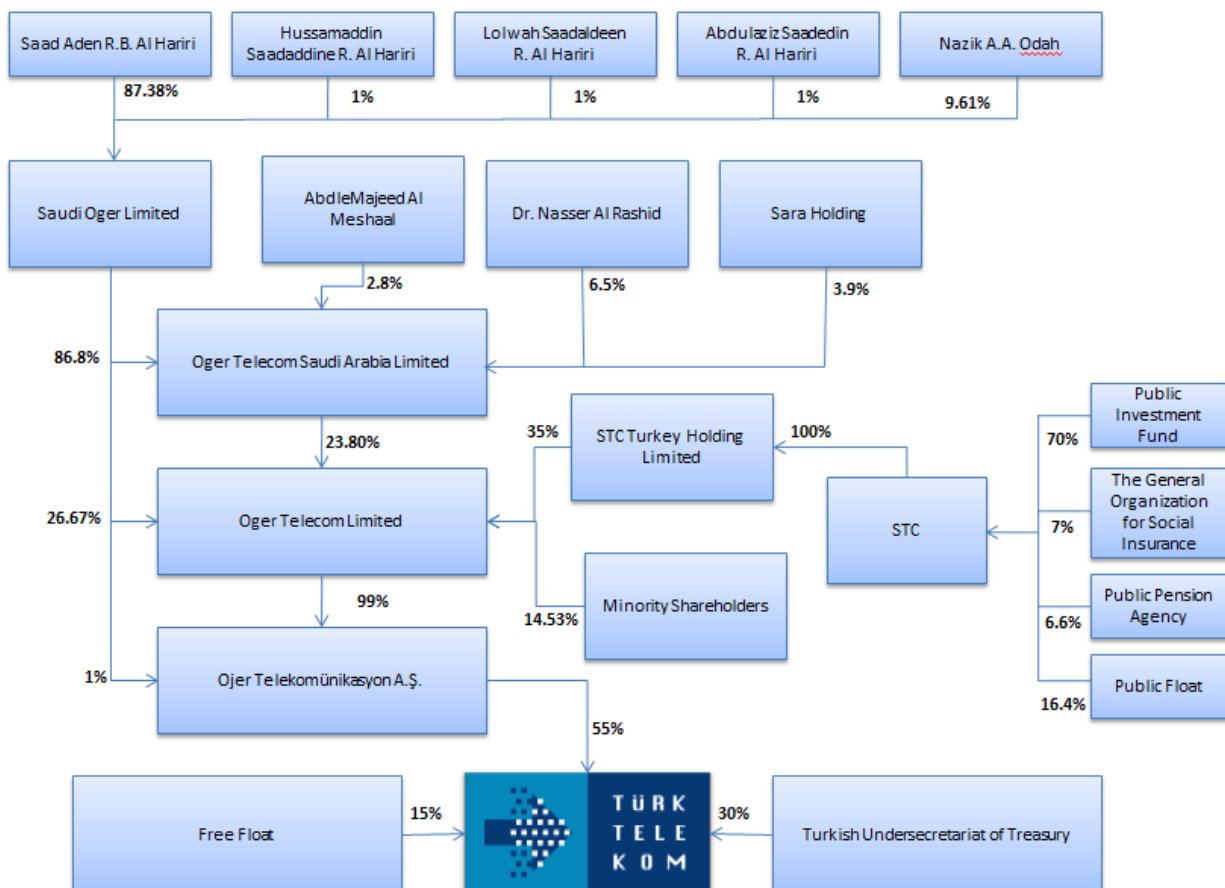
## 2. CORPORATE STRUCTURE

### • 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>

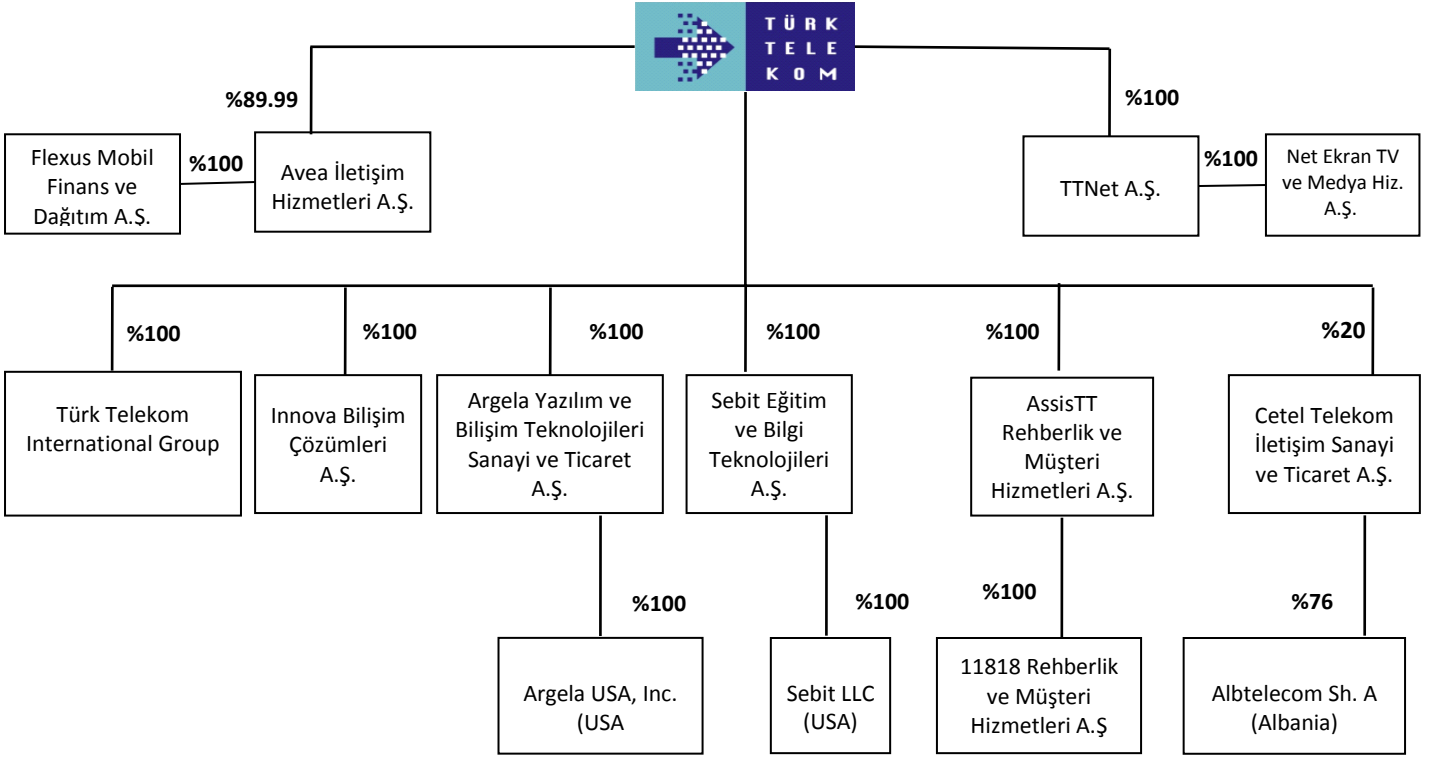
The Türk Telekom Shareholders' Agreement and the Articles of Association further state that the Turkish Treasury owns a "golden share" (Class C share). The "golden share" is required under the Telephone Law and provides that, in order to protect Turkey's national interests relating to national security 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. The real and legal persons directly or indirectly holding a stake in the Company's share capital are listed below:



### • Subsidiaries and financial investments

## TÜRK TELEKOMÜNİKASYON A.Ş.



### • Management and Organization

#### Board of Directors

Mohammed Hariri

Hakam Kanafani

Rami Aslan

Abdullah Tivnikli

Cenk Serdar

Mazen Abou Chakra

Khaled Biyari

Feridun Bilgin

Fahri Kasırğa

İbrahim Şahin

İbrahim Eren

Yiğit Bulut

Chairman of the Board

Member of the Board of Directors

CEO - 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

Vice Chairman of the Board

Independent Member of the Board of Directors

Independent Member of the Board of Directors

Independent Member of the Board of Directors

Independent Member of the Board of Directors

#### Statutory Audit Board

Lütfi Aydın

Mehmet Habib Soluk

Süleyman Karaman

Member of the Statutory Audit Board

Member of the Statutory Audit Board

Member of the Statutory Audit Board

#### Senior Management

Rami Aslan

Abdurrahman Güvenlioğlu

Dr. Ahmet Bülter

Bahattin Aydın

Dr. Coşkun Şahin

CEO – Board Member

VP of Support

VP of Legal Affairs

VP of Human Resources

VP of Technology

Dr. Nazif Burca	Head of Internal Audit
Firat Yaman Er	VP of Business Planning
Hakan Dursun	VP of Strategy and Business Development
Mehmet Ali Akarca	VP of Corporate
Metin Erhan	VP of Procurement
Murat Kirkgöz	VP of Finance
Tevfik Fikret Karaman	VP of Field Management

### **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 2013 year end and second quarter of 2014 are 34,441 and 34,067 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 May 6, 2014,

Our company's Board of Directors has resolved that Yiğit Bulut shall be appointed as an Independent board member, in the capacity of real person board member, to the board member position which became vacant due to the resignation of Adnan Çelik, one of our Independent Board members, for the remaining term of office of the Board of Directors in accordance with Article 363 of Turkish Commercial Code as to be submitted to the approval of the General Assembly of our Company at the first upcoming General Assembly Meeting to be held.

#### **Yiğit Bulut (1972)**

Chief Advisor of Prime Minister, Economist, Financial Analyst, Banker, Journalist, Columnist  
He worked as economy commentator in Kanal 6, Kanal E and CNN Turk and columnist in Radikal, Vatan, Referans and Haberturk. He was the producer and the presenter of Parametre and Finans Analiz TV programs. He also worked as a teaching assistant in Doğuş University. Between 2009 and 2012, he was the chief production director of Haberturk TV, economy commentator in Bloomberg TR and columnist in Haberturk Newspaper. Between 2012 and 2013, he was the chief production director of 24 TV and columnist in Star Newspaper. He continued to present the TV discussion program "Sansürsüz" in TV 24, transferring from Haberturk TV. He was appointed as the Prime Minister's Chief Advisor in July, 2013. He was graduated from Galatasaray High School and Bilkent University, Faculty of Banking and Finance. He studied for master degree in Sorbonne University. He speaks English and French.

As we have disclosed on May 26, 2014,

Pursuant to the Article 6-1 of Capital Markets Board Communique on Dividend; it has been resolved by Our Company's Board of Directors that Donation Policy shall be amended as following and shall be proposed to General Assembly approval;

“In accordance with the principles established by the Capital Markets Law and Turkish Commercial Code; within the scope of the social responsibility, TürkTelekomünikasyon A.Ş. makes aids and donations to the Social Assistance and Solidarity Foundation, institutions conducting social responsibility projects, educational institutions, public institutions and entities, municipalities or other similar persons and entities with obtaining approval of the Board of Directors for donations exceeding the amount of 1 Million TL. The amount of donation less than 1 Million TL is subjected to the approval of General Manager. Total donations in a fiscal year cannot exceed 40 Million TL.

In the selection of the type, amount and the receiver of the donation as the institution, organization or the nongovernmental organization, all donations and aids that are made upon the resolution of the Board of Directors can be made by taking into consideration the Articles of Association, vision, mission and policies of Türk Telekom, ethical principles of the Company and Company’s corporate social responsibility policies. All donations and aids are made by taking into consideration the regulations of Ministry of Finance. The shareholders are informed at the Ordinary General Assembly Meeting of the relevant year about all donations and aids.”

As we have disclosed on February 4, 2014,

Our company’s Board of Directors has resolved that Cenk Serdar shall be appointed as real person board member, to the board membership position which became vacant due to the resignation of Maziad Nasser M.Al Harbi, for the remaining office term of the Board of Directors in accordance with Article 363 of Turkish Commercial Code.

As we have disclosed on May 27, 2014,

2013 Annual General Assembly Meeting has been held on May 27, 2014.

As we have disclosed on June 3, 2014,

Fitch Ratings has assigned Long-term Foreign and Local Currency Issuer Default Ratings of ‘BBB-’ (investment grade) with Stable Outlook for our Company, a senior unsecured rating of “BBB-“ has also been assigned.

As we have disclosed on June 4, 2014,

Standard&Poors Ratings Services has assigned Long-term Foreign Currency Ratings of “BB+“ for our Company, and “3” recovery rating to the planned senior unsecured bond and placed both ratings on Creditwatch with positive implications.

As we have disclosed on June 4, 2014,

As we have previously disclosed on 23.10.2013, 15.11.2013 and 19.03.2014 regarding a potential bond issuance, our company and the mandated banks have arranged for a fixed income investor roadshow in the UK and the US starting on June 5, 2014. A Benchmark USD-denominated RegS/144A issuance may follow subject to market conditions.

As we have disclosed on June 13, 2014,

The book building process of the planned bond issuance of our Company expected to be quoted in Irish Stock exchange according to Rule144A and Regulation S has been completed. The information regarding the bonds to be issued is provided below:

1- USD 500 million with 5 year maturity, 19.06.2019 as redemption date and 3.75% coupon rate is estimated based on 3.836% reoffer yield

2- USD 500 million with 10 year maturity, 19.06.2024 as redemption date and 4.875% coupon rate is estimated based on 4.982% reoffer yield

Sales process is expected to be completed after subscription agreement is signed and order issuance certificate from CMB is obtained.

As we have disclosed on June 18, 2014,

The subscription agreement of the bond issuances of USD500-million nominal value with 5-year maturity and USD500-million nominal value with 10 year maturity was signed on June 18th, 2014.

Please remember, the book building process of the aforementioned bonds to be issued abroad was completed and the regulatory disclosure regarding Capital Markets Board approval on the "Order Issuance Certificate" was made on June 18th, 2014.

As we have disclosed on June 18, 2014,

"The Order Issuance Certificate" for the bond issuance of USD500-million nominal value with 5-year maturity and USD500-million nominal value with 10 year maturity was approved by Capital Markets Board of Turkey and is provided attached.

The regulatory disclosure regarding the completion of the book building process of the aforementioned bonds to be issued abroad was made on June 13th, 2014.

For Approved Order Issuance Certificate: <http://www.ttinvestorrelations.com/turk-telekom-group/investing-in-turk-telekom/bond-issuance/approved-order-issuance-certificate.aspx>

As we have disclosed on June 20, 2014,

The sales process of the bond issuances of

1- USD 500 million with 5 year maturity, 19.06.2019 as redemption date and 3.75% coupon rate based on 3.836% reoffer yield

2- USD 500 million with 10 year maturity, 19.06.2024 as redemption date and 4.875% coupon rate based on 4.982% reoffer yield

was completed on June 19th, 2014. The bonds are now quoted at Irish Stock Exchange. The proceeds were transferred to our Company's accounts. Please remember, the regulatory disclosures regarding Capital Markets Board approval on the "Order Issuance Certificate" and the signing of Subscription Agreement were both made on June 18th, 2014.

ISIN Code	XS1028952155
Type	Eurobond
Form of Sale	Foreign Sale
Issue Amount	500 mn US Dollar
Sale Amount	500 mn US Dollar
Issue Price	99,612
Maturity Date	19.06.2024
Interest Payment Date	Fixed and semi-annual in each year/ Principal amount will be paid end of the expiry date
Interest Rate	3.836% (Coupon rate 3.75%)



ISIN Code	XS1028951264
Type	Eurobond
Form of Sale	Foreign Sale
Issue Amount	500 mn US Dollar
Sale Amount	500 mn US Dollar
Issue Price	99,165
Maturity Date	19.06.2024
Interest Payment Date	Fixed and semi-annual in each year/ Principal amount will be paid end of the expiry date
Interest Rate	3.836% (Coupon rate 3.75%)

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

There is no material issue after the end of the period.

## 8. SUMMARY FINANCIAL RESULTS

### • Summary Consolidated Balance Sheet as of 2014 Q2 and 2013YE

TL million	2014 Q2	2013 YE
Intangible Assets(*)	4,483	4,585
Tangible Assets and Investment Property	8,042	8,350
Other Assets	4,446	4,246
Cash and equivalents	1,839	1,064
<b>Total Assets</b>	<b>18,810</b>	<b>18,245</b>
Share capital	3,260	3,260
Reserves and retained earnings	2,569	2,178
Interest Bearing Liabilities	9,110	8,334
Provisions for long-term employee benefits	654	585
Other Liabilities	2,032	2,585
Net Income	1,185	1,303
<b>Total Equity &amp; Liabilities</b>	<b>18,810</b>	<b>18,245</b>

(\*) Includes goodwill.

### • Summary Consolidated Income Statement for the periods of 2014 Q2 and 2013 Q2

TL million	2014 2Q	2013 2Q
<b>Revenues</b>	<b>3,300</b>	<b>3,343</b>
<b>EBITDA</b>	<b>1,253</b>	<b>1,252</b>
<i>Margin</i>	38%	37%
<b>Operating Profit</b>	<b>783</b>	<b>811</b>
<i>Margin</i>	24%	24%
<b>Profit Before Tax</b>	<b>1,029</b>	<b>366</b>
<i>Margin</i>	31%	11%
<b>Tax Expense</b>	<b>-237</b>	<b>-96</b>
<b>Minorities</b>	<b>9</b>	<b>10</b>
<b>Profit/(Loss) For The Period</b>	<b>801</b>	<b>280</b>
<i>Margin</i>	24%	8%