

**TÜRK TELEKOMÜNİKASYON A.Ş.**



**INTERIM ACTIVITY REPORT AS OF 30.09.2016  
BASED ON NO:II-14.1 COMMUNIQUÉ OF CAPITAL MARKETS  
BOARD**

**October 19, 2016**

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## 1. OVERVIEW OF TÜRK TELEKOM

Türk Telekom, with 175 years of history, is the first integrated telecommunications company in Turkey. In 2015, Türk Telekomünikasyon A.Ş. adopted a “customer-oriented” 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 Avea İletişim Hizmetleri A.Ş. and TTNET A.Ş. intact and adhering to the rules and regulations to which they are subject.

In January 2016, Türk Telekom unified its mobile, fixed voice, broadband and TV products and services under the single “Türk Telekom” brand.

As the “Multi play provider of Turkey,” Türk Telekom Group Companies offer a complete range of mobile, fixed voice, broadband and TV services. Türk Telekom Group Companies have a wide service network and product range in the fields of individual and corporate services. As of September 30, 2016, Türk Telekom has 12.9 million fixed access lines, 8.4 million broadband and 18.4 million mobile subscribers. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 32,769 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, owns 100% of mobile operator Avea İletişim Hizmetleri A.Ş., retail internet services, IPTV, satellite TV, Web TV, Mobile TV, Smart TV services provider TTNET A.Ş., TV Broadcasting and VOD services provider Net Ekran Companies, 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., wholesale data and capacity service provider Türk Telekom International and its subsidiaries.

## 2. CORPORATE STRUCTURE

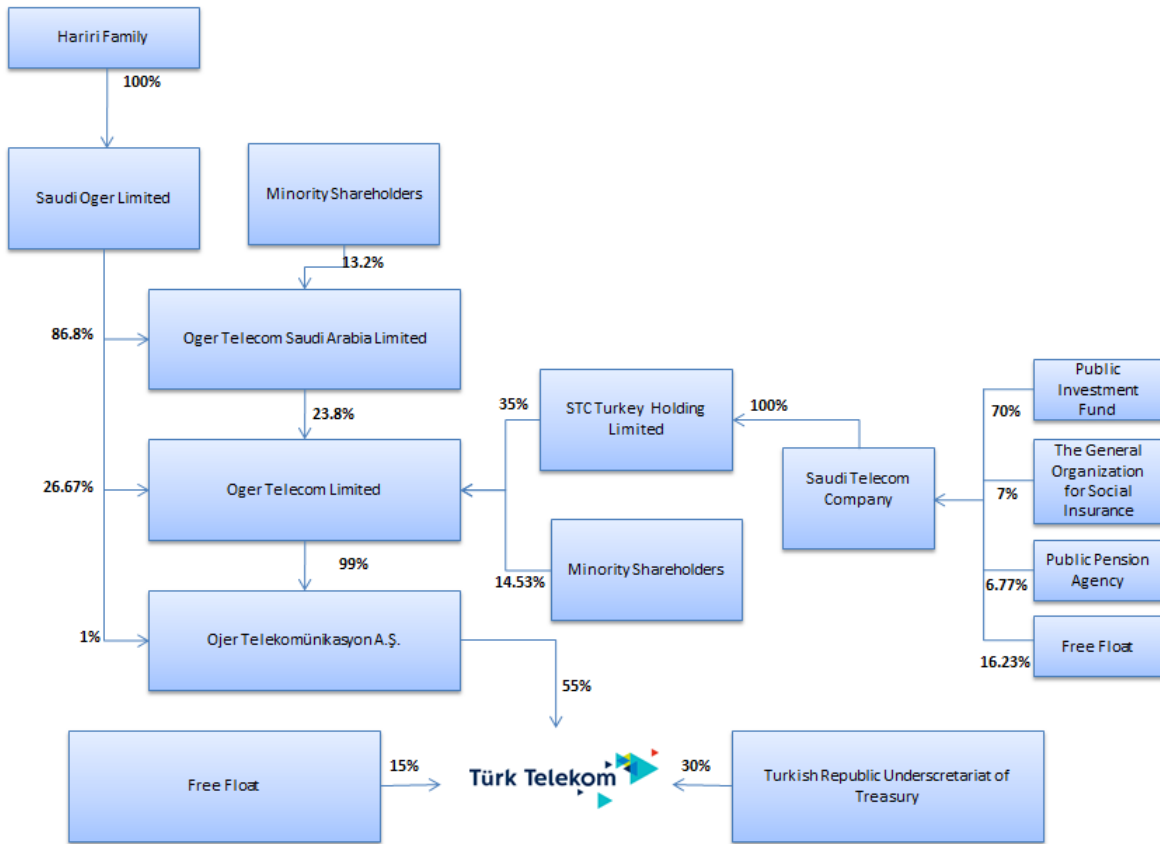
### • Ownership Structure

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>

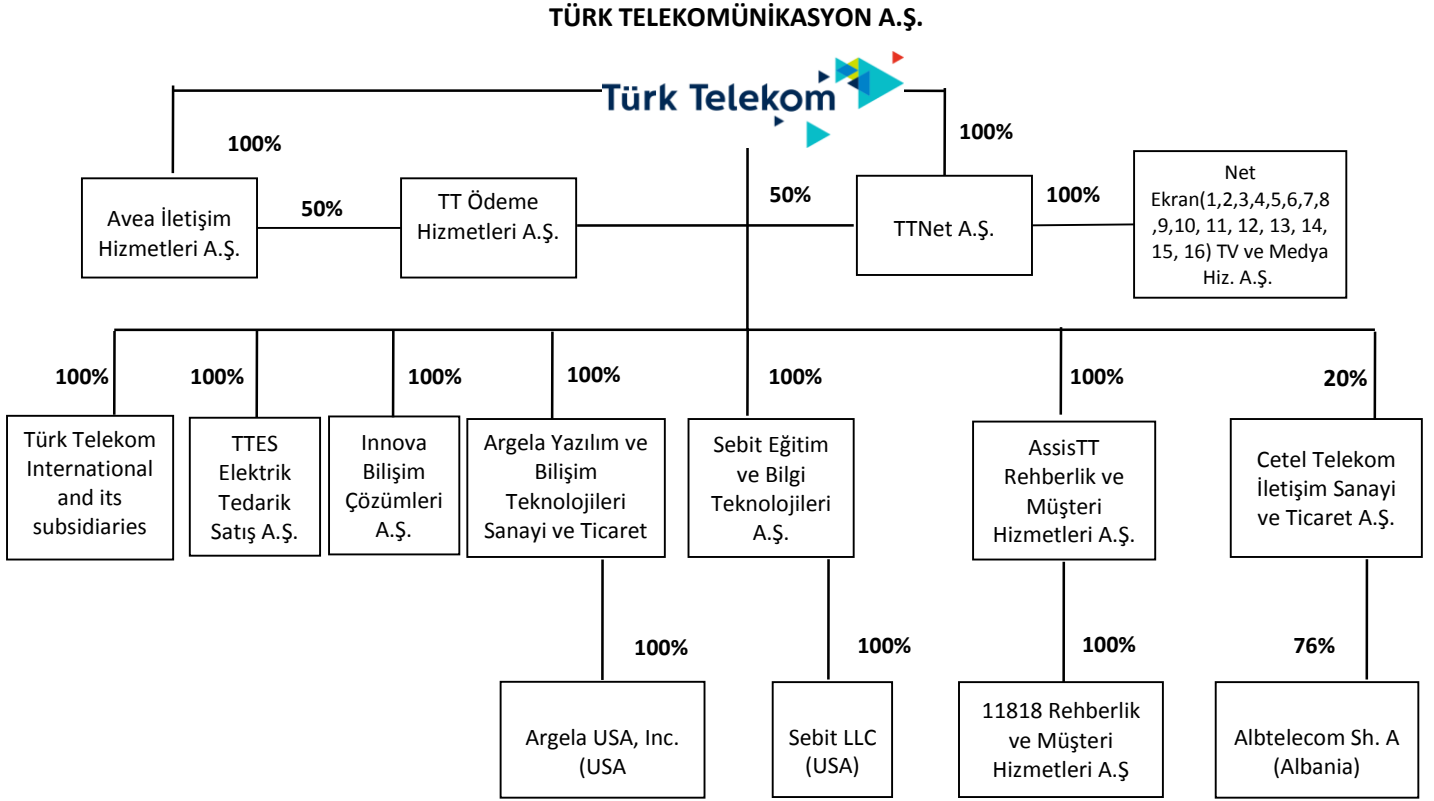
The Türk Telekom Shareholders’ Agreement and the Articles of Association further state that the Turkish Treasury owns a “golden share” (Class C share). The “golden share” is entitled to nominate a Board Member and has the below rights as per article 6 of the Articles of Association; “In order to protect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

- Any proposed amendments to the Articles of Association;
- The transfer of any of the Company’s registered 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 owning shares of our Company, directly or indirectly are stated below:



- **Subsidiaries and financial investments:**



- **Management and Organization**

#### Board of Directors

Mohammed Hariri  
Fuat Oktay  
Abdullah Tivnikli  
Suat Hayri Aka  
Cenk Serdar  
Hakam Kanafani  
Nasser Sulaiman A Al Nasser  
Mazen Abou Chakra  
Rami Aslan  
Fahri Kasırga  
İbrahim Eren  
Yiğit Bulut

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

#### Statutory Audit Board

İsmail Kartal  
Ali Polat  
Salih Orakçı

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

## Senior Management

Dr. Paul (Boulos H.B) Doany	CEO and General Manager
Mehmet Ali Akarca	CEO of the Corporate Business Unit, TTNET
Kaan Aktan	Chief Consumer Finance Officer, TTNET
Hüseyin Balcı	Chief Consumer Sales Officer, TTNET
Necdet Mert Başar	Chief Corporate Marketing Officer, TTNET
Kadir Boysan	Chief Corporate Sales Officer, TTNET
Dr. Nazif Burca	Head of Internal Audit
Doğan Coşgun	Chief Legal Officer
Cengiz Doğan	Chief Technology Officer
Çağrı Dönmez	Chief TV Officer, TTNET
Hakan Dursun	Chief Consumer Marketing Officer, TTNET
Fırat Yaman Er	Chief Business Planning Officer
Abdurrahman Güvenlioğlu	Acting Chief Strategy and Business Development Officer
Nimet Güventepe	Chief Support Services Officer
Murat Kırkgöz	Chief Corporate Customer Care Officer, TTNET
Şükrü Kutlu	Chief Financial Officer
Orçun Onat	Chief Human Resources & Regulation Officer
Kaan Sümer	Chief Consumer Care Officer, TTNET
Cemil Yıldırım	Chief Corporate Financial Officer, TTNET
Yavuz Yıldırım	Chief Administrative Affairs Officer, Avea
	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 third quarter of 2016 and 2015 YE are 32,769 and 34,147 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 July 14, 2016,

Our independent board member and Vice Chairman of Board, Kemal Madenoğlu has resigned.

As we have disclosed on July 19, 2016,

Our Company's Board of Directors has resolved that Fuat Oktay shall be appointed as an independent board member, in the capacity of real person board member, to the vacant board member position 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 and selected as Vice Chairman of Board.

Fuat Oktay

He was born in 1964 in Yozgat-Çekerek. After graduating from the business management department at Çukurova University in 1985, he worked as a research associate at the university. He completed a master's programme on Manufacturing Engineering and received his MBA in business management at the Wayne State University in 1990 in Detroit which is the center of automotive industry in USA.

He also received his PhD on Industrial Engineering at the same University and became an expert on aviation and automotive industries.

Throughout his stay in the US, he provided process management consultancy services to many companies and conducted many projects as the project leader. He worked in the automotive industry, at the companies such as Ford, General Motors and Chrysler. In these companies, he worked on product development and lean production projects.

He provided consultancy services to many public and private sector companies. Moreover, he provided consultancy services to small and medium sized enterprises, including KOSGEB.

In some of these companies, he served as Director General, Vice-Chairman and Board Member. During the economic crisis hitting Turkey in early 2000s, he specialized in enterprise-based crisis management, and worked as Vice-Dean and Head of the Business Management Department at Beykent University.

He served as Deputy Director General responsible for Strategic Planning and Business Development, Sales and Marketing, Production Planning and Information Technologies, at Türk Hava Yolları (THY).

Between 2008-2012, he has brought 5 different joint venture projects to life at THY Teknik A.Ş. in the fields of maintenance & repair, design and manufacturing.

He also served as a Steering Committee Member for Turkish-English, Turkish-German and Turkish-Spanish Business Councils at Foreign Economic Relations Board.

He performed as the Chairman of the Prime Ministry Disaster and Emergency Management (AFAD) between January 2, 2012 and June 19, 2016.

Since June 19, 2016, he has been working as the Prime Ministry Undersecretary and he speaks fluent English.

As we have disclosed on July 22, 2016,

S&P Global Ratings has affirmed our company's long term foreign currency corporate rating "BBB-" (investment grade) and revised the outlook from stable to negative.

The outlook revision is driven by the revision in sovereign outlook.

As we have disclosed on August 9, 2016,

Claims on media related to one of our indirect shareholders do not have any impact on our daily operations, commitments or liabilities.

As we have disclosed on August 12, 2016,

TTNET Consumer Business Unit CEO and Avea İletişim Hizmetleri A.Ş. General Manager Erkan Akdemir and Turk Telekom Chief Technology Officer Coşkun Şahin served notice to leave their positions at Türk Telekom Group.

To this effect, TTNET Consumer Business Unit CEO position has been abolished, making all reporting lines of TTNET Consumer Business Unit CEO direct reports to now report directly to Türk Telekom CEO Rami Aslan with immediate effect.

Türk Telekomünikasyon A.Ş. CEO Rami Aslan will assume the responsibilities of Avea İletişim Hizmetleri A.Ş. General Manager in addition to his existing responsibilities.

Chief Technology Officer responsibilities will be assumed by Türk Telekom CEO Rami Aslan in addition to his existing responsibilities, and a further announcement will be made for the related position shortly.

Türk Telekom CEO Rami Aslan stated: "On behalf of Turk Telekom, we would like to thank Erkan Akdemir and Coşkun Şahin for their invaluable efforts and contributions that lead to great achievements throughout the customer-oriented integration and transformation efforts of our group companies".

As we have disclosed on August 19, 2016,

S&P Global Ratings has affirmed our company's long-term foreign currency corporate rating of "BBB-" (investment grade) with negative outlook, and our long-term foreign currency senior unsecured debt rating of "BBB-", as part of a routine annual review process.

As we have disclosed on August 25, 2016,

Fitch Ratings has affirmed our Long-term Foreign and Local Currency Issuer Default Ratings of "BBB-" (investment grade) while changing the outlook to "negative" from "stable". Our senior unsecured rating is also affirmed as "BBB-". The outlook revision is driven by the revision in sovereign outlook.

As we have disclosed on August 31, 2016,

Our Company's CEO Rami Aslan decided to leave Turk Telekom CEO position which he held since December 10, 2013. Aslan will continue serving in the Executive Committee and Board of Directors of Türk Telekom in addition to his CEO and Board member role at Oger Telecom. Rami Aslan will continue to serve as CEO at Türk Telekom until a new appointment is made.

Rami Aslan who has been holding various posts since 2005 at Oger Group was appointed as Oger Telecom CEO in 2011 and Türk Telekom CEO in 2013. Rami Aslan accomplished important achievements towards the target of value creation by Türk Telekom with innovative solutions at global standards and leading the digital transformation in Turkey.

Türk Telekom Chairman Mohammed Hariri said Rami Aslan successfully managed to carry out the transformation and integration at Türk Telekom and brought the company to a level which is shown as an example in the world. Hariri commented, Rami Aslan led Türk Telekom successfully since 2013. He successfully completed the strong transformation and integration of companies and brands in a significantly short period of time compared to global benchmarks. Aslan integrated Türk Telekom under a single brand and made it a stronger brand. He pioneered investments in mobile and fixed communication infrastructure with his leadership skills and visionary approach; and made Türk Telekom a company which sets example to other players in the world. We would like to thank him for his self-denying efforts.

Türk Telekom independent Board member and Turkish Presidency General Secretary Fahri Kasırga thanked Rami Aslan for his contributions in the development of telecommunication services in Turkey. Kasırga said, Rami Aslan achieved important successes in making sure that Türk Telekom has more dynamic and efficient structure. Türk Telekom, an invaluable asset for our country, moved on its direction, under the leadership of Rami Aslan as a company who creates more value to our country and nation, who left the infrastructure problems behind, and an enterprise shown as an example in its field.

As we have disclosed on September 09, 2016,

Our Company's Chief Procurement and Vendor Management Officer Metin Erhan, has decided to leave his position.



As we have disclosed on September 26, 2016,

Our Company's Corporate Governance and Compliance Manager and member of Corporate Governance Committee Süleyman Kısaç, decided to leave his position.

As we have disclosed on September 26, 2016,

Our Board of Directors decided to appoint Boulos H.B. Doany as CEO-General Manager effective as of September 26, 2016.

In the past 5 years, Dr. Doany focused on ICT Venture Capital, managing investments in early stage IT/internet companies and renewable energy.

In the preceding 12 years, he was with the Saudi Oger Group, having served as founding CEO of Oger Telecom and CEO of Türk Telekom for 5 years. During his tenure with Saudi Oger Group, he led the acquisition of 55% stake in Türk Telekom during privatization tender, the public listing on BIST, as well as acquisition of IT companies and international wholesale operations (Pantel, rebranded as Türk Telekom International). He also led the successful bid for including operational startup until the full launch of Cell C in South Africa.

Prior to that, he was in the telecommunications consultancy business for 14 years as Managing Director of Dar Consultants (London), as well as Director/Partner of Dar Al Handasah Consultants (Shair & Partners), having built its telecom practice, as well as assisting with expansion into transportation/economics (over 3,000 employees across all disciplines).

He also served as Senior Lecturer in the AUB in Beirut, in the Electronics/Communications Department for a period of 4 years.

Dr. Doany holds a PhD in Communications Engineering (UMIST, Manchester, UK, 1981); MSc in Digital Electronics & Communications Engineering (Bradford University, UK, 1978), and BE in Electrical/Electronics Engineering (AUB, Beirut, 1977).

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

As we have disclosed on October 5, 2016,

Cengiz Doğan is appointed as Chief Technology Officer.

Şükrü Kutlu is appointed as Chief Human Resources and Regulation Officer.

Bahattin Aydın, Chief Human Resources Officer, is leaving the company.

Dr. Ramazan Demir, Chief Regulation Officer, is appointed as CEO Advisor for Special Projects.

As we have disclosed on October 13, 2016,

We do not expect news on media related to one of our shareholders Ojer Telekomünikasyon A.Ş. (OTAŞ) to have any impact on our daily operations, commitments or liabilities. Financing agreements signed by Türk Telekomünikasyon A.Ş. and its subsidiaries do not include cross default provisions in relation to its shareholders missing their payments on their liabilities. OTAŞ is not guarantor for any of our financing agreements. Our company does not have any guarantee or pledge in favor of OTAŞ.

## 8. SUMMARY FINANCIAL RESULTS

### • Summary Türk Telekom Consolidated Balance Sheet as of 2016 Q3 and 2015 YE

TL millions	2016 Q3	2015 YE
Intangible Assets <sup>(a)</sup>	8,038	8,262
Tangible Assets <sup>(b)</sup>	8,761	8,565
Other Assets <sup>(c)</sup>	6,641	6,109
Cash and Equivalents	3,150	2,838
<b>Total Assets</b>	<b>26,590</b>	<b>25,774</b>
Share capital	3,260	3,260
Reserves, Retained Earnings and Other Equity Items	1,433	1,733
Interest Bearing Liabilities <sup>(d)</sup>	13,615	11,803
Provision for Employee Termination Benefits	614	635
Other Liabilities <sup>(e) (f)</sup>	7,669	8,342
<b>Total Equity and Liabilities</b>	<b>26,590</b>	<b>25,774</b>

(a) Intangible assets excluding goodwill

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

(c) Major items within Other Assets are Trade Receivables, Due from Related Parties, Other Current Assets and Deferred Tax Asset.

(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 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

(f) As of Q3'15, minority put option liability was terminated due to the acquisition of minority shares (10%) of Avea.

### • Summary Türk Telekom Consolidated Income Statement for the periods of 2015 Q3 and 2016 Q3

TL millions	2015 Q3	2016 Q3
<b>Revenues</b>	<b>3,696</b>	<b>4,118</b>
<b>EBITDA</b>	<b>1,269</b>	<b>1,452</b>
<i>Margin</i>	<i>34%</i>	<i>35%</i>
<b>Operating Profit <sup>(a)</sup></b>	<b>669</b>	<b>733</b>
<i>Margin</i>	<i>18%</i>	<i>18%</i>
<b>Financial Income/Expense, net<sup>(b)</sup></b>	<b>-1,195</b>	<b>-595</b>
FX & Hedging Gain/Loss, net	-1,106	-498
Interest Income/Expense, net	-72	-103
Other Financial Income/Expense, net	-17	5
<b>Tax Expense</b>	<b>22</b>	<b>-129</b>
<b>Profit</b>	<b>-493</b>	<b>9</b>
<i>Margin</i>	<i>-13%</i>	<i>0%</i>

(a) 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 note 3 on financial statements.

(b) Net financial income/(expense) includes financial income/(expense) and FX gain/(loss), interest income/(expenses), discount income/(expense) on receivables and payables excluding financial borrowings which are presented in other operating income/(expenses). Net financial income/(expense) on CMB financial statements is different due to reclassification requirements of the POA/CMB since 2013 Q3 financial statements. Further explanations are available on note 3 on financial statements.