

TÜRK TELEKOMÜNİKASYON A.Ş.



**INTERIM ACTIVITY REPORT AS OF 30.09.2017
BASED ON NO:II-14.1 COMMUNIQUE OF CAPITAL MARKETS
BOARD**

October 24 , 2017

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1. OVERVIEW OF TÜRK TELEKOM

Türk Telekom, with 176 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, 2017, Türk Telekom has 13.4 million fixed access lines, 9.4 million broadband and 19.2 million mobile subscribers. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 33,095 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

Group	Shareholder	Paid-in Capital Amount (TL)	Share (%)
A	Ojer Telekomünikasyon A.Ş.	1,925,000,000.00	55
B	Republic of Turkey Undersecretariat of Treasury	875,011,884.975	25
C	Republic of Turkey Undersecretariat of Treasury	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

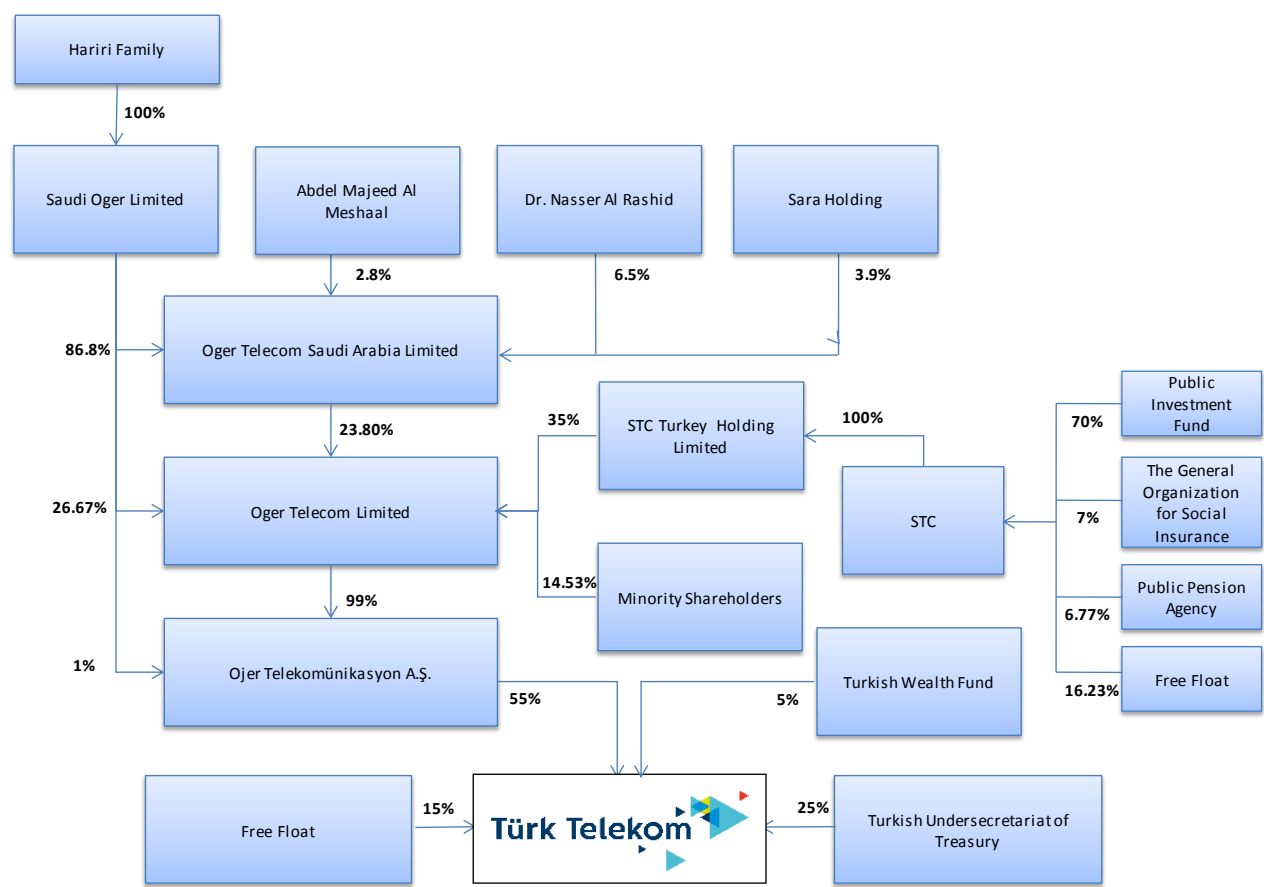
*According to Official Gazette published on 5 February 2017, Council of Ministers decided to transfer 6.68% (5% B Group shares & 1.68% D Group shares) of the shares of the Company belonging to the Turkish Treasury to the Turkish Wealth Fund.

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;

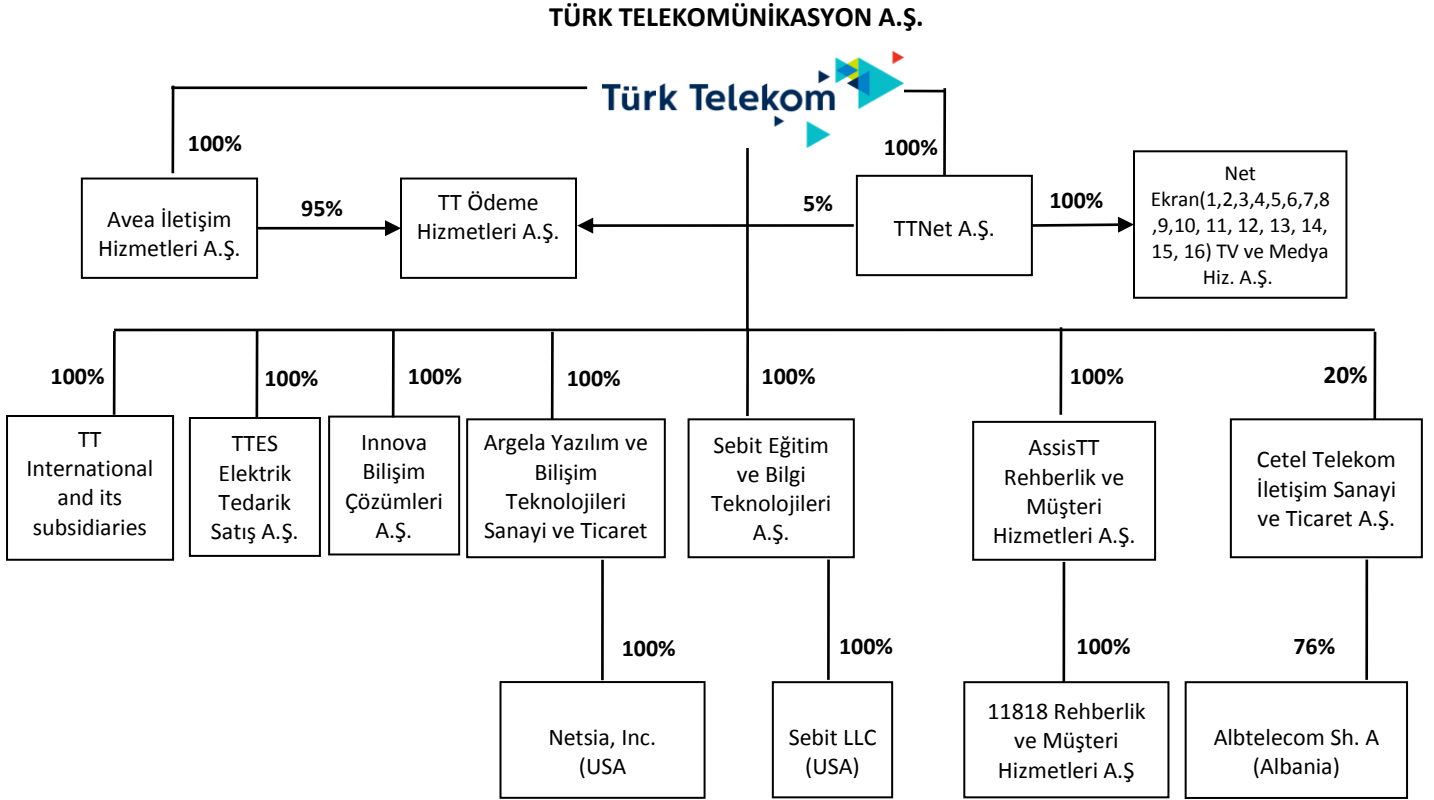
“In order to protect Turkey’s national interests relating to national security and the economy, the Class C share’s positive vote is required for the following matters regardless of the voting result in the Board or General Assembly, otherwise accepted as null and void;

- 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

Chairman of the Board of Directors

Fuat Oktay

Independent Member and Vice Chairman of the Board of Directors

Abdullah Tivnikli

Member of the Board of Directors

Suat Hayri Aka

Member of the Board of Directors

Cenk Serdar

Member of the Board of Directors

Hakam Kanafani

Member of the Board of Directors

Nasser Sulaiman A Al Nasser

Member of the Board of Directors

Mazen Abou Chakra

Member of the Board of Directors

Rami Aslan

Member of the Board of Directors

Fahri Kasirga

Independent Member of the Board of Directors

İbrahim Eren

Independent Member of the Board of Directors

Yiğit Bulut

Independent Member of the Board of Directors

Statutory Audit Board

İsmail Kartal

Member of the Statutory Audit Board

Ali Polat

Member of the Statutory Audit Board

Salih Orakcı

Member of the Statutory Audit Board

Senior Management

Dr. Paul (Boulos H.B) Doany	CEO and General Manager
Şükrü Kutlu	Human Resources, Regulation and Support Assistant General Manager
Kaan Aktan	Finance Assistant General Manager
Cengiz Doğan	Technology Assistant General Manager
Hakan Dursun	Marketing Assistant General Manager
Fırat Yaman Er	Strategy, Planning and Business Development Assistant General Manager
Ümit Önal	Sales and Customer Care Assistant General Manager
Yakup Öztunç	Legal Assistant General Manager
Yavuz Yıldırım	Wholesale Assistant General Manager
Yavuz Türkmen	Head of Internal Audit

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 30.09.2017 and 31.12.2016 are 33,095 and 33,224 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 5, 2017,

Via our Company's 13.03.2017 dated regulatory disclosure, we informed that our wholly owned subsidiary Avea İletişim Hizmetleri A.Ş. ("Avea") submitted a joint offer together with Vodafone Telekomünikasyon A.Ş. ("Vodafone") for the Tender issued by the Communication General Directorate of Ministry of Transport, Maritime and Communication ("Ministry") in relation to the establishment and operation of mobile communication infrastructure in 1,472 locations with no mobile communication infrastructure in 3-year project duration time.

Via our 02.06.2017 dated regulatory disclosure we were announced that the tender was awarded to Avea - Vodafone business partnership that submitted the lowest bid (TL 1,587 million - excluding VAT).

"Avea-Vodafone Evrensel İş Ortaklığı" has been established between Avea (51%) and Vodafone (49%) in particular to the operations to be carried within the scope of the project. The agreement regarding the tender is signed between "Avea-Vodafone Evrensel İş Ortaklığı" and Ministry today.

As we have disclosed on July 17, 2017,

On the 12th Collective Bargaining Agreement negotiations between our company and Türkiye Haber- İş Union, 60-day legal discussion duration has ended without agreement. Negotiations will continue via official mediator who will be appointed by Ministry of Labor and Social Security, and our Company and Union will always be able to meet and sign Collective Bargaining Agreement during this period.

As we have disclosed on July 24, 2017,

Via our Company's regulatory disclosure dated 01.02.2017 , we have announced that, our wholly owned subsidiary Avea İletişim Hizmetleri A.Ş. ("Avea") had received two separate reports from Treasury Controllers Board alleging an underpayment of Treasury Share regarding 2G and 3G services. In addition, via our regulatory disclosure dated 23.06.2017, we have also announced that, Information and Communication Technologies Authority (ICTA) had imposed a penalty regarding this issue.

At the lawsuit regarding the treasury share claims on 3G services, the Council of State has issued a stay of execution for the 96% of the litigated amount. Avea has requested cancellation of the imposed penalty related to 3G services in the light of the stay of execution decision on the principal amount.

At the same time, with respect to the notification and penalty related to 2G services, interim injunction order has been issued.

Lawsuits, arbitration and official appeals related to other periods are still in progress.

This public disclosure is made by our Company under article 23 paragraph 7 of CMB's Material Events Communiqué numbered II-15.1, and relevant legislations.

As we have disclosed on July 25, 2017,

Our company has decided to revise upwards its 2017 guidance on:

- Consolidated revenue (excluding construction revenue adjustment) and EBITDA on the back of strong revenue growth and operational profitability increase in the first half of 2017
- Consolidated capital expenditures considering the acceleration planned for corporate data and information technologies projects in the second half of the year.

Accordingly, under current circumstances, guidance for 2017 is as below:

- Consolidated revenue growth (excluding construction revenue adjustment) to be 10% to 11% over 2016
- Consolidated EBITDA to be at TL 6.3 billion and TL 6.4 billion levels
- Consolidated CAPEX to be around TL 3.3 billion

	Previous Guidance	Revised Guidance
Consolidated Revenue (excluding construction revenue adjustment)	8%-9% growth	10%-11% growth
Consolidated EBITDA	TL 5.8 billion – TL 6.0 billion	TL 6.3 billion – TL 6.4 billion
Consolidated Capital Expenditures	Around TL 3.0 billion	Around TL 3.3 billion

As we have disclosed on July 25, 2017,

Our company signed a long-term loan agreement with Canada's export credit agency, Export Development Canada. The amount of the facility is USD 100 million, the maturity is 5-year and the whole principal will be repaid at the end of 5 years. The interest rate of the loan is LIBOR + 2% p.a.

As we have disclosed on August 10, 2017,

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

As we have disclosed on September 13, 2017,

Our Company's current Articles of Association including the amendments registered on 06.07.2012 is uploaded to the Company Summary Information section of the Public Disclosure Platform.

As we have disclosed on September 13, 2017,

Corporate Governance Principles Compliance Report is uploaded to the Company Summary Information section of the Public Disclosure Platform.

As we have disclosed on September 14, 2017,

Collective Bargaining Agreement negotiations between our company and Haber-İş Union for the 12th Period that started on May 8, 2017 were concluded with an agreement.

This Collective Bargaining Agreement covering around 12,000 of our unionized employees in Turkey will be effective for 2 years between March 1, 2017 and February 28, 2019.

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

- first 6-month period will be TL 325,
- second 6-month period will be TL 125
- third and fourth 6-month periods will be 4% respectively.

Additionally, if CPI in the third and fourth 6-month periods exceeds 4% respectively, wages will be adjusted by the excess of the corresponding amount.

As we have disclosed on September 18, 2017,

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

As we have disclosed on September 21, 2017,

Via our Company's regulatory disclosure dated 01.02.2017, we have announced that, our wholly owned subsidiary Avea İletişim Hizmetleri A.Ş. ("Avea") had received two separate reports from Treasury Controllers Board alleging an underpayment of Treasury Share regarding 2G and 3G services. In addition, via our regulatory disclosure dated 23.06.2017, we also announced that, Information and Communication Technologies Authority (ICTA) had imposed a penalty regarding this issue.

Via our Company's regulatory disclosure dated 24.07.2017, we announced that on the lawsuit regarding the treasury share claims on 3G services, the Council of State had issued a stay of execution for the 96% of the litigated amount and Avea had requested cancellation of the imposed penalty related to 3G services in the light of the stay of execution decision on the principal amount. Avea has filed a lawsuit regarding the imposed penalty related to 3G services.

At the same time, via our Company's regulatory disclosure dated 24.07.2017, we announced that with respect to the notification and penalty related to 2G services, interim injunction order had been issued. Arbitration process has started on alleged underpayment of treasury share and imposed penalty related to 2G services. In addition, appeal to the Interim injunction order has been rejected in favour of Avea by the related court.

Lawsuits, arbitration and official appeals related to other periods are still in progress.

This public disclosure is made by our Company under article 23 paragraph 7 of CMB's Material Events Communiqué numbered II-15.1, and relevant legislations.

7. MATERIAL ISSUES AFTER THE END OF THE PERIOD

As we have disclosed on October 23, 2017,

Validity period of the agreement signed between SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. and our company to renew our corporate governance rating is extended until October 24, 2018. 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 31.12.2016 and 30.09.2017

TL millions	31.12.2016	30.09.2017
Intangible Assets ^(a)	8,341	8,148
Tangible Assets ^(b)	8,710	8,362
Other Assets ^(c)	6,806	7,247
Cash and Equivalents	3,016	2,761
Total Assets	26,874	26,519
Share capital	3,260	3,260
Reserves, Retained Earnings and Other Equity Items	126	1,389
Interest Bearing Liabilities ^(d)	15,041	15,398
Provision for Employee Termination Benefits	696	673
Other Liabilities ^(e)	7,751	5,798
Total Equity and Liabilities	26,874	26,519

(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

Summary Türk Telekom Consolidated Income Statement for the periods of 2016 Q3 and 2017 Q3

TL millions	2016 Q3	2017 Q3
Revenues	4,118	4,532
EBITDA	1,452	1,687
<i>Margin</i>	<i>35%</i>	<i>37%</i>
Operating Profit ^(a)	733	973
<i>Margin</i>	<i>18%</i>	<i>21%</i>
Financial Income/Expense, net ^(b)	-595	-519
FX & Hedging Gain/Loss, net	-498	-398
Interest Income/Expense, net	-103	-88
Other Financial Income/Expense, net	5	-33
Tax Expense	-129	-161
Profit	9	293
<i>Margin</i>	<i>0%</i>	<i>6%</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 2013 YE financial statements