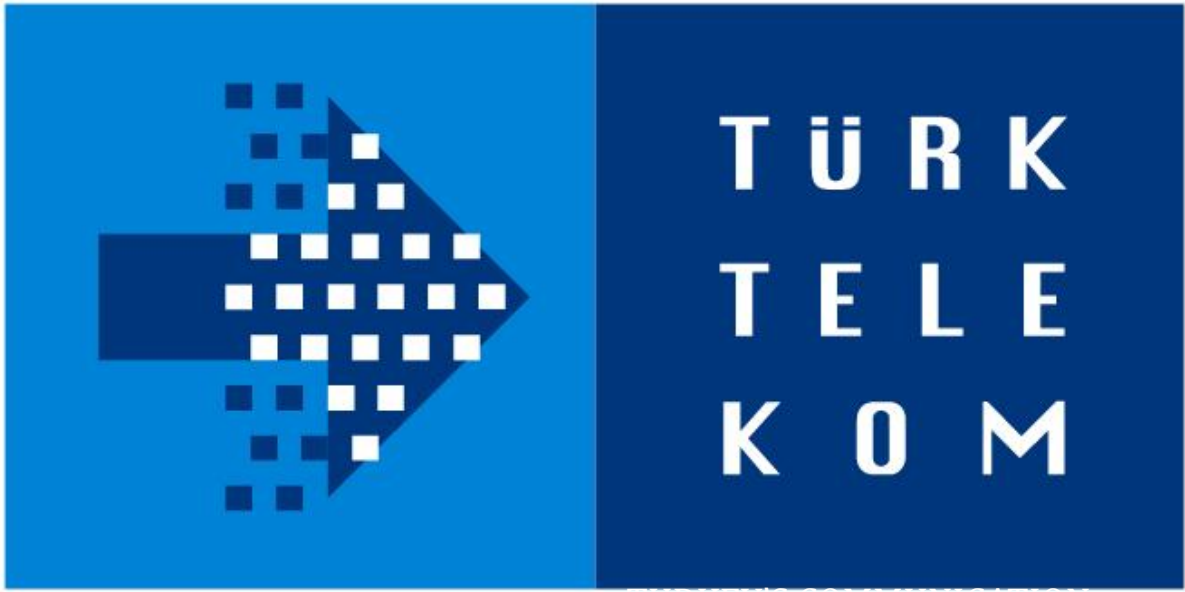


# **TURK TELEKOMUNIKASYON A.S.**



**INTERIM ACTIVITY REPORT AS OF 30 SEPTEMBER 2008**

**BASED ON SERIAL:XI NO:29 COMMUNIQUE OF CAPITAL MARKET BOARD**

**13 NOVEMBER 2008**

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## 1. OVERVIEW OF TURK TELEKOM

Türk Telekomünikasyon A.Ş. (“Türk Telekom”) provides a wide range of communications services from PSTN to mobile, from internet and broadband to value-added services for customers in Turkey.

Türk Telekom is the leading fixed-line operator that provides value-added services beside voice and data services for its wholesale and retail customers through its extensive fixed-line telecommunications network, which covers almost 100% of the population.

Through its wholly owned subsidiary TTNNet, Türk Telekom offers infrastructure services for other operators besides being broadband internet provider having the widest sales network in Turkey.

Türk Telekom, having 81% shares of Avea, the third largest mobile operator in Turkey, provides a range of mobile communications services, including pre-paid, post-paid and value-added voice services.

Moreover, Türk Telekom operates IT consulting services, telecommunications product and software services and education content businesses through its wholly owned subsidiaries Innova, Argela and Sebit. The Company also operates CRM systems, directory services and call centers through its wholly owned subsidiary AssisTT. In addition to these, Türk Telekom has 20% shares of CETEL that holds 76% shares of Albtelecom, incumbent fixed line operator in Albania.

In addition to providing quick, economic and high quality services everywhere and every time for its customers, Türk Telekom supports various education projects, sports, art and environment sensibility related activities as part of its sense of social responsibility.

## 2. CORPORATE STRUCTURE

### • Ownership Structure

Current share capital of the Company that is not subject to registered capital system is TRY 3,500,000,000 and entirely paid up. Allocation of paid-in capital among shareholders is below:

CLASS	SHAREHOLDER	SHARE CAPITAL (TRY)	SHARE (%)
A	Ojer Telekomünikasyon A.Ş.	1,925,000,000.00	55
B	Turkish Treasury	1,049,999,999.99	30
C	Turkish Treasury	0.01	
D	Free Float	525,000,000.00	15

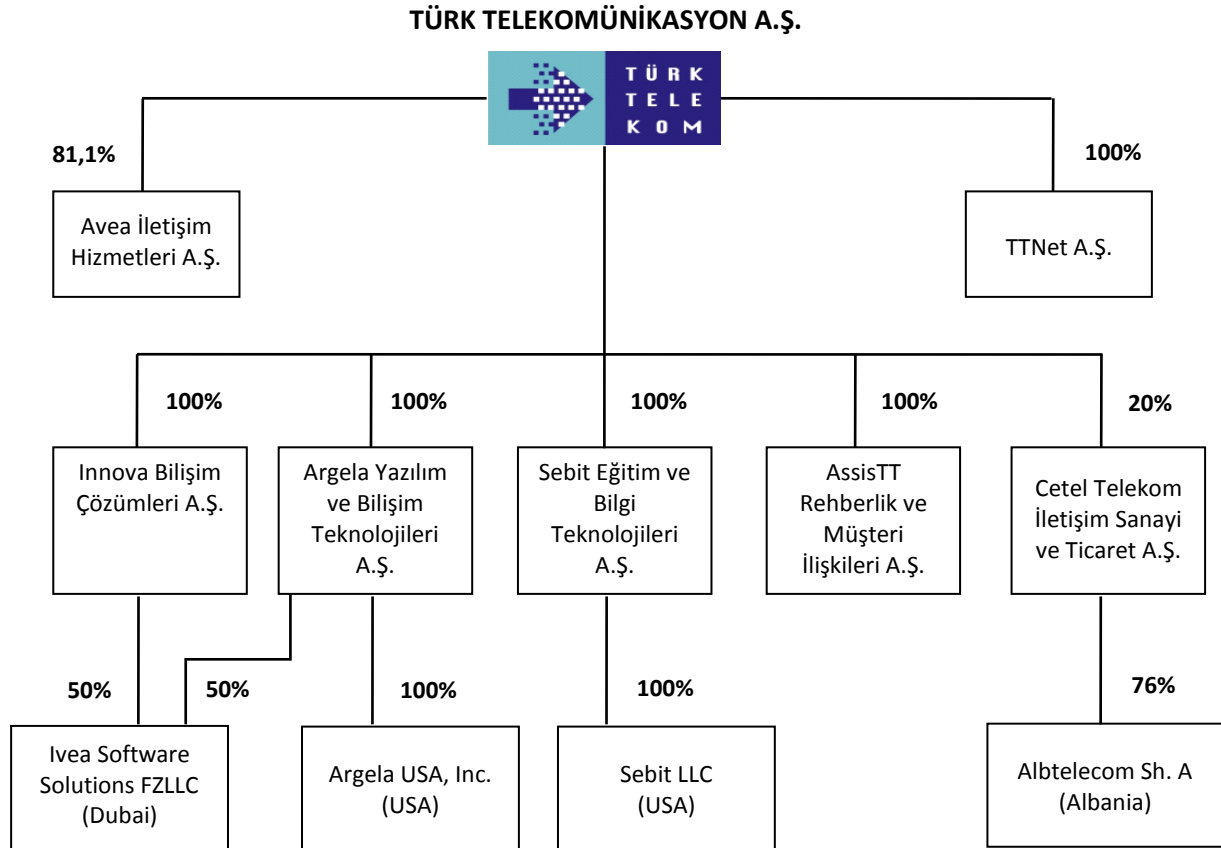
The Türk Telekom Shareholders’ Agreement and the Articles of Association further state that the Turkish Treasury owns a “golden share” (Class C share). The “golden share” is required under the Telephone Law and provides that, in order to protect Turkey’s national interests relating to national security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

- a) Any proposed amendments to the Articles of Association;

- b) 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;
- c) The registration of any transfer of the Company's registered shares in the shareholder ledger.

Trading in the D class shares is made on Istanbul Stock Exchange. (TTKOM.IS).

- **Subsidiaries**



- **Management and Organization**

**Board of Directors**

Mohammed Hariri	Chairman of the Board
İbrahim Şahin	Deputy Chairman of the Board
Dr. Boulos H.B. Doany	Member of the Board, Chairman of the Executive Board and CEO
Doç. Dr. Rıza Metin Ercan	Member of the Board and Member of the Executive Board
Mehmet Emin Başer	Member of the Board and Member of the Executive Board
Saad Zafer M Al Kahtani	Member of the Board
Samir Asaad O Matbouli	Member of the Board
Basile Yared	Member of the Board
Dr. Hüseyin Altaş	Member of the Board
Ali Arıdur	Member of the Board

**Executive Board**

Dr. Boulos H.B. Doany	Chairman of the Executive Board
Doç. Dr. Rıza Metin Ercan	Member of the Executive Board
Mehmet Emin Başer	Member of the Executive Board

**Statutory Audit Board**

Mehmet Solgun	Member of the Statutory Audit Board
İsmet Yılmaz	Member of the Statutory Audit Board
Efkan Ala	Member of the Statutory Audit Board

**Audit Committee**

Mohammed Hariri	Chairman of the Audit Committee
İbrahim Şahin	Member of the Audit Committee

**Senior Management**

Dr. Boulos H.B. Doany	Chief Executive Officer
Celalettin Dinçer	VP Operations
Ersin Topçuoğlu	VP Finance
Mehmet Candan Toros	VP International and Wholesale
Şükrü Kutlu	VP Regulation and Support Services
Kamil Gökhan Bozkurt	VP Human Resources
Dr. Mehmet Kömürcü	VP Legal

Tunç Yorulmaz	VP Strategy and Business Development
Erem Demircan	VP Marketing and Internal Communications
Aydın Çamlıbel	VP Sales
Paul Taylor	Commercial Transformation Officer

### **3. MEETINGS OF THE BOARD OF DIRECTORS**

In the interim period of this report, meetings of the Board of Directors were held on 1 July 2008, 30 July 2008, 13 August 2008, 18 August 2008 and 20 August 2008.

- With the resolution numbered 38 at the meeting numbered 16 held on 1 July, 2008, it was decided:

Since Türk Telekom is interested in purchasing Kyrgyz Telecom, Dr. Boulos H.B. Doany, Chairman of the Executive Board and CEO, be individually authorized for all relevant preparations and Dr. Boulos H.B. Doany, İbrahim Şahin, Deputy Chairman of the Board of Directors and Emin Başer, Member of the Board of Directors and Executive Board be authorized jointly for the issues regarding the determination of the tender offer price, accomplishing the transactions in case Türk Telekom is awarded as the winning bidder, and signing all kinds of necessary agreements including any financing agreements.

- With the resolution numbered 39 at the meeting numbered 16 held on 1 July, 2008, it was decided:

As a result of the examination of the preliminary feasibility work regarding the Hybrid Mail Project which is carried out with General Directorate of PTT in accordance with the resolution of the Board of Directors numbered 3 held on 09 January 2008, and following the finalization of the tender documents by PTT, which make many scenarios regarding our Company's conditions possible, Dr. Boulos H.B. Doany, Chairman of the Executive Board and CEO and İbrahim Şahin, Deputy Chairman of the Board of Directors be jointly authorized for signing of the final agreement with PTT.

- With the resolution numbered 40 at the meeting numbered 16 held on 1 July, 2008, it was decided:

Since Türk Telekom is planning to initiate a joint venture with Vestel in order to perform call-center activities in health sector, Dr. Boulos H.B. Doany, Chairman of the Executive Board and CEO be authorized for accomplishing the necessary acts and operations in this respect and for determining and negotiating the final conditions and Dr. Boulos H.B. Doany and R. Metin Ercan, Member of the Board of Directors and Executive Board be jointly authorized for signing all related final documents.

- With the resolution numbered 41 at the meeting numbered 16 held on 1 July, 2008, it was decided:

To authorize Dr. Boulos H.B. Doany, Chairman of the Executive Board and CEO, İbrahim Şahin, Deputy Chairman of the Board of Directors and R. Metin Ercan, Member of the Board of Directors and Executive Board, jointly for carrying out the negotiations and for signing agreement with Galatasaray Club regarding sponsorship and naming rights.

- With the resolution numbered 44 adopted on 30 July, 2008, it was decided:

In accordance with the Article 315 of the Turkish Commercial Code, Saad Zafer M AL KAHTANI be elected as the member of the Board of Directors in place of Ayman Al Hariri who has resigned from the Board of Directors Membership.

- With the resolution numbered 45 adopted on 30 July, 2008, it was decided:

In accordance with the Article 315 of the Turkish Commercial Code, Samir Asaad O MATBOULI be elected as the member of the Board of Directors in place of Ghassan Taher FADLALLAH who has resigned from the Board of Directors Membership.

- With the resolution numbered 47 at the meeting numbered 18 held on 18 August, 2008, it was decided:

Our Company's participation in the tender regarding the privatization of Kyrgyztelecom shares be approved.

#### **4. PERSONNEL MOVEMENTS**

Headcount as of 2007 YE and 2008 Q3 are 38,700 and 34,500 respectively.

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

Main financial instruments of the Company are bank credits, open credits, cash and short term deposits. They are being used with the aim of increasing the use of funds for the operations. The risks stemming from these instruments are liquidity risk, foreign exchange risk and credit risk.

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

- **Tender of Kyrgyztelecom**

According to the disclosure that was made on 27 August, 2008: Turk Telekom was participated in the block sale tender for the State's shareholding in Kyrgyztelecom Open Joint-Stock Company, which is the Kyrgyz Republic's national telecommunications operator on 27 August, 2008. Kyrgyztelecom is the leading fixed line service provider of the Kyrgyz Republic and also holds a GSM licence through its wholly-owned subsidiary, KT Mobile LLC. In case of any material development occurs with regards to this subject, necessary announcements will be made accordingly.

- **Amendment in the Membership of Board of Directors**

According to the disclosure that was made on 30 July, 2008: In accordance with the Article 315 of the Turkish Commercial Code, assignment of Saad Zafer M Al Kahtani by the Board of Directors to replace the resigned Board Member Ayman Al Hariri was approved according to 44 numbered Board of Directors' resolution on 30 June, 2008. By the same way, in accordance with the Article 315 of the Turkish Commercial Code, assignment of Samir Asaad O Matbouli by the Board of Directors to replace the resigned Board Member Ghassan Taher Fadlallah was approved according to 45 numbered Board of Directors' resolution on 30 June, 2008. In accordance with the Article 315 of the Turkish Commercial Code, new Board Members will be submitted for the approval of the General Board in the Extraordinary General Meeting of the Company that will be held on 14 November, 2008.

- **Main Sponsorship Accord with Galatasaray**

According to the disclosure that was made on 6 August, 2008: In accordance with the sponsorship accord signed between Turk Telekom and Galatasaray Sportif Sınai & Ticari Yatirimlar AS, Turk Telekom will become the main sponsor of the Galatasaray team for five years starting next year. The accord also covers Galatasaray's new stadium, which will be named the Turk Telekom Stadium for 10 years. Due to the confidentiality articles of the agreements, financial terms are not disclosed.

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

- **3G Tender**

3G tender was cancelled because of the fact that participation of only one bidder to the tender was considered against the competitive conditions according to Article 4 of 406 numbered Telegraph and Telephone Law, and against the consumer protection and public interest according to Article 31 of 2886 numbered Government Tender Law. According to the decision of Telecommunication Authority dated 18 September, 2008, 3G Tender will be reheld on 28 November, 2008.

- **Extraordinary General Meeting**

According to the disclosure that was made on 15 October, 2008: The Board of Directors has decided on October 15, 2008, that an extraordinary general meeting be held on November 14 (Friday), 2008 at 10.30 a.m to discuss the issues on the following agenda. The address where the meeting will be held is Türk Telekomünika syon A.Ş. Cultural Center, Turgut Özal Bulvarı, Aydınlikevler, Ankara.

### **AGENDA**

1. Opening and election of the Meeting Council;
2. Authorisation of the Meeting Council members to sign the Minutes of Extraordinary General Meeting and list of attendants;
3. Submission of the board members who have been temporarily elected for vacant spots as per the Board resolution dated July 30, 2008 in compliance with Article 315 of the Turkish Commercial



Code , to the approval of the Shareholders; approval of the membership title of these members to be effective as of the election date and to fill the remaining period of the members they have replaced;

4. Election of Members of Board of Directors and Statutory Audit Board, determination of executive members;

5. Requests and wishes;

6. Closing.

## 8. SUMMARY FINANCIAL RESULTS

- **Summary Türk Telekom Consolidated Balance Sheet as of 2007 YE and 2008 Q3**

<b>TRY million</b>	<b>2007 YE</b>	<b>2008 Q3</b>
Intangible Assets	2,689	2,611
Tangible Assets	6,546	6,371
Other Assets	2,201	2,373
Cash and equivalents	1,332	1,109
<b>Total Assets</b>	<b>12,768</b>	<b>12,464</b>
Share capital	3,260	3,260
Reserves and retained earnings	2,898	1,783
Interest Bearing Liabilities	2,148	3,322
Provisions for long-term employee benefits	965	887
Other Liabilities	3,497	3,212
<b>Total Equity And Liabilities</b>	<b>12,768</b>	<b>12,464</b>

- **Summary Türk Telekom Consolidated Income Statement as of 2007 Q3 YTD and 2008 Q3 YTD**

<i>TRY million</i>	<b>2007</b>	<b>2007 Q3 YTD</b>	<b>2008 Q3 YTD</b>
<b>Revenues</b>	<b>9,423</b>	<b>6,876</b>	<b>7,592</b>
<i>Change</i>			10%
<b>EBITDA</b>	<b>4,184</b>	<b>3,136</b>	<b>3,412</b>
<i>Margin</i>	44%	46%	45%
<b>Operating Profit</b>	<b>2,546</b>	<b>1,909</b>	<b>2,191</b>
<i>Margin</i>	27%	28%	29%
<b>Profit Before Tax</b>	<b>2,981</b>	<b>2,272</b>	<b>2,111</b>
<i>Margin</i>	32%	33%	28%
<b>Profit/(Loss) For The Year</b>	<b>2,572</b>	<b>1,788</b>	<b>1,679</b>
<i>Margin</i>	27%	26%	22%

- **Summary Türk Telekom Consolidated Revenue Breakdown as of 2007 Q3 YTD and 2008 Q3 YTD**

<i>TRY million</i>	<b>2007</b>	<b>2007 Q3 YTD</b>	<b>2008 Q3 YTD</b>
Domestic telephony	5,336	4,015	3,960
ADSL	1,224	906	1,224
Wireless operations	1,706	1,225	1,589
Data service revenues	170	122	168
International settlements	210	130	160
Interconnect	170	131	131
Leased lines	523	388	420
Rent from GSM operators	117	86	89
Other	9	2	18
Discounts/returns	-14	0	0
Business segment eliminations	-220	-161	-174
<b>Sub-Total net revenue</b>	<b>9,232</b>	<b>6,844</b>	<b>7,585</b>
Construction Revenue (IFRIC 12)	191	32	7
<b>Total net revenue</b>	<b>9,423</b>	<b>6,876</b>	<b>7,592</b>

- **Summary Türk Telekom Consolidated OPEX Breakdown as of 2007 Q3 YTD and 2008 Q3 YTD**

<b>TRY million</b>	<b>2007</b>	<b>2007 Q3 YTD</b>	<b>2008 Q3 YTD</b>
Personnel costs	-1,824	-1,430	-1,501
Domestic interconnection	-582	-369	-404
Maintenance and repairs	-344	-244	-404
Bad debt provision expense	-267	-198	-202
Taxes	-458	-341	-372
Commissions	-234	-138	-130
International interconnection	-92	-64	-81
Advertising and marketing expense	-198	-136	-201
Other expenses	-1,334	-1,017	-1,012
<b>Sub-Total operating expenses</b>	<b>-5,333</b>	<b>-3,937</b>	<b>-4,307</b>
Construction Expense (IFRIC 12)	-171	-28	-6
<b>Total operating expenses</b>	<b>-5,504</b>	<b>-3,965</b>	<b>-4,313</b>