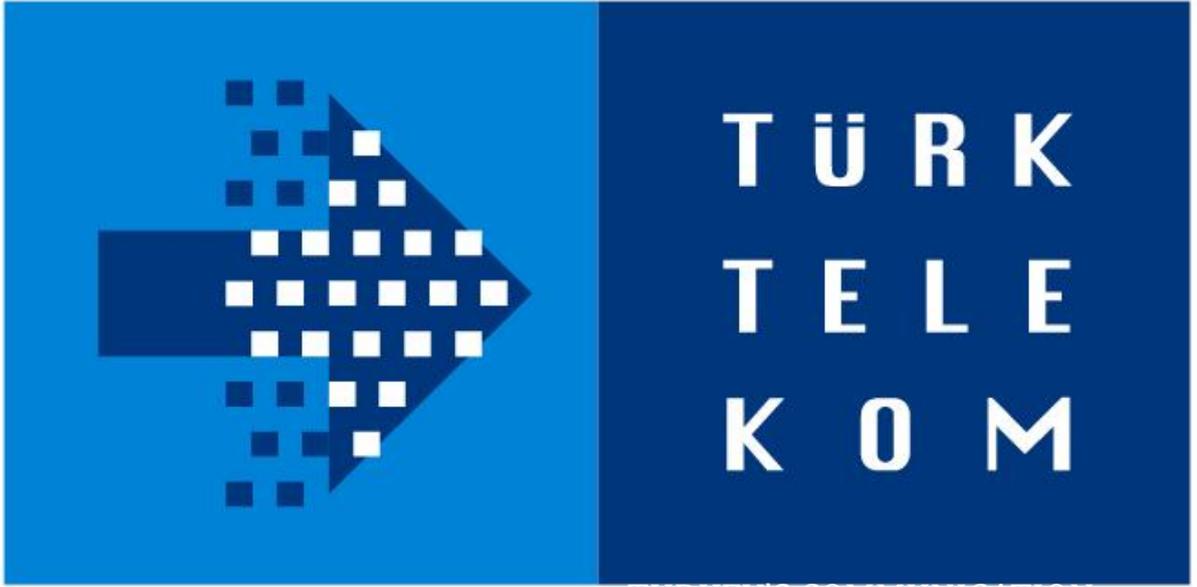


# TÜRK TELEKOMÜNİKASYON A.Ş.



**INTERIM ACTIVITY REPORT FOR THE PERIOD**

**BETWEEN 1 JULY - 30 SEPTEMBER 2009**

**BASED ON SERIAL:XI NO:29 COMMUNIQUÉ OF CAPITAL MARKETS BOARD**

**20 OCTOBER 2009**

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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, 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 corporate and retail customers through its extensive fixed-line telecommunications network, which covers almost 100% of the population.

Turkey had 17.5 million PSTN access lines in service as of 2008 year end and this number is 16.8 million as of Q3 2009 and PSTN penetration is 24%, based on total population. Türk Telekom’s PSTN access line capacity is approximately 21.2 million.

Türk Telekom offers infrastructure services for ISPs besides being broadband internet provider having the widest sales network in Turkey, through its wholly owned subsidiary TTNET.

As of Q3 2009, TTNET achieved to continue its leadership in the retail ADSL Internet access market. 97% of the wholesale broadband internet access in Turkey is through ADSL and the remaining 3% is attributable to cable operators. The number of ADSL subscribers increased from 5.8 million as of 2008 year end to 6 million as of September 30, 2009.

Türk Telekom, having 81.4% 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.

Avea has been founded in 2004 as a result of the merger of Aycell and Aria brands. From its foundation to the end of Q3 2009, its subscriber base rose from 4.8 million to 12.1 million. Thanks to HYO tariff, Avea increased its revenues by 16% as of Q3 2009 compared to the same period of 2008 and it has been growing fast and confidently to be the second operator in Turkish mobile communication market on revenue basis. Avea started to provide 3G services as of July 30, 2009. By taking advantage of group synergy and launching campaigns with TTNET, it is planning to provide high-quality services for its subscribers and to strengthen its competitive position in the market.

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.

With the acquisition of Sobee that was founded in 2001, the Group has entered the game industry in March 2009. Türk Telekom and Sobee now aim at contributing to the growing Turkish games market and making Turkey to be able to get a good share in the global games market. New games that were developed and will be launched in the near future by Sobee are purposed to be offered not only in Turkish Market but also in the regional and global markets.

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**

Class	Shareholder	Share Capital (TL)	Share (%)
A	Ojer Telekomünikasyon A.Ş.	1,925,000,000.00	55
B	T.R. Undersecretariat of Treasury	971,249,999.99	30
C		0.01	
D		78,750,000.00	
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 approval is required for the following matters:

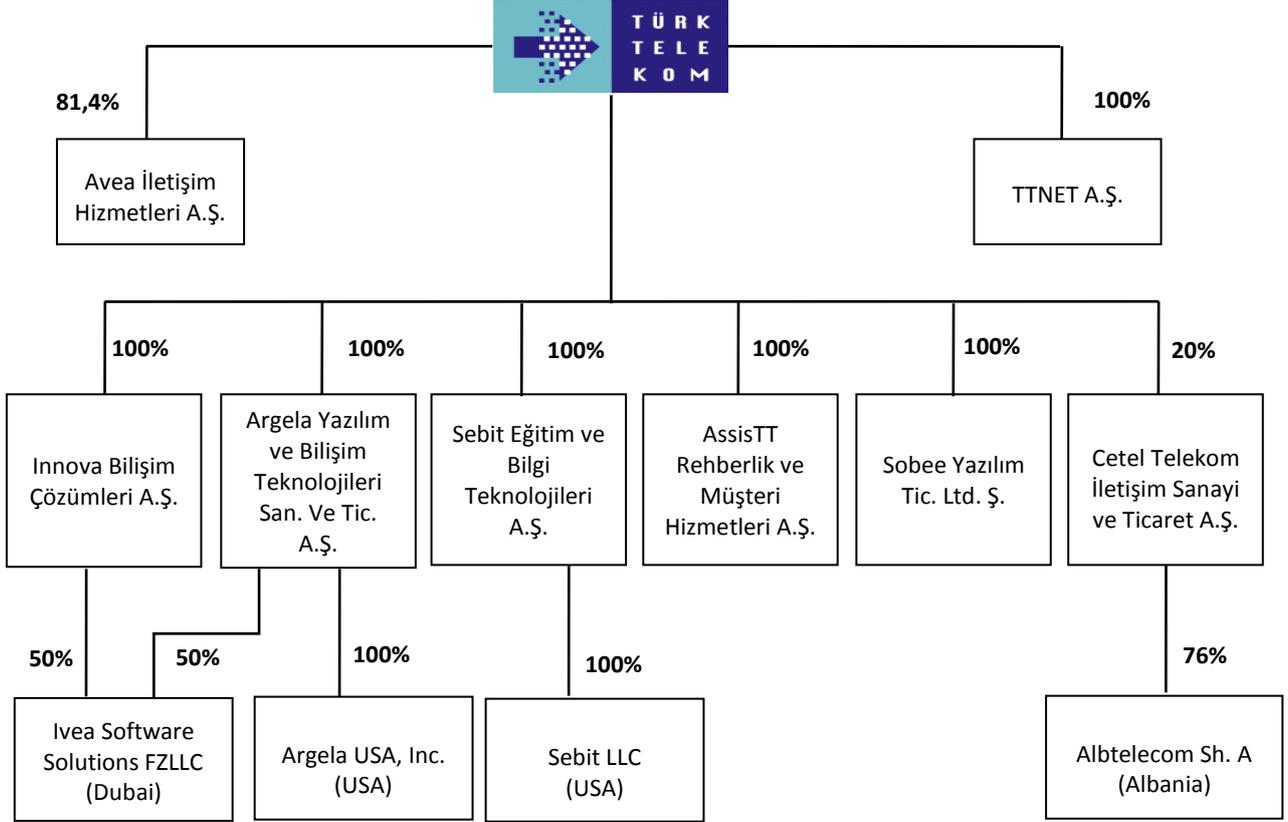
- a) Any proposed amendments to the Articles of Association;
- b) The transfer of any of the Company's registered shares (i.e., the Class A shares) which would result in a change in management control;
- c) The registration of any transfer of the Company's registered shares in the shareholder ledger.

As publicly disclosed in the Public Offering Prospectus, the real and legal persons directly or indirectly holding a stake in the Company's share capital are listed below:

Holding 55% stake in the Company, Ojer Telekomünikasyon A.Ş. is owned by Oger Telecom Limited by 99% and Saudi Oger Limited by 1%. STC Turkey Holding Limited, Oger Telecom Saudi Arabia Limited, and Saudi Oger Limited have respective shares of 35%, 26% and 23.54% in Oger Telecom Limited, whereas the remaining 15.5% is held by other persons holding less than 5% share. STC Turkey Holding Limited is wholly owned by Saudi Telecom Company. Saudi Oger Limited has 80.1% share in Oger Telecom Saudi Arabia Limited, whereas AH Holding WLL holds 6.7%, Dr. Nasser Al Rashid 6.5%, Sara Holding 3.9% and Rawad Telecommunication Company 2.8% share. The shares in Saudi Oger Limited are totally owned by Rafiq Hariri Family.

- Subsidiaries

**TÜRK TELEKOMÜNİKASYON A.Ş.**



- **Management and Organization**

**Board of Directors**

Mohammed Hariri	Chairman of the Board
İbrahim Şahin	Vice Chairman of the Board
Dr. Paul (Boulos H.B.) Doany	Member of the Board and CEO
Saad Zafer M. Al Kahtani	Member of the Board
Abdullah Tivnikli	Member of the Board
Samir Asaad O. Matbouli	Member of the Board
Basile Yared	Member of the Board
İsmet Yılmaz	Member of the Board
Dr. Ali Arıdurdu	Member of the Board
Mehmet Habib Soluk	Member of the Board

**Statutory Audit Board**

Efkan Ala	Member of the Statutory Audit Board
Prof. Dr. Aydın Gülan	Member of the Statutory Audit Board
Doç. Dr. Tuna Tuğcu	Member of the Statutory Audit Board

**Executive Committee**

Mohammed Hariri	Chairman of the Executive Committee
İbrahim Şahin	Vice Chairman of the Executive Committee
Dr. Paul (Boulos H.B.) Doany	Member of the Executive Committee
Abdullah Tivnikli	Member of the Executive Committee
Saad Zafer M. Al Kahtani	Member of the Executive Committee

**Audit Committee**

Basile Yared	Chairman of the Audit Committee
Mehmet Habib Soluk	Member of the Audit Committee
Samir Asaad O. Matbouli	Member of the Audit Committee

**Senior Management**

Dr. Paul (Boulos H.B.) Doany	Chief Executive Officer
Celalettin Dinçer	VP Operations
David Cook*	Deputy VP Finance
Mehmet Candan Toros	VP International Sales 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
Dr. Nazif Burca	Head of Internal Audit

\*Our CFO, Mr. Ersin Topçuoğlu has not been with Turk Telekom since September 15, 2009. Mr. David Cook has been appointed as acting CFO temporarily by the Board.

### 3. MEETINGS OF THE BOARD OF DIRECTORS

In the period of this report, resolutions taken in the meetings of the Board of Directors that were held on July 20, 2009 and September 11, 2009 are listed below:

- With the resolution no.42 at the meeting no.7 held on July 20, 2009, it was decided that:

Our Company's consolidated financial statements and the interim annual report for the period between January 1, 2009 and June 30, 2009 which have been prepared according to the IFRS, within the framework of CMB Communiqué No. 29 Serial No. XI shall be approved.

- With the resolution no.43 at the meeting no.7 held on July 20, 2009, it was decided that:

Executive Committee shall be authorized for changes in the Headquarters for the position of Directorship and positions of an equivalent level, and General Manager shall be authorized for restructuring positions in the Headquarters below Directorship and below positions of an equivalent level, and positions in the Regional Organization; executing appointments to positions created as a result of such changes; and making changes in the norm headcount of units taking into consideration the total norm headcount number defined for the company according to the structuring of the headquarters/region.

- With the resolution no.53 at the meeting no.7 held on July 20, 2009, it was decided that:

General Manager shall be authorized to raise credit from China Construction Bank and sign loan agreement and all related documents regarding this facility.

- With the resolution no.54 at the meeting no.7 held on July 20, 2009, it was decided to:

Establish a committee chaired by Mohammed Hariri and composed of David Cook, Nurhan Kılıç, and Rami Aslan in order to solicit offers from international banks with respect to the potential raising of up to USD 750,000,000 for the Company through a Club deal or an international syndication, such amount to be subject to increase or decrease based on the terms and conditions received from the various offering banks. The Committee shall submit its findings and recommendations to the Board for final approval.

- With the resolution no.55 at the meeting no.8 held on September 11, 2009, it was decided that:

In order to provide export financing for the goods and services to be purchased from Ericsson AB and Ericsson Telekomünikasyon A.Ş. with respect to the 2G and 3G investments of our subsidiary Avea İletişim Hizmetleri A.Ş.; a facility up to a total amount of USD 380 million shall be obtained through ABN AMRO BANK N.V., Stockholm Branch, BNP PARIBAS, London Branch and ING BANK N.V. with the guarantee of Swedish Export Credits Guarantee Board ("EKN");

With in the above context, a facility agreement ("Facility Agreement") shall be executed by and between our Company as the Borrower and ABN AMRO BANK N.V., Stockholm Branch as the

Facility Agent, EKN Agent and SEK Agent (Swedish Export Credit Corporation) and ABN AMRO BANK N.V., Stockholm Branch, BNP PARIBAS, London Branch and ING BANK N.V. collectively as mandated lead managers, up to a total amount of USD 380 million;

In connection; with the foregoing Mr. Boulos H.B. Doany and one of the Treasury representatives, namely, Mr. İbrahim Şahin, Mr. Mehmet Habib Soluk, Mr. Ali Arıduru and Mr. İsmet Yılmaz shall be jointly authorized to carry out all kinds of negotiations and take all actions which may be necessary and CEO Boulos H.B. Doany shall be individually authorized to sign and execute the condition precedent documents to be provided by our Company in accordance with the Facility Agreement.

- With the resolution no.56 at the meeting no.8 held on September 11, 2009, it was decided that:

Under ex-officio Board resolution no.54 dated July 20, 2009, it has been resolved by the Board of Directors that a committee shall be established in order to receive offers from international banks for borrowing up to USD 750 million in the form of either a Club Loan or a Syndication Facility, and that such offers shall be evaluated and submitted to the final approval of the Board. On the basis of the reasons explained in the offer, it has been unanimously resolved that Türk Telekom CEO Mr. Boulos H.B. Doany and one of the Treasury representatives in the Board, namely Mr. İbrahim Şahin, Mr. Mehmet Habib Soluk, Mr. Ali Arıduru and Mr. İsmet Yılmaz, shall be authorized to raise the aforementioned Club Loan Facility and to sign the related Loan Agreements and other relevant documents, with two joint signatures.

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

Our group headcount as of 2008 year end and Q3 2009 are 34.025 and 35.667, respectively.

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

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

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

- **Decision of Supreme Court of Appeals on Fixed Fee**

Supreme Court decided in our Company's favour on the Company's appeal of the decision made in the case opened by one of our subscribers on the fixed fee applied to telephony services our Company provides. Notwithstanding, a decision of insistence was made on January 27, 2009 by local court and the issue was submitted to the Supreme Court again; Supreme Court Assembly made a final decision of reversal binding the local court in favour of our Company against the decision of insistence.

- **Change in the Organisational Structure**

On August 7, 2009 our organizational structure has been changed to conduct customer-focused operations more efficiently and run the processes more effectively. It has been decided to found 12 regional offices to which all the provincial directorates will be subject.

- **Announcement of Privatization Administration**

On August 3, 2009, Privatization Administration announced that it is planning to privatize public shares in some companies including our Company and they also mentioned that they do not have any strategic decision yet.

- **USD \$380 mn Long Term Loan Facility Signed**

On September 14, 2009 our company signed a loan agreement, to finance the goods and services purchases from Ericsson AB and Ericsson Telekomünikasyon A.Ş., guaranteed by EKN, lenders will be ABN Amro Bank NV, BNP Paribas and ING Bank NV. Amount of the facility will be up to USD 380 mn, maturity will be 9.5 years including 1 year grace period.

- **Senior Management Change at Turk Telekom**

Our CFO, Mr. Ersin Topçuoğlu decided to take another career opportunity and has not been with Turk Telekom since September 15, 2009. Mr. David Cook has been appointed as acting CFO temporarily by the Board of Directors.

- **Avea Loan Restructuring**

As it was disclosed earlier we are restructuring our mobile subsidiary Avea's long term debt and Avea paid back around 1 bn TL on September 30, 2009. Repayment is financed by the shareholder loan provided by Turk Telekom. Interest rate of the shareholder loan is 6M TRLIBOR+3%, the loan is subordinate to Avea's remaining long term debt which is maturing by the end of 2013.

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

There is not any material issue after the end of period.

## 8. SUMMARY FINANCIAL RESULTS

- Summary Türk Telekom Consolidated Balance Sheet as of 08 YE and 09 Q3

<i>TL million</i>	2008 YE	2009 Q3
Intangible Assets	2,734	3,140
Tangible Assets	6,588	6,711
Other Assets	2,295	2,527
Cash and equivalents	1,042	856
<b>Total Assets</b>	<b>12,659</b>	<b>13,234</b>
Share capital	3,260	3,260
Reserves and retained earnings	1,853	1,740
Interest Bearing Liabilities	3,455	4,418
Provisions for long-term employee benefits	667	732
Other Liabilities	3,424	3,084
<b>Total Equity And Liabilities</b>	<b>12,659</b>	<b>13,234</b>

- Summary Türk Telekom Consolidated Income Statement as of 08 Q3 YTD , 08 YE and 09 Q3 YTD

<i>TL million</i>	2008 YE	2008 Q3 YTD	2009 Q3 YTD
<b>Revenues</b>	<b>10,195</b>	<b>7,592</b>	<b>7,818</b>
<i>Change</i>			3%
<b>EBITDA</b>	<b>4,342</b>	<b>3,412</b>	<b>3,257</b>
<i>Margin</i>	43%	45%	42%
<b>Operating Profit</b>	<b>2,710</b>	<b>2,191</b>	<b>2,057</b>
<i>Margin</i>	27%	29%	26%
<b>Profit Before Tax</b>	<b>2,136</b>	<b>2,111</b>	<b>1,710</b>
<i>Margin</i>	21%	28%	22%
<b>Profit/(Loss) For The Year</b>	<b>1,752</b>	<b>1,680</b>	<b>1,369</b>
<i>Margin</i>	17%	22%	18%

- **Summary Türk Telekom Consolidated Revenue Breakdown as of 08 Q3 YTD, 08 YE and 09 Q3 YTD**

<i>TL million</i>	<b>2008 YE</b>	<b>2008 Q3 YTD</b>	<b>2009 Q3 YTD</b>
Domestic telephony	5,218	3,961	3,520
ADSL	1,670	1,223	1,565
Wireless operations	2,113	1,589	1,850
Data service revenues	239	169	220
International settlements	216	160	148
Interconnect	172	131	173
Leased lines	556	420	425
Rent from GSM Operators	114	89	89
Other	34	24	59
Discounts/returns	-1	-1	-3
Business segment eliminations	-236	-178	-232
<b>Sub-Total net revenue</b>	<b>10,095</b>	<b>7,587</b>	<b>7,814</b>
Construction Revenue (IFRIC 12)	100	7	3
<b>Total net revenue</b>	<b>10,195</b>	<b>7,594</b>	<b>7,817</b>