

**Türk Telekomünikasyon  
Anonim Şirketi and Its Subsidiaries  
30 June 2018**

Interim Condensed Consolidated  
Financial Statements As At and For  
The Six Month Period  
Ended 30 June 2018

24 July 2018

*This report contains 62 pages of financial  
statements and explanatory notes.*

## ***Review Report on Interim Consolidated Financial Information***

To the Board of Directors of Türk Telekomünikasyon Anonim Şirketi,

### ***Introduction***

We have reviewed the accompanying condensed consolidated statement of financial position of Türk Telekomünikasyon Anonim Şirketi and its subsidiaries (the “Group”) as at 30 June 2018, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with Turkish Accounting Standards 34 *Interim Financial Reporting* (“TAS 34”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

### ***Scope of Review***

We conducted our review in accordance with Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34 *Interim Financial Reporting*.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

A member of KPMG International Cooperative

Şirin Soysal, SMMM

Partner

24 July 2018

İstanbul, TÜRKİYE

(Convenience translation of a report and financial statements originally issued in Turkish)

**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Currency in thousands of Turkish Lira (“TL”) unless otherwise stated, all other currencies are also disclosed in thousands)*

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(Convenience translation of a report and financial statements originally issued in Turkish)

**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018**

(Currency in thousands of Turkish Lira (“TL”) unless otherwise stated, all other currencies are also disclosed in thousands)

|                                        |       | Current period    | Prior period      |
|----------------------------------------|-------|-------------------|-------------------|
|                                        |       | Reviewed          | Audited           |
|                                        | Notes | 30 June 2018      | 31 December 2017  |
| <b>Assets</b>                          |       |                   |                   |
| <b>Current assets</b>                  |       | <b>11.149.374</b> | <b>10.566.394</b> |
| Cash and cash equivalents              | 6     | 4.303.801         | 4.100.204         |
| Trade receivables                      |       |                   |                   |
| - Due from related parties             | 8     | 34.720            | 23.707            |
| - Trade receivables from third parties | 9     | 4.967.140         | 4.792.834         |
| Other receivables                      |       |                   |                   |
| - Other receivables from third parties |       | 85.229            | 57.894            |
| Derivative financial instruments       | 16    | 628.701           | 557.712           |
| Inventories                            |       | 311.190           | 203.978           |
| Prepaid expenses                       |       | 456.144           | 343.332           |
| Current tax related assets             |       | 66.732            | 33.884            |
| Other current assets                   | 12    | 258.356           | 415.488           |
|                                        |       | <b>11.112.013</b> | <b>10.529.033</b> |
| Assets held for sale                   |       | 37.361            | 37.361            |
| <b>Non-current assets</b>              |       | <b>19.351.508</b> | <b>18.582.141</b> |
| Financial investments                  |       | 11.995            | 11.840            |
| Trade receivables                      |       |                   |                   |
| - Trade receivables from third parties | 9     | 110.301           | 91.197            |
| Other receivables                      |       |                   |                   |
| - Other receivables from third parties |       | 34.792            | 33.837            |
| Derivative financial instruments       | 16    | 105.574           | 59.006            |
| Investment property                    |       | 21.285            | 22.376            |
| Property, plant and equipment          |       | 8.982.840         | 9.115.520         |
| Intangible assets                      |       |                   |                   |
| -Goodwill                              |       | 44.944            | 44.944            |
| -Other intangible assets               |       | 9.286.831         | 8.437.536         |
| Prepaid expenses                       |       | 74.074            | 68.935            |
| Deferred tax assets                    |       | 668.690           | 660.707           |
| Other non-current assets               |       | 10.182            | 36.243            |
| <b>Total assets</b>                    |       | <b>30.500.882</b> | <b>29.148.535</b> |

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of a report and financial statements originally issued in Turkish)

**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018**

(Currency in thousands of Turkish Lira (“TL”) unless otherwise stated, all other currencies are also disclosed in thousands)

|                                                                                     |       | Current period    | Prior period      |
|-------------------------------------------------------------------------------------|-------|-------------------|-------------------|
|                                                                                     |       | Reviewed          | Audited           |
|                                                                                     | Notes | 30 June 2018      | 31 December 2017  |
| <b>Liabilities</b>                                                                  |       |                   |                   |
| <b>Current liabilities</b>                                                          |       | <b>11.262.800</b> | <b>8.661.581</b>  |
| Financial liabilities                                                               |       |                   |                   |
| - Bank borrowings                                                                   | 7     | 50.757            | 66.714            |
| Short term portion of long term financial liabilities                               |       |                   |                   |
| - Bank borrowings                                                                   | 7     | 3.498.418         | 2.395.531         |
| - Obligations under finance leases                                                  |       | 635               | 617               |
| - Bills, bonds and notes issued                                                     | 7     | 2.292.965         | 23.800            |
| Trade payables                                                                      |       |                   |                   |
| - Due to related parties                                                            | 8     | 4.908             | 2.326             |
| - Trade payables to third parties                                                   | 9     | 3.153.673         | 4.066.558         |
| Employee benefit obligations                                                        | 12    | 255.361           | 175.712           |
| Other payables                                                                      |       |                   |                   |
| - Other payables to third parties                                                   |       | 810.319           | 844.592           |
| Derivative financial instruments                                                    | 16    | 132.387           | 192.052           |
| Deferred revenue                                                                    |       | 421.589           | 226.864           |
| Income tax payable                                                                  |       | 2.530             | 24.344            |
| Short term provisions                                                               |       |                   |                   |
| -Short term provisions for employee benefits                                        | 11    | 119.935           | 162.906           |
| -Other short term provisions                                                        | 11    | 460.294           | 433.238           |
| Other current liabilities                                                           | 12    | 59.029            | 46.327            |
| <b>Non-current liabilities</b>                                                      |       | <b>15.163.216</b> | <b>15.931.867</b> |
| Financial liabilities                                                               |       |                   |                   |
| - Bank borrowings                                                                   | 7     | 11.162.138        | 10.270.506        |
| - Obligations under finance leases                                                  |       | 2.046             | 1.982             |
| - Bills, bonds and notes issued                                                     | 7     | 2.251.487         | 3.732.588         |
| Other payables                                                                      |       |                   |                   |
| - Other payables to third parties                                                   |       | 200.206           | 375.233           |
| Derivative financial instruments                                                    | 16    | 47.157            | 117.389           |
| Deferred revenue                                                                    |       | 554.223           | 367.201           |
| Long term provisions                                                                |       |                   |                   |
| -Long term provisions for employee benefits                                         | 11    | 842.120           | 813.393           |
| -Other long-term provisions                                                         | 11    | 8.108             | 8.035             |
| Deferred tax liability                                                              |       | 95.731            | 245.540           |
| <b>Equity</b>                                                                       |       | <b>4.074.866</b>  | <b>4.555.087</b>  |
| Paid-in share capital                                                               |       | 3.500.000         | 3.500.000         |
| Inflation adjustments to paid in capital (-)                                        |       | (239.752)         | (239.752)         |
| Share based payments (-)                                                            |       | 9.528             | 9.528             |
| Other comprehensive income / expense items not to be reclassified to profit or loss |       |                   |                   |
| -Actuarial loss arising from employee benefits                                      |       | (582.297)         | (526.583)         |
| Other comprehensive income/expense items to be reclassified to profit or loss       |       |                   |                   |
| -Hedging reserves                                                                   |       | (288.720)         | (299.552)         |
| -Foreign currency translation reserve                                               |       | 309.534           | 218.920           |
| Restricted reserves allocated from profits                                          |       | 2.355.969         | 2.355.969         |
| Other reserves                                                                      |       | (1.320.942)       | (1.320.942)       |
| (Accumulated losses) / retained earnings                                            |       | 1.163.881         | (278.033)         |
| Net profit / (loss) for the period                                                  |       | (832.335)         | 1.135.532         |
| <b>Total liabilities and equity</b>                                                 |       | <b>30.500.882</b> | <b>29.148.535</b> |

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of a report and financial statements originally issued in Turkish)

**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

(Currency in thousands of Turkish Lira (“TL”) unless otherwise stated, all other currencies are also disclosed in thousands)

|                                                                                                          |       | Current Period           | Current Period              | Prior Period             | Prior Period           |
|----------------------------------------------------------------------------------------------------------|-------|--------------------------|-----------------------------|--------------------------|------------------------|
|                                                                                                          |       | Reviewed                 | Not Reviewed                | Reviewed                 | Not Reviewed           |
|                                                                                                          | Notes | 1 January - 30 June 2018 | 1 April 2018 - 30 June 2018 | 1 January - 30 June 2017 | 1 April - 30 June 2017 |
| Sales                                                                                                    | 5, 19 | 9.636.715                | 4.950.692                   | 8.807.984                | 4.500.509              |
| Cost of sales (-)                                                                                        |       | (5.292.331)              | (2.773.018)                 | (4.868.304)              | (2.473.517)            |
| <b>Gross profit</b>                                                                                      |       | <b>4.344.384</b>         | <b>2.177.674</b>            | <b>3.939.680</b>         | <b>2.026.992</b>       |
| General administrative expenses (-)                                                                      |       | (798.746)                | (408.169)                   | (840.854)                | (359.845)              |
| Marketing, sales and distribution expenses (-)                                                           |       | (1.223.531)              | (622.105)                   | (1.133.709)              | (628.545)              |
| Research and development expenses (-)                                                                    |       | (80.873)                 | (45.524)                    | (57.574)                 | (30.747)               |
| Other operating income                                                                                   |       | 126.721                  | 56.276                      | 135.483                  | 46.728                 |
| Other operating expense (-)                                                                              |       | (271.258)                | (169.508)                   | (183.732)                | (46.494)               |
| <b>Operating profit</b>                                                                                  |       | <b>2.096.697</b>         | <b>988.644</b>              | <b>1.859.294</b>         | <b>1.008.089</b>       |
| Impairment (losses) / gains in accordance with TFRS 9, net                                               |       | (165.356)                | (79.864)                    | (221.506)                | (107.984)              |
| Income from investing activities                                                                         |       | 70.881                   | 30.804                      | 59.241                   | 34.881                 |
| Expense from investing activities (-)                                                                    |       | (595)                    | (30)                        | (4.292)                  | (530)                  |
| <b>Operating profit before financial expenses</b>                                                        |       | <b>2.001.627</b>         | <b>939.554</b>              | <b>1.692.737</b>         | <b>934.456</b>         |
| Financial income                                                                                         |       | 625.148                  | 371.381                     | 456.753                  | 237.962                |
| Financial expense (-)                                                                                    |       | (3.624.101)              | (2.415.971)                 | (776.822)                | 15.701                 |
| <b>Profit / (loss) before tax</b>                                                                        | 5     | <b>(997.326)</b>         | <b>(1.105.036)</b>          | <b>1.372.668</b>         | <b>1.188.119</b>       |
| <b>Tax income / (expense)</b>                                                                            |       |                          |                             |                          |                        |
| - Current tax income / (expense)                                                                         |       | (26.767)                 | 47.580                      | (437.685)                | (318.965)              |
| - Deferred tax income / (expense)                                                                        |       | 191.758                  | 168.845                     | 20.470                   | 20.635                 |
| <b>Profit / (loss) for the year</b>                                                                      |       | <b>(832.335)</b>         | <b>(888.611)</b>            | <b>955.453</b>           | <b>889.789</b>         |
| Earnings / (losses) per shares attributable to equity holders of the parent from (in full Kuruş)         | 4     | (0,2378)                 | (0,2539)                    | 0,2730                   | 0,2542                 |
| Earnings / (losses) per diluted shares attributable to equity holders of the parent from (in full Kuruş) | 4     | (0,2378)                 | (0,2539)                    | 0,2730                   | 0,2542                 |

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of a report and financial statements originally issued in Turkish)  
**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

(Currency in thousands of Turkish Lira (“TL”) unless otherwise stated, all other currencies are also disclosed in thousands)

|                                                                                     |              | <b>Current Period</b>           | <b>Current Period</b>              | <b>Prior Period</b>             | <b>Prior Period</b>           |
|-------------------------------------------------------------------------------------|--------------|---------------------------------|------------------------------------|---------------------------------|-------------------------------|
|                                                                                     |              | <b>Reviewed</b>                 | <b>Not Reviewed</b>                | <b>Reviewed</b>                 | <b>Not Reviewed</b>           |
|                                                                                     | <b>Notes</b> | <b>1 January - 30 June 2018</b> | <b>1 April 2018 - 30 June 2018</b> | <b>1 January - 30 June 2017</b> | <b>1 April - 30 June 2017</b> |
| <b>Profit/(loss) for the period</b>                                                 |              | <b>(832.335)</b>                | <b>(888.611)</b>                   | <b>955.453</b>                  | <b>889.789</b>                |
| <b>Other comprehensive income items not to be reclassified to profit / (loss):</b>  |              |                                 |                                    |                                 |                               |
| <b>Items not to be reclassified to profit or loss:</b>                              |              |                                 |                                    |                                 |                               |
| Actuarial loss from employee benefits                                               | 11           | (69.057)                        | (54.071)                           | (12.995)                        | (3.733)                       |
| Tax effect of actuarial loss from employee benefits                                 |              | 13.343                          | 10.346                             | 2.533                           | 681                           |
| <b>Other comprehensive income items to be reclassified to profit or loss:</b>       |              |                                 |                                    |                                 |                               |
| Change in foreign currency translation differences                                  |              | 90.614                          | 62.183                             | 50.936                          | 17.349                        |
| Cash flow hedges-effective portion of changes in fair value                         | 16           | 106.051                         | 24.256                             | (11.921)                        | (22.673)                      |
| Hedge of net investment in a foreign operation                                      |              | (92.511)                        | (51.506)                           | (35.664)                        | (15.907)                      |
| Tax effect on other comprehensive income items to be reclassified to profit or loss |              | (2.708)                         | 5.450                              | 9.517                           | 7.716                         |
| -Tax effect of cash flow hedges-effective portion of changes in fair value          |              | (21.210)                        | (4.851)                            | 2.384                           | 4.534                         |
| -Tax effect of hedge of net investment in a foreign operation                       |              | 18.502                          | 10.301                             | 7.133                           | 3.182                         |
| <b>Other comprehensive income, net of tax</b>                                       |              | <b>45.732</b>                   | <b>(3.342)</b>                     | <b>2.406</b>                    | <b>(16.567)</b>               |
| <b>Total comprehensive income / (expense)</b>                                       |              | <b>(786.603)</b>                | <b>(891.953)</b>                   | <b>957.859</b>                  | <b>873.222</b>                |

The accompanying notes form an integral part of these consolidated financial statements.



(Convenience translation of a report and financial statements originally issued in Turkish )

**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018** (Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)

|                                                 |                       |                                         |                             |                        | Other comprehensive income items not to be reclassified to profit or loss in subsequent periods | Other comprehensive income items to be reclassified to profit or loss in subsequent periods |                         |                                      |                                            | Retained earnings 31 June / (losses) |                                    |           |
|-------------------------------------------------|-----------------------|-----------------------------------------|-----------------------------|------------------------|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-------------------------|--------------------------------------|--------------------------------------------|--------------------------------------|------------------------------------|-----------|
|                                                 |                       |                                         |                             |                        | Gains/(losses) on revaluation and re-measurement                                                | Reserve of gains/(losses) on hedging                                                        |                         |                                      |                                            |                                      |                                    |           |
|                                                 | Paid-in share capital | Inflation adjustment to paid in capital | Share based payment reserve | Other gains / (losses) | Actuarial loss arising from employee benefits                                                   | Gains or losses on hedges of net investment in foreign operations                           | Cash flow hedge reserve | Foreign currency translation reserve | Restricted reserves allocated from profits | Retained earnings /(losses)          | Net profit / (loss) for the period | Equity    |
| Balance at 1 January 2017                       | 3.500.000             | (239.752)                               | 9.528                       | (1.320.942)            | (493.990)                                                                                       | (131.944)                                                                                   | (113.620)               | 99.405                               | 2.355.969                                  | 446.307                              | (724.340)                          | 3.386.621 |
| Transfers                                       | –                     | –                                       | –                           | –                      | –                                                                                               | –                                                                                           | –                       | –                                    | –                                          | (724.340)                            | 724.340                            | –         |
| Total comprehensive income                      | –                     | –                                       | –                           | –                      | (10.462)                                                                                        | (28.531)                                                                                    | (9.537)                 | 50.936                               | –                                          | –                                    | 955.453                            | 957.859   |
| Profit for period                               | –                     | –                                       | –                           | –                      | –                                                                                               | –                                                                                           | –                       | –                                    | –                                          | –                                    | 955.453                            | 955.453   |
| Other comprehensive income                      | –                     | –                                       | –                           | –                      | (10.462)                                                                                        | (28.531)                                                                                    | (9.537)                 | 50.936                               | –                                          | –                                    | –                                  | 2.406     |
| Balance at 30 June 2017                         | 3.500.000             | (239.752)                               | 9.528                       | (1.320.942)            | (504.452)                                                                                       | (160.475)                                                                                   | (123.157)               | 150.341                              | 2.355.969                                  | (278.033)                            | 955.453                            | 4.344.480 |
| Balance at 1 January 2018                       | 3.500.000             | (239.752)                               | 9.528                       | (1.320.942)            | (526.583)                                                                                       | (211.185)                                                                                   | (88.367)                | 218.920                              | 2.355.969                                  | (278.033)                            | 1.135.532                          | 4.555.087 |
| Adjustments in accounting policies (net of tax) | –                     | –                                       | –                           | –                      | –                                                                                               | –                                                                                           | –                       | –                                    | –                                          | 306.382                              | –                                  | 306.382   |
| Adjusted balance at 1 January 2018              | 3.500.000             | (239.752)                               | 9.528                       | (1.320.942)            | (526.583)                                                                                       | (211.185)                                                                                   | (88.367)                | 218.920                              | 2.355.969                                  | 28.349                               | 1.135.532                          | 4.861.469 |
| Transfers                                       | –                     | –                                       | –                           | –                      | –                                                                                               | –                                                                                           | –                       | –                                    | –                                          | 1.135.532                            | (1.135.532)                        | –         |
| Total comprehensive income                      | –                     | –                                       | –                           | –                      | (55.714)                                                                                        | (74.009)                                                                                    | 84.841                  | 90.614                               | –                                          | –                                    | (832.335)                          | (786.603) |
| Loss for period                                 | –                     | –                                       | –                           | –                      | –                                                                                               | –                                                                                           | –                       | –                                    | –                                          | –                                    | (832.335)                          | (832.335) |
| Other comprehensive income                      | –                     | –                                       | –                           | –                      | (55.714)                                                                                        | (74.009)                                                                                    | 84.841                  | 90.614                               | –                                          | –                                    | –                                  | 45.732    |
| Balance at 30 June 2018                         | 3.500.000             | (239.752)                               | 9.528                       | (1.320.942)            | (582.297)                                                                                       | (285.194)                                                                                   | (3.526)                 | 309.534                              | 2.355.969                                  | 1.163.881                            | (832.335)                          | 4.074.866 |

The accompanying notes form an integral part of these consolidated financial statements.

**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2018**

(Currency in thousands of Turkish Lira (“TL”) unless otherwise stated, all other currencies are also disclosed in thousands)

|                                                                                                       | Current Period              | Prior Period                |
|-------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
|                                                                                                       | Reviewed                    | Reviewed                    |
|                                                                                                       | 1 January - 30<br>June 2018 | 1 January - 30<br>June 2017 |
| Notes                                                                                                 |                             |                             |
| <b>Net profit/(loss) for the period</b>                                                               | (832.335)                   | 955.453                     |
| <b>Adjustments to reconcile net profit to cash provided by operating activities:</b>                  |                             |                             |
| Adjustments for depreciation and amortisation expense                                                 | 1.787.455                   | 1.450.927                   |
| Adjustments for impairment loss / (reversal of impairment loss)                                       | 166.342                     | 274.914                     |
| - Adjustments for impairment loss of receivables                                                      | 217.687                     | 221.506                     |
| - Adjustments for impairment loss of inventories                                                      | 250                         | 10.951                      |
| - Adjustments for impairment loss of property, plant and equipment                                    | 735                         | 42.457                      |
| - Adjustments for other impairment loss                                                               | (52.330)                    | –                           |
| Adjustments for provisions                                                                            | 194.442                     | 141.024                     |
| - Adjustments for provisions related with employee benefits                                           | 171.637                     | 126.103                     |
| - Adjustments for reversal of lawsuit and/or penalty provisions                                       | 22.805                      | 14.833                      |
| - Adjustments for other provisions                                                                    | –                           | 88                          |
| Adjustments for interest expenses and income                                                          | 289.779                     | 165.206                     |
| - Adjustments for interest expense and income                                                         | 286.995                     | 152.331                     |
| - Deferred financial expenses from credit purchases                                                   | 2.784                       | 12.875                      |
| Adjustments for unrealised foreign exchange losses                                                    | 3.009.134                   | 268.214                     |
| Adjustments for fair value losses /(gain)                                                             | (142.576)                   | (115.250)                   |
| - Adjustments for fair value loss on derivative financial instruments                                 | (142.576)                   | (115.250)                   |
| Adjustments for tax expenses                                                                          | (164.991)                   | 417.215                     |
| Adjustments for gains arised from sale of tangible assets                                             | (70.285)                    | (54.949)                    |
| Other adjustments for non-cash items                                                                  | (40.365)                    | (43.566)                    |
| <b>Operating profit before working capital changes</b>                                                | <b>4.196.600</b>            | <b>3.459.188</b>            |
| <b>Changes in working capital:</b>                                                                    |                             |                             |
| Adjustments for increase in trade receivable                                                          | (446.048)                   | (504.674)                   |
| Adjustments for increase in inventories                                                               | (107.462)                   | (42.031)                    |
| Adjustments for increase in trade payable                                                             | (1.014.845)                 | (569.450)                   |
| Increase / (decrease) in other third party receivables related with operations                        | 33.967                      | (64.684)                    |
| Increase / (decrease) in other operating payables to third parties                                    | 151.793                     | (21.736)                    |
| <b>Cash flow from operating activities:</b>                                                           |                             |                             |
| Interest received                                                                                     | 54.266                      | 50.717                      |
| Payments related with employee benefits                                                               | 11 (256.187)                | (235.949)                   |
| Payments related with other provisions                                                                | 11 (178.588)                | (38.620)                    |
| Income taxes paid                                                                                     | (62.927)                    | (128.533)                   |
| Other outflows of cash                                                                                | 78.791                      | 25.386                      |
| <b>Net cash from operating activities</b>                                                             | <b>2.449.360</b>            | <b>1.929.614</b>            |
| <b>Investing activities</b>                                                                           |                             |                             |
| Financial assets                                                                                      | (155)                       | –                           |
| Payments related to liabilities arising from acquisition of non-controlling interests                 | (205.000)                   | (205.000)                   |
| Proceeds from sale of property, plant, equipment and intangible assets                                | 84.553                      | 64.332                      |
| Purchases of property, plant, equipment and intangible assets                                         | (1.339.697)                 | (1.892.088)                 |
| <b>Net cash used in investing activities</b>                                                          | <b>(1.460.299)</b>          | <b>(2.032.756)</b>          |
| <b>Cash flows from financing activities</b>                                                           |                             |                             |
| Proceeds from loans                                                                                   | 642.472                     | 731.863                     |
| Repayments of borrowings                                                                              | (1.119.298)                 | (1.384.507)                 |
| - Loan repayments                                                                                     | (1.119.298)                 | (1.384.507)                 |
| Payments of finance lease liabilities                                                                 | (15)                        | (2)                         |
| Cash inflows /(outflows) from derivative instruments, net                                             | (548)                       | 35.439                      |
| Interest paid                                                                                         | (302.188)                   | (216.198)                   |
| Interest received                                                                                     | 120.157                     | 82.598                      |
| Other cash outflows, net                                                                              | (53.271)                    | (23.969)                    |
| <b>Net cash used in financing activities</b>                                                          | <b>(712.691)</b>            | <b>(774.776)</b>            |
| <b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES</b> | <b>276.370</b>              | <b>(877.918)</b>            |
| <b>EFFECT OF CHANGES IN FOREING EXCHANGE RATES IN CASH AND CASH EQUIVALENTS</b>                       | <b>6.018</b>                | <b>9.855</b>                |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>                                       | <b>3.688.104</b>            | <b>2.616.297</b>            |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                                             | <b>6 3.970.492</b>          | <b>1.748.234</b>            |

The accompanying notes form an integral part of these consolidated financial statements.

**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Currency in thousands of Turkish Lira (“TL”) unless otherwise stated, all other currencies are also disclosed in thousands)*

**1. REPORTING ENTITY**

Türk Telekomünikasyon Anonim Şirketi (“Türk Telekom” or “the Company”) is a joint stock company incorporated in Turkey. The Company has its history in the Posthane – i Amirane (Department of Post Office) which was originally established as a Ministry on 23 October 1840. On 4 February 1924, under the Telephone and Telegraph Law No. 406, the authorization to install and operate telephone networks throughout Turkey was given to the General Directorate of Post, Telegraph and Telephone (“PTT”). The Company was founded on 24 April 1995 as a result of the split of the telecommunication and postal services formerly carried out by the PTT. All of the personnel, assets and obligations of the PTT pertaining to telecommunication services were transferred to the Company, the shares of which were fully owned by the Prime Ministry Under secretariat of Treasury (“the Treasury”).

On 24 August 2005, Oger Telekomünikasyon A.Ş. (“OTAŞ”), entered into a Share Sale Agreement with the Turkey’s Privatization Authority for the purchase of a 55% stake in the Company. A Shareholders Agreement and a Share Pledge Agreement for the block sale of the Company were signed on 14 November 2005 and then after, OTAŞ became the parent company of the Company.

Out of TL 3.500.000 nominal amount of capital, 15% of the Company’s shares owned by the Treasury corresponding to a nominal amount of TL 525.000 have been issued to the public through an initial public offering with the permission of Directorate of Istanbul Stock Exchange on 15 May 2008. Since then Company shares are traded in Borsa İstanbul with the name of TTKOM.

Oger Telecom Limited (“Oger Telecom”) owns 99% of the shares of OTAŞ, which in turn owns 55% of the Company. Oger Telecom is an entity incorporated in August 2005 as a limited liability company under the laws of the Dubai International Financial Centre.

As at 30 June 2018 and 31 December 2017, the ultimate parent and controlling party of the Company is Saudi Oger Ltd (“Saudi Oger”), because of its controlling ownership in Oger Telecom.

A concession agreement (“the Concession Agreement”) was signed by the Company and Turkish Telecommunication Authority (now named the Information and Communication Technologies Authority (“ICTA”) as at 14 November 2005. The Concession Agreement covers the provision of all kinds of telecommunication services, establishment of necessary telecommunications facilities and the use of such facilities by other licensed operators and the marketing and supply of telecommunication services for 25 years starting from 28 February 2001. The Concession Agreement will terminate on 28 February 2026 and the Company will transfer the entire infrastructure that has been used to provide telecommunication services to ICTA in working condition.

Türk Telekom has the right to apply to the ICTA for renewal of the Türk Telekom Concession Agreement one year prior to the expiry of its term, with any such renewal to be granted at the discretion of the ICTA.

**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

(Currency in thousands of Turkish Lira (“TL”) unless otherwise stated, all other currencies are also disclosed in thousands)

**1. REPORTING ENTITY (CONTINUED)**

The details of the Company’s subsidiaries as at 30 June 2018 and 31 December 2017 are as follows:

| Name of Subsidiary                                                                       | Place of incorporation and operation | Principal activity                                                           | Functional Currency | Effective ownership of the Company (%) |                  |
|------------------------------------------------------------------------------------------|--------------------------------------|------------------------------------------------------------------------------|---------------------|----------------------------------------|------------------|
|                                                                                          |                                      |                                                                              |                     | 30 June 2018                           | 31 December 2017 |
| TTNet Anonim Şirketi (“TTNet”)                                                           | Turkey                               | Internet service provider                                                    | Turkish Lira        | 100                                    | 100              |
| TT Mobil İletişim Hizmetleri A.Ş.(“TT Mobil”)(**)                                        | Turkey                               | GSM operator                                                                 | Turkish Lira        | 100                                    | 100              |
| Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi(“Argela”)       | Turkey                               | Telecommunication solutions                                                  | Turkish Lira        | 100                                    | 100              |
| Innova Bilişim Çözümleri Anonim Şirketi (“Innova”)                                       | Turkey                               | Telecommunication solutions                                                  | Turkish Lira        | 100                                    | 100              |
| Assist Rehberlik ve Müşteri Hizmetleri Anonim Şirketi (“AssisTT”)                        | Turkey                               | Call center and customer relations                                           | Turkish Lira        | 100                                    | 100              |
| Sebit Eğitim ve Bilgi Teknolojileri A.Ş.(“Sebit”)                                        | Turkey                               | Web Based Learning                                                           | Turkish Lira        | 100                                    | 100              |
| NETSIA Inc.                                                                              | USA                                  | Telecommunications solutions                                                 | U.S. Dollar         | 100                                    | 100              |
| Sebit LLC                                                                                | USA                                  | Web based learning                                                           | U.S. Dollar         | 100                                    | 100              |
| TT International Holding B.V.(“TT International”) (*)                                    | Netherlands                          | Holding company                                                              | Euro                | 100                                    | 100              |
| Türk Telekom International AG (“TTINT Austria”)(*)                                       | Austria                              | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| Türk Telekom International Hu Kft (TTINT Hungary)(*)                                     | Hungary                              | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| S.C. Euroweb Romania S.A.(“TTINT Romania”) (*)                                           | Romania                              | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| Türk Telekom International Bulgaria EOOD (“TTINT Bulgaria”)(*)                           | Bulgaria                             | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| Türk Telekom International CZ s.r.o (“TTINT Czech Republic”) (*)                         | Czech Republic                       | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| TTINT Telcomd.o.o Beograd (“TTINT Serbia”) (*)                                           | Serbia                               | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| TTINT Telekomunikacijed.o.o (“TTINT Slovenia”) (*)                                       | Slovenia                             | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| Türk Telekom International SK s.r.o (“TTINT Slovakia”) (*)                               | Slovakia                             | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| TT International Telekomünikasyon Sanayi ve Ticaret Limited Şirketi (“TTINT Turkey”) (*) | Turkey                               | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| Türk Telekom International UA TOV (“TTINT Ukraine”) (*)                                  | Ukraine                              | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| Türk Telekom International Italy S.R.L. (TTINT Italy) (*)                                | Italy                                | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| TTINT International DOOEL Skopje(“TTINT Macedonia”) (*)                                  | Macedonia                            | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| Türk Telekom International LLC (“TTINT Russia”) (*)                                      | Russia                               | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| Türk Telekomünikasyon Euro GmbH. (“TT Euro”) (*)                                         | Germany                              | Mobil service marketing                                                      | Euro                | 100                                    | 100              |
| Türk Telekom International d.o.o.(*)                                                     | Croatia                              | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| Türk Telekom International HK Limited (*)                                                | Hong Kong                            | Internet/data services, infrastructure and wholesale voice services provider | H.K. Dollar         | 100                                    | 100              |
| Net Ekran TV ve Medya Hiz. A.Ş. (“Net Ekran”)                                            | Turkey                               | Television and radio broadcasting                                            | Turkish Lira        | 100                                    | 100              |
| TTES Elektrik Tedarik Satış A.Ş.(“TTES”)                                                 | Turkey                               | Electrical energy trading                                                    | Turkish Lira        | 100                                    | 100              |
| TT Euro Belgium S.A. (*)                                                                 | Belgium                              | Mobile service marketing                                                     | Euro                | 100                                    | 100              |
| TT Ödeme Hizmetleri A.Ş.                                                                 | Turkey                               | Mobile finance                                                               | Turkish Lira        | 100                                    | 100              |
| Net Ekran1 TV ve Medya Hiz. A.Ş. (“Net Ekran1”)                                          | Turkey                               | Television and radio broadcasting                                            | Turkish Lira        | 100                                    | 100              |
| Net Ekran2 TV ve Medya Hiz. A.Ş. (“Net Ekran2”)                                          | Turkey                               | Television and radio broadcasting                                            | Turkish Lira        | 100                                    | 100              |
| Net Ekran3 TV ve Medya Hiz. A.Ş. (“Net Ekran3”)                                          | Turkey                               | Television and radio broadcasting                                            | Turkish Lira        | 100                                    | 100              |
| Net Ekran4 TV ve Medya Hiz. A.Ş. (“Net Ekran4”)                                          | Turkey                               | Television and radio broadcasting                                            | Turkish Lira        | 100                                    | 100              |
| Net Ekran5 TV ve Medya Hiz. A.Ş. (“Net Ekran5”)                                          | Turkey                               | Television and radio broadcasting                                            | Turkish Lira        | 100                                    | 100              |
| Net Ekran6 TV ve Medya Hiz. A.Ş. (“Net Ekran6”)                                          | Turkey                               | Television and radio broadcasting                                            | Turkish Lira        | 100                                    | 100              |
| Net Ekran7 TV ve Medya Hiz. A.Ş. (“Net Ekran7”)                                          | Turkey                               | Television and radio broadcasting                                            | Turkish Lira        | 100                                    | 100              |
| Net Ekran8 TV ve Medya Hiz. A.Ş. (“Net Ekran8”)                                          | Turkey                               | Television and radio broadcasting                                            | Turkish Lira        | 100                                    | 100              |
| Net Ekran9 TV ve Medya Hiz. A.Ş. (“Net Ekran9”)                                          | Turkey                               | Television and radio broadcasting                                            | Turkish Lira        | 100                                    | 100              |
| Net Ekran10 TV ve Medya Hiz. A.Ş. (“Net Ekran10”)                                        | Turkey                               | Television and radio broadcasting                                            | Turkish Lira        | 100                                    | 100              |
| Net Ekran11 TV ve Medya Hiz. A.Ş. (“Net Ekran11”)                                        | Turkey                               | Television and radio broadcasting                                            | Turkish Lira        | 100                                    | 100              |
| Net Ekran12 TV ve Medya Hiz. A.Ş. (“Net Ekran12”)                                        | Turkey                               | Television and radio broadcasting                                            | Turkish Lira        | 100                                    | 100              |
| Net Ekran13 TV ve Medya Hiz. A.Ş. (“Net Ekran13”)                                        | Turkey                               | Television and radio broadcasting                                            | Turkish Lira        | 100                                    | 100              |
| Net Ekran14 TV ve Medya Hiz. A.Ş. (“Net Ekran14”)                                        | Turkey                               | Television and radio broadcasting                                            | Turkish Lira        | 100                                    | 100              |
| Net Ekran15 TV ve Medya Hiz. A.Ş. (“Net Ekran15”)                                        | Turkey                               | Television and radio broadcasting                                            | Turkish Lira        | 100                                    | 100              |
| Net Ekran16 TV ve Medya Hiz. A.Ş. (“Net Ekran16”)                                        | Turkey                               | Television and radio broadcasting                                            | Turkish Lira        | 100                                    | 100              |
| 11818 Rehberlik ve Müşteri Hizmetleri A.Ş. (“11818”)                                     | Turkey                               | Call center and customer relations                                           | Turkish Lira        | 100                                    | 100              |
| TT Satış ve Dağıtım Hizmetleri Anonim Şirketi                                            | Turkey                               | Selling and Distribution Services                                            | Turkish Lira        | 100                                    | 100              |
| TT Ventures Proje Geliştirme A.Ş.                                                        | Turkey                               | Corporate Venture Capital                                                    | Turkish Lira        | 100                                    | 100              |

(\*) Hereinafter, will be referred as TTINT Group.

(\*\*) The title of Avea İletişim Hizmetleri A.Ş. was announced on 30 May 2018 by TT Mobil İletişim Hizmetleri A.Ş.

(Convenience translation of a report and financial statements originally issued in Turkish)

**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

(Currency in thousands of Turkish Lira (“TL”) unless otherwise stated, all other currencies are also disclosed in thousands)

**1. REPORTING ENTITY (CONTINUED)**

The details of the Company’s joint operation as at 30 June 2018 and 31 December 2017 are as follows:

| Name of Joint Operation                 | Place of incorporation and operation | Principal activity                                                           | Functional Currency | Effective ownership of the Company (%) |                  |
|-----------------------------------------|--------------------------------------|------------------------------------------------------------------------------|---------------------|----------------------------------------|------------------|
|                                         |                                      |                                                                              |                     | 30 June 2018                           | 31 December 2017 |
| TT Mobil-Vodafone Evrensel İş Ortaklığı | Turkey                               | Internet/data services, infrastructure and wholesale voice services provider | Turkish Lira        | 51                                     | 51               |

Hereinafter, Türk Telekom and its subsidiaries and joint operations together will be referred to as “the Group”.

The Group’s principal activities include the provision of local, national, international and mobile telecommunication services, internet products and services, as well as call center and customer relationship management, technology and information management.

The Company’s registered office address is Turgut Özal Bulvarı, 06103 Aydınlıkevler, Ankara.

The number of personnel subject to collective agreement as at 30 June 2018 is 11.087 (31 December 2017: 11.970) and the number of personnel not subject to collective agreement as at 30 June 2018 is 22.528 (31 December 2017: 22.732). The total number of personnel as at 30 June 2018 and 31 December 2017 are 33.615 and 34.502, respectively.

(Convenience translation of a report and financial statements originally issued in Turkish)

**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

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**AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Currency in thousands of Turkish Lira (“TL”) unless otherwise stated, all other currencies are also disclosed in thousands)*

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

The main accounting policies used for preparing the Group’s consolidated financial statements are stated below:

**2.1 Basis of presentation of the interim condensed consolidated financial statements**

**a) Statement of compliance with TAS**

The accompanying consolidated financial statements are based in accordance with Turkish Accounting Standards (“TAS”) issued by Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) as set out in the Communiqué serial II, No: 14.1 announcement of Capital Markets Board (“CMB”) dated 13 June 2013 related to “Capital Market Communiqué on Principles Regarding Financial Reporting” (“Communiqué”) which is published in official gazette, no 28676. TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards, appendixes and interpretations.

For the six month period ended 30 June 2018, the Group prepared its interim condensed consolidated financial statements in accordance with the Turkish Accounting Standard No.34 “Interim Financial Reporting”. Interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group’s annual financial statements, as at 31 December 2017.

**b) Preparation of financial statements**

The accompanying consolidated financial statements and notes are presented in accordance with the illustrative financial statements published by CMB on 7 June 2013.

The accompanying consolidated financial statements are approved by the Company’s Board of Directors on 24 July 2018. General Assembly and related legal institutions have the right to correct these financial statements and statutory financial statements.

The Group has initially applied TFRS 15 and TFRS 9 with a date of initial application at 1 January 2018. In accordance with the transition method applied comparative information is not restated.

**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

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*(Currency in thousands of Turkish Lira (“TL”) unless otherwise stated, all other currencies are also disclosed in thousands)*

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.1 Basis of presentation of the interim condensed consolidated financial statements (continued)**

**c) Correction of financial statements during the hyperinflationary periods**

CMB, with its resolution dated 17 March 2005, announced that all publicly traded entities operating in Turkey was not obliged to apply inflationary accounting effective from 1 January 2005. In accordance with this resolution, TAS 29 “Financial Reporting in Hyperinflationary Economies” is not applied to the consolidated financial statements since 1 January 2005.

**d) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the property, plant and equipment and investment property acquisitions prior to 1 January 2000 for which the deemed cost method was applied in accordance with TAS 29 “Financial Reporting in Hyperinflationary Economies”, derivative financial instruments and non-controlling interest put option liability which have been reflected at their fair values. Investment properties and tangible assets which are recognized with deemed cost method are valued with fair values as of 1 January 2000, non-controlling interest put option liabilities and derivative financial liabilities are valued with fair values as of balance sheet date.

The methods used to measure the fair values are discussed further in Note 2.1 (f).

**e) Functional and presentation currency**

Excluding the subsidiaries incorporated outside of Turkey, functional currency of all entities’ included in consolidation is Turkish Lira (“TL”) and they maintain their books of account in TL in accordance with Turkish Commercial Code, Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

Functional currencies of the subsidiaries are presented in Note 1.

The consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with the Turkish Accounting Standards published by the POA and are presented in TL.

**Additional paragraph for convenience translation to English:**

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosures requirement of the POA.

**f) Significant accounting assessments, estimates and assumptions**

In order to prepare financial statements in accordance with TMS, certain assumptions affecting notes to the financial statements and critical accounting estimations related to assets, liabilities, contingent assets and contingent liabilities are required to be used. Although these estimations are made upon the best afford of the management by interpreting the cyclical circumstances, actual results may differ from the forecasts. Issues that are complex and needs further interpretation, which might have a critical impact on financial statements. There is no change in judgments and critical accounting estimates compared to prior year used in interim condensed consolidated financial statements as 30 June 2018.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.1 Basis of presentation of the interim condensed consolidated financial statements (continued)**

**f) Significant accounting assessments, estimates and assumptions (continued)**

**Determination of fair values**

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**i) Trade and other receivables**

The fair value of trade and other receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. This fair value is determined at initial recognition and at the end of each reporting period for disclosure purposes.

**ii) Derivatives**

The fair value of interest rate swaps and forward exchange contracts are based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

**iii) Bills, bonds and notes issued**

The fair values of bills, bonds and notes issued are determined with reference to their quoted price at the measurement date. Subsequent to initial recognition, the fair values of bills, bonds and notes issued are determined for disclosure purposes only.

**iv) Other non-derivative financial liabilities**

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.



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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.2 Summary of significant accounting policies**

**Standards issued but not yet effective and not early adopted as of 30 June 2018**

***Standards issued but not yet effective and not early adopted***

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

**TFRS 16 Leases**

On 13 January 2016, POA issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 *Investment Properties*. TFRS 16 *Leases* eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts TFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS 16.

**TFRS Interpretation 23 –Uncertainty Over Income Tax Treatments**

On 24 May 2018, POA issued TFRS Interpretation 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company’s tax treatment. TAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. TFRS Interpretation 23 provides requirements that add to the requirements in TAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS Interpretation 23.

**Amendments to TFRS 9 - Prepayment features with negative compensation**

On December 2017, POA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include ‘reasonable additional compensation’ for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TFRS 9.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.2 Summary of significant accounting policies (continued)**

*The new standards, amendments and interpretations that are issued by the IASB but not issued by POA*

**Amendments to TAS 28- Long-term Interests in Associates and Joint Ventures**

On December 2017, POA has issued amendments to TAS 28 to clarify that entities also apply TFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TAS 28.

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

**Annual Improvements to IFRSs 2015-2017 Cycle**

**Improvements to IFRSs**

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

**IFRS 3 Business Combinations and IFRS 11 Joint Arrangements**

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

**IAS 12 Income Taxes**

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

**IAS 23 Borrowing Costs**

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.2 Summary of significant accounting policies (continued)**

**Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement -**

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 19.

**The revised Conceptual Framework**

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

**2.3. Change in accounting policy**

Except for the changes below, the accounting policies applied in these interim consolidated financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2017.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.3. Change in accounting policy (continued)**

**a. TFRS 15 Revenue from contracts with customers**

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced TAS 18 *Revenue*, TAS 11 *Construction Contracts* and related interpretation.

The Group has initially adopted TFRS 15 *Revenue from Contracts with Customers* with a date of initial application of 1 January 2018. As a result, the Group has changed its accounting policy for revenue recognition as detailed below.

The Group has applied TFRS 15 using the cumulative effect method – by recognizing the cumulative effect of initially applying TFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information presented for 2017 has not been restated and continues to be as previously reported under TAS 18 and TAS 11 and related interpretations. The details of the significant changes and quantitative impact of the changes are set out below.

**i) Sales of equipment and other telecommunication services in bundled packages**

For equipment sold in bundled packages, the Group previously limited revenue to the amount that was not contingent on the provision of future telecommunication services. Under TFRS 15, the total consideration in the contract is allocated to all products and services – e.g. equipment, mobile telecommunication services, and connection fees – based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells those products and services on their own in separate transactions. For items that are not sold separately the Group estimates stand-alone selling prices using the expected cost plus a margin approach. For those contracts including sales of a distinct equipment or distinct connection fee, a lower proportion of consideration is allocated to equipment or connection fees and therefore revenue is recognized later under TFRS 15 than under TAS 18. The impact of these changes on items other than revenue is a decrease in income accruals.

Previously, the Group recognized revenue for connection fees immediately when connection services were provided and the cost of connection was also recognized immediately as an expense. Under TFRS 15, connection fees that are assessed as distinct are recognized as revenue. Connection fees for activities that are an improvement to or an extension of the Group’s own network, rather than a transfer of goods or services to the customers are determined as not distinct and no separate revenue is recognized. For distinct connection fees revenue recognized is measured based on their stand-alone selling prices. The stand-alone selling prices of connection fees are estimated based on expected cost plus a margin approach. For connection fees that are not distinct, no portion of consideration is allocation to non-distinct connection fees, and therefore revenue is recognized later under TFRS 15 than under TAS 18. The impact of these changes on items other than revenue is a decrease in income accruals.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.3. Change in accounting policy (continued)**

**a. TFRS 15 Revenue from contracts with customers (continued)**

**ii) Subscriber acquisition and retention costs**

Subscriber acquisition costs include commissions and premiums incurred for acquisition and retention of subscribers.

The Group previously recognized commissions and premiums incurred for acquisitions/retentions in the consolidated statement of profit or loss during the year they are incurred. Under TFRS 15, the Group capitalizes these commission and premiums if these costs are incremental with obtaining a contract with a customer and if they are expected to be recovered. Under TFRS 15, subscriber acquisition and retention costs are capitalized as intangible assets are amortized in marketing, sales and distribution expenses. Subscriber acquisition costs are amortized consistently during subscriber life cycle and subscriber retention costs are amortized consistently during the the renewal period.

**iii) Significant financing component**

To estimate the transaction price in a contract, the Group adjusts the promised amount of consideration to reflect the time value of money if the contract contains a significant financing component. Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. The discount rate used is the rate that would be reflected in a separate financing transaction between the Group and the customer at a contract inception.

Indefeasible right of use (“IRU”) contracts of the Group are adjusted for significant financing component. The Group previously was not adjusting for significant financing component under TAS 18. Under TFRS 15, consideration is adjusted to reflect the financing component of the transaction and related financing component is recognized as interest expense in financial expenses and presented separately from revenue from customers in profit or loss.

**iv) Impacts on the consolidated financial statements**

The following table summarizes the impact, net of tax, of transition to TFRS 15 on retained earnings at 1 January 2018:

|                                                           | <b>Impact of adopting TFRS 15<br/>at 1 January 2018</b> |
|-----------------------------------------------------------|---------------------------------------------------------|
| <b>Retained earnings</b>                                  |                                                         |
| Sales of equipment in bundled packages and connection fee | (204.412)                                               |
| Subscriber acquisition/retention costs                    | 843.203                                                 |
| Significant financing component                           | (45.607)                                                |
| Related tax                                               | (43.406)                                                |
| Currency translation difference                           | 2.468                                                   |
| <b>Impact at 1 January 2018</b>                           | <b>552.246</b>                                          |

The following tables summarize the impacts of adopting TFRS 15 on the Group’s condensed interim consolidated financial statements as at 30 June 2018 and for the six months then ended for each of the line items affected.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.3. Change in accounting policy (continued)**

**a. TFRS 15 Revenue from contracts with customers (continued)**

**iv) Impacts on the consolidated financial statements (continued)**

**i. Impact on the condensed interim consolidated statement of financial position**

|                                         |     | <b>Impact of changes in accounting policies</b> |                    |                                             |
|-----------------------------------------|-----|-------------------------------------------------|--------------------|---------------------------------------------|
|                                         |     | <b>As reported</b>                              | <b>Adjustments</b> | <b>Balances without adoption of TFRS 15</b> |
| <b>30 June 2018</b>                     |     |                                                 |                    |                                             |
| Intangible fixed assets                 | b   | 9.286.831                                       | (907.253)          | 8.379.578                                   |
| Trade and other receivables             | a   | 5.232.182                                       | 18.164             | 5.250.346                                   |
| Deferred tax asset                      |     | 668.690                                         | (12.020)           | 656.670                                     |
| Other                                   |     | 15.313.179                                      | –                  | 15.313.179                                  |
| <b>Total assets</b>                     |     | <b>30.500.882</b>                               | <b>(901.109)</b>   | <b>29.599.773</b>                           |
| Deferred tax liabilities                |     | 95.731                                          | (59.386)           | 36.345                                      |
| Deferred revenue                        | a,c | 975.812                                         | (252.010)          | 723.802                                     |
| Other                                   |     | 25.354.473                                      | –                  | 25.354.473                                  |
| <b>Total liabilities</b>                |     | <b>26.426.016</b>                               | <b>(311.396)</b>   | <b>26.114.620</b>                           |
| Retained earnings                       |     | 1.163.861                                       | (552.246)          | 611.615                                     |
| Foreign currency translation difference |     | 309.534                                         | 5.545              | 315.079                                     |
| Net profit                              |     | (832.335)                                       | (43.012)           | (875.347)                                   |
| Other                                   |     | 3.433.806                                       | –                  | 3.433.806                                   |
| <b>Total equity</b>                     |     | <b>4.074.866</b>                                | <b>(589.713)</b>   | <b>3.485.153</b>                            |

a. Sales of equipment and other telecommunication services in bundled packages and connection fees

b. Subscriber acquisition and retention costs

c. Significant financing component

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.3. Change in accounting policy (continued)**

**a. TFRS 15 Revenue from contracts with customers (continued)**

**iv) Impacts on the consolidated financial statements (continued)**

**ii. Impact on the condensed interim consolidated statement of profit or loss and other comprehensive income**

|                                            |     | Impact of changes in accounting policies |             |                                      |
|--------------------------------------------|-----|------------------------------------------|-------------|--------------------------------------|
|                                            |     |                                          |             | Balances without adoption of TFRS 15 |
| 30 June 2018                               |     | As reported                              | Adjustments |                                      |
| Sales                                      | a,c | 9.636.715                                | 9.072       | 9.645.787                            |
| Marketing, sales and distribution expenses | b   | (1.223.531)                              | (64.051)    | (1.287.582)                          |
| Financial income/expense, (net)            | c   | (2.998.953)                              | 6.998       | (2.991.955)                          |
| Tax expense                                |     | 164.991                                  | 4.969       | 169.960                              |
| Other                                      |     | (6.411.557)                              | –           | (6.411.557)                          |
| Profit/ (Loss)                             |     | (832.335)                                | (43.012)    | (875.347)                            |
| Total comprehensive income/ (expense)      |     | (786.603)                                | (37.467)    | (824.070)                            |

a. Sales of equipment and other telecommunication services in bundled packages and connection fees

b. Subscriber acquisition and retention costs

c. Significant financing component

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.3. Change in accounting policy (continued)**

**a. TFRS 15 Revenue from contracts with customers (continued)**

**iv) Impacts on the consolidated financial statements (continued)**

**iii. Impact on the condensed interim consolidated statement of cash flows**

|                                                                                       |   | <b>Impact of changes in accounting policies</b> |                    |                                             |
|---------------------------------------------------------------------------------------|---|-------------------------------------------------|--------------------|---------------------------------------------|
| <b>30 June 2018</b>                                                                   |   | <b>As reported</b>                              | <b>Adjustments</b> | <b>Balances without adoption of TFRS 15</b> |
| <b>Profit for the period</b>                                                          |   | (832.335)                                       | (43.012)           | (875.347)                                   |
| <b>Adjustments to reconcile net profit to cash provided by operating activities:</b>  |   |                                                 |                    |                                             |
| -Depreciation and amortisation expense                                                | b | 1.787.455                                       | (233.727)          | 1.553.728                                   |
| -Tax expenses                                                                         |   | (164.991)                                       | (4.969)            | (169.960)                                   |
| -Other                                                                                |   | 3.406.471                                       | –                  | 3.406.471                                   |
| <b>Changes in working capital:</b>                                                    |   |                                                 |                    |                                             |
| -Increase in other operating payables to third parties                                |   | 151.793                                         | (16.070)           | 135.723                                     |
| -Other                                                                                |   | (1.534.388)                                     | –                  | (1.534.388)                                 |
| Cash flow from operating activities                                                   |   | (364.645)                                       | –                  | (364.645)                                   |
| <b>Net cash from operating activities</b>                                             |   | <b>2.449.360</b>                                | <b>(297.778)</b>   | <b>2.151.582</b>                            |
| Payments related to liabilities arising from acquisition of non-controlling interests | b | (1.339.697)                                     | 297.778            | (1.041.919)                                 |
| Other                                                                                 |   | (120.602)                                       | –                  | (120.602)                                   |
| <b>Net cash from investing activities</b>                                             |   | <b>(1.460.299)</b>                              | <b>297.778</b>     | <b>(1.162.521)</b>                          |
| Other                                                                                 |   | (712.691)                                       | –                  | (712.691)                                   |
| <b>Net cash from financing activities</b>                                             |   | <b>(712.691)</b>                                | <b>–</b>           | <b>(712.691)</b>                            |
| Net decrease in cash and cash equivalents before currency translation differences     |   | 276.370                                         | –                  | 276.370                                     |
| Effect of changes in foreign exchange rates in cash and cash equivalents              |   | 6.018                                           | –                  | 6.018                                       |
| Cash and cash equivalents at the beginning of the period                              |   | 3.688.104                                       | –                  | 3.688.104                                   |
| <b>Cash and cash equivalents at the end of the period</b>                             |   | <b>3.970.492</b>                                | <b>–</b>           | <b>3.970.492</b>                            |

a. Sales of equipment and other telecommunication services in bundled packages and connection fees

b. Subscriber acquisition and retention costs

c. Significant financing component



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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.3 Changes in accounting policies (continued)**

**b. TFRS 9 Financial instruments**

The Group has initially adopted TFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. TFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The following table summarizes the impact, net of tax, of transition to TFRS 9 on retained earnings at 1 January 2018:

|                                                      | <b>Impact of adopting TFRS 9 at 1<br/>January 2018</b> |
|------------------------------------------------------|--------------------------------------------------------|
| <b>Retained earnings</b>                             |                                                        |
| Recognition of expected credit losses under TFRS 9   | (263.230)                                              |
| Related tax                                          | 17.366                                                 |
| <b>Opening balance under TFRS 9 (1 January 2018)</b> | <b>(245.864)</b>                                       |

*i. Classification of financial assets and financial liabilities*

TFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The classification of financial assets under TFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. TFRS 9 eliminates the previous TAS 39 categories of held to maturity, loans and receivables and available for sale. Under TFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of TFRS 9 has not had a significant effect on the Group’s accounting policies for financial liabilities.

The effect of adopting TFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under TFRS 9, see Note 2.4.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.3 Changes in accounting policies (continued)**

**b. TFRS 9 Financial instruments (continued)**

*ii. Impairment of financial assets*

TFRS 9 replaces the ‘incurred loss’ model in TAS 39 with an ‘expected credit loss’ (“ECL”) model. The new impairment model applies to financial assets measured at amortized cost and contract assets, but not to investments in equity instruments. The details of the new model under TFRS 9 is disclosed in Note 2.4.

*Impact of the new impairment model*

As at 1 January 2018, the effect of impairment allowance under TFRS 9 is as follows:

|                                                            |                    |
|------------------------------------------------------------|--------------------|
| <b>Loss allowance as at 31 December 2017 under TAS 39</b>  | <b>(2.864.484)</b> |
| Additional impairment recognized at 1 January 2018 on:     |                    |
| - Trade receivables                                        | (24.876)           |
| - Other assets and receivables                             | (17.568)           |
| - Provision for expected credit losses on loan commitments | (220.786)          |
| <b>Loss allowance as at 1 January 2018 under TFRS 9</b>    | <b>(3.127.714)</b> |

*iii. Hedge accounting*

When initially applying TFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of TAS 39 instead of the requirements in TFRS 9. The Group has not elected to adopt the new general hedge accounting model in TFRS 9. Accounting policies applied in preparation of condensed interim consolidated financial statements as at 31 December 2017 have not changed.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.3 Changes in accounting policies (continued)**

**b. TFRS 9 Financial instruments (continued)**

*iv. Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 (2014) have been applied retrospectively, except as described below.

- Comparative periods have not been restated for prior periods. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of TFRS 9 are recognized in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of TFRS 9 and therefore is not comparable to the information presented for 2018 under TFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.

- The designation of certain investments in equity instruments not held for trading as at FVOCI.

*v. Classification of financial assets and liabilities on the date of initial application*

The following table shows the original measurement categories under TAS 39 and the new measurement categories under TFRS 9 for each class of the Group’s financial assets and financial liabilities as at 1 January 2018:

|                                                              | Note | Original classification<br>under TAS 39 | New classification under<br>TFRS 9                                     | Original<br>carrying<br>amount under<br>TAS 39 | New carrying<br>amount under<br>TFRS 9 |
|--------------------------------------------------------------|------|-----------------------------------------|------------------------------------------------------------------------|------------------------------------------------|----------------------------------------|
| <b>Financial assets</b>                                      |      |                                         |                                                                        |                                                |                                        |
| Cash and cash equivalents                                    | 6    | Loans and receivables                   | Amortised cost                                                         | 4.100.204                                      | 4.100.204                              |
| Trade and other receivables<br>(including related parties)   | 8,9  | Loans and receivables                   | Amortised cost                                                         | 4.999.469                                      | 4.974.593                              |
|                                                              |      |                                         | Changes in fair value<br>attributable to other<br>comprehensive income |                                                |                                        |
| Financial investments                                        |      | Assets held for sale                    |                                                                        | 11.840                                         | 11.840                                 |
| Other assets                                                 |      | Loans and receivables                   | Amortised cost                                                         | 191.211                                        | 173.643                                |
| <b>Financial liabilities</b>                                 |      |                                         |                                                                        |                                                |                                        |
| Bank borrowings                                              | 7    | Other financial liabilities             | Other financial liabilities                                            | 12.732.751                                     | 12.732.751                             |
| Bills, bonds and notes issued                                | 7    | Other financial liabilities             | Other financial liabilities                                            | 3.756.388                                      | 3.756.388                              |
| Financial leasing liabilities                                |      | Other financial liabilities             | Other financial liabilities                                            | 2.599                                          | 2.599                                  |
| Trade payables and provisions<br>(including related parties) | 8,9  | Other financial liabilities             | Other financial liabilities                                            | 5.369.485                                      | 5.148.699                              |

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.3 Changes in accounting policies (continued)**

**b. TFRS 9 Financial instruments (continued)**

*v. Classification of financial assets and liabilities on the date of initial application (continued)*

The Group’s accounting policies on the classification of financial instruments under TFRS 9 are set out in Note 2.4. The application of these policies resulted in the reclassifications set out in the table above and explained below.

- Trade and other receivables that were classified as loans and receivables under TAS 39 are classified at amortized cost under TFRS 9. An increase of TL 42.444 thousand in the allowance for impairment was recognized in opening retained earnings at 1 January 2018 on transition to TFRS 9.
- In accordance with TFRS 9, expected credit losses are recognized for the guarantees given for borrowings of distributors which are utilized in financing of equipment purchases that will be sold to Group’s customers as part of commitment sales. As at 1 January 2018, provision amounting to TL 220.786 is recognized in consolidated financial statements.
- Financial investments that were classified as available for sale financial assets under TAS 39 are now classified at FVOCI under TFRS 9. Those assets are comprised of 6,84 % share of the Group’s share in Cetel Telekom İletişim Sanayi ve Ticaret Anonim Şirketi (“Cetel”). Cost of Cetel is used as a measure for its fair value since management has insufficient recent information to measure fair value.

**2.4 Significant accounting policies**

The details of new accounting policies adopted as at 1 January 2018 and differences from previous accounting policies are presented below. Except for the changes explained below and in Note 2.3, the accounting policies applied in these interim consolidated financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2017.

**a. Revenues**

The Group has applied TFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under TAS 18 and TAS 11. The details of accounting policies under TAS 18 and TAS 11 are disclosed separately if they are different from those under TFRS 15 and the impact of changes is disclosed in Note 2.3.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or service to a customer.

For the period ended 31 December 2017 (“comparative period”), revenue was recognized when the significant risks and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of the goods and services could be estimated reliably, there was no continuing management involvement with the goods, and the amount of revenue could be measured reliably. Revenue was measured at the fair value of the consideration received or receivable and represented amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Service revenues were recorded at the time services were rendered.

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**AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

(Currency in thousands of Turkish Lira (“TL”) unless otherwise stated, all other currencies are also disclosed in thousands)

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.4 Significant accounting policies (continued)**

**a. Revenues (continued)**

***i) Fixed line revenues***

Revenues from fixed-line telecommunication services like network access, local usage, domestic and international long distance and infrastructure leases are recognized on an accrual basis as services are provided.

Connection fees that are assessed as distinct are recognized as revenue. Connection fees for activities that are an improvement to or an extension of the Group’s own network, rather than a transfer of goods or services to the customer are determined as not distinct and no separate revenue is recognized. For distinct connection fees in a bundle, revenue recognized is measured based on their stand-alone selling prices. The stand-alone selling prices of connection fees are estimated based on expected cost plus a margin approach. Distinct connection fees are immediately recognized as revenue when connection services are provided and the cost of connection is also recognized immediately as an expense.

Revenues from sale of indefeasible right of use contracts, which are long term capacity/line rental arrangements, are accounted over the term of the contract.

***ii) Mobile revenues***

Revenues generated from mobile telecommunication services such as outgoing and incoming traffic, roaming revenues, revenues from value added services and monthly fees which are recognized at the time services are rendered. With respect to prepaid outgoing revenues, the Group generally collects cash in advance by selling scratch cards to dealers and distributors. In such cases, the Group does not recognize revenues until the subscribers use the service and present such amounts under deferred revenues in the consolidated financial statements.

The Group recognizes content revenue based on the agreement between the Group and the content providers. As the Group is the primary obligor of the service, the revenue received from the subscribers is presented on gross basis and the portion paid to the content providers is recognized as operating expense.

***iii) Equipment sale revenues***

Revenues from sales of phone device, modem and other network equipment are recorded as revenue when control over a product or service is transferred to a customer.

For bundled packages, the Group accounts for individual products and services separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it either on its own or together with other resources that are readily available to the customer. The consideration is allocated between distinct products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells those products and services separately. For items that are not sold separately the Group estimates stand-alone selling prices using the expected cost plus a margin approach. Equipment revenues are presented in other revenues. Cost of products and services are recognized as expense when related revenue is recognized.

***iv) TV revenues***

Revenues from TV subscriptions are charged to contract customers on a monthly basis. Revenues are invoiced and recorded as part of a periodic billing cycle, and are recognized as the services are provided. Pay-per-view revenue is recognized when the movie is rented. Advertising revenue is recognized as the commercials are aired.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.4 Significant accounting policies (continued)**

**a. Revenues (continued)**

**v) Subscriber acquisition costs**

Subscriber acquisition costs include commissions and premiums incurred for acquisition and retention of subscribers.

The Group capitalizes these commission and premiums as incremental costs of obtaining a contract with a customer and if they are expected to be recovered. Subscriber acquisition costs are amortized consistently during the subscriber life cycle and subscriber retention costs are amortized consistently during the renewal period and amortization expense is recognized in marketing, sales and distribution expenses.

**vi) Significant financing component**

To estimate the transaction price in a contract, the Group adjusts the promised amount of consideration for the time value of money if that contract contains a significant financing component. Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer.

Indefeasible right of use (“IRU”) contracts of the Group are adjusted for significant financing component. For bundled contracts where the control of equipment is transferred to the customer upfront but collection is made in installments, no significant financing component is recognized based on materiality considerations.

**b. Finance income and finance costs**

The Group’s finance income and finance costs include:

- interest income;
- interest expense;
- transaction cost;
- coupon payments of bond;
- gains and losses on hedging instruments recognized in profit or loss;
- foreign currency gains or losses on financial assets and financial liabilities.

Interest income or expense is recognized using the effective interest method.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that cannot be matched with acquisition, construction or production of an asset are recognized in profit or loss by using effective interest rate.

Rediscount, interest and foreign exchange gains and losses arising from trading transactions are recognized in other operating income and expense.

Accounting for significant financing component is disclosed in detail in Note 2.4.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.4 Significant accounting policies (continued)**

**c. Financial instruments**

*i. Recognition and initial measurement*

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

*ii. Classification and subsequent measurement*

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI – equity investment, or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. The Group holds 6,84 % of shares of Cetel as equity investment and has elected to present changes in fair value of Cetel in other comprehensive income. Cost of Cetel is used as a measure for its fair value since management has insufficient more recent information to measure fair value.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.4 Significant accounting policies (continued)**

**c. Financial instruments (continued)**

*ii. Classification and subsequent measurement (continued)*

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (Note 16) and equity investments measured at FVTPL.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment – Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales.

Financial assets that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

‘Principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:



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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.4 Significant accounting policies (continued)**

**c. Financial instruments (continued)**

*ii. Classification and subsequent measurement (continued)*

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018 (continued)

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Trade receivables and other receivables meet solely payments of principal and interest test since principal is the present value of the expected cash flows. Those receivables are managed in line with the held to collect business model.

Financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

|                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Financial assets at FVTPL</b>          | Financial assets at FVTPL are comprised of derivatives. These assets are subsequently measured at fair value. Net gains and losses, including any interest, are recognized in profit or loss.                                                                                                                                                                                                                                                                   |
| <b>Financial assets at amortized cost</b> | Financial assets at amortized cost are comprised of cash and cash equivalents, trade receivables, other receivables and other assets. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss. |
| <b>Equity investments at FVTPL</b>        | Equity investments at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.                                                                                                                                                                                                                                                                                         |
| <b>Equity investments at FVOCI</b>        | Equity investments at FVOCI include the Group’s 6,84% of share of Cetel. These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.                                                                                     |

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.4 Significant accounting policies (continued)**

**c. Financial instruments (continued)**

*ii. Classification and subsequent measurement (continued)*

Financial assets: Policy applicable before 1 January 2018

***Non-derivative financial assets***

The Group initially recognized loans and receivables and deposits on the date that they were originated. All other financial assets were recognized initially on the trade date at which the Group became a party to the contractual provisions of the instrument.

Non-derivative financial assets were comprised of loans and receivables and cash and cash equivalents and financial investments.

***Loans and receivables***

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets were recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, loans and receivables were measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables were comprised of cash and cash equivalents, and trade and other receivables, receivables from related parties and financial investments.

Receivables from customers in relation to a component of revenue were recognized as trade receivables in financial statements. Receivables that were not classified as trade receivables and were not financial investments were recognized as other receivables.

***Cash and cash equivalents***

Cash and cash equivalents were comprised of cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and were used by the Group in the management of its short-term commitments.

Cash and cash equivalents were comprised of cash, cash at banks and other cash and cash equivalents.

Project and reserve accounts were included in other current assets. The use of project and reserve accounts were subjected to the approval of the lender in accordance with the financial contracts.

***Financial investments***

As of 31 December 2017, the Group accounted its 6,84% shareholding in Cetel as financial investments in the consolidated financial statements. As of 31 December 2017, Cetel was carried at cost after deducting impairment, if any and accounted under financial investments in the consolidated financial statements because the Company did not have significant influence at Cetel.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.4 Significant accounting policies (continued)**

**c. Financial instruments (continued)**

*ii. Classification and subsequent measurement (continued)*

Financial assets: Policy applicable before 1 January 2018 (continued)

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. The Group does not have any financial liabilities at FVTPL except for derivatives.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

***Non-derivative financial liabilities***

The Group initially recognized debt securities issued and subordinated liabilities on the date that they were originated. All other financial liabilities were recognized initially on the trade date, which was the date that the Group becomes a party to the contractual provisions of the instrument.

The Group classified non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities were recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities were measured at amortized cost using the effective interest method.

Other financial liabilities were comprised of loans, debt securities issued, trade and other payables, payables to related parties and other payables.

Trade payables were payables to third parties in relation to their capacity as suppliers. Payables stemming from transactions with parties that were not suppliers or customers which were not classified as trade payables and were not a result of financing operations were recognized as other payables.

When a financial instrument gave rise to a contractual obligation on the part of the Group to deliver cash or another financial asset or to exchange another financial instrument under conditions that were potentially unfavorable, it was classified as a financial liability. The instrument was equity instrument if, the following were met:

- a) The instrument included no contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that were potentially unfavorable to the Group.
- b) If the instrument would or might be settled in the Group’s own equity instruments, it was a non-derivative that included no contractual obligation for the Group to deliver a variable number of its own equity instruments; or a derivative that would be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.4 Significant accounting policies (continued)**

**c. Financial instruments (continued)**

*iii. Derecognition*

Derecognition – Policy applicable from 1 January 2018

Financial assets

The Group derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Group was recognized as a separate asset or liability.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Derecognition – Policy applicable before 1 January 2018

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognized a financial liability when its contractual obligations were discharged, cancelled or expired.

*iv. Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.4 Significant accounting policies (continued)**

**d. Impairment**

Policy applicable from 1 January 2018

Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- contract assets (as defined in TFRS 15).

Under TFRS 9, loss allowances are measured on either of the following bases:

- Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument; and
- 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- bank balances for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables, other receivables, other assets and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.4 Significant accounting policies (continued)**

**d. Impairment (continued)**

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls.

ECLs are discounted at the effective interest rate of the financial asset.

For trade receivables, other receivables, other assets and contract assets the Group applies the simplified approach to providing for expected credit losses prescribed in TFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. The Group performed the calculation of ECL rates separately for individual, corporate, public and wholesale customers. The ECLs were calculated based on actual credit loss experience over the past seven years.

Exposures within each group were segmented based on common credit risk characteristics such as delinquency status.

Actual credit loss experience was adjusted to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables. Future collection performance of receivables are estimated by considering general economic conditions to incorporate forward looking information to the expected credit loss calculations.

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial re-organization; or
- the disappearance of an active market for a security because of financial difficulties.

*Presentation of impairment in the statement of financial position*

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss. As a result, the Group reclassified impairment losses amounting to TL 218.546 thousand, recognized under TAS 39, from ‘general administrative expenses’ to ‘impairment loss on trade and other receivables, including contract assets’ in the interim condensed consolidated statement of profit or loss for the six months period ended 30 June 2017.

Impairment losses on other financial assets are presented under ‘general administrative expenses’, similar to the presentation under TAS 39, and not presented separately in the interim condensed consolidated statement of profit or loss due to materiality considerations.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.4 Significant accounting policies (continued)**

**d. Impairment (continued)**

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where trade receivables, other receivables, other assets and contract assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Policy applicable before 1 January 2018

At each balance sheet date, The Group assessed whether a financial asset or group of financial assets were impaired. When an objective evidence existed which represented that an impairment loss occurred in the receivables and loans stated as its amortized cost or the investments held until their maturity, amount of the loss has been determined as the difference between the current value calculated by discounting the estimated cash flows (excluding unrealized loan losses in the future) in the future based on the original interest rate (the effective interest rate calculated when initial accounting occurred) of the financial asset and the carrying value. Carrying value of the asset was decreased directly or by using a provision account. The related loss amount was recognized in income statement.

In the subsequent term, if the impairment loss decreased and the related decrease was objectively associated with a case (such as improvement at the credit rate of the obligator) occurred after the impairment loss had been recognized/accounted, the recognized impairment loss had been reversed directly or by using a provision account. The reverse could not cause carrying value of the related financial asset to be higher than the amortized value which arose as at the date of the reversal of impairment if the impairment was not recognized/accounted. The reversed amount was recognized/accounted in income statement.

Reserve was provided for the overdue uncollectible receivables. Also portfolio reserve was provided for the not due receivables based on certain criteria. The carrying amount of the receivable was reduced through use of an allowance account. Impaired debts were derecognized when they were assessed as uncollectible.

**2.5 Changes in accounting policies, comparative information and restatement of prior periods’ financial statements**

**The reclassifications that are made as at 30 June 2017**

Amortization expenses amounting to TL 11.946 and TL 15.221 which were previously presented under marketing, sales and distribution expenses and general administrative expenses, respectively, in the consolidated profit or loss statement for the six month period ended 30 June 2017, are reclassified to cost of sales as a results of amendments in cost mappings of one of the subsidiary of the Group.

**3. SEASONAL CHANGES IN THE OPERATIONS**

The operations of the Group are not subject to seasonal fluctuations.

**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

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**4. EARNINGS PER SHARE**

|                                                                                  | 1 January -<br>30 June 2018 | 1 April -<br>30 June 2018 | 1 January -<br>30 June 2017 | 1 April -<br>30 June 2017 |
|----------------------------------------------------------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| Weighted average number of ordinary shares outstanding during the year           | 350.000.000.000             | 350.000.000.000           | 350.000.000.000             | 350.000.000.000           |
| Net profit / (loss) for the period attributable to equity holders of the Company | (832.335)                   | (888.611)                 | 955.453                     | 889.789                   |
| Basic and earnings / (losses) per share (in full kuruş)                          | (0,2378)                    | (0,2539)                  | 0,2730                      | 0,2542                    |

**5. SEGMENT REPORTING**

The Group has two main segments: Fixed line and GSM. Fixed line services are provided by Türk Telekom, TTNNet, Argela, Innova, Sebit, AssisTT, TTES and TTINT Group whereas GSM service is provided by TT Mobil. Group management assesses segment performance over earnings before interest, tax, depreciation and amortization (“EBITDA”). EBITDA is calculated by adjusting the operating income by adding income/expense from investing activities, depreciation, amortization and impairment expenses and deducting exchange gains/losses, interest and rediscount income/expenses on current accounts presented in other operating income and expense. Group management uses EBITDA as it is comparable with other companies in the sector. As Group management does not monitor Group’s performance over geographical segments, geographical segment reporting is not presented. The segment results, balance sheet items are presented below:



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**5. SEGMENT REPORTING (CONTINUED)**

|                           | Fixed line                  |                             | Mobile                      |                             | Intra-group eliminations and consolidated adjustments |                             | Consolidated                |                             |
|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|
|                           | 1 January -<br>30 June 2018 | 1 January -<br>30 June 2017 | 1 January -<br>30 June 2018 | 1 January -<br>30 June 2017 | 1 January -<br>30 June 2018                           | 1 January -<br>30 June 2017 | 1 January -<br>30 June 2018 | 1 January -<br>30 June 2017 |
| Revenue                   | 6.680.572                   | 6.231.652                   | 3.579.636                   | 3.245.247                   | (623.493)                                             | (668.915)                   | 9.636.715                   | 8.807.984                   |
| Contributive revenue (*)  | 6.087.941                   | 5.603.708                   | 3.548.774                   | 3.204.276                   | —                                                     | —                           | 9.636.715                   | 8.807.984                   |
| Contributive EBITDA (**)  | 2.763.828                   | 2.334.165                   | 1.175.896                   | 905.745                     | —                                                     | —                           | 3.939.724                   | 3.239.910                   |
| Capital expenditure (***) | 981.695                     | 713.270                     | 437.416                     | 235.405                     | (2.319)                                               | (3.836)                     | 1.416.792                   | 944.839                     |

  

|                                              | Fixed line                |                           | Mobile                    |                           | Intra-group eliminations and consolidated adjustments |                           | Consolidated              |                           |
|----------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-------------------------------------------------------|---------------------------|---------------------------|---------------------------|
|                                              | 1 April -<br>30 June 2018 | 1 April -<br>30 June 2017 | 1 April -<br>30 June 2018 | 1 April -<br>30 June 2017 | 1 April -<br>30 June 2018                             | 1 April -<br>30 June 2017 | 1 April -<br>30 June 2018 | 1 April -<br>30 June 2017 |
| Revenue                                      | 3.432.369                 | 3.164.002                 | 1.842.666                 | 1.668.692                 | (324.343)                                             | (332.185)                 | 4.950.692                 | 4.500.509                 |
| Contribution to the consolidated revenue (*) | 3.124.316                 | 2.855.255                 | 1.826.376                 | 1.645.254                 | —                                                     | —                         | 4.950.692                 | 4.500.509                 |
| Contribution to the consolidated EBITDA (**) | 1.377.254                 | 1.241.216                 | 590.684                   | 470.774                   | —                                                     | —                         | 1.967.938                 | 1.711.990                 |
| Capital expenditure (***)                    | 565.585                   | 429.255                   | 272.324                   | 117.005                   | (1.713)                                               | (1.893)                   | 836.196                   | 544.367                   |

(\*)“Contribution to the consolidated revenue” represents operating segments’ revenues from companies other than those included in the consolidated financial statements. Group management monitors financial performance of segments based on their contribution to consolidated revenue.

(\*\*)“Contribution to the consolidated EBITDA” represents operating segments’ EBITDA arose from transactions with companies other than those included in the consolidated financial statements. Group management monitors financial performance of segments based on their contribution to the consolidated EBITDA.

(\*\*\*) Capital expenditures do not include TL 40.365 (30 June 2017: TL 43.566) amounted profit margin which is capitalized on intangible assets that are accounted within the scope of TFRS Interpretation 12.

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**5. SEGMENT REPORTING (CONTINUED)**

|                                                                                                                        | 1 January -<br>30 June 2018 | 1 April -<br>30 June 2018 | 1 January -<br>30 June 2017 | 1 April -<br>30 June 2017 |
|------------------------------------------------------------------------------------------------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| Fixed line contributive EBITDA                                                                                         | 2.763.828                   | 1.377.254                 | 2.334.165                   | 1.241.216                 |
| Mobile contributive EBITDA                                                                                             | 1.175.896                   | 590.684                   | 905.745                     | 470.774                   |
| <b>EBITDA</b>                                                                                                          | <b>3.939.724</b>            | <b>1.967.938</b>          | <b>3.239.910</b>            | <b>1.711.990</b>          |
| Foreign exchange gains, interest income, discount income on current accounts presented in other operating income       | 92.989                      | 44.490                    | 86.627                      | 21.047                    |
| Foreign exchange losses, interest income, discount income on current accounts presented in other operating expense (-) | (242.896)                   | (162.957)                 | (140.416)                   | (26.039)                  |
| Financial income                                                                                                       | 625.148                     | 371.381                   | 456.753                     | 237.962                   |
| Financial expense (-)                                                                                                  | (3.624.101)                 | (2.415.971)               | (776.822)                   | 15.701                    |
| Depreciation, amortisation and impairment                                                                              | (1.788.190)                 | (909.917)                 | (1.493.384)                 | (772.542)                 |
| <b>Consolidated profit / (loss) before tax</b>                                                                         | <b>(997.326)</b>            | <b>(1.105.036)</b>        | <b>1.372.668</b>            | <b>1.188.119</b>          |

| <b>30 June 2018</b>       | <b>Fixed Line</b> | <b>Mobile</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|---------------------------|-------------------|---------------|---------------------|---------------------|
| Total segment assets      | 21.330.165        | 9.590.536     | (419.819)           | 30.500.882          |
| Total segment liabilities | (23.371.327)      | (3.474.249)   | 419.560             | (26.426.016)        |
| <b>31 December 2017</b>   | <b>Fixed Line</b> | <b>Mobile</b> | <b>Eliminations</b> | <b>Consolidated</b> |
| Total segment assets      | 19.831.444        | 9.649.583     | (332.492)           | 29.148.535          |
| Total segment liabilities | (21.438.677)      | (3.477.001)   | 322.230             | (24.593.448)        |

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**6. CASH AND CASH EQUIVALENTS**

|                               | <b>30 June 2018</b> | <b>31 December 2017</b> |
|-------------------------------|---------------------|-------------------------|
| Cash on hand                  | 437                 | 298                     |
| Cash at banks– demand deposit | 575.491             | 631.227                 |
| Cash at banks– time deposit   | 3.725.613           | 3.467.650               |
| Other                         | 2.260               | 1.029                   |
|                               | <b>4.303.801</b>    | <b>4.100.204</b>        |

As of 30 June 2018, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 5,00% and 19,60% for TL deposits, between 0,10% and 4,50% for US Dollar deposits and between 0,05% and 5,00% for Euro deposits (31 December 2017: for TL deposits between 5,00% and 15,45%, for US Dollar deposits between 0,10% and 4,60%, for Euro deposits between 0,05% and 2,77%).

Reconciliation of cash and cash equivalents to the statement of cash flows is as follows:

|                                           | <b>30 June 2018</b> | <b>30 June 2017</b> |
|-------------------------------------------|---------------------|---------------------|
| Cash and cash equivalents                 | 4.303.801           | 2.122.917           |
| Less: restricted amounts                  |                     |                     |
| - Collection protocols and ATM collection | (314.229)           | (373.131)           |
| - Other                                   | (19.080)            | (1.552)             |
| <b>Unrestricted cash</b>                  | <b>3.970.492</b>    | <b>1.748.234</b>    |

As of 30 June 2018, demand deposits amounting to TL 314.229 (30 June 2017: TL 373.131) is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected.

As of 30 June 2018, the Group has bank loans amounting to Euro 80.926 and USD 13.301 (31 December 2017: Euro 136.252) which have been committed to banks and have not been utilized yet, having maturity dates on 20 December 2020 and 31 December 2018, respectively.

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**7. FINANCIAL LIABILITIES**

***Bank borrowings***

|                                                         | 30 June 2018                                           |                    |                   | 31 December 2017                                       |                    |                   |
|---------------------------------------------------------|--------------------------------------------------------|--------------------|-------------------|--------------------------------------------------------|--------------------|-------------------|
|                                                         | Weighted<br>average<br>nominal<br>interest<br>rate (%) | Original<br>amount | TL<br>equivalent  | Weighted<br>average<br>nominal<br>interest<br>rate (%) | Original<br>amount | TL<br>equivalent  |
| <b>Short-term borrowings:</b>                           |                                                        |                    |                   |                                                        |                    |                   |
| TL bank borrowings with fixed interest rates            | 19,26                                                  | 50.231             | 50.231            | 13,86                                                  | 65.459             | 65.459            |
| <b>Interest accruals:</b>                               |                                                        |                    |                   |                                                        |                    |                   |
| TL bank borrowings with fixed interest rates            |                                                        | 526                | 526               |                                                        | 1.255              | 1.255             |
| <b>Short-term borrowings</b>                            |                                                        |                    | <b>50.757</b>     |                                                        |                    | <b>66.714</b>     |
| <b>Short-term portion of long-term bank borrowings:</b> |                                                        |                    |                   |                                                        |                    |                   |
| USD bank borrowings with fixed interest rates           | 3,10                                                   | 25.582             | 116.674           | 3,08                                                   | 40.582             | 153.072           |
| USD bank borrowings with variable interest rates (*)    | 4,28                                                   | 366.945            | 1.673.526         | 3,76                                                   | 288.451            | 1.088.010         |
| EUR bank borrowings with variable interest rates (**)   | 1,55                                                   | 305.291            | 1.620.853         | 1,27                                                   | 238.168            | 1.075.450         |
| <b>Interest accruals of long-term bank borrowings:</b>  |                                                        |                    |                   |                                                        |                    |                   |
| USD bank borrowings with fixed interest rates           |                                                        | 86                 | 393               |                                                        | 202                | 761               |
| USD bank borrowings with variable interest rates (*)    |                                                        | 16.918             | 77.159            |                                                        | 18.560             | 70.007            |
| EUR bank borrowings with variable interest rates (**)   |                                                        | 1.848              | 9.813             |                                                        | 1.823              | 8.231             |
| <b>Short-term portion of long-term bank borrowings</b>  |                                                        |                    | <b>3.498.418</b>  |                                                        |                    | <b>2.395.531</b>  |
| <b>Total short-term borrowings</b>                      |                                                        |                    | <b>3.549.175</b>  |                                                        |                    | <b>2.462.245</b>  |
| <b>Long-term borrowings:</b>                            |                                                        |                    |                   |                                                        |                    |                   |
| TL bank borrowings with fixed interest rates            | —                                                      | —                  | —                 | 17,00                                                  | 14.600             | 14.600            |
| USD bank borrowings with fixed interest rates           | 3,10                                                   | 9.392              | 42.832            | 3,08                                                   | 20.870             | 78.718            |
| USD bank borrowings with variable interest rates (*)    | 4,28                                                   | 1.554.844          | 7.091.178         | 3,76                                                   | 1.633.262          | 6.160.503         |
| EUR bank borrowings with variable interest rates (**)   | 1,55                                                   | 758.707            | 4.028.128         | 1,27                                                   | 889.533            | 4.016.685         |
| <b>Total long-term borrowings</b>                       |                                                        |                    | <b>11.162.138</b> |                                                        |                    | <b>10.270.506</b> |
| <b>Total financial liabilities</b>                      |                                                        |                    | <b>14.711.313</b> |                                                        |                    | <b>12.732.751</b> |

(\*) As at 30 June 2018, interest rate varies between Libor+ 0,54% and 3,40% (31 December 2017: Libor + 0,54% and 3,40%)

(\*\*) As at 30 June 2018, interest rate varies between Euribor + 0,25% and 2,59% (31 December 2017: Euribor + 0,25% and 2,59%)

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**7. FINANCIAL LIABILITIES (CONTINUED)**

***Bank borrowings (continued)***

The contractual maturities of financial liabilities in equivalent of TL are as follows:

|                                                   | 30 June 2018   |                    |                   |                    |                   |                   | 31 December 2017 |                    |                   |                    |                   |                   |
|---------------------------------------------------|----------------|--------------------|-------------------|--------------------|-------------------|-------------------|------------------|--------------------|-------------------|--------------------|-------------------|-------------------|
|                                                   | Up to 3 months | 3 months to 1 year | 1 year to 2 years | 2 years to 5 years | More than 5 years | Total             | Up to 3 months   | 3 months to 1 year | 1 year to 2 years | 2 years to 5 years | More than 5 years | Total             |
| TL bank borrowings with fixed interest rates      | 35.837         | 14.920             | –                 | –                  | –                 | 50.757            | 31.969           | 34.745             | 14.600            | –                  | –                 | 81.314            |
| USD bank borrowings with fixed interest rates     | 12.631         | 104.436            | 42.832            | –                  | –                 | 159.899           | 15.064           | 138.769            | 60.908            | 17.810             | –                 | 232.551           |
| USD bank borrowings with variable interest rates  | 214.712        | 1.535.973          | 2.131.864         | 3.989.997          | 969.317           | 8.841.863         | 180.176          | 977.841            | 1.433.414         | 3.874.871          | 852.218           | 7.318.520         |
| Euro bank borrowings with variable interest rates | 37.046         | 1.593.620          | 1.521.643         | 1.734.607          | 771.878           | 5.658.794         | 31.017           | 1.052.664          | 1.406.622         | 1.809.161          | 800.902           | 5.100.366         |
|                                                   | <b>300.226</b> | <b>3.248.949</b>   | <b>3.696.339</b>  | <b>5.724.604</b>   | <b>1.741.195</b>  | <b>14.711.313</b> | <b>258.226</b>   | <b>2.204.019</b>   | <b>2.915.544</b>  | <b>5.701.842</b>   | <b>1.653.120</b>  | <b>12.732.751</b> |

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**7. FINANCIAL LIABILITIES (CONTINUED)**

***Bill, bonds and notes issued***

|                                                                       | 30 June 2018                               |                 |                  | 31 December 2017                           |                 |                  |
|-----------------------------------------------------------------------|--------------------------------------------|-----------------|------------------|--------------------------------------------|-----------------|------------------|
|                                                                       | Weighted average nominal interest rate (%) | Original amount | TL equivalent    | Weighted average nominal interest rate (%) | Original amount | TL equivalent    |
| <b>Short-term portion of long-term bills, bonds and notes issued:</b> |                                            |                 |                  |                                            |                 |                  |
| USD bank borrowings with fixed interest rates                         | 4,54                                       | 495.906         | 2.261.680        | —                                          | —               | —                |
| <b>Bill, bonds and notes issued:</b>                                  |                                            |                 |                  |                                            |                 |                  |
| USD bank borrowings with fixed interest rates                         | 4,54                                       | 6.860           | 31.285           | 4,54                                       | 6.310           | 23.800           |
| <b>Short-term bills, bonds and notes issued</b>                       |                                            | <b>502.766</b>  | <b>2.292.965</b> |                                            | <b>6.310</b>    | <b>23.800</b>    |
| <b>Long-term bills, bonds and notes issued:</b>                       |                                            |                 |                  |                                            |                 |                  |
| USD bank borrowings with fixed interest rates                         | 4,54                                       | 493.671         | 2.251.487        | 4,54                                       | 989.578         | 3.732.588        |
| <b>Long-term bills, bonds and notes issued</b>                        |                                            | <b>493.671</b>  | <b>2.251.487</b> |                                            | <b>989.578</b>  | <b>3.732.588</b> |
| <b>Total financial liabilities</b>                                    |                                            | <b>996.437</b>  | <b>4.544.452</b> |                                            | <b>995.888</b>  | <b>3.756.388</b> |

The sales process of the bond issuances amounted to USD 500.000 with 10 years of maturity, and 4,875% coupon rate based on 4,982% reoffer yield was completed on June 19<sup>th</sup>, 2014. The bonds are now quoted at Irish Stock Exchange.

The sales process of the bond issuances amounted to USD 500.000 with 5 years of maturity, and 3,75% coupon rate based on 3,836% reoffer yield was completed on June 19<sup>th</sup>, 2014. The bonds are now quoted at Irish Stock Exchange.

The contractual maturities of issued long term bills, bonds and notes in equivalent of TL are as follows:

|                                         | 30 June 2018       |                   |                   |                  | 31 December 2017   |                   |                   |                  |
|-----------------------------------------|--------------------|-------------------|-------------------|------------------|--------------------|-------------------|-------------------|------------------|
|                                         | 3 months to 1 year | 1 year to 5 years | More than 5 years | Total            | 3 months to 1 year | 1 year to 5 years | More than 5 years | Total            |
| Issued long term bills, bonds and notes | 2.292.965          | —                 | 2.251.487         | 4.544.452        | 23.800             | 1.870.509         | 1.862.079         | 3.756.388        |
|                                         | <b>2.292.965</b>   | <b>—</b>          | <b>2.251.487</b>  | <b>4.544.452</b> | <b>23.800</b>      | <b>1.870.509</b>  | <b>1.862.079</b>  | <b>3.756.388</b> |

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**8. DUE FROM AND DUE TO RELATED PARTIES**

All intra-group transactions and balances including intra-group unrealized profits and losses are eliminated for consolidation purposes and are not disclosed in this note.

Institutions under state control are defined as related parties due to 25% ownership and the golden share of the Treasury. State controlled entities are defined as related parties but in accordance with the exemption provided by the TAS 24 disclosure requirements, state controlled entities are excluded from general reporting requirements.

Details of balances and transactions between the Group and other related parties as at 30 June 2018 and 31 December 2017 are disclosed below:

|                                   | 30 June 2018  | 31 December 2017 |
|-----------------------------------|---------------|------------------|
| <b>Due from related parties</b>   |               |                  |
| <b>Parent company</b>             |               |                  |
| Saudi Telecom Company ("STC") (1) | 34.720        | 22.399           |
| <b>Other related parties</b>      |               |                  |
| Other                             | —             | 1.308            |
|                                   | <b>34.720</b> | <b>23.707</b>    |
| <b>Due to related parties</b>     |               |                  |
| <b>Parent company</b>             |               |                  |
| STC (1)                           | 4.908         | 2.326            |
| <b>Other related parties</b>      |               |                  |
|                                   | <b>4.908</b>  | <b>2.326</b>     |

(1) Shareholder of Oger Telecom

**Transactions with shareholders:**

TT Mobil is required under the terms of the TT Mobil Concession Agreement, to pay 15% share to the Treasury (the Treasury Share) of its monthly gross revenue. Besides, the Company and its other subsidiaries that are operating in the telecommunications sector are required to pay universal service fund at 1% of their net revenues of each year and ICTA share at 0,35% of revenues to the Ministry of Transport, Maritime Affairs and Communications under the law Global Service Act numbered 5369. Also, according to Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation, TT Mobil is required to pay 5% share (radio fee) of its monthly net revenue to ICTA.

As of 30 June 2018, unpaid portion of Treasury Share, universal service fund and ICTA share are recorded under other short term payables and these expenses are accounted in cost of sales account.

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**8. DUE FROM AND DUE TO RELATED PARTIES (CONTINUED)**

***Guarantees provided to related parties:***

As of 30 June 2018, guarantees amounting to USD 98.571 and EUR 162.184 are for financial liabilities of TT Mobil which are amounted to USD 230.000 and EUR 273.125, and guarantees amounting to USD 50.000 is given for financial liabilities of TTINT Turkey, amounting to USD 50.000 and guarantees amounting to EUR 300 is given for financial liabilities of TTINT Romania, amounting to EUR 300 by Türk Telekom.

***Transactions with other related parties:***

The Company is rendering and receiving international traffic carriage services, data line rent services to and from STC and sharing advertisement expenses with STC. For the period ended 30 June 2018, total revenues and expenses incurred in relation to these services amounted to TL 7.516 and TL 2.136, respectively (30 June 2017: TL 4.361 revenue and TL 1.006 expenses).

***Compensation of key management personnel***

The remuneration of board of directors and other members of key management were as follows:

|                                 | <b>1 January -<br/>30 June 2018</b> | <b>1 April -<br/>30 June 2018</b> | <b>1 January -<br/>30 June 2017</b> | <b>1 April -<br/>30 June 2017</b> |
|---------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| Short-term benefits             | 76.614                              | 27.162                            | 56.731                              | 33.111                            |
| Long-term defined benefit plans | 1.284                               | 524                               | 627                                 | 82                                |
|                                 | <b>77.898</b>                       | <b>27.686</b>                     | <b>57.358</b>                       | <b>33.193</b>                     |



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**9. TRADE RECEIVABLES FROM AND PAYABLES TO THIRD PARTIES**

*Trade receivables*

|                                           | <b>30 June 2018</b> | <b>31 December 2017</b> |
|-------------------------------------------|---------------------|-------------------------|
| <b>Short-term</b>                         |                     |                         |
| Trade receivables                         | 7.390.613           | 6.857.149               |
| Other trade receivables                   | 164.162             | 148.473                 |
| Income accruals                           | 495.228             | 627.510                 |
| Allowance for doubtful receivables (-)    | (3.082.863)         | (2.840.298)             |
| <b>Total short-term trade receivables</b> | <b>4.967.140</b>    | <b>4.792.834</b>        |
| <b>Long-term</b>                          |                     |                         |
| Trade receivables                         | 110.301             | 91.197                  |
| <b>Total long-term trade receivables</b>  | <b>110.301</b>      | <b>91.197</b>           |

Trade receivables generally have a maturity term of 60 days on average (31 December 2017: 60 days).

Income accruals contain contract assets that accounted in accordance with IFRS 15.

The movement of the allowance for doubtful receivables is as follows:

|                                            | <b>1 January 2018 -<br/>30 June 2018</b> | <b>1 January 2017 -<br/>30 June 2017</b> |
|--------------------------------------------|------------------------------------------|------------------------------------------|
| At January 1                               | (2.865.174)                              | (2.373.313)                              |
| Provision for the year                     | (286.333)                                | (288.628)                                |
| Reversal of provision - collections        | 69.674                                   | 67.122                                   |
| Write off of doubtful receivables          | —                                        | 641                                      |
| Change in currency translation differences | (1.030)                                  | (498)                                    |
| <b>At 30 June</b>                          | <b>(3.082.863)</b>                       | <b>(2.594.676)</b>                       |

The Group waits up to 90 days before initiating legal action for overdue receivables. Based on its previous collection performance from overdue receivables, the Company expects to make significant collections from its overdue receivables. As of 30 June 2018 and 31 December 2017, the analysis of trade receivables that were neither past nor due and past due but not impaired is as follows:

|                  |           | Past due but not impaired           |           |               |               |                |                 |              |
|------------------|-----------|-------------------------------------|-----------|---------------|---------------|----------------|-----------------|--------------|
|                  |           | Neither past<br>due nor<br>impaired | < 30 days | 30-60<br>days | 60-90<br>days | 90-120<br>days | 120-360<br>days | >360<br>days |
| 30 June 2018     | 5,077.441 | 3.407.322                           | 377.211   | 195.926       | 105.846       | 96.898         | 416.932         | 477.306      |
| 31 December 2017 | 4,884.031 | 3.546.112                           | 288.448   | 157.752       | 91.438        | 79.982         | 349.930         | 370.369      |

Receivables guaranteed of the Group are amounted to TL 16.107 (31 December 2017: TL 17.232).

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**9. TRADE RECEIVABLES FROM AND PAYABLES TO THIRD PARTIES (CONTINUED)**

*Trade payables*

|                                        | 30 June 2018     | 31 December 2017 |
|----------------------------------------|------------------|------------------|
| <b>Short-term</b>                      |                  |                  |
| Trade payables                         | 2.255.368        | 3.681.260        |
| Expense accruals                       | 898.305          | 385.298          |
| <b>Total short-term trade payables</b> | <b>3.153.673</b> | <b>4.066.558</b> |

The average maturity term of trade payables is between 30 and 150 days (31 December 2017: 30 and 150 days).

As of 30 June 2018, short term trade payables consists of payables within scope of supplier finance that amounting TL 882.170 (31 December 2017: TL 937.140).

**10. TANGIBLE AND INTANGIBLE ASSETS**

The amount of tangible and intangible assets purchased during the six month period ended 30 June 2018 is TL 1.416.792 (30 June 2017: TL 944.839).

Net book value of tangible and intangible assets sold during the six month period ended 30 June 2018 amounted to TL 14.268 (30 June 2017: TL 9.383).

For the six month period ended 30 June 2018, subscriber acquisition and retention costs amounting to 297.778 TL are capitalized as intangible assets since those costs are incremental costs of obtaining a contract with a customer and are expected to be recovered. Amortization expense amounting to 233.727 TL is recognized in marketing, sales and distribution expenses. Information for subscriber acquisition cost is disclosed in detail in Note 2.3.(a).

For initial application of TFRS 15, subscriber acquisition and retention costs amounting to TL 843.203 are recognized as an opening adjustment at 1 January 2018.

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**11. PROVISIONS**

***Other short-term provisions***

The movement of other short-term provisions is as follows:

|                                                              | <b>30 June 2018</b> | <b>31 December 2017</b> |
|--------------------------------------------------------------|---------------------|-------------------------|
| Litigation, ICTA penalty and customer return provisions      | 277.434             | 433.238                 |
| Provision for expected credit losses on loan commitments (*) | 182.860             | –                       |
|                                                              | <b>460.294</b>      | <b>433.238</b>          |

(\*) Consists of expected credit losses are recognized for the guarantees given for borrowings of distributors which are utilized in financing of equipment purchases that will be sold to Group’s customers as part of commitment sales.

The movement of provisions is as follows:

|                                         | <b>1 January -<br/>30 June 2018</b> | <b>1 January -<br/>30 June 2017</b> |
|-----------------------------------------|-------------------------------------|-------------------------------------|
| <b>As at 1 January</b>                  | <b>433.238</b>                      | <b>264.200</b>                      |
| Provisions for the period               | 25.391                              | 15.544                              |
| Settled provisions                      | (178.588)                           | (38.620)                            |
| Reversals                               | (2.586)                             | (711)                               |
| Foreign currency translation difference | (21)                                | 317                                 |
| <b>As at 30 June</b>                    | <b>277.434</b>                      | <b>240.730</b>                      |

***Short-term provisions for employee benefits***

|                                                    | <b>30 June 2018</b> | <b>31 December 2017</b> |
|----------------------------------------------------|---------------------|-------------------------|
| <b>Short term provisions for employee benefits</b> |                     |                         |
| Personnel bonus provision                          | 119.935             | 162.906                 |
|                                                    | <b>119.935</b>      | <b>162.906</b>          |

The movement of provisions is as follows:

|                                         | <b>1 January -<br/>30 June 2018</b> | <b>1 January -<br/>30 June 2017</b> |
|-----------------------------------------|-------------------------------------|-------------------------------------|
| <b>As at 1 January</b>                  | <b>162.906</b>                      | <b>165.862</b>                      |
| Provision for the period                | 129.220                             | 108.885                             |
| Provisions paid                         | (140.568)                           | (119.316)                           |
| Reversals                               | (31.720)                            | (43.006)                            |
| Foreign currency translation difference | 97                                  | (287)                               |
| <b>As at 30 June</b>                    | <b>119.935</b>                      | <b>112.138</b>                      |

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**11. PROVISIONS (CONTINUED)**

***Long term provisions for employee benefits***

|                                                   | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---------------------------------------------------|---------------------|-------------------------|
| <b>Long term provisions for employee benefits</b> |                     |                         |
| Defined benefit obligation                        | 726.944             | 711.040                 |
| Unused vacation provisions                        | 115.176             | 102.353                 |
|                                                   | <b>842.120</b>      | <b>813.393</b>          |

***Defined benefit obligation***

In accordance with existing social legislation in Turkey, companies are required to make lump-sum payments to employees whose employment is ended due to retirement or for reasons other than resignation or misconduct. The liability is not funded and accordingly there are no plan assets for the defined benefits as there is no funding requirement.

The retirement pay liability as at 30 June 2018 is subject to a ceiling of full TL 5.001,76 (31 December 2017: full TL 4.732,48) per monthly salary for each service year.

In addition to retirement benefits, the Group is liable for certain other long-term employment benefits such as business, service, representation indemnity and jubilee.

i) The movement of defined benefit obligation is as follows:

|                                         | <b>1 January -<br/>30 June 2018</b> | <b>1 January -<br/>30 June 2017</b> |
|-----------------------------------------|-------------------------------------|-------------------------------------|
| Defined benefit obligation at January 1 | 711.040                             | 695.953                             |
| Service cost                            | 25.704                              | 22.738                              |
| Interest cost                           | 29.342                              | 28.622                              |
| Actuarial loss (*)                      | 69.057                              | 12.995                              |
| Benefits paid                           | (108.951)                           | (109.493)                           |
| Foreign currency translation difference | 752                                 | 195                                 |
| <b>As at 30 June</b>                    | <b>726.944</b>                      | <b>651.010</b>                      |

(\*) As at 30 June 2018, actuarial loss amounting to TL 69.057 (30 June 2017: TL 12.995) is recognized in other comprehensive income.

ii) Total expense recognized in the consolidated income statement:

|                                                                          | <b>1 January -<br/>30 June 2018</b> | <b>1 January -<br/>30 June 2017</b> |
|--------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Service cost                                                             | 25.704                              | 22.738                              |
| Interest cost                                                            | 29.342                              | 28.622                              |
| <b>Total net cost recognized in the consolidated statement of income</b> | <b>55.046</b>                       | <b>51.360</b>                       |

iii) Principal actuarial assumptions used:

|                                    | <b>30 June 2018</b> | <b>31 December 2017</b> |
|------------------------------------|---------------------|-------------------------|
| Interest rate                      | 12,5%               | 11,0%                   |
| Expected rate of ceiling increases | 7,5%                | 6,0%                    |

For the years ahead, voluntary employee withdrawal of the Group is 2,53% (31 December 2017: 2,57%).

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**11. PROVISIONS (CONTINUED)**

*Long term employee benefits excluding defined benefit obligation*

The movement of unused vacation provisions is as follows:

|                                                                         | <b>1 January -<br/>30 June 2018</b> | <b>1 January -<br/>30 June 2017</b> |
|-------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| <b>As at 1 January</b>                                                  | <b>102.353</b>                      | <b>87.448</b>                       |
| Provision for the period                                                | 31.936                              | 28.322                              |
| Provisions paid                                                         | (6.668)                             | (7.140)                             |
| Reversals                                                               | (12.845)                            | (19.459)                            |
| Foreign currency translation difference                                 | 400                                 | 156                                 |
| <b>As at 30 June</b>                                                    | <b>115.176</b>                      | <b>89.327</b>                       |
| <i>Other long-term provisions</i>                                       |                                     |                                     |
|                                                                         | <b>30 June 2018</b>                 | <b>31 December 2017</b>             |
| Provision for the investments under the scope of TFRS Interpretation 12 | 8.108                               | 8.035                               |
|                                                                         | <b>8.108</b>                        | <b>8.035</b>                        |

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**12. OTHER CURRENT ASSETS, OTHER LIABILITIES AND EMPLOYEE BENEFIT OBLIGATIONS**

***Other current assets***

|                                                               | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---------------------------------------------------------------|---------------------|-------------------------|
| Advances given (**)                                           | 115.596             | 62.074                  |
| Intermediary services for collection (*)                      | 59.152              | 158.437                 |
| Value Added Tax ("VAT") and Special Communication Tax ("SCT") | 36.722              | 156.415                 |
| TAFICS projects                                               | 25.396              | 25.701                  |
| Other current assets                                          | 21.490              | 12.861                  |
|                                                               | <b>258.356</b>      | <b>415.488</b>          |

(\*) Intermediary services for collections consist of advances given by the Group to its distributors.

(\*\*) Advances given mainly consists of advances given to suppliers.

***Other current liabilities***

|                   | <b>30 June 2018</b> | <b>31 December 2017</b> |
|-------------------|---------------------|-------------------------|
| Advances received | 23.424              | 23.911                  |
| Other liabilities | 35.605              | 22.416                  |
|                   | <b>59.029</b>       | <b>46.327</b>           |

The Company acts as an intermediary of TAFICS projects by transferring advances received to the contractors and supports the management of the projects. Expenditures arising from the projects are deducted from the advances received at the date of the expenditure. Advances not used are held as time deposits and the interest earned is credited to the advances received in accordance with the agreement between the parties.

***Employee benefit obligations***

|                                  | <b>30 June 2018</b> | <b>31 December 2017</b> |
|----------------------------------|---------------------|-------------------------|
| Payables to personnel            | 120.145             | 58.360                  |
| Social security premiums payable | 96.237              | 71.851                  |
| Employee's income tax payables   | 38.979              | 45.501                  |
|                                  | <b>255.361</b>      | <b>175.712</b>          |

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**13. COMMITMENTS AND CONTINGENCIES**

Guarantees received and given by the Group are summarized below:

|                      |              | <b>30 June 2018</b>          |           | <b>31 December 2017</b>      |           |
|----------------------|--------------|------------------------------|-----------|------------------------------|-----------|
|                      |              | <b>Original<br/>currency</b> | <b>TL</b> | <b>Original<br/>currency</b> | <b>TL</b> |
| Guarantees received  | <b>USD</b>   | 161.983                      | 738.755   | 148.101                      | 558.621   |
|                      | <b>TL</b>    | 837.903                      | 837.903   | 794.884                      | 794.884   |
|                      | <b>Euro</b>  | 40.883                       | 217.054   | 37.966                       | 171.434   |
|                      |              | <b>1.793.712</b>             |           | <b>1.524.939</b>             |           |
| Guarantees given (*) | <b>USD</b>   | 181.762                      | 828.965   | 176.395                      | 665.344   |
|                      | <b>TL</b>    | 414.500                      | 414.500   | 407.836                      | 407.836   |
|                      | <b>Euro</b>  | 165.805                      | 880.291   | 212.114                      | 957.801   |
|                      | <b>Other</b> | —                            | —         | 43                           | 43        |
|                      |              | <b>2.123.756</b>             |           | <b>2.031.024</b>             |           |

(\*) Guarantees given amounting to US Dollar 151.500 (31 December 2017: US Dollar 151.500) is related to the guarantee provided to the ICTA by TT Mobil with respect to the TT Mobil Concession Agreement, guarantees given amounting to Euro 12.840 (31 December 2017: Euro 12.840) is related with the guarantee provided for 3G license and guarantees given amounting to Euro 57.281 (31 December 2017: Euro 57.281) is related with the guarantee provided for 4.5G license.

The Company’s guarantee, pledge and mortgage (GPM) position as at 30 June 2018 and 31 December 2017 is as follows:

|                                                                                                                | <b>30 June 2018</b> | <b>31 December 2017</b> |
|----------------------------------------------------------------------------------------------------------------|---------------------|-------------------------|
| A. GPMs given on behalf of the Company’s legal personality                                                     | 2.123.756           | 2.031.024               |
| B. GPMs given in favor of subsidiaries included in full consolidation                                          | 1.251.365           | 1.163.655               |
| C. GPMS given by the Company for the liabilities of 3rd parties in order to run ordinary course of business(*) | 1.857.573           | 1.985.846               |
| D. Other GPMs                                                                                                  | —                   | —                       |
| i. GPMs given in favor of parent company                                                                       | —                   | —                       |
| ii. GPMs given in favor of Company companies not in the scope of B and C above                                 | —                   | —                       |
| iii. GPMs given in favor of third party companies not in the scope of C above                                  | —                   | —                       |
| <b>Total</b>                                                                                                   | <b>5.232.694</b>    | <b>5.180.525</b>        |

\*Based on law 128/1 of Turkish Code of Obligations, the Group has given guarantee to distributors amounting to TL 1.857.573 for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by the Group (31 December 2017: TL 1.985.846).

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**13. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

***Other commitments***

The Group has purchase commitments for sponsorships, advertising and insurance services at the amounting to USD 23.567 and TL equivalent to TL 107.533 (31 December 2017: TL 91.193) as at 30 June 2018. Payments for these commitments are going to be made in a 3-year period.

The Group has purchase commitments for fixed assets amounting to USD 154.960, Euro 25.340 and TL 326.751 equivalent to TL 1.168.018 (31 December 2017: TL 1.124.637) as at 30 June 2018.

**Legal proceedings of Türk Telekom**

***Disputes between the Company and Municipalities***

For contribution to the infrastructure investment and municipality share, municipalities filed against the Company and as at 30 June 2018, total provision including the nominal amount and legal interest charge which is amounting to TL 51.059 (31 December 2017: TL 50.258) is recognized.

***Disputes between the Group and the ICTA***

The Company has filed various lawsuits against ICTA. These lawsuits are related with the sector-specific and tariff legislations and legislations with respect to the other operators in the market. The sector-specific disputes generally stem from the objections with respect to the provisions of interconnection legislation, legislation with respect to telecommunication services and infrastructure. As of 30 June 2018, TL 19.615 provision provided for ICTA penalties and amounts to be repaid to customers due to ICTA resolutions (31 December 2017: TL 23.131).



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**13. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**TT Mobil’s Treasury Share investigation**

Law numbered 7061 “Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation” was published on the Official Gazette numbered 30261 on 5 December 2017. According to mentioned Law, the provisional clause was added to Telegraph and Telephone Law numbered 406, which regulates restructuring provisions on contribution share to universal service, contribution share to authority expenses, administrative fee, radio fee, penalty fee and ancillaries thereof under dispute or under examination. In regard to the provisional clause, the Company has decided to utilize the restructuring provisions regarding treasury share, contribution share to universal service, contribution share to authority expenses, administrative fee, radio fee, penalty fee and ancillaries thereof which are the subject of finalized investigations

The Company, applied for restructuring on 24 January 2018 and terminated all the disputes, relating the subject, by waiving/accepting. Within the scope of restructuring provisions, total amount calculated in this context is TL 312.181 which includes TL 210.463 principal and TL 101.718 interest (based on Domestic Producer Price Index, Yİ-UFE). Payments are made in six equal installments (plus deferred payment interest) in two-month periods beginning in January 2018.

The Company has recognized a provision amounting to 156.966 TL in the consolidated financial statements for additional treasury share claim as at 30 June 2018 (31 December 2017: TL 312.181).

**TT Mobil Tax Review**

Ministry of Finance Turkish Tax Inspection Board has carried out a SCT and VAT review for mobile operators in Turkey on the allocation of bundle revenues to voice, sms, data and digital services which are subject to different SCT and VAT rates.

Tax inspection report has not been notified yet as of 30 June 2018. Based on the management opinion, the probability of a material outflow of resources is not probable, thus, no provision for the penalty charge is recognized in the interim condensed consolidated financial statements as at and for the period ended 30 June 2018.

**Other issues**

Provision has been provided in the consolidated financial statements for the probable court cases against the Group based on the lawyers’ assessments. The provision for such court cases is amounting to TL 49.794 as at 30 June 2018 (31 December 2017: TL 47.668). For the rest of the cases, Group lawyers commented that basis of those cases are not realistic and should be appealed. Therefore, no provision has been provided for these cases.

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**14. FINANCIAL RISK MANAGEMENT AND POLICIES**

*Market risk*

*Foreign currency risk*

|                                                                                                                            | 30 June 2018        |                    |                    |            |              | 31 December 2017    |                    |                    |             |            |
|----------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------|--------------------|------------|--------------|---------------------|--------------------|--------------------|-------------|------------|
|                                                                                                                            | TL Equivalent       | US Dollar          | Euro               | GBP        | Other        | TL Equivalent       | USD                | Euro               | GBP         | Other      |
| 1. Trade receivables                                                                                                       | 225.897             | 23.867             | 21.866             | 3          | 776          | 248.843             | 25.209             | 34.052             | –           | –          |
| 2a. Monetary financial assets (Cash and banks accounts included)                                                           | 2.941.287           | 155.447            | 420.334            | 1          | 570          | 2.023.846           | 366.988            | 141.646            | –           | –          |
| 2b. Non-monetary financial assets                                                                                          | –                   | –                  | –                  | –          | –            | –                   | –                  | –                  | –           | –          |
| 3. Other                                                                                                                   | 112.446             | 1.669              | 19.745             | –          | 3            | 111.129             | 5.452              | 20.056             | –           | –          |
| <b>4. Current assets (1+2+3)</b>                                                                                           | <b>3.279.630</b>    | <b>180.983</b>     | <b>461.945</b>     | <b>4</b>   | <b>1.349</b> | <b>2.383.818</b>    | <b>397.649</b>     | <b>195.754</b>     | –           | –          |
| 5. Trade receivables                                                                                                       | –                   | –                  | –                  | –          | –            | 1.660               | 440                | –                  | –           | –          |
| 6a. Monetary financial assets                                                                                              | 105.242             | 23.076             | –                  | –          | –            | 59.006              | 15.643             | –                  | –           | –          |
| 6b. Non-monetary financial assets                                                                                          | –                   | –                  | –                  | –          | –            | –                   | –                  | –                  | –           | –          |
| 7. Other                                                                                                                   | 35                  | –                  | 7                  | –          | –            | 677                 | 2                  | 149                | –           | –          |
| <b>8. Non-current assets (5+6+7)</b>                                                                                       | <b>105.277</b>      | <b>23.076</b>      | <b>7</b>           | –          | –            | <b>61.343</b>       | <b>16.085</b>      | <b>149</b>         | –           | –          |
| <b>9. Total assets (4+8)</b>                                                                                               | <b>3.384.907</b>    | <b>204.059</b>     | <b>461.952</b>     | <b>4</b>   | <b>1.349</b> | <b>2.445.161</b>    | <b>413.734</b>     | <b>195.903</b>     | –           | –          |
| 10. Trade payables                                                                                                         | 1.332.540           | 258.867            | 28.533             | (8)        | 395          | 1.629.635           | 327.159            | 87.558             | 50          | 3          |
| 11. Financial liabilities                                                                                                  | 5.791.383           | 912.297            | 307.140            | –          | –            | 2.419.330           | 354.105            | 239.991            | –           | –          |
| 12a. Monetary other liabilities                                                                                            | 91.427              | 6.509              | 11.629             | –          | –            | 14.929              | 199                | 3.140              | –           | –          |
| 12b. Non-monetary other liabilities                                                                                        | 165.036             | 24.535             | 10.009             | –          | –            | –                   | –                  | –                  | –           | –          |
| <b>13. Short-term liabilities (10+11+12)</b>                                                                               | <b>7.380.386</b>    | <b>1.202.208</b>   | <b>357.311</b>     | <b>(8)</b> | <b>395</b>   | <b>4.063.894</b>    | <b>681.463</b>     | <b>330.689</b>     | <b>50</b>   | <b>3</b>   |
| 14. Trade payables                                                                                                         | 426                 | 93                 | –                  | –          | 1            | –                   | –                  | –                  | –           | –          |
| 15. Financial liabilities                                                                                                  | 13.413.625          | 2.057.907          | 758.707            | –          | –            | 13.988.494          | 2.643.710          | 889.533            | –           | –          |
| 16 a. Monetary other liabilities                                                                                           | 157.827             | 10.397             | 20.796             | –          | –            | 216.834             | 31.252             | 21.914             | –           | –          |
| 16 b. Non-monetary other liabilities                                                                                       | –                   | –                  | –                  | –          | –            | –                   | –                  | –                  | –           | –          |
| <b>17. Long-term liabilities (14+15+16)</b>                                                                                | <b>13.571.878</b>   | <b>2.068.397</b>   | <b>779.503</b>     | –          | <b>1</b>     | <b>14.205.328</b>   | <b>2.674.962</b>   | <b>911.447</b>     | –           | –          |
| <b>18. Total liabilities (13+17)</b>                                                                                       | <b>20.952.264</b>   | <b>3.270.605</b>   | <b>1.136.814</b>   | <b>(8)</b> | <b>396</b>   | <b>18.269.222</b>   | <b>3.356.425</b>   | <b>1.242.136</b>   | <b>50</b>   | <b>3</b>   |
| <b>19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)</b>                            | <b>5.222.048</b>    | <b>1.605.000</b>   | <b>(395.140)</b>   | –          | –            | <b>3.614.894</b>    | <b>1.605.000</b>   | <b>(540.140)</b>   | –           | –          |
| <b>19a. Total asset amount hedged</b>                                                                                      | <b>–</b>            | <b>–</b>           | <b>–</b>           | –          | –            | <b>–</b>            | <b>–</b>           | <b>–</b>           | –           | –          |
| <b>19b. Total liability amount hedged</b>                                                                                  | <b>(5.222.048)</b>  | <b>(1.605.000)</b> | <b>395.140</b>     | –          | –            | <b>(3.614.894)</b>  | <b>(1.605.000)</b> | <b>540.140</b>     | –           | –          |
| <b>20. Net foreign currency asset/(liability) position (9-18+19)</b>                                                       | <b>(12.345.309)</b> | <b>(1.461.546)</b> | <b>(1.070.002)</b> | <b>12</b>  | <b>953</b>   | <b>(12.209.167)</b> | <b>(1.337.691)</b> | <b>(1.586.373)</b> | <b>(50)</b> | <b>(3)</b> |
| <b>21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b> | <b>(17.514.802)</b> | <b>(3.043.680)</b> | <b>(684.605)</b>   | <b>12</b>  | <b>950</b>   | <b>(15.935.867)</b> | <b>(2.948.145)</b> | <b>(1.066.438)</b> | <b>(50)</b> | <b>(3)</b> |
| <b>22. Fair value of FX swap financial instruments</b>                                                                     | <b>496.314</b>      | <b>104.352</b>     | <b>3.841</b>       | –          | –            | <b>365.659</b>      | <b>96.943</b>      | <b>–</b>           | –           | –          |
| <b>23. Hedged amount of foreign currency assets</b>                                                                        | <b>–</b>            | <b>–</b>           | <b>–</b>           | –          | –            | <b>–</b>            | <b>–</b>           | <b>–</b>           | –           | –          |
| <b>24. Hedged amount of foreign currency liabilities</b>                                                                   | <b>(5.222.048)</b>  | <b>(1.605.000)</b> | <b>395.140</b>     | –          | –            | <b>(3.614.894)</b>  | <b>(1.605.000)</b> | <b>540.140</b>     | –           | –          |

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**14. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)**

**Market risk (continued)**

**Foreign currency risk (continued)**

The Group has transactional currency exposures mainly with respect to the financial liabilities and trade payables. Foreign currency denominated borrowings are stated in Note 7.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar and Euro exchange rate, with all other variables held constant, of the Group's profit before tax and other comprehensive income for the year (due to changes in the fair value of monetary assets and liabilities):

| 30 June 2018                                                       | Profit/Loss                      |                                  | Other comprehensive income       |                                  |
|--------------------------------------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
|                                                                    | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| <b>Appreciation of USD against TL by 10%:</b>                      |                                  |                                  |                                  |                                  |
| 1- USD net asset/liability                                         | (1.411.639)                      | 1.411.639                        | —                                | —                                |
| 2- Hedged portion of USD risk (-) (*)                              | 2.963                            | (13.100)                         | (375)                            | 375                              |
| <b>3- USD net effect (1+2)</b>                                     | <b>(1.408.676)</b>               | <b>1.398.539</b>                 | <b>(375)</b>                     | <b>375</b>                       |
| <b>Appreciation of Euro against TL by 10%:</b>                     |                                  |                                  |                                  |                                  |
| 4- Euro net asset/liability                                        | (358.298)                        | 358.298                          | —                                | —                                |
| 5- Hedged portion of Euro risk (-)                                 | 28.155                           | (34.474)                         | 17.306                           | (17.306)                         |
| <b>6- Euro net effect (4+5)</b>                                    | <b>(330.143)</b>                 | <b>323.824</b>                   | <b>17.306</b>                    | <b>(17.306)</b>                  |
| <b>Appreciation of other foreign currencies against TL by 10%:</b> |                                  |                                  |                                  |                                  |
| 7- Other foreign currency net asset/liability                      | 7                                | (7)                              | —                                | —                                |
| 8- Hedged portion of other foreign currency (-)                    | —                                | —                                | —                                | —                                |
| <b>9- Other foreign currency net effect (7+8)</b>                  | <b>7</b>                         | <b>(7)</b>                       | <b>—</b>                         | <b>—</b>                         |
| <b>Total (3+6+9)</b>                                               | <b>(1.738.812)</b>               | <b>1.722.356</b>                 | <b>16.931</b>                    | <b>(16.931)</b>                  |
| 31 December 2017                                                   | Profit/Loss                      |                                  | Other comprehensive income       |                                  |
|                                                                    | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| <b>Appreciation of USD against TL by 10%:</b>                      |                                  |                                  |                                  |                                  |
| 1- USD net asset/liability                                         | (1.137.335)                      | 1.137.335                        | —                                | —                                |
| 2- Hedged portion of USD risk (-)                                  | 55.277                           | (86.024)                         | (11.895)                         | 11.895                           |
| <b>3- USD net effect (1+2)</b>                                     | <b>(1.082.058)</b>               | <b>1.051.311</b>                 | <b>(11.895)</b>                  | <b>11.895</b>                    |
| <b>Appreciation of Euro against TL by 10%:</b>                     |                                  |                                  |                                  |                                  |
| 4- Euro net asset/liability                                        | (472.427)                        | 472.427                          | —                                | —                                |
| 5- Hedged portion of Euro risk (-)                                 | —                                | —                                | 12.155                           | (12.155)                         |
| <b>6- Euro net effect (4+5)</b>                                    | <b>(472.427)</b>                 | <b>472.427</b>                   | <b>12.155</b>                    | <b>(12.155)</b>                  |
| <b>Appreciation of other foreign currencies against TL by 10%:</b> |                                  |                                  |                                  |                                  |
| 7- Other foreign currency net asset/liability                      | (25)                             | 25                               | —                                | —                                |
| 8- Hedged portion of other foreign currency (-)                    | —                                | —                                | —                                | —                                |
| <b>9- Other foreign currency net effect (7+8)</b>                  | <b>(25)</b>                      | <b>25</b>                        | <b>—</b>                         | <b>—</b>                         |
| <b>Total (3+6+9)</b>                                               | <b>(1.554.510)</b>               | <b>1.523.763</b>                 | <b>260</b>                       | <b>(260)</b>                     |

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**14. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)**

***Explanation on the presentation of financial assets and liabilities at their fair values***

The below table summarizes the carrying amounts and fair values of financial asset and liabilities.

Due to their short-term nature, the fair value of trade and other receivables represents their book value. The fair value of borrowings with fixed interests is obtained by calculating their discounted cash flows using the market interest rate effective at the reporting date. The fair value of foreign currency denominated borrowings with variable interests is obtained by discounting the projected cash flows using estimated market interest rates.

|                                                                          | Carrying amount |                  | Fair value   |                  |
|--------------------------------------------------------------------------|-----------------|------------------|--------------|------------------|
|                                                                          | 30 June 2018    | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| <b>Financial assets</b>                                                  |                 |                  |              |                  |
| Cash and cash equivalents                                                | 4.303.801       | 4.100.204        | 4.303.801    | 4.100.204        |
| Trade and other receivables<br>(including related parties)               | 5.232.182       | 4.999.469        | 5.232.182    | 4.999.469        |
| Financial investments (*)                                                | 11.995          | 11.840           | (*)          | (*)              |
| Derivative financial assets                                              | 734.275         | 616.718          | 734.275      | 616.718          |
| <b>Financial liabilities</b>                                             |                 |                  |              |                  |
| Bank borrowings                                                          | 14.711.313      | 12.732.751       | 14.710.106   | 12.731.473       |
| Bills, bonds and notes issued                                            | 4.544.452       | 3.756.388        | 4.338.309    | 3.822.545        |
| Financial leasing liabilities                                            | 2.681           | 2.599            | 2.681        | 2.599            |
| Trade payables and other liabilities<br>(including related parties) (**) | 4.324.876       | 5.369.485        | 4.324.876    | 5.369.485        |
| Derivative financial liabilities                                         | 179.544         | 309.441          | 179.544      | 309.441          |

(\*) Group’s share in Cetel is carried at cost. Information on fair value of share in Cetel is not available.

(\*\*)Trade payables and other liabilities item includes trade and other payables, employee benefit obligations and other liabilities contained within other current liabilities. Taxes and other payables contained within employee benefit obligations and advances contained within other current liabilities are excluded.

***Fair value hierarchy table***

The group classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

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**14. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)**

***Explanation on the presentation of financial assets and liabilities at their fair values (continued)***

Fair value hierarchy table as at 30 June 2018 is as follows:

|                                                               |                   |            | Fair Value Measurement                                |                                               |                                                 |
|---------------------------------------------------------------|-------------------|------------|-------------------------------------------------------|-----------------------------------------------|-------------------------------------------------|
|                                                               | Date of Valuation | Total      | Quoted<br>Prices in<br>Active<br>Markets<br>(Level 1) | Significant<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs (Level 3) |
| <b>Financial assets measured at fair value:</b>               |                   |            |                                                       |                                               |                                                 |
| <u>Derivative Financial Assets:</u>                           |                   |            |                                                       |                                               |                                                 |
| Cross currency swaps                                          | 30 June 2018      | 628.701    | —                                                     | 628.701                                       | —                                               |
| Interest rate swaps                                           | 30 June 2018      | 105.574    | —                                                     | 105.574                                       | —                                               |
| <b>Financial liabilities measured at fair value:</b>          |                   |            |                                                       |                                               |                                                 |
| <u>Derivative Financial Liabilities:</u>                      |                   |            |                                                       |                                               |                                                 |
| Interest rate swaps                                           | 30 June 2018      | 47.157     | —                                                     | 47.157                                        | —                                               |
| Cross currency swaps                                          | 30 June 2018      | 132.387    | —                                                     | 132.387                                       | —                                               |
| <b>Other financial liabilities not measured at fair value</b> |                   |            |                                                       |                                               |                                                 |
| Bank loans                                                    | 30 June 2018      | 14.710.106 | —                                                     | 14.710.106                                    | —                                               |
| Bills, bonds and notes issued                                 | 30 June 2018      | 4.338.309  | 4.338.309                                             | —                                             | —                                               |

Fair value hierarchy table as at 31 December 2017 is as follows:

| Fair Value Measurement                                        |                   |            |                                                       |                                               |                                                 |
|---------------------------------------------------------------|-------------------|------------|-------------------------------------------------------|-----------------------------------------------|-------------------------------------------------|
|                                                               | Date of Valuation | Total      | Quoted<br>Prices in<br>Active<br>Markets<br>(Level 1) | Significant<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs (Level 3) |
| <b>Financial assets measured at fair value:</b>               |                   |            |                                                       |                                               |                                                 |
| <u>Derivative Financial Assets:</u>                           |                   |            |                                                       |                                               |                                                 |
| Cross currency swaps                                          | 31 December 2017  | 557.712    | –                                                     | 557.712                                       | –                                               |
| Interest rate swaps                                           | 31 December 2017  | 59.006     | –                                                     | 59.006                                        | –                                               |
| <b>Financial liabilities measured at fair value:</b>          |                   |            |                                                       |                                               |                                                 |
| <u>Derivative Financial Liabilities:</u>                      |                   |            |                                                       |                                               |                                                 |
| Interest rate swaps                                           | 31 December 2017  | 117.389    | –                                                     | 117.389                                       | –                                               |
| Cross currency swaps                                          | 31 December 2017  | 192.052    | –                                                     | 192.052                                       | –                                               |
| <b>Other financial liabilities not measured at fair value</b> |                   |            |                                                       |                                               |                                                 |
| Bank loans                                                    | 31 December 2017  | 12.731.473 | –                                                     | 12.731.473                                    | –                                               |
| Bills, bonds and notes issued                                 | 31 December 2017  | 3.822.545  | 3.822.545                                             | –                                             | –                                               |

***Capital management policies***

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. No changes were made in the objectives, policies or processes during the years 2018 and 2017.

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**15. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS*****Dividends***

The Company's 2017 consolidated net income has been compared with its statutory net income and TL 1.135.532 was determined as an amount available for dividend distribution. Company's Board of Directors decided that on 8 February 2018, 2017 net profit in the amount of TL 1.135.532 shall be set aside, as the extraordinary legal reserved in order to further strengthen the balance sheet structure under the provisions of the Company's Articles of Association. This decision has subjected to the Company's Ordinary General Assembly was convened for the year 2017.

**16. DERIVATIVE FINANCIAL INSTRUMENTS****Cash flow hedges and derivative financial instruments*****Interest rate swaps***

As of 30 June 2018 fair value of interest rate derivative transactions amounting to TL 47.157 has been recognized under long term financial liabilities and TL 43.077 has been recognized under long term financial assets (31 December 2017: TL 117.389 long term financial liabilities). Unrealized gain on these derivatives amounting to TL 106.051 (30 June 2017: TL 11.921 loss) is recognized in other comprehensive income. Unrealized gain on these derivatives' time value amounting to TL 7.258 (30 June 2017: TL 1.063 gain) is recognized in statement of profit or loss.

| Company      | Notional Amount (US Dollar) | Trade Date                    | Terms and Maturity Date                                                                                | Fair Value Amount as at 30 June 2018 (TL) |
|--------------|-----------------------------|-------------------------------|--------------------------------------------------------------------------------------------------------|-------------------------------------------|
| Türk Telekom | 400.000                     | 11 April 2012 – 30 April 2012 | Pay fixed rates and receive floating rates between March 2014 and March 2022                           | 23.961                                    |
| Türk Telekom | 200.000                     | 8 April 2013 – 17 April 2013  | Pay fixed rates and receive floating rates between 19 August 2015 and 21 August 2023                   | 18.784                                    |
| Türk Telekom | 150.000                     | 15 May 2014 -16 May 2014      | Pay fixed rates and receive rates between June 2016 and and August 2016, and June 2024 and August 2024 | 332                                       |
|              |                             |                               |                                                                                                        | <b>43.077</b>                             |

| Company      | Notional Amount (US Dollar) | Trade Date             | Maturity Date | Terms                                                                      | Fair Value Amount as at 30 June 2018 (TL) |
|--------------|-----------------------------|------------------------|---------------|----------------------------------------------------------------------------|-------------------------------------------|
| Türk Telekom | 300.000                     | 29 April – 20 May 2014 |               | Pay fixed rates and receive floating rates between June 2016 and June 2024 | (47.157)                                  |
|              |                             |                        |               |                                                                            | <b>(47.157)</b>                           |

| Company      | Notional Amount (US Dollar) | Trade Date                    | Terms and Maturity Date                                                                                | Fair Value Amount as at 31 December 2017 (TL) |
|--------------|-----------------------------|-------------------------------|--------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Türk Telekom | 400.000                     | 11 April 2012 – 30 April 2012 | Pay fixed rates and receive floating rates between March 2014 and March 2022                           | (19.527)                                      |
| Türk Telekom | 200.000                     | 8 April 2013 – 17 April 2013  | Pay fixed rates and receive floating rates between 19 August 2015 and 21 August 2023                   | (8.467)                                       |
| Türk Telekom | 300.000                     | 29 April – 20 May 2014        | Pay fixed rates and receive floating rates between June 2016 and June 2024                             | (80.975)                                      |
| Türk Telekom | 150.000                     | 15 May 2014 - 16 May 2014     | Pay fixed rates and receive rates between June 2016 and and August 2016, and June 2024 and August 2024 | (8.420)                                       |
|              |                             |                               |                                                                                                        | <b>(117.389)</b>                              |

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**16. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)*****Interest rate derivative instruments which are not designated as hedge***

As of 30 June 2018 fair value of the interest rate swap transactions which are not designated as hedge and amounting to TL 62.497 is recognized under long term financial assets (31 December 2017: TL 59.006 assets). Unrealized gain on these derivatives amounting to TL 3.491 (30 June 2017: TL 6.133 gain) is recognized in profit or loss.

| Company      | Notional Amount (US Dollar) | Trade Date                    | Terms and Maturity Date                                                                                                                                         | Fair Value Amount as at 30 June 2018 (TL) |
|--------------|-----------------------------|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| Türk Telekom | 400.000                     | 11 April 2012 – 30 April 2012 | Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 19 March 2014 and 21 March 2022, and receive fixed premium (0,24%-0,27%)   | 17.969                                    |
| Türk Telekom | 200.000                     | 8 April 2013 – 17 April 2013  | Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 21 August 2015 and 21 August 2023, and receive fixed premium (0,24%-0,27%) | 11.165                                    |
|              |                             |                               | Pay the difference between floating rate and 4% if floating rate exceeds 4%, between June 2016 and June 2021, and receive fixed premium (0,44%-0,575%)          |                                           |
| Türk Telekom | 300.000                     | 29 April – 20 May 2014        | Pay the difference between floating rate and 6% if floating rate exceeds 6%, between June 2021 and June 2024, and receive fixed premium (0,39%-0,45%)           | 33.363                                    |
|              |                             |                               |                                                                                                                                                                 | <b>62.497</b>                             |

| Company      | Notional Amount (US Dollar) | Trade Date                    | Terms and Maturity Date                                                                                                                                         | Fair Value Amount as at 31 December 2017 (TL) |
|--------------|-----------------------------|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Türk Telekom | 400.000                     | 11 April 2012 – 30 April 2012 | Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 19 March 2014 and 21 March 2022, and receive fixed premium (0,24%-0,27%)   | 16.873                                        |
| Türk Telekom | 200.000                     | 8 April 2013 – 17 April 2013  | Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 21 August 2015 and 21 August 2023, and receive fixed premium (0,24%-0,27%) | 10.454                                        |
|              |                             |                               | Pay the difference between floating rate and 4% if floating rate exceeds 4%, between June 2016 and June 2021, and receive fixed premium (0,44%-0,575%)          |                                               |
| Türk Telekom | 300.000                     | 29 April – 20 May 2014        | Pay the difference between floating rate and 6% if floating rate exceeds 6%, between June 2021 and June 2024, and receive fixed premium (0,39%-0,45%)           | 31.679                                        |
|              |                             |                               |                                                                                                                                                                 | <b>59.006</b>                                 |

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**16. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)*****Cross Currency swaps instruments which are not designated as hedge (continued)***

As of 30 June 2018, fair value of derivative transactions amounting to TL 628.701 (31 December 2017: TL 557.712) is recognized under short term financial assets, and 132.387 TL (31 December 2017: TL 151.236) which is the sum of the fair value of EUR/TL and USD/TL cross currency swaps instruments amounting to 1.600 TL and 130.787 TL, respectively, is recognized under short term financial liabilities. Unrealized loss of these derivatives amounting to TL 89.838 (30 June 2017: TL 58.295 loss) is recognized in profit or loss.

***USD/TL and EUR/TL Cross Currency Swaps Instruments***

| Company      | Notional Amount (US Dollar) | Trade Date                           | Terms and Maturity Date                                        | Fair Value Amount as at 30 June 2018 (TL) | Expected Cash inflows on maturity (TL) (**) |
|--------------|-----------------------------|--------------------------------------|----------------------------------------------------------------|-------------------------------------------|---------------------------------------------|
| Türk Telekom | 500.000                     | 21 April 2015 - 9 July 2015          | Pay TL and receive USD between June 2015 and June 2019         | 508.060                                   | 610.000                                     |
| Türk Telekom | 100.000                     | 14 September 2017- 26 September 2017 | Pay TL and receive USD between September 2015 and June 2024    | 37.596                                    | 106.070                                     |
| Türk Telekom | 350.000                     | 31 March 2016 - 13 April 2016        | Pay TL and receive USD between June 2016 and June 2024         | 49.668                                    | 274.995                                     |
| Türk Telekom | 50.000                      | 14 December 2017                     | Pay TL and receive USD between December 2017 and June 2024     | 11.383                                    | 53.035                                      |
| Türk Telekom | 100.000 (*)                 | 27 March 2018                        | Pay TL and receive EUR between December 2020 and December 2025 | 21.994                                    | 60.920                                      |
|              |                             |                                      |                                                                | <b>628.701</b>                            | <b>1.105.020</b>                            |

| Company      | Notional Amount (US Dollar) | Trade Date  | Terms and Maturity Date                                        | Fair Value Amount as at 30 June 2018 (TL) | Expected Cash inflows on maturity (TL) (**) |
|--------------|-----------------------------|-------------|----------------------------------------------------------------|-------------------------------------------|---------------------------------------------|
| Türk Telekom | 45.000(*)                   | 4 June 2018 | Pay TL and receive EUR between November 2018 and November 2022 | (1.600)                                   | 18.414                                      |
|              |                             |             |                                                                | <b>(1.600)</b>                            | <b>18.414</b>                               |

(\*) Nominal amount of indicated operations are Euro.

(\*\*) Undiscounted cash benefits on maturity dates over the principals of the cross currency swaps which is calculated with USD/TL and EUR/TL foreign exchange rates as defined in higher and lower option levels by using 30 June 2018 foreign exchange rates.

***USD/EUR Cross Currency Swaps Instruments***

| Company       | Notional Amount (US Dollar) | Trade Date                    | Terms and Maturity Date                                     | Fair Value Amount as at 30 June 2018 (TL) |
|---------------|-----------------------------|-------------------------------|-------------------------------------------------------------|-------------------------------------------|
| Türk Telekom  | 175.000                     | 30 April 2015                 | Pay EUR and receive USD between June 2015 and June 2024     | (87.270)                                  |
| Türk Telekom  | 380.000                     | 10 March 2016 - 17 March 2016 | Pay EUR and receive USD between June 2016 and November 2020 | (36.076)                                  |
| TTINT Türkiye | 50.000                      | 16 June 2016                  | Pay EUR and receive USD between December 2016 and June 2026 | (7.441)                                   |
|               |                             |                               |                                                             | <b>(130.787)</b>                          |



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**16. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)*****Cross Currency swaps instruments which are not designated as hedge (continued)***

| Company      | Notional Amount (USD) | Trade Date                           | Terms and Maturity Date                                     | Fair Value Amount as at 31 December 2017 (TL) |
|--------------|-----------------------|--------------------------------------|-------------------------------------------------------------|-----------------------------------------------|
| Türk Telekom | 500.000               | 21 April 2015 - 9 July 2015          | Pay TL and receive USD between June 2015 and June 2019      | 485.887                                       |
| Türk Telekom | 100.000               | 14 September 2017- 26 September 2017 | Pay TL and receive USD between September 2015 and June 2024 | 13.359                                        |
| Türk Telekom | 350.000               | 31 March 2016 - 13 April 2016        | Pay TL and receive USD between June 2016 and June 2024      | 58.466                                        |
|              |                       |                                      |                                                             | <b>557.712</b>                                |
| Türk Telekom | 175.000               | 30 April 2015                        | Pay EUR and receive USD between June 2015 and June 2024     | (63.643)                                      |
| Türk Telekom | 380.000               | 10 March 2016 - 17 March 2016        | Pay EUR and receive USD between June 2016 and November 2020 | (73.404)                                      |
| Türk Telekom | 50.000                | 14 December 2017                     | Pay TL and receive USD between December 2017 and June 2024  | (1.413)                                       |
| TTINT        |                       |                                      | Pay EUR and receive USD between December 2016 and June 2026 | (12.776)                                      |
| Türkiye      | 50.000                | 16 June 2016                         |                                                             |                                               |
|              |                       |                                      |                                                             | <b>(151.236)</b>                              |

***Options which are not designated as hedge***

As of 31 December 2017, the Company had also entered into foreign exchange option transactions between 6 January 2015 - 17 March 2016 with a total notional amount of EUR 828.431. As of 30 June 2018, the option has completely matured between 29 January – 31 January 2018 and gain on these derivatives amounting to TL 40.816 (30 June 2017: TL 130.911 gain) is recognized in the consolidated statement of profit or loss.

| Company      | Notional Amount (EUR) | Trade Date                   | Terms and Maturity Date                                                                      | Fair Value Amount as at 31 December 2017 (TL) |
|--------------|-----------------------|------------------------------|----------------------------------------------------------------------------------------------|-----------------------------------------------|
| Türk Telekom | 490.196               | 6 January 2015- 18 June 2015 | Foreign exchange option transactions with maturities between June 2015 and June 2024         | (37.129)                                      |
| Türk Telekom | 338.235               | 10 March 2016- 17 March 2016 | Foreign exchange option transactions with maturities between November 2018 and November 2020 | (3.687)                                       |
|              |                       |                              |                                                                                              | <b>(40.816)</b>                               |

**Hedge of net investment in a foreign operation**

The Company utilized a loan amounting to Euro 150.000 in order to hedge its net investment in a foreign operation with a Euro functional currency. Foreign exchange gain and/or loss resulting from the subsidiary’s net investment portion of this loan is reclassified to reserve for hedge of net investment in a foreign operation under equity.

**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

(Currency in thousands of Turkish Lira (“TL”) unless otherwise stated, all other currencies are also disclosed in thousands)

**17. SUPPLEMENTARY CASH FLOW INFORMATION**

***Other explanations***

“Other outflows of cash” in net cash used in operating activities represents change in restricted cash. Restricted cash amount is disclosed in Note 6. “Other outflows of cash, net” in net cash used in financial activities represents change in other financial payment. “Other adjustment for non-cash items” in adjustments to reconcile net profit to cash provided by operating activities represents change in TFRS Interpretation 12.

Capitalized subscriber acquisition and retentions costs amounting to TL 297.778 are disclosed in “Purchases of property, plant, equipment and intangible assets” in consolidated statement of cash flows.

**18. SUBSEQUENT EVENTS**

None.

**19. REVENUE**

|                       | <b>1 January 2018 -<br/>30 June 2018</b> | <b>1 January 2017 -<br/>30 June 2017</b> |
|-----------------------|------------------------------------------|------------------------------------------|
| Mobile                | 3.566.321                                | 3.222.344                                |
| Broadband             | 2.659.050                                | 2.390.398                                |
| Fixed voice           | 1.277.660                                | 1.317.935                                |
| Corporate data        | 823.657                                  | 714.047                                  |
| International revenue | 406.565                                  | 280.871                                  |
| IFRIC 12 revenue      | 350.869                                  | 378.436                                  |
| Tv                    | 149.033                                  | 108.031                                  |
| Other                 | 403.560                                  | 395.922                                  |
|                       | <b>9.636.715</b>                         | <b>8.807.984</b>                         |