

Türk Telekomünikasyon
Anonim Şirketi and Its Subsidiaries
31 March 2022
Interim Condensed Consolidated
Financial Statements As At and For
The Three Month Period
Ended 31 March 2022

27 April 2022

This report contains 2 pages of “Independent Auditor’s Report” and 48 pages of financial statements and explanatory notes.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

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

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

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

		Current period	Prior period
		Unaudited	Audited
	Notes	31 March 2022	31 December 2021
Assets			
Total current assets		25.603.485	20.779.381
Cash and cash equivalents	6	8.438.132	7.696.870
Financial investments	17	3.350.872	–
Trade receivables			
- Trade receivables due from related parties	8	190.866	53.869
- Trade receivables due from unrelated parties	9	6.900.937	6.528.628
Other receivables			
- Other receivables due from unrelated parties		96.168	112.921
Contract assets			
- Contract assets from sale of goods and service contracts due from related parties		30.415	–
- Contract assets from sale of goods and service contracts due from unrelated parties		799.542	951.675
Derivative financial assets			
- Derivative financial assets held for trading	15	164.069	728.427
- Derivative financial assets held for hedging	15	3.830.557	3.270.656
Inventories		562.050	439.933
Prepayments			
- Prepayments to unrelated parties		869.267	382.907
Current tax assets		34.747	8.949
Other current assets			
- Other current assets due from unrelated parties		298.502	548.128
Sub total		25.566.124	20.722.963
Non-current assets classified as held for sale		37.361	56.418
Total non-current assets		37.961.326	37.558.254
Financial investments			
- Other financial investments	17	14.617	13.671
Trade receivables			
- Trade receivables due from unrelated parties	9	241.197	127.851
Other receivables			
- Other receivables due from unrelated parties		38.869	38.739
Contract assets			
- Contract assets from sale of goods and service contracts		48.669	55.377
Derivative financial assets			
- Derivative financial assets held for trading	15	31.635	39.980
Right of use assets		1.601.840	1.578.893
Investment property		15.060	15.483
Property, plant and equipment			
- Land and premises		6.427.431	6.398.268
- Buildings		570.054	592.875
- Machinery and equipments		10.772.132	10.862.961
- Other property, plant and equipment		1.224.844	1.119.642
Intangible assets			
- Goodwill		44.944	44.944
- Rights regarding concession agreements		5.185.622	5.426.301
- Concession agreements assets		1.647.506	1.315.334
- Licences		2.031.734	2.104.880
- Other intangible assets		5.535.758	5.440.553
Prepayments			
- Prepayments to unrelated parties		17.379	19.998
Deferred tax asset		2.512.007	2.362.407
Other non-current assets			
- Other non-current assets due from unrelated parties		28	97
Total assets		63.564.811	58.337.635

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

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

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

		Current period	Prior period
		Unaudited	Audited
	Notes	31 March 2022	31 December 2021
Liabilities			
Total current liabilities		24.937.157	17.997.064
Financial liabilities			
Financial liabilities from related parties			
- Bank loans	7, 8	507.134	—
Financial liabilities from unrelated parties			
- Bank loans	7	4.326.864	802.166
- Lease liabilities	7	11.946	33.092
Current portion of long term financial liabilities			
Current portion of long term financial liabilities from unrelated parties			
- Bank loans	7	6.011.223	5.374.362
- Lease liabilities	7	586.850	556.271
- Issued debt instruments	7	81.779	351.387
Trade payables			
- Trade payables to related parties	8	116.541	—
- Trade payables to unrelated parties	9	5.088.893	7.729.147
Employee benefit obligations		281.699	215.114
Other payables			
- Other payables to related parties	8, 14	4.954.565	—
- Other payables to unrelated parties		1.634.959	1.395.728
Derivative financial liabilities			
- Derivative financial liabilities held for trading	15	49.417	114.611
- Derivative financial liabilities held for hedging	15	1.613	159
Contract liabilities			
- Contract liabilities from sale of goods and service contracts		707.043	713.389
Current tax liabilities		141.901	160.514
Current provisions			
- Current provisions for employee benefits	11	129.110	319.140
- Other current provisions	11	213.097	210.495
Other current liabilities			
- Other current liabilities to unrelated parties		92.523	21.489
Total non-current liabilities		28.193.708	26.090.667
Long term financial liabilities			
Long term financial liabilities from unrelated parties			
- Bank loans	7	10.129.086	8.926.851
- Lease liabilities	7	826.957	850.097
- Issued debt instruments	7	14.005.734	12.909.151
Other payables			
- Other payables to unrelated parties		42.926	40.299
Derivative financial liabilities			
- Derivative financial liabilities held for trading	15	155.938	351.986
Contract liabilities			
- Contract liabilities from sale of goods and service contracts		1.489.123	1.417.662
Non-current provisions			
- Non-current provisions for employee benefits	11	1.402.474	1.281.014
- Other non-current provisions		10.627	10.627
Deferred tax liabilities		130.843	302.980
Total liabilities		53.130.865	44.087.731

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

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

	Current period	Prior period
	Unaudited	Audited
	31 March 2022	31 December 2021
Equity	10.433.946	14.249.904
Equity attributable to owners of parent		
Issued capital	3.500.000	3.500.000
Inflation adjustments on capital	(239.752)	(239.752)
Other accumulated comprehensive income / (loss) that will not be reclassified in profit or loss		
Gains / (losses) from investments in equity instruments	(11.840)	(11.840)
Gains / (losses) on revaluation and remeasurement		
- Losses on remeasurements of defined benefit plans	(923.816)	(911.454)
- Increases on revaluation of property, plant and equipment	5.238.145	5.231.590
Losses due to change in fair value of financial liability attributable to change in credit risk of liability	130.529	76.534
Effect of business combinations under common control	(1.320.942)	(1.320.942)
Other accumulated comprehensive income / (loss) that will be reclassified in profit or loss		
Losses on hedge		
- Losses on cash flow hedges	1.078.489	876.407
- Losses on hedges of net investment in foreign operations	(1.259.658)	(1.157.022)
Change in value of time value of options	(3.823.041)	(4.074.549)
Exchange differences on translation	1.734.501	1.555.755
Restricted reserves appropriated from profits	391.894	2.568.388
Retained earnings	5.378.721	2.395.335
Profit for the year	560.716	5.761.454
Total liabilities and equity	63.564.811	58.337.635

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

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE
MONTH PERIOD ENDED 31 MARCH 2022

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

		Current Period	Prior Period
		Unaudited	Unaudited
	<i>Notes</i>	1 January - 31 March 2022	1 January - 31 March 2021
Revenue	5	9.471.264	7.586.917
Cost of sales (-)		(5.652.567)	(4.144.497)
Gross profit		3.818.697	3.442.420
General administrative expenses (-)		(889.697)	(638.898)
Marketing, sales and distribution expenses (-)		(775.181)	(584.589)
Research and development expenses (-)		(88.438)	(64.624)
Other operating income		166.745	121.416
Other operating expense (-)		(425.554)	(214.280)
Operating profit		1.806.572	2.061.445
Impairment gains / (losses) and reversal of impairment losses determined in accordance with IFRS 9, net		(49.407)	(43.683)
Investment activity income		491.080	214.710
Investment activity expenses (-)		(3.578)	(6.239)
Profit before financing expense		2.244.667	2.226.233
Finance income		789.996	712.629
Finance costs (-)		(2.744.380)	(1.248.850)
Profit from continuing operations, before tax	5	290.283	1.690.012
Tax (expense) / income, continuing operations			
- Current period tax expense		(150.265)	(84.542)
- Deferred tax (expense) / income		420.698	(249.864)
Profit for the year		560.716	1.355.606
Earnings per shares attributable to equity holders of the parent from (in full Kuruş)	4	0,1602	0,3873
Earnings per diluted shares attributable to equity holders of the parent from (in full Kuruş)	4	0,1602	0,3873

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

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

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

	Current Period	Prior Period
	Unaudited	Unaudited
Notes	1 January - 31 March 2022	1 January - 31 March 2021
Profit for the period	560.716	1.355.606
Other comprehensive income:		
Other comprehensive income that will not be reclassified to profit or loss	48.188	36.246
Gain from revaluation of property, plant and equipments, net	7.284	–
Losses on remeasurements of defined benefit plans	(15.453)	(30.918)
Change in fair value of financial liability attributable to change in credit risk of liability	67.493	76.225
Tax effect of other comprehensive income items not to be reclassified to profit or loss		
-Taxes relating to remeasurements of defined benefit plans	3.091	6.184
-Tax effect of revaluation of property, plant and equipment	(729)	–
-Taxes relating to change in fair value of financial liability attributable to change in credit risk of liability	(13.498)	(15.245)
Other comprehensive income that will be reclassified to profit or loss	529.700	(261.205)
Exchange differences on translation	178.746	104.597
Gains / (losses) on cash flow hedges	252.603	378.354
Gains / (losses) on hedges of net investments in foreign operations	(128.295)	(84.205)
Gains / (losses) on change in value of time value of options	314.386	(751.401)
Tax effect on other comprehensive income items to be reclassified to profit or loss		
-Taxes relating to cash flow hedges	(50.521)	(75.671)
-Taxes relating to (gains) / losses on hedges of net investments in foreign operations	25.659	16.841
-Taxes relating to change in value of time value of options of other comprehensive (loss) / income	(62.878)	150.280
Other comprehensive (loss) / income	577.888	(224.959)
Total comprehensive income	1.138.604	1.130.647

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

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

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

		Other accumulated comprehensive income / (loss) that will not be reclassified in profit or loss						Other accumulated comprehensive income / (loss) that will be reclassified in profit or loss					Retained earnings / (losses)		
				Gains / (losses) on revaluation and remeasurement			Gains / (losses) on hedge								
Issued capital	Inflation adjustments on capital	Effect of business combinations under common control	Gains / (losses) from investments in equity instruments	Increases on revaluation of property, plant and equipment	Gains / (losses) on remeasurements of defined benefit plans	Gains / (losses) due to change in fair value of financial liability attributable to change in credit risk of liability	Gains / (losses) on hedges of net investment in foreign operations	Gains / (losses) on cash flow hedges	Change in value of time value of options	Exchange differences on translation	Restricted reserves appropriated from profits	Retained earnings	Profit for the year	Total equity	
Balance at 1 January 2021	3.500.000	(239.752)	(1.320.942)	–	4.766.342	(782.420)	(88.747)	(593.149)	(320.668)	(717.854)	721.066	2.398.634	1.536.993	3.177.873	12.037.376
Transfers	–	–	–	–	–	–	–	–	–	–	169.754	1.135.584	(1.305.338)	–	–
Total comprehensive income	–	–	–	–	–	(24.734)	60.980	(67.364)	302.683	(601.121)	104.597	–	–	1.355.606	1.130.647
Profit for period	–	–	–	–	–	–	–	–	–	–	–	–	–	1.355.606	1.355.606
Other comprehensive income	–	–	–	–	–	(24.734)	60.980	(67.364)	302.683	(601.121)	104.597	–	–	–	(224.959)
Dividend paid (Note 14)	–	–	–	–	–	–	–	–	–	–	–	–	–	(1.872.535)	(1.872.535)
Balance at 31 March 2021	3.500.000	(239.752)	(1.320.942)	–	4.766.342	(807.154)	(27.767)	(660.513)	(17.985)	(1.318.975)	825.663	2.568.388	2.672.577	1.355.606	11.295.488
Balance at 1 January 2022	3.500.000	(239.752)	(1.320.942)	(11.840)	5.231.590	(911.454)	76.534	(1.157.022)	876.407	(4.074.549)	1.555.755	2.568.388	2.395.335	5.761.454	14.249.904
Transfers	–	–	–	–	–	–	–	–	–	–	(2.176.494)	7.937.948	(5.761.454)	–	–
Total comprehensive income	–	–	–	–	6.555	(12.362)	53.995	(102.636)	202.082	251.508	178.746	–	–	560.716	1.138.604
Profit for period	–	–	–	–	–	–	–	–	–	–	–	–	–	560.716	560.716
Other comprehensive income	–	–	–	–	6.555	(12.362)	53.995	(102.636)	202.082	251.508	178.746	–	–	–	577.888
Dividend paid (Note 14)	–	–	–	–	–	–	–	–	–	–	–	–	(4.954.562)	–	(4.954.562)
Balance at 31 March 2022	3.500.000	(239.752)	(1.320.942)	(11.840)	5.238.145	(923.816)	130.529	(1.259.658)	1.078.489	(3.823.041)	1.734.501	391.894	5.378.721	560.716	10.433.946

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

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

	Current Period	Prior Period
	Unaudited	Unaudited
Notes	1 January - 31 March 2022	1 January - 31 March 2021
Net profit for the period	560.716	1.355.606
Adjustments to reconcile profit:		
Adjustments for depreciation and amortisation expense	1.815.079	1.447.260
Adjustments for impairment loss / (reversal of impairment loss)		
- Adjustments for impairment loss of receivables	50.578	40.075
- Adjustments for impairment loss of property, plant and equipment	1.860	5.091
- Other adjustments for impairment loss (reversal of impairment loss)	(1.172)	3.608
Adjustments for provisions		
- Adjustments for (reversal of) provisions related with employee benefits	275.460	134.794
- Adjustments for (reversal of) lawsuit and/or penalty provisions	17.663	25.800
- Adjustments for (reversal of) other provisions	—	530
Adjustments for interest expenses and income		
- Adjustments for interest income	(83.592)	(73.230)
- Adjustments for interest expense	648.821	482.818
- Deferred financial expenses from credit purchases	59.548	6.152
Currency protected time deposit interest	(257.202)	
Adjustments for unrealised foreign exchange losses	2.024.750	221.383
Adjustments for fair value losses / (gains)		
- Adjustments for fair value (gains) / losses on derivative financial instruments	(22.087)	21.319
- Adjustments for fair value losses / (gains) of issued financial instruments	(122.360)	11.100
Adjustments for tax expense / (income)	(270.433)	334.406
- Adjustments for gains arising from sale of tangible assets	(224.934)	(208.471)
- Adjustments for losses (gains) / arising from the disposal of non-current assets held for sale or for distribution to shareholders	(5.366)	—
Other adjustments for which cash effects are investing or financing cash flow	35.498	25.578
Other adjustments for non-cash items	16 (45.925)	(42.026)
Operating profit before working capital changes	4.456.902	3.791.793
Changes in working capital:		
Adjustments for (increase) / decrease in trade receivables		
- (Increase) / decrease in trade receivables from related parties	(136.997)	(3.903)
- (Increase) / decrease in trade receivables from unrelated parties	(439.655)	(317.095)
Adjustments for (increase) / decrease in inventories	(122.117)	(17.042)
Adjustments for increase / (decrease) in trade payable		
- Increase / (decrease) in trade payables to related parties	116.541	—
- Increase / (decrease) in trade payables to unrelated parties	(2.713.790)	(1.428.337)
Adjustments for (increase) / decrease in other receivables related with operations		
- (Increase) / decrease in other unrelated party receivables related with operations	(213.399)	(328.806)
Adjustments for increase / (decrease) in other operating payables related with operations		
- Increase / (decrease) in other payables related with operations to unrelated parties	328.478	451.360
Cash flow from operations:		
Interest received	46.008	44.544
Payments related with provisions for employee benefits	(361.694)	(510.480)
Payments related with other provisions	(13.939)	(63.561)
Income taxes paid	(194.676)	(169.240)
Other inflows of cash	16 (37.938)	229.880
Net cash generated from operating activities	713.724	1.679.113

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTH
PERIOD ENDED 31 MARCH 2022

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

		Current Period	Prior Period
		Unaudited	Unaudited
	<i>Notes</i>	1 January - 31 March 2022	1 January - 31 March 2021
Cash flows used in investing activities:			
Cash outflows arising from capital advance payments to associates and/or joint ventures		(946)	–
Proceeds from sale of property, plant, equipment and intangible assets			
- <i>Proceeds from sales of property, plant and equipment</i>		236.142	229.062
Purchases of property, plant, equipment and intangible assets			
- <i>Purchase of property, plant and equipment</i>		(572.968)	(439.840)
- <i>Purchase of intangible assets</i>		(832.368)	(718.302)
Currency protected time deposit		(3.093.670)	–
Net cash used in investing activities		(4.263.810)	(929.080)
Cash flows from financing activities:			
Proceed from borrowings			
- <i>Proceeds from loans</i>		4.882.281	1.117.030
Repayments of borrowings			
- <i>Loan repayments</i>		(489.878)	(2.204.761)
- <i>Payment of issued of debt instruments</i>		(223.305)	–
Payments of lease liabilities, net		(308.118)	(230.557)
Cash inflows / (outflows) from derivative instruments, net		699.337	(217.258)
Interest paid		(426.265)	(337.692)
Interest received		37.584	28.686
Other cash outflows, net	16	324.181	(25.578)
Net cash used in financing activities		4.495.817	(1.870.130)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES		945.731	(1.120.097)
IMPACT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		117.273	65.377
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		6.344.886	4.370.117
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	7.407.890	3.315.397

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

(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, 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 Republic of Turkey Ministry of Treasury and Finance (“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.

As per the regulatory disclosure made by Türk Telekom on 15 August 2018, within the scope of the process, which is carried out in relation to takeover of OTAŞ’s 55% shares in our Company, Türk Telekom, by a special purpose vehicle (“SPV”), which the creditor banks of OTAŞ will be shareholders, a notification was made to our company by some of the creditor banks.

The SPV mentioned in the said statements, LYY Telekomünikasyon A.Ş. (“LYY”) has informed the Company that in accordance with Article 198 of the Turkish Commercial Code, all of the Group A shares, which constitute 55% of the Company's capital, have been transferred to LYY as of December 21, 2018. Based on this notification, LYY has been registered as a shareholder in the Company's share book pursuant to Article 499 of the Turkish Commercial Code.

In the material event statement dated March 10, 2022 made by the company, LYY Telekomünikasyon A.Ş. (LYY), 55% owned by Türk Telekomünikasyon A.Ş. (Türk Telekom) share to the Turkey Wealth Fund (TWF), a share transfer agreement was signed between the parties, after the necessary approvals were obtained and the closing conditions were fulfilled, in the material event statement dated 31 March 2022, the transfer of the shares was completed, after the transfer, on 31 March 2022. It has been reported that the Turkish Wealth Fund (TWF) is the largest shareholder of Türk Telekom with 61,68% shareholding as of date.

Following the signing of the share transfer agreement stated in the aforementioned explanations, the Company was informed that as of March 31, 2022, all of the A Group shares, which constitute 55% of the Company's capital, were transferred to TWF in accordance with Article 198 of the Turkish Commercial Code. Based on this notification, TWF was registered as a new shareholder in the Company's share book in accordance with Article 499 of the Turkish Commercial Code.

As at 31 March 2022, the parent company and controlling party of the Company is Turkish Wealth Fund.

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1. REPORTING ENTITY (CONTINUED)

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 in the conditions where the Concession Agreement is expired or not renewed, the Company shall transfer all equipment that affects the operation of its systems in full working order and the real estates in its use where these equipment are deployed to the ICTA or to an institution designated by the ICTA.

The Concession Agreement will expire at the end of its time period. However, the Company may apply to the ICTA and request for extension thereof no later than 1 year prior to the expiry of the duration of the Concession Agreement. The ICTA may decide to renew the Concession Agreement at the latest before 180 days of the date of expiration taking into account new conditions and within the scope of the legislation and the regulations of the ICTA.

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1. REPORTING ENTITY (CONTINUED)

The details of the Company’s subsidiaries as at 31 March 2022 and 31 December 2021 are as follows:

Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%)	
				31 March 2022	31 December 2021
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 AT GmbH (“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
Türk Telekom International SRB d.o.o (“TTINT Serbia”)(*)	Serbia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT Telekomunikacije d.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 LLC (“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 MK DOOEL (“TTINT Macedonia”)(*)	Macedonia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International RU LLC (“TTINT Russia”)(*)	Russia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Tasfiye Halindeki 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 Ödeme ve Elektronik Para 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 Ekran6 TV ve Medya Hiz. A.Ş. (“Net Ekran6”)	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
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
TT Destek Hizmetleri A.Ş	Turkey	Provider of combined facilities support activities	Turkish Lira	100	100
APPYAP Teknoloji ve Bilişim A.Ş.	Turkey	Web portal and computer programming activities	Turkish Lira	100	100
TTG Finansal Teknolojiler A.Ş.	Turkey	Financial Advisory Services	Turkish Lira	100	100

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

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1. REPORTING ENTITY (CONTINUED)

The details of the Company’s joint operation as at 31 March 2022 and 31 December 2021 are as follows:

Name of Joint Operation	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%)	
				31 March 2022	31 December 2021
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 31 March 2022 is 10.217 (31 December 2021: 10.230) and the number of personnel not subject to collective agreement as at 31 March 2022 is 26.165 (31 December 2021: 25.638). The total number of personnel as at 31 March 2022 and 31 December 2021 are 36.292 and 35.868, respectively.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation of the interim condensed consolidated financial statements

a) Statement of compliance with TFRS

The accompanying interim condensed consolidated financial statements are prepared in accordance with Turkish Financial Reporting Standards (“TFRS”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) as set out in the Communiqué numbered II-14.1 “Communiqué on Principles of Financial Reporting in Capital Markets” published in the Official Gazette numbered 28676 on 13 June 2013. TFRSs consist of standards and interpretations which are published as Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards, interpretations of TAS and interpretations of TFRS.

The interim condensed consolidated financial statements are presented in accordance with the TFRS Taxonomy developed based on the Illustrative Financial Statements and User Guide published in the Official Gazette numbered 30794 on 7 June 2019.

In accordance with the TAS, the entities are allowed to prepare a complete or condensed set of interim financial statements in accordance with TAS 34, “Interim Financial Reporting”. In this respect, the Group preferred to present its interim condensed consolidated financial statements as of 31 March 2022. The Group’s interim condensed consolidated financial statement does not include all disclosures and notes that should be included at year-end financial statements. Therefore, the interim condensed consolidated financial statements should be examined together with the 31 December 2021 year-end financial statements.

Approval of the financial statements:

The interim condensed consolidated financial statements are approved by the Company’s Board of Directors on 27 April 2022. General Assembly has the right to change the interim condensed consolidated financial statements.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTUNIED)

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

b) 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 interim condensed consolidated financial statements since 1 January 2005.

c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the property, plant and equipment other than lands 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”, lands, derivative financial instruments, issued debt instruments which have been measured at fair value through profit or loss. Investment properties and tangible assets other than lands which are recognized with deemed cost method are valued with fair values as of 1 January 2000, lands accounted as property, plant and equipment, derivative financial instruments and issued debt instruments which have been measured at fair value through profit or loss, are valued with fair values as of balance sheet date.

d) 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 and Company’s joint operation 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.

e) Significant accounting assessments, estimates and assumptions

In order to prepare financial statements in accordance with TFRS, 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 31 March 2022.

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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)

e) 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) Forward contracts and interest rate swaps

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) Issued debt instruments

The fair values of issued debt instruments are measured by using quoted market price at the date of valuation.

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.

v) Lands

Lands accounted as property, plant and equipment are measured at revalued amount. Revalued amount for lands is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair value of the lands was determined using the market comparable method. The valuations are based on prices of transactions for lands of similar nature and location.

vi) Taxes

In Turkey, the corporate tax rate is 23%. However, the corporate tax rate will be applied as 25% for the corporate income for the 2021 taxation period and 23% for the corporate income for the 2022 taxation period in accordance with the article 11 of the Law No. 7316 on the Procedure for Collection of Public Claims and the Law Amending Some Other Laws and included to the temporary article 13 of Law No. 5520 Corporate Tax Law which are published in the Official Gazette numbered 31462 on 22 April 2021. Corporate tax rate after 2022 expected to be 20%.

As of the three month period ended 31 March 2022, corporate tax provisions have been calculated and accrued at 23%.

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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)

e) Significant accounting assessments, estimates and assumptions (continued)

Deferred tax charge is calculated in accordance with the enacted tax laws. The accounting policies used by the Group in calculating deferred tax are the same as those used in the audited consolidated financial statements as of 31 December 2021, except for the use of the corporate tax rate enacted in the three months interim period ended 31 March 2022.

vii) Foreign Currency Protected TL Deposit

Foreign currency protected TL Deposits are a financial asset with cash flows that include principal and interest, but they also feature a derivative product, as these cash flows may change depending on the change in exchange rates. Therefore, Currency Foreign currency protected TL Deposits are considered as hybrid contracts and accounted as financial assets whose fair value is recognized in profit or loss in line with the directions of TFRS 9 regarding hybrid contracts. Changes in the fair value of Foreign currency protected TL Deposits are accounted in the “Income/Expense from Investing Activities” Item in the Statement of Profit or Loss and Other Comprehensive Income.”

2.2 Summary of significant accounting policies

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of March 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 and thereafter. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as of 1 January 2022 are as follows:

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively.

The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

The amendments did not have a significant impact on the financial position or performance of the Group.

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2.2 Summary of significant accounting policies (continued)

The new standards, amendments and interpretations (continued)

i) The new standards, amendments and interpretations which are effective as of 1 January 2022 are as follows: (continued)

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

The amendments did not have a significant impact on the financial position or performance of the Group.

Annual Improvements – 2018–2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- *TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.*
- *TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.*
- *TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.*

The amendments did not have a significant impact on the financial position or performance of the Group.

ii) 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 Company / the Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

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2.2 Summary of significant accounting policies (continued)

The new standards, amendments and interpretations (continued)

ii) Standards issued but not yet effective and not early adopted (continued)

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On January 15, 2021, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, the POA issued amendments to TAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

Overall, the Group expects no significant impact on its balance sheet and equity.

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, the POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term ‘significant’ in TFRS, the POA decided to replace it with ‘material’ in the context of disclosing accounting policy information. ‘Material’ is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

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

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2.2 Summary of significant accounting policies (continued)

The new standards, amendments and interpretations (continued)

ii) Standards issued but not yet effective and not early adopted (continued)

Amendments to TAS 1 - Disclosure of Accounting Policies (continued)

Overall, the Group expects no significant impact on its balance sheet and equity.

Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2021, the POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

2.3 Comparative information and reclassification of prior period consolidated financial statements

The Group’s consolidated financial statements are presented together with the comparatives for the previous year enabling comparison of the financial condition and performance trends. Where necessary, comparative figures of the financial statements have been reclassified to conform to changes in presentation of the current period financial statements. The Group management considered that it is appropriate to have such reclassifications when they provide more relevant information to users of the financial statements.

As of 31 March 2021, the Group reclassified the amortization expenses of the assets capitalized within the scope of TFRS Interpretation 12, amounting to TL 201.821, which was accounted under the marketing, sales and distribution expenses account, to the cost of sales account.

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3. SEASONAL CHANGES IN THE OPERATIONS

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

4. EARNINGS PER SHARE

	1 January - 31 March 2022	1 January - 31 March 2021
Weighted average number of ordinary shares outstanding during the year	350.000.000.000	350.000.000.000
Net profit for the period attributable to equity holders of the Company	560.716	1.355.606
Basic and earnings per share (in full kuruş)	0,1602	0,3873

5. SEGMENT REPORTING

The Group has two main segments; fixed line and mobile. Fixed line services are provided by Türk Telekom, TTNNet, Argela, Innova, Sebit, AssisTT, TTES, TT Venture, TT Destek Hizmetleri and TTINT Group whereas mobile service is provided by TT Mobil. Group management assesses segment performance over earnings before interest, tax, depreciation and amortization (“Adjusted EBITDA”). Adjusted EBITDA is calculated by adjusting the operating income by i) adding income/expense from investing activities, depreciation, amortization and impairment expenses and ii) deducting exchange gains/losses, interest and rediscount income/ expenses on current accounts presented in other operating income and expense. Group management uses adjusted EBITDA as it is comparable with other companies in the sector. EBITDA is not a measure of financial performance indicator defined in TFRS and may not be comparable to similar indicators defined by other companies. As Group management does not monitor Group’s performance over geographical segments, geographical segment reporting is not presented. The segment results and 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 - 31 March 2022	1 January - 31 March 2021	1 January - 31 March 2022	1 January - 31 March 2021	1 January - 31 March 2022	1 January - 31 March 2021	1 January - 31 March 2022	1 January - 31 March 2021
Revenue (*)	6.854.244	5.618.710	3.184.457	2.582.925	(567.437)	(614.718)	9.471.264	7.586.917
International revenue	738.515	463.533	—	—	—	—	738.515	463.533
Contributive revenue (**)	6.302.794	5.013.167	3.168.470	2.573.750	—	—	9.471.264	7.586.917
EBITDA	3.048.819	3.059.800	1.065.538	744.974	977	(1.541)	4.115.334	3.803.233
Contributive adjusted EBITDA (***)	2.835.785	2.662.080	1.279.549	1.141.153	—	—	4.115.334	3.803.233
Capital expenditure (****)	1.043.769	904.856	423.913	349.487	(335)	(861)	1.467.347	1.253.482
Impairments losses, net	(47.373)	(41.792)	(3.893)	(6.982)	—	—	(51.266)	(48.774)
Depreciation and amortization	(1.094.845)	(791.058)	(720.234)	(656.202)	—	—	(1.815.079)	(1.447.260)

(*) “Revenue” includes international revenue.

(**) “Contributive revenue” represents operating segments’ revenues from companies other than those included in the consolidated financial statements. Group management still monitors financial performance of the segments based on their separate financial statements and because of this there is no change at the segment information disclosed. However, contribution of operating segments on the Group’s revenue is presented to give additional information to the readers of the financial statements.

(***) “Contributive EBITDA” represents operating segments’ EBITDA arose from transactions with companies other than those included in the consolidated financial statements and revised by allocation of intra-group charges for shared costs. Group management still monitors financial performance of the segments based on their separate financial statements and because of this there is no change at the segment information disclosed. However, contribution of operating segments on the Group’s revenue is presented to give additional information to the readers of the financial statements.

(****) Capital expenditures do not include TL 45.925 (31 March 2021: TL 42.026) 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 - 31 March 2022	1 January - 31 March 2021
Fixed line contributive EBITDA	2.835.785	2.662.080
Mobile contributive EBITDA	1.279.549	1.141.153
EBITDA	4.115.334	3.803.233
Foreign exchange gains, interest income, discount income on current accounts presented in other operating income	334.602	45.843
Foreign exchange losses, interest income, discount income on current accounts presented in other operating expense (-)	(388.330)	(170.492)
Financial income	789.996	712.629
Financial expense (-)	(2.744.380)	(1.248.850)
Depreciation, amortisation and impairment	(1.816.939)	(1.452.351)
Consolidated profit before tax	290.283	1.690.012

31 March 2022	Fixed Line	Mobile	Eliminations	Consolidated
Total segment assets	49.695.727	15.324.395	(1.455.311)	63.564.811
Total segment liabilities	(49.246.882)	(5.339.294)	1.455.311	(53.130.865)
Goodwill	15.250	29.694	—	44.944
Assets held for sale	—	37.361	—	37.361
31 December 2021	Fixed Line	Mobile	Eliminations	Consolidated
Total segment assets	44.381.665	15.362.791	(1.406.821)	58.337.635
Total segment liabilities	(39.679.923)	(5.814.629)	1.406.821	(44.087.731)
Goodwill	15.250	29.694	—	44.944
Assets held for sale	19.057	37.361	—	56.418

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6. CASH AND CASH EQUIVALENTS

	31 March 2022	31 December 2021
Cash on hand	940	519
Cash at banks– demand deposit	804.295	933.296
Cash at banks– time deposit	7.632.897	6.763.055
	8.438.132	7.696.870

As of 31 March 2022, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 14% and 17% for TL deposits, between 0,35% and 2,50% for USD deposits and between 0,50% and 1,25% for EUR deposits (31 December 2021: for TL deposits between 5,50% and 20%, for USD deposits between 0,20% and 1,50%, for EUR deposits between 0,25% and 0,65%).

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

	31 March 2022	31 March 2021
Cash and cash equivalents	8.438.132	3.723.327
Less: restricted amounts		
- Collection protocols and ATM collection	(455.667)	(396.615)
- Other	(574.575)	(11.315)
Unrestricted cash	7.407.890	3.315.397

The Group classifies blocked cash amounts under cash and cash equivalents as they are easily convertible into cash and highly liquid assets that are not exposed to impairment loss.

As of 31 March 2022, demand deposits amounting to TL 455.667 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 31 March 2022, Other restricted amounts consist of blocked deposits related to Group’s derivative financial instruments.

As of 31 March 2022, the Group has bank loans amounting to USD 27.000 having maturity date on 30 March 2023, which have been committed to banks and have not been utilized yet.

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7. FINANCIAL LIABILITIES

Bank borrowings

	31 March 2022			31 December 2021		
	Weighted average nominal interest rate %	Original amount	TL equivalent	Weighted average nominal interest rate %	Original amount	TL equivalent
Short-term bank loans:						
Unsecured TL bank loans with fixed interest rates	16,47	4.063.808	4.063.808	16,37	180.635	180.635
Unsecured USD bank loans with fixed interest rates	4,50	4.000	58.548	—	—	—
Unsecured EUR bank borrowings with fixed interest rates	1,45	41.000	667.706	1,45	41.000	618.555
Interest accruals:						
Unsecured TL bank loans with fixed interest rates		42.430	42.430		1.531	1.531
Unsecured EUR bank loans with fixed interest rates		92	1.506		96	1.445
Short-term bank loans			4.833.998			802.166
Short-term portion of long-term bank loans:						
Unsecured USD bank loans with variable interest rates(*)	2,40	298.167	4.364.305	2,20	292.332	3.896.498
Unsecured EUR bank loans with variable interest rates (**)	0,88	96.121	1.565.371	0,87	95.501	1.440.800
Interest accruals of long-term bank loans:						
Unsecured USD bank loans with variable interest rates (*)		4.306	63.028		2.452	32.678
Unsecured EUR bank loans with variable interest rates (**)		1.137	18.519		291	4.386
Current portion of long-term bank loans			6.011.223			5.374.362
Total short-term bank loans			10.845.221			6.176.528
Long-term bank loans:						
Unsecured USD bank loans with variable interest rates (*)	2,40	400.896	5.867.959	2,20	369.280	4.922.130
Unsecured EUR bank loans with variable interest rates (**)	0,88	261.652	4.261.127	0,87	265.447	4.004.721
Total long-term bank loans			10.129.086			8.926.851
Total bank loans			20.974.307			15.103.379

(*) As at 31 March 2022, interest rate varies between Libor + 0,54% and 2,85% (31 December 2021: Libor + 0,54% and 2,85%).

(**) As at 31 March 2022, interest rate varies between Euribor + 0,25% and 2,00% (31 December 2021: Euribor + 0,25% and 2,00%).

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7. FINANCIAL LIABILITIES (CONTINUED)

Bank borrowings (continued)

The contractual maturities of bank loans in equivalent of TL are as follows:

	31 March 2022						31 December 2021					
	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
Unsecured TL bank borrowings with fixed interest rates	1.070.840	3.035.398	–	–	–	4.106.238	178.152	4.014	–	–	–	182.166
Unsecured USD bank borrowings with fixed interest rates	58.548	–	–	–	–	58.548	–	–	–	–	–	–
Unsecured USD bank borrowings with variable interest rates	734.905	3.692.428	1.659.033	3.732.283	476.643	10.295.292	125.436	3.803.740	1.433.576	3.272.751	215.803	8.851.306
Unsecured EUR bank borrowings with fixed interest rates	1.506	667.706	–	–	–	669.212	1.419	618.581	–	–	–	620.000
Unsecured EUR bank borrowings with variable interest rates	725.610	858.280	1.237.537	2.628.995	394.595	5.845.017	59.836	1.385.350	1.145.840	2.493.548	365.333	5.449.907
	2.591.409	8.253.812	2.896.570	6.361.278	871.238	20.974.307	364.843	5.811.685	2.579.416	5.766.299	581.136	15.103.379

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7. FINANCIAL LIABILITIES (CONTINUED)

Issued debt instruments

	31 March 2022			31 December 2021		
	Weighted average nominal interest rate %	Original amount	TL equivalent	Weighted average nominal interest rate %	Original amount	TL equivalent
Short-term portion of long-term issued debt instruments:						
TL issued debt instruments with variable interest rates	–	–	–	15,97	150.000	150.000
Interest accruals of short-term portion of long-term issued debt instruments:						
TL issued debt instruments with variable interest rates		–	–		14.210	14.210
USD issued debt instruments with fixed interest rates		5.587	81.779		14.043	187.177
Short-term issued debt instruments			81.779			351.387
Long-term issued debt instruments:						
USD issued debt instruments with fixed interest rates	5,88	956.865	14.005.734	5,88	968.501	12.909.151
Long-term issued debt instruments			14.005.734			12.909.151
Total issued debt instruments			14.087.513			13.260.538

The sales process of the bond issuances amounted to USD 500.000 with 6 years of maturity, and 6,875% coupon rate based on 7% reoffer yield was completed on February 28th, 2019. The bonds are now quoted at Irish Stock Exchange. The part of the bond amounting to USD 5.000 was repurchased on February 3, 2022 and the related amount was accounted for by deducting the amortized cost using the effective interest rate and the total bond amount.

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 19th, 2014. The bonds are now quoted at Irish Stock Exchange. The part of the bond amounting to USD 20.000 was repurchased between 5th - 14th February 2019 and was netted off from the total bond amount according to its fair value.

The sales processes of the bond issuances amounted to 150,000 with 402-day of maturity and interest rate 1.75% over the BIST TL overnight interest rate (TLREF Index), expired, and principal and coupon interest redemption transactions were carried out on December 14th, 2020. The issuance was advised by Ak Yatırım Menkul Değerler A.Ş.

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

	31 March 2022					31 December 2021				
	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
TL issued debt instruments	–	–	–	–	–	164.210	–	–	–	164.210
USD issued debt instruments	–	81.779	14.005.734	–	14.087.513	187.177	–	12.909.151	–	13.096.328
	–	81.779	14.005.734	–	14.087.513	351.387	–	12.909.151	–	13.260.538

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7. FINANCIAL LIABILITIES (CONTINUED)

Lease liabilities

As at 31 March 2022, obligation under leases detail are as follows:

31 March 2022					31 December 2021	
	Currency	Interest rate type	Nominal interest rate	Carrying amount	Nominal interest rate	Carrying amount
Lease liabilities	TL	Fixed	9,0% - 21,5%	1.246.446	9,0% - 20,0%	1.271.960
Lease liabilities	USD	Fixed	3,5% - 7%	57.653	3,0% - 5,0%	51.835
Lease liabilities	EUR	Fixed	2,5% - 4,5%	119.230	2,5% - 4,5%	113.047
Lease liabilities	Other	Fixed	3,3%	2.424	3,3%	2.618
				1.425.753		1.439.460

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 and 61,68% ownership of Turkey Wealth Fund (“TWF”). 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.

TWF has become a party to holding power of control and the majority shareholder of The Group following the share transfer on 31 March 2022. Due to the change of the ultimate parent, the Group revaluated the related party entities and reflected the transactions on 31 March 2022 financial statements.

Details of balances and transactions between the Group and other related parties as at 31 March 2022 and 31 December 2021 are disclosed below:

	31 March 2022	31 December 2021
Due from related parties (Trade receivables-short term)		
Türkiye Garanti Bankası A.Ş.	—	45.378
Akbank T.A.Ş.	—	6.292
Türkiye İş Bankası A.Ş.	—	2.199
Diğer (*)	190.866	—
	190.866	53.869

(*) In accordance with the share transfer agreement signed between Turkey Wealth Fund (“TWF”) and LYY Telekomünikasyon A.Ş. (“LYY”) dated 31 March 2022, TWF and the entities over which TWF has control directly or joint control or significant influence defined as related parties as of 31 March 2022.

	31 March 2022	31 December 2021
Other payables due to related parties		
Dividend payables (*) (Note 14)	4.954.565	—
	4.954.565	—

(*) The Board of the Directors decided to distribute a dividend of TL gross 4.954.565 and decision was approved on 31 March 2022 at the Ordinary General Assembly Meeting for the 2021 operating year. The cash dividend (1,41559 full Kuruş gross for each share) has been decided to start paying as of 28 April 2022.

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

Deposits held by related parties	31 March 2022	31 December 2021
Time Deposit		
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı	4.758.670	—
T.C. Ziraat Bankası A.Ş.	1.604.936	—
Other	58.940	17.823
Demand Deposit		
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı	56.010	—
T.C. Ziraat Bankası A.Ş.	44.362	—
Türkiye İş Bankası A.Ş.	—	172.026
Akbank T.A.Ş.	—	106.992
Türkiye Garanti Bankası A.Ş.	—	142.498
Other	20.212	—
	6.543.130	439.339
Bank loans from related parties	31 March 2022	31 December 2021
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı	490.013	—
T.C. Ziraat Bankası A.Ş.	17.121	—
	507.134	—
Currency Protected Time Deposit from related parties	31 March 2022	31 December 2021
T.C. Ziraat Bankası A.Ş.	441.135	—
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı	399.103	—
Other	14.921	—
	855.159	—

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

Hedge Transactions from Related Parties		31 March 2022		31 December 2021	
Bank	Instruments Type	Nominal Amount	Fair Value Amount (TL)	Nominal Amount	Fair Value Amount (TL)
Akbank T.A.Ş.	Foreign Currency Swaps	–	–	EUR 49.000	70.022
Akbank T.A.Ş.	Foreign Currency Swaps	–	–	USD 80.000	30.967
Akbank T.A.Ş.	Forwards	–	–	–	–
Akbank T.A.Ş.	Forwards	–	–	–	–
Türkiye Garanti Bankası A.Ş.	Foreign Currency Swaps	–	–	USD 35.000	39.894
Türkiye Garanti Bankası A.Ş.	Foreign Currency Swaps	–	–	EUR 22.000	(5.332)
Türkiye Garanti Bankası A.Ş.	Forwards	–	–	USD 8.433	35.263
Türkiye İş Bankası A.Ş.	Foreign Currency Swaps	–	–	USD 35.000	50.259
		–		221.073	

The amount of the guarantee given to the related companies for the financing of the device purchases by the distributor companies and sold to the Group customers within the scope of the committed campaigns is disclosed in Note 12.

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 31 March 2022, 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.

Transactions with related parties:

	1 January - 31 March 2022	1 January - 31 March 2021
Interest income from related parties		
Akbank T.A.Ş.	1.170	521
Türkiye Garanti Bankası A.Ş.	10	29
Türkiye İş Bankası A.Ş.	–	154
	1.180	704
Interest expense from related parties		
Akbank T.A.Ş.	15.413	18.109
Türkiye İş Bankası A.Ş.	8.873	10.690
Akbank T.A.Ş.	8.660	8.541
	32.946	37.340
Other income from related parties		
Akbank T.A.Ş.	44.234	12.573
Türkiye Garanti Bankası A.Ş.	12.542	23.873
Türkiye İş Bankası A.Ş.	4.278	3.678
	61.054	40.124

The Group generates revenues from related parties by providing fixed voice, corporate data, mobile and internet services.

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

Compensation of key management personnel

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

	1 January - 31 March 2022	1 January - 31 March 2021
Short-term benefits	53.493	43.827
Long-term benefits	849	645
	54.342	44.472

Key management personnel comprise the Group’s members of Board of Directors and top managers.

9. TRADE RECEIVABLES FROM AND PAYABLES UNRELATED PARTIES

Trade receivables

	31 March 2022	31 December 2021
Short-term		
Receivables from subscribers	10.140.990	10.032.741
Other trade receivables (*)	750.998	442.390
Allowance for doubtful receivables (-)	(3.991.051)	(3.946.503)
Total short-term trade receivables	6.900.937	6.528.628
Long-term		
Receivables from subscribers	241.197	127.851
Total long-term trade receivables	241.197	127.851

(*) Other trade receivables mainly consist of corporate project receivables.

Trade receivables generally have a maturity term of 60 days on average (31 December 2021: 60 days).

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

	1 January – 31 March 2022	1 January - 31 March 2022
On January 1	(3.946.500)	(3.754.151)
Provision for the year, net	(40.935)	(35.649)
Change in currency translation differences	(3.616)	(1.672)
On 31 March	(3.991.051)	(3.791.472)

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.

Receivables guaranteed of the Group are amounted to TL 240.324.

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9. TRADE RECEIVABLES FROM AND PAYABLES UNRELATED PARTIES
(CONTINUED)

Trade payables

	31 March 2022	31 December 2021
Short-term		
Trade payables	3.923.551	7.065.738
Expense accruals	1.165.192	663.409
Total short-term trade payables	5.088.893	7.729.147

The average maturity term of trade payables is between 30 and 150 days (31 December 2021: 30 and 150 days).

As of 31 March 2022, short term trade payables consists of payables within scope of supplier finance that amounting TL 308.013 (31 December 2021: TL 999.666).

10. TANGIBLE AND INTANGIBLE ASSETS

The amount of tangible and intangible assets purchased during the three months period ended 31 March 2022 is TL 1.467.347 (31 March 2021: TL 1.253.482).

Net book value of tangible and intangible assets sold during the three months period ended 31 March 2022 amounted to TL 5.842 (31 March 2021: TL 20.584).

11. PROVISIONS

Current provisions

The movement of other current provisions is as follows:

	31 March 2022	31 December 2021
Litigation, ICTA penalty and customer return provisions (*)	158.185	154.411
Provision for expected credit losses on loan commitments (**)	54.912	56.084
	213.097	210.495

(*) Consists of TT Mobile tax inspection, The Ministry of Trade fine, ICTA penalties and extraditions to be made as per ICTA resolutions and other commitments provisions. Necessary explanations are stated in Note 12.

(**) 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.

Current provisions for employee benefits

	31 March 2022	31 December 2021
Short term provisions for employee benefits		
Personnel bonus provision	129.110	319.140
	129.110	319.140

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11. PROVISIONS (CONTINUED)

Non-current provisions for employee benefits

	31 March 2022	31 December 2021
Long term provisions for employee benefits		
Defined benefit obligation	1.089.922	1.069.183
Unused vacation provisions	312.552	211.831
	1.402.474	1.281.014

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 31 March 2022 is subject to a ceiling of full TL 10.848,59 (31 December 2021: full TL 8.284,51) per monthly salary for each service year.

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

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12. COMMITMENTS AND CONTINGENCIES

Guarantees received and given by the Group are summarized below:

		31 March 2022		31 December 2021	
		Original currency	TL	Original currency	TL
Guarantees received	USD	109.255	1.599.173	123.260	1.642.932
	TL	1.475.001	1.475.001	1.471.649	1.471.649
	EUR	24.523	399.372	26.645	401.985
	GBP	3	58	4	68
		3.473.604		3.516.634	
Guarantees given (*)	USD	178.374	2.610.878	168.053	2.239.982
	TL	1.041.099	1.041.099	1.019.553	1.019.553
	EUR	72.901	1.187.236	74.604	1.125.534
		4.839.213		4.385.069	

(*) Guarantees given amounting to USD 151.500 (31 December 2021: USD 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 EUR 12.840 (31 December 2021: EUR 12.840) is related with the guarantee provided for 3G license and guarantees given amounting to EUR 57.281 (31 December 2021: EUR 57.281) is related with the guarantee provided for 4.5G license.

The Company’s guarantee, pledge and mortgage (GPM) position as at 31 March 2022 and 31 December 2021 is as follows:

	31 March 2022	31 December 2021
A. GPMs given on behalf of the Company’s legal personality	4.839.213	4.385.069
B. GPMs given in favor of subsidiaries included in full consolidation	1.850.722	1.771.068
C. GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	1.242.857	938.253
D. GPMs given in favour of other group companies that are not in the scope of B and C	–	2.508
Total	7.932.792	7.096.898

Based on law 128/1 of Turkish Code of Obligations, the Group has given guarantee to distributors amounting to TL 1.242.857 for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by the Group (31 December 2021: TL 938.253). The guarantees has given to the banks TL 72.618, TL 161.579, TL 27.497 Ziraat Bankası A.Ş., Vakıf Faktoring A.Ş. and Türkiye Vakıflar Bankası T.A.O. respectively.

Other commitments

The Group has purchase commitments for sponsorships, advertising and insurance services at the equivalent to TL 527.177 (31 December 2021: TL 517.939) as at 31 March 2022. Payments for these commitments are going to be made in a 7-year period.

The Group has purchase commitments for fixed assets amounting to USD 33.319, EUR 40.401 and TL 251.439 equivalent to TL 1.397.076 (31 December 2021: TL 1.536.265) as at 31 March 2022.

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12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Legal proceedings of Türk Telekom

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. According to the Article 99 of the Law numbered 7061 “Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation” which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the sub-article 9 added to the Article 60 of the Law numbered 5809; customer returns that are not repaid to the customers within the 2-year period, shall be transferred to the Ministry of Transport and Infrastructure of the Republic of Turkey as revenue under the name of “Revenues for Universal Service”. For the period ended 31 March 2022, customer returns amounted to TL 287 was transferred. As of 31 March 2022, TL 34.801 provision provided for ICTA penalties and amounts to be repaid to customers or to the Ministry of Transport and Infrastructure of the Republic of Turkey due to ICTA resolutions (31 December 2021: TL 33.119).

TT Mobil Tax Inspections

Ministry of Treasury and Finance Turkish Tax Inspection Board has carried out a SCT and VAT review distribution of services subject to SCT and VAT rates for the 2017 accounting period within the same package revenues. As a result of SCT and VAT investigations, the Company has been imposed tax assessment. Management decided to benefit from restructuring provisions as per the Law No. 7326, and the process will be completed upon payment of TL 26,332. On the other hand, closing minutes have been signed for tax inspection regarding invoicing process for the 2018 accounting period and tax assessment is not expected. The Company has recognized a provision amounting to TL 26.332 in the consolidated financial statements as of 31 March 2022 (31 December 2021: TL 25.000).

The Ministry of Trade administrative fine

The Ministry of Trade conducted an audit at TTNET over the termination processes of subscription agreements and as a result of this investigation, Trade Provincial Directorate of Governorship of Istanbul has decided to impose an administrative fine amounting to TL 58.119 against TTNET. The management is assessing the settlement or taking legal actions in due time regarding the administrative fine which was notified to TTNET on 31 January 2022. The Company has recognized a provision amounting to TL 29.000 in the consolidated financial statements as of 31 March 2022 (31 December 2021: TL 29.000).

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 68.052 as at 31 March 2022 (31 December 2021: TL 67.292). Based on the management opinion, an outflow of resources embodying economic benefits is deemed as non-probable on some of the cases and investigations, thus, the Company has recognized no provision in the interim condensed consolidated financial statements as at and for the period ended 31 March 2022.

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13. FINANCIAL RISK MANAGEMENT AND POLICIES

Market risk

Foreign currency risk

	Total TL Equivalent	USD	EUR	Other	Total TL Equivalent	USD	EUR	Other
1. Trade receivables	619.004	31.035	9.506	9.931	607.012	35.871	7.760	11.813
2a. Monetary financial assets (Cash and banks accounts included)	6.887.840	327.642	125.869	42.271	5.870.926	358.425	71.595	13.341
2b. Monetary financial assets (Currency protected time deposit) (*)	3.350.872	—	—	—	—	—	—	—
2c. Non-monetary financial assets	—	—	—	—	—	—	—	—
3. Other	97.706	293	5.737	—	50.622	230	3.152	—
4. Current assets (1+2+3)	10.955.422	358.970	141.112	52.202	6.528.560	394.526	82.507	25.154
5. Trade receivables	1.310	89	—	—	—	—	—	—
6a. Monetary financial assets	—	—	—	—	—	—	—	—
6b. Non-monetary financial assets	—	—	—	—	—	—	—	—
7. Other	1.774	14	96	—	—	—	—	—
8. Non-current assets (5+6+7)	3.084	103	96	—	—	—	—	—
9. Total assets (4+8)	10.958.506	359.073	141.208	52.202	6.528.560	394.526	82.507	25.154
10. Trade payables	2.987.923	138.028	57.682	28.217	5.050.635	235.172	125.365	24.678
11. Financial liabilities	6.880.912	314.425	139.524	6.413	6.234.302	310.985	138.053	6.417
12a. Monetary other liabilities	—	—	—	—	—	—	—	—
12b. Non-monetary other liabilities	—	—	—	—	—	—	—	—
13. Short-term liabilities (10+11+12)	9.868.835	452.453	197.206	34.630	11.284.937	546.157	263.418	31.095
14. Trade payables	—	—	—	—	—	—	—	—
15. Financial liabilities	24.253.633	1.359.336	266.542	16.141	21.949.229	1.339.512	270.365	15.952
16a. Monetary other liabilities	—	—	—	—	—	—	—	—
16b. Non-monetary other liabilities	—	—	—	—	—	—	—	—
17. Long-term liabilities (14+15+16)	24.253.633	1.359.336	266.542	16.141	21.949.229	1.339.512	270.365	15.952
18. Total liabilities (13+17)	34.122.468	1.811.789	463.748	50.771	33.234.166	1.885.669	533.783	47.047
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	27.574.456	1.586.385	267.378	—	28.715.088	1.744.240	362.313	—
19a. Total asset amount hedged	—	—	—	—	—	—	—	—
19b. Total liability amount hedged	(27.574.456)	(1.586.385)	(267.378)	—	(28.715.088)	(1.744.240)	(362.313)	—
20. Loans defined as hedging instruments (**)	1.742.867	—	107.020	—	1.607.058	—	104.088	—
21. Net foreign currency asset/(liability) position (9-18+19+20)	6.153.361	133.669	51.858	1.431	3.616.540	253.097	15.125	(21.893)
22. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23)								
(=1+2a+2b+5+6a-10-11-12a-14-15-16a)	(23.263.442)	(1.453.023)	(328.373)	1.431	(26.756.228)	(1.491.373)	(454.428)	(21.893)

(*) The Group has made currency protected time deposits with 180 and 360 days maturity by Group’s USD 223.200 of foreign currency deposits.

(**) The Company utilized a loan amounting to EUR 107.020 in order to hedge its net investment in a foreign operation with a EUR 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.

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13. 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 USD and EUR exchange rate, with all other variables held constant, of the Group’s profit before tax for the year (due to changes in the fair value of monetary assets and liabilities):

31 March 2022	Profit/Loss		Other comprehensive income	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL by 10%:				
1- USD net asset/liability	(2.126.353)	2.126.353	—	—
2- Hedged portion of USD risk (-)	1.115.179	(1.170.842)	147.673	(76.143)
3- USD net effect (1+2)	(1.011.174)	955.511	147.673	(76.143)
Appreciation of EUR against TL by 10%:				
4- EUR net asset/liability	(525.273)	525.273	—	—
5- Hedged portion of EUR risk (-)	402.974	(460.884)	(99.406)	290.301
6- EUR net effect (4+5)	(122.299)	64.389	(99.406)	290.301
Appreciation of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	143	(143)	—	—
8- Hedged portion of other foreign currency (-)	—	—	—	—
9- Other foreign currency net effect (7+8)	143	(143)	—	—
Total (3+6+9)	(1.133.330)	1.019.757	48.267	214.158
31 December 2021	Profit/Loss		Other comprehensive income	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL by 10%:				
1- USD net asset/liability	(1.987.544)	1.987.544	—	—
2- Hedged portion of USD risk (-)	1.005.918	(1.368.303)	123.369	199.012
3- USD net effect (1+2)	(981.626)	619.241	123.369	199.012
Appreciation of EUR against TL by 10%:				
4- EUR net asset/liability	(680.827)	680.827	—	—
5- Hedged portion of EUR risk (-)	426.541	(618.389)	(8.280)	323.323
6- EUR net effect (4+5)	(254.286)	62.438	(8.280)	323.323
Appreciation of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	(2.189)	2.189	—	—
8- Hedged portion of other foreign currency (-)	—	—	—	—
9- Other foreign currency net effect (7+8)	(2.189)	2.189	—	—
Total (3+6+9)	(1.238.101)	683.868	115.089	522.335

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13. 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 in the Group’s consolidated financial statements.

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	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
Financial assets				
Cash and cash equivalents	8.438.132	7.696.870	8.438.132	7.696.870
Trade and other receivables (including related parties)	7.468.037	6.862.008	7.468.037	6.862.008
Financial investments (*)	3.365.489	13.671	3.350.872	(*)
Derivative financial assets	4.026.261	4.039.063	4.026.261	4.039.063
Financial liabilities				
Bank borrowings	20.974.307	15.103.379	21.005.556	15.106.751
Issued debt instruments	14.087.513	13.260.538	14.135.715	13.548.878
Trade payables and other liabilities (including related parties) (**)	11.945.576	9.238.270	11.945.576	9.238.270
Derivative financial liabilities	206.968	466.756	206.968	466.756

(*) Except for currency protected time deposits, the fair value information of the Group’s financial investments are 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 contain observable market inputs

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13. 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 31 March 2022 is as follows:

Fair Value Measurement					
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Date of Valuation	Total			
Financial assets measured at fair value:					
Derivative Financial Assets:					
Interest rate swaps	31 March 2022	31.635	—	31.635	—
Cross currency swaps (*)	31 March 2022	3.885.772	—	3.885.772	—
Futures	31 March 2022	107.783	—	107.783	—
Commodity derivative (Copper)	31 March 2022	1.071	—	1.071	—
Currency protected time deposit	31 March 2022	3.350.872	—	3.350.872	—
Financial liabilities measured at fair value:					
Issued debt instruments	31 March 2022	6.846.345	6.846.345	—	—
Derivative Financial Liabilities:					
Interest rate swaps	31 March 2022	155.938	—	155.938	—
Cross currency swaps (*)	31 March 2022	14.953	—	14.953	—
Futures	31 March 2022	34.464	—	34.464	—
Commodity derivative (Copper)	31 March 2022	1.613	—	1.613	—
Other financial liabilities not measured at fair value					
Bank loans	31 March 2022	21.005.556	—	21.005.556	—
Issued debt instruments	31 March 2022	7.289.370	7.289.370	—	—

(*) Cross currency swaps consist of forwards and foreign currency swaps.

The Group specifies the fair value measurement of futures according to the forward exchange rates at the balance sheet date, whereas fair values of cross currency swaps are measured according to the net present value of the estimated future cash flows based on observable yield curves, measurement methods of fair value for derivative financial instruments and issued debt instruments are explained in Note 2.1.

Fair value hierarchy table as at 31 December 2021 is as follows:

Fair Value Measurement					
	Date of Valuation	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets measured at fair value:					
<u>Derivative Financial Assets:</u>					
Interest rate swaps	31 December 2021	39.980	—	39.980	—
Cross currency swaps (*)	31 December 2021	3.773.176	—	3.773.176	—
Futures	31 December 2021	224.125	—	224.125	—
Commodity derivative (Copper)	31 December 2021	1.782	—	1.782	—
Financial liabilities measured at fair value:					
Issued debt instruments	31 December 2021	6.322.835	6.322.835	—	—
<u>Derivative Financial Liabilities:</u>					
Interest rate swaps	31 December 2021	351.986	—	351.986	—
Cross currency swaps (*)	31 December 2021	23.352	—	23.352	—
Futures	31 December 2021	91.259	—	91.259	—
Commodity derivative (Copper)	31 December 2021	159	—	159	—
Other financial liabilities not measured at fair value					
Bank loans	31 December 2021	15.106.751	—	15.106.751	—
Issued debt instruments	31 December 2021	7.226.043	7.226.043	—	—

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13. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

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

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 2022 and 2021.

14. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS

As of 31 March 2022 and 31 December 2021, the shareholders of the Company with their shareholding percentage are as follows:

	31 March 2022		31 December 2021	
	%	TL	%	TL
Turkish Wealth Fund ("TWF") (*)	60	2.100.000	5	175.000
The Treasury	25	875.000	25	875.000
Public Share	15	525.000	15	525.000
LYY Telekomünikasyon A.Ş.	0	–	55	1.925.000
		3.500.000		3.500.000
Inflation adjustment to share capital		(239.752)		(239.752)
		3.260.248		3.260.248

(*) On 10 March 2022, Share Transfer Agreement was signed between the parties regarding the sale of 55% shares of LYY Telekomünikasyon A.Ş. (LYY) to the Turkey Wealth Fund (TVF). The transfer of the said shares was completed on 31 March 2022, after the necessary approvals regarding the completion of the transaction and the fulfilment of the closing conditions.

The Company's share capital is fully paid. Capital of the Company is TL 3.500.000.000, divided into 192.500.000.000 Group "A", 104.999.999.999 Group "B", 1 Group "C", and 52.500.000.000 Group "D" registered shares each with a nominal value of 1 (One) Kuruş. Group D shares are publicly traded. Turkish Wealth Fund is the holder of all Group A shares; SWF is the holder of Group B shares representing 5 percent of the share capital of the Company and Group D Shares representing 1,68 percent of the share capital of the Company; the Treasury is the holder of Group B shares representing 25 percent of the share capital of the Company and C Group share (Golden Share).

The Treasury is the holder of the Preferred Stock (Golden Share) as per the law. This share is non-transferable. It provides certain rights to Treasury in order to protect national interests regarding economy and security: (a) Any proposed amendments to the Company's articles of association, (b) the transfer of any registered shares in the Company which would result in a change in the management control of the Company and (c) the registration of any transfer of registered shares in the Company's shareholders' ledger cannot be realized without affirmative vote of the Golden Share at either a meeting of the Board of Directors or the general assembly. Otherwise, such transactions shall be deemed invalid. The holder of the Golden Share, the Treasury, has one member, representing the Golden Share, among the Board of Directors.

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14. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS (CONTINUED)

Number of members and independent Board members of the Board of Directors to be nominated by the Group A and Group B Shareholders have been revised by the amendment to the article 8 of the Articles of Association at on the Extraordinary General Meeting dated 25.01.2019 Accordingly;

The Board of directors shall be composed of nine (9) members nominated by the Group A Shareholder, Treasury and Turkish Wealth Fund.

(a) Turkish Wealth Fund is the Group A Shareholder shall be entitled to nominate five (5) persons for election as Directors;

(b) provided that the Treasury and Turkish Wealth Fund, as Group B Shareholders shall hold;

– 30% or more of the Shares, the Treasury shall be entitled to nominate three (3) persons for election as Independent Board Members who carry the independence criteria as defined in the Capital Markets legislation; or

– 15% or more of the Shares (but less than 30% of the Shares) the Treasury shall be entitled to nominate two (2) persons for election as Independent Board Members who the carry the independence criteria as defined in the Capital Markets legislation;

– During the calculation of 15 % and 30 % of the Shares mentioned in above paragraphs, the amount of Group B Shares and Group D Shares held by the Treasury and Turkish Wealth Fund shall be considered together.

(c) as long as the Treasury and Turkish Wealth Fund holds 15% or more of the Shares (but less than 30% of the Shares), the Group A shareholder shall be entitled to nominate one (1) person, who carry the independence criteria as defined in the Capital Markets legislation, for election as Independent Board Members and five (5) persons for election as Director.

(d) while the Treasury holds the C Group Privileged Share, the Treasury shall be entitled to nominate, a further one (1) person, for election as Director for the C Group Privileged Share.

The chairman of the Board of Directors shall be nominated by the directors nominated by the group A shares from among the directors and be elected and removed by the simple majority votes of those present at the meeting of the Board of Directors.

The Vice Chairman shall be nominated by the directors nominated by the Group B Shares from among the Directors and be elected and removed by the simple majority votes of those present at the meeting of the Board of Directors.

Board resolutions shall be passed by a simple majority of the votes of the directors present at such meeting unless the resolution requires a higher majority vote.

The Board of Directors shall propose the distribution of the maximum of the Company’s profits lawfully available for distribution in each financial year subject to the Board of Directors making reasonable provisions and transfers to reserves.

Based on the articles of association of the Company, the Board of Directors shall by way of a simple majority of those present at the relevant meeting of the Board propose the distribution of the maximum of the Company’s profits lawfully available for distribution in each financial year subject to the Board making reasonable provisions and transfers to reserves and complying with the conditions set out below.

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14. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS (CONTINUED)

Provided that it is not against the legislation regarding capital markets, the net profit may not be distributed, if:

a) the distribution would result in a breach of any covenant or undertaking given by any Group Company (Group Companies are defined in the articles of association) to any lender or would, in the opinion of the simple majority of those present at the relevant meeting of the Board of Directors, be likely to cause such breach within the following 12 months; or

b) the Board of Directors resolves by way of a simple majority of those present at the relevant meeting of the Board that the distribution is materially prejudicial to the interests of any Group Company (as defined in the articles of association of the Company) having regard to: (i) implementation of the investment program approved by the Board of Directors in the business plan or the budget; or (ii) the trading prospects of the Group Companies (as defined in the articles of association of the Company) and the need to maintain the sound financial standing of the group companies.

In accordance with the Turkish Commercial Code, companies are required to assign legal reserves before profit appropriations. The legal reserve consists of first and second legal reserves, allocated in accordance with the Turkish Commercial Code. The first legal reserve is allocated out of last period's statutory profits at the rate of 5% per annum until the total reserve reaches 1/5 of the paid-in share capital (not indexed to the inflation). The second legal reserve is allocated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions

Dividends

The Board of the Directors decided to distribute a dividend of TL gross 4.954.565 and decision was approved on 31 March 2022 at the Ordinary General Assembly Meeting for the 2021 operating year. The cash dividend (1,4156 full Kuruş gross for each share) has been decided to start paying as of 28 April 2022.

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15. DERIVATIVE FINANCIAL INSTRUMENTS

Cash flow hedges and derivative financial instruments

Cross currency swap transaction

As of 31 March 2022 fair value of participating cross currency swap transactions amounting to TL 3.731.556 has been recognized under short term derivative financial assets (31 December 2021: TL 3.165.341 short term derivative financial assets).

Company	Notional Amount (USD)	Trade Date	Amendment Date	Terms	Fair Value Amount as at 31 March 2022 (TL)
Türk Telekom	500.000	31 March 2016 - 15 December 2017	18 February 2022	Pay TL and receive USD at June 2024	1.271.847
Türk Telekom	109.500	14 November 2018 - 27 - 28 September 2018	11 - 21 June 2021	Pay TL and receive USD between October 2019 - April 2024	396.570
Türk Telekom	100.000	6 - 8 January 2020	17 - 26 November 2020	Pay TL and receive USD at July 2022	340.185
Türk Telekom	73.444	25 October 2018 - 18 July 2019	11 June 2021	Pay TL and receive USD between April 2020 - October 2022	183.730
Türk Telekom	54.190	27 September 2019 - 6 September 2021		Pay TL and receive USD between April 2019 - April 2025	176.957
Türk Telekom	50.000	13 November 2018 - 19 July 2019	14 June 2021	Pay TL and receive USD between at February 2025	163.635
Türk Telekom	47.816	20 November 2019	4 June 2021	Pay TL and receive USD between March 2020 - September 2025	123.878
Türk Telekom	47.337	23 July 2019		Pay TL and receive USD between September 2019 - September 2025	151.091
Türk Telekom	35.542			Pay TL and receive USD between January 2020 - October 2022	121.168
Türk Telekom	5.703			Pay TL and receive USD between October 2019 - October 2022	15.425
Türk Telekom	72.727 (*)	27 - 28 March 2018	10 - 11 February 2022	Pay TL and receive EUR between December 2020 - December 2025	272.841
Türk Telekom	55.565 (*)	16 August 2021		Pay TL and receive EUR between September 2021 - March 2026	107.831
Türk Telekom	48.000 (*)	18 August 2021		Pay TL and receive EUR between October 2021 - December 2025	106.140
Türk Telekom	41.000 (*)	5 August 2021		Pay TL and receive EUR at August 2022	98.894
Türk Telekom	38.679 (*)	13 August 2021		Pay TL and receive EUR between October 2021 - December 2025	73.423
Türk Telekom	20.000 (*)	4 June - 20 July 2018	12 - 26 September 2018	Pay TL and receive EUR between November 2018 - November 2022	72.336
Türk Telekom	17.956 (*)	27 - 28 June 2019	10 November 2021	Pay TL and receive EUR between September 2019 - September 2024	55.605
					3.731.556

(*) Nominal amount of indicated operations are Euro.

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges and derivative financial instruments (continued)

Cross currency swap transaction (continued)

Company	Notional Amount (USD)	Trade Date	Amendment Date	Terms	Fair Value Amount as of 31 December 2021 (TL)
Türk Telekom	500.000	31 March 2016 - 15 December 2017	21 October 2020 - 28 January 2021	Pay TL and receive USD at June 2024	1.176.818
Türk Telekom	109.500	14 November 2018	11 - 21 June 2021	Pay TL and receive USD between October 2019 - April 2024	312.857
Türk Telekom	100.000	27 - 28 September 2018		Pay TL and receive USD at July 2022	284.806
Türk Telekom	73.444	6 - 8 January 2020	17 - 26 November 2020	Pay TL and receive USD between April 2020 - October 2022	160.441
Türk Telekom	54.647	27 September 2019 - 6 September 2021		Pay TL and receive USD between March 2020 - September 2025	112.946
Türk Telekom	54.190	25 October 2018 - 18 July 2019	11 June 2021	Pay TL and receive USD between April 2019 - April 2025	133.978
Türk Telekom	50.000	17 December 2020		Pay TL and receive USD at February 2025	141.329
Türk Telekom	49.686	13 November 2018 - 19 July 2019	14 June 2021	Pay TL and receive USD between September 2019 - September 2025	124.503
Türk Telekom	35.542	20 November 2019	4 June 2021	Pay TL and receive USD between January 2020 - October 2022	101.325
Türk Telekom	5.703	23 July 2019		Pay TL and receive USD between October 2019 - October 2022	13.848
Türk Telekom	72.727 (*)	27 - 28 March 2018	12 November - 2 December 2020	Pay TL and receive EUR between December 2020 - December 2025	218.336
Türk Telekom	57.063 (*)	16 August 2021		Pay TL and receive EUR between September 2021 - March 2026	78.268
Türk Telekom	48.000 (*)	18 August 2021		Pay TL and receive EUR between October 2021 - December 2025	77.911
Türk Telekom	41.000 (*)	5 August 2021		Pay TL and receive EUR at August 2022	58.636
Türk Telekom	38.679 (*)	13 August 2021		Pay TL and receive EUR between October 2021 - December 2025	52.498
Türk Telekom	20.393 (*)	27 - 28 June 2019	10 November 2021	Pay TL and receive EUR between September 2019 - September 2024	51.598
Türk Telekom	20.000 (*)	4 June - 1 August 2018	12 - 26 September 2018	Pay TL and receive EUR between November 2018 - November 2022	65.243
					3.165.341

(*) Nominal amount of indicated operations are Euro.

Copper hedge transactions

As of 31 March 2022 fair value of participating cross currency swap transactions amounting to TL 1.071 has been recognized under short term derivative financial assets, TL 1.613 has been recognized under short term derivative financial liabilities (31 December 2021: TL 1.782 short term derivative financial assets, TL 159 short term derivative financial liabilities).

Company	Notional Amount (Tonnes)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 March 2022 (TL)
Türk Telekom	900	24 March 2022	Pay floating price and receive fixed price between April - December 2022	1.071
				1.071

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges and derivative financial instruments (continued)

Copper hedge transactions (continued)

Company	Notional Amount (Tonnes)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 March 2022 (TL)
Türk Telekom	900	18 March 2022	Pay floating price and receive fixed price between April - December 2022	(1.613)
				(1.613)

Company	Notional Amount (Tonnes)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2021 (TL)
Türk Telekom	400	7 - 10 June 2021	Pay floating price and receive fixed price between July 2021 - January 2022	1.782
				1.782

Company	Notional Amount (Tonnes)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2021 (TL)
Türk Telekom	100	9 July 2021	Pay floating price and receive fixed price between August 2021 - January 2022	(159)
				(159)

Forwards

As of 31 March 2022, fair value of participating forward transactions amounting to TL 97.929 has been recognized under short-term derivative financial assets (31 December 2021: TL 103.533 short-term derivative financial assets).

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 March 2022 (TL)
Türk Telekom	17.463	2 August 2021	Pay TL and receive USD between April 2022 - January 2023	97.930
				97.930

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2021 (TL)
Türk Telekom	21.680	12 July - 2 August 2021	Pay TL and receive USD between January 2022 - January 2023	103.533
				103.533

As of 31 March 2022, the Group has 20 electricity forward transactions with a total nominal value of USD 17.463. Electricity forward contracts have been designated as a hedging instrument that may arise from the cash flows of electricity purchases in 2022 and 2023, which are likely to be realized as of April 2022 and January 2023 and are subject to cash flow hedge accounting.

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate derivative instruments which are not designated as hedge

Interest rate swaps

As of 31 March 2022 fair value of interest rate derivative transactions amounting to TL 155.938 has been recognized under long term derivative financial liabilities, TL 31.635 has been recognized under short term derivative financial assets (31 December 2021: TL 351.986 long term derivative financial liabilities, TL 39.980 short term derivative financial assets).

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 March 2022 (TL)
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 - June 2024, and receive fixed premium (0,39%-0,45%)	31.635
				31.635

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2021 (TL)
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 - June 2024, and receive fixed premium (0,39%-0,45%)	39.980
				39.980

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 March 2022 (TL)
Türk Telekom	300.000	29 April - 20 May 2014	Pay fixed rates and receive floating rates between June 2016 - June 2024	(142.154)
Türk Telekom	150.000	15 May - 16 May 2014	Pay fixed rates and receive rates between June 2016 - August 2016 and June 2024 - August 2024	(13.784)
				(155.938)

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2021 (TL)
Türk Telekom	300.000	29 April - 20 May 2014	Pay fixed rates and receive floating rates between June 2016 - June 2024	(292.128)
Türk Telekom	150.000	15 May - 16 May 2014	Pay fixed rates and receive rates between June 2016 - August 2016 and June 2024 - August 2024	(59.858)
				(351.986)

Cross Currency swaps instruments which are not designated as hedge

As of 31 March 2022, fair value of derivative transactions amounting to TL 164.069 is recognized under short term derivative financial assets and TL 49.417 is recognized under short term financial liabilities (31 December 2021: TL 728.427 short term financial assets, TL 114.611 short term financial liabilities).

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cross Currency swaps instruments which are not designated as hedge (continued)

USD/EUR Cross Currency Swaps Instruments

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 March 2022 (TL)
TTINT Türkiye	30.000	16 June 2016	Pay EUR and receive USD between December 2016 and June 2026	12.587
				12.587

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as of 31 December 2021 (TL)
TTINT Türkiye	30.000	16 June 2016	Pay EUR and receive USD between December 2016 and June 2026	(3.047)
				(3.047)

Futures

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 March 2022 (TL)
TT Mobil	157.245	16 February - 30 March 2022	Net TL settlement at April 2022 based on the difference between contract price and contract closing price	102.308
Türk Telekom	121.203	14 February - 18 March 2022	Net TL settlement at April 2022 based on the difference between contract price and contract closing price	5.475
				107.783

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2021 (TL)
Türk Telekom	206.202	15 November - 10 December 2021	Net TL settlement at January 2022 based on the difference between contract price and contract closing price	162.462
TT Mobil	72.692	16 November - 28 December 2021	Net TL settlement at January 2022 based on the difference between contract price and contract closing price	61.663
				224.125

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cross Currency swaps instruments which are not designated as hedge (continued)

Futures (continued)

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 March 2022 (TL)
TT	84.999	21 – 25 March 2022	Net TL settlement at May 2022 based on the difference between contract price and contract closing price	(23.237)
TT Mobil	45.447	28 – 30 March 2022	Net TL settlement at May 2022 based on the difference between contract price and contract closing price	(11.227)
				(34.464)

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as of 31 December 2021 (TL)
TT Mobil	130.000	13 - 22 December 2021	Net TL settlement in February 2022 based on the difference between contract price and contract closing price	(91.259)
				(91.259)

Forwards

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 March 2022 (TL)
Türk Telekom	7.731	7 October – 29 March 2021	Pay TL and receive USD between April and May 2022	37.323
Innova	11.228	23 February 2022	Pay TL and receive USD between April and October 2022	6.373
				43.696

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as of 31 December 2021 (TL)
Türk Telekom	7.634	7 October 2021	Pay TL and receive USD at April 2022	31.806
				31.806

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cross Currency swaps instruments which are not designated as hedge (continued)

USD/EUR Foreign Currency Swap Instruments

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 March 2022 (TL)
Türk Telekom	10.000	31 March 2022	Pay TL and receive USD at April 2022	3
				3

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2021 (TL)
Türk Telekom	245.000	15 November - 29 December 2021	Pay TL and receive USD at January 2022	373.171
Türk Telekom	69.000 (*)	29 November - 29 December 2021	Pay TL and receive EUR at January 2022	99.325
				472.496

(*) Nominal amount of indicated operations are Euro.

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 March 2022 (TL)
Türk Telekom	95.000	15 - 31 March 2022	Pay TL and receive USD at April 2022	(14.953)
				(14.953)

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2021 (TL)
Türk Telekom	20.000	3 December 2021	Pay TL and receive USD at February 2022	(14.973)
Türk Telekom	22.000 (*)	31 December 2021	Pay TL and receive EUR at January 2022	(5.332)
				(20.305)

(*) Nominal amount of indicated operations are Euro.

Hedge of net investment in a foreign operation

The Company utilized a loan amounting to EUR 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.

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16. SUPPLEMENTARY CASH FLOW INFORMATION

Other explanations

“Other outflows of cash” in net cash used in operating activities amounting to TL 37.938 represents change in restricted cash (Note 6). “Other inflows of cash, net” in net cash used in financial activities amounting to TL 324.181 represents change in other financial payment. “Other adjustment for non-cash items” in adjustments to reconcile net profit to cash provided by operating activities amounting to TL 45.925 represents change in TFRS Interpretation 12.

17. FINANCIAL INVESTMENTS

	31 March 2022	31 December 2021
Currency protected time deposit (*)	3.350.872	—
Other	14.617	13.671
	3.365.489	13.671

(*) Currency protected time deposit accounts are classified as financial assets at fair value through profit or loss.

The Group has converted its foreign currency deposit account amounting to USD 223.200 into “Currency Protected TL Time Deposit Accounts”. Maturity of currency protected time deposit accounts is between 180-360 days.

18. SUBSEQUENT EVENTS

None.