

**Türk Telekomünikasyon
Anonim Şirketi and Its Subsidiaries
30 September 2019**

Interim Condensed Consolidated
Financial Statements As At and For
The Nine Month Period
Ended 30 September 2019

31 October 2019

*This report contains 40 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
CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

(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 | 30 September 2019 | 31 December 2018 |
| Assets | | | |
| Current assets | | 11.588.529 | 10.936.213 |
| Cash and cash equivalents | 6 | 4.767.317 | 4.494.536 |
| Trade receivables | | | |
| - Due from related parties | 8 | 13.655 | 10.489 |
| - Trade receivables from third parties | 9 | 5.663.760 | 5.140.127 |
| Other receivables | | | |
| - Other receivables from third parties | | 80.582 | 67.434 |
| Derivative financial instruments | 15 | 136.239 | 200.921 |
| Inventories | | 262.861 | 248.852 |
| Prepaid expenses | | 247.768 | 307.877 |
| Current tax related assets | | 112.165 | 94.803 |
| Other current assets | | 266.821 | 333.813 |
| | | 11.551.168 | 10.898.852 |
| Assets held for sale | | 37.361 | 37.361 |
| Non-current assets | | 26.704.940 | 25.262.298 |
| Financial investments | | 14.693 | 11.995 |
| Trade receivables | | | |
| - Trade receivables from third parties | 9 | 258.410 | 128.182 |
| Other receivables | | | |
| - Other receivables from third parties | | 34.392 | 38.480 |
| Derivative financial instruments | 15 | 36.058 | 36.481 |
| Right of use assets | 2 | 1.470.932 | — |
| Investment property | | 15.892 | 20.194 |
| Property, plant and equipment | | 14.042.094 | 14.254.053 |
| Intangible assets | | | |
| -Goodwill | | 44.944 | 44.944 |
| -Other intangible assets | | 9.726.833 | 9.738.095 |
| Prepaid expenses | | 18.025 | 71.927 |
| Deferred tax assets | | 1.041.224 | 896.513 |
| Other non-current assets | | 1.443 | 21.434 |
| Total assets | | 38.293.469 | 36.198.511 |

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

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

| | | Current period | Prior period |
|---|-------|-------------------|-------------------|
| | | Unaudited | Audited |
| | | 30 September | 31 December |
| | Notes | 2019 | 2018 |
| Liabilities | | | |
| Current liabilities | | 12.051.728 | 13.496.359 |
| Financial liabilities | | | |
| - Bank borrowings | 7 | 451.219 | 52.216 |
| - Obligations under leases | | 34.267 | — |
| Short term portion of long term financial liabilities | | | |
| - Bank borrowings | 7 | 4.720.188 | 4.106.293 |
| - Obligations under leases | | 365.703 | 631 |
| - Bills, bonds and notes issued | 7 | 19.093 | 2.601.235 |
| Trade payables | | | |
| - Due to related parties | 8 | 65 | 110 |
| - Trade payables to third parties | 9 | 3.466.240 | 3.845.124 |
| Employee benefit obligations | | 149.532 | 166.317 |
| Other payables | | | |
| - Due to related parties | 8 | 197.520 | 204.792 |
| - Other payables to third parties | | 939.867 | 898.957 |
| Derivative financial instruments | 15 | 795.510 | 648.934 |
| Deferred revenue | | 460.694 | 453.114 |
| Income tax payable | | 49.224 | 6.465 |
| Short term provisions | | | |
| -Short term provisions for employee benefits | 11 | 180.695 | 230.191 |
| -Other short term provisions | 11 | 192.496 | 246.173 |
| Other current liabilities | | 29.415 | 35.807 |
| Non-current liabilities | | 17.256.806 | 15.248.549 |
| Financial liabilities | | | |
| - Bank borrowings | 7 | 8.643.184 | 10.882.470 |
| - Obligations under leases | | 851.381 | 1.963 |
| - Bills, bonds and notes issued | 7 | 5.499.392 | 2.276.610 |
| Other payables | | | |
| - Due to related parties | 8 | — | 170.164 |
| - Other payables to third parties | | 35.117 | 57.428 |
| Derivative financial instruments | 15 | 195.634 | 84.004 |
| Deferred revenue | | 694.569 | 655.314 |
| Long term provisions | | | |
| -Long term provisions for employee benefits | 11 | 980.098 | 907.172 |
| -Other long-term provisions | | 8.270 | 8.167 |
| Deferred tax liability | | 349.161 | 205.257 |
| Equity | | 8.984.935 | 7.453.603 |
| Paid-in share capital | | 3.500.000 | 3.500.000 |
| Inflation adjustments to paid in capital (-) | | (239.752) | (239.752) |
| Share based payments (-) | | 9.528 | 9.528 |
| Other comprehensive income / expense items not to be reclassified to profit or loss | | | |
| -Actuarial loss arising from employee benefits | | (674.866) | (628.350) |
| -Increase in revaluation of property, plant and equipment | | 4.351.897 | 4.283.816 |
| -Gains / (losses) due to change in fair value of financial liability attributable to change in credit risk of liability | | (91.953) | 64.852 |
| Other comprehensive income/expense items to be reclassified to profit or loss | | | |
| -Hedging reserves | | (1.069.578) | (886.488) |
| -Foreign currency translation reserve | | 404.705 | 417.238 |
| Restricted reserves allocated from profits | | 2.355.969 | 2.355.969 |
| Other reserves | | (1.320.942) | (1.320.942) |
| Retained earnings / (accumulated losses) | | (102.268) | 1.288.993 |
| Net profit / (loss) for the period | | 1.862.195 | (1.391.261) |
| Total liabilities and equity | | 38.293.469 | 36.198.511 |

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

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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

| | | Current Period | Current Period | Prior Period | Prior Period |
|--|-------|------------------|------------------|--------------------|--------------------|
| | | Unaudited | Unaudited | Unaudited | Unaudited |
| | | 1 January - 30 | 1 July - 30 | 1 January - 30 | 1 July - 30 |
| | Notes | September 2019 | September 2019 | September 2018 | September 2018 |
| Sales | 5 | 17.373.102 | 6.210.127 | 15.032.593 | 5.395.878 |
| Cost of sales (-) | | (9.020.000) | (3.189.382) | (8.275.432) | (2.983.101) |
| Gross profit | | 8.353.102 | 3.020.745 | 6.757.161 | 2.412.777 |
| General administrative expenses (-) | | (1.547.576) | (543.490) | (1.277.773) | (479.027) |
| Marketing, sales and distribution expenses (-) | | (1.932.347) | (645.495) | (1.795.157) | (571.626) |
| Research and development expenses (-) | | (120.817) | (39.993) | (103.455) | (22.582) |
| Other operating income | | 277.853 | 101.001 | 244.465 | 117.744 |
| Other operating expense (-) | | (282.316) | (78.030) | (657.056) | (385.798) |
| Operating profit | | 4.747.899 | 1.814.738 | 3.168.185 | 1.071.488 |
| Impairment (losses) / gains in accordance with TFRS 9, net | | (146.646) | (44.904) | (229.716) | (64.360) |
| Income from investing activities | | 134.040 | 45.209 | 92.827 | 21.946 |
| Expense from investing activities (-) | | (1.619) | (1.015) | (12.021) | (11.426) |
| Operating profit before financial expenses | | 4.733.674 | 1.814.028 | 3.019.275 | 1.017.648 |
| Financial income | | 616.669 | (37.103) | 1.717.638 | 1.001.793 |
| Financial expense (-) | | (3.276.860) | (430.015) | (9.415.917) | (5.791.567) |
| Profit / (loss) before tax | | 2.073.483 | 1.346.910 | (4.679.004) | (3.772.126) |
| Tax income / (expense) | | | | | |
| - Current tax (expense) / income | | (124.397) | (55.844) | (10.817) | 15.950 |
| - Deferred tax income / (expense) | | (86.891) | (173.634) | 1.083.913 | 910.245 |
| Profit / (loss) for the period | | 1.862.195 | 1.117.432 | (3.605.908) | (2.845.931) |
| Earnings / (losses) per shares attributable to equity holders of the parent from (in full Kuruş) | 4 | 0,5321 | 0,3193 | (1,0303) | (0,8131) |
| Earnings / (losses) per diluted shares attributable to equity holders of the parent from (in full Kuruş) | 4 | 0,5321 | 0,3193 | (1,0303) | (0,8131) |

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

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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

| | Current Period | Current Period | Prior Period | Prior Period |
|---|----------------------------------|-------------------------------|----------------------------------|-------------------------------|
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Notes | 1 January - 30 September 2019 | 1 July - 30 September 2019 | 1 January - 30 September 2018 | 1 July - 30 September 2018 |
| Profit / (loss) for the period | 1.862.195 | 1.117.432 | (3.605.908) | (2.845.931) |
| Other comprehensive income items not to be reclassified to profit / (loss): | | | | |
| Items not to be reclassified to profit or loss: | (135.240) | 31.743 | 4.466.808 | 4.378.100 |
| Gain from revaluation of property, plant and equipments-net | 76.021 | 76.021 | 4.743.599 | 4.743.599 |
| Actuarial loss from employee benefits | (57.752) | (1.087) | (78.475) | (9.418) |
| Change in fair value of financial liability attributable to change in credit risk of liability | (196.007) | (44.335) | 324.001 | 143.474 |
| Deferred tax effect of other value increase funds not to be reclassified from OCI to PL | 42.498 | 1.144 | (522.317) | (499.555) |
| -Tax effect of actuarial loss from employee benefits | 11.236 | 217 | 15.226 | 1.883 |
| -Tax effect of revaluation of property, plant and equipment | (7.940) | (7.940) | (472.743) | (472.743) |
| -Tax effect of change in fair value of financial liability attributable to change in credit risk of liability | 39.202 | 8.867 | (64.800) | (28.695) |
| Other comprehensive income items to be reclassified to profit or loss: | (195.623) | (140.545) | (141.732) | (243.178) |
| Change in foreign currency translation differences | (12.533) | (35.790) | 331.433 | 240.819 |
| Cash flow hedges-effective portion of changes in fair value | 15 (369.056) | (238.594) | 347.282 | 241.231 |
| Hedge of net investment in a foreign operation | (23.734) | 34.317 | (287.012) | (194.501) |
| Change in value of time value of options | 163.928 | 73.333 | (651.726) | (651.726) |
| Tax effect on other comprehensive income items to be reclassified to profit or loss | 45.772 | 26.189 | 118.291 | 120.999 |
| -Tax effect of cash flow hedges-effective portion of changes in fair value | 73.811 | 47.719 | (69.456) | (48.246) |
| -Tax effect of hedge of net investment in a foreign operation | 4.747 | (6.863) | 57.402 | 38.900 |
| -Tax effect of hedge of time value of options | (32.786) | (14.667) | 130.345 | 130.345 |
| Other comprehensive income, net of tax | (330.863) | (108.802) | 4.325.076 | 4.134.922 |
| Total comprehensive income / (expense) | 1.531.332 | 1.008.630 | 719.168 | 1.288.991 |

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

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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

| | | | | | Other comprehensive income items not to be reclassified to profit or loss in subsequent periods | | | Other comprehensive income items to be reclassified to profit or loss in subsequent periods | | | | | | Retained earnings / (losses) | | |
|---|-----------------------|---|-----------------------------|------------------------|---|---|--|---|--|-------------------------|--------------------------------------|--|-----------------------------|------------------------------------|-------------|--|
| | | | | | Gains/(losses) on revaluation and re-measurement | | | Reserve of gains/(losses) on hedging | | | | | | | | |
| | Paid-in share capital | Inflation adjustment to paid in capital | Share based payment reserve | Other gains / (losses) | Gains/(losses) on revaluation of property, plant and equipment | Actuarial loss arising from employee benefits | Gains / (losses) due to change in fair value of financial liability attributable to change in credit risk of liability | Gains or losses on hedges of net investment in foreign operations | Gains / (losses) on change in value of time value of options | Cash flow hedge reserve | Foreign currency translation reserve | Restricted reserves allocated from profits | Retained earnings /(losses) | Net profit / (loss) for the period | Equity | |
| Balance at 1 January 2018 | 3,500,000 | (239,752) | 9,528 | (1,320,942) | — | (526,583) | — | (211,185) | — | (88,367) | 218,920 | 2,355,969 | (278,033) | 1,135,532 | 4,555,087 | |
| Adjustments in accounting policies (net of tax) | — | — | — | — | — | — | (183,107) | — | — | — | — | — | 431,494 | — | 248,387 | |
| Adjusted balance at 1 January 2018 | 3,500,000 | (239,752) | 9,528 | (1,320,942) | — | (526,583) | (183,107) | (211,185) | — | (88,367) | 218,920 | 2,355,969 | 153,461 | 1,135,532 | 4,803,474 | |
| Transfers | — | — | — | — | — | — | — | — | — | — | — | — | 1,135,532 | (1,135,532) | — | |
| Total comprehensive income | — | — | — | — | 4,270,856 | (63,249) | 259,201 | (229,610) | (521,381) | 277,826 | 331,433 | — | — | (3,605,908) | 719,168 | |
| Profit for period | — | — | — | — | — | — | — | — | — | — | — | — | — | (3,605,908) | (3,605,908) | |
| Other comprehensive income | — | — | — | — | 4,270,856 | (63,249) | 259,201 | (229,610) | (521,381) | 277,826 | 331,433 | — | — | — | 4,325,076 | |
| Balance at 30 September 2018 | 3,500,000 | (239,752) | 9,528 | (1,320,942) | 4,270,856 | (589,832) | 76,094 | (440,795) | (521,381) | 189,459 | 550,353 | 2,355,969 | 1,288,993 | (3,605,908) | 5,522,642 | |
| Balance at 1 January 2019 | 3,500,000 | (239,752) | 9,528 | (1,320,942) | 4,283,816 | (628,350) | 64,852 | (350,099) | (351,007) | (185,382) | 417,238 | 2,355,969 | 1,288,993 | (1,391,261) | 7,453,603 | |
| Transfers | — | — | — | — | — | — | — | — | — | — | — | — | (1,391,261) | 1,391,261 | — | |
| Total comprehensive income | — | — | — | — | 68,081 | (46,516) | (156,805) | (18,987) | 131,142 | (295,245) | (12,533) | — | — | 1,862,195 | 1,531,332 | |
| Profit for period | — | — | — | — | — | — | — | — | — | — | — | — | — | 1,862,195 | 1,862,195 | |
| Other comprehensive income | — | — | — | — | 68,081 | (46,516) | (156,805) | (18,987) | 131,142 | (295,245) | (12,533) | — | — | — | (330,863) | |
| Balance at 30 September 2019 | 3,500,000 | (239,752) | 9,528 | (1,320,942) | 4,351,897 | (674,866) | (91,953) | (369,086) | (219,865) | (480,627) | 404,705 | 2,355,969 | (102,268) | 1,862,195 | 8,984,935 | |

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

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTH PERIOD ENDED
30 SEPTEMBER 2019

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

| | Current Period | Prior Period |
|---|--------------------|--------------------|
| | Unaudited | Unaudited |
| | 1 January - 30 | 1 January - 30 |
| Notes | September 2019 | September 2018 |
| Net profit/(loss) for the period | 1.862.195 | (3.605.908) |
| Adjustments to reconcile net profit to cash provided by operating activities: | | |
| Adjustments for depreciation and amortisation expense | 3.497.952 | 2.744.179 |
| Adjustments for impairment loss / (reversal of impairment loss) | 162.762 | 234.530 |
| - Adjustments for impairment loss of receivables | 199.715 | 325.189 |
| - Adjustments for impairment loss of inventories | (3.503) | (400) |
| - Adjustments for impairment loss of property, plant and equipment | 19.619 | 5.211 |
| - Adjustments for other impairment loss | (53.069) | (95.470) |
| Adjustments for provisions | 333.593 | 298.874 |
| - Adjustments for provisions related with employee benefits | 327.286 | 263.065 |
| - Adjustments for reversal of lawsuit and/or penalty provisions | 6.204 | 35.677 |
| - Adjustments for other provisions | 103 | 132 |
| Adjustments for interest expenses and income | 1.424.189 | 427.926 |
| - Adjustments for interest income | (303.080) | (282.225) |
| - Adjustments for interest expense | 1.680.435 | 721.919 |
| - Deferred financial expenses from credit purchases | 46.834 | (11.768) |
| Adjustments for unrealised foreign exchange losses | 1.116.132 | 8.147.310 |
| Adjustments for fair value losses /(gain) | 416.959 | 15.951 |
| - Adjustments for fair value loss on derivative financial instruments | 291.190 | 177.503 |
| - Adjustments for gains on change in fair value of bills, bonds and notes issued | 125.769 | (161.552) |
| Adjustments for tax expenses | 211.288 | (1.073.096) |
| Adjustments for gains arised from sale of tangible assets | (132.421) | (80.806) |
| Other adjustments for which cash effects are investing or financing cash flow | 59.857 | 88.260 |
| Other adjustments for non-cash items | (83.924) | (68.192) |
| Operating profit before working capital changes | 8.868.582 | 7.129.028 |
| Changes in working capital: | | |
| Adjustments for increase in trade receivable | (874.910) | (841.641) |
| Adjustments for increase in inventories | (10.506) | (104.665) |
| Adjustments for decrease in trade payable | (456.300) | (228.213) |
| Increase in other assets related with operations | (62.782) | (144.310) |
| Increase in other payables related with operations | 30.103 | 527.699 |
| Cash flow from operating activities: | | |
| Interest received | 110.359 | 84.910 |
| Payments related with employee benefits | (358.804) | (309.550) |
| Payments related with other provisions | (6.724) | (295.892) |
| Income taxes paid | (99.000) | (80.846) |
| Other inflows / (outflows) of cash | 24.860 | (103.777) |
| Net cash from operating activities | 7.164.878 | 5.632.743 |
| Investing activities | | |
| Financial assets | (2.698) | (155) |
| Payments related to liabilities arising from acquisition of non-controlling interests | (205.000) | (205.000) |
| Proceeds from sale of property, plant, equipment and intangible assets | 259.112 | 103.919 |
| Purchases of property, plant, equipment and intangible assets | (2.740.491) | (2.500.284) |
| Net cash used in investing activities | (2.689.077) | (2.601.520) |
| Cash flows from financing activities | | |
| Proceeds from loans | 434.936 | 673.632 |
| Proceeds from issued debt instruments | 2.623.982 | - |
| Repayments of borrowings | (5.733.164) | (1.421.432) |
| - Loan repayments | (2.673.548) | (1.421.432) |
| - Payment of issue of debt instruments | (3.059.616) | - |
| Payments of lease liabilities, net | (546.872) | (22) |
| Cash inflows /(outflows) from derivative instruments, net | 145.558 | (2.912) |
| Interest paid | (1.253.926) | (485.216) |
| Interest received | 192.721 | 197.315 |
| Other cash outflows, net | (59.857) | (88.260) |
| Net cash used in financing activities | (4.196.622) | (1.126.895) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES | 279.179 | 1.904.328 |
| EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES IN CASH AND CASH EQUIVALENTS | 18.462 | 78.739 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 3.898.092 | 3.688.104 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 4.195.733 | 5.671.171 |

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

(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.

Transfer of the Group A shares, which constitutes 55% of the Company’s capital, to the aforementioned SPV, LYY Telekomünikasyon A.Ş. (“LYY”) as of 21 December 2018 has been notified to the Company in accordance with Article 198 of the Turkish Commercial Code. Pursuant to Article 499 of the Turkish Commercial Code, LYY has been registered as a new shareholder in the Company’s shareholders’ ledger.

As at 30 September 2019, the parent company and controlling party of the Company is LYY Telekomünikasyon A.Ş.

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.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

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

1. REPORTING ENTITY (CONTINUED)

The details of the Company's subsidiaries as at 30 September 2019 and 31 December 2018 are as follows:

| Name of Subsidiary | Place of incorporation and operation | Principal activity | Functional Currency | Effective ownership of the Company (%) | |
|--|--------------------------------------|--|---------------------|--|------------------|
| | | | | 30 September 2019 | 31 December 2018 |
| 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 ("AssistTT") | 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 |
| Türk Telekomünikasyon Euro GmbH. ("TT Euro") (*) | Germany | Mobil service marketing | Euro | 100 | 100 |
| Türk Telekom International d.o.o. (*) | Croatia | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | 100 |
| Türk Telekom International HK Limited (*) | Hong Kong | Internet/data services, infrastructure and wholesale voice services provider | H.K. Dollar | 100 | 100 |
| Net Ekran TV ve Medya Hiz. A.Ş. ("Net Ekran") | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| TTES Elektrik Tedarik Satış A.Ş. ("TTES") | Turkey | Electrical energy trading | Turkish Lira | 100 | 100 |
| TT Euro Belgium S.A. (***) | Belgium | Mobile service marketing | Euro | - | 100 |
| TT Ödeme Hizmetleri A.Ş. (**) | Turkey | Mobile finance | Turkish Lira | 100 | 100 |
| Net Ekran1 TV ve Medya Hiz. A.Ş. ("Net Ekran1") | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran2 TV ve Medya Hiz. A.Ş. ("Net Ekran2") | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran3 TV ve Medya Hiz. A.Ş. ("Net Ekran3") | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran4 TV ve Medya Hiz. A.Ş. ("Net Ekran4") | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran5 TV ve Medya Hiz. A.Ş. ("Net Ekran5") | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran6 TV ve Medya Hiz. A.Ş. ("Net Ekran6") | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran7 TV ve Medya Hiz. A.Ş. ("Net Ekran7") | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran8 TV ve Medya Hiz. A.Ş. ("Net Ekran8") | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran9 TV ve Medya Hiz. A.Ş. ("Net Ekran9") | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran10 TV ve Medya Hiz. A.Ş. ("Net Ekran10") | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran11 TV ve Medya Hiz. A.Ş. ("Net Ekran11") | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran12 TV ve Medya Hiz. A.Ş. ("Net Ekran12") | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran13 TV ve Medya Hiz. A.Ş. ("Net Ekran13") | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran14 TV ve Medya Hiz. A.Ş. ("Net Ekran14") | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran15 TV ve Medya Hiz. A.Ş. ("Net Ekran15") | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran16 TV ve Medya Hiz. A.Ş. ("Net Ekran16") | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| 11818 Rehberlik ve Müşteri Hizmetleri A.Ş. ("11818") | Turkey | Call center and customer relations | Turkish Lira | 100 | 100 |
| TT Satış ve Dağıtım Hizmetleri Anonim Şirketi | Turkey | Selling and Distribution Services | Turkish Lira | 100 | 100 |
| TT Ventures Proje Geliştirme A.Ş. | Turkey | Corporate Venture Capital | Turkish Lira | 100 | 100 |

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

(**) The title of TT Ödeme Hizmetleri A.Ş. was announced on 25 March 2019 by TT Ödeme ve Elektronik Para Hizmetleri A.Ş.

(***) TT Euro Belgium S.A was dissolved on 6 February 2019.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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

1. REPORTING ENTITY (CONTINUED)

The details of the Company’s joint operation as at 30 September 2019 and 31 December 2018 are as follows:

| Name of Joint Operation | Place of incorporation and operation | Principal activity | Functional Currency | Effective ownership of the Company (%) | |
|---|--------------------------------------|--|---------------------|--|------------------|
| | | | | 30 September 2019 | 31 December 2018 |
| TT Mobil-Vodafone Evrensel İş Ortaklığı | Turkey | Internet/data services, infrastructure and wholesale voice services provider | Turkish Lira | 51 | 51 |

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

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

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

The number of personnel subject to collective agreement as at 30 September 2019 is 10.219 (31 December 2018: 10.798) and the number of personnel not subject to collective agreement as at 30 September 2019 is 21.311 (31 December 2018: 22.619). The total number of personnel as at 30 September 2019 and 31 December 2018 are 31.530 and 33.417, 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 TAS

The accompanying interim condensed consolidated financial statements are prepared based on the Turkish Financial Reporting Standards (“TFRS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which were published in the Official Gazette No:28676 on 13 June 2013. TFRS’s contain Turkish Accounting Standards (“TAS”), Turkey Financial Reporting Standards, TAS interpretations, and TFRS interpretations published by POA.

Interim condensed consolidated financial statements are presented in accordance with the TAS Taxonomy which was published by POA and the formats specified in the Financial Statement Examples and User Guideline which was published by CMB.

b) Preparation of financial statements

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

The accompanying interim condensed consolidated financial statements are approved by the Company’s Board of Directors on 31 October 2019.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

c) Correction of financial statements during the hyperinflationary periods

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

d) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the property, plant and equipment 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, bills, bonds and notes issued 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 liabilities and bills, bonds and notes issued which have been measured at fair value through profit or loss, are valued with fair values as of balance sheet date.

e) Functional and presentation currency

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

Functional currencies of the subsidiaries are presented in Note 1.

The interim condensed 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 interim condensed consolidated financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosures requirement of the POA.

f) Significant accounting assessments, estimates and assumptions

In order to prepare financial statements in accordance with 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 30 September 2019.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

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

Determination of fair values

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

i) Trade and other receivables

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

ii) Derivatives

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

iii) Bills, bonds and notes issued

The fair values of bills, bonds and notes issued are 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.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows.

The revised Conceptual Framework (Version 2018)

The revised Conceptual Framework issued on 27 October 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing TFRSs. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the POA with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to TAS 1 and TAS 8 - Definition of Material

In June 2019 POA issued Definition of Material (Amendments to TAS 1 and TAS 8). The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amended “definition of material” was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TAS 1 and TAS 8.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

Amendments to TFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. In May 2019, POA has also published the Definition of Business (Amendments to TFRS 3). With this amendments confirmed that a business shall include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TFRS 3.

2.3 Change in accounting policy

Except for the changes below, the accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the Group's last annual consolidated financial statements.

TFRS 16 Leases

The Group has initially adopted TFRS 16 *Leases* from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's consolidated financial statements.

TFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group adopted TFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. The details of the changes in accounting policies are disclosed below.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Change in accounting policy (continued)

TFRS 16 Leases (continued)

a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under TFRS Interpretation 4 “*Determining Whether an Arrangement contains a Lease*”. Under TFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease. Under TFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to TFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied TFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under TAS 17 and TFRS Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under TFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

b) As a lessee

The Group has lease contracts for various items of buildings, site, telecommunication infrastructure, machinery and vehicles.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under TFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group has presented the right-of-use assets in a separate line in the interim condensed consolidated statement of financial position as “right of use assets”.

The carrying amounts of right-of-use assets as of 1 January 2019 and 30 September 2019 are as below:

| | Site Rent | Buildings | Vehicles | Other | Total |
|-------------------------------------|------------------|------------------|-----------------|--------------|--------------|
| Balance at 1 January 2019 | 925.815 | 230.401 | 88.834 | 72.857 | 1.317.907 |
| Balance at 30 September 2019 | 961.595 | 222.106 | 196.766 | 90.465 | 1.470.932 |

The Group presents lease liabilities in “financial liabilities” in the interim condensed consolidated statement of financial position.

i. Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Change in accounting policy (continued)

TFRS 16 Leases (continued)

b) As a lessee (continued)

i. Significant accounting policies (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

ii. Transition

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at 1 January 2019. The right-of-use assets for most leases were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised.

The Group used the following practical expedients when applying TFRS 16 to leases previously classified as operating leases under TAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under TAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under TAS 17 immediately before that date.

c) As a lessor

The Group, classifies each lease as operational lease or finance lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease.

The Group is not required to make any adjustments on transition to TFRS 16 for leases in which it acts as a lessor. The Group applied TFRS 15 “Revenue from Contracts with Customers” to allocate consideration in the contract to each lease and non-lease component.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Change in accounting policy (continued)

TFRS 16 Leases (continued)

d) Impacts on the interim condensed consolidated financial statements

On transition to TFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

| | Impact of adopting TFRS 16 at 1 January 2019 |
|--------------------------|---|
| Right-of-use asset | 1.317.907 |
| Prepaid expenses | (268.196) |
| Total assets | 1.049.711 |
| Lease liabilities | 1.049.711 |
| Total liabilities | 1.049.711 |

As a result of initially applying TFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised TL 1.470.932 of right of use assets and TL 1.248.870 of lease liabilities as at 30 September 2019.

Also in relation to those leases under TFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the nine month ended 30 September 2019, the Group recognised TL 467.319 of depreciation charges and TL 144.647 of financial expense from these leases.

3. SEASONAL CHANGES IN THE OPERATIONS

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

4. EARNINGS PER SHARE

| | 1 January - 30 September 2019 | 1 July - 30 September 2019 | 1 January - 30 September 2018 | 1 July - 30 September 2018 |
|--|--|---|--|---|
| Weighted average number of ordinary shares outstanding during the year | 350.000.000.000 | 350.000.000.000 | 350.000.000.000 | 350.000.000.000 |
| Net profit / (loss) for the period attributable to equity holders of the Company | 1.862.195 | 1.117.432 | (3.605.908) | (2.845.931) |
| Basic and earnings / (losses) per share (in full kuruş) | 0,5321 | 0,3193 | (1,0303) | (0,8131) |

5. SEGMENT REPORTING

The Group has two main segments; fixed line and mobile. Fixed line services are provided by Türk Telekom, TNet, Argela, Innova, Sebit, AssisTT and TTINT Group whereas mobile service is provided by TTMobil. 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. 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 - 30 September 2019 | 1 January - 30 September 2018 | 1 January - 30 September 2019 | 1 January - 30 September 2018 | 1 January - 30 September 2019 | 1 January - 30 September 2018 | 1 January - 30 September 2019 | 1 January - 30 September 2018 |
| Revenue | 11.871.675 | 10.391.120 | 6.634.484 | 5.635.440 | (1.133.057) | (993.967) | 17.373.102 | 15.032.593 |
| Contributive revenue (*) | 10.802.138 | 9.466.297 | 6.570.964 | 5.566.296 | — | — | 17.373.102 | 15.032.593 |
| EBITDA | 6.162.679 | 4.940.460 | 2.180.691 | 1.270.108 | (1.821) | (4.330) | 8.341.549 | 6.206.238 |
| Contributive adjusted EBITDA (**) | 5.485.520 | 4.289.129 | 2.856.029 | 1.917.109 | — | — | 8.341.549 | 6.206.238 |
| Capital expenditure (***) | 1.982.167 | 1.904.723 | 814.968 | 743.393 | (6.806) | (12.246) | 2.790.329 | 2.635.870 |

| | Fixed line | | Mobile | | Intra-group eliminations and consolidated adjustments | | Consolidated | |
|--|----------------------------|----------------------------|----------------------------|----------------------------|---|----------------------------|----------------------------|----------------------------|
| | 1 July - 30 September 2019 | 1 July - 30 September 2018 | 1 July - 30 September 2019 | 1 July - 30 September 2018 | 1 July - 30 September 2019 | 1 July - 30 September 2018 | 1 July - 30 September 2019 | 1 July - 30 September 2018 |
| Revenue | 4.231.068 | 3.710.548 | 2.387.534 | 2.045.376 | (408.475) | (360.046) | 6.210.127 | 5.395.878 |
| Contribution to the consolidated revenue (*) | 3.844.516 | 3.378.356 | 2.365.611 | 2.017.522 | — | — | 6.210.127 | 5.395.878 |
| EBITDA | 2.181.535 | 1.762.288 | 823.361 | 505.789 | 514 | (1.563) | 3.005.410 | 2.266.514 |
| Contribution to the consolidated EBITDA (**) | 1.947.093 | 1.525.301 | 1.058.317 | 741.213 | — | — | 3.005.410 | 2.266.514 |
| Capital expenditure (***) | 851.337 | 923.028 | 376.045 | 305.977 | (4.033) | (9.927) | 1.223.349 | 1.219.078 |

(*) “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 83.821 TL (30 September 2018: 68.192 TL) 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 - 30 September 2019 | 1 July - 30 September 2019 | 1 January - 30 September 2018 | 1 July - 30 September 2018 |
|--|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Fixed line contributive EBITDA | 5.485.520 | 1.947.093 | 4.289.129 | 1.525.301 |
| Mobile contributive EBITDA | 2.856.029 | 1.058.317 | 1.917.109 | 741.213 |
| EBITDA | 8.341.549 | 3.005.410 | 6.206.238 | 2.266.514 |
| Foreign exchange gains, interest income, discount income on current accounts presented in other operating income | 120.232 | 47.927 | 182.133 | 89.144 |
| Foreign exchange losses, interest income, discount income on current accounts presented in other operating expense (-) | (210.536) | (56.257) | (619.706) | (376.810) |
| Financial income | 616.669 | (37.103) | 1.717.638 | 1.001.793 |
| Financial expense (-) | (3.276.860) | (430.015) | (9.415.917) | (5.791.567) |
| Depreciation, amortisation and impairment | (3.517.571) | (1.183.052) | (2.749.390) | (961.200) |
| Consolidated profit / (loss) before tax | 2.073.483 | 1.346.910 | (4.679.004) | (3.772.126) |

| 30 September 2019 | Fixed Line | Mobile | Eliminations | Consolidated |
|---------------------------|-------------------|---------------|---------------------|---------------------|
| Total segment assets | 28.149.003 | 11.165.403 | (1.020.937) | 38.293.469 |
| Total segment liabilities | (26.192.221) | (4.134.397) | 1.018.084 | (29.308.534) |
| 31 December 2018 | Fixed Line | Mobile | Eliminations | Consolidated |
| Total segment assets | 26.745.001 | 10.058.430 | (604.920) | 36.198.511 |
| Total segment liabilities | (25.643.545) | (3.696.824) | 595.461 | (28.744.908) |

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6. CASH AND CASH EQUIVALENTS

| | 30 September 2019 | 31 December 2018 |
|-------------------------------|--------------------------|-------------------------|
| Cash on hand | 432 | 143 |
| Cash at banks– demand deposit | 730.867 | 799.859 |
| Cash at banks– time deposit | 4.035.304 | 3.693.827 |
| Other | 714 | 707 |
| | 4.767.317 | 4.494.536 |

As of 30 September 2019, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 12,75% and 24,33% for TL deposits, between 0,10 % and 3,60% for US Dollar deposits and between 0,05% and 1,20% for Euro deposits (31 December 2018: for TL deposits between 5,00% and 24,31%, for US Dollar deposits between 0,10% and 5,00%, for Euro deposits between 0,05% and 2,55%).

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

| | 30 September 2019 | 30 September 2018 |
|---|--------------------------|--------------------------|
| Cash and cash equivalents | 4.767.317 | 6.187.046 |
| Less: restricted amounts | | |
| - Collection protocols and ATM collection | (342.099) | (340.242) |
| - Other | (229.485) | (175.633) |
| Unrestricted cash | 4.195.733 | 5.671.171 |

As of 30 September 2019, demand deposits amounting to TL 342.099 is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected. As of 30 September 2019, other restricted amounts mainly consist of blocked deposits related to Türk Telekom’s derivative financial instruments.

As of 30 September 2019, the Group do not have bank loan which have been committed to banks and have not been utilized yet.

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7. FINANCIAL LIABILITIES

Bank borrowings

| | 30 September 2019 | | | 31 December 2018 | | |
|---|--|-------------------|---------------|--|-----------------|-------------------|
| | Weighted average nominal interest rate (%) | Original amount | TL equivalent | Weighted average nominal interest rate (%) | Original amount | TL equivalent |
| Short-term borrowings: | | | | | | |
| Unsecured TL bank borrowings with fixed interest rates | 16,77 | 451.104 | 451.104 | 4,51 | 51.598 | 51.598 |
| Interest accruals: | | | | | | |
| Unsecured TL bank borrowings with fixed interest rates | | 115 | 115 | | 618 | 618 |
| Short-term borrowings | | 451.219 | | | | 52.216 |
| Short-term portion of long-term bank borrowings: | | | | | | |
| Unsecured USD bank borrowings with fixed interest rates | 3,15 | 9.453 | 53.494 | 3,10 | 16.167 | 85.054 |
| Unsecured USD bank borrowings with variable interest rates (*) | 4,27 | 488.183 | 2.762.675 | 4,62 | 391.736 | 2.060.886 |
| Unsecured EUR bank borrowings with variable interest rates (**) | 1,28 | 288.251 | 1.782.429 | 1,29 | 310.007 | 1.868.725 |
| Interest accruals of long-term bank borrowings: | | | | | | |
| Unsecured USD bank borrowings with fixed interest rates | | 87 | 494 | | 31 | 163 |
| Unsecured USD bank borrowings with variable interest rates (*) | | 17.141 | 97.002 | | 15.344 | 80.723 |
| Unsecured EUR bank borrowings with variable interest rates (**) | | 3.896 | 24.094 | | 1.782 | 10.742 |
| Short-term portion of long-term bank borrowings | | 4.720.188 | | | | 4.106.293 |
| Total short-term borrowings | | 5.171.407 | | | | 4.158.509 |
| Long-term borrowings: | | | | | | |
| Unsecured USD bank borrowings with fixed interest rates | — | — | — | 3,10 | 4.720 | 24.837 |
| Unsecured USD bank borrowings with variable interest rates (*) | 4,27 | 1.006.709 | 5.697.065 | 4,62 | 1.360.641 | 7.158.194 |
| Unsecured EUR bank borrowings with variable interest rates (**) | 1,28 | 476.441 | 2.946.119 | 1,29 | 613.709 | 3.699.439 |
| Total long-term borrowings | | 8.643.184 | | | | 10.882.470 |
| Total financial liabilities | | 13.814.591 | | | | 15.040.979 |

(*) As at 30 September 2019, interest rate varies between Libor+ 0,54% and 3,40% (31 December 2018: Libor + 0,54% and 3,40%)

(**) As at 30 September 2019, interest rate varies between Euribor+ %0,28 and %2,60 (31 December 2018: Euribor + 0,28% and 2,60%)

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7. FINANCIAL LIABILITIES (CONTINUED)

Bank borrowings (continued)

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

| | 30 September 2019 | | | | | Total | 31 December 2018 | | | | | Total |
|---|-------------------|--------------------|-------------------|--------------------|-------------------|-------------------|------------------|--------------------|-------------------|--------------------|-------------------|-------------------|
| | Up to 3 months | 3 months to 1 year | 1 year to 2 years | 2 years to 5 years | More than 5 years | | Up to 3 months | 3 months to 1 year | 1 year to 2 years | 2 years to 5 years | More than 5 years | |
| Unsecured TL bank borrowings with fixed interest rates | 434.271 | 16.948 | – | – | – | 451.219 | 52.216 | – | – | – | – | 52.216 |
| Unsecured USD bank borrowings with fixed interest rates | 27.267 | 26.721 | – | – | – | 53.988 | – | 85.217 | 24.837 | – | – | 110.054 |
| Unsecured USD bank borrowings with variable interest rates | 818.430 | 2.041.247 | 1.877.366 | 3.515.212 | 304.487 | 8.556.742 | 229.027 | 1.912.582 | 2.471.816 | 3.910.783 | 775.595 | 9.299.803 |
| Unsecured Euro bank borrowings with variable interest rates | 951.459 | 855.064 | 1.066.882 | 1.337.133 | 542.104 | 4.752.642 | 29.341 | 1.850.126 | 1.587.645 | 1.395.640 | 716.154 | 5.578.906 |
| | 2.231.427 | 2.939.980 | 2.944.248 | 4.852.345 | 846.591 | 13.814.591 | 310.584 | 3.847.925 | 4.084.298 | 5.306.423 | 1.491.749 | 15.040.979 |

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7. FINANCIAL LIABILITIES (CONTINUED)

Bill, bonds and notes issued

| | 30 September 2019 | | | 31 December 2018 | | |
|---|--|--------------------|------------------|--|--------------------|------------------|
| | Weighted average nominal interest rate (%) | Original amount | TL equivalent | Weighted average nominal interest rate (%) | Original amount | TL equivalent |
| Short-term portion of long-term bills, bonds and notes issued: | | | | | | |
| USD bank borrowings with fixed interest rates | — | — | — | 3,75 | 494.447 | 2.601.235 |
| Bill, bonds and notes issued: | | | | | | |
| USD bank borrowings with fixed interest rates | | 3.374 | 19.093 | — | — | — |
| Short-term bills, bonds and notes issued | | 3.374 | 19.093 | | 494.447 | 2.601.235 |
| Long-term bills, bonds and notes issued: | | | | | | |
| USD bank borrowings with fixed interest rates | 5,88 | 971.779 | 5.499.392 | 4,88 | 432.742 | 2.276.610 |
| Long-term bills, bonds and notes issued | | 971.779 | 5.499.392 | | 432.742 | 2.276.610 |
| Total financial liabilities | | 975.153 | 5.518.485 | | 927.189 | 4.877.845 |

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 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 bond amounted to USD 500.000 with 5 years of maturity has matured and the amount of interest and principal has been redeemed on June 19th, 2019.

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

| | 30 September 2019 | | | | | 31 December 2018 | | | | |
|----------------------------------|-------------------|-----------------------|----------------------|----------------------|------------------|-------------------|-----------------------|----------------------|----------------------|------------------|
| | 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 |
| Issued bills, bonds and notes | - | 19.093 | 2.703.036 | 2.796.356 | 5.518.485 | - | 2.601.235 | - | 2.276.610 | 4.877.845 |
| | - | 19.093 | 2.703.036 | 2.796.356 | 5.518.485 | - | 2.601.235 | - | 2.276.610 | 4.877.845 |

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8. DUE FROM AND DUE TO RELATED PARTIES

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

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

Details of balances and transactions between the Group and other related parties as at 30 September 2019 and 31 December 2018 are disclosed below:

| | 30 September 2019 | 31 December 2018 |
|--|------------------------------|-----------------------------|
| Due from related parties (Trade receivables-short term) | | |
| Akbank T.A.Ş.(1) | 6.965 | 4.061 |
| Türkiye Garanti Bankası A.Ş. (1) | 3.721 | 3.748 |
| Türkiye İş Bankası A.Ş. (1) | 2.969 | 2.680 |
| | 13.655 | 10.489 |
| Due to related parties (Trade payables-short term) | | |
| Akbank T.A.Ş. (1) | 65 | 95 |
| Türkiye Garanti Bankası A.Ş. (1) | — | 15 |
| | 65 | 110 |
| Due to related parties (Other payables-short term) | | |
| Türkiye İş Bankası A.Ş. (1) | 197.520 | 204.792 |
| | 197.520 | 204.792 |
| Due to related parties (Other payables-long term) | | |
| Türkiye İş Bankası A.Ş. (1) | — | 170.164 |
| | — | 170.164 |

1) Akbank T.A.Ş., Türkiye Garanti Bankası A.Ş. and Türkiye İş Bankası A.Ş. which are shareholders of LYY Telekomünikasyon A.Ş. are defined as related parties since 21 December 2018.

As of 30 September 2019, other payables in other short term payables is related to discounted payable as a result of share transfer agreement in order to purchase 10,0035% share of TT Mobil's issued capital that will be sold to Group's customers as part of commitment sales.

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

| Deposits held by related parties | 30 September 2019 | 31 December 2018 |
|---|--------------------------|-------------------------|
| Akbank T.A.Ş. | | |
| Time Deposit | 1.014.306 | 953.905 |
| Demand Deposit | 79.460 | 52.737 |
| | 1.093.766 | 1.006.642 |
| Türkiye İş Bankası A.Ş. | | |
| Time Deposit | — | 266.728 |
| Demand Deposit | 162.819 | 93.497 |
| | 162.819 | 360.225 |
| Türkiye Garanti Bankası A.Ş. | | |
| Time Deposit | 7.490 | 1.265 |
| Demand Deposit | 61.796 | 66.701 |
| | 69.286 | 67.966 |

Transactions with shareholders:

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

As of 30 September 2019, 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.

Guarantees provided to related parties:

As of 30 September 2019, guarantees amounting to USD 32.857 and EUR 131.872 are for financial liabilities of TT Mobil which are amounted to USD 230.000 and EUR 273.125, and guarantees amounting to USD 46.666 and EUR 300 are given for financial liabilities of TTINT Turkey and TTINT Romania, which are amounted to USD 50.000 and EUR 300, respectively, by Türk Telekom.

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

Transactions with other related parties:

| Interest income from related parties | 30 September 2019 |
|---|--------------------------|
| Akbank T.A.Ş. | 43.602 |
| Türkiye İş Bankası A.Ş. | 6.033 |
| Türkiye Garanti Bankası A.Ş. | 2.825 |
| | 52.460 |
| Other income from related parties | |
| Akbank T.A.Ş. | 41.847 |
| Türkiye Garanti Bankası A.Ş. | 29.783 |
| Türkiye İş Bankası A.Ş. | 20.064 |
| | 91.694 |

Compensation of key management personnel

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

| | 1 January – 30 September 2019 | 1 January – 30 September 2018 |
|---------------------------------|--|--|
| Short-term benefits | 114.485 | 94.600 |
| Long-term defined benefit plans | 1.465 | 1.877 |
| | 115.950 | 96.477 |

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9. TRADE RECEIVABLES FROM AND PAYABLES TO THIRD PARTIES

Trade receivables

| | 30 September 2019 | 31 December 2018 |
|---|--------------------------|-------------------------|
| Short-term | | |
| Trade receivables | 8.111.565 | 7.569.664 |
| Other trade receivables | 213.394 | 182.899 |
| Contract assets | 778.912 | 628.766 |
| Allowance for doubtful receivables (-) | (3.440.111) | (3.241.202) |
| Total short-term trade receivables | 5.663.760 | 5.140.127 |
| Long-term | | |
| Trade receivables | 258.410 | 128.182 |
| Total long-term trade receivables | 258.410 | 128.182 |

Trade receivables generally have a maturity term of 60 days on average (31 December 2018: 60 days).

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

| | 1 January 2019 - 30 September 2019 | 1 January 2018 - 30 September 2018 |
|----------------------------------|---|---|
| At January 1 | (3.241.202) | (2.865.174) |
| Provision for the year, net | (198.934) | (324.384) |
| Currency translation differences | 25 | (3.662) |
| At 30 September | (3.440.111) | (3.193.220) |

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 27.808 (31 December 2018: TL 37.073).

Trade payables

| | 30 September 2019 | 31 December 2018 |
|--|--------------------------|-------------------------|
| Short-term | | |
| Trade payables | 2.543.688 | 3.268.880 |
| Expense accruals | 922.273 | 575.902 |
| Other trade payables | 279 | 342 |
| Total short-term trade payables | 3.466.240 | 3.845.124 |

The average maturity term of trade payables is between 30 and 150 days (31 December 2018: 30 and 150 days).

As of 30 September 2019, short term trade payables consists of payables within scope of supplier finance that amounting TL 936.527 (31 December 2018: TL 879.911).

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10. TANGIBLE AND INTANGIBLE ASSETS

The amount of tangible and intangible assets purchased during the nine month period ended 30 September 2019 is TL 2.790.329 (30 September 2018: 2.635.870 TL).

Net book value of tangible and intangible assets sold during the nine month period ended 30 September 2019 amounted to TL 126.691 (30 September 2018: 23.113 TL).

As at 30 September 2019, net increase in carrying amount of lands amounting to TL 76.021 which is valued by real estate valuation companies licensed by CMB is recognized in other comprehensive income. Valuation companies that performed the valuations are Metrik Gayrimenkul Değerleme Danışmanlık A.Ş., Düzey Gayrimenkul Değerleme ve Danışmanlık A.Ş., May Gayrimenkul Değerleme A.Ş., Kuzey Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş., Ekip Taşınmaz Değerleme A.Ş., DE-GA Gayrimenkul Değerleme ve Danışmanlık A.Ş., Değer Gayrimenkul Değerleme ve Danışmanlık A.Ş., Anreva Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş., Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş., Lal Gayrimenkul Değerleme ve Müşavirlik A.Ş., Vakıf Gayrimenkul Değerleme A.Ş., Bilgi Gayrimenkul Değerleme A.Ş., Detay Taşınmaz Değerleme ve Danışmanlık A.Ş., Piramit Gayrimenkul ve Değerleme Danışmanlık A.Ş., Vizyon Taşınmaz Değerleme ve Danışmanlık A.Ş., Atak Gayrimenkul Değerleme A.Ş., Epos Gayrimenkul Danışmanlık ve Değerleme A.Ş., Prime Gayrimenkul Değerleme ve Danışmanlık A.Ş., Eksen Gayrimenkul Değerleme ve Danışmanlık A.Ş.

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11. PROVISIONS

Other short-term provisions

The breakdown of provisions as at 30 September 2019 and 31 December 2018 is as follows:

| | 30 September 2019 | 31 December 2018 |
|--|--------------------------|-------------------------|
| Litigation, ICTA penalty and customer return provisions | 144.756 | 145.364 |
| Provision for expected credit losses on loan commitments (*) | 47.740 | 100.809 |
| | 192.496 | 246.173 |

(*) 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.

Short-term provisions for employee benefits

| | 30 September 2019 | 31 December 2018 |
|--|--------------------------|-------------------------|
| Short term provisions for employee benefits | | |
| Personnel bonus provision | 180.695 | 230.191 |
| | 180.695 | 230.191 |

Long term employee benefits excluding defined benefit obligation

| | 30 September 2019 | 31 December 2018 |
|---|--------------------------|-------------------------|
| Long term provisions for employee benefits | | |
| Defined benefit obligation (*) | 856.494 | 795.371 |
| Unused vacation provisions | 123.604 | 111.801 |
| | 980.098 | 907.172 |

Defined benefit obligation

(*) In accordance with existing social legislation in Turkey, companies are required to make lump-sum payments to employees whose employment has ended due to retirement or for reasons other than resignation or misconduct. The liability is not funded and accordingly there are no plan assets for the defined benefits as there is no funding requirement. The retirement pay liability as at 30 September 2019 is subject to a ceiling of full TL 6.379,86 (31 December 2018: full TL 5.434,42) per monthly salary for each service year.

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12. COMMITMENTS AND CONTINGENCIES

Guarantees received and given by the Group are summarized below:

| | | 30 September 2019 | | 31 December 2018 | |
|----------------------|-------------|------------------------------|-----------|------------------------------|-----------|
| | | Original currency | TL | Original currency | TL |
| Guarantees received | USD | 145.553 | 823.697 | 146.157 | 768.918 |
| | TL | 879.108 | 879.108 | 837.781 | 837.781 |
| | Euro | 31.086 | 192.222 | 31.190 | 188.016 |
| | | 1.895.027 | | 1.794.715 | |
| Guarantees given (*) | USD | 173.406 | 981.321 | 172.418 | 907.075 |
| | TL | 509.717 | 509.717 | 523.470 | 523.470 |
| | Euro | 138.531 | 856.619 | 159.114 | 959.139 |
| | | 2.347.657 | | 2.389.684 | |

(*) Guarantees given amounting to USD 151.500 (31 December 2018: US Dollar 151.500) is related to the guarantee provided to the ICTA by TT Mobil with respect to the TT Mobil Concession Agreement, guarantees given amounting to Euro 12.840 (31 December 2018: Euro 12.840) is related with the guarantee provided for 3G license and guarantees given amounting to Euro 57.281 (31 December 2018: Euro 57.281) is related with the guarantee provided for 4.5G license.

The Company's guarantee, pledge and mortgage (GPM) position as at 30 September 2019 and 31 December 2018 is as follows:

| | 30 September 2019 | 31 December 2018 |
|---|--------------------------|-------------------------|
| A. GPMs given on behalf of the Company's legal personality | 2.347.657 | 2.389.684 |
| B. GPMs given in favor of subsidiaries included in full consolidation | 1.267.330 | 1.531.807 |
| C. GPMS given by the Company for the liabilities of 3rd parties in order to run ordinary course of business | 726.119 | 1.278.718 |
| D. Other GPMs | — | — |
| i. GPMs given in favor of parent company | — | — |
| ii. GPMs given in favor of Company companies not in the scope of B and C above | — | — |
| iii. GPMs given in favor of third party companies not in the scope of C above | — | — |
| Total | 4.341.106 | 5.200.209 |

Based on law 128/1 of Turkish Code of Obligations, the Group has given guarantee to distributors amounting to TL 726.119 for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by the Group (31 December 2018: TL1.278.718). The guarantees has given to the banks TL 35.042, TL 124.177, TL 16.549 Akbank T.A.Ş., Türkiye Garanti Bankası A.Ş. ve Türkiye İş Bankası A.Ş. respectively.

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12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other commitments

The Group has purchase commitments for sponsorships, advertising and insurance services at the amounting to USD 11.672, TL 2 equivalent to TL 66.055 (31 December 2018: TL 34.196) as at 30 September 2019. Payments for these commitments are going to be made in a 2 year period.

The Group has purchase commitments for fixed assets amounting to USD 102.139, Euro 32.384, TL 317.158, Pound 30 equivalent to TL 1.095.632 (31 December 2018: TL 864.009) as at 30 September 2019.

Disputes between the Company and Municipalities

For contribution to the infrastructure investment and municipality share, municipalities filed against the Company and as at 30 September 2019, total provision including the nominal amount and legal interest charge which is amounting to TL 52.950 (31 December 2018: TL 51.059) is recognized.

Disputes between the Group and the ICTA

The Company has filed various lawsuits against ICTA. These lawsuits are related with the sector-specific and tariff legislations and legislations with respect to the other operators in the market. The sector-specific disputes generally stem from the objections with respect to the provisions of interconnection legislation, legislation with respect to telecommunication services and infrastructure. As of 30 September 2019, TL 35.573 provision provided for ICTA penalties and amounts to be repaid to customers due to ICTA resolutions (31 December 2018: TL 37.359).

The Ministry of Customs and Trade administrative fine

The Ministry of Customs and Trade conducted an audit at TT Mobil over the value added services that are provided to the subscribers and as a result of this inspection, an administrative fine amounting to TL 138.173 was imposed against TT Mobil based on the allegation that distant sales rules were disregarded. Upon such administrative fine, applications were filed respectively for the settlement first and then for the abolishment of the said administrative action with The Ministry of Trade. Our application for the abolishment of administrative fine was refused, and the settlement was rejected by TT Mobil in the course of settlement. A cancellation case has been initiated with stay of execution request regarding the penalties claimed. The stay of execution request was denied and the case is pending.

According to management decision, as of 30 September 2019 the Company has recognized no provision in the consolidated financial statements that has been made for fulfillment of the obligation to the extent that it is not probable that a material outflow of resources embodying economic benefit will have occurred.

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 56.233 as at 30 September 2019 (31 December 2018: TL 56.946). For the rest of the cases, Group lawyers commented that basis of those cases are not realistic and should be appealed. Therefore, no provision has been provided for these cases.

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13. FINANCIAL RISK MANAGEMENT AND POLICIES

Market risk

Foreign currency risk

| | 30 September 2019 | | | | | 31 December 2018 | | | | |
|--|---------------------|--------------------|------------------|------------|----------------|---------------------|--------------------|------------------|-----------|----------------|
| | TL Equivalent | US Dollar | Euro | GBP | Other | TL Equivalent | USD | Euro | GBP | Other |
| 1. Trade receivables | 244.063 | 23.069 | 17.293 | 104 | 3.895 | 315.683 | 22.861 | 28.884 | 3 | 15.201 |
| 2a. Monetary financial assets (Cash and banks accounts included) | 4.173.420 | 620.183 | 105.912 | 1 | 5.859 | 3.286.197 | 336.639 | 250.863 | 17 | 2.040 |
| 2b. Non-monetary financial assets | — | — | — | — | — | — | — | — | — | — |
| 3. Other | 3.216 | 568 | — | — | — | 108.766 | 922 | 17.232 | — | 29 |
| 4. Current assets (1+2+3) | 4.420.699 | 643.820 | 123.205 | 105 | 9.754 | 3.710.646 | 360.422 | 296.979 | 20 | 17.270 |
| 5. Trade receivables | — | — | — | — | — | — | — | — | — | — |
| 6a. Monetary financial assets | 36.062 | 6.372 | 1 | — | — | 36.481 | 6.934 | — | — | — |
| 6b. Non-monetary financial assets | — | — | — | — | — | — | — | — | — | — |
| 7. Other | 734 | — | 119 | — | — | — | — | — | — | — |
| 8. Non-current assets (5+6+7) | 36.796 | 6.372 | 120 | — | — | 36.481 | 6.934 | — | — | — |
| 9. Total assets (4+8) | 4.457.495 | 650.192 | 123.325 | 105 | 9.754 | 3.747.127 | 367.356 | 296.979 | 20 | 17.270 |
| 10. Trade payables | 1.677.866 | 259.806 | 30.517 | — | 12.559 | 2.044.960 | 302.973 | 70.387 | — | 19.113 |
| 11. Financial liabilities | 4.765.786 | 521.228 | 293.540 | — | 645 | 6.707.528 | 917.725 | 311.789 | — | — |
| 12a. Monetary other liabilities | 163.783 | 9.037 | 18.216 | — | — | 9.561 | 201 | 1.411 | — | — |
| 12b. Non-monetary other liabilities | — | — | — | — | — | — | — | — | — | — |
| 13. Short-term liabilities (10+11+12) | 6.607.435 | 790.071 | 342.273 | — | 13.204 | 8.762.049 | 1.220.899 | 383.587 | — | 19.113 |
| 14. Trade payables | — | — | — | — | — | — | — | — | — | — |
| 15. Financial liabilities | 14.200.146 | 1.979.229 | 484.719 | — | 1.450 | 13.159.080 | 1.798.103 | 613.709 | — | — |
| 16 a. Monetary other liabilities | 197.461 | 34.697 | 179 | — | — | 85.271 | 16.095 | 99 | — | — |
| 16 b. Non-monetary other liabilities | — | — | — | — | — | — | — | — | — | — |
| 17. Long-term liabilities (14+15+16) | 14.397.607 | 2.013.926 | 484.898 | — | 1.450 | 13.244.351 | 1.814.198 | 613.808 | — | — |
| 18. Total liabilities (13+17) | 21.005.042 | 2.803.997 | 827.171 | — | 14.654 | 22.006.400 | 3.035.097 | 997.395 | — | 19.113 |
| 19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b) | 12.135.050 | 1.603.114 | 495.321 | — | — | 10.070.310 | 1.824.600 | 78.180 | — | — |
| 19a. Total asset amount hedged | — | — | — | — | — | — | — | — | — | — |
| 19b. Total liability amount hedged | (12.135.050) | (1.603.114) | (495.321) | — | — | (10.070.310) | (1.824.600) | (78.180) | — | — |
| 20. Net foreign currency asset/(liability) position (9-18+19) | (4.412.497) | (550.691) | (208.525) | 105 | (4.900) | (8.188.963) | (843.141) | (622.236) | 20 | (1.843) |
| 21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a) | (16.551.497) | (2.154.373) | (703.965) | 105 | (4.900) | (18.368.039) | (2.668.663) | (717.648) | 20 | (1.872) |
| 22. Fair value of FX swap financial instruments | (659.271) | (101.106) | (14.086) | — | — | (448.013) | (87.785) | 2.292 | — | — |
| 23. Hedged amount of foreign currency assets | — | — | — | — | — | — | — | — | — | — |
| 24. Hedged amount of foreign currency liabilities | (12.135.050) | (1.603.114) | (495.321) | — | — | (10.070.310) | (1.824.600) | (78.180) | — | — |

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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 Euro exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities):

| 30 September 2019 | Profit/Loss | | Other comprehensive income | |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| USD against TL by 10%: | | | | |
| 1- USD net asset/liability | (1.202.830) | 1.202.830 | — | — |
| 2- Hedged portion of USD risk (-) | 721.666 | (353.757) | (258.919) | (31.562) |
| 3- USD net effect (1+2) | (481.164) | 849.073 | (258.919) | (31.562) |
| Euro against TL by 10%: | | | | |
| 4- Euro net asset/liability | (435.120) | 435.120 | — | — |
| 5- Hedged portion of Euro risk (-) | 345.716 | (213.381) | (35.962) | (17.985) |
| 6- Euro net effect (4+5) | (89.404) | 221.739 | (35.962) | (17.985) |
| Other foreign currencies against TL by 10%: | | | | |
| 7- Other foreign currency net asset/liability | (664) | 664 | — | — |
| 8- Hedged portion of other foreign currency (-) | — | — | — | — |
| 9- Other foreign currency net effect (7+8) | (664) | 664 | — | — |
| Total (3+6+9) | (571.232) | 1.071.476 | (294.881) | (49.547) |
| 31 December 2018 | | | | |
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| USD against TL by 10%: | | | | |
| 1- USD net asset/liability | (1.398.652) | 1.398.652 | — | — |
| 2- Hedged portion of USD risk (-) | 287.143 | (196.188) | 98.573 | (70.465) |
| 3- USD net effect (1+2) | (1.111.509) | 1.202.464 | 98.573 | (70.465) |
| Euro against TL by 10%: | | | | |
| 4- Euro net asset/liability | (422.151) | 422.151 | — | — |
| 5- Hedged portion of Euro risk (-) | 186.468 | (156.462) | (52.525) | 19.659 |
| 6- Euro net effect (4+5) | (235.683) | 265.689 | (52.525) | 19.659 |
| Other foreign currencies against TL by 10%: | | | | |
| 7- Other foreign currency net asset/liability | (245) | 245 | — | — |
| 8- Hedged portion of other foreign currency (-) | — | — | — | — |
| 9- Other foreign currency net effect (7+8) | (245) | 245 | — | — |
| Total (3+6+9) | (1.347.437) | 1.468.398 | 46.048 | (50.806) |

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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.

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

| | Carrying amount | | Fair value | |
|--|-------------------|------------------|-------------------|------------------|
| | 30 September 2019 | 31 December 2018 | 30 September 2019 | 31 December 2018 |
| Financial assets | | | | |
| Cash and cash equivalents | 4.767.317 | 4.494.536 | 4.767.317 | 4.494.536 |
| Trade and other receivables (including related parties) | 6.050.799 | 5.384.712 | 6.050.799 | 5.384.712 |
| Financial investments (*) | 14.693 | 11.995 | (*) | (*) |
| Derivative financial assets | 172.297 | 237.402 | 172.297 | 237.402 |
| Financial liabilities | | | | |
| Bank borrowings | 13.814.591 | 15.040.979 | 13.814.344 | 15.039.834 |
| Bills, bonds and notes issued | 5.518.485 | 4.877.845 | 5.718.736 | 4.877.845 |
| Financial leasing liabilities | 1.251.351 | 2.594 | 1.251.351 | 2.594 |
| Trade payables and other liabilities (including related parties) (**) | 4.947.885 | 5.262.718 | 4.947.885 | 5.262.718 |
| Derivative financial liabilities | 991.144 | 732.938 | 991.144 | 732.938 |

(*) Group's share in financial investments are carries at lost. Information on fair value of share in these 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 contains 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 30 September 2019 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: | | | | | |
| <u>Derivative Financial Assets:</u> | | | | | |
| Cross currency swaps | 30 September 2019 | 136.239 | — | 136.239 | — |
| Interest rate swaps | 30 September 2019 | 36.058 | — | 36.058 | — |
| Financial liabilities measured at fair value: | | | | | |
| Bills, bonds and notes issued | 30 September 2019 | 2.703.036 | 2.703.036 | — | — |
| <u>Derivative Financial Liabilities:</u> | | | | | |
| Interest rate swaps | 30 September 2019 | 195.634 | — | 195.634 | — |
| Cross currency swaps | 30 September 2019 | 795.510 | — | 795.510 | — |
| Other financial liabilities not measured at fair value | | | | | |
| Bank loans | 30 September 2019 | 13.814.344 | — | 13.814.344 | — |
| Bills, bonds and notes issued | 30 September 2019 | 3.015.700 | 3.015.700 | — | — |

Fair value hierarchy table as at 31 December 2018 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: | | | | | |
| <u>Derivative Financial Assets:</u> | | | | | |
| Cross currency swaps | 31 December 2018 | 200.921 | — | 200.921 | — |
| Interest rate swaps | 31 December 2018 | 36.481 | — | 36.481 | — |
| Financial liabilities measured at fair value: | | | | | |
| Bills, bonds and notes issued | 31 December 2018 | 4.877.845 | 4.877.845 | — | — |
| <u>Derivative Financial Liabilities:</u> | | | | | |
| Interest rate swaps | 31 December 2018 | 84.004 | — | 84.004 | — |
| Cross currency swaps | 31 December 2018 | 648.934 | — | 648.934 | — |
| Other financial liabilities not measured at fair value | | | | | |
| Bank loans | 31 December 2018 | 15.039.834 | — | 15.039.834 | — |

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.

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13. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

Capital management policies (continued)

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 2019 and 2018.

14. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS

Since there is no consolidated profit for the year ended 31 December 2018, no amount is determined as available for dividend distribution.

15. DERIVATIVE FINANCIAL INSTRUMENTS

Cash flow hedges and derivative financial instruments

Interest rate swaps

As of 30 September 2019 fair value of interest rate derivative transactions amounting to TL 195.634 has been recognized under long term financial liabilities (31 December 2018: TL 84.004 long term financial liabilities). Unrealized loss on these derivatives amounting to TL 107.636 is recognized in other comprehensive income. Unrealized loss on these derivatives' time value amounting to TL 3.994 is recognized in statement of profit or loss.

| Company | Notional Amount (USD) | Trade Date | Terms and Maturity Date | Fair Value Amount as at 30 September 2019 (TL) |
|--------------|-----------------------|---------------------------|--|--|
| Türk Telekom | 300.000 | 29 April - 20 May 2014 | Pay fixed rates and receive floating rates between June 2016 and June 2024 | (165.508) |
| Türk Telekom | 150.000 | 15 May 2014 - 16 May 2014 | Pay fixed rates and receive rates between June 2016 and August 2016, and June 2024 and August 2024 | (30.126) |
| | | | | (195.634) |

| Company | Notional Amount (USD) | Trade Date | Terms and Maturity Date | Fair Value Amount as at 31 December 2018 (TL) |
|--------------|-----------------------|---------------------------|--|---|
| Türk Telekom | 300.000 | 29 April - 20 May 2014 | Pay fixed rates and receive floating rates between June 2016 and June 2024 | (76.346) |
| Türk Telekom | 150.000 | 15 May 2014 - 16 May 2014 | Pay fixed rates and receive rates between June 2016 and August 2016, and June 2024 and August 2024 | (7.658) |
| | | | | (84.004) |

Cross currency swap transaction

As of 30 September 2019 fair value of participating cross currency swap transactions amounting to TL 774.045 has been recognized under short term financial liabilities and TL 127.113 has been recognized under short term financial assets (31 December 2018: TL 366.901 short financial liabilities, TL 200.921 short term financial assets). Unrealized loss on these derivatives amounting to TL 261.420 is recognized in other comprehensive income.

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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 at 30 September 2019 (TL) |
|--------------|-----------------------|----------------------------------|------------------------------|--|--|
| Türk Telekom | 325.000 | 13 April 2016 - 15 December 2017 | 20 July 2018 - 3 August 2018 | Pay TL and receive USD at June 2024 | 105.563 |
| Türk Telekom | 75.000 | 31 January 2019 | | Pay TL and receive USD between November 2020 | 8.135 |
| Türk Telekom | 24.000 | 30 September 2019 | | Pay TL and receive USD at January 2020 | 675 |
| Türk Telekom | 80.455 (*) | 20 July 2018 - 1 August 2018 | 12-13 September 2018 | Pay TL and receive EUR between December 2021 - November 2022 | 4.560 |
| Türk Telekom | 27.000 (*) | 15 February 2019 | | Pay TL and receive EUR at November 2020 | 4.312 |
| Türk Telekom | 100.000 (*) | 27- 28 March 2018 | 18-19 September 2018 | Pay TL and receive EUR at December 2025 | 3.868 |
| | | | | | 127.113 |

| Company | Notional Amount (USD) | Trade Date | Amendment Date | Terms | Fair Value Amount as at 30 September 2019 (TL) |
|--------------|-----------------------|---------------------------------------|-------------------|--|--|
| Türk Telekom | 175.000 | 31 March 2016 | 11 December 2018 | Pay TL and receive USD at June 2024 | (208.494) |
| Türk Telekom | 138.000 | 14 November 2018 | | Pay TL and receive USD at April 2024 | (110.643) |
| Türk Telekom | 100.000 | 27 September 2018 - 28 September 2018 | | Pay TL and receive USD at July 2022 | (88.103) |
| Türk Telekom | 150.000 | 19 September 2018 - 11 October 2018 | | Pay TL and receive USD between April 2020 and April 2021 | (64.150) |
| Türk Telekom | 100.000 | 11 October 2018 - 12 October 2018 | | Pay TL and receive USD at January 2021 | (56.347) |
| Türk Telekom | 92.889 | 25 October 2018 - 18 July 2019 | | Pay TL and receive USD at April 2025 | (48.981) |
| Türk Telekom | 84.824 | 13 November 2018 - 19 July 2019 | | Pay TL and receive USD between December 2024 -April 2025 | (46.630) |
| Türk Telekom | 40.500 | 29 May 2019 | | Pay TL and receive USD at November 2020 | (30.727) |
| Türk Telekom | 47.359 | 22-23 July 2019 | | Pay TL and receive USD between October 2022 - September 2025 | (13.482) |
| Türk Telekom | 112.500 | 20 December 2018 - 21 March 2019 | | Pay TL and receive EUR at November 2020 | (4.461) |
| Türk Telekom | 42.000 | 28 June 2019 | | Pay TL and receive USD at January 2020 | (1.869) |
| Türk Telekom | 46.040 | 27 September 2019 | | Pay TL and receive USD at January 2020 | (449) |
| Türk Telekom | 225.000 (*) | 25 January 2019 - 18 March 2019 | | Pay TL and receive EUR at November 2020 | (37.508) |
| Türk Telekom | 35.000 (*) | 4 June 2018 | 26 September 2018 | Pay TL and receive EUR between November 2018-November 2022 | (29.664) |
| Türk Telekom | 37.355 (*) | 27-28 June 2019 | | Pay TL and receive EUR between November 2023-September 2024 | (14.042) |
| Türk Telekom | 15.385 (*) | 27 June 2019 | | Pay TL and receive EUR at June 2020 | (8.344) |
| Türk Telekom | 12.727 (*) | 27 June 2019 | | Pay TL and receive EUR at May 2020 | (6.816) |
| Türk Telekom | 6.462 (*) | 27 June 2019 | | Pay TL and receive EUR at June 2020 | (3.335) |
| | | | | | (774.045) |

(*) 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 at 31 December 2018 (TL) |
|--------------|-----------------------|----------------------------------|------------------------------------|--|---|
| Türk Telekom | 500.000 | 21 April 2015 - 9 July 2015 | 19 September 2018 - 8 October 2018 | Pay TL and receive USD at June 2019 | 105.867 |
| Türk Telekom | 325.000 | 13 April 2016 - 15 December 2017 | 20 July 2018 - 3 August 2018 | Pay TL and receive USD at June 2024 | 60.888 |
| Türk Telekom | 100.000 (*) | 27 - 28 March 2018 | 18-19 September 2018 | Pay TL and receive EUR at December 2025 | 16.181 |
| Türk Telekom | 94.545 (*) | 20 July 2018 - 1 August 2018 | 12-13 September 2018 | Pay TL and receive EUR between December 2021 - November 2022 | 17.985 |
| | | | | | 200.921 |

| Company | Notional Amount (USD) | Trade Date | Amendment Date | Terms | Fair Value Amount as at 31 December 2018 (TL) |
|--------------|-----------------------|-------------------------------------|-------------------|--|---|
| Türk Telekom | 150.000 | 19 September 2018 - 11 October 2018 | | Pay TL and receive USD between April 2020 and April 2021 | (97.552) |
| Türk Telekom | 100.000 | 27 - 28 September 2018 | | Pay TL and receive USD at July 2022 | (83.141) |
| Türk Telekom | 100.000 | 11 - 12 October 2018 | | Pay TL and receive USD at January 2021 | (72.020) |
| Türk Telekom | 138.000 | 14 November 2018 | | Pay TL and receive USD at April 2024 | (42.849) |
| Türk Telekom | 50.000 | 25 October 2018 | | Pay TL and receive USD at April 2025 | (30.965) |
| Türk Telekom | 56.600 | 13 November 2018 | | Pay TL and receive USD at December 2024 | (17.703) |
| Türk Telekom | 50.000 | 20 December 2018 | | Pay TL and receive USD between May 2019 - November 2020 | (2.322) |
| Türk Telekom | 45.000 (*) | 4 June 2018 | 26 September 2018 | Pay TL and receive EUR between November 2018-November 2022 | (20.349) |
| | | | | | (366.901) |

(*) Nominal amount of indicated operations are Euro.

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate derivative instruments which are not designated as hedge

As of 30 September 2019 fair value of the interest rate swap transactions which are not designated as hedge and amounting to TL 36.058 is recognized under long term financial assets (31 December 2018: TL 36.481 assets). Unrealized loss on these derivatives amounting to TL 423 recognized in profit or loss.

| Company | Notional Amount (USD) | Trade Date | Terms and Maturity Date | Fair Value Amount as at 30 September 2019 (TL) |
|--------------|-----------------------|------------------------|--|--|
| | | | Pay the difference between floating rate and 4% if floating rate exceeds 4%, between June 2016 and June 2021, and receive fixed premium (0,44%-0,575%) | |
| Türk Telekom | 300.000 | 29 April - 20 May 2014 | Pay the difference between floating rate and 6% if floating rate exceeds 6%, between June 2021 and June 2024, and receive fixed premium (0,39%-0,45%) | 36.058 |
| | | | | 36.058 |

| Company | Notional Amount (US D) | Trade Date | Terms and Maturity Date | Fair Value Amount as at 31 December 2018 (TL) |
|--------------|------------------------|------------------------|--|---|
| | | | Pay the difference between floating rate and 4% if floating rate exceeds 4%, between June 2016 and June 2021, and receive fixed premium (0,44%-0,575%) | |
| Türk Telekom | 300.000 | 29 April - 20 May 2014 | Pay the difference between floating rate and 6% if floating rate exceeds 6%, between June 2021 and June 2024, and receive fixed premium (0,39%-0,45%) | 36.481 |
| | | | | 36.481 |

Cross Currency swaps instruments which are not designated as hedge

As of 30 September 2019, fair value of derivative transactions amounting to TL 21.465 is recognized under short term financial liabilities and TL 9.126 is recognized under short term financial assets (31 December 2018: TL 282.033 short term financial liability).

EUR/TL Cross Currency Swaps Instruments

| Company | Notional Amount (EUR) | Trade Date | Terms | Fair Value Amount as at 30 September 2019 (TL) |
|---------|-----------------------|-----------------|---|--|
| Innova | 185 | 1 February 2019 | Pay TL and receive EUR at November 2019 | (131) |
| | | | | (131) |

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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 30 September 2019 (TL) |
|--------------|-----------------------|-----------------|--------------------------------------|--|
| Türk Telekom | 45.000 | 26 October 2018 | Pay USD and receive EUR at June 2024 | (21.334) |
| | | | | (21.334) |

| Company | Notional Amount (USD) | Trade Date | Terms | Fair Value Amount as at 30 September 2019 (TL) |
|---------------|-----------------------|---------------|---|--|
| Türk Telekom | 45.000 | 30 April 2015 | Pay EUR and receive USD between June 2015 and June 2024 | 3.327 |
| TTINT Türkiye | 50.000 | 16 June 2016 | Pay EUR and receive USD between December 2016 and June 2026 | 5.799 |
| | | | | 9.126 |

| Company | Notional Amount (USD) | Trade Date | Terms | Fair Value Amount as at 31 December 2018 (TL) |
|---------------|-----------------------|-----------------|---|---|
| Türk Telekom | 175.000 | 30 April 2015 | Pay EUR and receive USD between June 2015 and June 2024 | (66.688) |
| TTINT Türkiye | 50.000 | 16 June 2016 | Pay EUR and receive USD between December 2016 and June 2026 | (3.802) |
| Türk Telekom | 45.000 | 26 October 2018 | Pay USD and receive EUR at June 2024 | (1.958) |
| | | | | (72.448) |

USD/TL Cross Currency Swaps Instruments

| Company | Notional Amount (USD) | Trade Date | Amendment Date | Terms and Maturity Date | Fair Value Amount as at 31 December 2018 (TL) |
|--------------|-----------------------|---------------|------------------|-------------------------------------|---|
| Türk Telekom | 175.000 | 31 March 2016 | 11 December 2018 | Pay TL and receive USD at June 2024 | (209.585) |
| | | | | | (209.585) |

Hedge of net investment in a foreign operation

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

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

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16. SUPPLEMENTARY CASH FLOW INFORMATION

Other explanations

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

17. SUBSEQUENT EVENTS

None.