

**TÜRK TELEKOMÜNİKASYON A.Ş.**



**INTERIM ACTIVITY REPORT AS OF 30.06.2018  
BASED ON NO:II-14.1 COMMUNIQUE OF CAPITAL MARKETS  
BOARD**

**July 24, 2018**

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## 1. OVERVIEW OF TÜRK TELEKOM

Türk Telekom, with 177 years of history, is the first integrated telecommunications operator in Turkey. In 2015, Türk Telekomünikasyon A.Ş. adopted a “customer-oriented” and integrated structure in order to respond to the rapidly changing communication and technology needs of customers in the most powerful and accurate way, while maintaining the legal entities of TT Mobil İletişim Hizmetleri A.Ş. and TTNET A.Ş. intact and adhering to the rules and regulations to which they are subject. Having a wide service network and product range in the fields of individual and corporate services, Türk Telekom unified its mobile, internet, phone and TV products and services under the single “Türk Telekom” brand as of January 2016.

“Turkey’s Multiplay Provider” Türk Telekom has 14.1 million fixed access lines, 10.3 million broadband, 3.3 million TV and 20.2 million mobile subscribers as of June 30, 2018. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 33,615 employees with the vision of introducing new technologies to Turkey and accelerating Turkey’s transformation into an information society.

Türk Telekomünikasyon A.Ş., providing PSTN and wholesale broadband services, directly owns 100% of mobile operator TT Mobil İletişim Hizmetleri A.Ş., retail internet services, IPTV, satellite TV, Web TV, Mobile TV, Smart TV services provider TTNET A.Ş., convergence technologies company Argela Yazılım ve Bilişim Teknolojileri A.Ş., IT solution provider Innova Bilişim Çözümleri A.Ş., online education software company Sebit Eğitim ve Bilgi Teknolojileri A.Ş., call center company AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş., wholesale data, corporate venture capital company TT Ventures Proje Geliştirme A.Ş., Electric Supply and Sales Company TTES Elektrik Tedarik Satış A.Ş. and capacity service provider Türk Telekom International, and indirectly owns 100% of subsidiaries of Türk Telekom International, TV Broadcasting and VOD services provider Net Ekran Companies, telecommunications devices sales company TT Satış Ve Dağıtım Hizmetleri A.Ş. and payment services company TT Ödeme Hizmetleri A.Ş. and counselling services company 11818 Rehberlik ve Müşteri Hizmetleri A.Ş.

## 2. CORPORATE STRUCTURE

### Ownership Structure

| Group        | Shareholder                                     | Paid-in Capital Amount (TL) | Share (%)  |
|--------------|---|-----------------------------|------------|
| A            | Ojer Telekomünikasyon A.Ş.                      | 1,925,000,000.00            | 55         |
| B            | Republic of Turkey Undersecretariat of Treasury | 875,011,884.975             | 25         |
| C            | Republic of Turkey Undersecretariat of Treasury | 0.01                        |            |
| B            | Turkish Wealth Fund                             | 174,988,115.015             | 5          |
| D            | Free Float                                      | 525,000,000.00              | 15         |
| <b>Total</b> |   | <b>3,500,000,000.00</b>     | <b>100</b> |

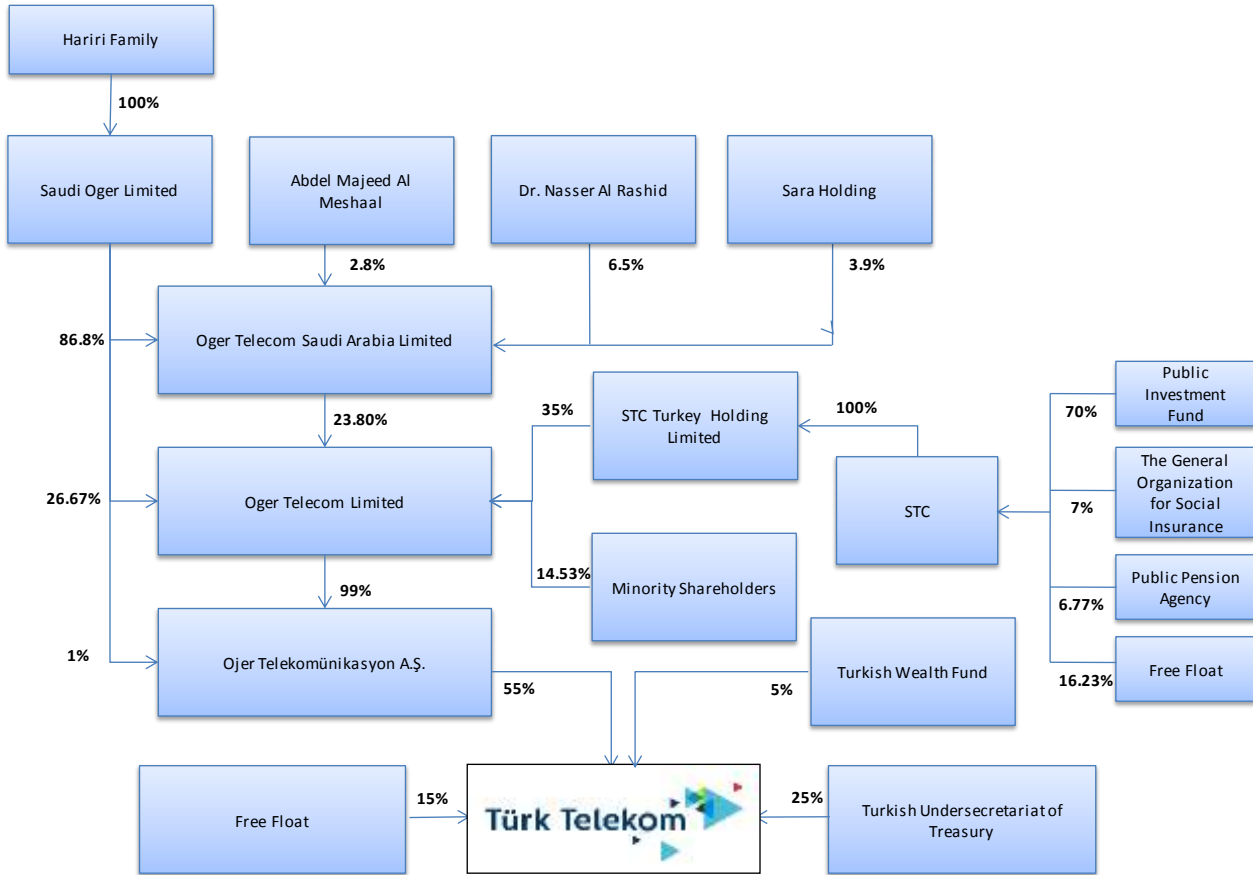
\*According to the Official Gazette on February 5, 2017, the Council of Ministers decided to transfer the 6.68% stake (5% B Group shares and 1.68% D Group shares) of the Company belonging to the Turkish Treasury to the Turkish Wealth Fund. The transaction was completed in 2017.

The Türk Telekom Shareholders’ Agreement and the Articles of Association further state that the Turkish Treasury owns a “golden share” (Class C share). The “golden share” is entitled to nominate a Board Member and has the below rights as per article 6 of the Articles of Association;

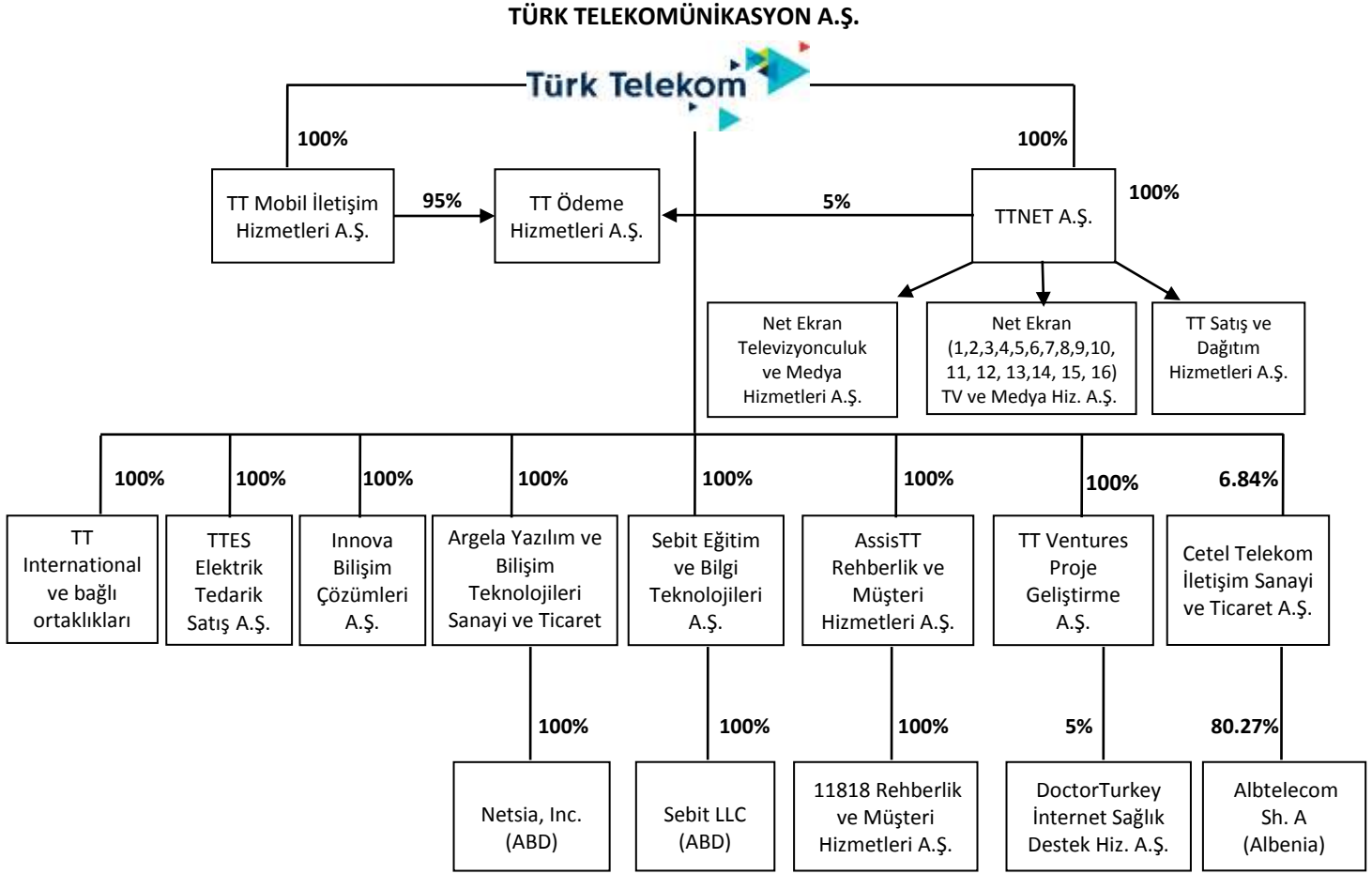
“In order to protect Turkey’s national interests relating to national security and the economy, the Class C share’s positive vote is required for the following matters regardless of the voting result in the Board or General Assembly, otherwise accepted as null and void;

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

Natural and legal persons owning shares of our Company, directly or indirectly are stated below:



- Subsidiaries and financial investments:



## Management and Organization

### Board of Directors

Mohammed Hariri  
 Fahri Kasırga  
 Abdullah Tivnikli  
 Suat Hayri Aka  
 Cenk Serdar  
 Hakam Kanafani  
 Nasser Sulaiman A Al Nasser  
 Mazen Abou Chakra  
 Rami Aslan  
 Sefer Turan  
 Yiğit Bulut  
 İbrahim Eren

Chairman of the Board of Directors  
 Independent Member and Vice Chairman of Board of Directors  
 Member of the Board of Directors  
 Member of the Board of Directors  
 Member of the Board of Directors  
 Member of the Board of Directors  
 Member of the Board of Directors  
 Member of the Board of Directors  
 Independent Member of the Board of Directors  
 Independent Member of the Board of Directors  
 Independent Member of the Board of Directors

### Statutory Audit Board

İsmail Kartal  
 Ali Polat  
 Salih Orakçı

Member of the Statutory Audit Board  
 Member of the Statutory Audit Board  
 Member of the Statutory Audit Board

**Senior Management**

|                             |   |
|-----------------------------|---|
| Dr. Boulos H.B (Paul) Doany | CEO and General Manager   |
| Şükrü Kutlu                 | Human Resources, Regulation and Support Assistant General Manager     |
| Kaan Aktan                  | Finance Assistant General Manager                                     |
| Hakan Dursun                | Marketing Assistant General Manager                                   |
| Fırat Yaman Er              | Strategy, Planning and Business Development Assistant General Manager |
| Ümit Önal                   | Sales and Customer Care Assistant General Manager                     |
| Yakup Öztunç                | Legal Assistant General Manager                                       |
| Yavuz Yıldırım              | Wholesale Assistant General Manager                                   |
| Yavuz Türkmen               | Head of Internal Audit  |

**Note:** On 27.04.2018, our Company's Technology Assistant General Manager Cengiz Doğan, has decided to leave his position. Currently, all responsibilities and authorities of under this position will be executed by our Company's General Manager/CEO, Boulos H.B. Doany, in addition to his existing responsibilities.

**3. SIGNIFICANT BOARD RESOLUTIONS**

Significant Board Resolutions taken during the period are presented under Material Issues During the Period section.

**4. PERSONNEL MOVEMENTS**

Consolidated headcount as of the 30.06.2018 and 31.12.2017 are 33,615 and 34,502 respectively.

**5. FINANCIAL RISK MANAGEMENT**

Türk Telekom Group is exposed to financial risks such as liquidity risk, foreign exchange risk, interest rate risk and counterparty risk.

To minimize liquidity risk, the Group obtains long-term financing from different regions of the world (The United States, Europe, the Gulf Region, Japan, China, and Turkey) and different investment groups (commercial banks, international financial institutions such as EIB and EBRD, officially supported export credit agencies and bond). This strategy enables the Group to secure long-term financing at lower costs and also eliminates the Group's dependency on a single region or investor group.

Long-term financing and diversified sources result in the Group carrying liabilities in foreign currencies. Due to net liabilities denominated in foreign currencies and fluctuating exchange rates, the Group is often exposed to foreign exchange risk, which may have an impact on cash flow and the balance sheet.

Türk Telekom minimizes the negative impact of foreign exchange risk on its cash flow by carefully planning foreign currency cash flow. Firstly, the Group holds a balanced portfolio of foreign currencies (US Dollar and Euro) to avoid adverse impacts on the balance sheet. Additionally, in the face of exchange rate fluctuations between the Turkish Lira and these foreign currencies, the Group initiated a long-term hedging strategy in 2015, and realized a hedging transaction of USD 1.17 billion, details of which are provided in the footnotes to the financial statement. Furthermore, in order to create a natural hedge against foreign exchange risk, Türk Telekom keeps a significant portion of its liquid assets in the form of foreign exchange cash.

To avoid interest rate risk, Türk Telekom has entered a USD 1,050 million equivalent interest-rate swap, details of which are provided in the footnotes in the financial statements. Together with the use of fixed-cost funds such as bonds, Türk Telekom reduces its exposure to the risk of a floating interest rate.

With regard to its financial assets, Türk Telekom maintains its strategy of minimizing exposure to counterparty risks by implementing limits and a diversification policy.

Türk Telekom carries the transactions to manage the financial risks based on the evaluations and approval of the Treasury Committee, which is appointed by the Board of Directors.

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

### Regulatory Disclosure dated 02.04.2018 - Appointment of Independent Audit Firm

As per the decision by our Company's Board of Directors pursuant to the Capital Markets Board and Turkish Commercial Code regulations, an independent auditing agreement has been signed with KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. for the audit of our Company for the accounting period of 2018, which is subject to the approval of the shareholders during the upcoming Ordinary General Assembly Meeting.

### Regulatory Disclosure dated 03.04.2018 - 2017 Ordinary General Assembly Meeting

Our Board of Directors has resolved that our Company's Ordinary General Assembly Meeting for the year 2017 shall be held at the address of Türk Telekomünikasyon A.Ş. Head Quarters The Cultural Center, Turgut Özal Bulvarı 06103 Aydınlıkevler, Ankara and by electronic means on 27.04.2018 at 10:00 a.m. and in order to discuss the attached agenda items. Agenda, invitation letter and proxy sample for the 2017 ordinary general assembly meeting are attached.

- 1 - Opening and Election of the Chairmanship Committee
- 2 - Authorizing the Chairmanship Committee to sign the Minutes of the General Assembly Meeting and the List of Attendees
- 3 - Reading the Board of Directors Annual Report for the year 2017
- 4 - Reading the Auditor's Report for the year 2017
- 5 - Reading, discussing and approving the Balance Sheet and Profit/Loss Accounts for the year 2017
- 6 - Releasing the Members of the Board of Directors for the operations and transactions of our Company during 2017
- 7 - Defining the salaries of the Members of the Board of Directors
- 8 - Defining the salaries of the Members of the Statutory Audit Board
- 9 - Discussing and resolving on the proposal of the Board of Directors regarding the distribution of the profit generated in 2017
- 10 - Election of the Auditor for the purpose of auditing our Company's operations and accounts for the year 2018 pursuant to Article 399 of Turkish Commercial Code and Article 17/A of the Articles of Association of our Company
- 11 - Informing the General Assembly about the donations and aids made in 2017
- 12 - Informing the General Assembly about the guarantees, pledges and mortgages given by our Company in 2017 in favour of third parties, and about revenues or interests generated
- 13 - Informing the General Assembly of the changes that have material impact on the management and the activities of our Company and its subsidiaries and that were realized within the previous fiscal year or being planned for the following fiscal year and of the reasons of such changes, pursuant to the of Capital Markets Board Corporate Governance Principle No:1.3.1 (b)
- 14 - Informing the General Assembly of the transactions of the controlling shareholders, the Board of Directors Members, the executives who are under administrative liability, their spouses and their relatives by blood and marriage up to the second degree that are performed within the year 2017 relating to make a material transaction which may cause conflict of interest for the Company or Company's subsidiaries and/or to carry out works within or out of the scope of the Company's operations on their own behalf or on behalf of others or to be an unlimited partner to the companies operating in the same kind of fields of activity in accordance with the Capital Markets Board Corporate Governance Principle No:1.3.6
- 15 - Informing the general assembly regarding the "Remuneration Policy" for the Board of Directors Members and the Senior Executives in accordance with the Capital Markets Board Corporate Governance Principle No:4.6.2
- 16 - Informing the general assembly regarding the "Disclosure Policy" pursuant to article 17 of the Capital Markets Board Communiqué On Material Events Disclosure No: II-15.1

17 - Discussing and voting for authorizing the Board of Directors or person(s) designated by the Board of Directors for company acquisitions to be made by our Company or its subsidiaries until the next ordinary general assembly meeting up to 500 Million Euros which will be separately valid for each acquisition

18 - Discussing and voting for authorizing the Board of Directors to establish Special Purpose Vehicle(s) when required for above mentioned acquisitions

19 - Resolving on giving permission to the Board of Directors Members to carry out works within or out of the scope of the Company's operations on their own behalf or on behalf of others or to be a partner to companies who does such works, and to carry out other transactions, as per Article 395 and 396 of Turkish Commercial Code

Regulatory Disclosure dated 05.04.2018 - 2017 Ordinary General Assembly Meeting - Information Note is attached.

Our Board of Directors has resolved that our Company's Ordinary General Assembly Meeting for the year 2017 shall be held at the address of Türk Telekomünikasyon A.Ş. Head Quarters The Cultural Center, Turgut Özal Bulvarı 06103 Aydınlıkevler, Ankara and by electronic means on 27.04.2018 at 10:00 a.m. and in order to discuss the attached agenda items. Agenda, invitation letter, proxy sample and information note for the 2017 ordinary general assembly meeting are attached.

Regulatory Disclosure dated 12.04.2018 - Disclosure Policy

Our Company's updated Disclosure Policy is attached.

Regulatory Disclosure dated 25.04.2018 - Guidance Revision for 2018 Consolidated Financial Results

Our company adopted IFRS 15 and IFRS 9 accounting standards starting from 1 January 2018.

Adoption of these standards is expected to have around TL 600 million incremental impact on 2018 EBITDA and CAPEX, while no material impact is expected on revenue. Accordingly, we revise 2018 guidance, previously announced via 8 February 2018 dated regulatory disclosure.

Under current circumstances, revised guidance for 2018 is as below :

- Consolidated revenue growth (excluding IFRIC 12) to be around 11% over 2017
- Consolidated EBITDA to be at TL 7.6 billion and TL 7.8 billion levels
- Consolidated CAPEX to be around TL 4.1 billion

Türk Telekom will apply IFRS 16 for the first time starting from 1 January 2019. Hence, 2018 guidance does not incorporate any impact of IFRS 16 accounting standard.

Regulatory Disclosure dated 27.04.2018 - Senior Management Change

Our Company's Technology Assistant General Manager Cengiz Doğan, has decided to leave his position. Currently, all responsibilities and authorities of under this position will be executed by our Company's General Manager/CEO, Boulos H.B. Doany, in addition to his existing responsibilities.

Regulatory Disclosure dated 08.05.2018 - Revision of Corporate Rating and Outlook by S&P

On May 1 2018, S&P Global Ratings (S&P) revised Turkey's long-term sovereign rating from "BB" to "BB-", and the outlook from "Negative" to "Stable". As a result, S&P has revised our company's long-term corporate rating from "BBB-" to "BB+" and the outlook from "Negative" to "Stable". Meanwhile, S&P has not changed our Company's stand-alone credit profile (SACP) and kept at "bbb-".

Regulatory Disclosure dated 16.05.2018 - Conclusion of the Related Party Transactions Report

Common and recurring asset, service and liability transfer transactions between TTNET A.Ş. and Türk Telekomünikasyon A.Ş. in 01.01.2017 – 31.12.2017 financial year exceeded 10% of the reported sales revenue of Türk Telekom as stated under its 2017 year-end financial tables and projected to exceed in 2018. These transactions are considered to be made with fair, reasonable and suitable to arm's length prices considering positive discrimination for operators excluding TTNET A.Ş. by current pricing regulations.



Apart from those there are no asset, service and liability transfer transactions exceeding the threshold with the related parties and is not projected to be done in 2018.

In addition, there is no non-recurring asset, service and liability transfers which reached or exceeded or projected to reach or exceed 5% of the publicly announced sales revenue, total assets or average of the adjusted daily weighted average market capitalization for 6 months period prior to the related Board Resolution date, as defined by the Article 9 of the Communiqué.

Regulatory Disclosure dated 22.05.2018 - Disclosure About News or Rumours

There were news in some media channels mentioning the related parties would discuss the plan regarding restructuring of our main shareholder Ojer Telekomünikasyon A.Ş.'s (OTAŞ) debts to some banks.

Currently, no official notification has been made to our company Türk Telekomünikasyon A.Ş on the process and/or outcome of the plan. In the event of an official notification to our Company on this matter, the public will be promptly informed within the scope of the related legislation.

This public disclosure is made by our Company under article 9 of CMB's Material Events Communiqué numbered II-15.1, and relevant legislations.

Regulatory Disclosure dated 28.05.2018 - 2017 Ordinary General Assembly Meeting Result

2017 General Assembly Meeting was held. Please find List of Attendees and Minutes on: <http://www.tinvestorrelations.com/en-us/corporate-governance/pages/general-assembly-meeting.aspx>

Regulatory Disclosure dated 28.05.2018 - Ordinary General Assembly Decision for Profit Distribution

It is resolved at our Company's Ordinary General Assembly for the year 2017 that;

- Our Company's profit generated as a result of its activities performed between dates 01/01/2017 – 31/12/2017 according to the independently audited consolidated financial tables prepared in accordance with the provisions of "CMB Communiqué About Financial Reporting in Capital Markets No.II-14.1" is TL 1,135,532,329.14 and the commercial profit calculated within the scope of the provisions of Tax Procedure Law is TL 2,370,578,044.73;
- Pursuant to the CMB Communiqué on Dividends No: II-19.1, the profit after tax amount of TL 1,135,532,329.14 shall be the base amount for dividend distribution;
- Pursuant to article 11/1 of the CMB Communiqué on Dividends No:II-19.1, there are no losses in our Company's previous years' profit distribution table to be deducted on the grounds that our Company's recent assets (excluding the term profit of which previous losses shall be deducted priorly) are adequate;
- Since our Company already reached the general legal reserve limit, which is 20% of the paid in capital in accordance with Article 519 of Turkish Commercial Code, this reserve is not required for 2017;
- Net profit in the amount of 1,135,532,329.14 TL, shall be set aside, as the extraordinary legal reserved in order to provide a robust balance sheet.

Regulatory Disclosure dated 05.06.2018 - The registration of 2017 Ordinary General Assembly Meeting Results

The resolutions taken at our Company's 2017 Ordinary General Assembly Meeting held on May 28, 2018 have been registered by Ankara Trade Registry Office on June 01, 2018 and published on the Turkish Trade Registry Gazette on June 05, 2018.

Regulatory Disclosure dated 05.06.2018 - Registration of Independent Auditor Selection

The general assembly resolution dated 28.05.2018 on the selection of KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. for the audit of our Company for the accounting period of 2018 has been registered by Ankara Trade Registry Office on 01.06.2018 and published on the Turkish Trade Registry Gazette on 05.06.2018.

Regulatory Disclosure dated 12.06.2018 - JCR Eurasia Credit Rating

JCR Eurasia Rating has evaluated our Company Türk Telekomünikasyon A.Ş. and assigned investment grade ratings on the national and international scales. The Long Term National Rating is assigned as 'AA- (Trk)', Long Term International Local Currency Rating as 'BBB' and Long Term International Foreign Currency Rating as 'BBB-'. The outlooks associated with local and foreign currency ratings are 'Positive' and 'Stable', respectively.

Regulatory Disclosure dated 20.06.2018 - Disclosure About News or Rumours

Türk Telekomünikasyon A.Ş. General Manager/CEO Dr. Paul (Boulos H.B) Doany met with some journalists during the 14th 5G World Summit in London, and while addressing the questions, he touched upon the latest developments within the company. This disclosure is made to clarify the public on the developments regarding our main shareholder Ojer Telekomünikasyon A.Ş. (OTAŞ) which was mentioned during this interview and the news in some media channels.

As stated by our company via the public disclosure dated 28 May 2013, OTAŞ signed loan agreements with certain financial institutions in order to refinance and extend the terms of its debts. OTAŞ used Türk Telekomünikasyon A.Ş. shares it owned as collateral of the aforementioned loan and pledged the shares under the condition that all share rights remain with OTAŞ.

As our company is not a party to this debt in question, no official information regarding OTAS's debt or the meetings that took place between OTAS and the banks have been divulged to us. According to information we receive from media, OTAS has failed to meet the financial obligations regarding this debt and certain processes may be applied as per the agreement OTAS has with the banks.

As we have previously stated via our company's 22 May 2018 dated public disclosure, an official statement has not been made to our company regarding the outcome of the process and/or plan. During the meeting with journalists, our CEO Dr. Paul Doany gave general information regarding possibilities taking into account practices in similar situations around the world. According to the press reports, the banks are currently executing their processes in frame with the credit agreement they have with OTAS and no information regarding the leadtime (maturity) of this process has officially reached us. It has been observed that the maturity terms regarding the process mentioned in the interview has been misinterpreted by certain circles. The maturities discussed have been used to describe the exit periods of investments carried out by special purpose companies around the world; not for describing the process of the credit restructuring that the banks are in talks with OTAS. In the event of an official notification to our Company on this matter, the public will be promptly informed within the scope of the related legislation.

This public disclosure is made by our Company under article 9 of CMB's Material Events Communiqué numbered II-15.1, and relevant legislations.

Regulatory Disclosure dated 25.06.2018 - Extraordinary General Assembly Meeting

Our Board of Directors has resolved that Our Company's Extraordinary General Assembly Meeting shall be held at the address of Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Merkezi, Turgut Özal Bulvarı 06103 Aydınlikevler, Ankara and by electronic means on 19.07.2018 at 10:00 in order to discuss the attached agenda items. Agenda, invitation letter, proxy sample and information note for the Extraordinary General Assembly Meeting are attached.

- 1 - Opening and Election of the Chairmanship Committee,
- 2 - Authorizing the Chairmanship Committee to sign the minutes of the General Assembly Meeting and the List of Attendees,
- 3 - Election of the Board of Directors, defining their terms of office and their salaries,
- 4 - Resolving on giving permission to the Board of Directors Members to carry out works within or out of the scope of the Company's operations on their own behalf or on behalf of others or to be a partner to companies who does such works, and to carry out other transactions, as per Article 395 and 396 of Turkish Commercial Code,

## 5 - Comments and closing.

### Regulatory Disclosure dated 27.06.2018 - Extraordinary General Assembly Meeting - Information Note is attached

As announced on 25.06.2018, our Board of Directors has resolved that Our Company's Extraordinary General Assembly Meeting shall be held at the address of Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Merkezi, Turgut Özal Bulvarı 06103 Aydınlıkevler, Ankara and by electronic means on 19.07.2018 at 10:00. Extraordinary General Assembly will be held in order to discuss the agenda items including election of the Board of Directors whose term of office would expire, determination of their terms of office and their salaries, and other agenda items attached.

In this announcement, information note for the Extraordinary General Assembly Meeting is attached in addition to previously announced agenda, invitation letter and proxy sample.

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

### Regulatory Disclosure dated 06.07.2018 - Disclosure About News or Rumours

An announcement has been posted on the website of the Competition Authority on 05.07.2018, in relation to application to the Competition Authority, for the acquisition of Ojer Telekomünikasyon A.Ş.'s 55% shares in our Company, Türk Telekomünikasyon A.Ş., by a special purpose vehicle (SPV), to be established specific to that transaction.

No notification has been made to our company, Türk Telekomünikasyon A.Ş., related to this announcement. In the event of a notification to our Company on this matter, the public will be promptly informed within the scope of the related legislation.

This public disclosure is made by our Company under article 9 of CMB's Material Events Communiqué numbered II-15.1, and relevant legislations.

### Regulatory Disclosure dated 18.07.2018 - Extraordinary General Assembly Meeting - Information Note is updated

As announced on 25.06.2018, our Board of Directors has resolved that Our Company's Extraordinary General Assembly Meeting shall be held at the address of Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Merkezi, Turgut Özal Bulvarı 06103 Aydınlıkevler, Ankara and by electronic means on 19.07.2018 at 10:00. Extraordinary General Assembly will be held in order to discuss the agenda items including election of the Board of Directors whose term of office would expire, determination of their terms of office and their salaries, and other agenda items attached.

In this announcement, information note for the Extraordinary General Assembly Meeting is updated in addition to previously announced agenda, invitation letter and proxy sample.

### Regulatory Disclosure dated 19.07.2018 - Extraordinary General Assembly Meeting Result

Extraordinary General Assembly Meeting was held. Please find List of Attendees and Minutes on: <http://www.ttinvestorrelations.com/en-us/corporate-governance/pages/general-assembly-meeting.aspx>

### Regulatory Disclosure dated 20.07.2018 - Revision of Corporate Rating by Fitch

On July 13 2018, Fitch Ratings revised Turkey's long-term foreign currency sovereign rating from "BB+" to "BB", and the outlook from "Stable" to "Negative". Country ceiling was also downgraded to 'BB+' from 'BBB-'.

As a result of the downgrade of the sovereign ratings, Fitch has revised our company's Long-term Foreign and Local Currency Issuer Default Rating from "BBB-" to "BB+". Senior unsecured rating is also revised from "BBB-" to "BB+"

## 8. SUMMARY FINANCIAL RESULTS

### Summary Türk Telekom Consolidated Balance Sheet as of 31.12.2017 and 30.06.2018

| TL millions  | 31.12.2017    | 30.06.2018    |
|--|---------------|---------------|
| Intangible Assets                                  | 8,482         | 9,332         |
| Tangible Assets <sup>(a)</sup>                     | 9,138         | 9,004         |
| Other Assets <sup>(b)</sup>                        | 7,428         | 7,861         |
| Cash and Equivalents                               | 4,100         | 4,304         |
| <b>Total Assets</b>                                | <b>29,149</b> | <b>30,501</b> |
| Share capital                                      | 3,260         | 3,260         |
| Reserves, Retained Earnings and Other Equity Items | 1,295         | 815           |
| Interest Bearing Liabilities <sup>(c)</sup>        | 16,492        | 19,258        |
| Other Liabilities <sup>(d)</sup>                   | 8,102         | 7,168         |
| <b>Total Equity and Liabilities</b>                | <b>29,149</b> | <b>30,501</b> |

(a) Tangible assets include property, plant and equipment and investment property.

(b) Major items within Other Assets are Trade Receivables, Due from Related Parties, Other Current Assets and Deferred Tax Asset.

(c) Includes short-term and long-term borrowing and short-term and long-term obligations under finance leases

(d) Major items within Other Liabilities are Deferred Tax Liability, Trade Payables, Provisions, Income Tax Payable, Due to Related Parties, Other Current Liabilities, Provisions for Employee Termination Benefits and Minority Put Option Liability

### Summary Türk Telekom Consolidated Income Statement for the periods of 2017 Q2 and 2018 Q2

| TL millions   | 2017 Q2      | 2018 Q2       |
|---|--------------|---------------|
| <b>Revenues</b>                                     | <b>4,501</b> | <b>4,951</b>  |
| <b>EBITDA</b>                                       | <b>1,712</b> | <b>1,968</b>  |
| <i>Margin</i>                                       | 38%          | 40%           |
| <b>Operating Profit <sup>(a)</sup></b>              | <b>939</b>   | <b>1,058</b>  |
| <i>Margin</i>                                       | 21%          | 21%           |
| <b>Financial Income/Expense, net <sup>(b)</sup></b> | <b>249</b>   | <b>-2,163</b> |
| FX & Hedging Gain/Loss, net <sup>(c)</sup>          | 339          | -1,932        |
| Interest Income/Expense, net                        | -85          | -172          |
| Other Financial Income/Expense, net                 | -6           | -59           |
| <b>Tax Expense</b>                                  | <b>-298</b>  | <b>216</b>    |
| <b>Profit</b>                                       | <b>890</b>   | <b>-889</b>   |
| <i>Margin</i>                                       | 20%          | -18%          |

(a) Operating profit includes revenues, cost of sales, depreciation, amortization and impairment expenses, marketing, sales and distribution expenses, general administrative expenses, research and development expenses, other operating income/(expense), and income/(expense) from investing activities, but excludes financial income/(expenses) presented in other operating income/(expenses) on CMB financial statements (i.e. FX gain/(loss), interest and rediscount income/(expense) on current accounts excluding bank borrowings). Reported operating profit on CMB financial statements is different due to reclassification requirements of the POA/CMB since 2013 Q3 financial statements.

(b) Net financial income/(expense) includes financial income/(expense) and FX gain/(loss), interest and discount income/(expense) on current accounts excluding bank borrowings which are presented in other operating income/(expenses) on CMB financial statements. Net financial income/ (expense) on CMB financial statements is different due to reclassification requirements of the POA/CMB since 2013 Q3 financial statements.

(c) As of Q2'18, income/expense from derivative interest payments, which were previously presented under FX & hedging gain/loss, started to be presented under interest income/expense item. As a result of this reclassification, TL 18 mn expense from derivative interest payments in Q1'18 presented under interest income/expense item in Q2'18.

IFRS 9 & 15 Adoption :

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

Türk Telekom adopted IFRS 15 Revenue from Contracts with Customers with a date of initial application of 1 January 2018. The Group applied IFRS 15 using the cumulative effect method – by recognizing the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the previous periods were not restated.

Please kindly find the reconciliation of IFRS 15 and the impact of IFRS 9 change on 2018 H1 at financial footnotes.