

**Türk Telekomünikasyon
Anonim Şirketi and Its Subsidiaries
31 March 2019**

Interim Condensed Consolidated
Financial Statements As At and For
The Three Month Period
Ended 31 March 2019

7 May 2019

*This report contains 41 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 THREE MONTH PERIOD ENDED 31 MARCH 2019

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

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 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	31 March 2019	31 December 2018
Assets			
Current assets		14.224.231	10.936.213
Cash and cash equivalents	6	7.349.663	4.494.536
Trade receivables			
- Due from related parties	8	8.939	10.489
- Trade receivables from third parties	9	5.482.239	5.140.127
Other receivables			
- Other receivables from third parties		74.317	67.434
Derivative financial instruments	15	379.745	200.921
Inventories		181.922	248.852
Prepaid expenses		345.848	307.877
Current tax related assets		97.407	94.803
Other current assets		266.790	333.813
		14.186.870	10.898.852
Assets held for sale		37.361	37.361
Non-current assets		26.349.218	25.262.298
Financial investments		13.050	11.995
Trade receivables			
- Trade receivables from third parties	9	130.188	128.182
Other receivables			
- Other receivables from third parties		32.454	38.480
Derivative financial instruments	15	38.912	36.481
Right of use asset	2	1.337.505	–
Investment property		20.426	20.194
Property, plant and equipment		14.031.397	14.254.053
Intangible assets			
-Goodwill		44.944	44.944
-Other intangible assets		9.639.357	9.738.095
Prepaid expenses		6.902	71.927
Deferred tax assets		1.034.218	896.513
Other non-current assets		19.865	21.434
Total assets		40.573.449	36.198.511

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 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	31 March 2019	31 December 2018
Liabilities			
Current liabilities		13.382.153	13.496.359
Financial liabilities			
- Bank borrowings	7	15.000	52.216
- Obligations under leases		42.481	—
Short term portion of long term financial liabilities			
- Bank borrowings	7	3.899.358	4.106.293
- Obligations under leases		321.703	631
- Bills, bonds and notes issued	7	2.838.356	2.601.235
Trade payables			
- Due to related parties	8	15	110
- Trade payables to third parties	9	3.521.040	3.845.124
Employee benefit obligations		232.332	166.317
Other payables			
- Due to related parties	8	174.331	204.792
- Other payables to third parties		1.052.169	898.957
Derivative financial instruments	15	408.851	648.934
Deferred revenue		486.527	453.114
Income tax payable		17.157	6.465
Short term provisions			
-Short term provisions for employee benefits	11	114.815	230.191
-Other short term provisions	11	237.637	246.173
Other current liabilities		20.381	35.807
Non-current liabilities		19.298.711	15.248.549
Financial liabilities			
- Bank borrowings	7	11.344.061	10.882.470
- Obligations under leases		749.713	1.963
- Bills, bonds and notes issued	7	5.245.605	2.276.610
Other payables			
- Due to related parties	8	—	170.164
- Other payables to third parties		38.473	57.428
Derivative financial instruments	15	118.082	84.004
Deferred revenue		680.224	655.314
Long term provisions			
-Long term provisions for employee benefits	11	862.075	907.172
-Other long-term provisions		8.211	8.167
Deferred tax liability		252.267	205.257
Equity		7.892.585	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		(639.921)	(628.350)
-Increase in revaluation of property, plant and equipment		4.283.816	4.283.816
-Gains due to change in fair value of financial liability attributable to change in credit risk of liability		33.190	64.852
Other comprehensive income/expense items to be reclassified to profit or loss			
-Hedging reserves		(752.785)	(886.488)
-Foreign currency translation reserve		455.789	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 loss / (profit) for the period		309.961	(1.391.261)
Total liabilities and equity		40.573.449	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 THREE MONTH PERIOD ENDED 31 MARCH 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
	<i>Notes</i>	1 January - 31 March 2019	1 January - 31 March 2018
Sales	5	5.403.252	4.686.023
Cost of sales (-)		(2.812.850)	(2.519.313)
Gross profit		2.590.402	2.166.710
General administrative expenses (-)		(480.289)	(390.577)
Marketing, sales and distribution expenses (-)		(601.067)	(601.426)
Research and development expenses (-)		(40.250)	(35.349)
Other operating income		90.753	70.445
Other operating expense (-)		(129.738)	(101.750)
Operating profit		1.429.811	1.108.053
Impairment (losses) / gains in accordance with TFRS 9, net		(57.865)	(85.492)
Income from investing activities		52.404	40.077
Expense from investing activities (-)		(530)	(565)
Operating profit before financial expenses		1.423.820	1.062.073
Financial income		400.217	320.149
Financial expense (-)		(1.608.807)	(1.207.888)
Profit before tax		215.230	174.334
Tax income / (expense)			
- Current tax expense		(18.365)	(74.347)
- Deferred tax income		113.096	9.588
Profit for the period		309.961	109.575
Earnings / (losses) per shares attributable to equity holders of the parent from (in full Kuruş)	4	0,0886	0,0313
Earnings / (losses) per diluted shares attributable to equity holders of the parent from (in full Kuruş)	4	0,0886	0,0313

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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
	<i>Notes</i>	1 January - 31 March 2019	1 January - 31 March 2018
Profit for the period		309.961	109.575
Other comprehensive income items not to be reclassified to profit / (loss):			
Items not to be reclassified to profit or loss:		(43.233)	15.772
Actuarial loss from employee benefits		(14.464)	(14.986)
Change in fair value of financial liability attributable to change in credit risk of liability		(39.578)	34.701
Deferred tax effect of other value increase funds not to be reclassified from OCI to PL		10.809	(3.943)
-Tax effect of actuarial loss from employee benefits		2.893	2.997
-Tax effect of change in fair value of financial liability attributable to change in credit risk of liability		7.916	(6.940)
Other comprehensive income items to be reclassified to profit or loss:		172.254	61.063
Change in foreign currency translation differences		38.551	28.431
Cash flow hedges-effective portion of changes in fair value	15	183.189	81.795
Hedge of net investment in a foreign operation		(33.435)	(41.005)
Change in value of time value of options		17.375	–
Tax effect on other comprehensive income items to be reclassified to profit or loss		(33.426)	(8.158)
-Tax effect of cash flow hedges-effective portion of changes in fair value		(36.638)	(16.359)
-Tax effect of hedge of net investment in a foreign operation		6.687	8.201
-Tax effect of hedge of time value of options		(3.475)	–
Other comprehensive income, net of tax		129.021	76.835
Total comprehensive income		438.982	186.410

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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	–	–	–	–	–	(11.989)	27.761	(32.804)	–	65.436	28.431	–	–	109.575	186.410	
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	–	–	109.575	109.575	
Other comprehensive income	–	–	–	–	–	(11.989)	27.761	(32.804)	–	65.436	28.431	–	–	–	76.835	
Balance at 31 March 2018	3.500.000	(239.752)	9.528	(1.320.942)	–	(538.572)	(155.346)	(243.989)	–	(22.931)	247.351	2.355.969	1.288.993	109.575	4.989.884	
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	–	–	–	–	–	(11.571)	(31.662)	(26.748)	13.900	146.551	38.551	–	–	309.961	438.982	
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	–	–	309.961	309.961	
Other comprehensive income	–	–	–	–	–	(11.571)	(31.662)	(26.748)	13.900	146.551	38.551	–	–	–	129.021	
Balance at 31 March 2019	3.500.000	(239.752)	9.528	(1.320.942)	4.283.816	(639.921)	33.190	(376.847)	(337.107)	(38.831)	455.789	2.355.969	(102.268)	309.961	7.892.585	

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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 - 31 March 2019	1 January - 31 March 2018
Notes		
Net profit for the period	309.961	109.575
Adjustments to reconcile net profit to cash provided by operating activities:		
Adjustments for depreciation and amortisation expense	1.150.265	879.273
Adjustments for impairment loss / (reversal of impairment loss)	68.160	84.743
- Adjustments for impairment loss of receivables	63.765	89.662
- Adjustments for impairment loss of inventories	(3.389)	250
- Adjustments for impairment loss of property, plant and equipment	13.684	(1.000)
- Adjustments for other impairment loss	(5.900)	(4.169)
Adjustments for provisions	108.526	84.688
- Adjustments for provisions related with employee benefits	96.143	74.288
- Adjustments for reversal of lawsuit and/or penalty provisions	12.339	10.371
- Adjustments for other provisions	44	29
Adjustments for interest expenses and income	372.850	77.717
- Adjustments for interest income	(99.074)	(79.469)
- Adjustments for interest expense	466.815	151.248
- Deferred financial expenses from credit purchases	5.109	5.938
Adjustments for unrealised foreign exchange losses	951.238	852.838
Adjustments for fair value losses /(gain)	144.798	2.235
- Adjustments for fair value loss on derivative financial instruments	112.401	68.617
- Adjustments for gains on change in fair value of bills, bonds and notes issued	32.397	(66.382)
Adjustments for tax expenses	(94.731)	64.759
Adjustments for gains arised from sale of tangible assets	(51.874)	(39.512)
Other adjustments for which cash effects are investing or financing cash flow	22.310	11.516
Other adjustments for non-cash items	(11.438)	(16.166)
Operating profit before working capital changes	2.970.065	2.111.666
Changes in working capital:		
Adjustments for increase in trade receivable	(401.449)	(242.628)
Adjustments for (increase)/ decrease in inventories	70.319	(32.851)
Adjustments for increase / (decrease) in trade payable	(355.056)	(918.701)
(Increase) / decrease in other assets related with operations	(160.611)	(77.076)
Increase / (decrease) in other payables related with operations	226.669	181.277
Cash flow from operating activities:		
Interest received	35.985	26.392
Payments related with employee benefits	(271.657)	(228.046)
Payments related with other provisions	(12.245)	(112.811)
Income taxes paid	(10.277)	(11.349)
Other outflows of cash	80.614	(72.063)
Net cash from operating activities	2.172.357	623.810
Investing activities		
Financial assets	(1.055)	(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	85.024	49.206
Purchases of property, plant, equipment and intangible assets	(608.079)	(615.679)
Net cash used in investing activities	(729.110)	(771.628)
Cash flows from financing activities		
Proceeds from loans	400	208.990
Proceeds from issued debt instruments	2.623.982	–
Repayments of borrowings	(838.334)	(190.628)
- Loan repayments	(740.468)	(190.628)
- Payment of issue of debt instruments	(97.866)	–
Payments of lease liabilities, net	(157.843)	(7)
Cash inflows /(outflows) from derivative instruments, net	–	(19.048)
Interest paid	(164.651)	(77.906)
Interest received	63.089	53.077
Other cash outflows, net	(22.310)	(11.516)
Net cash from/ (used in) financing activities	1.504.333	(37.038)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES	2.947.580	(184.856)
EFFECT OF CHANGES IN FOREING EXCHANGE RATES IN CASH AND CASH EQUIVALENTS	(11.839)	(8.842)
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	6	3.494.406

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 THREE MONTH PERIOD ENDED 31 MARCH 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 Prime Ministry Under secretariat of Treasury - as of 2018 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 , Levent Yapılandırma Yönetimi 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, LY Y has been registered as a new shareholder in the Company’s shareholders' ledger.

As at 31 March 2019, the parent company and controlling party of the Company is Levent Yapılandırma Yönetimi 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 THREE MONTH PERIOD ENDED 31 MARCH 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 31 March 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 (%)	
				31 March 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 (“AssisTT”)	Turkey	Call center and customer relations	Turkish Lira	100	100
Sebit Eğitim ve Bilgi Teknolojileri A.Ş.(“Sebit”)	Turkey	Web Based Learning	Turkish Lira	100	100
NETSIA Inc.	USA	Telecommunications solutions	U.S. Dollar	100	100
Sebit LLC	USA	Web based learning	U.S. Dollar	100	100
TT International Holding B.V.(“TT International”)(*)	Netherlands	Holding company	Euro	100	100
Türk Telekom International AG (“TTINT Austria”)(*)	Austria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Hu Kft (TTINT Hungary)(*)	Hungary	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
S.C. Euroweb Romania S.A.(“TTINT Romania”)(*)	Romania	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Bulgaria EOOD (“TTINT Bulgaria”)(*)	Bulgaria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International CZ s.r.o (“TTINT Czech Republic”)(*)	Czech Republic	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT Telcomd.o.o Beograd (“TTINT Serbia”)(*)	Serbia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT Telcomunikacijed.o.o (“TTINT Slovenia”)(*)	Slovenia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International SK s.r.o (“TTINT Slovakia”)(*)	Slovakia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TT International Telekomünikasyon Sanayi ve Ticaret Limited Şirketi (“TTINT Turkey”)(*)	Turkey	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International UA TOV (“TTINT Ukraine”)(*)	Ukraine	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Italy S.R.L. (TTINT Italy)(*)	Italy	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT International DOOEL Skopje(“TTINT Macedonia”)(*)	Macedonia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International LLC (“TTINT Russia”)(*)	Russia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekomünikasyon Euro Gmbh. (“TT Euro”)(*)	Germany	Mobil service marketing	Euro	100	100
Türk Telekom International d.o.o.(*)	Croatia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International HK Limited (*)	Hong Kong	Internet/data services, infrastructure and wholesale voice services provider	H.K. Dollar	100	100
Net Ekran TV ve Medya Hiz. A.Ş. (“Net Ekran”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
TTES Elektrik Tedarik Satış A.Ş.(“TTES”)	Turkey	Electrical energy trading	Turkish Lira	100	100
TT Euro Belgium S.A. (***)	Belgium	Mobile service marketing	Euro	–	100
TT Ödeme ve Elektronik Para Hizmetleri A.Ş. (**)	Turkey	Mobile finance	Turkish Lira	100	100
Net Ekran1 TV ve Medya Hiz. A.Ş. (“Net Ekran1”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran2 TV ve Medya Hiz. A.Ş. (“Net Ekran2”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran3 TV ve Medya Hiz. A.Ş. (“Net Ekran3”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran4 TV ve Medya Hiz. A.Ş. (“Net Ekran4”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net 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.

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1. REPORTING ENTITY (CONTINUED)

The details of the Company’s joint operation as at 31 March 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 (%)	
				31 March 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 31 March 2019 is 10.232 (31 December 2018: 10.798) and the number of personnel not subject to collective agreement as at 31 March 2019 is 22.538 (31 December 2018: 22.619). The total number of personnel as at 31 March 2019 and 31 December 2018 are 32.770 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 Turkish Financial Reporting Standards (“TFRS”)

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 7 May 2019. General Assembly and related legal institutions have the right to correct these financial statements and statutory financial statements.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

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 31 March 2019.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

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

Determination of fair values

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

i) Trade and other receivables

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

ii) Derivatives

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

iii) Bills, bonds and notes issued

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies

Standards issued but not yet effective and not early adopted

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

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 TFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no 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.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not yet issued by POA

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

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 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. 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 interim condensed consolidated financial statements resulting from the application of the amendments to IAS 1 and IAS 8.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not yet issued by POA (continued)

Amendments to IFRS 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 that seek to clarify this matter. The amendments include an election to use a concentration test. 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 interim condensed consolidated financial statements resulting from the application of the amendments to IFRS 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.

The Group applied TFRS 16 with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

The Group adopted IFRS 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.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Change in accounting policy (continued)

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.

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.

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.

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.
- Adjusted the right-of-use assets by the amount of TAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- 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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Change in accounting policy (continued)

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 applied TFRS 15 “Revenue from Contracts with Customers” to allocate consideration in the contract to each lease and non-lease component.

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

The carrying amounts of right-of-use assets as of 1 January 2019 and 31 March 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 31 March 2019	861.484	210.552	157.919	107.550	1.337.505

As a result of initially applying TFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised TL 1.337.505 of right of use assets and TL 1.110.964 of lease liabilities as at 31 March 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 three month ended 31 March 2019, the Group recognised TL 149.959 of depreciation charges and TL 47.205 of financial expense from these leases.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

Bills, bonds and notes issued that were measured at amortized cost in interim consolidated financial statements at 31 March 2018 is measured at fair value through profit or loss in interim consolidated financial statements as at 31 March 2019. Consequently, the following changes were made in interim consolidated financial statements for the three month period ended 31 March 2018.

	Reported in financial statements as at 31 March 2018	Change in financial statements as at 31 March 2019 with regard to 31 March 2018 financials
Change in fair value of financial liability attributable to change in credit risk of liability (including tax)	-	27.761
Financial expense, net	-	66.624
Deferred tax income/ (expense)	-	(13.325)

3. SEASONAL CHANGES IN THE OPERATIONS

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

4. EARNINGS PER SHARE

	1 January - 31 March 2019	1 January - 31 March 2018
Weighted average number of ordinary shares outstanding during the year	350.000.000.000	350.000.000.000
Net profit / (loss) for the period attributable to equity holders of the Company	309.961	109.575
Basic and earnings / (losses) per share (in full kuruş)	0,0886	0,0313

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5. SEGMENT REPORTING

The Group has two main segments; fixed line and mobile. Fixed line services are provided by Türk Telekom, TTNNet, Argela, Innova, Sebit, AssisTT 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 - 31 March 2019	1 January - 31 March 2018	1 January - 31 March 2019	1 January - 31 March 2018	1 January - 31 March 2019	1 January - 31 March 2018	1 January - 31 March 2019	1 January - 31 March 2018
Revenue	3.710.593	3.248.203	2.037.732	1.734.973	(345.073)	(297.153)	5.403.252	4.686.023
Contributive revenue (*)	3.386.430	2.963.625	2.016.822	1.722.398	–	–	5.403.252	4.686.023
Adjusted EBITDA	2.014.586	1.588.403	642.528	383.573	(1.683)	(190)	2.655.431	1.971.786
Contribution of segments to adjusted EBITDA (**)	1.791.456	1.386.574	863.975	585.212	–	–	2.655.431	1.971.786
Capital expenditure (***)	434.389	416.110	205.056	165.092	(2.097)	(606)	637.348	580.596

(*) “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.

(**) “Contribution of segments to adjusted EBITDA ” represents operating segments’ adjusted 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 11.438 (31 March 2018: 16.166 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 - 31 March 2019	1 January - 31 March 2018
Fixed line contributive adjusted EBITDA	1.791.456	1.386.574
Mobile contributive adjusted EBITDA	863.975	585.212
EBITDA	2.655.431	1.971.786
Foreign exchange gains, interest income, discount income on current accounts presented in other operating income	35.486	48.499
Foreign exchange losses, interest income, discount income on current accounts presented in other operating expense (-)	(103.148)	(79.939)
Financial income	400.217	320.149
Financial expense (-)	(1.608.807)	(1.207.888)
Depreciation, amortisation and impairment	(1.163.949)	(878.273)
Consolidated profit before tax	215.230	174.334

31 March 2019	Fixed Line	Mobile	Eliminations	Consolidated
Total segment assets	30.333.416	11.049.401	(809.368)	40.573.449
Total segment liabilities	(28.970.427)	(4.518.197)	807.760	(32.680.864)
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

	31 March 2019	31 December 2018
Cash on hand	49	143
Cash at banks– demand deposit	795.786	799.859
Cash at banks– time deposit	6.552.895	3.693.827
Other	933	707
	7.349.663	4.494.536

As of 31 March 2019, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 16,70% and 26,27% for TL deposits, between 0,10% and 3,75% for US Dollar deposits and between 0,05% and 2,76% 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:

	31 March 2019	31 March 2018
Cash and cash equivalents	7.349.663	3.978.569
Less: restricted amounts		
- Collection protocols and ATM collection	(375.146)	(356.599)
- Other	(140.684)	(127.564)
Unrestricted cash	6.833.833	3.494.406

As of 31 March 2019, demand deposits amounting to TL 375.146 (31 March 2018: TL 356.599) is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected. As of 31 March 2019, other restricted amounts mainly consist of blocked deposits related to Türk Telekom’s derivative financial instruments.

As of 31 March 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

	31 March 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	17,50	15.000	15.000	4,51	51.598	51.598
Interest accruals:						
Unsecured TL bank borrowings with fixed interest rates		–	–		618	618
Short-term borrowings		15.000				52.216
Short-term portion of long-term bank borrowings:						
Unsecured USD bank borrowings with fixed interest rates	3,10	16.285	91.660	3,10	16.167	85.054
Unsecured USD bank borrowings with variable interest rates (*)	4,47	304.552	1.714.138	4,62	391.736	2.060.886
Unsecured EUR bank borrowings with variable interest rates (**)	1,30	309.106	1.953.179	1,29	310.007	1.868.725
Interest accruals of long-term bank borrowings:						
Unsecured USD bank borrowings with fixed interest rates		193	1.086		31	163
Unsecured USD bank borrowings with variable interest rates (*)		19.337	108.836		15.344	80.723
Unsecured EUR bank borrowings with variable interest rates (**)		4.820	30.459		1.782	10.742
Short-term portion of long-term bank borrowings		3.899.358				4.106.293
Total short-term borrowings		3.914.358				4.158.509
Long-term borrowings:						
Unsecured USD bank borrowings with fixed interest rates	3,10	4.721	26.572	3,10	4.720	24.837
Unsecured USD bank borrowings with variable interest rates (*)	4,61	1.324.399	7.454.247	4,62	1.360.641	7.158.194
Unsecured EUR bank borrowings with variable interest rates (**)	1,30	611.389	3.863.242	1,29	613.709	3.699.439
Total long-term borrowings		11.344.061				10.882.470
Total financial liabilities		15.258.419				15.040.979

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

(**) As at 31 March 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:

	31 March 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	–	15.000	–	–	–	15.000	52.216	–	–	–	–	52.216
Unsecured USD bank borrowings with fixed interest rates	66.462	26.284	26.572	–	–	119.318	–	85.217	24.837	–	–	110.054
Unsecured USD bank borrowings with variable interest rates	767.134	1.055.840	3.052.303	3.691.330	710.614	9.277.221	229.027	1.912.582	2.471.816	3.910.783	775.595	9.299.803
Unsecured Euro bank borrowings with variable interest rates	944.619	1.039.019	1.664.711	1.472.586	725.945	5.846.880	29.341	1.850.126	1.587.645	1.395.640	716.154	5.578.906
	1.778.215	2.136.143	4.743.586	5.163.916	1.436.559	15.258.419	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

	31 March 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	504.292	2.838.356	3,75	494.447	2.601.235
Short-term bills, bonds and notes issued		504.292	2.838.356		494.447	2.601.235
Long-term bills, bonds and notes issued:						
USD bank borrowings with fixed interest rates	5,88	931.989	5.245.605	4,88	432.742	2.276.610
Long-term bills, bonds and notes issued		931.989	5.245.605		432.742	2.276.610
Total financial liabilities		1.436.281	8.083.961		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 sales process of the bond issuances amounted to USD 500.000 with 5 years of maturity, and 3,75% coupon rate based on 3,836% reoffer yield was completed on June 19th, 2014. The bonds are now quoted at Irish Stock Exchange.

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

	31 March 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
Bills, bonds and notes issued	2.831.424	6.932	–	5.245.605	8.083.961	–	2.601.235	–	2.276.610	4.877.845
	2.831.424	6.932	–	5.245.605	8.083.961	–	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 31 March 2019 and 31 December 2018 are disclosed below:

	31 March 2019	31 December 2018
Due from related parties (Trade receivables –short term)		
Akbank T.A.Ş.(1)	3.557	4.061
Türkiye Garanti Bankası A.Ş. (1)	3.295	3.748
Türkiye İş Bankası A.Ş. (1)	2.087	2.680
	8.939	10.489
Due to related parties (Trade payables-short term)		
Akbank T.A.Ş. (1)	–	95
Türkiye Garanti Bankası A.Ş. (1)	–	15
Türkiye İş Bankası A.Ş. (1)	15	–
	15	110
Due to related parties (Other payables-short term)		
Türkiye İş Bankası A.Ş. (1)	174.331	204.792
	174.331	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 Levent Yapılandırma Yönetimi A.Ş. are defined as related parties since 21 December 2018.

As of 31 March 2019, other payables in other short and long 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	31 March 2019	31 December 2018
Akbank T.A.Ş.		
Time Deposit	655.390	953.905
Demand Deposit	57.338	52.737
	712.728	1.006.642
Türkiye İş Bankası A.Ş.		
Time Deposit	122.444	266.728
Demand Deposit	152.133	93.497
	274.577	360.225
Türkiye Garanti Bankası A.Ş.		
Time Deposit	145.308	1.265
Demand Deposit	62.747	66.701
	208.055	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 31 March 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 31 March 2019, guarantees amounting to USD 65.714 and EUR 155.735 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 is given for financial liabilities of TTINT Turkey, amounted to USD 50.000, and guarantees amounting to EUR 300 is given for financial liabilities of TTINT Romania, amounted to EUR 300, 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	31 March 2019
Akbank T.A.Ş.(1)	8.136
Türkiye İş Bankası A.Ş. (1)	2.355
Türkiye Garanti Bankası A.Ş. (1)	648
	11.139
Other income from related parties	
Akbank T.A.Ş.(1)	10.394
Türkiye Garanti Bankası A.Ş. (1)	9.332
Türkiye İş Bankası A.Ş. (1)	6.192
	25.918

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

The Company is rendering and receiving international traffic carriage services, data line rent services to and from Saudi Telecom Company (“STC”) and sharing advertisement expenses with STC. For the period ended 31 March 2018 total revenues and expenses incurred in relation to these services amounted to TL 3.314 and TL 1.279, respectively. STC is shareholder of Oger Telecom, has not been defined as a related party since 21 December 2018.

Compensation of key management personnel

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

	1 January – 31 March 2019	1 January – 31 March 2018
Short-term benefits	63.611	49.452
Long-term defined benefit plans	490	760
	64.101	50.212

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9. TRADE RECEIVABLES FROM AND PAYABLES TO THIRD PARTIES

Trade receivables

	31 March 2019	31 December 2018
Short-term		
Trade receivables	7.840.819	7.569.664
Other trade receivables	202.166	182.899
Contract assets	745.072	628.766
Allowance for doubtful receivables (-)	(3.305.818)	(3.241.202)
Total short-term trade receivables	5.482.239	5.140.127
Long-term		
Trade receivables	130.188	128.182
Total long-term trade receivables	130.188	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 - 31 March 2019	1 January 2018 - 31 March 2018
At January 1	(3.241.202)	(2.865.174)
Provision for the year, net	(63.175)	(90.499)
Change in currency translation differences	(1.441)	(960)
At 31 March	(3.305.818)	(2.956.633)

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 31.619 (31 December 2018: TL 37.073).

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

Trade payables

	31 March 2019	31 December 2018
Short-term		
Trade payables	2.684.502	3.268.880
Expense accruals	836.198	575.902
Other trade payables	340	342
Total short-term trade payables	3.521.040	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 31 March 2019, short term trade payables consists of payables within scope of supplier finance that amounting TL 916.848 (31 December 2018: TL 879.911).

10. TANGIBLE AND INTANGIBLE ASSETS

The amount of tangible and intangible assets purchased during the three month period ended 31 March 2019 is TL 637.348 (31 March 2018: TL 580.596).

Net book value of tangible and intangible assets sold during the three month period ended 31 March 2019 amounted to TL 33.150 (31 March 2018: TL 9.694).

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11. PROVISIONS

Other short-term provisions

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

	31 March 2019	31 December 2018
Litigation, ICTA penalty and customer return provisions	145.462	145.364
Provision for expected credit losses on loan commitments (*)	92.175	100.809
	237.637	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

	31 March 2019	31 December 2018
Bonus provision	114.815	230.191
	114.815	230.191

Long term provisions for employee benefits

	31 March 2019	31 December 2018
Defined benefit obligation (*)	744.112	795.371
Unused vacation provisions	117.963	111.801
	862.075	907.172

(*) 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 31 March 2019 is subject to a ceiling of full TL 6.017,60 (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:

		31 March 2019		31 December 2018	
		Original currency	TL	Original currency	TL
Guarantees received	USD	148.102	833.575	146.157	768.918
	TL	820.451	820.451	837.781	837.781
	Euro	36.559	231.007	31.190	188.016
		1.885.033		1.794.715	
Guarantees given (*)	USD	171.993	968.048	172.418	907.075
	TL	535.789	535.789	523.470	523.470
	Euro	148.244	936.722	159.114	959.139
		2.440.559		2.389.684	

(*) Guarantees given amounting to US Dollar 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 31 March 2019 and 31 December 2018 is as follows:

	31 March 2019	31 December 2018
A. GPMs given on behalf of the Company’s legal personality	2.440.559	2.389.684
B. GPMs given in favor of subsidiaries included in full consolidation	1.601.333	1.531.807
C. GPMS given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	1.030.702	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	5.072.594	5.200.209

Based on law 128/1 of Turkish Code of Obligations, the Group has given guarantee to distributors amounting to TL 1.030.702 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: TL 1.278.718). The guarantees has given to the banks TL 25.362, TL 230.651, TL 28.848 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 6.500 USD, TL 11 equivalent to TL 36.596 (31 December 2018: TL 34.196) as at 31 March 2019. Payments for these commitments are going to be made in a 3-year period.

The Group has purchase commitments for fixed assets amounting to USD 110.409, Euro 24.251 and TL 306.446, Pound 35 equivalent to TL 1.081.373 (31 December 2018: TL 864.009) as at 31 March 2019.

Disputes between the Company and Municipalities

For contribution to the infrastructure investment and municipality share, municipalities filed against the Company and as at 31 March 2019, total provision including the nominal amount and legal interest charge which is amounting to TL 52.272 (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 31 March 2019, TL 35.958 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 31 March 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 57.232 as at 31 March 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

	31 March 2019					31 December 2018				
	TL Equivalent	US Dollar	Euro	GBP	Other	TL Equivalent	USD	Euro	GBP	Other
1. Trade receivables	232.036	19.954	16.133	104	11.352	315.683	22.861	28.884	3	15.201
2a. Monetary financial assets (Cash and banks accounts included)	5.482.086	755.752	193.479	16	3.824	3.286.197	336.639	250.863	17	2.040
2b. Non-monetary financial assets	—	—	—	—	—	—	—	—	—	—
3. Other	5.390	447	455	—	—	108.766	922	17.232	—	29
4. Current assets (1+2+3)	5.719.512	776.153	210.067	120	15.176	3.710.646	360.422	296.979	20	17.270
5. Trade receivables	—	—	—	—	—	—	—	—	—	—
6a. Monetary financial assets	38.912	6.914	—	—	—	36.481	6.934	—	—	—
6b. Non-monetary financial assets	—	—	—	—	—	—	—	—	—	—
7. Other	750	—	119	—	—	—	—	—	—	—
8. Non-current assets (5+6+7)	39.662	6.914	119	—	—	36.481	6.934	—	—	—
9. Total assets (4+8)	5.759.174	783.067	210.186	120	15.176	3.747.127	367.356	296.979	20	17.270
10. Trade payables	1.696.442	266.264	27.825	1	14.650	2.044.960	302.973	70.387	—	19.113
11. Financial liabilities	6.786.871	850.120	316.677	—	694	6.707.528	917.725	311.789	—	—
12a. Monetary other liabilities	109.091	9.481	8.436	330	—	9.561	201	1.411	—	—
12b. Non-monetary other liabilities	—	—	—	—	—	—	—	—	—	—
13. Short-term liabilities (10+11+12)	8.592.404	1.125.865	352.938	331	15.344	8.762.049	1.220.899	383.587	—	19.113
14. Trade payables	—	—	—	—	—	—	—	—	—	—
15. Financial liabilities	16.637.145	2.261.109	618.461	—	1.859	13.159.080	1.798.103	613.709	—	—
16 a. Monetary other liabilities	118.082	20.980	—	—	—	85.271	16.095	99	—	—
16 b. Non-monetary other liabilities	—	—	—	—	—	—	—	—	—	—
17. Long-term liabilities (14+15+16)	16.755.227	2.282.089	618.461	—	1.859	13.244.351	1.814.198	613.808	—	—
18. Total liabilities (13+17)	25.347.631	3.407.954	971.399	331	17.203	22.006.400	3.035.097	997.395	—	19.113
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	13.984.301	2.024.600	409.736	—	—	10.070.310	1.824.600	78.180	—	—
19a. Total asset amount hedged	—	—	—	—	—	—	—	—	—	—
19b. Total liability amount hedged	(13.984.301)	(2.024.600)	(409.736)	—	—	(10.070.310)	(1.824.600)	(78.180)	—	—
20. Net foreign currency asset/(liability) position (9-18+19)	(5.604.156)	(600.287)	(351.477)	(211)	(2.027)	(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)	(19.594.597)	(2.625.334)	(761.787)	(211)	(2.027)	(18.368.039)	(2.668.663)	(717.648)	20	(1.872)
22. Fair value of FX swap financial instruments	(29.106)	(5.171)	—	—	—	(448.013)	(85.159)	—	—	—
23. Hedged amount of foreign currency assets	—	—	—	—	—	—	—	—	—	—
24. Hedged amount of foreign currency liabilities	(13.984.301)	(2.024.600)	(409.736)	—	—	(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 US Dollar and Euro exchange rate, with all other variables held constant, of the Group's profit before tax for the year (due to changes in the fair value of monetary assets and liabilities):

31 March 2019	Profit/Loss		Other comprehensive income	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL by 10%:				
1- USD net asset/liability	(1.469.475)	1.469.475	—	—
2- Hedged portion of USD risk (-)	762.781	(350.495)	(289.858)	(35.530)
3- USD net effect (1+2)	(706.694)	1.118.980	(289.858)	(35.530)
Appreciation of Euro against TL by 10%:				
4- Euro net asset/liability	(480.995)	480.995	—	—
5- Hedged portion of Euro risk (-)	411.919	(301.637)	(156.243)	53.155
6- Euro net effect (4+5)	(69.076)	179.358	(156.243)	53.155
Appreciation of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	(459)	459	—	—
8- Hedged portion of other foreign currency (-)	—	—	—	—
9- Other foreign currency net effect (7+8)	(459)	459	—	—
Total (3+6+9)	(776.229)	1.298.797	(446.101)	17.625
31 December 2018	Profit/Loss		Other comprehensive income	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL by 10%:				
1- USD net asset/liability	(1.398.652)	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)
Appreciation of 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
Appreciation of 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	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Financial assets				
Cash and cash equivalents	7.349.663	4.494.536	7.349.663	4.494.536
Trade and other receivables (including related parties)	5.728.137	5.384.712	5.728.137	5.384.712
Financial investments (*)	13.050	11.995	(*)	(*)
Derivative financial assets	418.657	237.402	418.657	237.402
Financial liabilities				
Bank borrowings	15.258.419	15.040.979	15.257.195	15.039.834
Bills, bonds and notes issued	8.083.961	4.877.845	8.101.932	4.877.845
Financial leasing liabilities	1.113.897	2.594	1.113.897	2.594
Trade payables and other liabilities (including related parties) (**)	5.096.278	5.262.718	5.096.278	5.262.718
Derivative financial liabilities	526.933	732.938	526.933	732.938

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

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

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

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13. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

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

Fair value hierarchy table as at 31 March 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	31 March 2019	379.745	—	379.745	—
Interest rate swaps	31 March 2019	38.912	—	38.912	—
Financial liabilities measured at fair value:					
Bills, bonds and notes issued	31 March 2019	5.297.801	5.297.801	—	—
<u>Derivative Financial Liabilities:</u>					
Interest rate swaps	31 March 2019	118.082	—	118.082	—
Cross currency swaps	31 March 2019	408.851	—	408.851	—
Other financial liabilities not measured at fair value					
Bank loans	31 March 2019	15.257.195	—	15.257.195	—
Bills, bonds and notes issued	31 March 2019	2.804.131	2.804.131	—	—

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.

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.

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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 31 March 2019 fair value of interest rate derivative transactions amounting to TL 118.082 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 26.962 (31 March 2018: TL 81.794 gain) is recognized in other comprehensive income. Unrealized loss on these derivatives’ time value amounting to TL 7.116 is recognized in statement of profit or loss.

Company	Notional Amount (US Dollar)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 March 2019 (TL)
Türk Telekom	300.000	29 April- 20 May 2014	Pay fixed rates and receive floating rates between June 2016 and June 2024	(107.876)
Türk Telekom	150.000	15 May 2014- 16 May 2014	Pay fixed rates and receive rates between June 2016 and and August 2016, and June 2024 and August 2024	(10.206)
				(118.082)

Company	Notional Amount (US Dollar)	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 and August 2016, and June 2024 and August 2024	(7.658)
				(84.004)

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges and derivative financial instruments (continued)

Cross currency swap transaction

As of 31 March 2019 fair value of participating cross currency swap transactions amounting to TL 361.736 has been recognized under short term financial liabilities and TL 378.202 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 gain on these derivatives amounting to TL 210.151 is recognized in other comprehensive income.

Company	Notional Amount (USD)	Trade Date	Amendment Date	Terms	Fair Value Amount as at 31 March 2019 (TL)
Türk Telekom	500.000	21 April 2015– 9 July 2015 13 April 2016– 15 December 2017 31 January 2019	19 September 2018– 8 October 2018 20 July 2018– 3 August 2018	Pay TL and receive USD at June 2019	162.911
Türk Telekom	325.000			Pay TL and receive USD at June 2024	83.056
Türk Telekom	100.000			Pay TL and receive USD at November 2020	26.502
Türk Telekom	100.000	20-21 March 2019		Pay TL and receive USD at November 2020	12.131
				Pay TL and receive USD between May 2019 - November 2020	
Türk Telekom	50.000	20 December 2018 27 March 2018– 28 March 2018	18-19 September 2018	Pay TL and receive EUR at December 2025	6.690
Türk Telekom	100.000 (*)	20 July 2018– 1 August 2018	12-13 September 2018	Pay TL and receive EUR between December 2021 - November 2022	11.356
Türk Telekom	94.545 (*)	25 January 2019– 18 March 2019			25.767
Türk Telekom	336.000 (*)			Pay TL and receive EUR at November 2020	49.789
					378.202

Company	Notional Amount (USD)	Trade Date	Amendment Date	Terms	Fair Value Amount as at 31 March 2019 (TL)
Türk Telekom	150.000	19 September 2018– 11 October 2018		Pay TL and receive USD between April 2020 and April 2021	(45.134)
Türk Telekom	100.000	27 September 2018– 28 September 2018		Pay TL and receive USD at July 2022	(46.509)
Türk Telekom	100.000	11 October 2018– 12 October 2018		Pay TL and receive USD at January 2021	(31.278)
Türk Telekom	138.000	14 November 2018		Pay TL and receive USD at April 2024	(17.297)
Türk Telekom	50.000	25 October 2018		Pay TL and receive USD at April 2025	(15.280)
Türk Telekom	56.600	13 November 2018		Pay TL and receive USD at December 2024	(8.484)
Türk Telekom	175.000	31 March 2016	11 December 2018	Pay TL and receive USD at June 2024	(179.421)
Türk Telekom	40.000 (*)	4 June 2018	26 September 2018	Pay TL and receive EUR between November 2018–November 2022	(18.333)
					(361.736)

(*) 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 March 2018-28 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 September 2018-28 September 2018		Pay TL and receive USD at July 2022	(83.141)
Türk Telekom	100.000	11 October 2018-12 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 31 March 2019 fair value of the interest rate swap transactions which are not designated as hedge and amounting to TL 38.912 is recognized under long term financial assets (31 December 2018: TL 36.481 assets). Unrealized gain on these derivatives amounting to TL 2.431 recognized in profit or loss.

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 March 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%)	38.912
				38.912

Company	Notional Amount (USD)	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

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cross Currency swaps instruments which are not designated as hedge

As of 31 March 2019, fair value of derivative transactions amounting to TL 47.115 is recognized under short term financial liabilities and TL 1.543 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 (USD)	Trade Date	Terms	Fair Value Amount as at 31 March 2019 (TL)
Innova	556	1 February 2019	Pay TL and receive EUR at November 2019	93
				93

USD/EUR Cross Currency Swaps Instruments

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 March 2019 (TL)
TTINT Türkiye	50.000	16 June 2016	Pay EUR and receive USD between December 2016 and June 2026	1.450
				1.450

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 March 2019 (TL)
Türk Telekom	175.000	30 April 2015	Pay EUR and receive USD between June 2015 and June 2024	(36.637)
Türk Telekom	45.000	26 October 2018	Pay USD and receive EUR at June 2024	(10.478)
				(47.115)

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)

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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.

16. SUPPLEMENTARY CASH FLOW INFORMATION

Other explanations

“Other outflows of cash” in net cash from operating activities represents change in restricted cash. Restricted cash amount is disclosed in Note 6. “Other outflows of cash, net” in net cash from 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.