

Türk Telekomünikasyon
Anonim Şirketi and Its Subsidiaries
30 June 2016
Interim Condensed Consolidated
Financial Statements As At and For
The Six Month Period
Ended 30 June 2016

26 July 2016

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

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

		Current period	Prior period
		Reviewed	Audited
	Notes	30 June 2016	31 December 2015
Assets			
Current assets		9.209.550	8.441.600
Cash and cash equivalents	6	3.214.293	2.837.786
Trade receivables			
- Due from related parties	8	13.228	6.504
- Trade receivables from third parties	9	4.008.571	3.794.474
Other receivables			
- Other receivables from third parties		130.859	83.144
Derivative financial instruments	16	404.759	388.767
Inventories		307.587	252.245
Prepaid expenses		472.129	286.791
Current tax related assets		26.291	50.468
Other current assets	12	631.833	741.421
Non-current assets		17.416.192	17.332.304
Financial investments		11.840	11.840
Trade receivables			
- Trade receivables from third parties	9	60.180	49.135
Other receivables			
- Other receivables from third parties		30.639	31.537
Derivative financial instruments	16	55.141	45.002
Investment property		26.070	27.189
Property, plant and equipment		8.726.339	8.538.182
Intangible assets			
-Goodwill		44.944	44.944
-Other intangible assets		8.076.147	8.216.886
Prepaid expenses		67.019	46.454
Deferred tax assets		288.082	286.804
Other non-current assets	12	29.791	34.331
Total assets		26.625.742	25.773.904

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

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

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

		Current period	Prior period
		Reviewed	Audited
	Notes	30 June 2016	31 December 2015
Liabilities			
Current liabilities		9.209.288	8.552.927
Financial liabilities			
- Bank borrowings	7	394.680	242.091
Short term portion of long term financial liabilities			
- Bank borrowings	7	2.739.528	2.363.672
- Obligations under finance leases		1.126	8.034
- Bills, bonds and notes issued	7	11.674	9.963
Trade payables			
- Due to related parties	8	10.136	10.745
- Trade payables to third parties	9	4.319.274	4.225.532
Employee benefit obligations	12	111.761	115.205
Other payables			
- Other payables to third parties		726.284	628.116
Derivative financial instruments	16	149.371	104.673
Deferred revenue		158.597	131.035
Income tax payable		153.712	182.503
Short term provisions			
-Short term provisions for employee benefits	11	105.694	178.822
-Other short term provisions	11	265.009	296.674
Other current liabilities	12	62.442	55.862
Non-current liabilities		12.761.524	12.227.609
Financial liabilities			
- Bank borrowings	7	7.710.593	6.300.674
- Obligations under finance leases		1.389	997
- Bills, bonds and notes issued	7	2.863.442	2.877.296
Trade payables			
- Trade payables to third parties	9	144.554	962.258
Other payables			
- Other payables to third parties		466.472	617.453
Derivative financial instruments	16	325.643	160.911
Deferred revenue		268.042	267.564
Long term provisions			
-Provisions for employee termination benefits	11	600.714	635.366
-Long term provisions for employee benefits excluding employee termination benefits	11	90.812	79.677
-Other long-term provisions	11	7.784	7.711
Deferred tax liability		282.079	317.702
Equity		4.654.930	4.993.368
Total equity attributable to parent			
Paid-in share capital		3.500.000	3.500.000
Inflation adjustments to paid in capital (-)		(239.752)	(239.752)
Difference arising from the change in shareholding rate in a subsidiary		(1.320.942)	(1.320.942)
Share based payment reserve		9.528	9.528
Other comprehensive income / expense items not to be reclassified to profit or loss			
-Actuarial loss arising from employee benefits		(454.674)	(434.385)
Other comprehensive income/expense items to be reclassified to profit or loss			
-Hedging reserves		(345.298)	(208.646)
-Foreign currency translation reserve		48.486	44.430
Restricted reserves allocated from profits		2.355.969	2.289.384
Retained earnings		446.307	446.307
Net profit for the period		655.306	907.444
Total liabilities and equity		26.625.742	25.773.904

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

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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

		Current Period	Current Period	Prior Period	Prior Period
		Reviewed	Unreviewed	Reviewed	Unreviewed
	Notes	1 January - 30 June 2016	1 April 2016 - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Sales	5	7.740.916	3.939.949	6.959.881	3.525.661
Cost of sales (-)		(4.248.283)	(2.166.151)	(3.496.128)	(1.761.219)
Gross profit		3.492.633	1.773.798	3.463.753	1.764.442
General administrative expenses (-)		(1.100.654)	(579.590)	(953.780)	(482.134)
Marketing, sales and distribution expenses (-)		(1.156.173)	(563.121)	(862.258)	(449.329)
Research and development expenses (-)		(49.540)	(25.298)	(27.861)	(14.320)
Other operating income		150.269	65.940	182.012	101.815
Other operating expense (-)		(160.887)	(70.206)	(247.199)	(133.691)
Operating profit		1.175.648	601.523	1.554.667	786.783
Income from investing activities		30.442	18.817	24.009	14.132
Expense from investing activities (-)		(414)	(375)	(867)	(451)
Operating profit before financial expenses		1.205.676	619.965	1.577.809	800.464
Financial income		2.298.291	1.413.664	922.095	434.582
Financial expense (-)		(2.515.387)	(1.618.475)	(1.983.348)	(786.366)
Profit before tax	5	988.580	415.154	516.556	448.680
Tax expense					
- Current tax expense		(331.861)	(146.066)	(140.298)	(91.449)
- Deferred tax expense		(1.413)	(21.452)	(47.942)	(33.760)
Profit for the year		655.306	247.636	328.316	323.471
Profit attributable to:					
Non-controlling interests		—	—	(33.616)	(11.745)
Attributable to equity holders of the parent		655.306	247.636	361.932	335.216
Earnings per shares attributable to equity holders of the parent from (in full Kuruş)	4	0,1872	0,0708	0,1034	0,0958
Earnings per diluted shares attributable to equity holders of the parent from (in full Kuruş)	4	0,1872	0,0708	0,1034	0,0958

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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

		Current Period	Current Period	Prior Period	Prior Period
		Reviewed	Unreviewed	Reviewed	Unreviewed
		1 January - 30	1 April 2016 - 30	1 January - 30	1 April - 30 June
	<i>Notes</i>	June 2016	June 2016	June 2015	2015
Profit for the period		655.306	247.636	328.316	323.471
Other comprehensive income / (expense) items not to be reclassified to profit:					
Items not to be reclassified to profit or loss:					
Actuarial (loss)/gain from employee benefits	11	(25.173)	601	1.041	1.681
Tax effect of actuarial (loss)/gain from employee benefits		4.884	(271)	(305)	(433)
Other comprehensive income / (expense) items to be reclassified to profit or loss:					
Change in foreign currency translation differences		4.056	71	(7.826)	2.088
Cash flow hedges-effective portion of changes in fair value	16	(167.280)	(67.349)	(13.352)	47.146
Tax effect of cash flow hedges-effective portion of changes in fair value	16	33.456	13.470	2.670	(9.430)
Hedge of net investment in a foreign operation	16	(3.535)	434	(11.536)	(10.794)
Tax effect of hedge of net investment in a foreign operation	16	707	(87)	2.307	2.159
Other comprehensive income / (expense), net of tax		(152.885)	(53.131)	(27.001)	32.417
Total comprehensive income		502.421	194.505	301.315	355.888
Appropriation of total comprehensive income:					
Non-controlling interest		—	—	(33.663)	(11.792)
Attributable to equity holders of the parent		502.421	194.505	334.978	367.680

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(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			
	Paid-in share capital	Inflation adjustment to paid in capital	Non controlling interest liability reserve	Share based payment reserve	Difference arising from the change in shareholding rate in a subsidiary	Actuarial loss arising from employee benefits	Reserve for hedge of net investment in a foreign operation	Cash flow hedge reserve	Foreign currency translation reserve	Restricted reserves allocated from profits	Retained earnings	Net profit for the period	Total equity attributable to parent	Non-controlling interest	Total equity
Balance at 1 January 2015	3.500.000	(239.752)	(227.065)	9.528	(858.134)	(382.368)	(63.603)	(60.513)	48.703	2.122.798	446.307	2.007.439	6.303.340	–	6.303.340
Net profit for the period	–	–	–	–	–	–	–	–	–	–	–	361.932	361.932	(33.616)	328.316
Other comprehensive income	–	–	–	–	–	783	(9.229)	(10.682)	(7.826)	–	–	–	(26.954)	(47)	(27.001)
Total comprehensive income	–	–	–	–	–	783	(9.229)	(10.682)	(7.826)	–	–	361.932	334.978	(33.663)	301.315
Transfer to legal reserves	–	–	–	–	–	–	–	–	–	166.586	–	(166.586)	–	–	–
Non-controlling interest before reclassification to minority put option liability	–	–	–	–	–	–	–	–	–	–	–	–	–	212.599	212.599
Non-controlling interest put option liability	–	–	(219.495)	–	–	–	–	–	–	–	–	–	(219.495)	(178.936)	(398.431)
Dividend paid	–	–	–	–	–	–	–	–	–	–	–	(1.840.853)	(1.840.853)	–	(1.840.853)
Balance at 30 June 2015	3.500.000	(239.752)	(446.560)	9.528	(858.134)	(381.585)	(72.832)	(71.195)	40.877	2.289.384	446.307	361.932	4.577.970	–	4.577.970
Balance at 1 January 2016	3.500.000	(239.752)	–	9.528	(1.320.942)	(434.385)	(89.537)	(119.109)	44.430	2.289.384	446.307	907.444	4.993.368	–	4.993.368
Net profit for the period	–	–	–	–	–	–	–	–	–	–	–	655.306	655.306	–	655.306
Other comprehensive income	–	–	–	–	–	(20.289)	(2.828)	(133.824)	4.056	–	–	–	(152.885)	–	(152.885)
Total comprehensive income	–	–	–	–	–	(20.289)	(2.828)	(133.824)	4.056	–	–	655.306	502.421	–	502.421
Transfer to legal reserves	–	–	–	–	–	–	–	–	–	66.585	–	(66.585)	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	–	–	–	(840.859)	(840.859)	–	(840.859)
Balance at 30 June 2016	3.500.000	(239.752)	–	9.528	(1.320.942)	(454.674)	(92.365)	(252.933)	48.486	2.355.969	446.307	655.306	4.654.930	–	4.654.930

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

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

		Current Period	Prior Period
		Reviewed	Reviewed
		1 January - 30	1 January - 30
	<i>Notes</i>	June 2016	June 2015
Net profit for the period		655.306	328.316
Adjustments to reconcile net profit to cash provided by operating activities:			
Depreciation and amortisation expenses		1.348.515	1.050.853
Impairment		4.644	5.550
Tax expense		333.274	188.240
Gain and loss on sale of property, plant and equipment, net		(30.028)	(23.142)
TFRS Interpretation 12 construction (revenue) / cost, net		(18.381)	(11.684)
Interest income/(expense), net		128.716	2.275
Exchange differences income/(expense), net		(55.666)	1.122.901
Reversal of doubtful receivables		(79.385)	(116.456)
Allowance for doubtful receivables		262.661	208.647
Provision for employee termination benefits	11	45.120	48.737
Provision for employee benefits, net		86.551	68.303
Change in litigation provision, net		18.155	85.212
Change in unused vacation provision		18.781	15.370
Loss on derivative financial instruments, net		171.478	91.407
Gain on derivative financial instruments, net		(152.959)	(226.186)
Obsolete inventory provision, net		4.521	107
Other provisions		37.800	3.779
Other financial (expense) / income, net		32.043	5.023
Operating profit before working capital changes		2.811.146	2.847.252
Net working capital changes in:			
Increases in trade receivables		(412.248)	(256.202)
Other current assets		(123.105)	(289.494)
Increase in inventories		(59.863)	(18.671)
Decrease in trade payables		(134.471)	(62.618)
Increase in other non-current assets		(15.130)	(25.501)
Increase in other current liabilities and provisions		(31.506)	(155.977)
Increase / (decrease) non-current liabilities		(1.670)	14.633
Decrease in restricted cash		(47.635)	(48.835)
Cash flow from operating activities			
Payments of employee termination benefits	11	(110.862)	(9.670)
Payments of provisions		(217.329)	(151.558)
Payments of tax		(335.767)	(242.909)
Interest received		54.479	67.568
Net cash provided by operating activities		1.376.039	1.668.018
Investing activities			
Payments related to acquisition of non-controlling interests		(27.500)	–
Proceeds from sale of property, plant, equipment and intangible assets		49.274	41.865
Purchases of property, plant, equipment and intangible assets		(1.994.696)	(742.607)
Net cash used in investing activities		(1.972.922)	(700.742)
Cash flows from financing activities			
Proceeds from bank borrowings		3.050.159	720.277
Repayment of bank borrowings		(1.094.832)	(403.964)
Repayment of obligations under finance leases		(7.306)	(4.917)
Interest paid		(196.246)	(144.446)
Derivative instrument payments		(2.500)	3.169
Dividends paid	16	(840.859)	(1.840.853)
Interest received		60.682	108.195
Payment of other financial expenses		(32.043)	(5.023)
Net cash provided by financing activities		937.055	(1.567.562)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES		340.172	(600.286)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES IN CASH AND CASH EQUIVALENTS		(11.301)	3.714
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		2.514.385	2.270.791
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	2.843.256	1.674.219

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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

1. REPORTING ENTITY

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

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

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

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

As at 30 June 2016 and 31 December 2015, the ultimate parent and controlling party of the Company is Saudi Oger Ltd (“Saudi Oger”), because of its controlling ownership in Oger Telecom.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
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AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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

1. REPORTING ENTITY (CONTINUED)

The details of the Company’s subsidiaries as at 30 June 2016 and 31 December 2015 are as follows:

Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%)	
				30 June 2016	31 December 2015
TTNet Anonim Şirketi (“TTNet”)	Turkey	Internet service provider	Turkish Lira	100	100
Avea İletişim Hizmetleri A.Ş.(“Avea”)	Turkey	GSM operator	Turkish Lira	100	100
Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi(“Argela”)	Turkey	Telecommunication solutions	Turkish Lira	100	100
Innova Bilişim Çözümleri Anonim Şirketi (“Innova”)	Turkey	Telecommunication solutions	Turkish Lira	100	100
Assist Rehberlik ve Müşteri Hizmetleri Anonim Şirketi (“AssistTT”)	Turkey	Call center and customer relations	Turkish Lira	100	100
Sebit Eğitim ve Bilgi Teknolojileri A.Ş.(“Sebit”)	Turkey	Web Based Learning	Turkish Lira	100	100
Argela - USA. 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 EODD (“TTINT Bulgaria”)(*)	Bulgaria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International CZ s.r.o (“TTINT Czech Republic”)(*)	Czech Republic	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT Telcomd.o.o Beograd (“TTINT Serbia”)(*)	Serbia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT Telekomunikacijed.o.o (“TTINT Slovenia”)(*)	Slovenia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International SK s.r.o (“TTINT Slovakia”)(*)	Slovakia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
MTCTR Memorex Telekomunikasyon Sanayi ve Ticaret Limited Şirketi (“TTINT Turkey”)(*)	Turkey	Internet/data services, infrastructure and wholesale voice services provider	Turkish Lira	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 Telekomunikasyon Euro Gmbh. (“TT Euro”)(*)	Germany	Mobil service marketing	Euro	100	100
Türk Telekom International d.o.o.(*)	Croatia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International HK Limited (*)	Hong Kong	Internet/data services, infrastructure and wholesale voice services provider	H.K. Dollar	100	100
Net Ekran TV ve Medya Hiz. A.Ş. (“Net Ekran”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
TTES Elektrik Tedarik Satış A.Ş.(“TTES”)	Turkey	Electrical energy trading	Turkish Lira	100	100
TT Euro Belgium S.A. (*)	Belgium	Mobile service marketing	Euro	100	100
Fleksus Mobil Finans ve Dağıtım Telekomünikasyon Hizmetleri A.Ş. (“Fleksus”)	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	-
Net Ekran11 TV ve Medya Hiz. A.Ş. (“Net Ekran11”)	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran12 TV ve Medya Hiz. A.Ş. (“Net Ekran12”)	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran13 TV ve Medya Hiz. A.Ş. (“Net Ekran13”)	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran14 TV ve Medya Hiz. A.Ş. (“Net Ekran14”)	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran15 TV ve Medya Hiz. A.Ş. (“Net Ekran15”)	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran16 TV ve Medya Hiz. A.Ş. (“Net Ekran16”)	Turkey	Television and radio broadcasting	Turkish Lira	100	-
11818 Rehberlik ve Müşteri Hizmetleri A.Ş. (“11818”)	Turkey	Call center and customer relations	Turkish Lira	100	100

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

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1. REPORTING ENTITY (CONTINUED)

Hereinafter, Türk Telekom and its subsidiaries 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 average number of personnel subject to collective agreement as at 30 June 2016 is 12.106 (31 December 2015: 12.407) and the average number of personnel not subject to collective agreement as at 30 June 2016 is 22.524 (31 December 2015: 21.406). The total number of personnel as at 30 June 2016 and 31 December 2015 are 33.625 and 34.147, respectively.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Summary of basis of presentation of the interim condensed of consolidated financial statements

a) Statement of compliance with TAS

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

For the six month period ended 30 June 2016, the Group prepared its interim condensed consolidated financial statements in accordance with the Turkish Accounting Standard No.34 “Interim Financial Reporting”. Interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group’s annual financial statements, as at 31 December 2015.

b) Preparation of financial statements

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

The accompanying consolidated financial statements are approved by the Company’s Board of Directors on 26 July 2016. General Assembly and related legal institutions have the right to correct these financial statements and statutory financial statements.

c) Correction of financial statements during the hyperinflationary periods

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

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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)

d) Basis of measurement

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

e) Functional and presentation currency

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

Functional currencies of the subsidiaries are presented in Note 1.

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

f) Significant accounting assessments, estimates and assumptions

In order to prepare financial statements in accordance with TFRS, certain assumptions affecting notes to the financial statements and critical accounting estimations related to assets, liabilities, contingent assets and contingent liabilities are required to be used. Although these estimations are made upon the best afford of the management by interpreting the cyclical circumstances, actual results may differ from the forecasts. Issues that are complex and needs further interpretation, which might have a critical impact on financial statements. There is no change in judgments and critical accounting estimates compared to prior year used in interim condensed consolidated financial statements as 30 June 2016.

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.

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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)

Determination of fair values (continued)

ii) Derivatives

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

iii) Bills, bonds and notes issued

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

iv) Other non-derivative financial liabilities

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

2.2 Summary of significant accounting policies

Standards issued but not yet effective and not early adopted

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

TFRS 9 - Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

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

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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 (continued)

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

IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 -IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 15 Revenue from Contracts with Customers

The standard is the result of a joint project and IASB and FASB which replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

IFRS 16 Leases

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

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

Amendments to IAS 7 – Disclosure Initiative

IAS 7 Statement of Cash Flows has been amended as part of the IASB’s broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

The reclassifications that are made as at 30 June 2015

The reclassifications that are made at the Group’s consolidated cash flow statement as at 30 June 2015 are: Foreign exchange differences amounting to TL 63,224 which were previously presented as unrealized foreign exchange differences in the consolidated cash flow statement for 30 June 2015 are presented in foreign exchange differences and other financial expense payments amounting to TL 5,029 TL which previously presented in net cash used in operating activities is presented as other finance expenses paid in net cash used in financing activities.

3. SEASONAL CHANGES IN THE OPERATIONS

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

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4. EARNINGS PER SHARE

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Weighted average number of ordinary shares outstanding during the year	350.000.000.000	350.000.000.000	350.000.000.000	350.000.000.000
Net profit for the year attributable to equity holders of the Company	655.306	247.636	361.932	335.216
Basic and earnings per share (in full kuruş)	0,1872	0,0708	0,1034	0,0958

5. SEGMENT REPORTING

The Group has two main segments: Fixed line and GSM. Fixed line services are provided by Türk Telekom, TTNNet, Argela, Innova, Sebit, AssisTT, TTES and TTINT Group whereas GSM service is provided by Avea. Group management assesses segment performance over contribution to consolidated earnings before interest, tax, depreciation and amortization (“EBITDA”). 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 EBITDA as it is comparable with other companies in the sector. As Group management does not monitor Group’s performance over geographical segments, geographical segment reporting is not presented. The segment results and balance sheet items are presented below:

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5. SEGMENT REPORTING (CONTINUED)

	Fixed line		Mobile		Intra-group eliminations and consolidated adjustments		Consolidated	
	1 January - 30 June 2016	1 January - 30 June 2015	1 January - 30 June 2016	1 January - 30 June 2015	1 January - 30 June 2016	1 January - 30 June 2015	1 January - 30 June 2016	1 January - 30 June 2015
Revenue	5.485.551	4.808.852	2.750.101	2.385.843	(494.736)	(234.814)	7.740.916	6.959.881
Contribution to consolidated revenue (*)	5.017.921	4.604.717	2.720.191	2.354.675	2.804	489	7.740.916	6.959.881
Contribution to consolidated EBITDA (**)	1.884.872	2.058.397	698.817	590.930	–	–	2.583.689	2.649.327

	Fixed line		Mobile		Intra-group eliminations and consolidated adjustments		Consolidated	
	1 April - 30 June 2016	1 April - 30 June 2015	1 April - 30 June 2016	1 April - 30 June 2015	1 April - 30 June 2016	1 April - 30 June 2015	1 April - 30 June 2016	1 April - 30 June 2015
Revenue	2.830.388	2.424.339	1.416.222	1.219.401	(306.661)	(118.079)	3.939.949	3.525.661
Contribution to consolidated revenue (*)	2.537.501	2.322.051	1.400.271	1.203.121	2.177	489	3.939.949	3.525.661
Contribution to consolidated EBITDA (**)	948.993	1.014.319	372.960	305.627	–	–	1.321.953	1.319.946

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

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

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5. SEGMENT REPORTING (CONTINUED)

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Fixed line EBITDA	1.884.872	948.993	2.058.397	1.014.319
Mobile EBITDA	698.817	372.960	590.930	305.627
Consolidated EBITDA	2.583.689	1.321.953	2.649.327	1.319.946

Foreign exchange gains, interest income, discount
income on current accounts presented in other
operating income

92.022 35.017 137.531 80.425

Foreign exchange losses, interest expense, discount
expense on current accounts presented in other
operating expense (-)

(116.876) (41.933) (152.646) (67.559)

Financial income

2.298.291 1.413.664 922.095 434.582

Financial expense (-)

(2.515.387) (1.618.475) (1.983.348) (786.366)

Depreciation, amortisation and impairment

(1.353.159) (695.072) (1.056.403) (532.348)

Consolidated profit before tax

988.580 415.154 516.556 448.680

30 June 2016	Fixed Line	Mobile	Eliminations	Consolidated
Total segment assets	18.980.412	9.857.611	(2.212.281)	26.625.742
Total segment liabilities	(17.828.236)	(6.332.729)	2.190.153	(21.970.812)
31 December 2015	Fixed Line	Mobile	Eliminations	Consolidated
Total segment assets	17.580.619	10.594.367	(2.401.082)	25.773.904
Total segment liabilities	(16.136.389)	(7.045.666)	2.401.519	(20.780.536)

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6. CASH AND CASH EQUIVALENTS

	30 June 2016	31 December 2015
Cash on hand	475	332
Cash at banks– demand deposit	791.716	420.361
Cash at banks– time deposit	2.420.321	2.410.835
Other	1.781	6.258
	3.214.293	2.837.786

As of 30 June 2016, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 5,00% - 11,90% for TL deposits, between 0,25% - 2,20% for US Dollar deposits and between 0,40% - 1,75% for Euro deposits (31 December 2015: for TL deposits between 5,00% and 14,00%, for US Dollar deposits between 0,10% and 3,50%, for Euro deposits between 0,20% and 2,65%).

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

	30 June 2016	30 June 2015
Cash and cash equivalents	3.214.293	1.990.706
Less: restricted amounts		
- Collection protocols and ATM collection	(369.627)	(314.982)
- Other	(1.410)	(1.505)
Unrestricted cash	2.843.256	1.671.219

As of 30 June 2016, demand deposits amounting to TL 369.627 (30 June 2015: TL 314.982) is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected.

As of 30 June 2016, the Group has bank loans amounting to USD 193.268 and EURO 38.899 (31 December 2015: USD 386.595 and Euro 455.244) which have been committed to banks and have not been utilized yet, having a maturity date on 2 October 2017.

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7. FINANCIAL LIABILITIES

Bank borrowings

	30 June 2016			31 December 2015		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Short-term borrowings:						
TL bank borrowings with fixed interest rates	10,81	392.831	392.831	9,27	237.582	237.582
TL bank borrowings with variable interest rates	—	—	—	—	1.553	1.553
Interest accruals:						
TL bank borrowings with fixed interest rates		1.813	1.813	—	2.956	2.956
EUR bank borrowings with variable interest rates		11	36	—	—	—
Short-term borrowings		394.680				242.091
Short-term portion of long-term bank borrowings:						
USD bank borrowings with fixed interest rates	3,11	50.702	146.710	3,05	48.625	141.381
USD bank borrowings with variable interest rates	3,14	680.434	1.968.903	3,00	586.259	1.704.607
EUR bank borrowings with variable interest rates	1,28	167.626	537.140	1,52	152.531	484.683
Interest accruals of long-term bank borrowings:						
TL bank borrowings with fixed interest rates		—	—	—	7	7
USD bank borrowings with fixed interest rates		690	1.997	—	622	1.808
USD bank borrowings with variable interest rates (*)		17.477	50.571	—	9.220	26.809
EUR bank borrowings with variable interest rates (**)		10.675	34.207	—	1.377	4.377
Short-term portion of long-term bank borrowings		2.739.528				2.363.672
Total short-term borrowings		3.134.208				2.605.763
Long-term borrowings:						
TL bank borrowings with fixed interest rates	—	—	—	14,80	16.000	16.000
USD bank borrowings with fixed interest rates	3,11	113.818	329.344	3,05	112.259	326.404
USD bank borrowings with variable interest rates (*)	3,14	1.418.453	4.104.436	3,00	1.339.420	3.894.497
EUR bank borrowings with variable interest rates (**)	1,28	1.022.598	3.276.813	1,52	649.475	2.063.773
Total long-term borrowings		7.710.593				6.300.674
Total financial liabilities		10.844.801				8.906.437

(*) As at 30 June 2016, interest rate varies between Libor + 0,54% and 3,40% (31 December 2015: Libor + 0,54% and 3,40%)

(**) As at 30 June 2016, interest rate varies between Euribor + 0,25% and 3,00% (31 December 2015: Euribor + 0,25% and 3,00%)

As of 30 June 2016, guarantees amounting to USD 400.000 is for financial liabilities of Avea which are amounted to USD 230.000 and EUR 133.125, and guarantees amounting to USD 50.000 is given for financial liabilities of Memorex, and guarantees amounting to EUR 300 is given for financial liabilities of TTINT Romania by Türk Telekom.

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7. FINANCIAL LIABILITIES (CONTINUED)

Bank borrowings (continued)

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

	30 June 2016						31 December 2015					
	Up to 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	More than 5 years	Total	Up to 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	More than 5 years	Total
TL bank borrowings with fixed interest rates	378.007	16.637	–	–	–	394.644	240.545	–	16.000	–	–	256.545
TL bank borrowings with variable interest rates	–	–	–	–	–	–	1.553	–	–	–	–	1.553
USD bank borrowings with fixed interest rates	9.159	139.548	154.491	120.352	54.501	478.052	8.762	134.427	147.883	178.521	–	469.593
USD bank borrowings with variable interest rates	718.831	1.300.643	458.337	2.655.348	990.751	6.123.909	158.898	1.572.517	843.357	1.981.234	1.069.906	5.625.912
Euro bank borrowings with variable interest rates	26.175	545.208	453.387	2.329.659	493.767	3.848.196	9.615	479.446	443.875	1.399.170	220.728	2.552.834
	1.132.172	2.002.036	1.066.215	5.105.359	1.539.019	10.844.801	419.373	2.186.390	1.451.115	3.558.925	1.290.634	8.906.437

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7. FINANCIAL LIABILITIES (CONTINUED)

Bill, bonds and notes issued

	30 June 2016			31 December 2015		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Bill, bonds and notes issued:						
USD bank borrowings with fixed interest rates	4,54	4.035	11.674	4,54	3.427	9.963
Short-term bills, bonds and notes issued		4.035	11.674		3.427	9.963
Long-term bills, bonds and notes issued:						
USD bank borrowings with fixed interest rates	4,54	989.578	2.863.442	4,54	989.578	2.877.296
Long-term bills, bonds and notes issued		989.578	2.863.442		989.578	2.877.296
Total financial liabilities		993.613	2.875.116		993.005	2.887.259

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:

	30 June 2016				31 December 2015			
	3 months to 1 year	1 year to 5 years	More than 5 years	Total	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Issued long term bills, bonds and notes	11.674	1.434.955	1.428.487	2.875.116	9.963	1.441.897	1.435.399	2.887.259
	11.674	1.434.955	1.428.487	2.875.116	9.963	1.441.897	1.435.399	2.887.259

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8. DUE FROM AND DUE TO RELATED PARTIES

Institutions under state control are defined as related parties due to 30% ownership and the golden share of the Treasury. State controlled entities are defined as related parties but in accordance with the exemption given from the TAS 24 disclosure requirements, state controlled entities are excluded from general reporting requirements.

Details of balances between the Group and other related parties as at 30 June 2016 and 31 December 2015 are disclosed below:

	30 June 2016	31 December 2015
Due from related parties		
Parent company		
Saudi Telecom Company ("STC") (2)	11.711	5.730
Other related parties		
Oger Telekom Yönetim Hizmetleri Limited Şirketi ("OTYH") (1)	–	3
Oger Systems Company Ltd. (1)	1.447	771
Other	70	–
	13.228	6.504
Due to related parties		
Parent company		
STC (2)	746	682
Other related parties		
OTYH (1)	9.308	9.879
OGER Systems Company Ltd. (1)	–	123
Oger Telecom Ltd.	65	44
Oger Telecom South Africa (Proprietary) Limited (1)	17	17
	10.136	10.745

(1) a subsidiary of Oger Telecom

(2) shareholder of Oger Telecom

Transactions with shareholders:

Avea is required under the terms of the Avea 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 revenues and ICTA share at 0,35% of revenues to the Ministry of Transport and Communications under the law Global Service Act numbered 5369.

As of 30 June 2016, unpaid portion of Treasury Share, universal service fund and ICTA share are recorded under other short term liabilities and these expenses are accounted at cost of sales account.

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

Guarantees provided to related parties:

The guarantees given by the Company to support the long term financing of related parties are explained in Note 7.

Transactions with other related parties:

Postage services have been rendered by PTT to the Company.

Operational lease expense to PTT by the Company as part of the lease agreement amounts to TL 10.195 for the six month period ended 30 June 2016 (30 June 2015: TL 23.097).

The Company is rendering and receiving international traffic carriage services and data line rent services to and from STC. Total revenues and expenses incurred in relation to these services amounted to TL 5.477 and TL 339, respectively, as of 30 June 2016 (30 June 2015: TL 10.814 revenues and TL 374 expenses).

Compensation of key management personnel

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

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Short-term benefits	71.391	53.692	67.192	54.777
Wage and wage equivalents	66.800	50.768	53.607	44.462
Attandace fees	4.591	2.924	4.738	2.300
Post employment benefits to key	—	—	8.847	8.015
Long-term defined benefit plans	1.149	553	1.057	484
Social Security Institution premiums (SSI)	1.149	553	1.057	484
	72.540	54.245	68.249	55.261

Furthermore, OTMSC charged to the Company a consultancy fee amounting to TL 17.216 (30 June 2015: TL 15.883) and an expense fee for an amount of TL 193 (30 June 2015: TL 43), for the six month period ended 30 June 2016. OTASC’s ultimate shareholder is Saudi Oger. Based on the contract between OTMSC and the Company significant portion of this payment represents salaries of key management personnel. On 12 May 2015 a new protocol is signed. According to this, the contract is renewed for two years by amounting to USD 12.000 (prior contract value: 12.000 USD) and will be terminated on 15 May 2017.

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9. TRADE RECEIVABLES FROM AND PAYABLES TO THIRD PARTIES

Trade receivables

	30 June 2016	31 December 2015
Short-term		
Trade receivables	5.598.109	5.097.900
Other trade receivables	152.424	139.001
Income accruals	442.574	559.719
Allowance for doubtful receivables (-)	(2.184.536)	(2.002.146)
Total short-term trade receivables	4.008.571	3.794.474
Long-term		
Trade receivables	60.180	49.135
Total long-term trade receivables	60.180	49.135

Trade receivables generally have a maturity term of 60 days on average (31 December 2015: 60 days).

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

	1 January 2016 - 30 June 2016	1 January 2015 - 30 June 2015
At January 1	(2.002.146)	(1.732.493)
Provision for the year	(261.685)	(208.542)
Reversal of provision - collections	78.804	116.112
Write off of doubtful receivables	489	814
Foreing currency translation differences	2	59
At 30 June	(2.184.536)	(1.824.050)

The Group waits up to 90 days before initiating legal action for overdue receivables. Based on its previous collection performance from overdue receivables, the Company expects to make significant collections from its overdue receivables. As of 30 June 2016 and 31 December 2015, the analysis of trade receivables that were neither past nor due and past due but not impaired is as follows:

			Past due but not impaired					
	Total	Neither past due nor impaired	< 30 days	30-60 days	60-90 days	90-120 days	120-360 days	>360 days
30 June 2016	4.068.751	2.856.812	321.219	152.273	98.814	155.865	199.531	284.237
31 December 2015	3.843.609	2.710.560	358.632	125.149	88.815	81.394	178.573	300.486

Receivables guaranteed of the Group are amounted to TL 34.973 (31 December 2015: TL 29.831).

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

Trade payables

	30 June 2016	31 December 2015
Short-term		
Trade payables	3.467.195	3.819.843
Expense accruals	851.761	395.092
Other trade payables	318	10.597
Total short-term trade payables	4.319.274	4.225.532
Long-term		
Trade payables	144.554	962.191
Other trade payables	–	67
Total long-term trade payables	144.554	962.258

As of 30 June 2016, short term trade payables include Avea 4.5G license payment amounting to TL 1.536.691 (31 December 2015: TL 1.523.839), TV broadcasting and licence rights and other short term trade payables.

The average maturity term of trade payables is between 30 and 150 days (31 December 2015: 30 and 150 days).

As of 30 June 2016, long term trade payables includes TV broadcasting, license rights and trade payables which have a maturity of more than 1 year.

Short term trade payables consists of payables within scope of supplier finance that amounting TL 555.723 (31 December 2015: TL 625.477).

10. TANGIBLE AND INTANGIBLE ASSETS

The amount of tangible and intangible assets purchased during the six month period ended 30 June 2016 is TL 1.397.836 (30 June 2015: TL 780.272).

Net book value of tangible and intangible assets sold during the six month period ended 30 June 2016 amounted to TL 19.246 (30 June 2015: TL 18.723).

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11. PROVISIONS

Other short-term provisions

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

	30 June 2016	31 December 2015
Litigation, ICTA penalty and customer return provisions	265.009	296.674
	265.009	296.674

The movement of provisions is as follows:

	1 January - 30 June 2016	1 January - 30 June 2015
As at January 1	296.674	241.259
Provisions for the period	30.696	111.272
Settled provisions	(49.893)	(12.420)
Reversals	(12.540)	(26.060)
Foreign currency translation difference	72	237
As at 30 June	265.009	314.288

Short-term provisions for employee benefits

	30 June 2016	31 December 2015
Short term provisions for employee benefits		
Personnel bonus provision	105.694	178.822
	105.694	178.822

The movement of provisions is as follows:

	1 January - 30 June 2016	1 January - 30 June 2015
As at January 1	178.822	160.050
Provision for the period	96.682	81.125
Provisions paid	(159.805)	(137.266)
Reversals	(10.131)	(12.822)
Foreign currency translation difference	126	301
As at 30 June	105.694	91.388

	30 June 2016	31 December 2015
Long term provisions for employee benefits		
Unused vacation provisions	90.812	79.677
	90.812	79.677

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11. PROVISIONS (CONTINUED)

Long term employee benefits excluding defined benefit obligation

The movement of provisions is as follows:

	1 January - 30 June 2016	1 January - 30 June 2015
As at January 1	79.677	68.907
Provision for the period	34.042	39.933
Provisions paid	(7.631)	(1.872)
Reversals	(15.261)	(24.567)
Foreign currency translation difference	(15)	83
As at 30 June	90.812	82.484
<i>Other long-term provisions</i>		
	30 June 2016	31 December 2015
Provision for the investments under the scope of TFRS Interpretation 12	7.784	7.711
	7.784	7.711

Defined benefit obligation

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

The retirement pay liability as at 30 June 2016 is subject to a ceiling of full TL 4.092,53 (31 Aralık 2015: full TL 3.828,37) per monthly salary for each service year.

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

	1 January - 30 June 2016	1 January - 30 June 2015
Defined benefit obligation at January 1	635.366	555.595
Service cost	27.292	24.522
Interest cost	23.828	24.215
Actuarial loss (*)	25.173	(1.041)
Benefits paid	(110.862)	(9.670)
Foreign currency translation difference	(83)	88
As at 30 June	600.714	593.709

(*) As at 30 June 2016, actuarial loss amounting to TL 25.173 (30 June 2015: TL 1.041) is recognized in other comprehensive income.

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11. PROVISIONS (CONTINUED)

ii) Total expense recognized in the consolidated income statement:

	1 January - 30 June 2016	1 January - 30 June 2015
Service cost	27.292	24.522
Interest cost	23.828	24.215
Total net cost recognized in the consolidated statement of income	51.120	48.737

iii) Principal actuarial assumptions used:

	30 June 2016	31 December 2015
Interest rate	9,5%	9,5%
Expected rate of ceiling increases	5,5%	5,5%

For the years ahead, voluntary employee withdrawal of the Group is 2,36% (31 December 2015: 2,36%).

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12. OTHER ASSETS, OTHER LIABILITIES AND EMPLOYEE BENEFIT OBLIGATIONS

Other current assets

	30 June 2016	31 December 2015
Intermediary services for collection (*)	105.654	123.783
TAFICS projects	48.400	46.364
Value Added Tax ("VAT") and Special Communication Tax ("SCT")(**)	377.195	541.486
Advances given (***)	94.173	27.906
Other current assets	6.411	1.882
	631.833	741.421

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

(**) Includes "VAT" of payments made to ICTA for IMT Services and Infrastructures Authorization, also known as 4.5G tender in public.

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

Other non-current assets

	30 June 2016	31 December 2015
Intermediary services for collection	29.787	34.324
Other non-current assets	4	7
	29.791	34.331

Other current liabilities

	30 June 2016	31 December 2015
Advances received	46.620	44.917
Other liabilities	15.822	10.945
	62.442	55.862

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

Employee benefit obligations

	30 June 2016	31 December 2015
Social security premiums payable	51.892	44.908
Payables to personnel	23.272	25.884
Employee's income tax payables	36.597	44.413
	111.761	115.205

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13. COMMITMENTS AND CONTINGENCIES

Guarantees received and given by the Group are summarized below:

		30 June 2016		31 December 2015	
		Original currency	TL	Original currency	TL
Guarantees received	USD	177.730	514.278	202.191	587.891
	TL	864.009	864.009	875.268	875.268
	Euro	59.029	189.154	59.095	187.780
		1.567.441		1.650.939	
Guarantees given (*)	USD	162.807	471.098	162.049	471.173
	TL	223.454	223.454	202.530	202.530
	Euro	239.698	768.087	239.686	761.625
	Other	17	13	87	60
		1.462.652		1.435.388	

(*) Guarantees given amounting to US Dollar 151.500 (31 December 2015: US Dollar 151.500) is related to the guarantee provided to the ICTA by Avea with respect to the Avea Concession Agreement, guarantees given amounting to Euro 12.840 (31 December 2015: Euro 12.840) is related with the guarantee provided for 3G license and guarantees given amounting to Euro 57.281 (31 December 2015: Euro 57.281) is related with the guarantee provided for 4.5G license.

The Company’s guarantee, pledge and mortgage (GPM) position as at 30 June 2016 and 31 December 2015 is as follows:

	30 June 2016	31 December 2015
A. GPMs given on behalf of the Company’s legal personality	1.462.652	1.435.388
B. GPMs given in favor of subsidiaries included in full consolidation	1.237.519	1.092.791
C. GPMS given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	1.770.002	1.735.813
D. Other GPMs	—	—
i. GPMs given in favor of parent company	—	—
ii. GPMs given in favor of Company companies not in the scope of B and C above	—	—
iii. GPMs given in favor of third party companies not in the scope of C above	—	—
Total	4.470.173	4.263.992

Based on law 128/1 of Turkish Code of Obligations, Avea has given guarantee to distributors amounting to TL 1.770.002 for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by Avea (31 December 2015: TL 1.735.813).

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13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other commitments

The Group has purchase commitments for sponsorships and advertising services at the amounting to USD 26.456, TL 107 and Euro 67 equivalent to TL 76.874 (31 December 2015: TL 75.684) as at 30 June 2016. Payments for these commitments are going to be made in a 5-year period.

The Group has purchase commitments for fixed assets amounting to US Dollar 172.323, Euro 60.870, GBP 6.157 and TL 441.378, equivalent to TL 1.158.886 (31 December 2015: TL 936.296) as at 30 June 2016.

Legal proceedings of Türk Telekom

Disputes between the Company and its former personnel

Within the scope of the ongoing restructuring of the personnel organization of the Company in order to achieve the number of personnel identified, the contracts of the employees who are entitled for retirement and whose service are not needed have been terminated based on the Board of Directors Decision. Accordingly, certain number of those employees has filed re-employment lawsuits against the Company. Some of the lawsuits terminated against the Company while the remaining cases are still ongoing. Provision amounting to TL 13.237 (31 December 2015: TL 13.590) is provided as of 30 June 2016 for the ongoing cases.

Disputes between the Company and Municipalities

For contribution to the infrastructure investment and municipality share, municipalities filed against the Company and as at 30 June 2016, total provision including the nominal amount and legal interest charge which is amounting to TL 52.279 (31 December 2015: TL 47.021) is recognized.

Disputes between the Group and the ICTA

The Company has filed various lawsuits against ICTA. These lawsuits are related with the sector-specific and tariff legislations and legislations with respect to the other operators in the market. The sector-specific disputes generally stem from the objections with respect to the provisions of interconnection legislation, legislation with respect to telecommunication services and infrastructure. As of 30 June 2016, TL 81.790 provision provided for ICTA penalties and amounts to be repaid to customers due to ICTA resolutions (31 December 2015: TL 102.459).

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13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Disputes related to Avea’s SCT

General Directorate of Revenue Administration has started a tax investigation about practice for computation of Special Communication Tax (“SCT”) based on the revenue generated from prepaid cards to distributors and dealers.

As of 30 June 2016, a provision amounting to TL 83.141 is recognized (31 December 2015: TL 69.729).

Avea’s Treasury share investigation

Undersecretariat of Treasury has performed an audit at Avea over gross sales for the period 2010 and 2011 and calculated additional charges amounting to TL 2.500 regarding 2G Concession Agreement and TL 15.700 regarding 3G Concession Agreement on the allegation that Treasury Share and Universal Service Participation Fee was not fully paid over “sales discounts, subscriber commitment penalties, advertisement charge outs, discount over roaming and exchange rate differences arising from roaming services” based on the ground that such amounts constitutes the base for treasury share.

The Company paid TL 27.795 in January 2016 including interest for amounts resulting from 3G sales.

Meanwhile, the Company has taken the following actions for the claimed amounts:

- Preliminary injunction is requested regarding the amount over 2G Concession Agreement, an arbitration case has been initiated
- Stay of execution is requested and cancellation case initiated regarding the claimed amount over 3G Concession Agreement.

In addition, ICTA sent a notification requesting TL 44.940 penalty over 3G Concession Agreement and TL 7.021 penalty over 2G Concession Agreement which is calculated as three times of the principal amount.

Management has taken the following actions to stop the execution of the payment order.

- A cancellation case initiated and stay of execution requested regarding the claimed amount over 3G Concession Agreement.
- Preliminary injunction received regarding the accrual over 2G Concession Agreement and arbitration process has been initiated.

The litigation process is continuing as at 30 June 2016. As at 30 June 2016, a provision amounting to TL 4.457 is recognized in the financial statements for the principal and interest (31 December 2015: TL 31.975).

Based on the management opinion, the probability of an outflow of resources embodying economic benefits to settle the obligation is not probable, thus, no additional provision for the penalty charge is recognized in the consolidated financial statements as at and for the period ended 30 June 2016.

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 30.105 as at 30 June 2016 (31 December 2015: TL 31.900). For the rest of the cases, Group lawyers commented that basis of those cases are not realistic and should be appealed. Therefore, no provision has been provided for these cases.

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14. FINANCIAL RISK MANAGEMENT AND POLICIES

Market risk

Foreign currency risk

	30 June 2016					31 December 2015				
	TL Equivalent	US Dollar	Euro	GBP	Other	TL Equivalent	USD	Euro	GBP	Other
1. Trade receivables	151.038	28.710	20.233	–	4.065	141.338	16.822	28.505	–	2.387
2a. Monetary financial assets (Cash and banks accounts included)	2.607.921	407.289	446.071	–	–	1.935.008	374.424	266.343	–	–
2b. Non-monetary financial assets	–	–	–	–	–	–	–	–	–	–
3. Other	74.195	3.452	20.037	–	–	62.369	2.793	17.072	–	–
4. Current assets (1+2+3)	2.833.154	439.451	486.341	–	4.065	2.138.715	394.039	311.920	–	2.387
5. Trade receivables	55.201	19.022	48	2	–	1	–	–	–	–
6a. Monetary financial assets	60.979	19.063	1.816	–	–	50.792	11.685	5.292	–	–
6b. Non-monetary financial assets	–	–	–	–	–	–	–	–	–	–
7. Other	65	15	7	–	–	399	–	126	–	–
8. Non-current assets (5+6+7)	116.245	38.100	1.871	2	–	51.192	11.685	5.418	–	–
9. Total assets (4+8)	2.949.399	477.551	488.212	2	4.065	2.189.907	405.723	317.338	–	2.387
10. Trade payables	2.969.552	300.526	655.109	184	3	3.928.748	357.052	908.998	499	3
11. Financial liabilities	2.751.890	753.542	178.312	15	–	2.381.870	649.720	162.404	132	–
12a. Monetary other liabilities	89.405	14.415	14.884	–	–	23.197	2.454	5.055	–	–
12b. Non-monetary other liabilities	392	4	119	–	–	–	–	–	–	–
13. Short-term liabilities (10+11+12)	5.811.239	1.068.487	848.424	199	3	6.333.815	1.009.226	1.076.457	631	3
14. Trade payables	144.937	56	45.180	–	–	747.580	58	235.213	–	–
15. Financial liabilities	10.574.035	2.521.849	1.022.598	–	–	9.161.910	2.441.244	649.468	–	–
16 a. Monetary other liabilities	406.280	112.539	25.165	–	–	247.971	42.132	39.485	–	–
16 b. Non-monetary other liabilities	–	–	–	–	–	–	–	–	–	–
17. Long-term liabilities (14+15+16)	11.125.253	2.634.444	1.092.943	–	–	10.157.461	2.483.434	924.166	–	–
18. Total liabilities (13+17)	16.936.492	3.702.931	1.941.367	199	3	16.491.276	3.492.660	2.000.623	631	3
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	2.538.503	1.780.000	(815.162)	–	–	1.532.716	1.000.000	(432.680)	–	–
19a. Total asset amount hedged	–	–	–	–	–	–	–	–	–	–
19b. Total liability amount hedged	(2.538.503)	(1.780.000)	815.162	–	–	(1.532.716)	(1.000.000)	432.680	–	–
20. Net foreign currency asset/(liability) position (9-18+19)	(11.448.590)	(1.445.380)	(2.268.317)	(198)	4.062	(12.768.653)	(2.086.937)	(2.115.965)	(631)	2.384
21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(14.060.960)	(3.228.843)	(1.473.080)	(198)	4.062	(14.364.137)	(3.089.730)	(1.700.483)	(631)	2.384
22. Fair value of FX swap financial instruments	255.388	88.260	–	–	–	284.094	97.707	–	–	–
23. Hedged amount of foreign currency assets	–	–	–	–	–	–	–	–	–	–
24. Hedged amount of foreign currency liabilities	(2.538.503)	(1.780.000)	815.162	–	–	(1.532.716)	(1.000.000)	432.680	–	–

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14. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

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

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

30 June 2016	Profit/(Loss)		Other comprehensive income	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD against TL by 10%:				
1- USD net asset/liability	(933.296)	933.296	—	—
2- Hedged portion of USD risk (-)	515.061	(515.061)	—	—
3- USD net effect (1+2)	(418.235)	418.235	—	—
Change of Euro against TL by 10%:				
4- Euro net asset/liability	(465.649)	465.649	(33.816)	33.816
5- Hedged portion of Euro risk (-)	(261.210)	261.210	—	—
6- Euro net effect (4+5)	(726.859)	726.859	(33.816)	33.816
Change of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	236	(236)	—	—
8- Hedged portion of other foreign currency (-)	—	—	—	—
9- Other foreign currency net effect (7+8)	236	(236)	—	—
Total (3+6+9)	(1.144.858)	1.144.858	(33.816)	33.816
31 December 2015	Profit/(Loss)		Other comprehensive income	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD against TL by 10%:				
1- USD net asset/liability	(897.221)	897.221	—	—
2- Hedged portion of USD risk (-)	290.760	(290.760)	—	—
3- USD net effect (1+2)	(606.461)	606.461	—	—
Change of Euro against TL by 10%:				
4- Euro net asset/liability	(532.829)	532.829	(23.090)	23.090
5- Hedged portion of Euro risk (-)	(137.488)	137.488	—	—
6- Euro net effect (4+5)	(670.317)	670.317	(23.090)	23.090
Change of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	(78)	78	—	—
8- Hedged portion of other foreign currency (-)	—	—	—	—
9- Other foreign currency net effect (7+8)	(78)	78	—	—
Total (3+6+9)	(1.276.856)	1.276.856	(23.090)	23.090

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14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

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

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

	Carrying amount		Fair value	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Financial assets				
Cash and cash equivalents	3.214.293	2.837.786	3.214.293	2.837.786
Trade and other receivables (including related parties)	4.243.477	3.964.794	4.243.477	3.964.794
Other financial investments (*)	11.840	11.840	(*)	(*)
Derivative financial assets	459.900	433.769	459.900	433.769
Financial liabilities				
Bank borrowings	10.844.801	8.906.437	10.842.649	8.905.625
Bills, bonds and notes issued	2.875.116	2.887.259	2.917.378	2.793.917
Financial leasing liabilities	2.515	9.031	2.515	9.031
Trade and other payables (including related parties)	5.778.481	6.559.309	5.778.481	6.559.309
Derivative financial liabilities	475.014	265.584	475.014	265.584

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

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

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14. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

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

Fair value hierarchy table as at 30 June 2016 is as follows:

			Fair Value Measurement		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Date of Valuation	Total			
Financial assets measured at fair value:					
<u>Derivative Financial Assets:</u>					
Cross currency swaps	30 June 2016	404.759	—	404.759	—
Interest rate swaps	30 June 2016	55.141	—	55.141	—
Financial liabilities measured at fair value:					
<u>Derivative Financial Liabilities:</u>					
Interest rate swaps	30 June 2016	325.643	—	325.643	—
Cross currency swaps	30 June 2016	149.371	—	149.371	—
Other financial liabilities not measured at fair value					
Bank loans	30 June 2016	—	—	—	—
Bills, bonds and notes issued	30 June 2016	2.917.378	2.917.378		—

Fair value hierarchy table as at 31 December 2015 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 2015	388.767	—	388.767	—
Interest rate swaps	31 December 2015	45.002	—	45.002	—
Financial liabilities measured at fair value:					
<u>Derivative Financial Liabilities:</u>					
Interest rate swaps	31 December 2015	160.911	—	160.911	—
Non-controlling interest put option liability	31 December 2015	104.673	—	104.673	—
Other financial liabilities not measured at fair value					
Bank loans	31 December 2015	8.905.625	—	8.905.625	—
Bills, bonds and notes issued	31 December 2015	2.793.917	2.793.917	—	—

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 2016 and 2015.

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15. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS

Dividends

As of 31 June 2016, distributable consolidated net profit TL 840.859 (a dividend of full kuruş 0,2402454 per share) has been distributed in cash to the shareholders.

During the year ended 31 December 2015, remaining balance of 2014 distributable profit after assigning first and second legal reserves, which amounted to TL 1.840.853 (a dividend of full kuruş 0,5260 per share) has been distributed in cash to the shareholders.

16. DERIVATIVE FINANCIAL INSTRUMENTS

Cash flow hedges and derivative financial instruments

Interest rate swaps

The Company has entered into an eight-part interest rate swap transaction between 11 April 2012 and 30 April 2012 with a maturity date on 21 March 2022 and a total notional amount of US Dollar 400.000. In addition, the Company has also entered into a four-part interest rate swap transaction between 8 April 2013 and 17 April 2013 with a maturity date on 21 August 2023 and a total notional amount of US Dollar 200.000.

The Company has also entered into a six-part interest rate swap transaction between 29 April -20 May 2014 with a maturity date on 19 June 2024 and a total notional amount of US Dollar 300.000. The Company has also entered into a five-part interest rate swap transaction between 15 - 16 May 2014 with a maturity date on 12 August 2024 and a total notional amount of US Dollar 150.000.

As of 30 June 2016 fair value of interest rate derivative transactions amounting to TL 325.643 has been recognized under long term financial liabilities (31 December 2015: TL 160.911). Unrealized loss on these derivatives amounting to TL 167.280 (31 December 2015: TL 73.245 loss) is recognized in other comprehensive income. Unrealized gain on these derivatives' time value amounting to TL 2.548 (30 June 2015: TL 2.768 gain) is recognized in statement of profit or loss.

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16. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges and derivative financial instruments (continued)

Interest rate swaps (continued)

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 30 June 2016 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay fixed rates and receive floating rates between March 2014 and March 2022	(92.031)
Türk Telekom	200.000	8 April 2013 – 17 April 2013	21 August 2023	Pay fixed rates and receive floating rates between 19 August 2015 and 21 August 2023	(50.624)
Türk Telekom	300.000	29 April – 20 May 2014	1 June 2024	Pay fixed rates and receive floating rates between June 2016 and June 2024	(144.428)
Türk Telekom	150.000	15-16 May 2014	26 June 2024 - 12 August 2024	Pay fixed rates and receive rates between June 2016, and June 2024 and August 2016, and August 2024	(38.560)
					(325.643)

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2015 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay fixed rates between March 2014 and March 2022, and receive floating rates	(45.853)
Türk Telekom	200.000	8 April 2013 – 17 April 2013	21 August 2023	Pay fixed rates between 19 August 2015 and 21 August 2023, and receive floating rates	(20.409)
Türk Telekom	300.000	29 April – 20 May 2014	19 June 2024	Pay fixed rates between June 2016 and June 2024, and receive floating rates	(76.824)
Türk Telekom	150.000	15-16 May 2014	26 June 2024 - 12 August 2024	Pay floating price between June 2016, August 2016 June 2024 and August 2024 and receive fixed premium in certain interest rate corridors through interest option strategies	(17.825)
					(160.911)

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.

Other derivative instruments which are not designated as hedge

As of 30 June 2016 fair value of the interest rate swap transactions which are not designated as hedge and amounting to TL 55.141 is recognized under long term financial assets (31 December 2015: TL 45.002 assets). Unrealized gain on these derivatives amounting to TL 10.139 (30 June 2015: TL 8.770 gain) is recognized in profit or loss.

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16. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Other derivative instruments which are not designated as hedge (continued)

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 30 June 2016 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 19 March 2014 and 21 March 2022, and receive fixed premium (0,24%-0,27%)	16.856
Türk Telekom	200.000	8 April 2013 – 17 April 2013	21 August 2023	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 21 August 2015 and 21 August 2023, and receive fixed premium (0,24%-0,27%)	9.394
Türk Telekom	300.000	29 April – 20 May 2014	19 June 2024	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%) 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%)	28.891
					55.141

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2015 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 19 March 2014 and 21 March 2022, and receive fixed premium (0,24%-0,27%)	15.315
Türk Telekom	200.000	8 April 2013 – 17 April 2013	21 August 2023	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between August 2015 and August 2023, and receive fixed premium (0,24%-0,27%)	7.195
Türk Telekom	300.000	29 April – 20 May 2014	19 June 2024	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%) 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%)	22.492
					45.002

The Company has entered into three-part USD cross currency transactions on 6 January 2015 and 18 June 2015 with maturity dates on 19 June 2024 with a total notional amount of USD 500.000. The Company converted USD 500.000 debt into EUR debt with this transaction.

The Company has also entered into four-part USD cross currency transactions on 21 April- 9 July 2015 with maturity dates on 19 June 2019 with a total notional amount of USD 500.000. The company converted USD 500.000 debt into TL debt with this transaction.

The Company has also entered into three-part USD cross currency transactions on 10 March – 17 March 2016 with maturity dates between 20 November 2018 and 20 November 2020 with a total notional amount of USD 380.000. The company converted USD 380.000 debt into EUR debt with this transaction.

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16. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Other derivative instruments which are not designated as hedge (continued)

The Company has also entered into transactions with maturity dates between 31 March 2016 – 13 April 2016 and 19 June 2024 with a total notional amount of USD 350.000. The company converted USD 350.000 debt into TL debt with this transaction.

The Company (MTCTR Memorex Telekomunikasyon Sanayi ve Ticaret Limited Şirketi) , has also entered into transactions on 16 June 2016 with maturity dates between 20 June 2019 and 22 June 2026 with a total notional amount of USD 50.000. The company converted USD 50.000 debt into EUR with this transaction.

As of 30 June 2016, fair value of derivative transactions amounting to TL 404.759 (31 December 2015: TL 388.767) is recognized under short term financial assets. Unrealized gain of these derivatives amounting to TL 15.992 (30 June 2015: TL 203.443 gain) is recognized in profit or loss.

As of 30 June 2016, fair value of derivative transactions amounting to TL 8.313 (31 December 2015: None) is recognized under short term financial liabilities. Unrealized loss of these derivatives amounting to TL 8.334 (30 June 2015: None) and foreign currency translation difference of these derivatives amounting TL 21 (30 June 2015: None) is recognized in profit or loss

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 30 June 2016 (TL)
Türk Telekom	175.000	6 January 2015	19 June 2024	Pay EUR and receive USD at maturity date ¹	52.675
Türk Telekom	175.000	30 April 2015	19 June 2024	Pay EUR and receive USD at a maturity date ²	22.615
Türk Telekom	150.000	18 June 2015	19 June 2024	Pay EUR and receive USD at maturity date ³	22.200
Türk Telekom	125.000	21 April 2015	19 June 2019	Pay TL and receive USD at maturity date ⁴	87.410
Türk Telekom	125.000	17 June 2015	19 June 2019	Pay TL and receive USD at maturity date ⁵	60.312
Türk Telekom	125.000	23 June 2015	19 June 2019	Pay TL and receive USD at maturity date ⁶	58.801
Türk Telekom	125.000	9 July 2015	19 June 2019	Pay TL and receive USD at maturity date ⁷	63.245
Türk Telekom	114.000	10 March 2016	20 November 2020	Pay EUR and receive USD at maturity date ⁸	7.522
Türk Telekom	133.000	11 March 2016	20 November 2020	Pay EUR and receive USD at maturity date ⁹	14.907
Türk Telekom	133.000	17 March 2016	20 November 2020	Pay EUR and receive USD at maturity date ¹⁰	15.072
					404.759
Türk Telekom	175.000	31 March 2016	19 June 2024	Pay TL and receive USD at maturity date ¹¹	(883)
Türk Telekom	175.000	13 April 2016	19 June 2024	Pay TL and receive USD at maturity date ¹²	(6.140)
Memorex	50.000	16 June 2016	22 June 2026	Pay EUR and receive USD at maturity date ¹³	(1.290)
					(8.313)

Company	Notional Amount (USD)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2015 (TL)
Türk Telekom	175.000	6 January 2015	19 June 2024	Pay EUR and receive USD at maturity date ¹	58.970
Türk Telekom	175.000	30 April 2015	19 June 2024	Pay EUR and receive USD at a maturity date ²	31.538
Türk Telekom	150.000	18 June 2015	19 June 2024	Pay EUR and receive USD at maturity date ³	29.596
Türk Telekom	125.000	21 April 2015	19 June 2019	Pay TL and receive USD at maturity date ⁴	86.625
Türk Telekom	125.000	17 June 2015	19 June 2019	Pay TL and receive USD at maturity date ⁵	60.139
Türk Telekom	125.000	23 June 2015	19 June 2019	Pay TL and receive USD at maturity date ⁶	58.417
Türk Telekom	125.000	9 July 2015	19 June 2019	Pay TL and receive USD at maturity date ⁷	63.482
					388.767

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16. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Other derivative instruments which are not designated as hedge (continued)

¹ Payment of 3,11% interest on EUR 143.443 in exchange for 4,875% interest on USD 175.000, on the interest payment dates of ten-year bond between 19 December 2014 and 19 June 2024.

-Payment of EUR 143.443 in exchange for USD 175.000 at the maturity date of ten-year bond.

² Payment of 2,495 % interest on EUR 157.658 in exchange for 4,875% interest on USD 175.000, on the interest payment dates of ten-year bond between 19 December 2014 and 19 June 2024.

-Payment of EUR 157.658 in exchange for USD 175.000 at the maturity date of ten-year bond.

³ Payment of 2,76 % interest on EUR 131.579 in exchange for 4,875% interest on USD 150.000, on the interest payment dates of ten-year bond between 19 June 2015 and 19 June 2024.

-Payment of EUR 131.579 in exchange for USD 150.000 at the maturity date of ten-year bond.

⁴ On the interest payment dates of the five year bond between 19 December 2014 and 19 June 2019, in exchange for receiving 3,75% interest for 125.000 USD Dollar; the Company will pay 5,45 % interest on notional amount using the foreign exchange rates;

-If USD Dollar / TL rate is below 2,32; TL amount which is calculated by market exchange rate at transaction date

-If USD Dollar / TL rate is between 2,32 and 3,75; TL amount which is calculated by 2,32 exchange rate

-If USD Dollar / TL rate is above 3,75; TL amount which is calculated by extracting 1,43 from market exchange rate

- For capital payments, the Company will pay TL amount which is calculated with exchange rate option strategy indicated above for interest payments in exchange for receiving 125.000 USD Dollar on maturity date.

⁵ On the interest payment dates of the five year bond between 19 December 2014 and 19 June 2019, in exchange for receiving 3,75% interest for 125.000 USD Dollar; the Company will pay 4,95 % interest on notional amount using the foreign exchange rates;

-If USD Dollar / TL rate is below 2,60; TL amount which is calculated by effective exchange rate at transaction date

-If USD Dollar / TL rate is between 2,60 and 3,75; TL amount which is calculated by 2,60 exchange rate

-If USD Dollar / TL rate is above 3,75; TL amount which is calculated by extracting 1,15 from market exchange rate

-For principal payments, the Company will pay TL amount which is calculated with exchange rate option strategy indicated above for interest payments in exchange for receiving 125.000 USD Dollar on maturity date.

⁶ On the interest payment dates of the five year bond between 19 June 2015 and 19 June 2019, in exchange for receiving 3,75% interest for 125.000 USD Dollar; the Company will pay 5,12 % interest on notional amount using the foreign exchange rates;

-If USD Dollar / TL rate is below 2,60; TL amount which is calculated by effective exchange rate at transaction date

-If USD Dollar / TL rate is between 2,60 and 3,75; TL amount which is calculated by 2,60 exchange rate

-If USD Dollar / TL rate is above 3,75; TL amount which is calculated by extracting 1,15 from market exchange rate

-For principal payments, the Company will pay TL amount which is calculated with exchange rate option strategy indicated above for interest payments in exchange for receiving 125.000 USD Dollar on maturity date.

⁷ On the interest payment dates of the five year bond between 19 June 2015 and 19 June 2019, in exchange for receiving 3,75% interest for 125.000 USD Dollar; the Company will pay 4,62 % interest on notional amount using the foreign exchange rates;

-If USD Dollar / TL rate is below 2,60; TL amount which is calculated by market exchange rate at transaction date

-If USD Dollar / TL rate is between 2,60 and 3,75; TL amount which is calculated by 2,60 exchange rate

-If USD Dollar / TL rate is above 3,75; TL amount which is calculated by extracting 1,15 from market exchange rate

- For capital payments, the Company will pay TL amount which is calculated with exchange rate option strategy indicated above for interest payments in exchange for receiving 125.000 USD Dollar on maturity date.

⁸ Payment of 0,78% interest on EUR 101.785 in exchange for 6 M USLibor +1,8% interest on USD 114.000, on the interest payment dates of five-year credit between 30 December 2015 and 20 November 2020.

-Payment of EUR 20.357 in exchange for USD 22.800 with five equal installement, since 20 November 2018 until 20 November 2020 in six-month period

⁹ Payment of 0,79% interest on EUR 118.750 in exchange for 6 M USLibor +1,8% interest on USD 133.000 , on the interest payment dates of five-year credit between 22 February 2016 and 20 November 2020.

-Payment of EUR 23.750 in exchange for USD 26.600 with five equal installement, since 20 November 2018 until 20 November 2020 in six-month period

¹⁰ Payment of 0,77% interest on EUR 117.699 in exchange for 6 M USLibor +1,8% interest on USD 133.000 , on the interest payment dates of five-year credit between 22 February 2016 and 20 November 2020.

-Payment of EUR 23.540 in exchange for USD 26.600 with five equal installement, since 20 November 2018 until 20 November 2020 in six-month period

¹¹ On the interest payment dates of the 10 year bond between 19 December 2015 and 19 June 2024, in exchange for receiving 4,875% interest for 175.000 USD Dollar; the Company will pay 6,40% interest on notional amount using the foreign exchange rates stated below (determined level for the year 2024):

Low Level: [2016: 3,00 – 2017: 3,10 – 2018: 3,20 – 2019: 3,30 – 2020: 3,45 – 2021: 3,55 – 2022: 3,70 – 2023: 3,80 – 2024: 3,95]

High Level: [2016: 3,60 – 2017: 3,75 – 2018: 3,85 – 2019: 4,00 – 2020: 4,15 – 2021: 4,30 – 2022: 4,45 – 2023: 4,60 – 2024: 4,75]

-If USD Dollar/TL rate is below Low Level rate stated above; TL amount which is calculated by market exchange rate at transaction date

-If USD Dollar/TL rate is between Low Level and High Level rates stated above; TL amount which is calculated by Low Level exchange rate

-If USD Dollar/TL rate is above High Level rate stated above; TL amount which is calculated by extracting difference between High and Low Level rates from market exchange rate

¹² On the interest payment dates of the 10 year bond between 19 December 2015 and 19 June 2024, in exchange for receiving 4,875% interest for 175.000 USD Dollar; the Company will pay 6,15% interest on notional amount using the foreign exchange rates stated below (determined level for the year 2024):

Low Level: [2016: 3,00 – 2017: 3,10 – 2018: 3,20 – 2019: 3,30 – 2020: 3,45 – 2021: 3,55 – 2022: 3,70 – 2023: 3,80 – 2024: 3,95]

High Level: [2016: 3,60 – 2017: 3,75 – 2018: 3,85 – 2019: 4,00 – 2020: 4,15 – 2021: 4,30 – 2022: 4,45 – 2023: 4,60 – 2024: 4,75]

-If USD Dollar/TL rate is below Low Level rate stated above; TL amount which is calculated by market exchange rate at transaction date

-If USD Dollar/TL rate is between Low Level and High Level rates stated above; TL amount which is calculated by Low Level exchange rate

-If USD Dollar/TL rate is above High Level rate stated above; TL amount which is calculated by extracting difference between High and Low Level rates from market exchange rate

¹³ Payment of 2,05% interest on EUR 44.247 in exchange for 6M USLibor+ 2,05% interest on USD 50.000, on the interest payment date of ten-year credit between 27 June 2016 and 22 June 2026.

-Payment of EUR 2.949 in exchange for USD 3.333 with fifteen equal installement, since 20 June 2019 until 22 June 2026 in six-month period.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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

16. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Other derivative instruments which are not designated as hedge (continued)

The Company has also entered into foreign exchange option transactions on 6 January and 18 June 2015 with maturity dates on 18 June 2019 and 2024 with a total notional amount of EUR 902.010.

In addition, The Company has also entered into foreign exchange option transactions on 10 March and 17 March 2016 with maturity dates on 20 November 2018 and 2020 with a total notional amount of EUR 338.235.

As of 30 June 2016, fair value of derivative transactions amounting to TL 141.058 (31 December 2015: TL 104.673) is recognized under short term financial liabilities. Unrealized loss on these derivatives amounting to TL 36.385 (30 June 2015: TL 83.310 loss) is recognized in profit or loss.

Company	Notional Amount (EUR)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 30 June 2016 (TL)
Türk Telekom	902.010	6 January 2015- 18 June 2015	18 June 2019- 19 June 2024	Foreign exchange option transactions	(109.308)
Türk Telekom	338.235	10 March 2016- 17 March 2016	20 November 2020	Foreign exchange option transactions	(31.750)
					(141.058)

Company	Notional Amount (EUR)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2015 (TL)
Türk Telekom	902.010	6 January 2015- 18 June 2015	18 June 2019- 19 June 2024	Foreign exchange option transactions	(104.673)
					(104.673)

17. SUBSEQUENT EVENTS

None.