

**We are
connecting
Turkey to the
future**



Türk Telekom



Contents

Türk Telekom in Brief		2018 Activities	
Türk Telekom Main Highlights	4	Global Telecom Market	66
Türk Telekom at a Glance	6	Turkish Telecom Market	70
Group Companies	8	Türk Telekom's Strategic Priorities	75
Vision and Values	10	Marketing Activities	82
History	11	Sales Activities	104
2018 at a Glance		Wholesale Activities	109
Key Performance Indicators	16	Customer Care Activities	114
2018 Highlights	27	Investments and Infrastructure Projects	118
Management		Research and Innovation Activities	122
Chairman Message	38	Human Resources	128
Assessments of the Board of Directors	40	Investor Relations	136
Board of Directors	48	Sustainability & Corporate Social Responsibility	138
Board Committees	51	Türk Telekom Group Companies	
CEO Message	52	Argela	150
Türk Telekom Senior Management	56	İnova	155
CEOs of Türk Telekom Group Companies	59	AssisTT	159
Organizational Structure	61	SEBIT	161
Subsidiaries, Affiliates and Financial Investments	62	Türk Telekom International	165
Capital Structure and Changes	63	Corporate Governance	
		Corporate Governance	170
		Dividend Distribution Proposal	175
		Conclusion of Affiliation Report	175
		Corporate Governance Principles Compliance Report	176
		Corporate Governance Information Form	208
		Statement of Independence	217
		Financial Information	
		Statement of Responsibility	220
		Independent Auditor's Report on the Annual Report of the Board of Directors	222
		Consolidated Financial Statements and Independent Auditor's Report	223
		Glossary	345

Türk Telekom, modern representative of 178 years of history, continues to bring newest and most advanced communication technologies to Turkish citizens by realizing many firsts in its sector. Türk Telekom is the founder of internet backbone in Turkey and the main internet provider with 282 thousand kilometers fiber network. Türk Telekom offers fixed broadband, mobile, fixed voice and TV products to its 46 million subscribers as Turkey's first integrated telecom operator.

Türk Telekom continues its investments uninterruptedly with the vision of accelerating Turkey's transformation into an information society, works in order to connect Turkey to the future within the accessible communication for all principle and produces lasting and strong values for stakeholders by improving communication standards of the future.

Türk Telekom Main Highlights



**Leading
Company in Turkey**

Offering Integrated Telecom
Services



Most Valuable Telco Brand for

10
Consecutive Years



LTE

91%

LTE Population Coverage



282K km
Fiber Network



18.6 mn
in 81 Cities Fiber Homepass



Serving **46** mn
Subscribers



~50%

Fiber Connected
LTE Base Stations



2nd player
in TV Market



Türk Telekom, with 178 years of history, is the first integrated telecommunications operator in Turkey. Türk Telekom offers mobile, internet, telephone and TV products and services to its 46 million consumer and corporate subscribers within the framework of customer-oriented and integrated structure with its wide range of service network and products.



Türk Telekom at a Glance

Telekom Group Companies provide services in all 81 cities of Turkey with 33,417 employees with the vision of introducing **new technologies to Turkey and accelerating Turkey's transformation into an information society.**

Single Brand

Having a wide service network and product range in the fields of individual and corporate services, Türk Telekom unified its mobile, internet, phone and TV products and services under the single "Türk Telekom" brand.

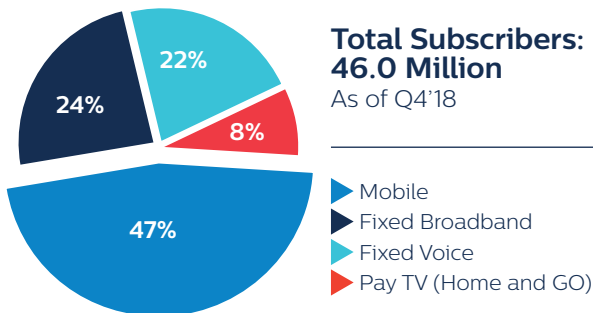
Türk Telekom, with 178 years of history, is the first integrated telecommunications operator in Turkey. In 2015, Türk Telekomünikasyon A.Ş. adopted a "customer-oriented" and integrated structure in order to respond to the rapidly changing communication and technology needs of customers in the most powerful and accurate way, while maintaining the legal entities of TT Mobil

İletişim Hizmetleri A.Ş. and TTNET A.Ş. intact and adhering to the rules and regulations to which they are subject. Having a wide service network and product range in the fields of individual and corporate services, Türk Telekom unified its mobile, internet, phone and TV products and services under the single "Türk Telekom" brand as of January 2016.

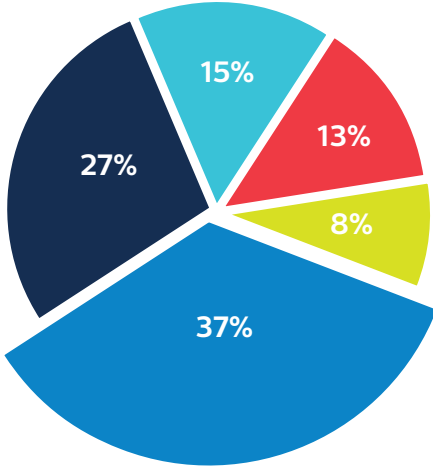
"Turkey's Multiplay Provider" Türk Telekom has 14.4 million fixed access lines, 10.9 million broadband, 3.6 million TV and 21.5 million mobile subscribers as of 31 December 2018. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 33,417 employees with the vision of introducing new technologies to Turkey and accelerating Turkey's transformation into an information society.

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

Strongest Position in Multiplay Offers



Focused on High Growth Areas



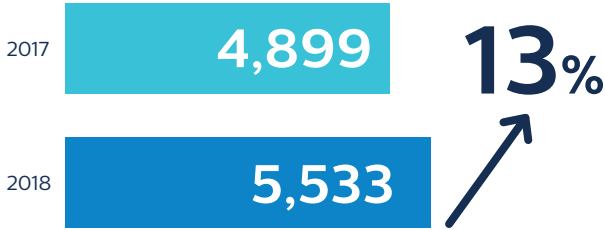
TL 20.4 Billion

2018 consolidated revenue breakdown

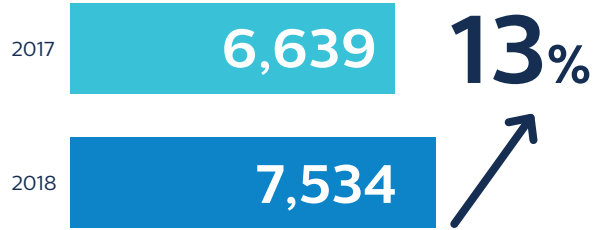
- ▶ Mobile
- ▶ Fixed Broadband
- ▶ Fixed Voice
- ▶ Corporate Data
- ▶ Other

Revenues Based on Segments

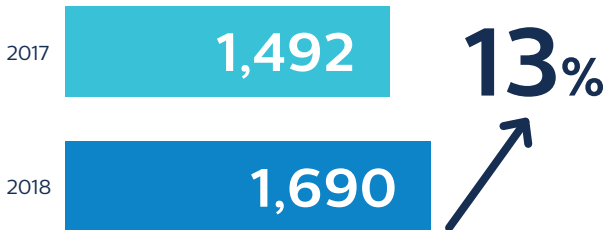
Fixed Broadband (TL million)



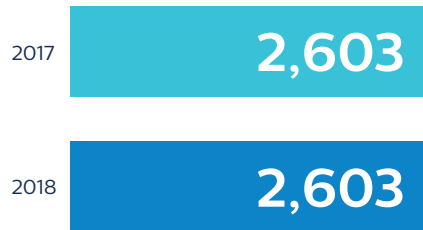
Mobile (TL million)



Corporate Data (TL million)



Fixed Voice (TL million)



Group Companies



ARGELA

Next-generation telco technologies R&D company

- ProgRAN: SDN based RAN solutions for LTE and 5G with 26 patent applications
- ULAK: Turkey's first and only LTE base station development project
- MILAT: SDN & NFV based cybersecurity & cyber defence solutions
- From pure R&D to commercialization
- Member of ONF and ONAP via US based subsidiary NETSIA
- Leading role of Türk Telekom Network Transformation Project

AssisTT

Leader customer service solutions company

- Beyond traditional call center services, solutions such as sales and marketing, social media management, e-mailing and payroll
- Serving largest private and public institutions with around 13 thousand employees

İNNOVA

Leading system integrator & solution provider in Turkey

- System Integration - Large Scale Projects
- Smart Cities and Smart Stores
- Health Campuses
- Fintech Solutions
- IoT Platform and Solutions
- SAP Consultancy Services
- Business Applications (Document Management, Law Process Management)
- CRM and Business Intelligence
- Self-Service and Automation Solutions
- Managed Services





SEBİT

Leading and largest edtech company in Turkey

- E-educational products, covering all Grades from Pre-School to High School
- Leading and innovative e-Education products: Raunt, SEBİT VCloud and Vitamin
- Content and platform provider for the national e-Education transformation project (FATİH)



Türk Telekom International

International arm of the Group in wholesale data, voice and roaming services

- Over 45K km fiber network in CEE, Turkey, the Middle East and the Caucasus
- More than 70 major POPs in Europe, ME and Asia
- Unique Solutions
 - AMEERS: New path connecting WE to ME
 - SEA-ME-WE-5: Submarine cable system connecting Europe to Africa, ME and Asia



Türk Telekom Ödeme Hizmetleri

Payment services company

- Payment services license from the Banking Regulation and Supervision Agency (BRSA)
- Strong position in Direct Carrier Billing (DCB)
- Expansion plans in other payment related services & products (Digital Wallets, Carrier-Billing, Money Transfers, Tax/Bill payments, E-money)



“Turkey’s Multiplay Provider”
Türk Telekom has 14.4 million fixed access lines, 10.9 million broadband, 3.6 million TV and 21.5 million mobile subscribers as of 31 December 2018.

Vision and Values

Our Vision

As Turkey's undisputed leader in communication and entertainment technologies, Türk Telekom, enriches its customers' businesses and lives by excelling in every field.

Shared Values and Attitudes

Customer Focus:

- We listen to our customers, understand them and make their lives easier with solutions customized for their needs.
- We take all decisions in due consideration of their possible effect on our customers.
- We provide our customers timely and accurate information, as well as high standards of services.

Innovation:

- We anticipate market trends and sign the new initiatives in the industry.
- We press ahead, live up to challenges and courageously implement new ideas.
- We learn from mistakes, as well as achievements, and strive for perfection.

People Focus:

- We respect differences of opinion and view diversity as our key power.
- We invest in people, learn constantly, develop and enable to develop.
- We establish frank, fair and constructive relations among ourselves.

Trust:

- We believe in open communication and share our knowledge with each other.
- We trust on the competencies of our colleagues and work collaboratively.
- We work for the success of everyone among us, appreciate each other, and celebrate success together.

Agility:

- We take quick decisions and get immediate results.
- We work with passion and responsibility to reach our goal.
- We share our authority with others and empower them.
- By taking the initiative, we both facilitate and improve our work.

History



1840

The Post Office was established in order to meet postal requirements, and started to provide telecommunication services in the following years.

1909

With the addition of telephone services, the institution was transformed into the PTT Directorate.

1994

Türk Telekomünikasyon A.Ş. was established on 30th June.

1995

On 24th April, the telecommunications and postal services in the PTT were separated. All of the PTT's staff, assets and liabilities related to telecommunications services were transferred to Türk Telekom, which was fully owned by the Republic of Turkey Prime Ministry Undersecretariat of Treasury.

2004

Through the merger between Türk Telekom's GSM Operator, Aycell, and İş-TİM on 19th February, TT & TİM İletişim Hizmetleri A.Ş. was established.

The trade name of TT & TİM İletişim Hizmetleri A.Ş. was changed to Avea İletişim Hizmetleri A.Ş. (Avea) on 15th October.

2005

Work on the privatization of Türk Telekom was completed on 14th November, and 55% of its shares were transferred to Oger Telekomünikasyon A.Ş.

2006

TTNET, a subsidiary of Türk Telekom, was established and started operations on 14 May after obtaining the internet service provider license.

On 15th September, Türk Telekom purchased a 40.56% stake in İş-TİM for USD 500 million and increased its share in Avea to 81.12%.

2008

A 15% stake in Türk Telekom was offered to the public on 15 May and began trading on the Istanbul Stock Exchange; at the time, it was the most successful public offering to have taken place in Turkey over the last 4 years.

2010

Türk Telekom acquired Invitel International (which became Türk Telekom International), the leading wholesale capacity provider in Central and Eastern Europe.

2011

Türk Telekom became the first telecommunication company in Turkey to report carbon emissions to the CDP (Carbon Disclosure Project).

2012

Türk Telekom's total share in Avea's capital increased to 89.99%.

2013

Sobee Yazılım Ticaret Ltd. Şti., a wholly-owned subsidiary of Türk Telekom, was transferred to TTNET A.Ş., also a subsidiary of Türk Telekom, with all of its assets and liabilities, through a merger.

Under a resolution taken by the Board of Directors, Türk Telekom restructured its senior management, including the merger of the Group CEO and General Manager positions.

2014

Türk Telekom conducted bond issuances with a maturity of 5 and 10 years, totalling USD 1 billion. The issuance received considerable attention from international investors and was eight times oversubscribed. The

History

transaction, which at that time was largest corporate bond issuance in Turkey, was the first to be issued with two different maturities simultaneously.

The international rating agency, Fitch Ratings, assigned a BBB- (investment grade) rating to Türk Telekom's TL and foreign currency long-term credit rating with a "Stable" outlook.

International credit rating agency Standard & Poor (S&P) upgraded Türk Telekom's credit rating from "BB +" to "BBB-" (investment grade), emphasizing that Türk Telekom had strengthened its liquidity position with its successful bond issuance of USD 1 billion in June 2014.

TTNET A.Ş. purchased the rights to broadcast the UEFA Champions League and UEFA European League in Turkey for three seasons, starting with the 2015-2016 season. The games were broadcast over the Türk Telekom Group's broadcasting platform, Tivibu.

2015

Türk Telekom became the sole owner of Avea İletişim Hizmetleri A.Ş. with the completion of the transfer of the shares of Avea owned by the İş Bank Group, to Türk Telekom.

Türk Telekom International became a full member of the SEA-ME-WE-5 underwater cable consortium that would connect 17 countries.

Avea participated in the Authorization Tender for IMT Services and Infrastructure (known as the LTE Authorization Tender) that was carried out on 26 August by the Information and Communication Technologies Authority (ICTA). Expanding its capacity with the packages that it had purchased in different frequency bands, Avea became the operator offering the widest frequency per subscriber.

2016

Avea, Türk Telekom and TTNET brands were unified under the "Türk Telekom" single brand in order to offer mobile, internet, telephony and TV services from a single channel.

Türk Telekom became the first operator to integrate ULAK into its network. ULAK was developed by Aselsan, Netaş and Türk Telekom's R&D subsidiary, Argela with the support of the Undersecretariat of Defence Industry, and is Turkey's first domestic and national LTE base station.

Türk Telekom introduced its new youth brand, Selfy, to young people.

With the decision taken by the Board of Directors of Türk Telekom, Paul Doany, who is widely renowned throughout the sector, was appointed as the CEO-General Manager of the company on 26th September.

Türk Telekom became the first operator to test the Narrowband IoT (Narrowband Internet of Things)

technology on its own network in Turkey in cooperation with Nokia.

The SEA-ME-WE-5 underwater cable system, which Türk Telekom International is a participant, started service at the end of the year, connecting 17 countries from Asia to Europe over a total distance of more than 20,000 kilometers.

2017

TT Ödeme Hizmetleri A.Ş. a subsidiary of Türk Telekom obtained a payment services license from the Banking Regulation and Supervision Agency (BRSA) in order to provide new generation payment services to its customers.

Kilometer

A total of 6.68% of the Türk Telekomünikasyon A.Ş. shares that belonged to the Undersecretariat for Treasury of the Prime Ministry of the Republic of Turkey (5% Group B, 1.68% Group D) were transferred to the Turkish Wealth Fund following the related Council of Ministers' decision.

The 5G Center of Excellence, which was designed for the development of national 5G technologies, was opened in Ankara by Argela, the R&D subsidiary of Türk Telekom.

Türk Telekom renewed and promoted the "Türk Telekom Prime" brand, which offers exclusive services to its customers.

Turkey's two well-established, institutions Türk Telekom and PTT A.Ş., extended the Pttcell cooperation initiated in 2013 in the mobile communications field for a further 5 years.

Türk Telekom was selected as the most valuable brand in Turkey in the "Turkey's 100 Most Valuable Brands" list, which is prepared annually by the international brand valuation company, Brand Finance.

Established by Türk Telekom and Vodafone, the Avea-Vodafone Evrensel İş Ortaklığı won the tender organized by the Ministry of Transport, Maritime Affairs and Communications in order to provide services under the Universal Service Fund to 1,472 residential areas with no mobile communication infrastructure.

Türk Telekom maintained its top ranking in terms of the sales revenues among the 500 IT companies, according to a survey conducted by Bilişim 500, Turkey's leading IT sector organization, for the 18th year.

Türk Telekom introduced TAMBU, a platform-enabled digital keyboard that it developed with the vision of developing domestic and national technology.

Türk Telekom introduced its digital music platform Muud, which it renewed with improvements to its technological infrastructure.

Türk Telekom rose to second ranking in the Pay-TV market thanks to its superior technology and rich content.

Türk Telekom became the first Turkish company to join in the ONF (Open Networking Foundation) platform with a member status and to enter the management. ONF, which includes global technology giants as members, designs 5G and beyond technologies.

Türk Telekom became a platinum member of the Open Network Automation Platform (ONAP), which brings together leading global operators and technology suppliers.

Netsia, the US subsidiary of Türk Telekom's R&D company Argela, successfully established "RAN Slicing" technology in Orange, Verizon and Telefonica.

2018

Türk Telekom's new head office building, which is home to Türk Telekom's critical management centers such as Turkey's largest Cyber Security Center and Network Management Center (NMC), the Center of Excellence and the Crisis Center was opened in Ankara.

Argela obtained a total of 17 patents in the 5G field from the US Patent and Trademark Office through its subsidiary, Netsia.

In line with its focus on investing in early-stage and scalable companies, Türk Telekom established TT Ventures, the first corporate venture capital company in the Turkish telecommunications sector. The company undertook its first investment in Doctor Turkey, one of the first ventures in the field of online health services in Turkey.

In order to increase internet penetration and diversify sales channels, collaborations were made with electricity companies in what was a first in Turkey. Türk Telekom fixed broadband packages and electricity started to be offered from a single point.

Türk Telekom was selected as "Turkey's most valuable telecommunications brand" for the tenth time in a row in the "Telecoms 500", a ranking published annually by the international brand valuation company, Brand Finance.

The trademark of Türk Telekom's mobile communication company, Avea, was changed to TT Mobil İletişim in order to be consistent with the company's single brand perception.

A cooperation protocol was signed between Türk Telekom, Turkcell, Vodafone, Türksat and Telkoder for "Leasing of Fixed Electronic Communication Infrastructure". The protocol is aimed at ensuring the effective use of fixed infrastructure, minimizing duplicate investments, accelerating new investments, offering a high-level customer experience and managing environmental issues more effectively.

In order to expand the mobile infrastructure, first pilot project for active mobile network sharing, which includes network expansion and site consolidation in Zonguldak, were completed successfully.

With the goal of becoming the data hub in Turkey and the region, Türk Telekom opened its largest data center in Esenyurt, Istanbul. The number of Türk Telekom data centers increased to seven.

The Turkey Football Federation started to use the Video Assistant Referee (VAR) system in the Super League thanks to the MTN (Media Transport Network) infrastructure - a new technology which Türk Telekom was the first operator to utilize.

Türk Telekom purchased the broadcasting rights of the Turkey Basketball Super League and All Star games, which are among Europe's most valuable three leagues, and the Women's Basketball Super League, the Women's and Men's Turkish Cup games for three seasons starting from the 2018-2019 season. The games will be broadcast exclusively from Tivibu for three seasons.

Türk Telekom's live mobile knowledge quiz program, "Eleq", offering monetary prizes started broadcasting.

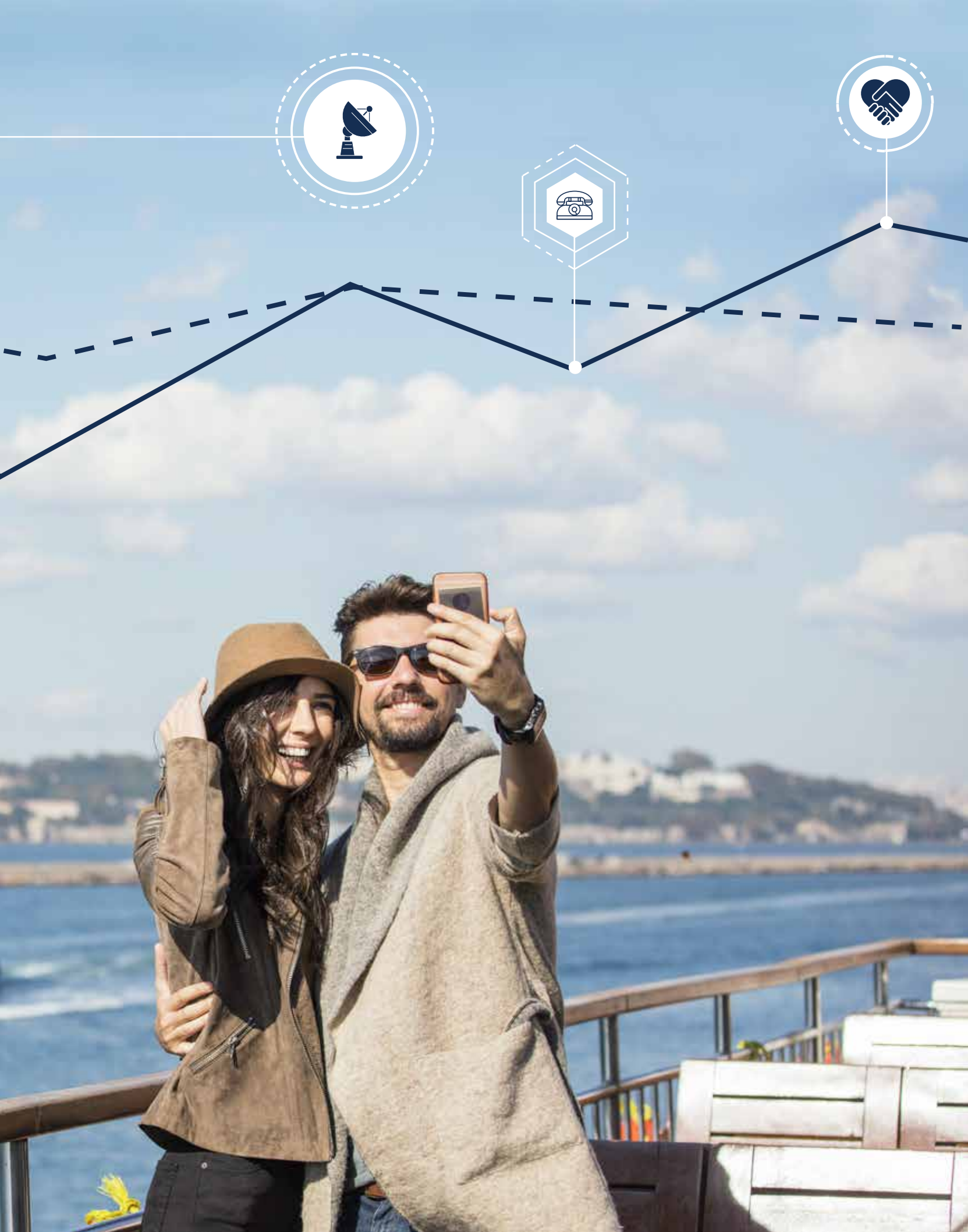
On 21 December 2018, 55% of the shares held by Ojer Telekomünikasyon A.Ş. ("OTAŞ") in Türk Telekomünikasyon A.Ş. were transferred to Levent Yapılandırma Yönetimi A.Ş. (LYY), which is a special purpose vehicle, whose shareholders are the creditor banks that provided loans to OTAŞ.



We are connecting Turkey to the future

with our strengths in multiplay offers





Key Performance Indicators

Türk Telekom Group announced outstanding financial and operational results for 2018 with outstanding subscriber additions and highest full year revenue and EBITDA growth since IPO, together with a strong cash flow generation. **Group met its 2018 revenue guidance, while EBITDA exceeded the high end of the company guidance on the back of solid fundamentals.**

Financial Indicators

Revenue, EBITDA and Net Income

Türk Telekom Group announced outstanding financial and operational results for 2018 with outstanding subscriber additions and highest full year revenue and EBITDA growth since IPO, together with a strong cash flow generation. Group met its 2018 revenue guidance, while EBITDA exceeded the high end of the company guidance on the back of solid fundamentals.

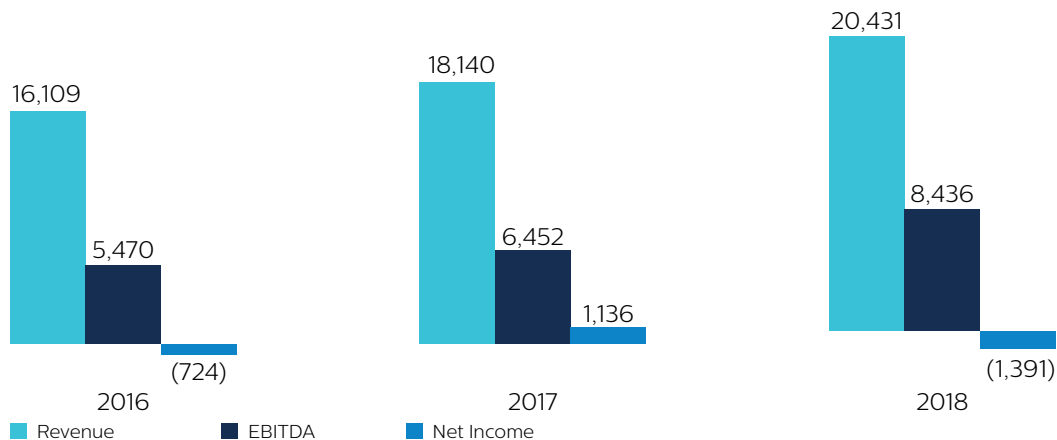
Consolidated revenues increased by 12.6% year on year to TL 20.4 billion, the highest annual growth since IPO. Excluding IFRIC 12*, revenue growth was 12.8% year on year, in line with the ~13% revenue growth guidance. The Group delivered the highest annual EBITDA growth since IPO. Consolidated EBITDA increased by 30.7% year

on year to TL 8.4 billion, exceeding the high end of the EBITDA guidance range of TL 8.0 billion – TL 8.2 billion for 2018. The turnaround in EBITDA margin continued in 2018. EBITDA margin was 41.3%, supported by revenue growth and efficiency measures undertaken in opex management. Excluding IFRS 15 impact, EBITDA margin was strong at 38.1%, 2.6 points higher than 2017.

Net loss was TL 1.4 billion in 2018 due to unfavorable FX conditions as TL depreciated against USD and EUR by 39% and 34% respectively. On the other hand, excluding FX & FX Hedging impacts, net income was TL 3.4 billion compared to TL 2.4 billion in 2017.

*IFRIC 12 revenues booked in conjunction with upgrades to fixed line infrastructure, such as the upgrade from copper to fiber based network.

Revenue, EBITDA and Net Income (TL Million)

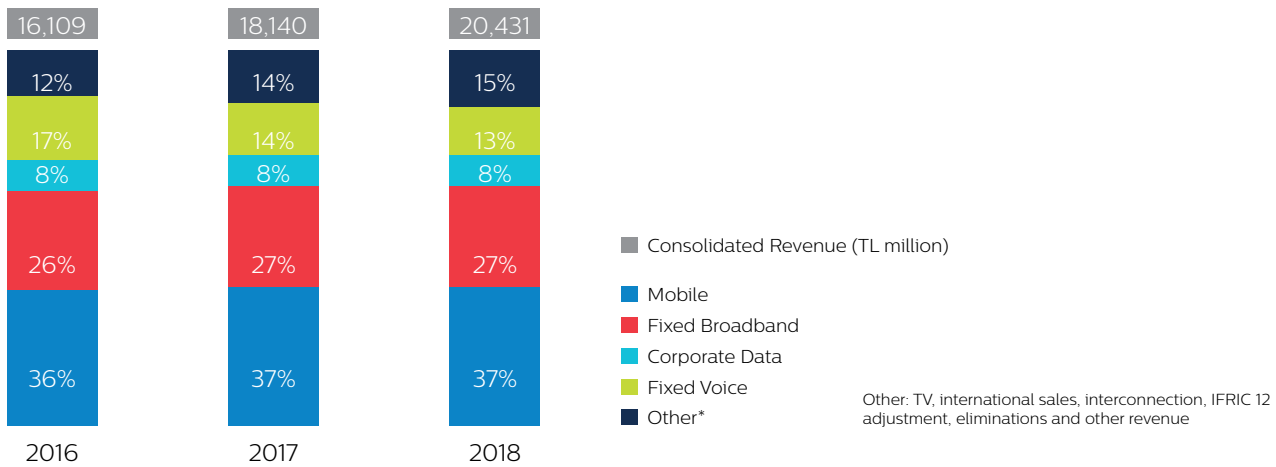


Breakdown of Consolidated Revenues

The share of the high growth businesses, namely mobile and broadband, in consolidated revenues increased to 64% in 2018, compared to 62% in 2016, driven by stronger subscriber and ARPU in both businesses.

On the other hand, the share of fixed voice revenues, the third largest revenue item, declined to 13% in 2018, down from 17% in 2016. Fixed voice revenues remained constant in 2018 without any revenue decline compared to the 8% year on year revenue decline in 2016.

Breakdown of Consolidated Revenues

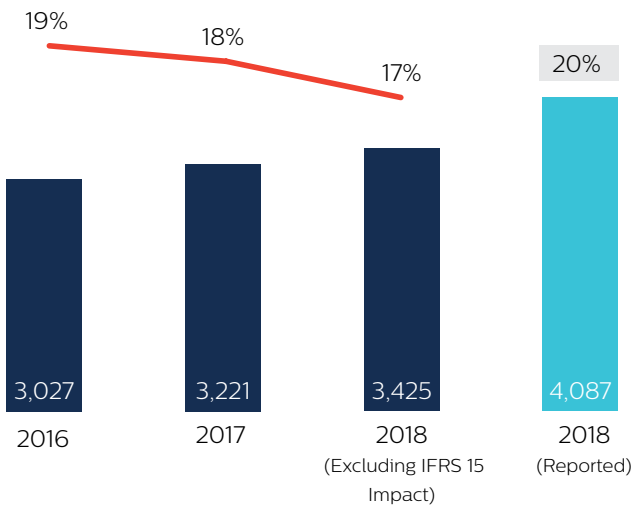


Capital Expenditures (Capex)

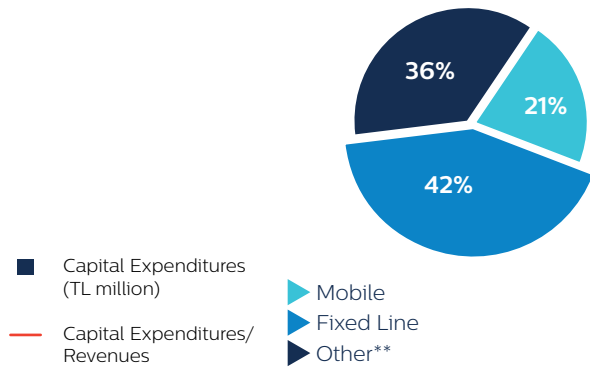
Group capital expenditures increased to TL 4,087 million in 2018 from TL 3,221 million in 2017. Excluding the impact of IFRS 15, underlying Capex was TL 3,425 million.

Major Capex areas were fiber network roll-out in fixed line, network investments in mobile and IT transformation projects during 2018.

Capital Expenditures



Capital Expenditures Breakdown – 2018*



* Excluding IFRS 15 impact

** Other Capex includes IT related capex, Capex for subsidiaries, Capex for new revenue streams and other

Key Performance Indicators

31%

The Group delivered the highest annual EBITDA growth since IPO. Consolidated EBITDA increased by 31% year on year to TL 8.4 billion, exceeding the high end of the EBITDA guidance range of TL 8.0 billion – TL 8.2 billion for 2018.

Summary Income Statement (TL million)	2016	2017	2018	2017-2018 Change (%)
Revenue	16,109	18,140	20,431	13%
Net Operating Expenses excluding Depreciation and Amortization	10,639	11,688	11,995	3%
Earnings before Interest Tax Depreciation and Amortization (EBITDA)	5,470	6,452	8,436	31%
Depreciation and Amortization	2,849	3,019	3,735	24%
Operating Profit	2,621	3,433	4,701	37%
Net Financial Income/(Expenses)	(3,018)	(1,954)	(6,723)	244%
Tax	(328)	(343)	631	n.m.
Net Profit	(724)	1,136	(1,391)	n.m.

Revenues

In 2018, consolidated revenues increased by 12.6% year on year (up by TL 2,291 million) to TL 20,431 million with 13.5% year on year increase in mobile (up by TL 896 million), 12.9% year on year increase in broadband (up by TL 634 million) and 44.9% year on year increase in international revenues (up by TL 287 million). Excluding IFRIC 12, consolidated revenue growth was 12.8% year on year (up by TL 2,225 million) which is in line with the guidance. Mobile service revenue growth was 3.5 percentage points higher than the reported mobile revenue growth in 2018 mostly due to the more segmented approach undertaken in the device business.

Operating Profit before Depreciation and Amortization (EBITDA)

In 2018, consolidated EBITDA increased by 30.7% year on year (up by TL 1,984 million) to TL 8,436 million, registering the highest annual growth since IPO.

EBITDA exceeded the high end of guidance range of TL 8.0 – 8.2 billion mainly due to strong revenue performance and efficiency measures undertaken in operational expense (opex) management.

Even adjusted for IFRS 15, consolidated EBITDA growth was still strong with 21% year on year increase. EBITDA margin of 41.3% in 2018, was at 38.1% when adjusted for IFRS 15, with an increase of 2.6 percentage points compared to 2017 driven by the support of strong revenue growth and opex efficiencies.

Depreciation and Amortization Expense

In 2018, depreciation and amortization (D&A) expense increased by 23.7% year on year (up by TL 716 million) to TL 3,735 million.

Operating Profit

In 2018, Group recorded TL 4,701 million operating profit, marking 36.9% increase (up by TL 1,268 million) over TL 3,433 million in 2017.

Net Financial Income / Expense

Group recorded TL 6,723 million net financial expense in 2018 versus TL 1,954 million expense in 2017 due to unfavorable FX environment.

Tax Income/Expense

Group recorded TL 631 million tax income in 2018 due to net loss before tax, while tax expense in 2017 was TL 343 million.

Net Income/Loss

Group reported TL 1,391 million net loss in 2018 driven by financial expenses as TL depreciated against USD and EUR by 39% and 34% respectively during the year.

Summary Balance Sheet (TL million)	2016	2017	2018
Cash and Cash Equivalents	3,016	4,100	4,495
Intangible Assets	8,386	8,482	9,783
Tangible Assets	8,760	9,138	14,274
Other Assets	6,712	7,428	7,647
Total Assets	26,874	29,149	36,199
Share Capital	3,260	3,260	3,260
Reserves, Retained Earnings and Other Equity Items	126	1,295	4,193
Interest Bearing Liabilities	15,041	16,492	19,921
Other Liabilities	8,447	8,102	8,823
Total Equity and Liabilities	26,874	29,149	36,199

Total Assets

In 2018, total assets increased 24% year on year to TL 36.2 billion, mainly driven by revaluation in tangible assets. In the same period, cash and cash equivalents increased 10%. At the same time, capitalization of acquisition and retention costs within the scope of IFRS 15 resulted in TL 1,020 million increase in total assets.

Total Equity and Liabilities

Total equity and liabilities increased 24% year on year to TL 36.2 billion in 2018 mainly driven by TL 4.8 billion impact of the revaluation of lands that were previously carried at cost value to their fair value with changes in the accounting policies.

At the same time, impact of ongoing depreciation of the Turkish Lira against USD and EUR led to 21% increase in interest bearing liabilities.

Ratios (%)	2016	2017	2018
Net Debt/EBITDA*	2.09	1.79	1.86
Net Debt/Total Assets*	0.43	0.41	0.44
Debt (Total Liabilities)/Total Equity	6.94	5.40	3.86
Debt (Financial)/Total Equity	4.44	3.62	2.67
Current Ratio	1.11	1.22	0.81

* Net Debt calculation in ratios includes MTM from FX to TRY Currency Swaps. Net Debt/EBITDA calculation excludes extraordinary claims on EBITDA calculation.

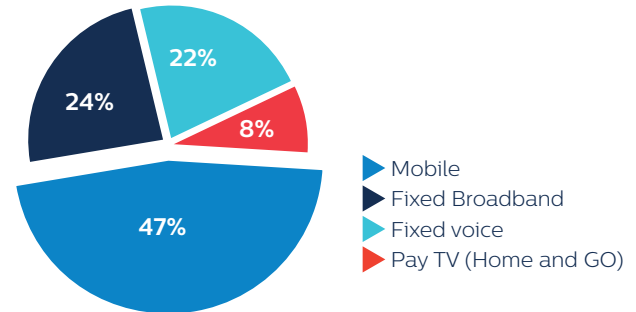
For details please see <http://www.ttinvestorrelations.com/en-us/financial-operational-information/pages/summary-financials.aspx>

Key Performance Indicators

Operational Indicators

Total number of Türk Telekom subscribers reached 46 million with 4.3 million net additions – the highest quarterly net subscriber gain since initial public offering (IPO).

Subscriber Breakdown



Total Subscriber: 46 Million

Broadband Operational Indicators

Broadband subscriber base increased to 10.9 million with 1.2 million net additions in 2018, the best performance of the last decade. In the same period, fiber subscribers* reached 3.6 million and 75% of total broadband subscriber net additions came via fiber offers.

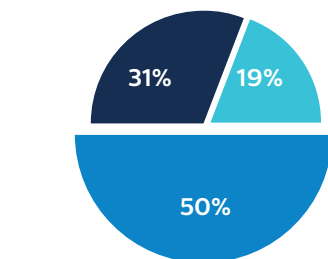
*Fiber subscribers include FTTH/B & FTTC subscribers

Broadband Operational Indicators	2016 YE	2017 YE	2018 YE	2017 YE -2018 YE % Change
Broadband Total Subscribers (million)	8.7	9.7	10.9	12%
<i>Fiber Subscribers (million)</i>	2.0	2.7	3.6	32%
Broadband ARPU** (TL)	44.7	44.8	45.9	2%

** Q4 ARPU figures

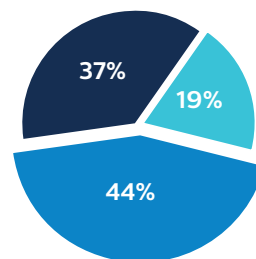
Türk Telekom's strategy to increase fixed broadband penetration in Turkey continued to bear its fruits in 2018 and around half of total broadband net additions came via affordable entry-level penetration campaign "Internet Bizden".

Speed Breakdown (% of subscribers)



Q4'17

- ▲ Up to 8 Mbps
- ▲ Up to 20 Mbps
- ▲ Above 20 Mbps



Q4'18

- ▲ Up to 8 Mbps
- ▲ Up to 20 Mbps
- ▲ Above 20 Mbps

Note: Figures in graph are based on Türk Telekom's retail subscribers.

Türk Telekom with its 282 thousand kilometer nationwide fiber network, expanded its FTTH/B and FTTC homepass to 18.6 million in 2018. With increasing demand for higher speed, the share of subscribers on high speed tariffs (above 20 Mbps) increased to 37% in 2018 from 31% in 2017

1.9 million

Mobile subscriber base increased to 21.5 million with 1.9 million net additions in 2018 – the highest annual subscriber gain since IPO.

Mobile Operational Indicators

Mobile subscriber base increased to 21.5 million with 1.9 million net additions in 2018 – the highest annual subscriber gain since IPO, supported by cross-selling activities and synergy offers including with TV, better quality and coverage of mobile services with new frequencies and investments. Postpaid subscriber ratio increased by 2pp to reach 57% in 2018

Price increases in the year, higher data consumption and increasing share of postpaid subscribers drove 11% year on year growth in mobile APRU in Q4'18.

Additionally, with customer-oriented initiatives and effective retention management, in Q4'18 quarterly churn rate declined to 6% - the lowest of the past decade.

Moreover, LTE population coverage expanded to 91% in Q4'18 from 83% a year ago. The share of LTE users in mobile subscriber base increased to 46% in Q4'18 compared to 35% in Q4'17.

In Q4'18, renewed version of Türk Telekom's digital keyboard Tambu was launched with additional features to monetize the product. Download number of Tambu increased to 8.3 million with 17 billion engagements via its toolbar. Group's other customer-focused platform Online Self-Service app was downloaded 23.8 million times since its launch, supporting Türk Telekom's strategy of providing best-in-class self-service customer experience and operational efficiency. TT Mobil subscribers using the app exceeded 10.0 million in 2018.

Mobile Operational Indicators	2016 YE	2017 YE	2018 YE	2017 YE – 2018 YE Change %
Mobile Total Subscribers (million)	18.6	19.6	21.5	10%
<i>Mobile Postpaid Subscribers (million)</i>	9.8	10.8	12.2	13%
<i>Mobile Prepaid Subscribers (million)</i>	8.8	8.8	9.3	6%
Mobile Blended ARPU (TL)*	26.1	27.9	31.0	11%
LTE Population Coverage (%)	75	83	91	8 pp

*Q4'18 ARPU

Key Performance Indicators

6 Quarters

Net subscriber increase for six consecutive quarters

Fixed Voice Operational Indicators

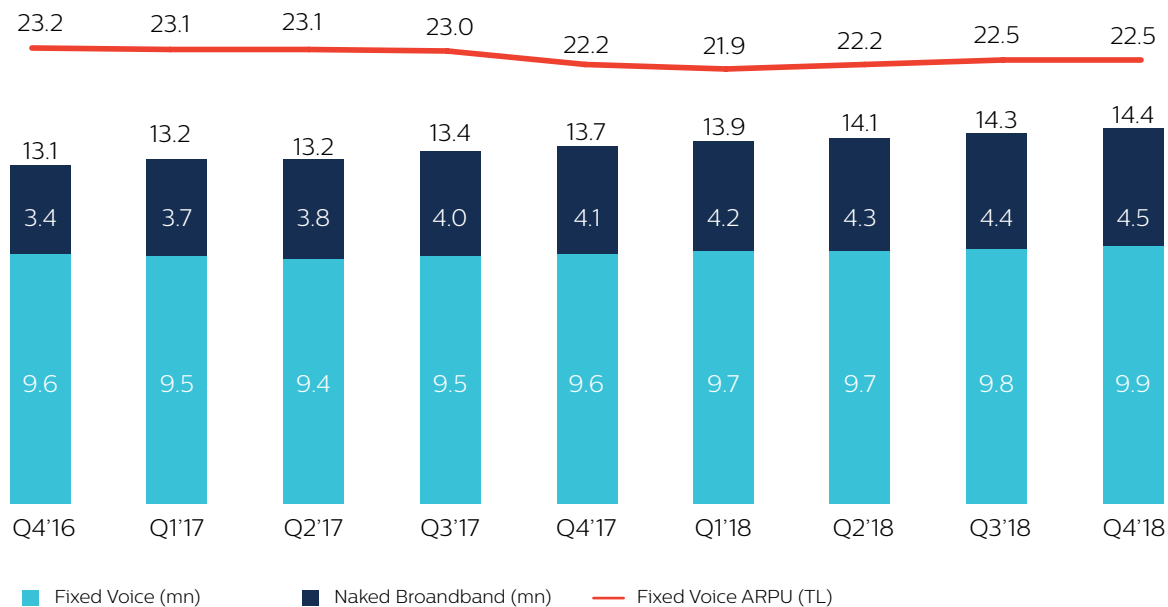
Number of total fixed voice subscribers reached 9.9 million in 2018 with net subscriber increase for the last six consecutive quarters. Including nDSL, total fixed access lines reached 14.4 million with 768K annual net add – the highest annual net add since IPO.

Fixed Voice Operational Indicators	2016 YE	2017 YE	2018 YE	2017 YE – 2018 YE Change %
Total Access Lines (million)	13.1	13.7	14.4	6%
Fixed Voice Subscriber* (million)	9.6	9.6	9.9	4%
Naked DSL Lines (million)	3.4	4.1	4.5	10%
Fixed Voice ARPU (TL)**	23.2	22.2	22.5	1%

* Total access lines include fixed voice and wholesale line rental.

** Q4'18 ARPU

Access Lines And ARPU



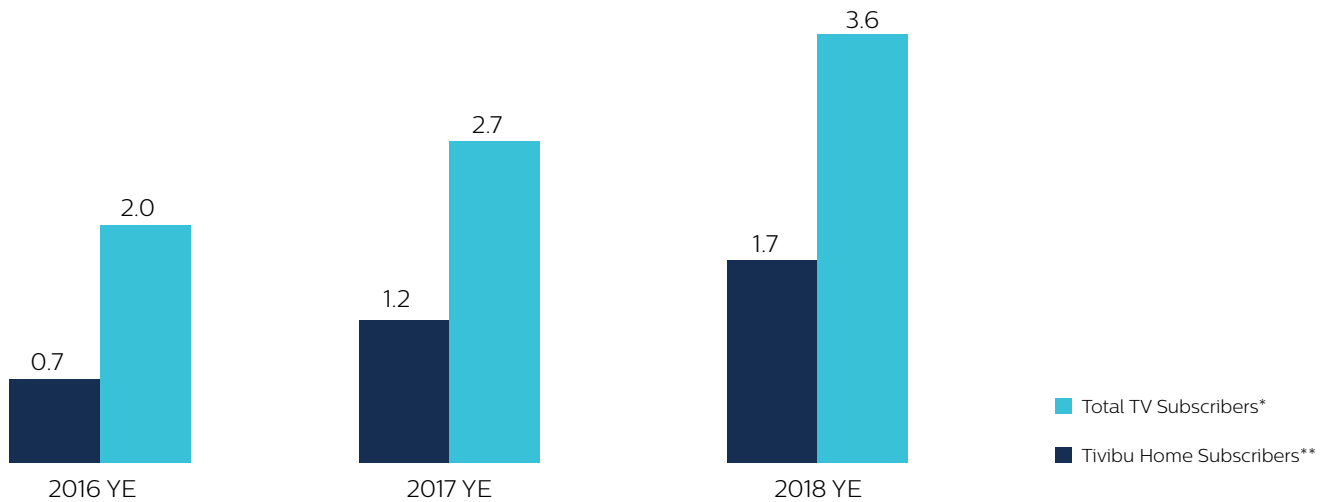
TV Operational Indicators

Home TV subscribers reached 1.7 million, up by 492K annually – the highest full year net add in this segment. With the strong performance in 2017 and 2018, Tivibu Home moved from the fourth player position in 2016 to the second player position in Q1'18 in the Pay TV market and this position was reinforced throughout 2018. The number of total Pay TV subscribers exceeded 3.6 million, with 886K annual net additions – again the highest annual net add.

This performance in the TV segment highlights that the wireless home strategy of offering affordable Pay TV services to the mass market to penetrate as many homes as possible is on the right track. This also paves the way for monetization of existing customer base going forward with a cost-effective approach.

TV Operational Indicators	2016 YE	2017 YE	2018 YE	2017 YE – 2018 YE Change %
Total TV Subscribers* (million)	2.0	2.7	3.6	32%
Tivibu Home Subscribers** (million)	0.7	1.2	1.7	42%

TV Operational Indicators (million)



*Includes IPTV, DTH and Tivibu GO subscribers

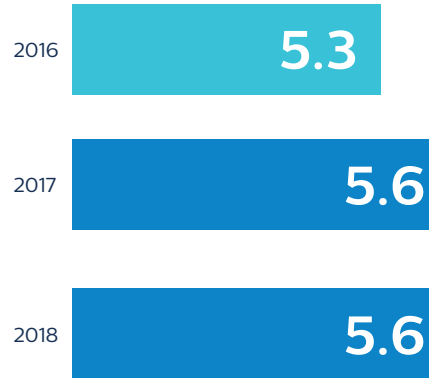
**Includes IPTV and DTH subscribers

Key Performance Indicators

Contribution to Public Finances

In 2018, Türk Telekom Group made a contribution of TL 5.6 billion to Turkey's public finances through tax and treasury share payments to the state.

Contribution to Public Finances (TL billion)



STOCK AND BOND INFORMATION

Stock Information

Corporate Name	Türk Telekomünikasyon A.Ş.
Core Business	Telecommunication and Technology Services
Stock Exchange	Borsa Istanbul (BIST)
Average Daily Trade Volume (02/01/2018-31/12/2018)	TL 107.2 million
Market Capitalization (31/12/2018)	TL 13.7 billion
End Price (31/12/2018)	TL 3.90
High Price (02/01/2018-31/12/2018)	TL 7.09
Low Price (02/01/2018- 31/12/2018)	TL 3.20
Average Price (02/01/2018-31/12/2018)	TL 5.06

Bond Information

Corporate Name	Türk Telekomünikasyon A.Ş.	
Core Business	Telecommunication and Technology Services	
Stock Exchange	Borsa İstanbul (BIST)	
ISIN Code	XS1028952155 - XS1028951264	
Type	Eurobond	
Issue Amount	USD 500 million	USD 500 million
Maturity	5 Years	10 Years
Redemption Date	19.06.2019	19.06.2024
Interest Payment Date	Fixed and semi-annual each year, principal amount will be paid at the end of the expiry date.	Fixed and semi-annual each year, principal amount will be paid at the end of the expiry date.
Coupon Interest Rate	3.75%	4.875%

CREDIT RATINGS

In 2018, Group's operational performance continued to be appreciated by credit rating agencies. In addition to S&P Global Ratings and Fitch Ratings, the Group also received a credit rating from JCR Eurasia in 2018. JCR Eurasia assigned an investment grade rating for Türk Telekom. S&P Global Ratings and Fitch Ratings revised Türk Telekom's credit ratings downwards in line with change in Turkey's sovereign rating in 2018. On the other hand, S&P Global rating upgraded Türk Telekom's stand-alone credit profile from to "bbb-" (investment grade) due to stronger credit metrics as of 14 February 2019.

	Fitch	S&P Global Rating	JCR Eurasia
Last update	10 January 2019	14 February 2019	17 August 2018
Long term credit rating	BB+	BB-	BBB-
Outlook	Negative	Stable	Negative

Key Performance Indicators

Performance in 2018 and guidance for 2019

Each year, Türk Telekom discloses its expectations for the Group's consolidated financial results on the Public Disclosure Platform. This guidance for expected results is prepared by taking into consideration macroeconomic conditions, and by evaluating historical market conditions and the competitive environment, as well as future forecasts in all sectors in which Group companies operate.

As a result of comprehensive market analyses, expectations are disclosed for Consolidated Revenue, Consolidated EBITDA and Consolidated CAPEX accounts. Regarding the guidance announcements, if there is a material difference between the realization and the previously announced guidance, the reasons for this variance shall be announced as well.

In February, 2018, Türk Telekom provided its guidance for 2018 as below:

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

- Consolidated revenue growth (excluding IFRIC 12) to be around 11% over 2017
- Consolidated EBITDA to be at TL 7.0 billion and TL 7.2 billion levels
- Consolidated CAPEX to be around TL 3.5 billion"

In April 2018, the Company announced its revision decision on the guidance as below:

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

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

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

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

Lastly, in November 2018, the Company announced its revision decision on the guidance as below:

"Our company has decided to revise upwards its 2018 guidance on Consolidated revenue (excluding IFRIC 12), EBITDA and CAPEX on the back of strong revenue growth and strong operational profitability in the first nine month of 2018.

Accordingly, under current circumstances, guidance for 2018 is as below:

- Consolidated revenue growth (excluding IFRIC 12) to be around 13% over 2017
- Consolidated EBITDA to be at TL 8.0 billion and TL 8.2 billion levels
- Consolidated CAPEX to be around TL 4.2 billion"

Group met its revenue guidance in 2018, while EBITDA exceeded the high end of the guidance range with solid fundamentals. In other words, consolidated revenue excluding IFRIC 12 increased by 12.8% year on year and EBITDA reached TL 8.4 billion. At the same time, Group, invested TL 4.1 billion in line with CAPEX guidance.

Guidance for 2019 Consolidated Financial Results

Under current circumstances, guidance for 2019 is as below:

- Consolidated revenue growth (excluding IFRIC 12) to be at 15% - 16% levels over 2018
- Consolidated EBITDA to be at TL 10.0 billion – TL 10.2 billion levels
- Consolidated CAPEX to be at TL 5.5 billion – TL 5.7 billion levels

Our company adopted IFRS 16 accounting standards starting from 1 January 2019. Guidance includes IFRS 16 impact on EBITDA (TL 650-700 million) and CAPEX (TL 850-900 million).

Smart Cities

Türk Telekom develops solutions within the framework of the vision of smart cities, in order to bring sustainable ease to the lives of individuals and the public sector by using information and communication technologies. In this context, Smart City applications were launched in Karaman, Kars and Antalya. In 2018, Türk Telekom started to implement smart city solutions in Kırşehir and Mersin.

JANUARY 2018

Türk Telekom makes cities smarter

Türk Telekom is developing key projects in a wide array of fields which contribute to the development of the country, from the growth of internet usage in Turkey to smart cities, from international cooperation in the development of new technologies to forming partnerships with small companies to support their growth. In this context, Türk Telekom has been implementing the Smart Cities concept in Turkey since 2015 which was announced as a new sectoral focus area at the Consumer Electronics Show (CES), held in Las Vegas in the USA in 2018.

Türk Telekom develops solutions within the framework of the vision of smart cities, in order to bring sustainable ease to the lives of individuals and the public sector by using information and communication technologies. It plays a leading role in the digital transformation of local governments.

In this context, the services offered to date have been advanced one step further and Smart City applications were launched in Karaman in February 2015, in Kars in March 2017 and then in Antalya. In 2018, Türk Telekom started to implement smart city solutions in Kırşehir and Mersin. Türk Telekom was the first operator to adopt the concept and take concrete steps in Turkey with smart city applications.

Türk Telekom opens its revamped offices

Türk Telekom integrating all sales channels under a goal of rapid growth and excellence in the customer experience by undertaking permanent investments in Turkey started to renovate its offices which provide dealership services throughout the country. Türk Telekom converts its offices to Türk Telekom customer centers (TTMM) in order to meet changing customer needs and expectations with

x2 x3

Türk Telekom successfully completed the pilot project for the sharing of the active mobile network in Zonguldak.

With the implementation of the project, indoor LTE coverage in the region tripled, while outdoor coverage doubled.

digitalization. TTMMs offer all kinds of information and communication technology services and also receive customer complaints. In addition to the services such as invoice payments and tariff changes, a wide range of electronic products are sold in TTMMs, from equipment and accessories to televisions and drones.

FEBRUARY 2018

Türk Telekom announces 5G strategies in 2018 Mobile World Congress

Türk Telekom participated in the 2018 Mobile World Congress (MWC), one of the most important global events in the field of mobile communication. The CEO of Türk Telekom, Dr. Paul Doany, shared the company's 5G strategy during the event that took place in Barcelona, Spain. Türk Telekom and its subsidiary, Argela, introduced the next-generation of telecommunications technologies, including 5G, to the world at the Mobile World Congress as well as new technologies with live demos.

Turkey to become the first telecom operator to field test new communication technologies developed at the ONF, Champions league of the World Telecom Industry

Aiming to influence the international arena in 5G and beyond technologies, Turkey has taken an important international step with its Universal Service Project. In

the scope of the project, which aims increasing mobile availability by eliminating lack of coverage in rural areas of the country, the Ministry of Transportation, Maritime Affairs and Communications have signed a cooperation agreement with the U.S. based ONF (Open Networking Foundation), a key global player in the development of next-generation communication technologies. Within the framework of cooperation, the new technologies and open source M-CORD platform of ONF will be tested and Türk Telekom will support the test activities.

Türk Telekom's Internet products launched at Boğaziçi Elektrik Transaction Centers

In order to increase internet penetration in Turkey and diversify sales channels, a cooperative agreement was reached with electricity companies where electricity transactions and the sale of Türk Telekom fixed internet packages could be performed from a single point, in what was the first agreement of its kind in Turkey.

Accordingly, the Customer Transaction Centers (MIM) of CK Boğaziçi Elektrik, serving Istanbul's European side, which has realized many pioneering developments in the electricity retail sector, brought electricity and Internet retail together. Türk Telekom's internet products are now offered to consumers in MIMs operating from around 300 locations.

Active mobile network sharing pilot application brought into operation

Türk Telekom successfully completed the first pilot implementation of the network optimization project for the sharing of the active mobile network in Zonguldak. With the implementation of the project, indoor LTE coverage in the region roughly tripled, while outdoor coverage nearly doubled. Data traffic increased by 40 percent.

MARCH 2018

Türk Telekom rolls out "e-dergi" application

Türk Telekom's digital reading platform "e-dergi" application includes numerous local and foreign



magazines and newspapers. The application offers easy and preferential access to publications in the media world.

The e-dergi platform, which is offered free of charge to Türk Telekom mobile customers within the scope of campaigns and tariffs, and which is open to customers from all mobile operators, offers users the opportunity to read downloaded magazines and newspapers where there is no internet access.

Türk Telekom selected as most valuable brand in Turkey for the 10th time in a row

The brand value of Türk Telekom received the accolade for the tenth time in a row from Brand Finance. The international brand assessment company, Brand Finance, selected the world's most valuable telecommunications brands for inclusion in the "Telecoms 300" list, with Türk Telekom receiving the award of Turkey's "Most Valuable Telecommunication Brand" for the 10th time in a row.

APRIL 2018

New cooperation protocol signed between Türk Telekom and Ministry of National Education

Türk Telekom carries out various corporate social responsibility projects aimed at eliminating regional, physical, economic and generation-based inequalities in society by deploying the levelling power of technology. In this context, Türk Telekom signed a new cooperation protocol with the Ministry of National Education (MEB).

Türk Telekom has invested TL 120 million in 78 buildings for use in Turkish education since 2005, including 20 primary schools, 35 high schools and equivalent schools, 23 dormitories, a boarding house and a dining hall, and in this cooperation, Türk Telekom and the Ministry of National Education would sign 8 new projects under the new TL 50 million investment.

With the projects to be completed in 5 different provinces by the end of 2019, a total of 6 schools with 112 classrooms and a new teacher's hostel with 50 beds will be constructed.

Visits conducted to 34 points in 24 cities as a part of Technology Mobilization Project

Within the scope of "Technology Mobilization Project" for women, Türk Telekom's "Mobile Training Vehicle" visited 34 different points in 24 provinces in 2018. Within the scope of the project, which started in Erzincan, the "Mobile Training Truck", designed as a technology classroom, has brought education to women in many areas that support their daily lives, especially internet usage, the use of the e-government portal, and mobile applications and social media.

Live field trial of RAN Slicing carried out

The live field testing of RAN Slicing technology developed by Türk Telekom's subsidiary, Argela, which dynamically slices base station resources depending on the needs and allows them to be used with maximum efficiency, was carried out. The live field trial was realized with the participation of officials from the Ministry of Transportation, Maritime Affairs and Communications in the field established within the scope of the Universal Service Project in the Habiller village of Konya.

The field test was conducted within the scope of the field work of the open source M-CORD (network management and central operating) infrastructure to be held in Turkey for Universal Service Project.

Türk Telekom's Basketball Team won championship of Turkish Basketball First League

Türk Telekom, a powerful representative of The Turkish Basketball First League (TBL), won the championship 4 matches prior to the end of the 2018 season. The Türk Telekom basketball team, which completed in the Turkish Basketball League as a champion and re-entered the Super League, was invited to the 7DAYS EuroCup in its first season by the Union of European Leagues of Basketball.



2018 Highlights

27K m²

Türk Telekom opened Turkey's largest Data Center in Esenyurt, Istanbul. The Esenyurt Data Center established by Türk Telekom over a total area of 27,000 m² is the largest data center in Turkey with a whitespace area of 10,400 m².

MAY 2018

Protocol signed to lease fixed electronic communication infrastructure

A cooperation protocol was signed between Türk Telekom, Turkcell, Vodafone, Türksat and Telkoder regarding the "Leasing of Fixed Electronic Communication Infrastructure". The protocol aims to ensure the effective use of fixed infrastructure, to minimize duplication of investments, accelerate new investments, provide excellence in the customer experience and better manage environmental issues.

Türk Telekom makes life easier with "Sesli Adımlar (Loud Steps)"

Türk Telekom's Corporate Social Responsibility Project, which brings ease to the lives of visually impaired individuals, was brought to the people of Antalya. The application, which was set up in the municipal building with the cooperation of the Antalya Metropolitan Municipality, allows citizens with visual and hearing impairments to perform their transactions easily.

Türk Telekom won Sabre Award with its "Talking Paintings" project

Türk Telekom was awarded first prize in the International Sabre Awards 2018, where public relations activities with the highest level in integrity and influence are awarded. Turkey's first depiction exhibition of paintings for the visually impaired, Talking Paintings, presented 20 memorable works of art, each of which with separate importance in the history of art, for the appreciation of visually impaired art lovers via audiovisual descriptions.

Istanbul Youth Festival held under sponsorship of Türk Telekom

The Istanbul Youth Festival, which was held for the second time in 2018 under the main sponsorship of Türk Telekom, started on 2 May. The Istanbul Youth Festival hosted more than one million young people with dozens of events such as concerts, entertainment, culture and art events, interviews, science and technology, sports, social responsibility and many more events held over the five day festival.

Türk Telekom Selfy enthusiasm brought to university campuses

Türk Telekom's youth world, Selfy, carried the enthusiasm of its free and enjoyable world to university campuses between 2-12 May, reaching more than 400,000 students on 8 campuses.

Türk Telekom opened Turkey's largest data center in Esenyurt

Türk Telekom opened Turkey's largest Data Center in Esenyurt, Istanbul. The Esenyurt Data Center is established by Türk Telekom over a total area of 27,000 m² with an investment of TL 130 million and is the largest data center in Turkey with a whitespace area of 10,400 m². Built in compliance with international standards, the center is also the most secure data center, supported by Turkey's largest DDOS (Distributed Denial of Service) protection infrastructure.



**Sesli
Adımlar**



Türk Telekom, which quadrupled its total white space area with the addition of the Esenyurt Data Center - which provides uninterrupted service with fibre redundant access from 3 points - aims to be the data center base not only for Turkey but also the region by expanding the data storage, cloud and managed security services offered to its corporate customers.

JUNE 2018

Türk Telekom participated in 5G Summit in London

The CEO of Türk Telekom, Dr.Paul Doany, participated as a speaker in the panel on “new business models developed with 5G” at the 14th 5G World Summit held in London in 2018. Doany talked to the audience about the current and potential usage areas of 5G and Türk Telekom’s vision for 5G.

Türk Telekom opened new headquarter office in Ankara

Türk Telekom’s new head office building, which was opened in Ankara, is now the highest office block in the capital with a height of 204 meters. With its new head office building equipped with environmentally friendly and smart building technologies, Türk Telekom aims to enhance its service quality while deploying its resources more efficiently and effectively.

Türk Telekom has gathered all technical management centers under a single roof with the launch of its head office with an enclosed area of 55,000 m², where approximately 1,600 employees would work. Türk Telekom’s new head office building houses Turkey’s largest Cyber Security Center (SOC), its largest Network Management Center (SMC), and critical management centers such as the Center of Excellence and Crisis Center.

JULY 2018

Turkey’s most downloaded national digital keyboard TAMBU, was downloaded 6.6 million times in its 1st year

Türk Telekom opened a brand new page in information sector with its first national digital keyboard with a platform feature. The number of Tambu downloads reached 6.6 million in its first year. Through Tambu, users sent emojis 140 million times over the course of a year. Tambu’s toolbar with pioneering and innovative features among smart keyboards, were used a total of 10 billion times. Among more than 100 animated stickers, the Turkish flag was the most popular, with users demonstrating their patriotic nature with the themes, the most popular being the star and crescent, which was installed by 1 million people.

Milestone agreement between the Turkish Basketball Federation and Türk Telekom

Türk Telekom’s new generation TV platform, Tivibu, acquired the broadcasting rights of the Tahinciöglü Basketball Super League and Women’s Basketball Super League matches for 3 years.

Matches from the Tahincioglu Basketball Super League, one of the most famous leagues in Europe, as well as the Women’s Basketball Super League, the Men’s and Women’s Turkish Cup, the Turkish Basketball Federation All-Star were all broadcast to sports fans on Tivibu screens. All eight games in the Men’s Super League are broadcast live every week. Two of these eight matches are broadcast free of charge on Tivibu Sports Channel, which broadcasts unencypted.

Türk Telekom once again ranks at the top of Bilişim 500 (IT 500)

Türk Telekom maintained its leading position in the Bilisim 500 (IT 500), Turkey’s leading industry survey, for a 19th year and was ranked first based on sales revenue in the “Top 500 IT Company of the Year 2017”. In the



PILOT

The sixth term startups of Pilot, which is the first corporate startup accelerator program in Turkey that Türk Telekom has implemented with the aim of supporting early stage startups, were selected.

same survey, Türk Telekom also ranked as the “Number One Telecommunications Company”, the “Number One in the Internet Services Category”, the “Number One in the Ankara Companies Category” and “Number One in Communication Technologies” in the awards.

Türk Telekom’s subsidiary, Innova, was also among the companies to receive an award in the Bilisim 500 awards. Innova won first prize in the “Business Practices of The Year category”. Innova advanced by two positions compared to last year and was ranked 25th in the list of largest 500 IT enterprises in Turkey based on sales income.

6th term of Türk Telekom’s PILOT startup acceleration program started

The sixth term startups of Pilot, which is the first corporate startup accelerator program in Turkey that Türk Telekom has implemented with the aim of supporting early stage startups, were determined. Each of the 11 selected teams among 600 applications for the program was provided with a TL 90,000 cash grant and the opportunity to benefit from cooperation opportunities with Türk Telekom. The participants were given office space in Istanbul for a period 12 weeks, with accommodation for participants coming from outside the city, and a mobile

communication package. Türk Telekom provides marketing support to the teams, allowing them to benefit from a powerful technology infrastructure, in various media during and post the program.

Türk Telekom turned Tahtakale power plant into free Community Center for entrepreneurs

Türk Telekom opened its first free Community Center in Tahtakale in order to support successful entrepreneurs and the entrepreneurial ecosystem that will serve as a guide for the future of Turkey. Entrepreneurs who use the center on the 2,000 m² plot, which includes joint work, meeting and event areas where 250 people can work at the same time, also benefit from Türk Telekom’s strong technological infrastructure, free of charge.

AUGUST 2018

Türk Telekom introduces VAR to Turkish Football

The video assistant referee (VAR), which uses state-of-the-art technology to minimize potential referee errors in football matches, was rolled out with Türk Telekom infrastructure at the same time as it was in the rest of the world. The VAR system, which has been tested with many different technologies and methods, was integrated into Türk Telekom’s next-generation MTN media transfer technology.

Thanks to Türk Telekom’s MTN solution, VAR referees will now be able to watch all matches from the TFF center in Riva, Istanbul. The live broadcast images will be transferred directly to the VOR (Video Operating Room) Center in Istanbul over the fiber-optic network thanks to Türk Telekom’s MTN technology. VAR referees will be able to watch all matches from this secure center, where they will have remote access and will be able to respond immediately when necessary by contacting match referees online.



Türk Telekom marks International Videographer Awards

Türk Telekom was awarded with 5 projects in the International Videographer Awards competition, which it applied for the first time this year. Excellence awards were given for the “Beytüşşebap” Film, which tells the story of a mother communicating with her son who is carrying out his military service in the remote region of Beytüşşebap via satellite phone; the “Children Do Not See Colors As We See Them” film, which tells the story of 2 children who in real life are close friends supporting different football teams; Türk Telekom’s Amateur Sports Clubs film about finding the right sports branch for a young person without a history of sports participation; the “Life is Simple with the Internet” film, based on a true story about women in Anatolia who have achieved success thanks to the education they received through the “Life is Simple with the Internet” program, and the “Value for Turkey” film, which aims to add value to social life and reduce inequality.

The film about the championships that Galatasaray won at the Türk Telekom Stadium and the Türk Telekom PILOT film won the Special Prize.

Türk Telekom prepares its 5G road map

Türk Telekom transferred its knowledge and experience in the field of 5G to the “5G white book” which will serve as a reference for the public and private sectors, and which has shed light on Turkey’s 5G road map. Türk Telekom continues to work with global players in the development of 5G technologies and standards by participating in large-scale events such as 5GPP, Network World 2020, ETSI NFV and ONF (Open Network Foundation), which were established to develop future technologies in the international arena.

Türk Telekom will continue to shape future technologies with the more than 20 patents, including 17 for 5G based products that it has patented worldwide.

Türk Telekom wins 12 awards in Stevie Awards

In 2018, Türk Telekom received 12 awards at the Stevie International Business Awards, one of the most prestigious organizations in the global business world. Türk Telekom, which continues to win prestigious awards worldwide with its pioneering work and projects in its field, received 4 Gold, 4 Silver and 4 Bronze awards in the Stevie International Business Awards in various categories.

Domestic cooperation between Türk Telekom and Vestel

Türk Telekom and Vestel signed a cooperation agreement regarding the Vestelcell product. Under the agreement, which combines the strength of the two large firms, Vestel plans to sell Vestel Venus smartphones from its network of over 1,000 stores through the Türk Telekom infrastructure under the Vestelcell mobile brand.

OCTOBER 2018

Türk Telekom and Turkcell bring together 120 companies from 40 countries in Turkey

The “international operators customer event”, which offers the opportunity to convey strategic messages for Turkey to be a data and Communication Center in the region, was held in Antalya between 1-3 October 2018. The event was carried out in cooperation with Türk Telekom International and Turkcell Superonline and conveyed messages regarding opportunities and the current status of the telecommunications sector in Turkey to participants in the international arena. A total of 120 companies and 300 visitors from over 40 countries participated in the event.

Argela gathers global technology figures in Istanbul with the “5G and Network Transformation Conference”

Argela, Türk Telekom’s next-generation telecommunication solutions provider subsidiary, gathered together senior executives and technical experts from the world of technology in the 5G and Network Transformation Conference. The event, held in Istanbul with the



Life is Simple with the Internet

Türk Telekom's "Life is Simple with the Internet" Project exemplified in G20 Inclusive Business Models Update Report.

participation of the Deputy Minister of Transport and Infrastructure, Ömer Fatih Sayan, provided a forum to discuss the current status in infrastructure and network technologies, which are the main components of 5G networks, as well as opportunities in this area, new business models and opportunities for sectoral cooperation.

Türk Telekom's prize-winning live quiz Eleq starts broadcasting

The money prize mobile live quiz Eleq, developed by Türk Telekom started broadcasting on all mobile platforms using IOS and Android operating systems, regardless of the operator. All participants who have downloaded the application and accessed the application on their mobile devices during the broadcasting hours are eligible to take part in the contest. The award of the day is divided equally among those contestants who answer the 10 questions correctly.

Türk Telekom to connect the Istanbul Airport to the world with its strong communication infrastructure

Türk Telekom took its presence at Istanbul Airport, which was opened on 29 October, with its state-of-the-art technology and strong infrastructure. Passengers who

connected to the highest technology fixed and mobile communication network supported by Türk Telekom's fully fiber-optic infrastructure will experience a high quality and fast communication experience.

NOVEMBER 2018

A practical solution tailored to meet the needs of Türk Telekom's internet customers

Türk Telekom's Internet customers can now solve their connection problems themselves without external support by using the Practical Solution application. With this application, which is the first of its kind in Turkey, customers may remotely restart their modem, change their Wi-Fi password or create a separate network and password for guests.

Argela was awarded 'domestic goods certificate' for its two high-tech products for telecom operators

Argela registered the Network Performance Imaging and Customer Experience Management solutions developed to meet the network analysis and performance monitoring needs of telecom operators. Argela was awarded a "domestic goods certificate" by the Istanbul Chamber of industry for these two solutions - 100% domestically engineered - and which help telecom operators increase their network performance and raise the customer experience to the highest level.

innova's field services management solution, Arena, certified with the ISO Domestic Goods Certificate

The Arena solution developed by Innova, Türk Telekom's IT Solutions Provider Company, to enable companies in different sectors manage their field services in the most effective way, was deemed worthy of the 'domestic goods certificate' by the Istanbul Chamber of Industry (ISO).



Türk Telekom wins two awards in Golden Spider Web Awards

Türk Telekom's corporate social responsibility project, the "Value for Turkey" website, received the "Most accessible web site" award, and the "Unforgettable Matches" microsite received first prize in the "Sports Category" in the 16th edition of the Golden Spider Awards

DECEMBER 2018

Türk Telekom announces that it will remove the Fair Usage Quotas and introduce unlimited internet to Turkey

Türk Telekom, the pioneer of many innovations in the telecom sector, announced that it would usher in a new era and remove the Fair Usage Quota and carry all of Turkey to an era of unlimited internet by January 2019, stating that it aimed to increase internet usage and raise internet penetration.

Türk Telekom opens Turkey's largest Cyber Security Center

Türk Telekom, the first telecom operator to provide cyber security services in Turkey, opened the Cyber Security Center in Ankara, which was designed in compliance with global standards with an area of more than 1,500 square meters. The cyber security center, which provides end-to-end solutions to meet the cyber security needs of the government and corporations with critical data and infrastructure, protects Turkey from future and present cyber attacks by providing uninterrupted and secure access.

Türk Telekom announces its new corporate social responsibility project: "Next-Generation Future"

Türk Telekom, Microsoft Türkiye and Habitat have developed a social responsibility Project, "Next-Generation Future". The first phase of the project has been completed, and it was announced that Internet of

Things (IoT) training will be provided to young people in 81 provinces. The project aims to support the development of the software industry while at the same time investing in human resources that will produce smart technologies.

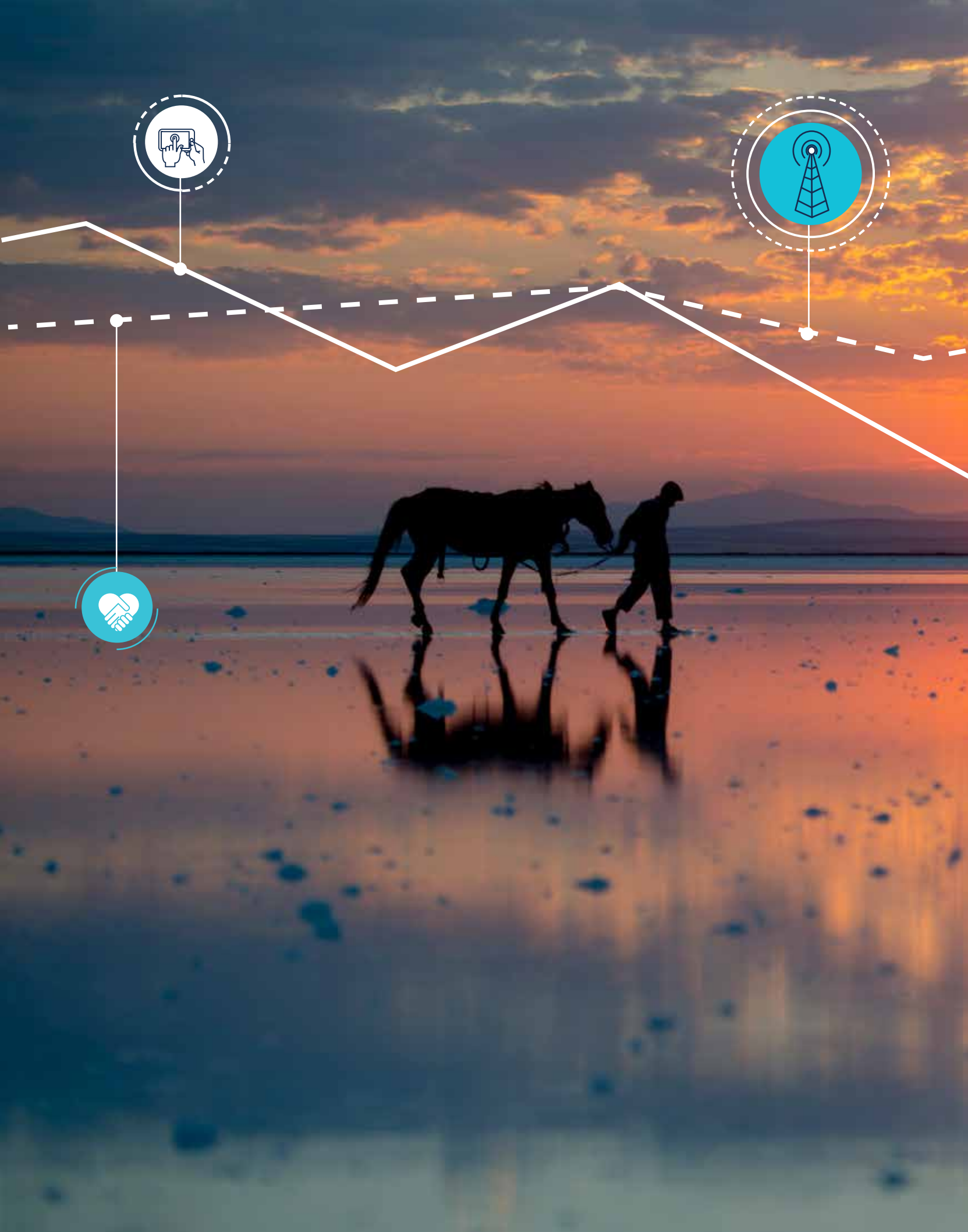
Türk Telekom's "Life is Simple with the Internet" Project exemplified in G20 Inclusive Business Models Update Report

The "Life is Simple with the Internet" project which Türk Telekom introduced to the digital world for those who cannot use the Internet for economic, social or physical reasons, was held up as a model project in the United Nations' G20 Inclusive Business Models Update Report. The report, which marks the culmination of efforts by the G20 Summit participants in Argentina, their invited partners and international organizations to put forward work in the area of inclusive business models, was prepared by the Inclusive Business Models Network and the United Nations Development Program. In the report, which includes 4 projects from Turkey, the "Life is Simple with the Internet" project was included into the project, initiative and plans index for G20 members.

Transfer of Türk Telekom shares was completed

On 21 December 2018, 55% of the shares held by Ojer Telekomünikasyon A.Ş. ("OTAŞ") in Türk Telekomünikasyon A.Ş. were transferred to Levent Yapılandırma Yönetimi A.Ş. (LYY), which is a special purpose vehicle whose shareholders are the creditor banks that provided loans to OTAŞ.





We are connecting Turkey to the future

with our wide coverage



Chairman Message



In 2018, uncertainties that impacted the economy such as the Federal Reserve's monetary policies and the commercial protectionism in the West led to currency fluctuations in many developing countries, which in turn resulted in a rise in inflation. Despite this, our government's consistent economy management and full-scale fight against inflation delivered its results before year end and the inflation decreased in the last quarter of the year, setting the inflation on a direction in favour of the economy.

Türk Telekom is a value of strategic importance to Turkey; a value of these lands which was raised by our own hands and brought to these days. In order to preserve and protect this value, we as the Türk Telekom Group, managed to execute our operations efficiently with the correct and clear steps and we left behind an exceptionally successful year with full of records. In addition to the successful performance which we realized with record-

breaking subscriber and revenue generation of the past 10 years, our investments, which we raised to TL 4.1 billion per year with an increase of 27% year on year, were the main indicators of the fact that we are maintaining our contribution to the technological transformation nationwide at full speed.

We contributed TL 34.7 billion towards Turkey's digital transformation

In recent years, Turkey has covered a lot of ground in digitalisation in line with its 2023 vision. From its industry to its tradesmen, from its cities to its countrysides; our country is going through a technological transformation. As Türk Telekom, we are proud to have a significant share in that – and rightly so. We are maintaining our technology investments in line with the vision of accelerating transformation into an information society and are working towards delivering the latest communication

TL 34.7 billion

Since the privatization in 2005, TL 34.7 billion investment in Turkey's digital transformation

technologies to all individuals living across Turkey. Since the privatisation in 2005, we have invested TL 34.7 billion in Turkey's digital transformation and have contributed a total of TL 87.5 billion to the Turkish Treasury. By more than doubling our fibre infrastructure in the past 10 years, we have covered more than 90% of the households across the country with fixed infrastructure and put Türk Telekom signature to 80% of total fibre infrastructure.

We are investing in local and national technologies

As Türk Telekom, we are not only the user of next-generation technologies, but also their developer. With Argela, Innova and SEBIT; our subsidiaries that generate value in the field of information technologies, we are integrating technologies of the future into today's projects across many sectors including healthcare, energy and education as well as telecommunication. By developing our own technology and marketing to world's leading telecommunication companies, we are contributing towards our country's worldwide reputation. At the same time, we are working for the digitalisation of the public institutions and designing national and secure communication networks for the public institutions with projects such as the local base station ULAK and the national network infrastructure MILAT. In order to keep Turkey's data in Turkey and ensure it is securely stored, we put Turkey's largest data center and largest cyber security center into service in 2018.

In line with our government's aim of making Turkey one of the first countries to transition to 5G, our works continue at full speed. While preparing our test network infrastructure at the 5G Valley Open Test Field in Ankara during the year, we have also continued the development of local and national next-generation mobile communication technologies at our 5G Center of Excellence.

Our corporate responsibility: Accessible Communication for All

As Türk Telekom, Turkey's strategic institution that has been providing our country with the most advanced information and communication technologies for 178 years, we see it as our corporate responsibility to contribute to the access to information for those whom cannot participate in social life and we carry out our works every corner of the country with the principle of "accessible communication for all". We have been working for many years with the aim of making the world a part of unobstructed life with many of our projects such as Telefon Kütüphanesi (the Telephone Library), Sesli Adımlar (Loud Steps) and Güneşli (Sunshine).

We succeeded in spreading our "İnternetle Hayat Kolay (Life is Simple with Internet)" project – which we have continued since 2013 in order to increase digital literacy in our country and promote the conscious use of internet – to 81 cities in 2018. Within the scope of the project, we have provided internet literacy trainings to 45 thousand people to date. Moreover, with the goal of accelerating Turkey's adaptation process to Industry 4.0 and raising human resource that will produce smart technologies, we implemented the Next-Generation Project in 2018.

Along with the positive effects of the new economic program implemented by our government, a more consistent and ever-growing economy awaits us in 2019. As Türk Telekom, we are maintaining our support by standing by our state and nation in every step taken by our government in this context. On behalf of the Türk Telekom family, I would like to thank firstly to our valuable employees who had a part in our 2018 operations and our successful performance, our valuable shareholders whose support we have always had, our business partners and all our stakeholders.

With the sense of mission and responsibility of serving this country, as Turkey's Telecom Türk Telekom, we will continue our investments in order to extend the current infrastructure spanning the nation and create solid and permanent benefits for the entire country by completing Turkey's digital transformation.



Dr. Ömer Fatih Sayan
Chairman of the Board

Assessments of the Board of Directors

In 2018, EBITDA margin continued its increasing trend supported by a more streamlined organization, effective cost control, scale advantages, synergies brought by being an integrated operator and efficiencies on the back of data growth and digitalization.

Assessment on the Financial and Operational Results

Türk Telekom delivered outstanding financial and operational results for 2018 with the highest full year revenue and EBITDA growth since IPO together with the highest subscriber additions in the last decade. The company met its 2018 revenue guidance, while EBITDA exceeded the high end of the company guidance.

In 2018, consolidated revenues increased by 12.6% year on year, highest annual growth since IPO, to TL 20.4 billion with 13.5% year on year increase in mobile, 12.9% year on year increase in broadband and 44.9% year on year increase in international revenues. In the same period, fixed voice revenues remained flat compared to 7% year on year decline in 2017.

Excluding IFRIC 12, consolidated revenue growth was 12.8% year on year, in line with the ~13% revenue growth guidance.

In 2018, Consolidated EBITDA increased by 30.7% year on year, the highest annual EBITDA growth since IPO, to TL 8.4 billion, exceeding the high end of the EBITDA

guidance range of TL 8.0 billion – TL 8.2 billion for 2018. In 2018, efficiency programs across Türk Telekom were executed well and EBITDA margin increased to 41.3%, supported by a more streamlined organization, effective cost control, scale advantages, synergies brought by being an integrated operator, and efficiencies on the back of data growth and digitalization. Excluding IFRS 15 impact, EBITDA margin was strong at 38.1%, 2.6 points higher than 2017.

In 2018, operating profit increased 36.9% year on year to TL 4.7 billion from TL 3.4 billion in 2017. Group recorded net loss of TL 1.4 billion in 2018 due to unfavorable FX conditions as TL depreciated against USD and EUR by 39% and 34% respectively. On the other hand, excluding FX & FX Hedging impacts, net income was TL 3.4 billion compared to TL 2.4 billion in 2017.

Moreover, Group's unlevered free cash flow* in 2018 at TL 3.5 billion more than doubled compared to 2017, thanks to robust EBITDA performance.

*Unlevered free cash flow is defined as net cash provided by operating and investing activities from operations.

2018 Operational Highlights

Total number of Türk Telekom subscribers reached 46.0 million with 4.3 million net additions - the highest annual net subscriber gain since IPO.

Broadband net subscriber additions were 1.2 million, the best performance of the last decade, supported by the strategy of increasing fixed broadband penetration in Turkey.

Fiber subscriber base expanded by 784 thousand (75% of total net broadband adds) to 3.6 million while the share of penetration focused "Internet Bizden" tariffs was at around 50% in 2018 net broadband additions. Strong demand for higher speed and quota packages within "Internet Bizden" subscribers continued, while regional penetration campaigns and diversified distribution channels with the partnerships with electricity companies also supported broadband subscriber gains.

Mobile subscriber base reached 21.5 million with 1.9 million net additions in 2018 – the highest annual subscriber gain since IPO. Cross-selling activities and synergy offers including TV, better quality and coverage of mobile services with new frequencies and investments were the drivers of this success.

Additionally, with customer-oriented initiatives and effective retention management, in Q4'18 quarterly churn rate declined to 6% - the lowest of the past decade.

Fiber network extended to 282 thousand kilometers at the end of 2018, reaching 18.6 million home-pass. In the same period, LTE population coverage increased to 91% from 83% at the end of 2017.

Risks and Assessments of The Board of Directors

The risks of the Türk Telekom Group are determined through Risk Assessment and Evaluation surveys conducted each year. The risks identified in 2018 are classified under the headings of Financial, Strategic and Operational Risks.

The identified risks are then prioritized with the assessments of senior executives of Türk Telekom, and action plans are made to determine their responsibilities and manage the risks or eliminate them altogether. Detailed root cause analysis studies for the basis of action planning are carried out with the related departments and the joint studies are carried out with the Corporate Risk Management Department for the identified risks.

The general assessment of these risks is as follows:

Financial Risks

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

Within the framework of the strategy to minimize liquidity risk, financing is obtained from different geographies (America, Europe, Gulf, Japan, China, Turkey) and different investor groups (commercial banks, international financial institutions such as EIB and EBRD, official export financing institutions, bonds) in the long term. This strategy enables the group to access long-term financing and eliminates the dependence on a single geography and investor group and reduces the cost of such financing.

Relating to Eurobonds issued by Türk Telekom, the Group actively monitors the price and yield dynamics of these bonds, which are tradeable instruments in the secondary markets, in order to formulate optimum cash management strategies on a total return and cost basis.

Risks of Türk Telekom Group are determined by the Risk Assessment and Evaluation meetings conducted every year. Risks identified in 2018; are classified under the Financial, Strategic and Operational Risk headings.

As a result of long credit terms and diversified sources, Türk Telekom carries liabilities in foreign currency. Due to the net liabilities denominated in foreign currency and fluctuating foreign exchange rates, the company may be exposed to foreign exchange rate risk and this risk may have an effect on the cash flow statement and on the balance sheet.

By planning foreign currency cash flow, Türk Telekom can minimize the negative effect of foreign currency risk on cash flow. In regard to impacts on the balanced sheet, first the distribution of foreign currencies between themselves (US dollar and euro) is kept at a balanced level. With respect to the fluctuations in TL against these currencies, the Group initiated a long-term hedging strategy in 2015, and in this framework the Company has hedge position of USD 1.9 billion equivalent, details of which are provided in the footnotes to the financial statement. In addition, Türk Telekom holds a significant portion of its cash assets in foreign currency in order to provide natural protection against foreign currency risk.

To avoid interest rate risk, Türk Telekom has entered a USD 450 million equivalent interest-rate swap position, details of which are provided in the footnotes in the financial statements. Together with the use of fixed-cost funds such as bonds, Türk Telekom reduces its exposure to the risk of a floating interest rate.

With regard to its financial assets, Türk Telekom maintains a position to minimize counterparty risk in accordance with the framework of the limits and diversification policy applied to the other parties.

Türk Telekom carries out the protection transactions related to its financial risks within the framework of the guidance and authorizations of the Board of Directors.

Strategic Risks

The company operates in a market where technological innovation, competition (brand new competitors, product/service prices pressures, etc.) and regulatory developments are quite high. With an awareness of the sector, Türk Telekom carefully analyzes the positions of its competitors and the technological developments in the market as well as the changing customer preferences. Taking these factors into consideration, proactive risk management activities are carried out within the framework of the company's strategic priorities, which will contribute to both increasing company revenues and meeting customer expectations.

New products and services to meet changing customer expectations are developed within the framework of risk analysis performed systematically and implemented in order to develop infrastructure and technology investments necessary to provide the "best customer experience" for these products and services.

The company also substitutes for new products and services where market share might be lost due to regulation and other developments in the market, and evaluates opportunities for smart acquisitions both in domestic and foreign markets

Business Continuity Management

Within the scope of Operational Risk Management activities, Business Continuity Management is handled with precision.

Operational Risks

The risks in the operational area are defined as the risk of loss due to inadequate or failed internal processes, human resources and systems or external events. Examples include the interruptions in infrastructure and technology systems, the leakage of customer information due to vulnerability against cyber attacks, and the failure to capture the targeted quality level in the service due to various technical problems. Problems encountered can lead to negative customer experience, the implementation of regulatory penalties and, as a result, to a negative impact on company reputation and to a decline in revenues.

Within the scope of Operational Risk Management activities, Business Continuity Management is handled meticulously. Business Continuity Management can be defined as a holistic management process that determines the potential threats exposed to and their impact on key activities should these threats occur, and is a framework that provides protection for internal and external stakeholders, reputation, brand and value-creating activities. Critical products and services are subject to Business Impact Analysis and Risk Assessment, and performance improvements are undertaken following the performance monitoring carried out in line with the continuity objectives. In addition, all information technologies and network operations are carried out within the framework of the security policies in practice. Problems in this scope are constantly analyzed and controlled within the framework of early warning mechanisms.

Within the scope of the studies, regulations, international best practices and standards are closely followed and compliance with relevant legislation and standards is monitored.

In 2018, important practices were introduced for the effective management of human resources, one of the most important sub-headings of operational risks. In this area, detailed root cause analyses were carried out in risk topics such as Effective Management of Talent and Employment, Retention of Talent and Protection of corporate memory, and the areas requiring improvements were determined and action development activities initiated.

The risks listed above are identified, assessed, monitored, reported and mitigated in the context of periodic discussions with the business units. In this process, the interaction of the risks between themselves is taken into account and monitoring systems is formed jointly for the risks that are affected by each other.

Determination of Risk Appetite efforts initiated in 2017 will be completed in line with the views of the management staff and the decisions of senior executives of Türk Telekom will be made in line with the up to date risk appetite.

Information Security Products and Services

Cyber Security Activities

Türk Telekom has integrated its Corporate Security Services in Ankara under the largest Cyber Security Center (CSC) in Turkey. In this center, end-to-end solutions in global standards addressing the cyber security needs of Türk Telekom customers are provided, ensuring the continuity of uninterrupted and secure access of customers.

Türk Telekom offers the widest Cyber Security service portfolio in Turkey. In addition to corporate security services already offered, Türk Telekom Cyber Security Center aims to offer all cyber security services and products required by customers such as cyber security management services including security incidence monitoring, analysis and intervention services, and consultancy Services which can served individually as well, and cyber threat Intelligence Services with the support of Türk Telekom's experience, assurance and quality.

SIEM

In order to facilitate the detection and intervention of cyber incidents and violations in Türk Telekom, the capacity expansion of SIEM (Central Security Monitoring and Analysis) systems has been carried out.

Türk Telekom Cyber Security Services

With the rapid spread of Information Technologies, cyber security risks are increasing for all customer groups. The danger of a cyber-attack on the infrastructure of our corporate and public customers brings with the risk of serious consequences such as access to personal information of citizens and customers, abuse of the information obtained, the corruption of the integrity of the information as well as its deletion.

As Turkey's first telecom operator that provides cyber security services, Türk Telekom offers the following cyber security services with its experience and quality of service:

Network Security Services

- **DDoS Attack Prevention Service:** DDOS attack prevention service ensures that the attacks on internet traffic are dealt with before reaching the line of the institution, while protecting data traffic. This service both prevents the interruption of the line and the depletion of network infrastructure resources.
- **Active Defence Service (IPS):** When an attack is detected with the Active Defence service, which analyses internet traffic according to digital signature base and traffic anomalies, the attack traffic is cut and is prevented from being transferred to the network. There is no bandwidth contraction as threats are blocked before they reach the network.

- **Content Filtering Service:** The content filtering service can determine the content of the website to be scanned and the rules of the scan, and any harmful content detected in accordance with the specified rules is prevented from reaching the network.
- **Firewall Service:** With the Firewall service, entry and exit of the traffic from the network to the internet and from the internet to the network can be easily managed. The transition of any traffic not compliant with the specified rules is blocked by the Türk Telekom's Management Center.
- **Advanced Threat Prevention Service (Anti-APT):** This service identifies unknown cyber-attack types and zero-day attacks, which are described as advanced cyber-attacks. Anti-APT service enables the attack to take place among known attacks by marking the attack type. The service analyses files downloaded over the Internet and prevents the download of the files that are detected as harmful.
- **Antivirus:** With the Antivirus Service, traffic is scanned for systemic viruses and worms. If a virus is detected in the traffic, the traffic is blocked by the Türk Telekom Management Center. Any traffic that has been detected as having a virus is prevented from infecting networks and users.

Dedicated Security Services

- **Dedicated Security Services:** With the Türk Telekom Designated Security Services, Firewall, Active Defence System, Content Filtering, Antivirus and data protection services in accordance with Law No. 5651 on Regulating Broadcasting in the Internet and Fighting against Crimes Committed through Internet Broadcasting may be deployed through the security devices to be located at the desired location.

- **Cyber Castle:** Security Logging in accordance with the standards set out by Law 5651 may be performed through the integrated Cyber Castle, while Firewall, Active Defense, Content Filtering, Antivirus services may be carried out at the same time.
- **Cyber Log:** Users connecting to the corporate internet with the Cyber Log device may be logged in accordance with the provisions of the Law 5651.

Managed Security Services

- **Central Monitoring:** Alarms generated by cyber security infrastructures of institutions are monitored on a 24/7 basis by the Türk Telekom Cyber Security Center and critical alarms are reported.
- **Cyber Security Configuration and Infrastructure Management:** The necessary configuration and signature definitions are incorporated in the cyber security infrastructure of institutions and end-to-end cyber security management and support services are provided.
- **Technical Consultancy:** Technical consultancy and support services are provided for Türk Telekom customers during the Cyber Security infrastructure installation, operation and management stages.

Professional Security Services

- **Vulnerability Analysis and Penetration Tests:** Vulnerability Analysis and Penetration Test services are used to identify and report security vulnerabilities of institutions. Information is provided with the necessary security solutions in order to protect against possible cyber-attacks that may be carried out by exploiting vulnerabilities.
- **Consultancy Services:** Information Security Management System Consultancy, the ISO 27001 Audit, Compliance and Consultancy, SOME Installation Consultancy, and Training Services are provided in order to help institutions ensure Data and infrastructure security.

Security Event Management Activities

At Türk Telekom, the capacity increase of Central Security Monitoring and Analysis Systems (SIEM), which facilitates the detection of and response to cyber incidents and violations, was carried out at Türk Telekom. With the capacity increase, the integration of critical applications and systems within Türk Telekom into these SIEM systems has been undertaken.

The integration of systems and applications containing personal data or bearing critical importance for the Company into the central security monitoring and analysis systems is stepped up to ensure full compliance with laws and standards such as Law No. 5651, the Electronic Communication Regulation, PCI DSS, ISO 27001 and the Türk Telekom Information Security Policy.

The increase in capacity has enabled a higher level of resource integration, and ensured that the records of employee access to the incidents and sensitive information, which are required to be stored in Türk Telekom's systems as set out by the regulations and standards, could be kept for a longer duration. Traceability of activities that could pose a risk in terms of information security within the Company and the proactive security level of the Company were increased.

Assessments of the Committees of the Board of Directors

Assessment of the Early Identification and Management of Risks Committee

The Early Identification and Management of Risks Committee has effectively fulfilled the duties assigned to it within the framework of its regulations. In 2018, the Committee convened five times to review the identified risks, to notify the Board of Directors about significant risks, to provide the necessary resources for the effective fulfillment of the Corporate Risk Management function, to ensure the coordination of Corporate Risk Management and Internal Audit and other business units.

Assessment of Corporate Governance Committee Activities

The Corporate Governance Committee has effectively fulfilled the duties assigned to it within the framework of its regulation. It convened nine times in 2018 and evaluated the Corporate Governance Rating process which is carried out every year and followed the preparation process of the Corporate Governance Principles Compliance Report, which is part of the annual report and presented it to the Board of Directors.

Assessment of Internal Control and Internal Audit Activities

The internal control environment required for achieving strategic targets, ensuring operational efficiency productivity, ensuring the reliability and accuracy of financial information, protecting customer personal data and Company assets, and ensuring compliance with laws, regulations, policies and procedures has been established by the company.

The purpose of Türk Telekom's Internal Audit Department is to evaluate the effectiveness of risk management, internal control, compliance with legislation and governance processes in Türk Telekom and all group companies so as to perform an independent and unbiased assurance and consulting activity. In order to carry out its activities in an independent and unbiased manner, the Internal Audit Department works directly with the Audit Committee, which is a part of the Board of Directors, with the authority and responsibility derived from the principles approved by the Board of Directors.

The effectiveness of the existing internal controls designed to reduce the risks involved in the business processes and which may prevent the achievement of strategic targets is evaluated in the audit activities. The reasons and effects of the control issues determined during audits are analyzed and management action plans on solving problems are taken by the related units and the Internal Audit Department monitors whether these actions are carried out on time or not. In addition to audit activities, investigation and inspection activities are carried out where necessary.

Internal Audit Department carries out its work in accordance with international internal audit standards. An evaluation at least once every five years by a qualified and independent evaluation team from outside the institution is required by the compliance with standards. In this context, as a result of the quality assessment carried out by an independent organization in 2017, Türk Telekom's it was confirmed that internal audit department carries out its activities in accordance with international internal audit standards.

Internal Audit Department attaches importance to the professional competence and development of its employees and encourages auditors to have internationally recognized certificates in the audit field of

audit. The majority of Internal Audit Department auditors have internationally recognized certificates such as CIA (Certified Internal Auditor), CSA (Certified Information Systems Auditor), CFE (Certified Fraud Examiner) and CPA (Certified Public Accountant). Audit teams carry out financial, operational, information technologies and compliance audits within the framework of their competencies.

Assessment of Audit Committee Activities

The Audit Committee has been established in accordance with the Capital Markets Board Corporate Governance Communiqué (II-17.1) Article of 4.5.1. with the decision of the Board of Directors dated 16 June 2008. The Committee has been established to support the Board of Directors in its supervisory duties including company's financial reporting process, internal control system, audit process and compliance with laws and regulations and the code of conduct; and to perform other matters to be delegated to the Committee by the Board. The Committee acts in accordance with the authority and responsibility granted by the Board and reports to the Board of Directors.

The Audit Committee shall consist of at least two independent members elected by the Board from among its members.

The committee meets at least once every three months and four of these meetings are held before the announcement of the financial statements; and the committee may, if deemed necessary, convene more frequently. The committee informs the Board of Directors about its meetings and activities within the year. The Committee met four times in 2018 to effectively monitor the accounting, finance and audit processes of the Türk Telekom Group and compliance with the laws and regulations and the code of conduct and to review and monitor the other issues that are assigned by the Board of Directors from time to time.

The Audit Committee carries out its activities within the framework of the Audit Committee Working Principles approved by the Board of Directors. The Audit Committee has effectively fulfilled the duties assigned to it within the framework of its charter. Some of the committee's activities within the year are as follows:

- During the process of disclosure of Company's financial information to the public, the Committee examined whether this information contains sufficient and appropriate information and presented its opinion to the Board of Directors before the information was disclosed to the public.
- Worked for the selection of independent auditor and presented its proposal to the Board of Directors.
- by conducting periodic meetings with independent auditors received information on matters such as audit work, significant findings, significant changes in accounting policies, etc., and informed the Board of Directors in cases where necessary.
- Monitored the activities of the Internal Audit Department; in this context, reviewed risk assessment results, approved the annual internal audit plan, has been updated about significant internal audit findings and the actions taken by the management units regarding these findings, performance indicators of the Internal Audit Department and held meetings with the Head of Internal Audit.

Board of Directors

Dr. Ömer Fatih Sayan

Chairman of Board Directors
Member of Board of Directors

Dr. Ömer Fatih Sayan was born in İstanbul in 1977. He received his Bachelor Degree from the Electronics Engineering Department of İstanbul University Faculty of Engineering; Faculty of Law of Bahçeşehir University and Diplomatic Studies of Oxford University – St Antony's School. He completed his Master's Degree at Electrical and Electronics Engineering and Communications Engineering Department of Technical University of Munich and at Biomedical Engineering Department of İstanbul University Institute of Science and Technology. He also received his PhD on Biomedical Engineering at the İstanbul University Institute of Science and Technology. Starting his career in İstanbul Metropolitan Municipality in 1995, Mr. Sayan worked in private companies in Turkey, Germany and USA in the fields of chip manufacturing, cell phone design and R&D after receiving his Bachelor's Degree. He carried out studies in entrepreneurship by working under the initiative of Silicon Valley and he gave lectures on Information Law and New Trends in Informatics in many universities in Turkey and Germany. Ömer Fatih Sayan has given many lectures in conferences about research subjects and he has many articles published in scientific journals. He carried out his duty as Advisor to the Prime Minister and Chief Advisor to the Prime Minister between the years of 2007 and 2014. He worked as Information and Communications Technologies Authority (ICTA) Chairman from June 2015 to July 2018. He works as the Deputy Minister of the Ministry of Transport and Infrastructure since 21 July 2018. In addition, Dr. Ömer Fatih Sayan serves as the Chairman of Board of Directors and Nomination and Remuneration Committee Member at Türk Telekomünikasyon A.Ş. Mr. Sayan is married and father of 2. He speaks English, German and French.

Eyüp Engin

Vice Chairman of Board Directors
Member of Board of Directors

Eyüp Engin joined Akbank in 1978 as an Assistant Internal Auditor. Following his auditing assignment, Eyüp Engin served as Department Head in Treasury, International Banking and Overseas Financial Institutions. He was appointed as the Executive Vice President in charge of Corporate Banking in 1996. Subsequently, Engin served as Executive Vice President in charge of International Banking and Overseas Financial Institutions Marketing. Eyüp Engin was appointed to his current position of Head of Internal Audit in July 2007. He is a graduate of Middle East Technical University, Faculty of Economics

and Business Administration. Eyüp Engin serves as Vice Chairman of Board of Directors at Türk Telekomünikasyon A.Ş. In addition, he serves as Member of Board of Directors at TT Mobil İletişim Hizmetleri A.Ş., Member of Board of Directors at TTNET A.Ş., Chairman of Board of Directors at Argela Yazılım and Bilişim Teknolojileri Sanayi ve Ticaret A.Ş.

Bülent Aksu

Member of Board of Directors

He has 22 years of managerial experience in finance, accounting, tax and management fields in various sectors including telecommunications, energy, petrochemicals, textiles and audit.

He began his professional career at Kuveyt Türk's Inspection Board as an Auditor, and then took office at Çalık Holding in 2003 to serve as Finance Manager and Group Finance Director, respectively.

He served as CFO and Board Member at Akfel Group between 2008 and 2012. Mr. Aksu worked as CFO for Azerbaijani National Oil and Gas Company's (SOCAR) subsidiaries Petkim Petrokimya Holding A.Ş. and STAR Rafineri A.Ş. respectively between 2012 and 2016.

Bülent Aksu executed many Merger&Acquisitions in various industries, and actively ran financial transactions such as project financing and bond issuance in international and domestic markets.

He led the conclusion of the financing agreement for the USD 3.3 billion and 18 years maturity financing deal signed with 23 local and international financial institutions for STAR Rafineri, one of the top industrial investments of our country. This loan agreement was the top project financing transaction ever made in Turkey in terms of the total sum and the term. In addition, it was became the largest financing transaction in Europe for the year 2014.

Bülent Aksu served as CFO of Turkcell between 20 July 2016 and 17 July 2018. In addition to international practices in balance sheet and FX exposure management, he made great contributions to Turkcell with his innovative solutions for investments financing.

Mr. Aksu has taken office as Deputy Minister for the Ministry of Treasury and Finance as of 3 August 2018.

In addition, Bülent Aksu serves as Member of Board of Directors and Early Identification and Management of Risks Committee Member at Türk Telekomünikasyon A.Ş.

Between 2016 and 2018, Mr. Aksu was voted among the top 50 most influential CFOs in Turkey by the magazine Fortune Turkey. Bülent Aksu graduated from Business Administration (English) Department of Istanbul University in 1996. He is married and father of 3.

Yiğit Bulut

Independent Board Member

Chief Advisor of President, Economist, Financial Analyst, Banker, Journalist, Columnist. He worked as economy commentator in Kanal 6, Kanal E and CNN Türk and columnist in Radikal, Vatan, Referans and Habertürk. He was the producer and the presenter of Parametre and Finans Analiz TV programs. He also worked as a teaching assistant in Doğuş University. Between 2009 and 2012, he was the Chief Production Director of Habertürk TV, economy commentator in Bloomberg TR and columnist in Habertürk Newspaper. Between 2012 and 2013, he was the Chief Production Director of 24 TV and columnist in Star Newspaper. He continued to present the TV discussion program "Sansürlü" in TV 24, transferring from Habertürk TV. He served as the Prime Minister's Chief Advisor between July, 2013 and August 2014 and has been serving as Chief Advisor of President since August 2014.

Yiğit Bulut serves as Member of Board of Directors, Early Identification and Management of Risks Committee Chairman, Audit Committee Chairman and Nomination and Remuneration Committee Chairman at Türk Telekomünikasyon A.Ş. He was graduated from Galatasaray High School and Bilkent University, Faculty of Banking and Finance. He studied for master degree in Sorbonne University. He speaks English and French.

Hakan Aran

Member of Board of Directors

Hakan Aran was born in Antakya in 1968. He graduated from the Computer Engineering Department of the Middle East Technical University in 1990 and completed his master's degree in Management at Başkent University, the Faculty of Social Sciences between 2000 and 2001.

He began his career at İş Bank's IT System Operations Department in 1990 as a Software Specialist. He was appointed as Deputy Chief Executive in 2008. Hakan Aran served as Chairman of Board of Directors at İş Bankası Rusya, Erişim A.Ş., İŞNET A.Ş. and as the Deputy Chairman of Board of Directors at Anadolu Sigorta. He serves as Board of Directors Chairman at Softtech A.Ş., LiveWell A.Ş., Gullseye A.Ş. and Board of Directors Member at İş Bankası Munzam Sandık Vakfı and the Assistant General Manager at İş Bank.

Hakan Aran, serves as Member of Board of Directors since 22 December 2018 and Early Identification and Management of Risks Committee Member at Türk Telekomünikasyon A.Ş. In addition, he serves as Member of Board of Directors at TT Mobil İletişim Hizmetleri A.Ş., TTNET A.Ş., AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş., İnnova Bilişim Çözümleri A.Ş. and Chairman of Board of Directors at SEBİT Eğitim ve Bilişim Teknolojileri A.Ş.

Selim Dursun

Independent Board Member

Selim Dursun was born in İstanbul in 1957. He was graduated from Mechanical Engineering Department of İstanbul Yıldız Technical University in 1980. He worked in the private sector as Mechanical Engineer and served in executive positions between the years of 1980-2002. He served as Advisor to Minister in the Ministry of Transport between 2003-2005, as Executive Assistant of Ministry of Transport between 2005-2011, as General Manager and Chairman in TÜDEMSAŞ between 2011-2012 and as Advisor to the Minister in Ministry of Transport between the years of 2012-2015. He was elected as a Member of Parliament from Sivas province in the 25th and 26th Parliaments of Turkey. In the same period, he worked as the Chair of Peru Friendship Group of Parliament of the Republic of Turkey. He carried out various social activities in Non-Governmental Organizations as chairman, manager and member. He served as a Board Member of the Taekwondo Federation between 2004-2007, as the Chairman of Transportation Sports Club Association between 2006-2015 and as the president of Sivas Demirspor Club between the years of 2011-2012. He has been working as the Deputy Minister of the Ministry of Transport and Infrastructure of the Republic of Turkey since July 2018. Selim Dursun serves as Member of Board of Directors, Audit Committee Member and Corporate Governance Committee Member at Türk Telekomünikasyon A.Ş. He is married and father of 4.

Dr. Nureddin Nebati

Independent Board Member

Nureddin Nebati was born in Viranşehir, Şanlıurfa on 1 January 1964.

He is a political scientist. He studied at the Department of Public Administration the Faculty of Social Sciences, İstanbul University. He took his master's degree in International Relations at the Institute of Social Sciences, İstanbul University. He took his PhD in Political Science and Public Administration at the Institute of Social Sciences, Kocaeli University. He gave lectures in political science, Turkish politics, state and political sociology at a variety of universities.

Board of Directors

He is a businessman with a background in textile business. He served as a board member of MUSIAD (Independent Industrialists' and Businessmen's Association) and a member of the Disciplinary Board at Istanbul Chamber of Commerce. He is currently a member of MUSIAD's High Advisory Board. He continues to act as a member of the Alumni Foundation and Association of the Faculty of Social Sciences at Istanbul University, the Society of Scientific Dissemination, Ensar, Tugva, Onder, Utesav, TDED, BEK, IDD, IDV and similar foundations and associations.

He is currently the president of the Foundation UTEV, and the Turkish president of the Interparliamentary Jerusalem Platform, and a member of the Scientific Board at Opinion Center for Esenler Municipality.

He was elected as a member of the AK Party's Central Decision Board at its 4th Ordinary Congress. He also served as the president of AK Party's Central Financial and Administrative Affairs, and the Deputy Party Leader.

He was elected as a member of the parliament for Istanbul in the 24th term, for Şanlıurfa in the 25th term and for Istanbul once again in the 26th term.

Nureddin Nebati has taken office as Deputy Minister for the Ministry of Treasury and Finance as of 6 September 2018.

Nureddin Nebati also serves as Member of Board of Directors and Corporate Governance Committee Chairman at Türk Telekomünikasyon A.Ş.

He speaks English fluently, and knows some Arabic. Mr. Nebati is married and father of 4.

Dr. M. Cüneyt Sezgin

Member of Board of Directors

M. Cüneyt Sezgin received his undergraduate degree from Middle East Technical University Department of Business Administration, his MBA from Western Michigan University and his Ph.D. from Istanbul University Faculty of Economics. He served in executive positions at several private banks and in 2001, Mr. Sezgin joined Garanti Bank. He is a Board Member and the Chairman of Corporate Assurance and Sustainability Committee at Garanti Bank. Mr. Sezgin is a Board Member and Audit Committee Chairman at Garanti Bank S.A. (Romania), Garanti Pension and Life and Garanti Securities. He serves as Member of Board of Directors, Corporate Governance Committee Member, Nomination, and Remuneration Committee Member at Türk Telekomünikasyon A.Ş. In addition, he is dutied as Chairman of Board of Directors at TT International Group, Vice Chairman of Board of Directors

at TT Mobil İletişim Hizmetleri A.Ş. and Member of Board of Directors at TTNET A.Ş. And also a Member of Board of Trustees Member at Teachers Academy Foundation and World Wildlife Foundation Turkey. Mr. Sezgin serves as a Board Member of Garanti Bank since 30 June 2004 and has 31 years of experience in banking and business administration.

Emre Derman

Member of Board of Directors

Emre Derman led numerous large cross-border transactions in Turkey as a partner with the international law firm White & Case between 1989 and 2008. In addition to his work in Turkey he worked in the New York and London offices of the firm and also in former Soviet Union and Eastern European countries during his term as a lawyer for the EBRD in 1994 to 1995. A former board member of Akbank in 2010, Derman served as a Managing Director and the Senior Country Officer of JP Morgan in Turkey between 2011 and 2014. He is a member of various organizations relating to education and yacht racing and serves as a freelance consultant. Derman holds an LL.B. from Istanbul University Law School and an LL.M. from Harvard Law School. Emre Derman has been serving as Board Member of Akbank T.A.Ş. since 2015 and Turcas Petrol A.Ş. since 2018. He also serves as Member of Board of Directors at Türk Telekomünikasyon A.Ş.

Board Committees

The members of the Board of Directors were elected at the Extraordinary General Assembly Meeting on 25 January 2019 for a three-year term.

Audit Committee

Independent Board Member Yiğit Bulut is the Chairman of the Audit Committee; Independent Board Member Selim Dursun serves as Committee Member.

Corporate Governance Committee

Independent Board Member Dr. Nureddin Nebati is the Chairman of the Corporate Governance Committee, while Independent Board Member Selim Dursun and Non-executive member of Board of Directors Dr. Muammer Cüneyt Sezgin, and Investor Relations Director Sabriye Gözde Çullas serve as Committee Members.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was established with the Board Resolution dated 22 February 2019.

Independent Board Member Yiğit Bulut is serving as Chairman of the Nomination and Remuneration Committee. Board Member Dr. Ömer Fatih Sayan and Board Member Dr. Muammer Cüneyt Sezgin are serving as members of the Nomination and Remuneration Committee.

Early Identification and Management of Risks Committee

Independent Board Member Yiğit Bulut is the Chairman of the Early Detection and Management of Risks Committee, while Non-executive Board Members Bülent Aksu and Hakan Aran serve as Committee Members. Statutory Audit Board

Statutory Audit Board

As of 31 December 2018 Ali Polat, Abdülkadir Uraloğlu and Enver İskurt were serving as members of Statutory Audit Board. Based on the decision to amend the Articles of Association of the Company, which was taken at the Extraordinary General Assembly dated 25.01.2019, the Statutory Audit Board of the Company has been removed.

CEO Message



Türk Telekom continues to create value for its shareholders with record breaking subscriber gains as it connects Turkey to the future

Turkey's leading information and communication technologies company Türk Telekom, increased its operational profitability while also breaking records across many indicators in 2018, including subscriber number and growth rate. We have efficiently leveraged on the advantages of being Turkey's first and leading integrated telecom operator thanks to the strength we receive from our wide range of product and services; i.e., from fixed voice and internet to mobile, from digital services to cyber security services.

By addressing the economic fluctuations experienced during the year quickly, we have increased our efficiency in our operational expenses and investments, and focused on cash flow generation. By successfully maintaining the execution of our strategy, which we defined rightly

and strongly, in the past few years we have successfully transformed Türk Telekom into a more customer-oriented, innovative company that benefits from group synergies while providing sustainable growth in its subscriber base and prioritising penetration and product diversification. The financial results we delivered successfully reflect the strength and resilience of all our operational areas and the benefits we gained from taking early steps towards adapting to a changing environment.

We have increased our guidance twice during the year and managed to surpass these targets with record breaking figures as a result of the successful performance we demonstrated in 2018.

Accordingly, in 2018 we achieved 4.3 million net subscriber growth by demonstrating the best performance of the past 10 years. While raising our total subscriber base to 46 million, we strengthened our leading position in the sector with our coverage area and the subscriber number. By

Fixed and Mobile Collaboration Models

As Türk Telekom, we are doing our fair share of the work; we are developing fixed and mobile collaboration models that will set an example for the rest of the world in preventing duplicate investments.

generating TL 20.4 billion revenue during in 2018, we once again achieved the highest revenue growth rate of the past 10 years.

We reflected our effective operational performance onto the records in EBITDA growth and EBITDA margin

By demonstrating a highly effective performance in reducing the operational expenses with our successful operational management, we also recorded the highest EBITDA growth of the past 10 years. Accordingly, the EBITDA rose to TL 8.4 billion with an increase of 30.7% compared to last year. With an annual improvement of 5.7 points, the EBITDA margin reached 41.3% - the highest figure of the past seven years.

In 2018, with an increase of 27% compared to the previous year, we realized TL 4.1 billion investment. As a long-established and strong brand, we are constantly expanding our infrastructure, which covers the entire country. With our fibre infrastructure, whose length we increased to 282 thousand kilometers, we deliver our services to the furthest corners of the country and as Turkey's main internet provider, we provide services with affordable prices and appropriate content, in line with the "accessible communication for all" principle. In accordance with the strong reflections of our "Internet Bizden" campaign which we launched in the previous year, we raised our fixed broadband subscriber base to 10.9 million with a net increase of 1.2 million in 2018. We delivered our fibre service to the front of 18.6 million households and workplaces (homepass). In 2018 alone, we raised the internet penetration within our country to 55% by increasing fiber homepass by 2.4 million and we aim to continue that momentum.

On the other hand, Türk Telekom's mobile subscriber number rose to 21.5 million at the end of the year with an increase of 1.9 million, the highest addition of the past 10 year. The LTE population coverage which was 83% in the previous year reached 91% at the end of the 2018.

The number of Türk Telekom subscribers in fixed voice continued its increasing trend strongly during the year; contrary to the widespread trend in the world. The total fixed access lines (including naked DSL lines) reached 14.4 million with a gain of 768 thousand net subscribers – the highest growth rate of the past 10 years. With a gain of 886 thousand net subscribers during the year, Turkey's next-generation digital TV platform TIVIBU broke the record for the highest increase since its initial introduction to consumers and its total subscriber number reached 3.6 million.

As a reflection of all these successful operations, we were chosen for the tenth consecutive time as "Turkey's Most Valuable Telecommunication Brand" by Brand Finance, one of the world's select independent brand rating institution.

We have successfully begun implementing pioneering models in extending and utilising infrastructure

As the world prepares for the transition to 5G, the high cost and construction of necessary infrastructure that the next-generation communication technologies require for fast data transfer is the largest challenge facing operators. The most effective solution for this situation lies in inter-sector collaborations and models that will be developed in the construction and utilisation of the fixed and mobile infrastructure. As Türk Telekom, we are doing our fair share of the work; we are developing fixed and mobile collaboration models that will set an example for the world in preventing duplicate investments and presenting these models over to the rule makers.

In mobile infrastructure, we started testing various active and passive sharing models with the pilot studies we launched during the year. We started to work with Vodafone to use passive infrastructure sharing model more widely. During the year, we carried a pilot with Vodafone for active sharing in Zonguldak. We maintain our discussions and assessments in order to expand the project so that it covers other cities. The impressive results we obtained in mobile such as capacity, coverage, network satisfaction and connection quality are highly promising for the future.

On fixed side, we shook hands with other operators regarding the fixed infrastructure model we presented in this context and in May 2018, we signed the Fixed Electronic Communication Infrastructure Leasing Protocol. As per the protocol, we successfully kicked off the first pilot study during the second half of the year with Vodafone in Sinan. As we begin to get the results of the collaborations carried out in this regard, we will all clearly see that the fixed infrastructure sharing models are for the benefit of both the sector and the country.

8.3 million downloads

TAMBU, became Turkey's most downloaded keyboard application of the year that articulated our national feelings.

Digital customer experience is in our center line

One of our main business focus areas for 2018 was as always, to create values that would improve customer experience through our attractive and user-friendly digital solutions. Our self-service contact point 'ONLINE İŞLEMLER', our loyalty programme 'SİL SÜPÜR' and 'PRATİK ÇÖZÜM', through which our subscribers are able to resolve connectivity issues on their own, were the digital services through which we made contact with our customers the most during the year.

Turkey's first local and national digital keyboard TAMBU, reached 8.3 million downloads as of the end of 2018 and became Turkey's most downloaded keyboard application of the year that articulated our national feelings. With an updated interface and new features such as local food and drink venue search, keyword search for local content and an integrated search engine, which were added in December, a stronger groundwork for TAMBU to turn into a revenue source has been created. In the last quarter of 2018, we introduced our live mobile game show Eleq to our users, which presents a brand new gaming experience.

With Turkey's technological and content-rich OTT TV platform TIVIBUGO, we continue to change television viewing habits. With the addition of in-app sign up and online payment conveniences, TIVIBUGO's user number rose to 2 million with an increase of 25% in 2018 and the daily average TV viewing durations in mobile rose by 43% compared to last year, reaching 30 minutes.

With our digital services such as Turkey's favourite digital music platform MUUD; the nation's leading digital gaming platform PLAYSTORE; Turkey's content-rich digital magazine and newspaper reading platform E-DERGI and Turkey's first photography application for the visually impaired EYESENSE, we are once again presenting users with brand-new novel experiences.

In 2018, we continued to receive the successful results of our customer experience program EMPATİ which we

started mid-2017 with the aim of the perfect customer experience journey. With EMPATİ, we succeeded in realizing an improvement of 43% across 28 main performance indicators in 2018.

We are the pioneers of Turkey's technological breakthrough and localisation

While Industry 4.0 alters the way companies carry out business and their systems, digitalisation and innovation are the two vital elements of keeping up with the times and even being one step ahead of the times. With our corporate products, services and digital solutions, whose coverages are increasing with each passing day, we as Türk Telekom, are also guiding all 500 of Turkey's largest companies as well as many private and public institutions on their digitalisation journeys.

With Turkey's largest data center we opened in Esenyurt this year - with the goal of becoming the region's data center base, we are not only able to meet Turkey's data center needs in the area of data storage and management but also neighbouring countries' needs. With Turkey's largest Cyber Security Center we opened at our head office in Ankara, we have increased the diversity of traditional and innovative cyber security services we provide. While we ensure that Turkey's data remains in Turkey and is stored at the highest security, we are also providing consultancy services to companies during their digitalisation processes and are systematically preparing them for the future with the correct moves that will allow them to adapt to Industry 4.0. In addition to all these works of ours, we are continuing to digitalise the public and in order to establish national and secure communication networks, we are taking an active part in public projects such as the local base station ULAK; and the national network infrastructure MILAT, thus; contributing to our national security.

In 5G, we are defining global standards with the local and national technologies we are developing

At our R&D centers such as Türk Telekom Innovation Center and Argela 5G Center of Excellence, we are developing local products and technologies that will create added value for the national economy and accelerate national development as well as maintain our leadership for Turkey to reach a position where it produces and exports new technologies. As Türk Telekom, we are representing our country by taking part in international technological institutions that develop technology for the world and lead the sector by defining the standards of tomorrow, such as ONF and ONAP.

Not only are we raising our productivity to the highest level by using artificial intelligence in the optimisation of fixed and mobile networks with the smart software we

have developed, we are also selling this software to select global operators and thus are contributing towards the national economy. Through Argela; our company which is active in convergence technologies and Netsia; its subsidiary in the USA, we have obtained 6 new patents in 5G on an international scale in 2018. Hence, we have proudly raised our 5G patents to 17 and our total patents to 26 by the end of the year.

In 2018, with our various channel and services, we increasingly maintained our support towards sports

Our next-generation TV platform service TIVIBU has strengthened its second place position in the Pay TV market and we are continuing to enrich its content. With the 3-year broadcasting rights contract we signed during the year with the Turkish Basketball Federation, sports fans began to watch the Turkish Basketball Super League and All-Star Games which is one of the 3 most valued leagues in Europe, as well as the Women's Basketball Super League and all of the matches from the Women's and Men's Turkish Cup exclusively from TIVIBU screens. Our Türk Telekom Basketball Team, which is the champion of the Turkish Basketball 1st League, made us proud by making it to the Super League after two seasons. While our team is battling it out in the Super League, it is also successfully representing our country at one of Europe's most prestigious organizations; the Eurocup.

One other technology we invested in during the year was the MTN image transfer technology which will soon change the live feed transfer habits all around the world. Thanks to this system which enables live feed transfer over fibre network, we actualised the Video Assistant Referee (VAR) Application with the Turkish Football Federation (TFF) and provided instant image transfer between the TFF VAR Center in Istanbul and the stadiums where the Super League games were held. This new image transfer technology that we have used for the first time in Turkey completely eliminates obstacles such as satellite-based latency issues in live feeds and bad weather conditions.

We aim to create and extend an entrepreneurial culture in our country

We support the entrepreneurial ecosystem for a stronger and more economically independent Turkey. As Türk Telekom, we define our target in this area being able to present value-added services to our customers through collaborations with innovative technological start-ups and being able to create economic benefits for our country and sector by accelerating start-ups.

In this context, we provided TL 3 million in cash support to early level start-ups as part of the PILOT program which we started in 2013. In 2018, 11 more start-ups successfully graduated from our PILOT program. With this figure, the

total number of start-ups that have graduated from PILOT to date rose to 56. The start-ups that have graduated from PILOT employed 280 people in 2018 and generated a turnover of 24 million TL. Seeing the successful results of the start-ups that we have supported gives us great happiness and hope for Turkey's future.

On the other hand, in the beginning of 2018 we set up the sector's first corporate venture capital company; TT VENTURES in order to support growing start-ups and our first investment was in the healthcare sector to DOCTOR TURKEY, which provides online health consultant services. TT VENTURES' second investment was in education in early 2019 for one of our former PILOT graduates MENTAL UP; Turkey's first gamified education platform for children.

In addition to all these programs, in August 2018 we realized a project that will touch the entire entrepreneurial ecosystem; SANTRAL, Turkey's first free of charge community center for entrepreneurs. Our main expectation is that at SANTRAL - a two thousand square metered area that all entrepreneurs can benefit from - with the synergy that is created as a result of the idea and information exchange, new technologies, and one-of-a-kind products and services will emerge. In the long term, we are aiming for an entrepreneurial culture to form and extend in our country just like in the Silicon Valley.

We will continue to develop while we grow on our path to digitalisation and reaching the 2023 goals

With the effect of our new shareholder structure and the addition of our new Board Members, we will continue to grow profitably with our efficient management performance in creating a strong and solid cash flow, we will also continue to invest in the national economy on the way to reaching the 2023 goals and we will continue to develop while we grow and connect Turkey to the future in the period ahead.

Türk Telekom is an important value to have emerged from these lands. I offer my thanks to our faithful employees who put their heart and soul into their work all across Turkey in order to increase that value even more. Once again, I would like to offer my gratitude and thanks to our government and relevant public institutions who stand behind us with the solid steps they take in order for the sector to develop, as well as our ever-supportive investors, business partners and all stakeholders.



Dr. Paul Doany
CEO

Türk Telekom Senior Management

Dr. Paul (Boulos H.B.) Doany

CEO – General Manager

Upon his graduation from the Department of Electrical/Electronics Engineering, Beirut American University in 1977, Dr. Paul Doany, the CEO of Türk Telekom, went on to hold a master's degree in Digital Electronics and Communications Engineering in Bradford University, UK in 1978 and a PhD in Communications Engineering from the University of Manchester Institute of Science and Technology in 1981.

Having served as a senior lecturer for the Department of Electronics/Communications in Beirut American University, Mr. Doany then took office as a consultant for the telecommunications business over the course of 14 years. As part of this task, he served as a General Manager for Dar Consultants (based in London) and founded Telecom department as a General Manager/Partner at Dar Al Handasah Consultants (Shair&Partners) and boosted the company to grow in transportation and finance.

Mr. Doany had served for the Saudi Oger Group for 12 years and taken office as the Founding CEO of Oger Telecommunications and the CEO of Türk Telekom for 5 years. During his tenure at the Saudi Oger Group, he led the acquisition of 55% share of Türk Telekom through privatization and the IPO to Istanbul Stock Exchange apart from the acquisition of IT companies and international wholesale operations (Pantel, rebranded as Türk Telekom International). In addition, he ran the acquisition and start-up operational process of Cell C in South Africa until it was launched.

Dr. Paul Doany has focused on the Venture Capital of Informatics and Communication Technologies and run start-up phase investments in IT/Internet companies and renewable energy.

Mr. Doany has been serving as the CEO of Türk Telekom since September 2016.

Şükrü Kutlu

Human Resources, Regulation and Support Assistant General Manager

Şükrü Kutlu graduated from the Faculty of Law, Ankara University in 1991. Afterwards he completed his Master's Degree in Department of Private Law, Gazi University with a thesis subjected "Interconnection Contracts in Telecommunication". He started his career in 1992 as an Assistant Auditor in Court of Accounts and during this period, he continued his career by serving as Auditor and Lead Auditor in head office and for the on-site audits carried out in the related institutions of the Court of Accounts. In 2003, he started to work in Türk Telekom

as Human Resources, Regulation and Support Assistant General Manager President for 12 years. Between February 2015 and April 2016 he served as the Board Member and the General Director of Gübretaş T.A.Ş. Mr. Kutlu holds Attorney, Notary Licenses and Public Accountant Certificate.

Şükrü Kutlu rejoined Türk Telekom in October 2016 and is serving as Human Resources, Regulation and Support Assistant General Manager since December 2016.

Kaan Aktan

Finance Assistant General Manager

Kaan Aktan, after Galatasaray High School, graduated from Boğaziçi University, Economics in 1995. He started his career at Anadolu Group. He worked in PepsiCo-Pepsi Bottling Group Turkey Operation in 2002 and afterwards he worked at Texas Pacific Group Investment Fund Turkey Asset Management companies as finance manager since 2007. He joined Türk Telekom in 2010 as Director of Financial Projects. He was appointed as TTNET CFO in March 2013. From September to December 2014, in addition to his existing responsibilities, Mr. Aktan acted as a Deputy CEO of TTNET. Kaan Aktan served as Consumer finance Assistant General Manager of TTNET between February 2015 and November 2016, and since August 2016, he also acted as Deputy General Manager of AssisTT.

Mr. Aktan is serving as Finance Assistant General Manager since December 2016.

Ümit Önal

Marketing and Customer Care Assistant General Manager

Sales Assistant General Manager (Acting)

Ümit Önal graduated from the Faculty of Communication, Istanbul University in 1995. After that he held various managerial positions in the areas of advertising, production, content/broadcasting/advertisement sales in Turkey's leading media companies including TGRT and Kanal 7.

He joined Turkuvaz Medya Group, initially as the General Manager of ATV and then he served as Executive Committee Member and Advertising VP for all brands operating under the Group.

Mr. Önal served as General Manager at Show TV between 2014 and 2015. Following that he served as CEO and the Executive Board Member of Digiturk between 2015 and 2016. He played an active role during the acquisition of Digiturk (change of control from SDIF).

He has more than 20 years expertise in media industry, which gave him a chance to be a part of Turkey's

media transformation and he has been active in NGOs throughout his career. He is the former Chairman and current Board Member at TIAK (TV Monitoring and Research Committee) and committee head at TVYD (Association of TV Broadcasters).

Ümit Önal served as Sales and Customer Care Assistant General Manager between December 2016-December 2018.

Ümit Önal is serving as Marketing and Customer Care Assistant General Manager since December 2018. He is also serving as Acting Sales Assistant General Manager.

Fırat Yaman Er

Strategy, Planning and Business Development Assistant General Manager

Fırat Yaman Er graduated from BA department of Boğaziçi University in 1997 and earned his MBA degree from San Francisco State University in 2011. Mr. Er started his carrier at Dogan Holding in 1997. Afterwards, he started to work at Aria Communication Services and played an active role in the merger of Aria and Aycell. He continued his role in Avea after the merger. In 2008, he started to work as Business Planning Director at Oger Telecom. In 2011, he was appointed as Assistant General Manager responsible for Business Planning at Oger Telecom.

Mr. Er started to work as Assistant General Manager of Business Planning at Türk Telekom in May 2014. He also acted as Assistant General Manager of Strategy and Business Development between March 2016 and December 2016. Fırat Yaman Er is serving as Strategy, Planning and Business Development Assistant General Manager since December 2016.

Yakup Öztunç

Legal Assistant General Manager

Yakup Öztunç graduated from the Faculty of Law, Ankara University in 1996. Mr. Öztunç started his career in 1997 as a self-employed lawyer. After joining Türk Telekomünikasyon A.Ş. in 1998, he took several different responsibilities as lawyer, legal counsel and legal director.

Mr. Öztunç was responsible for adapting “Suspect Tracking System” to developing technology and changing legislation. Within this frame he coordinated the process of making the Legal Monitoring System (I-Hope System) available to all Türk Telekom Group Companies. Since 2003, he provided legal assistance as a counsel of the company regarding Collective Bargaining agreement. Mr. Öztunç was a member of License Coordination Committee, which is established for supervising the implementation of the concession agreement between Türk Telekom and ICTA (2010 -2015). Additionally, he was a member of Türk Telekom Health, Social and Relief Foundation between 2007-2012 and Türk Telekom Saving Foundation between 2011-2014. He also served as PTT Foundation Board Member between 2014-2016.

Yakup Öztunç is serving as Legal Assistant General Manager at Türk Telekom since January 2017.

Yavuz Türkmen

Head of Internal Audit

Yavuz Türkmen graduated from Bilkent University, Economics with high honor in 1995. He started his career at KPMG. He worked at Türk Hava Yolları between 2004 and 2006 as Financial Control Manager, afterwards in 2006 he worked at a private Company as Vice General Manager of Finance and Administrative Affairs. He joined Türk Telekom in 2007 as General Accounting Manager. Between 2009 –2017, he served as Türk Telekom Financial Control Director and Türk Telekom Group Financial Control Director. During this period, he took an active role in reorganization of finance department and also took responsibility of many projects, each of which first in their fields. He is a member of the Board of Directors at Türk Telekom Basketball Sports Club. He is also assigned to Board of Trustees and the Audit Committee at Türk Telekom Health, Social and Relief Foundation. Yavuz Türkmen has CPA and Independent Auditor certificates.

Yavuz Türkmen is serving as Head of Internal Audit since February 2017.

Yavuz Yıldırım

Wholesale Assistant General Manager

Yavuz Yıldırım graduated from Uludağ University in 1999 from the Faculty of Economics and Administrative Sciences, Department of Business Administration. Following his past work experiences in trading, he started his career in 2002 at Telsim, followed by various positions in sales and marketing units at Nortel Networks Netas between 2004 -2006 and then Vodafone between 2006-2009 (Approximately 3.5 years). Mr. Yıldırım joined Türk Telekom in 2009 as Director of SME Sales Operations and contributed to the establishment of SME sales channel. In November 2011, he undertook the Wholesale Sales Director role and served as the President of Türk Telekom Wholesale Clients Business Unit between April 2015 - December 2016.

Mr. Yıldırım is serving as Wholesale Assistant General Manager since December 2016.

Yusuf Kırac

Technology Assistant General Manager

Yusuf Kırac graduated in Electrical and Electronics Engineering from Hacettepe University in 1994. Following his undergraduate studies, in 1996 he started working as a manager in planning and integration management at Siemens and Nokia Siemens Networks. Mr. Kırac started to work in Türk Telekom in 2008, taking part in the team that carried out the successful transformation projects in Türk Telekom's All IP Architecture with Rural Transformation, Türk Telekom NGN and Fiber Transformation projects. In 2010, he assumed the role of Network Director and led many projects that gave profitability and capacity to Türk Telekom such as Fiberkentt, DWDM, MPLS, DC Conversion and TTVPN. In addition to his current role, he also chaired the NANI Working Group of ETNO, European Telecommunication Operators Organization, headquartered in Brussels, between 2010 and 2014. In his managerial role at ETNO, he worked closely with international organizations such as the European Commission, CoCom, ECC, ITU, ETSI, ICANN and RIPE for numbering and addressing issues; migrating from IPv4 to IPv6, number portability, and M2M's future strategies and policies. After the integration of Türk Telekom, Avea and TTNNet, he served as Core & Transport Network Director. Between 2016-2018 served as Türk Telekom International General Manager. He is also a member of the Board of Directors of Türk Telekom Group Company Innova and also Higher Education Council-University-Industry Cooperation Commission.

Mr. Kırac is serving as Technology Assistant General Manager since August 2018.

CEOs of Türk Telekom Group Companies

Ali Emir Eren

Innova CEO

Ali Emir Eren, graduated from Marmara University, B.A. Business Informatics (German) and got his MBA degree from the same university. Ali Emir Eren started his professional career in 1997 in Turkey and then moved to Germany to serve in various executive positions covering several countries at Deutsche Telekom between 2001 and 2008.

He returned to Turkey to join Turk Telekom as of 2008, and in 2010, as Director of International Investments, he executed the acquisition of Türk Telekom International (TTI). Afterwards, as International Sales and Services Director, he successfully completed the integration process of TTI with Türk Telekom and held two executive positions together as COO of TTI Global in Hungary and the General Manager of TTI Turkey at the same time.

Accumulating international management experience in more than 20 countries, Ali Emir Eren worked at large-scale projects and in new technology development areas with corporate customers and government agencies.

Ali Emir Eren is Chief Executive Officer of Innova since January 2019.

Bülent Kaytaz

Argela CEO

Bülent Kaytaz graduated from Electrical and Electronics Engineering, Marmara University in 1981. He also obtained his Master' degree in Management Information Systems and an MBA from European University in Belgium in 1994.

In addition to his business activities, Bülent Kaytaz has served as a visiting lecturer in computer and communications engineering at Marmara University in Istanbul. In former roles, he had a five-year stint at Nortel and more than 10 years of experience at Alcatel, where he managed key software development projects in the areas of communications and internet in Belgium, Norway and Turkey. Mr. Kaytaz brings over 25 years of design, development, business development and successful leadership experience in the field of telecommunications. He then founded two companies in the telecom technology area and led the Innovation drive at both companies via intensive R&D activities. He founded Oksijen Technology, which was formerly a provider of intelligent networks and core infrastructure elements for wireless and wireline communications networks. Within three years of operation, the company brought considerable recognition to the global and Turkish telecommunications industries through strong regional business growth and worldwide visibility.

Bülent Kaytaz is the CEO and the founder of Argela, a Türk Telekom Company. He also established Netsia, an Argela subsidiary based in California's Silicon Valley, which works on developing 5G technologies.

CEOs of Türk Telekom Group Companies

Mehmet Candan Toros

General Manager of Türk Telekom International Group

Mehmet Candan Toros graduated from Istanbul Technical University with a B.Sc. in Electrical Engineering in 1988 and completed his MBA degree at Bilkent University in 2012.

He joined to PTT/Türk Telekom in 1988 and he served as Deputy Manager, Managing Director of Satellite Communication Center and Director of Satellite Communication & Operation Department respectively in between 1994 and 2003 in charge of national and international satellite communications and orbital operations of Türksat satellites. Implementing and introducing of DSL and broadband technologies, marketing & sales functions across Turkey and international operations of Türk Telekom realized under his leadership as VP of Marketing & Technology and VP of International & Wholesales (2003-2012). He had also been appointed the Member of the Management Board of Türk Telekom International for four years within the same period.

He served as Coordinator VP of Türk Telekom responsible for Sectoral Relations & Project Management between December 2012 and November 2016. Mehmet Candan Toros was appointed Chairman of Türk Telekom International Group Management Board in 2016 and he has been heading Türk Telekom International Group as CEO.

Cemil Yıldırım

AssisTT General Manager

Cemil Yıldırım graduated from Faculty of Economics and Administrative Sciences, Marmara University in 1984.

He worked as Accounting Supervisor at İzdaş Dış Ticaret A.Ş. between 1987-1991, General Manager and Board Member at Atermit Sanayi ve Ticaret A.Ş. between 1991-1996, Consultant to CEO at BELBİM A.Ş. in 1997, Assistant General Manager and Acting General Manager at İSTAÇ A.Ş. between 1997-2001, Assistant General Manager BİMTAŞ A.Ş. between 2001-2005, Board Member at İSTON A.Ş. between 2006-2007 and Consultant to CEO at Turkland Bank in 2007, respectively. Mr. Yıldırım worked as Administrative Affairs Assistant General Manager at Avea between 2008-2017.

Cemil Yıldırım is serving as CEO at AssisTT since February 2017.

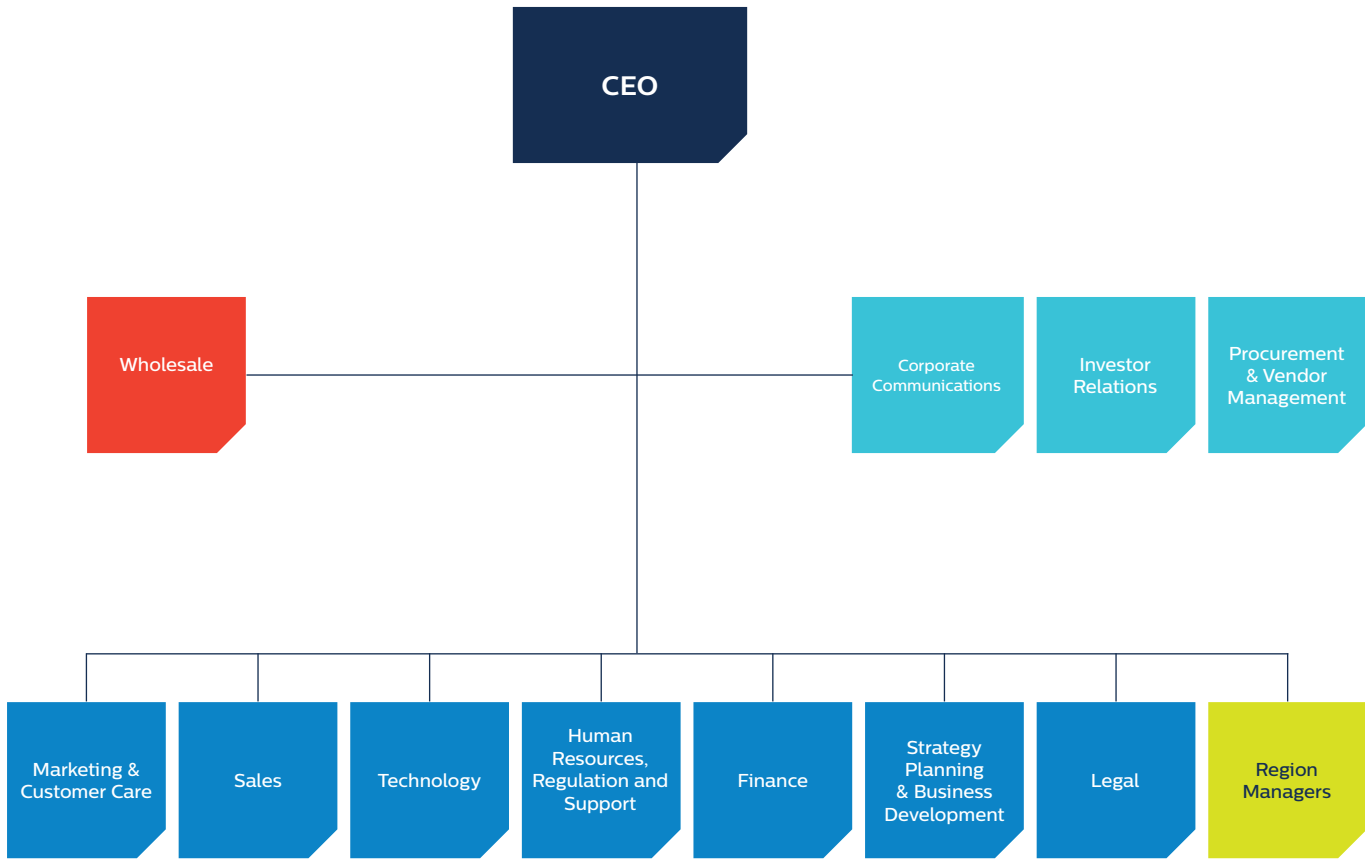
Ahmet Eti

SEBIT CEO

Ahmet Eti received B.S. degree (1988) and M.S. degree (1991) in Electrical and Electronic Engineering from Middle East Technical University. He started his career as a researcher at TÜBİTAK in 1988 and there established the Computer Aided Education and Multimedia Research Laboratory. In 1996, after the privatization of the Laboratory by the Science Council, he founded SEBIT and realized many award winning global projects such as Akademedi and its Chinese version Tian-yi. With the acquisition of SEBIT by SBS, he acted as Global E-learning Director of Siemens and implemented the Malaysian Math and Science Teaching Courseware Development Project and iClass, the largest educational R&D project of the European Commission's 6th Framework Programme. Between the years 2008 and 2011, "Adaptive Curriculum" developed after the transfer of SEBIT to Türk Telekom, was honored with several awards including; the CODiE Awards by The Software and Information Industry Association (SIIA) as "The Best Online Educational Solution" and "The Best Virtual School Solution," "Best Content Service" award at the World Communication Awards and "Distinguished Achievement Award" from the Association of US Educational Publishers. Eti was named Turkey's Most Creative and Innovative Young Entrepreneur in the World Junior Entrepreneur Businessman Contest; in 2004, he was honored with the Professor Mustafa N. Parlar Training and Research Association's Technology Encouragement Award.

Ahmet Eti, the founder of SEBIT A.Ş. and SEBIT LLC (Arizona), the creator of the award winning Vitamin and Adaptive Curriculum, is CEO of SEBIT and Chairman of SEBIT LLC.

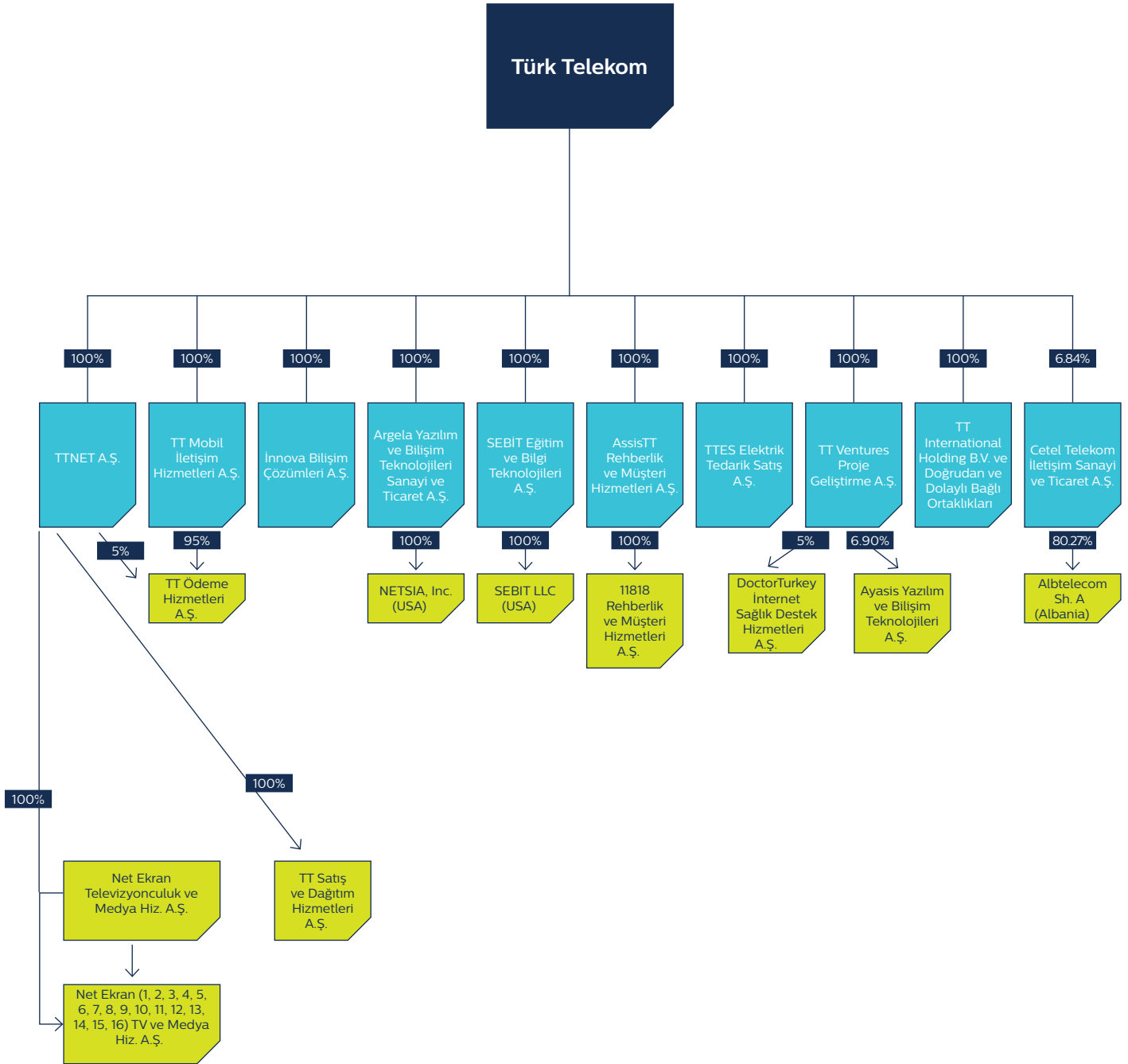
Organizational Structure



Supporting strategic focus areas, within the framework of Company’s Customer Focus strategy aiming to provide high quality service to customers, an organizational change was implemented in December 2018. With this change, Customer Care function of the company is integrated to “Marketing Assistant General Manager” position and “Marketing and Customer Care Assistant General Manager” position is established in the new structure. Marketing Assistant General Manager position is re-established as Marketing and Customer Care position; Sales and Customer Care Assistant General Manager position is re-established as Sales Assistant General Manager position.

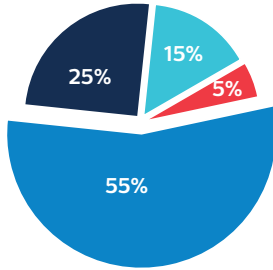


Subsidiaries, Affiliates and Financial Investments



Capital Structure and Changes

Capital Structure and Changes



- LYY*
- The Republic of Turkey Ministry of Treasury and Finance
- Free Float
- Turkish Wealth Fund

* Levent Yapılandırma Yönetimi A.Ş.

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

Capital Structure and Changes

The shareholding structure of Türk Telekomunikasyon A.Ş. between 01.01.2018 and 21.12.2018 is as follows:

- Ojer Telekomunikasyon A.Ş.: 55%
- The Republic of Turkey Ministry of Treasury and Finance: 25%
- Turkish Wealth Fund: 5% (additionally 1.68% in free float)
- Free Float: 15%

On 21 December 2018, 55% of the shares held by Ojer Telekomunikasyon A.Ş. ("OTAŞ") in Türk Telekomunikasyon A.Ş. were transferred to Levent Yapılandırma Yönetimi A.Ş. (LYY), which is a special purpose vehicle whose shareholders are the creditor banks that provided loans to OTAŞ.

- The Republic of Turkey Ministry of Treasury and Finance's non-public share ownership is 25% (Group B). In addition, the Turkish Treasury owns a "Group C Golden Share" with nominal price of TL 0.01.
- Levent Yapılandırma Yönetimi A.Ş.'s (Group A) non-public share ownership is 55%.
- Non-public share (B Class) ownership of Turkish Wealth Fund is 5%, and D Class public share ownership is 1.68%.
- D Class public shares constitute 15% of total capital.



We are connecting Turkey to the future

with our customer-oriented approach



Global Telecom Market



Penetration Growth

Fixed broadband penetration on the rise around the globe

Revenue growth supported by the spread of fixed broadband services and increasing data usage

According to independent studies, the spread of new generation fixed broadband access services and increasing data usage in mobile and fixed segments will constitute the main driving forces of the retail revenue growth in global telecom markets in the coming period.

Retail mobile revenues are projected to constitute 60% of total revenues in 2022, according to Analysis Mason's Global Telecom Market report.

Increased smart device penetration, an expanding 4G/LTE coverage and high demand for mobile media content, data usage and mobile data plans (plans in which devices are offered together with mobile data packages) are expected to be the most important drivers of the growth in revenues around the world.

On the other hand, differences in network coverage, service utilization and service pricing between different regions of the world are expected to continue.

While the mobile market is expected remain fiercely competitive in many parts of the world, competition in the Turkish market is expected to follow a relatively rational course.

With mobile services being offered at more affordable rates for mass segments and the 3G/4G/LTE mobile network coverage expands, mobile penetration rates are expected to grow more rapidly in developing regions than in developed regions.

On the mobile side, the 5G commercial launches are expected to get underway in 2019 in the developed markets such as the Asia Pacific, North America and Europe.

In the regions where levels of disposable income and demand for fast fixed broadband are high, and where web applications of Pay TV stimulate high usage of mobile data, new generation access investments are expected

to gain pace and fixed revenue growth is expected in the coming period.

On the other hand, higher revenue growth is expected in emerging markets such as Latin America, the Middle East and Africa than in developed markets such as Asia Pacific.

In Central and South Africa, growth in telecom revenues is largely proportional to economic growth.

In the developing Asia-Pacific region, telecom revenues are expected to demonstrate high growth mainly on the back of the high rate of subscriber growth in the mobile sector.

In the Central and Eastern Europe and the Middle East and North Africa regions, rising mobile data usage, an expanding 4G/LTE coverage area and increased fixed broadband revenues are paving the way for revenue growth. In Western Europe, North America and the developed Asia Pacific regions, revenue growth is expected to follow a stable course in the coming period, due to the already high penetration rates in fixed and mobile services.

Fixed broadband penetration rates on the rise around the globe

Revenue growth in fixed telecom services is being fed by fixed network investments and increasing household penetration in broadband.

Fixed broadband penetration rates are rising around the globe. With their high level of income and widespread high-speed new generation access networks, developed markets have the highest level of broadband household penetration.

Hong Kong, Singapore and South Korea are expected to maintain their worldwide leadership in fixed broadband penetration in the coming period with fixed broadband household penetration of over 100%.

According to the Digital Agenda for Europe within the scope of Europe 2020 Strategy, it is envisaged that 100% of the population will attain a minimum connection speed of 30 Mbps and 50% of the population will have connection speeds of at least 100 Mbps in broadband. Telecom operators' new generation access investments in Europe are supported by government strategies and EU funds within the scope of the 2020 targets.

This gives operators in the EU an opportunity to increase speeds and revenues in the fixed broadband segment. FTTP/B (Fiber to the Premise & Building) is expected to be the most commonly implemented technology in the Central and Eastern Europe and the Asia Pacific regions. In Western Europe, especially in Germany and the UK, the G-fast and VDSL technologies, which are commonly used

Multiplay Offerings

In addition to the fixed-mobile convergent offers, operators aim to increase revenues with multiplay offerings such as high speed fixed connections, mobile packages with generous data allowances and Pay TV services with added features.

with the DSL network upgrades are expected to be more widespread.

In the USA, cable broadband technologies are expected to remain the dominant access technology.

Integrated operators competing in the mobile segment with multi product offers

Many operators worldwide offer multiplay offers and fixed broadband convergent offers. Integrated operators can compete in the mobile segment with multiplay offers. Despite an expected slowdown in the pace of growth in mobile revenues until 2022, operators are expected to manage this situation by churn reduction and encouraging a shift from prepaid to postpaid lines.

In addition to the fixed-mobile convergent offers, operators aim to increase revenue with multiplay offerings such as high speed fixed connections, mobile packages with generous data allowances and Pay TV services with added features.

Number of mobile subscribers projected to increase worldwide until 2022

Along with the increase in the number of mobile subscribers around the globe, the increase in demand for data services and shift from prepaid lines to postpaid lines is expected to have a positive impact on mobile ARPU.

In delivering revenue growth, mobile operators are expected to focus on maintaining their existing customer base and to look for new sources of revenue.

The expansion of the 4G/LTE coverage, increase in the new services offered in data usage (such as TV, games, music), and reasonably priced smartphones are expected to pave the way for growth in subscribers and revenues of mobile operators until 2022.

Many operators in the world are performing 5G tests and operators generally prepare to commercially roll out 5G services for 2020- 2021.

South Korea is one of the most rapidly progressing countries in this field. In South Korea, the rollout of 5G is expected to start in 2019 and be completed in 2020 throughout the country. The commercial rollout of 5G is also scheduled to begin in 2019 in North America. On the other hand, North American operators, whose customers are already on high speed 4G/LTE tariffs, are expected to struggle in gaining much of a marginal benefit from 5G.

IPTV and OTT video segments set to be the main growth areas in the Pay TV market until 2022

Satellite and cable access technologies stand out as the most common technologies in Pay TV services.

Until 2022, the IPTV and OTT Video segments are expected to be the main growth areas in the Pay TV market. Subscription Video on Demand (SvoD) Services are expected to be driving the growth in OTT Video service revenues.

Corporate services offering growth opportunities for the telecom operators

While the revenues from corporate data within the core services of telecom operators around the world are following a level course, rapid growth is expected in the revenues from other corporate services such as collocation, hosting, cloud, security, SaaS and IaaS. The leading operators are expected to carry their corporate services to cloud services, offering access to small and medium-sized enterprises in a more widespread manner.

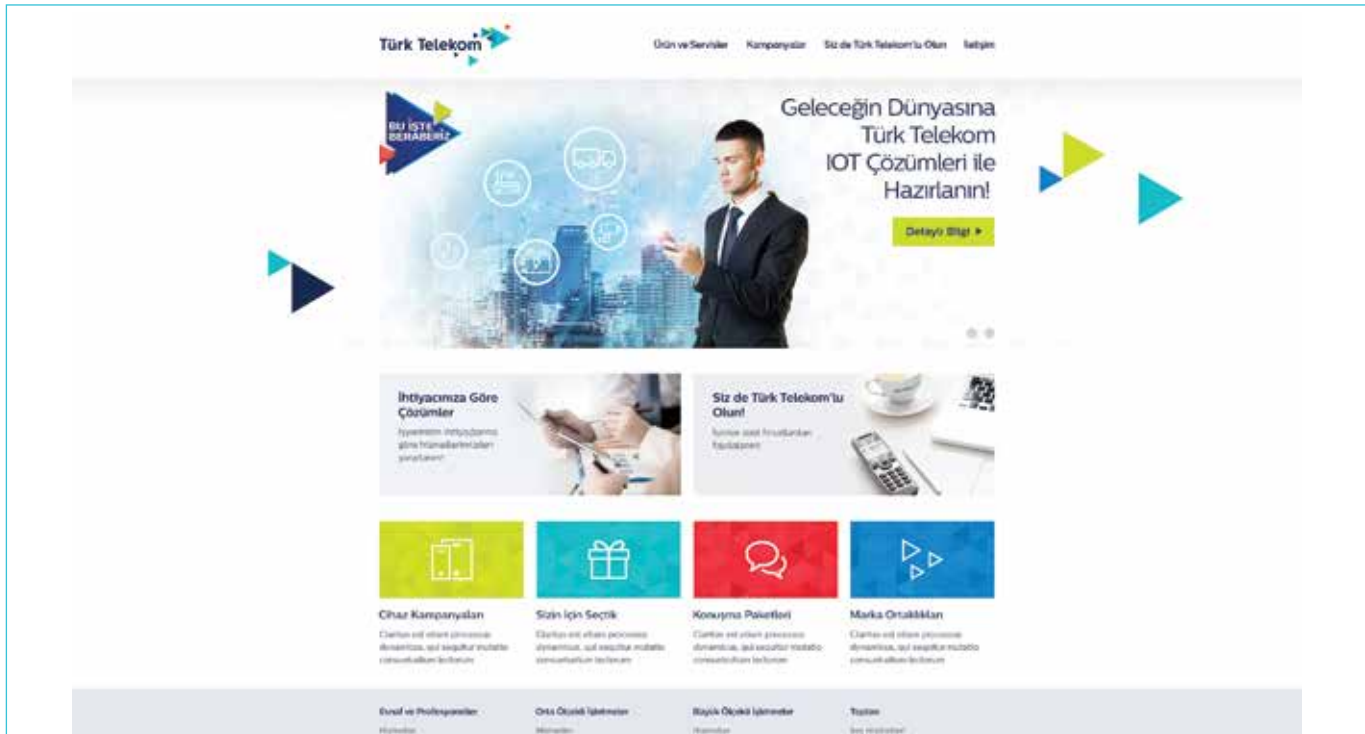
The co-location, hosting, cloud and security services, which are dominated by global technology giants, present growth opportunities for telecom operators. By 2022, these segments are expected to account for most of the other corporate services revenues of telecom operators.

Services for the automotive sector and smart buildings expected to represent the largest growth area in revenues from the IoT segment

Services for the automotive sector and smart buildings are expected to be the largest growth fields from revenues obtained from the Internet of Things (IoT) segment.

Operators around the world are investing in a variety of the IoT solutions; however, the majority of the revenue can only be derived from a number of areas.

Fields such as cars, fleet management, smart buildings and health are expected to be the areas generating the highest revenues until 2022. Service revenues in the health sector are also expected to increase significantly with the increase in the use of monitoring devices and emergency response systems offered for the elderly and the people in need of care.



▶ Turkish Telecom Market



55%

Fixed broadband penetration increased from 50% in 2017 to 55% by the end of third quarter of 2018.

Strong growth potential continues in all segments

With the infrastructure investments undertaken, a widening coverage area, rising data usage and expansion in new revenue areas, the Turkish electronic communications sector continues to grow in all areas, especially in the fixed and mobile segments.

In Turkey, where demand for technological products and services is increasing day by day, work is being carried out to meet customers' increasing expectations and needs, especially in the areas such as fiber-optic infrastructure, data centers, LTE investments, preparations for the rollout of 5G and the research in advanced technologies, virtualization transformations, and development of innovative products and services.

In Turkey, technological products and the use of new technological products and services are playing an ever-bigger role in daily life. With an increasing number of households, the target audience for the telecommunication market is growing every year. The average monthly data consumption per subscriber stands at 90 GB in the fixed broadband segment and 7 GB in the mobile segment as of the third quarter of 2018. In addition to high technology adaptation and consumption trends, the relatively high proportion of young people in Turkey, when compared to European countries, presents the opportunity for further growth in the sector in the coming years.

With lower fixed broadband and mobile penetration rates than in European countries, Turkey's telecommunications market still offers tremendous potential to grow.

With the operators adopting a sustainable growth-oriented approach in the coming period, the telecom market in Turkey is expected to become healthier.

Türk Telekom continues its leadership in terms of total revenue and subscriber market share in Turkey

As Turkey's leading and first integrated communications provider, Türk Telekom continues its leadership in terms of

total revenue and subscriber market share in Turkey with its convergent and multiplay offerings, and innovative products, and services.

An analysis of the major players in the Turkish telecom market reveals that Türk Telekom is the undisputed market leader with a strong subscriber base in fixed voice and broadband segments. Türk Telekom stands out with its unique position in convergence and multiplay offers. As of the end of 2018, the customer base of Türk Telekom has a more balanced distribution compared to the other players. Türk Telekom stands out from its competitors with mobile accounting for 47%, fixed broadband for 24%, fixed voice for 22% and TV for 8% of the total base.

Türk Telekom aims to expand fixed broadband market by increasing penetration. In the mobile market, it aims to build its subscriber and revenue market share with its synergy-offerings through its strong fiber-optic infrastructure, its range of frequencies and its wireless household access offers. Türk Telekom aims to have a presence in every home in the Pay TV market with its extensive investments in fixed broadband, extensive platform options such as IPTV, satellite and Web/Smart TV, and an extensive range of content.

The leading operator in the fixed broadband market

Fixed broadband usage in Turkey has grown significantly on the back of the investments Türk Telekom has carried out since 2005. Türk Telekom's subscriber base reached 10.9 million as of the end of 2018. In terms of market share, at the end of the third quarter of 2018, Türk Telekom commanded a market share of 63% in the retail market and 83% in the wholesale market.

The xDSL technology, with 9.3 million subscribers at the end of the third quarter of 2018, is the dominant technology. Meanwhile, there were also 4.7 million fiber and 883,000 cable internet users in the market in the same period (Source: ICTA and TT). In Turkey, fixed broadband users consumed on average 30 GB of data per month in 2013; this figure exceeded 90 GB in the third quarter of 2018. In 2013, only 19% of fixed broadband users had internet speeds of 10 Mbps and above; this ratio had exceeded 75% in the third quarter of 2018.

While the number of internet users in Turkey over the years has increased rapidly, demand for higher speed and data usage have grown unrelentingly in parallel with users' increased appetite for social media usage and home entertainment content. This has paved the way for the internet subscribers to move to internet packages offering fiber speeds (Source: ICTA and TT).

282K km

Türk Telekom commanded the most extensive fiber infrastructure in Turkey with 282,000 km of fiber-optic lines as of the end of 2018.

Rapid growth in fixed broadband household penetration

There has been rapid growth in the penetration of fixed broadband among households in recent years in Turkey. The penetration rate increased by more than 4 percentage points from 50% in 2017 to 55% by the end of third quarter of 2018.

In order to increase internet penetration among households, the “İnternet Bizden (Internet on US)” campaign, initiated by Türk Telekom at wholesale level, was launched in April 2017. Approximately half of the fixed broadband net additions came via this campaign in 2018. With this campaign, which is launched with the aim of increasing penetration, internet packages with high capacity, low speed and affordable prices, were offered at preferential rates to customers to encourage them to start using the internet.

In a bid to increase penetration in 2017, regional fixed broadband tariffs were offered at discounted rates, especially in settlements with low penetration. The launch of the “İnternet Festivali” with customized high-speed and unlimited internet offerings contributed to the growth in these regions. In addition to these regional campaigns, which also continued in 2018, cooperation with energy companies was expanded on the alternative channel and wholesale channel.

Türk Telekom has the most extensive fiber-optic infrastructure in Turkey

Investments in the fixed broadband market have increasingly shifted to fiber-optic infrastructure investments in recent years. Türk Telekom commanded the most extensive fiber-optic infrastructure in the country with 282,000 km of fiber-optic lines as of the end of 2018. Alternative operators have 72,000 km of fiber-optic lines as of the third quarter of 2018. Türk Telekom brings ultra high-speed internet to its customers in 81 provinces of Turkey through its extensive fiber infrastructure.

The growth in fixed broadband household penetration is set to continue growing in the coming period. The corporate data market will also expand on the back of the increasing demand from corporates for new generation access services and uninterrupted secure bandwidth.

Growth in the fixed voice subscriber base over the last 6 quarters

As of the end of the third quarter of 2018, the fixed voice household penetration level stood at 48% in Turkey, with 11.5 million fixed voice subscribers.

In the past years, the subscriber base in the fixed voice market was on a declining trend as consumer preferences shifted from fixed to mobile services. However, in the last 6 quarters, with the support of Türk Telekom’s integrated structure and packages offered together with fixed broadband services, the number of fixed voice subscribers increased, in contrast with global trends and the contraction in the previous periods. The fixed voice market in Turkey is expected to follow a stable trend in the coming period.

Maintaining an upward trend in mobile market share

At the end of the third quarter of 2018, there were 80.6 million subscribers in the mobile market in Turkey.

The population based penetration rate in the mobile market stood at 100%, with the market served by three operators; Türk Telekom, Turkcell and Vodafone.

According to the analysis of the mobile market, Türk Telekom’s market share stood at 26% in the third quarter of 2018, with Turkcell commanding a 43% market share and Vodafone with a 31% market share.

In Turkey, 56% of all mobile subscribers were on postpaid tariffs as of the third quarter of 2018 – less than the 69% in European countries. This highlights the growth potential in Turkey given that the postpaid subscriber base commands a higher ARPU (Average revenue per user) level than prepaid subscribers.

Türk Telekom has been expanding its mobile subscriber base gradually thanks to the normalization in price-based competition amid the increased frequency and infrastructure costs of mobile operators and the additional contributions of the mobile offers, which include TV packages. Türk Telekom evaluates investment and cost saving opportunities related to the coverage and capacity in the mobile market and in this context, develops active and passive sharing and leasing projects with mobile operators.

The only operator with a higher share of the spectrum than its subscriber market share

On 26 August 2015, ICTA carried out the Authorization Tender for IMT Services and Infrastructures. As a result of the tender, frequency bands totaling 365.4 MHz were allocated in 5 different frequency bands (800, 900, 1800, 2100 and 2600 MHz), with a total tender price stood of EUR 3,356 million. After the tender, the total bandwidth allocated to mobile operators, reached 549 MHz from 184 MH. The operators started to offer IMT services from 1 April 2016.

Having strengthened its position in the 900 MHz band after the LTE spectrum tender, Türk Telekom is now the only operator with a higher spectrum share than its subscriber market share in mobile services.

As of the third quarter of 2018, LTE subscribers with active use accounted for 48% of all mobile subscribers in Turkey (Source: ICTA 3rd Quarter Report; the number of subscribers with LTE compatible SIM cards and who have LTE compatible devices were taken into account).

Offering a strong experience to its subscribers, with an LTE coverage of 91%

Türk Telekom offers its mobile subscribers a strong LTE experience with its nationwide fiber-optic infrastructure, optimum spectrum portfolio and an LTE coverage of 91%.

In 2018, Türk Telekom continued to maintain the strong position it has commanded in smartphone penetration since 2011, with the support of its successful offers. LTE compatible smartphone penetration among smartphone users stood at 77% at the end of 2018, marking an annual increase of 10 points.

With the proliferation of smart devices and stimulating impact of LTE services, the growth in mobile data usage is expected to continue in the coming period. With the increasing number of connected devices, M2M revenues are expected to post strong growth especially with the rollout of devices and applications for health, home security, fleet and vehicle tracking and monitoring.

Türk Telekom now the second player in the Pay TV market

The prominent players in the Pay TV market in Turkey are Türk Telekom Tivibu, Digiturk, D-Smart, Turkcell TV+ and Türksat.

As of the third quarter of 2018, the number of subscribers in the Pay TV market, which consists of cable, IPTV and DTH reached 6.9 million (excluding those using Web TV and Smart TV services; Source: ICTA & Company disclosures). In Turkey, the household penetration in the Pay TV market stands at 30%, offering significant growth

potential given that the penetration stands at 74% in European countries. (Source: Turkey data by ICTA 3Q and Analysys Mason Pay TV Quarterly Metrics 4Q 2017)

DTH TV technology stands out as the predominant technology in the Pay TV market in Turkey. In the Pay TV market, IPTV services are provided by Türk Telekom Tivibu, and Turkcell TV+. Satellite platform services are provided by Türk Telekom Tivibu, Digiturk, D-Smart, Türksat, Filbox and Güç Telekom. In addition, Türksat is the only operator to offer cable TV actively in Turkey.

Turkey's first IPTV provider, Türk Telekom started to also provide broadcasting services on the satellite platform in 2015, in order to reach wireless households. Broadcasts in high definition (HD) are carried out on two platforms. Türk Telekom aims to increase the number of its subscribers to offer the Pay TV product to a wider audience. The number of subscribers of Home TV, which Türk Telekom offers through IPTV and satellite technology, increased by 492,000 in 2018 to reach 1.7 million. As of the third quarter of 2018, Türk Telekom had 23% market share in Pay TV market.

The Pay TV market is expected to continue its growth due to the increase in the use of ultra-high-definition TVs and affordable Pay TV bundle offers of telecom operators.



TT Ventures

Türk Telekom established a Corporate Venture Capital Company in 2018 in what was a first in Turkey's telecommunications sector.

Playing a leading role in Turkey's digital transformation with its innovative services

The high level of digital literacy and smartphone penetration in Turkey constitutes a strong basis for the use and spread of digital services. Operators in Turkey provide OTT (Over the top) services through the applications and contents they have developed in many segments. Operators provide contents in the music, game, VOIP and entertainment segments in the OTT field.

The Internet of Things (IoT) segment offers opportunities for telecom operators to achieve differentiation and promises new areas of growth. In this field, operators in Turkey offer solutions for the Internet of Things in addition to providing connectivity.

Türk Telekom offers innovative services and enhances the scope of its existing services with the aim of building stronger relationships with customers and increasing the time that customers spend on the mobile network.

Türk Telekom offers rich solutions that will add value to the lives of retail customers. These include Muud, which offers a free music experience according to the mood of the user; Tambu, a smart keyboard application that has already captured a strong position in the market with its strong domestic identity; Playstore the leading digital game platform, and e-dergi, an online reading platform.

Türk Telekom's innovative services are not limited to mobile applications; offering the best infrastructure in Turkey and its surrounding region, Türk Telekom also aims to contribute to the digital transformation of its own and its

corporate customers, hand-in-hand with its subsidiaries positioned in the right areas.

Investments for the 6th Period of the PİLOT program, which is Turkey's first start-up accelerator program, are amongst the digital transformation investments. To date, a TL 2 million grant has been provided to new entrepreneurs. In 2018, Turkey's first free community center, SANTRAL was opened to the service of entrepreneurs in Türk Telekom's central building in Tahtakale.

The first Corporate Venture Capital company in the telecommunications sector established by Türk Telekom

Türk Telekom decided to establish a Corporate Venture Capital Company, to invest in the early and / or mid stage ventures and create value from their growth. With that purpose, it established a Corporate Venture Capital Company in 2018 in what was a first in Turkey's telecommunications sector.

Within this framework, there are plans to contribute to the growth of scalable target ventures with Türk Telekom Group's cash and / or internal resources, and in return, to acquire shares in the ventures in accordance with the value of the resources contributed. As such, the group aims to participate in new business models by taking advantage of the potential synergies in the ecosystem where the group operates, if possible, and to step up the pace of innovation and increase the equity value from the participated ventures at the end of the investment period.

In the coming period, data center, health campuses, smart cities and managed service segments are expected to be the main determinants of growth in the ICT market. An increased need for connectivity and mobility, along with an increasing approach to effective budget management in corporates, is expected to trigger further data consumption and cloud transformation projects.



TURK TELEKOM'S AREAS OF STRATEGIC FOCUS

GROWTH

Increase the household reach through fixed and mobile technologies and increase the subscriber base, while maintaining profitability

- Grow fast fixed broadband and increase penetration
- Strengthen mobile operations and grow the subscriber base
- Enhance TV reach, increase Wireless Household reach and support mobile
- Protect access lines
- Synergy offers and cross sales

Value Creation with Value Added Services on top of Core Services

- Focus on energy, health and education verticals – Ensure availability of technology services for a broad customer base
- Provision of digital transformation across the entire value chain
- Value creation through subsidiaries

EFFICIENCY

Cost Control

- Focus on a simple and effective portfolio
- Sales channels and customer services / Utilization of online and alternative channels
- Disciplined management of Capex, effective cost control and more efficient use of existing assets

Preparation for the technological transformation

- Enable lean technologies – commercialization of SDN and NFV technologies
- Prepare for the redesign of fixed and mobile assets

CUSTOMER EXPERIENCE

- Competitive Customer Experience

Growth Efficiency Customer Experience

Türk Telekom has defined its strategic goals around the main focus areas of Growth, Efficiency and Customer Experience, in line with the vision of enriching its customers' businesses and lives.

As Turkey's undisputed leader in the fields of communication and technology, Türk Telekom always conducts its business to the highest standards in all areas. To this end, Türk Telekom has defined its strategic goals around three main focus areas, in line with the vision of enriching its customers' businesses and lives.

- **Growth:** In its focus on growth, Türk Telekom aims to increase the number of households reached through fixed and mobile technologies and to expand the subscriber base while also maintaining profitability, to strengthen the relationship with customers through value-added services in addition to core services, and to make the fixed and mobile customer experience more competitive.
- **Efficiency:** With the focus of efficiency, Türk Telekom aims to create value through the most effective deployment of existing assets. At the same time, the Company plans to support efficiency increases through the technological transformation.
- **Customer Experience:** With its focus on the Customer Experience, Türk Telekom aims to offer a 'competitive customer experience' by improving before- and after-sales processes end-to-end starting from the core services.

Growth

Türk Telekom Group has set two important priorities in its growth focus, aiming to provide value to customers to support sustainability, in addition to achieving growth in its markets.

Increase the household reach through fixed and mobile technologies and increase the subscriber base while maintaining profitability

Within the scope of this priority, Türk Telekom aims to take hold of the in-house experience. Türk Telekom will start to provide services to homes which currently lack core

communication services, and will realize this profitably in a manner consistent with its revenue targets. Türk Telekom will meet customer needs through the fixed services in locations where there is a fixed Türk Telekom infrastructure and through wireless products and services in places with no Türk Telekom fixed infrastructure. In this context, the bond with existing customers is strengthened through the "Evimde Mobil (Mobile in My Home)" in mobile operations, and through Satellite TV in the Pay TV business, thus supporting the acquisition of new customers.

Expand fast fixed broadband and increase penetration

Fixed broadband penetration offers growth potential in Turkey when compared with European countries. Penetration of fixed broadband, one of the key sources of Türk Telekom's revenue growth, is expected to rise to 70% in the medium term.

Türk Telekom aims to achieve continued steady growth in its number of retail and wholesale subscribers by capturing a share of the growing broadband market. Retail and wholesale offers, regional offers, energy collaborations and similar initiatives will pave the way for growth in fast fixed broadband, while raising penetration.

Turkey's broadband penetration rate reached 55% as of the end of the third quarter of 2018. In 2018, Türk Telekom continued its "İnternetsiz Ev Kalmasın (No Home Without Internet)" campaign with all-inclusive pricing and the benefit of free installation in order to allow customers to enjoy internet. Additionally, in the wholesale segment the company focused on the "İnternet Bizden (İnternet on Us)" campaign which promotes entry level broadband products. At the end of 2018, almost half of the fixed broadband net subscriber additions were derived from the "İnternet Bizden (İnternet on Us)" campaign. The rate of upsell of the broadband customers to more premium packages also exceeded expectations, providing an important contribution to growth. Regional fixed broadband tariffs were offered at lower prices, in areas with low penetration. The "İnternet Festivali (İnternet Festival)" campaign contributed to growth in these regions with customized high speed and unlimited internet offerings. Türk Telekom has taken steps to develop and sustain cooperation with energy companies through alternative and wholesale channels. Thanks to these initiatives, the broadband subscriber base expanded by 1.2 million during 2018. Turkey's main Internet infrastructure provider Türk Telekom's fiber homepass (including FTTC) reached 18.6 million, with 2.4 million annual increase. Türk Telekom currently carries out fiber transformation projects in places with copper network to pave the way for more efficient use of the existing infrastructure. In addition, Türk Telekom signed a pilot project agreement with Vodafone for the leasing of fixed infrastructure in Sincan, Ankara in

order to ensure efficient use of the existing infrastructure and to ramp up the pace of new investments and this pilot project had been completed.

Strengthen mobile operations and grow the subscriber base

With its frequencies and a strong mobile network supported by its fiber-optic infrastructure, Türk Telekom has tremendous growth potential in the mobile market. In order to increase its market share in the mobile segment and attain the desired levels of profitability, Türk Telekom will focus on products and offers that meet the expectations of mass segments in the mobile market. Türk Telekom will further improve the quality and coverage of its mobile services with its frequencies and new investments in the mobile segment, thereby strengthening its position in the mobile sector and ensuring the continued growth of its subscriber base. The Company aims to reach broader customer segments by offering satellite TV services in addition to mobile to households with no fixed internet service. In Wireless Homes, which are not yet connected to fixed internet infrastructure, Türk Telekom has started to roll out high data packages to those who wish to access internet from computers, phones or tablets, with services provided over LTE connections through Türk Telekom's Mobil Wifi tariffs. Mobile sales were supported by regional campaigns with higher than expected incremental sales achieved with the "İndirimin Kralı (King of Discount)" campaign. The Mobile TV Package offering has significantly contributed to the acquisition of mobile customers through contracted offers. With the support of synergy offers, the mobile customer base increased by 1.9 million in the last year. Türk Telekom follows access network sharing opportunities in order to improve the quality of its network. To this end, in addition to the passive sharing that focuses on the sites, the Company has initiated an active sharing initiative by taking advantage of its existing infrastructure and licenses in the mobile segment. The active sharing project realized with Vodafone in Zonguldak enabled both the indoor and outdoor coverage increase in the region, while also supporting customer satisfaction.

Enhance TV Reach, increase Wireless Household reach and support mobile

Enhancing TV reach, increasing wireless household reach and supporting mobile operations is targeted in order to reach homes without fixed access services. About 30% of existing households in Turkey use Pay TV services. With satellite TV, which is offered as a complement to mobile services, expanding the customer base is targeted with

a broader portfolio in Wireless Homes. As of the end of 2018, Türk Telekom increased the subscriber base for its Home TV service by approximately 500,000 annually. Türk Telekom is extending its advantageous position in the market by reaching broader segments by combining its rich and affordable content with its satellite and terrestrial digital broadcasting capabilities.

Protect access lines

With the growth of the fixed broadband service, Türk Telekom targets to maintain the number of access lines. Türk Telekom aims to protect access lines increase the extent of coverage and the levels of speed that can be offered in the fixed segment, and to present enriched offerings. The aim is to prevent the expected loss of access lines in the fixed voice segment through fixed broadband services. Supported by nDSL and fixed voice - fixed broadband bundle offers, the total number of access lines has been increasing. Türk Telekom increased its total number of access lines by 800,000 in 2018, bucking the general trend observed in the world.



72%

Türk Telekom obtained consent from 72% of its subscribers to use their information among group companies

Synergy offers and cross sales

As of the end of 2018, Türk Telekom had obtained consent from 72% of its subscribers to share their information among Group companies, and to use the information for use in multiplay offers while enabling synergy within the group. With the campaigns and offers, which are carried out in line with the market expectations and in full compliance with legal regulations, the share of subscribers using multi play products increased by 4.7 pp to 63% in the end of 2018, among the constant universe of customers, who consented last year.

Türk Telekom will increase penetration in its fixed operations through the initiatives it has defined and implemented. In the mobile segment, it will increase its market share without sacrificing profitability, and then ensure the continuation of revenue growth by upselling to more premium packages, a process it will achieve through the synergy offers and the cross-selling initiatives.

Value Creation with Value Added Services on top of Core Services

While reaching growth targets, value creation besides Core Services is prioritized to support this growth target.

Focus on energy, health and education verticals – Ensure availability of technology services for a broad customer base

In addition to the traditional telecom services provided by Türk Telekom, access to large customer base will be provided by supporting core products and services through scaled projects in the priority verticals such as health, education and energy.

Cooperation agreements have been entered into with five energy companies (CK Boğaziçi and CK Akdeniz, Limak, Aksa and Enerjisa) that cover 70% of households. Broadband offers were launched for sale through the electricity companies as a result of the cooperations in

the energy vertical. The first investment was realized in the health sector with the “TT Ventures Proje Geliştirme” initiative, which will be deployed as an important instrument in reaching large masses. Developed within this scope, Doctor Turkey, is the first tele-health initiative in Turkey to bring together patients with health professionals in the field of tele-health / video consultation on a single platform. Thanks to the partnership with Doctor Turkey, the tele-health company with the highest number of e-examinations in Turkey, Türk Telekom expects to obtain a bigger slice of this market, by creating a new revenue field in the health vertical, in which strong players have not yet gained a presence. Türk Telekom completed its second transaction, acquiring 6.9% stake in MentalUP in the education vertical. MentalUP is a game based learning platform for K-12 students.

Türk Telekom developed a comprehensive training solution platform that integrates the managerial and production-based processes of educational institutions, as well as their educational processes, into an “Academic Backbone” structure and enables them to be managed from a single. Türk Telekom enabled more than 700,000 students to access to the Internet through the installation of the Wi-Fi network in over 3,200 dormitory buildings of the Credit and Dormitories Institution, and through the development of central software.

Provision of digital transformation across the entire value chain

While the way business is conducted is undergoing a rapid process of change, provision of digital transformation in the entire value chain is targeted by taking into account the changing and digitalizing business world. In this respect, Türk Telekom is diversifying its Technology, Marketing, Branding and Communication, Sales and Customer Services processes, developing them end to end. Türk Telekom aims to digitalize all customer processes by realizing digital transformation in these fields in a bid to boost operational efficiency, to develop and launch innovative digital products complementing the core services, and thereby contributing to the digital transformation of telecom ecosystems, and customers, in addition to providing the core services.

In addition to the core services for retail customers, Türk Telekom aims to increase the cross-sales and customer loyalty by developing innovative digital services.

The ICT product portfolio is being diversified through the development of large scale projects such as the Data Center, Security Operations Center, Smart Cities,

and Health Campuses which address all the needs of corporate and public customers in the fields of Information, Communication and Technology. As such, new revenue areas are created and customer loyalty is increased.

- **The Esenyurt Data Center:** Türk Telekom opened Turkey's largest data center with a service area of 27,000 m². With this investment, the existing white space capacity has quadrupled. The Esenyurt Data Center is located in a unique location close to Istanbul's 3rd Airport, with high security standards and the Tier 3 certificate.
- **The Security Operations Center** was established in Ankara and is aimed at meeting the cyber security needs of the group and providing incremental revenue to the group by serving other players in the sector.
- **Smart Cities:** Turkey's first integrated smart city projects were implemented by Türk Telekom. They are aimed at increasing the quality of city life through integrated smart city investments, which are exemplary for the administration of cities and municipalities for more efficient and effective operations. More than 20 smart apps are supported within the Akıllı KenTT portfolio.
- **Health Campuses:** Türk Telekom has provided IT infrastructure services for the Ankara City Hospital and the Mersin Integrated Health Campus, two health campuses that will strengthen Turkey's already

Value creation through subsidiaries

With that initiative, Group companies positioned in the most appropriate fields will offer customized solutions to Türk Telekom customers, thus continue to provide value. Türk Telekom has assumed a pioneering role in the information communication and technology projects with Innova, in the 5G and SDN / NFV solutions with Argela, in online training content with SEBIT, in call center services with AssisTT, in international infrastructure services with Türk Telekom International and in the fields of payment solutions with Türk Telekom Ödeme Hizmetleri.

Efficiency

Efficiency was determined as another important area of focus in achieving Türk Telekom's targets, in addition to growth. Efficiency is an integral element of healthy growth, with cost control and technology transformation being vital in achieving efficiency.

Cost Control:

Focus on a simple and effective portfolio

Türk Telekom has the objective of focusing on a simple and effective portfolio in order to simplify the product

service portfolio and to increase the competencies of core products. In order to meet customer needs more effectively and ensure more efficient use of resources, portfolio simplification studies continue.

Sales channels and customer services / Utilization of online and alternative channels

Türk Telekom will increase its efficiency by providing its customers with a flawless, end-to-end channel experience through improvements in the sales and customer services channels.

- Simplification and optimization studies are ongoing in dealer channels, offices and call centers:
 - Efficiency increase was achieved in the wholesale channel, in addition to the exclusive dealer channel (Retail).
 - Locations were determined for the first phase within the scope of the Office Transformation Project, which includes a re-design of business processes, organizational structure, operational systems, interior and exterior spaces at the Türk Telekom offices. Transformation studies for the next phase are ongoing.
 - In Call Centers, cost optimization initiatives such as enhancing digital channel utilization and increasing the level of process automation have been initiated.



40%

40% decrease in doubtful receivable expenses was achieved in 2018 thanks to the systems and process improvements carried out.

- Various projects are being developed in order to increase the use of alternative and digital channel usage, and to ensure their efficient use:
 - With the help of collaborations in energy sector, alternative channels have been developed and the core services are provided to a large customer base through energy companies.
 - Improvements carried out in digital channels contribute to the customer experience and increase efficiency. End-to-end sales processes of mobile and online transaction centers were re-designed.
- Work continues on the restructuring of premium systems based on dealer profitability. The dealer premium system was restructured in order to ensure that dealer sales are carried out in accordance with the defined rules. By improving the customer scoring mechanism, the Company plans to increase the duration of customer contracts and reduce the number of cancellations in new sales. Risk assessment processes have been improved, especially in device sales, while sales with high collection risk have been prevented thanks to changes in the decision trees. The dealer premium system has been improved in order to ensure the effectiveness of the retail and wholesale channels and to encourage sales by category and enhanced quality. Türk Telekom has sought to improve its integrated channel experience by unifying the premium system in its channels in all segments and alternative channels.

Disciplined management of Capex, effective cost control and more efficient use of existing assets

Türk Telekom aims to produce more value by taking advantage of its existing assets and through each investment it will realize. For effective cost control and optimization, operational expenditures are kept under control in relation to the revenue generated.

- Capex managed in relation to revenue generated through disciplined investment policies. The ratio of

Capex to revenue is expected to decrease over time with the completion of major investments for the mobile coverage area and new fixed access. Investments are prioritized in new settlements and regions with a high level of competition in fixed access. The Company aims to optimize mobile investment requirements through active and passive sharing projects.

- Türk Telekom aims to realize operational expenditures for infrastructure linked to revenue growth. The simplification of IT processes and systems, and software-based and virtual transformation of the network, are expected to lead to improvement in technology and network expenses. Türk Telekom aims to achieve synergies by combining fixed and mobile regional field services. Through centralization and new technologies the station and service buildings are idled, and costs are reduced through the utilization of these buildings in line with the needs of Headquarter and the regions.
- The Company aims to reduce doubtful receivables associated with device sales through consumer financing initiatives. In order to reduce device costs and minimize risks, activities continue to widen the scope of the consumer financing cooperations. A 40% decrease in doubtful receivable expenses was achieved in 2018 thanks to the systems and process improvements.
- The optimization of Sales and Customer Services channels is aimed at reducing customer acquisition and customer retention costs. Türk Telekom has been exploring robotic process automation opportunities for automation of processes of particularly Finance, Customer Services and the Call Center. Within this scope, the processes to be automated are determined and work continues in the selected processes.

Preparation for the technological transformation

Enable lean technologies - commercialization of SDN and NFV technologies

To provide a faster service and a competitive customer experience, lean technologies will be enabled and commercialization of the SDN and NFV technologies will be carried out. Türk Telekom will improve its technological competencies through automation, convergence, virtualization initiatives and transform its network in line with these developments, thereby ensuring a transformation into a more agile and efficient network structure.

The Company aims to achieve improvements by paving the way for low investment and operating costs, flexible architecture, easy scalability and simple installation advantages through the virtual architecture approach. It also aims to increase revenues by offering new services.

Network technologies will be rendered software-based and virtualized (SDN/NFV) and other new generation access technologies on the agenda will be followed and implemented.

Prepare for the redesign of fixed and mobile assets

In order to be prepared for the technological developments that will take place in the upcoming period, the preparation for redesigning the fixed and mobile assets will be ensured. Necessary preparations for the pre-5G age will be accelerated in order to respond to the customers' increasing connectivity needs in the most effective way and to use the existing assets more effectively. Türk Telekom works together with global players by taking part in the 5G PPP, ONF (Open Network Foundation) consortiums in order to develop the 5G activities and set standards. The company develops strategy and business plans with new collaborations by contributing to the new generation virtualized cloud network architectures, the internet of things and public security.

Customer Experience

Competitive Customer Experience

Providing its customers a competitive customer experience is one of the most important objectives for Türk Telekom. Recognizing customer processes as one of the priority areas in face-to-face and digital channels, Türk Telekom also undertakes improvements in operational efficiency through projects carried out in this field.

In line with the needs and expectations of its customers, the Online Transactions application became one of Türk Telekom's most visited channels in 2018 with its new functions, advantages exclusive to digital channel, renewed user-friendly interface and simplified user login.

The Online Transactions application, which allows customers to perform Mobile, Fixed Broadband and Fixed Voice transactions on a single application has been downloaded 24 million times as of end of 2018, and has won an array of awards in the international competitions.

Under the Empathy Program, all Türk Telekom employees develop customer processes step by step, with a Customer Experience Representative approach and as a single team. With the Empathy Program, all services, applications and processes that involve contact with customers are reviewed on an end-to-end basis and the main core services, installation, transport, reclamation and break down processes are improved.

The program is being rolled out in two phases; the first deals with actions that focus on fixed voice, broadband and TV processes. The second phase is planned to address process improvements in order to strengthen the customer experience in the mobile services and digital channels.



Marketing Activities



46 million

Through the successful steps in integration and ongoing infrastructure investments, 4.3 million subscribers were added to the Telekom's subscriber base during 2018, and the subscriber base increased to 46 million.

Consumer Marketing Activities

Group subscriber base up by 10% in 2018 to 46 million

Türk Telekom maintained its focus on growth in 2018 and responded to customer demands with comprehensive offers and a continuous improvement in customer experience.

In 2016, Türk Telekom started to operate under a single brand and transformed itself into an integrated structure in a bid to respond to the rapidly changing communication and technological needs of customers in the strongest and most correct way. Through the successful steps in integration and ongoing infrastructure investments, 4.3 million subscribers were added to the Group's subscriber base during 2018, and the subscriber base increased to 46 million.

While mobile subscribers account for more than 80% of the subscriber base of other players in the market, Türk Telekom stands out with its diversified subscriber base- 47% of which are mobile subscribers, 24% fixed broadband subscribers, 22% fixed voice subscribers and 8% are TV subscribers.

The Company obtained consent from 72% of its subscribers to share their information within group companies in order to offer more Türk Telekom products proactively by benefiting from the power of the group's synergy. By the end of 2018, the share of multiple product ownership among Türk Telekom's subscriber base increased by 4.7 pp to 63% (among a constant subscriber universe that had provided consent for sharing by end 2017).

In the mobile segment, the total subscriber base rose to 21.5 million in 2018, with annual net additions of 1.9 million.

Türk Telekom maintained its leading position in terms of smartphone penetration with its successful offers in 2018. Smartphone penetration posted an annual increase of 4 pp during the course of 2018 reaching 83%. The share of

smartphone users with LTE compatible devices rose from 67% at the end of 2017 to 77% by the end of 2018.

With increased ownership of SIM cards incorporating the LTE feature during 2018, as well as in the number of devices supporting this technology among consumer and corporate subscribers, the number of active subscribers using the LTE service increased by 46% compared to the previous year. Providing the most attractive offers to its subscribers using its mobile internet capacity, Türk Telekom increased its LTE mobile internet traffic by 99% in one year.

New field areas were brought into operation during 2018 following the work carried out on the 3G and LTE networks. In line with the goal of providing the highest quality mobile network experience to its subscribers, an annual 33% increase in capacity was achieved via the sites providing the LTE service and providing service from 900 MHz frequency. Indoor coverage increased by 15 pp when compared to 2017, and work is ongoing in this area.

For the Internet at Home, Türk Telekom's priority for 2018 was to increase the household penetration while also encouraging high capacity packages in new customer acquisitions for the best internet experience, and to bolster the acquisition of fiber and hiper internet customers.

Türk Telekom continued to increase its presence in the total fixed broadband market during 2018 and increased its net subscriber number by 1.2 million during the year. As of the end of 2018, the total number of fixed broadband subscribers reached 10.9 million.

Fiber subscribers accounted for 76% of the net increase in the number of Türk Telekom broadband subscribers. The fiber subscriber base expanded by 32% to reach 3.6 million in 2018.

In 2018, Türk Telekom supported its growth in the TV market especially with the mobile synergy offers. The number of Home TV subscribers increased by 492,000 to 1.7 million in 2018 while the total number of TV subscribers reached 3.6 million, with an increase of 886,000. The Company's Pay TV market share reached 23% by the end of the third quarter of 2018, from 18% at the end of 2017 (Source: ICTA Q3 18 market data report).

13% growth in postpaid mobile subscriber base in 2018

Türk Telekom continued to increase its postpaid customer ratio in the mobile market. (2017 postpaid ratio: 55%; 2018 postpaid ratio: 57%). The intense commercial focus on directing customers from prepaid tariffs to postpaid tariffs played a key role in this success.

Marketing Activities

The main areas of focus of Türk Telekom regarding its existing postpaid customers in 2018 were as follows.

- reinforcing customer satisfaction,
- ensuring customers felt free to use services without fear of bills
- giving customers the opportunity to access to products and offers with a range of options whenever they need

Under these priorities, Türk Telekom continued to grow in the postpaid mobile market throughout the year. The total postpaid mobile subscriber base increased by 1.4 million, marking 13% growth, to reach 12.2 million.

The shift from prepaid to postpaid tariffs gives rise to a higher average revenue per user (ARPU) and helps secure customer loyalty. At every point of contact, special offers such as data stop tariffs and tariffs offering the right to cancel in the first 3 months of the contract are offered to prepaid customers who are reluctant to give commitment or have fear of high quotas

In a mobile world where smartphones are becoming ever smarter, mobile data consumption gradually increases and data usage varies from one person to another. Türk Telekom's priority in this scope is to meet the different needs of its customers when designing different tariff packages. Another priority is to enrich the content of the tariffs with new product launches carried out every quarter.

In 2018, Türk Telekom customers displayed more interest in packages with high data content. In these new packages, tariffs in the current postpaid portfolio were fixed while data allowances were doubled. Responding to the strong level of demand in the mobile market, these new tariffs raised customer satisfaction to the highest level.

The tariffs offered at the end of the first quarter of 2018 were primarily aimed at meeting the needs of customers in line with Türk Telekom's strategy. In order to make customers feel privileged, with a tariff group free mobile internet was provided for 2 days a week. In another tariff group, the feature to halt internet access when customers reached the data usage limit defined in their tariffs was provided, to ensure that the customers did not fear of exceeding their internet limit.

Taking into account mobile usage requirements specific to the summer months, a new set of tariffs was offered in July 2018. These were aimed at providing rich data content in tariffs where customers could freely use any application from their phones, and enrich and share special moments of their lives.

With the increasing need for data, campaigns offering more data content were launched throughout 2018. With the partial easing in competition in the market in the last quarter of the year and increase in prices in line with the

tariff content, mobile market became more rational. Again, in the last quarter of the year, "Mutlu Tarifeler (Happy Tariffs)" were launched with different content and prices. Within the scope of the anti-inflation program aimed at supporting the economy, these tariffs offered new subscribers a 10% discount for a period of 3 months. As a result of the action taken, customer satisfaction has been raised to the higher level, and the number of subscribers in the postpaid segment increased by 1.4 million annually.

Türk Telekom posts 6% growth in the prepaid mobile segment

In 2018, expansion of its portfolio of packages for prepaid customers to launch new content addressing customers' needs, improving the customer experience through the enhancements in the sales channels, offering promotions to strengthen customer loyalty and increasing customers' mobile internet usage were the focus areas. On the other hand, prepaid customers were provided special offers aimed at maximizing customer satisfaction, and the growth in the prepaid customer segment continued.

In order to meet the needs of the customers with different internet needs, packages with different mobile data options, ranging from 2GB to 10GB, were brought to the market in March. These packages were differentiated in terms of content, and stood out in the prepaid market.

During the summer months, a portfolio of products offering high data content was launched to address the diverse customer base and thus the differentiated consumer needs. This portfolio addressed customers whose usage patterns were concentrated around the internet, but with relatively little requirement for voice calls or SMS usage.

At the end of the third quarter, content and tariffs were adjusted in line with the changing price levels in the prepaid market. With these changes, which were implemented by all operators in the last quarter of the year, more rational market conditions in terms of pricing prevailed. During this period, Türk Telekom retained its allure for potential prepaid subscribers as well.

Actions to improve the experience in the sales channels continued in 2018

At the beginning of 2018, customer specific campaigns started to be offered from the mobile online transactions application for the first time, and 10% of the offers for the shift to the prepaid high packages were made through this channel in the fourth quarter.

In the second quarter of 2018, the first pay and win campaign, exclusive to the bank channel, was launched. After early positive results, the pay and win campaign was rolled out in the second half of 2018 with the extensive support of the banks. Thanks to these campaigns, and

with the support of the growing trend of digitalization, the bank channel became the second largest top up channel after the dealer channel.

Türk Telekom brings an end to the nightmare of bills with international offers

In 2018, Türk Telekom sought to help customers communicate freely abroad without fear of being stuck with massive roaming charges. To this end, Türk Telekom continued to introduce international packages with a number of different options, allowing customers make calls and connect to the Internet at a standard rate in many countries, including in Europe, Asia, America and Russia.

In order to prevent customers being stung by massive bills with high roaming charges due to not having an international package, the “Tarifen Yurtdışında Servisi (Your Tariff is Abroad service)” that Türk Telekom offers to postpaid customers started to be defined automatically in the applicable countries.

Users of this service may simply use their own tariff while abroad at a price of TL 35 per day in 85 countries, including in Europe, Asia, America and Russia, as if they were in Turkey.

In addition to making the “Tarifen Yurtdışında Servisi” automatic, standard international usage fees were reduced, to prevent high invoices due to international data usage without international packages.

In 2018, the “Günlük Yurtdışı Paketi (Daily International Package)” was launched for international use for the prepaid subscribers. With this package, Türk Telekom customers are able to speak for 50 minutes, send 50 SMS texts and benefit from 250 MB mobile internet at a price of TL 19.90 per day in 85 countries in Europe, Asia, America and Russia.

Mobile internet offers with wide array of options for 4.5G (LTE) customers

Türk Telekom offers solutions and special campaigns that address the differentiated mobile needs of LTE users. With the campaigns, it aims to ensure that customers who use LTE are able to use the internet comfortably without fear of exceeding their internet quota, while leaving no Türk Telekom customers without mobile internet in a digitalizing world.

Throughout 2018, customers newly introduced to LTE were given free internet usage equal to their existing internet quotas for the first three months post transition to LTE. After customers consumed the internet quota of their tariffs, additional 1GB, 2GB, 4GB, 6GB or 10GB internet packages were offered for purchase, valid for periods of 1 week, 2 weeks or a month according to their needs. The

most appropriate of these packages was recommended to customers through internal media communication by taking into account the time remaining until the expiry of the internet quota in the customer's tariffs, and the additional internet quota requirement. Customers seeking to increase their internet quota without changing tariffs were given the chance to upgrade the internet quota of their tariffs to 10GB and 15GB.

A portfolio of packages for Türk Telekom customers with an intensive need for mobile internet started to be offered exclusively for the Mobile Online Transactions.

Mobil Wifi offers allow Türk Telekom customers to connect to the internet wherever they wish

Mobil Wifi packages were introduced to allow customers to connect to the Internet whether from a computer, tablet or mobile phone. These packages, which come either with or without a modem, started to be offered at the beginning of June with the aim of ensuring customers can go online with the option of their choosing, and wherever they want.

Türk Telekom customers may connect their SIM cards to their tablets or smartphones with their non-modem tariffs, and can use their devices as a hotspot or connect directly to the internet. On the other hand, the modem tariffs offer Wi-Fi connectivity for up to 10 devices. Türk Telekom aims



Marketing Activities

to maximize the level of customer satisfaction with its Mobil Wifi products.

Showing its gratitude to its subscribers with loyalty campaigns

In the first quarter of 2018, the internet gift campaign was launched in order to thank those who have been loyal customers of Türk Telekom for a number of years. 1.5 million customers benefited from the campaign that was announced with the message of "3 times GBs of Internet on us for each year you have been with us!" (Kaç Yıldır Bizimleynseniz 3 Katı Kadar GB Hediye!).

In the third quarter of 2018, a loyalty campaign called "Sil Süpür" was launched, which offers surprise gifts to customers every week through Mobile Online Transaction. This program continues to contribute significantly to the process of digitalization, and 7.5 million customers benefited from the ongoing campaign as of the end of 2018. After the launch of the campaign, the pace of LTE SIM card transformation and pace at which the OVIT (data sharing) consent was obtained from subscribers increased significantly compared to the period before the campaign launch. As of the end of December 2018, the number of users performing Mobile Online Transaction had tripled compared to the end of December 2017, with the effect of "Sil Süpür" campaign. Furthermore, internet advantages with high data content were also offered from the Sil Süpür in order to help Türk Telekom customers who either do not use mobile internet or only use it to a very limited extent, acquire the habit of using mobile internet, and for them to be able to maintain this habit freely.

"Ahlan" (Welcome) – Türk Telekom offers special tariffs for Arabic migrants

The launch of the 'Ahlan' (Welcome) project, which was devised so that Arabic migrants residing in Turkey could have a 360 degree Arabic customer experience, was carried out with the participation of 200 opinion leaders in İstanbul, Gaziantep, Hatay and Mersin in 2017.

Within the scope of the 'Ahlan' project designed especially for them, migrants of an Arabic origin continue to receive the Türk Telekom services in their own language, regardless of whether they are the customers of mobile or Internet at Home.

The Ahlan mobile and Internet at Home products and services are designed specifically for the target audience. The unlimited calls feature within the mobile tariff, which allows the migrants to speak freely among themselves, was added to the tariff package.

The option, which comes with a 12-month contract for Internet at Home customers, was also included in the tariffs. In order to enrich the mobile package options in

2018, packages with high data usage for the mass segment were opened to the Ahlan tariff.

Within the scope of the segment, communication channels were also designed specifically for the audience and a visual identity with the Ahlan logo was created, which introduces products and services in Arabic. Arabic was used in the promotion visuals such as banners, posters and brochures placed at the sales points and dealers. The Ahlan ads were rolled out in cooperation with the Syrian popular social media phenomenon. The Ahlan advertising videos reached 1 million viewings in digital media.

In addition to Türk Telekom's traditional sales channels, cooperation was reached with a Syrian sales agency to use the Alternative Sales Channel. The main purpose of this channel was to establish a team that would directly reach Syrian and Arab migrants, and sell in Arabic.

Selfy - Türk Telekom's Youth World

Launched in 2016, Selfy, Türk Telekom's world of young people, renewed its image in March 2018 in order to offer the younger generation a world where they can set the rules in a digital environment.



Türk Telekom's Selfy product, which helps young people express themselves and set the rules as they wish in the digital world with a series of offers that provide generous internet allowances for young people, has a younger and more dynamic appearance with its new logo, which was renewed in March 2018.

The renewed Selfy product carried out its first project with a world brand. The Türk Telekom Selfy launched "Selfy Google Play Offers" by developing a joint project with Google. Within the scope of the project realized by a telecom company with Google for the first time in the world, mobile subscribers also received monthly Google Play credit in addition to their monthly calls, SMS texts and internet in the packages they purchased.

The scope of Selfy does not end there – offerings with high data content that support the lifestyles of young people were also launched. These launches were introduced with the cooperation of the Marvel Avengers. The Selfy mobile app was launched in order to increase contact with young people in the digital world. The Selfy web and mobile sites were redesigned and made more accessible and useful, based on the results of the UX research study conducted among young people. In addition, Türk Telekom continues to launch special offers that allow free data usage in applications such as WhatsApp, Wirofon and Tambu, which are frequently used by young people.

In addition to the packages, complementary internet, SMS texts and calls were offered, which all support the habits of young people, such as the use of the Internet at night. In addition, collaborations continued with brands such as Dominos and Biletix, which are popular among young people.

Türk Telekom Prime: The World of Advantages

Türk Telekom Prime, continued to offer a world where the customers can enjoy life more freely, with the tariff portfolio including internet with a generous data

allowance with the " Multiplex Life (Kat Kat Hayat)" motto and which comes with a number of privileges that meet the needs of its customer. These were renewed in 2018 with a new logo and a new visual world.

Thanks to the new tariff portfolio, which was launched in March 2018, with packages offering various call minutes and up to 25GB of mobile internet, customers were able to switch to the tariff most appropriate for their needs.

With the Europe Flight prize draw, customers in new Prime tariffs were offered the chance to win a free flight to many cities in Europe. In addition, Türk Telekom Prime continued to bring ease to the lives of its customers through various brand partnerships addressing the needs of its customers.

Türk Telekom Prime continued to offer its customers privileges in many areas such as car rental, concert tickets, parking, restaurant discounts, supermarket shopping, airport transfers, VIP transfers and holidays.

Türk Telekom Prime also provided Prime privileges in the 2018 winter and summer seasons, with attractive discounts in some of Turkey's most popular ski resorts and beach resorts. Throughout the year, the privileges touched all aspects of the lives of Prime customers with a wealth of activities and entertainment options in Uludağ, Palandöken, Fethiye, Çeşme-Alaçatı and Bodrum.

Türk Telekom Prime continues its brand communication activities through its social media accounts and mobile app.

The Türk Telekom Prime Business loyalty program, which was introduced in 2017 with the aim of creating a perception of prestige among corporate customers, bring new sales potential for field teams and boost customer loyalty, offers advantages that will enrich the lives of Türk Telekom's corporate customers. The Türk Telekom Prime Business program offers an impressive range of benefits such as parking, VIP airport transfer, and car rental, the exit stamp for international travel, car wash, dry cleaning and



Türk Telekom Prime continues to simplify the lives of customers with various brand partnerships aimed at the needs of its customers.



With its new logo and visual world, Türk Telekom Prime offers a world where customers can enjoy life more and are freer.

Marketing Activities

Record of 10 years

New acquisition record of the last 10 years in Internet at Home segment in 2018.

vehicle maintenance. The Türk Telekom Prime Business loyalty program continued to attract an increasing number of customers in 2018.

The leading operator in the public segment

Türk Telekom maintained its growth in the public sector mobile market, one of the segments where it commands the strongest following, and maintained its position as the leading operator.

Within the scope of the protocols carried out with the General Directorate of Security (GDS) and the Ministry of the Interior, special preferential mobile offers continued to be provided. Mobile tariffs offering more voice calls for employees of the Presidency and the Prime Ministry (now the Presidency of the Republic of Turkey, under its new name) and employees of the Ministry of Energy and Natural Resources were launched, which may also be used by employees' family members.

In addition to the mobile offers, fixed internet offers through the public fixed internet campaigns that meet the needs of customers working in the public sector were launched in January 2018 and a number packages were launched providing solutions for different speed and usage needs.

Increased internet penetration with acceleration in Internet at Home activities

In 2018, in new customer acquisitions Türk Telekom Internet at Home placed priority on increasing household penetration, encouraging high capacity packages in new acquisitions, thus providing customers with the best internet experience and boosting the acquisition of the fiber and hiper internet customers.

Thanks to these efforts, sales broke a 10-year record. The "Internetsiz Ev Kalmasın (No Home without Internet)" campaign, that was launched in the retail market with the priority of increasing internet penetration, provided a tremendous contribution to increasing the internet penetration, enabling acquisition of nearly half a million

new customers in 2018. The broadband household penetration, which had stood at 50% in Turkey at the end of last year (2017), reached 55% in the third quarter of 2018 according to the 3rd Quarter Market Data Report announced by ICTA (the Information and Communication Technologies Authority).

Another priority of Türk Telekom in 2018 was to increase sales of packages with high data and speed. In this context, the customers were encouraged to shift to the higher packages with mobile GB, home insurance, training packages, additional speed and additional GB offers, thus increasing upsells to the higher packages increased.

The fiber and hiper packages were highlighted to ensure that the newly acquired customers began their internet experience in the best way. Internet at Home was positioned under the heading of "Turkey's Fiber Power" in the advertising campaigns conducted during the year for this purpose and speed focused fiber internet offers were placed at the forefront of such efforts. With the contribution of this work, the number of fiber internet subscribers (including fiber and hiper) reached 3.6 million.

Türk Telekom Prime'lıları kat kat ayrıcalıklı bir yaz bekliyor

Bodrum'da yazın özel ayrıcalıklar ve indirimler

Türk Telekom Prime
KAT KAT HAYAT

Detaylı bilgi için: tutkalekprime.com

Net increase achieved in the Fixed Voice subscribers, bucking global trends

In 2018, the priority of the new customer acquisition for the fixed voice segment was to increase sales as well as to encourage the selection of call minutes in new sales. During the year, preferential call package alternatives, along with offer including devices, were launched to meet the needs of new customers. The campaigns paved the way for the highest number of new acquisitions and net subscriber additions of the last 10 years. As a result of these actions, Türk Telekom gained 338,000 net subscribers in the fixed voice segment, and the total fixed voice subscriber base increased to 9.9 million. Including naked DSL lines, the total number of access lines increased to 14.4 million.

In 2018, with the new campaigns added to the existing fixed voice customer campaign portfolio, contract periods and tariffs were differentiated according to customer groups, helping to minimize the risk of churn while maximizing revenues.

Türk Telekom focuses on providing its customers with integrated products by taking advantage of the Group's synergy. In this context, free mobile internet was offered in TT Mobil to the Türk Telekom fixed voice customers if they signed longer contracts. With the support of synergy with the Group, Türk Telekom aims to diversify the Home Phone offer portfolio and to meet all telecom needs of customers under a single roof.

Campaigns to increase levels of internet penetration in Turkey, which were offered at more affordable rates to fixed voice customers enabled to stop the loss of subscribers in the fixed voice segment, while also supporting net subscriber acquisitions.

Customer loyalty is targeted by offering free home insurance and home support service offers to Home Phone customers in return for longer Home Phone contracts.

As part of the Home Phone upsell offer portfolio contract strategy, all offers were renewed to include calls in all directions and including contract features. As such, simpler and more effective new offers were provided to customers and with a 24-month contract.

Regional offers to take account of socio-economic differences between regions

By taking into consideration of Turkey's socio-economic differences and customer needs, regional campaigns for the Internet at Home and mobile products continued to be launched. Communication activities with regard to these products were carried with a regional focus.

Working to the goal of increasing Turkey's internet penetration, the "Internet Festival" campaign - which includes affordable Internet at Home offers in areas with low internet penetration - was launched in 2017, attracting a significant amount of interest from customers. These campaigns continued throughout 2018, increasing internet penetration.

Again with a regional perspective, in order to increase the Türk Telekom mobile ownership rate among the Türk Telekom's Internet at Home subscribers, "İndirimin Kralı (the King of Discounts)" campaign - a postpaid mobile campaign for Internet at Home customers, was launched.

Activities for customers in the "Proactive business partner" channel, which was launched in order to increase fiber recognition and commercialize infrastructure investments, continued in 2018.

In order to strengthen the brand image and support regional offerings, various communication activities were carried out both for Internet at Home and mobile products, and these activities continues.

Mobile brand partnerships

Türk Telekom continues to grow with its mobile partnerships that it carried out with leading companies and institutions in the sector. The BİMcell, Pttcell and Teknosacell brands meet the mobile communication needs of Türk Telekom customers in different segments.

As part of the ongoing cooperation with BİMcell since 2012, simple and affordable prepaid tariffs and packages continued to be offered to the customers in more than 6,000 BİM stores throughout 2018.

Pttcell, initiated with the cooperation between the PTT and Türk Telekom in 2013, continued its operations at approximately 2,000 PTT locations in 81 cities. Pttcell, which started to offer mobile communication services in Arabic to Arab migrants in 2018, continued its subscriber growth throughout the year, with its postpaid and prepaid tariff portfolios, backed by the nationwide channel power of PTT.

Launched in May 2015 in partnership with the Sabanci Group, Teknosacell is offered to customers in Teknosa stores throughout Turkey. Teknosacell, which had initially only provided postpaid mobile offers, also launched prepaid offers in April 2018.

Brand partnership campaigns

Türk Telekom carried out campaigns in a diverse range of sectors in 2018, including the food, café-Restaurant sector, entertainment, car rental, apparel, postal and e-commerce sectors, with a special focus on mobile, Internet at Home and home phone subscribers. In addition, brand

Marketing Activities

23% Market Share

Türk Telekom Tivibu reinforced its second position in the Pay TV market

partnership campaigns were carried out with 84 brands from approximately 26 sectors.

Türk Telekom Tivibu reinforced its second position in the Pay TV market

In 2018, Türk Telekom Tivibu continued to bring new services to its users and led the sector in television broadcasting with its strong technological infrastructure, advanced broadcasting features and extensive content.

With the innovative services offered by Tivibu on every platform, including satellite TV, IPTV, Smart TV, Mobile TV and Web TV, the number of Türk Telekom Home TV subscribers increased by 492,000 in 2018 to reach 1.7 million. Including the Tivibu GO subscribers, the total number of TV subscribers increased by 886,000 to 3.6 million.

Tivibu, which appeals to all the family with a diverse range of content including sport, films, documentaries

and children's channels, continued to offer the 4-screen experience by streaming its extensive range of content to customers through the Tivibu GO app on their mobile phones, tablet devices or computers, as well as on television.

Tivibu members can enjoy a wide array of features such as true 4-screen experience through TV, computer, tablets and smartphones; the option with the cloud recording technology to re-play all the content in the broadcast stream for seven days without recording as a first in Turkey; the option to create custom profiles for all family members, and the content recommendation system according to viewer habits with the advanced recommendation engine.

With the Watch and Pay feature, both the Tivibu Home and Tivibu Satellite users can purchase the programs available in the premium package channels as stand-alone products.

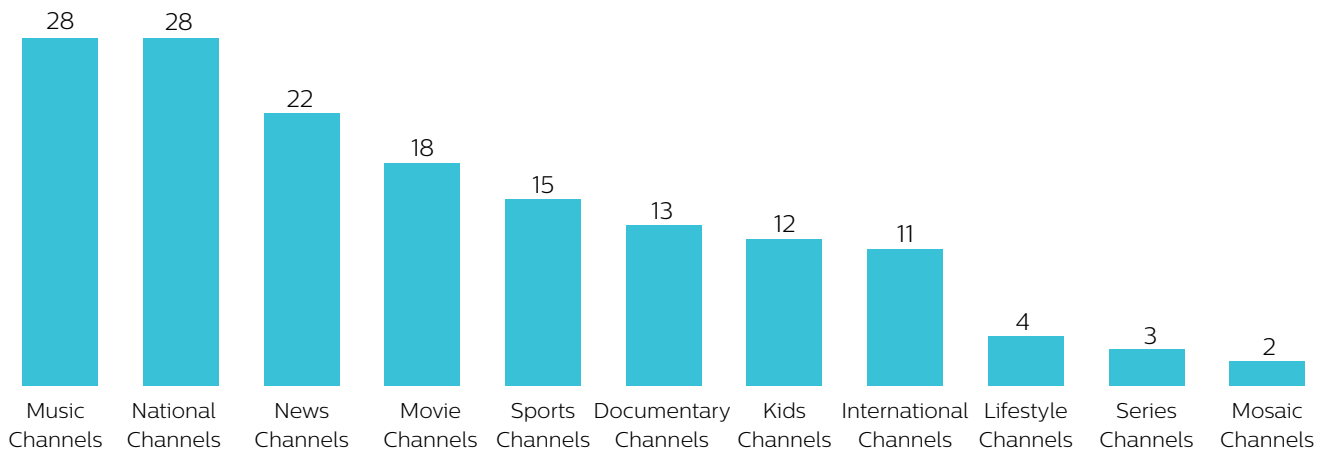
Tivibu GO users can manually select broadcast quality, and as such watch TV by minimizing the impact on their internet quota.

In September 2018, the new TV portfolio was launched and the Family Package was added to the Tivibu family. In addition, the new Tivibu GO package portfolio was launched in September 2018.

In 2018, Tivibu strengthened its content variety through documentaries, TV series and life channels, and the number of channels reached 150, 85 of which are in HD.

TV Channel Distribution

■ 165 Channels (95 HD)



The Basketball Super League on Tivibu Spor

In 2018, the “Tivibu Spor (Tivibu Sports)” channels carried the freshest news, various programs and thousands of live sporting events for various sports, including basketball and football on the screen with its exclusive commentator team and dynamic screen faces.

For three years, starting with the 2018-2019 season, the Tahincioğlu Basketball Super League and Women’s Basketball Super League will be broadcasted exclusively from the Tivibu Spor channels.

Bringing all Tahincioğlu basketball league matches to its audience, Tivibu Spor organized its broadcast stream and programs according to basketball games, and reinforced its commentator cast with the popular faces of basketball.

Türk Telekom Group synergy supporting growth in Tivibu activations

Under the scope of the synergy campaigns, Tivibu Satellite Super Package was offered at preferential rates via “Tivibu Mobil İndirim Kampanyası (Tivibu Mobile Discount Campaign)” to Türk Telekom mobile postpaid subscribers

In addition, the “Tivibu Faturasız Mobil İndirim Kampanyası (Tivibu Prepaid Mobile Discount Campaign)” was launched in November 2018 and the Tivibu Satellite Super Package was offered to prepaid mobile subscribers at preferential rates.

A wealth of films on offer at Tivibu

Tivibu continued to enrich its wide range of content, which includes sport, documentaries, films and children’s channels.

Introducing the feature of “Select & Watch” on demand to Turkey, Tivibu continued its strong content strategy. In 2018, it brought 55 “Special Show” film folders on the platform so customers could watch films on demand.

In 2018, 1,800 on demand films (350 of which are “Rent & Watch”) and 5,000 on demand assets (the “Select & Watch” Series, Documentaries, Children’s TV, Music and Lifestyle content) were made available for Tivibu viewers. Tivibu subscribers could watch 42 first-run (first time on TV) local and international movies offered on exclusive basis. In 2018, the “Tivibu Yüzde Yüz Çocuk Kanalı (Tivibu Yüzde Yüz Kids channel)” and “Tivibu Yüzde Yüz Festival Kanalı (Tivibu Yüzde Yüz Festival channel)” pop-up channels were periodically offered to viewers on Tivibu.

A first in periodic channels - Turkey’s first 24/7 unencrypted Ramadan channel

Maintaining seasonal channel projects, in another pioneering development, Tivibu introduced its Tivibu Ramadan channel broadcasting continuously on a



Marketing Activities

7/24

Türk Telekom signed a first with Turkey's first 24/7 unencrypted Ramadan channel.

24/7 basis during Ramadan in 2016, 2017 and 2018. The channel, which broadcasts live during the iftar and the sahur, brought the spirit of Ramadan to Tivibu screens with films, documentaries and educational programs specific for the month of Ramadan. During the last 10 days of Ramadan in 2018, the iftar and sahur broadcasts were delivered live from Jerusalem.

Other TV initiatives

For the Tivibu Satellite product, the Plug & Play system was developed for retail customers and continued to be offered in campaigns as an additional installation type.

The system lets customers connect Tivibu satellite devices to the Türksat satellite system without the need for installation support, thus enabling them to quickly access the Tivibu experience.

Tivibu Hotel, which offers exclusive solutions for hotels, and has exclusive content including sport and cinema packages, and CNN International, continues to be sold in areas with high number of tourists.

Campaigns and brand collaborations continued in 2018

The cooperation with Arçelik, which began in 2015, continued in 2018. Instead of an STB (set top box) device or satellite receiver, customers were provided with modules, which could simply be attached to the back of smart TVs, enabling Tivibu channels to be viewed. Within the scope of this cooperation, Tivibu CAM Module and Super Package were given as gift for a period of 12 months to subscribers who purchased Tivibu compatible Arçelik, Beko, Grundig LED or LCD televisions.

Additionally, in 2018, Mobile Tariffs with Tivibu continued to be offered as multi play offers with the Tivibu mobile products. Within the scope of these campaigns, the Tivibu Cinema / Super packages were given free for 24 months.

Corporate Marketing Activities

A digital transformation oriented approach

Digitalization and the digital transformation of companies, the most important issue on today's agenda, is an important area of focus in Türk Telekom's corporate marketing activities.

Since its establishment, Türk Telekom has been working to implement the latest technologies. The years of investments Türk Telekom has undertaken in the digitalization of traditional products and services and in new generation technologies have continued to bear fruit.

A wide of range of products and services have been presented to customers including the Esenyurt Data Center which started operations in 2018, the Cyber Security Operation Center, the services that are offered in provinces such as Antalya, Kırşehir, Mersin, Edirne and Diyarbakir within the scope of the Smart City project, the VAR (Video Assistant Referees) application which is one of the new services in the mobile and corporate data field; and digital products and services, in which new generation

**Filmden diziye,
belgeselden spora her şey
Türk Telekom Tivibu
paketlerinde!**



**Türk Telekom
tivibu**

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media transfer technology (MTN) started to be applied for the first time in Turkey.

Digitalized products and services offer cost advantages for corporate customers while bringing efficiency and speed. Work to expand the digitalization process, which gained pace in 2018, will continue in 2019 with the new projects. New products and services are planned to be implemented in a way that addresses a wider corporate customer segment.

In 2018, Türk Telekom expanded its subscriber base and increased its revenues on the back of the solutions it offered to its corporate customers and the actions taken in both the face-to-face and digital channels.

While managing the ongoing work of corporate customers, Türk Telekom continues to meet traditional solution needs from a single point within the scope of the work that will carry the customers' business further and to support its customers in their new generation technological needs and in matters of digital transformation.

In 2018, Türk Telekom also carried out communication activities emphasizing its position as a solution partner for all of the end-to-end technological and infrastructure needs of institutions. Türk Telekom's contributions to the efficiency of institutions and their way of doing business within the scope of the "solution partnership" was presented in television commercials, which highlighted the cooperation with CarrefourSA, one of Turkey's largest retail chains, and Petrol Ofisi, the energy giant.

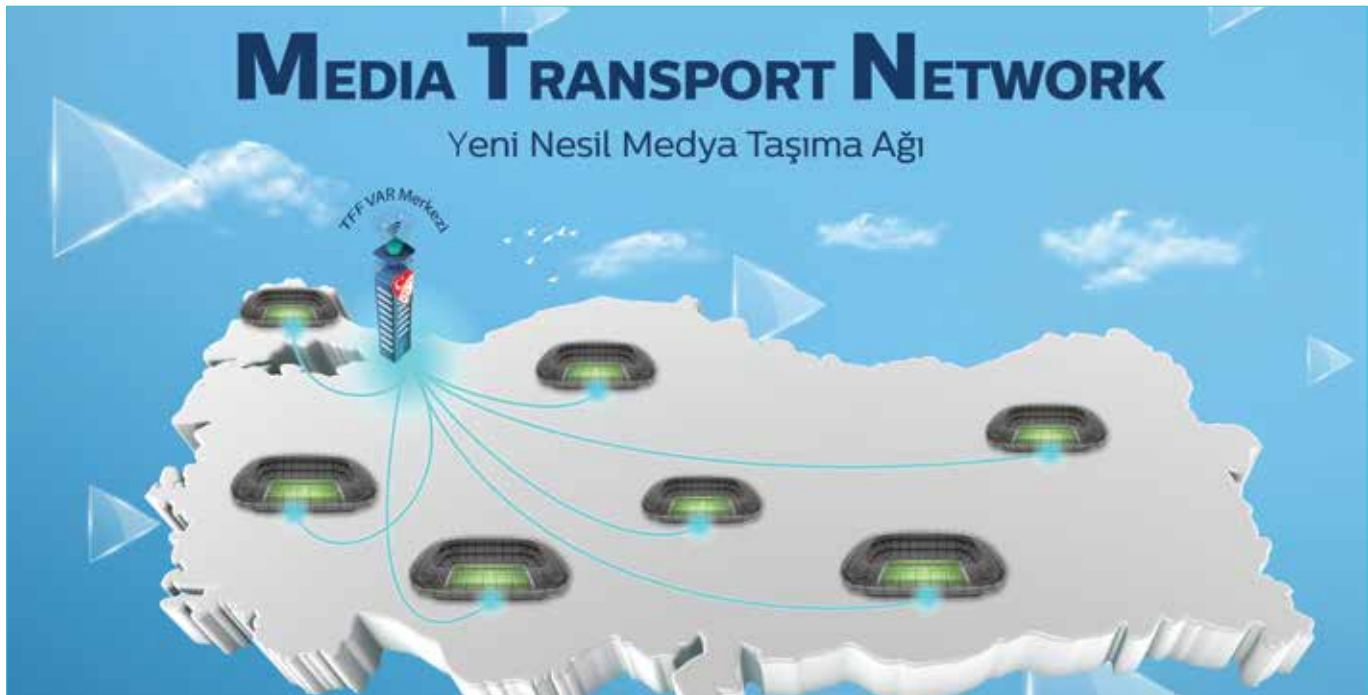
Throughout the year products, services, campaigns, and tariffs were announced in newspapers, magazines, and digital media, which were issued exclusively for corporate customers and these were supported by billboard advertisements. The new generation technology solutions that will create value such as the data center, cyber security, smart campus, and municipality solutions were included into catalogs and booklets which are easily accessible to corporate customers and presented to a target audience in the field.

Customer oriented integrated communication solutions in addition to traditional fixed voice services

Türk Telekom remains the pioneering force of the fixed voice market through customer oriented integrated communication solutions and new generation voice services increasing customer satisfaction, in addition to the traditional fixed voice services.

Launched during the tariff simplification move, the Business Phone tariffs continue to meet customers' basic voice needs with different packages offering all-directional calls.

Within the scope of new generation voice services, end-to-end integrated communication services such as the TT Cloud PBX and IP Multiple Line as well as value added solutions such as Call Forwarding Offline, Local Access Redundancy, Interactive Voice Response (IVR), Fax Over IP, Voice Recording and Advanced CDR Reporting are being offered to all customer segments.



Marketing Activities

5,000

In addition to the YöneTT Wi-Fi product, the Public Wi-Fi product offered at more than 5,000 hotspots throughout Turkey was commissioned with its new configuration.

Moreover, value added solutions are planned to be enriched with Centralized Call Management, Advanced Video Conferencing, Global 0800 Toll Free and Call Center Management services.

A number of campaigns for tradesmen and SMEs as well as Large and Strategic and Public Customer segments were implemented and attractive offers with advantages in new customer acquisition and retention were launched.

Internet and fixed voice package offerings were made in line with the needs of the tradesmen and SMEs. In this segment, corporate customers were also able to benefit from easy-use, generous call minutes and deck telephone gift offers for fixed voice calls both in Turkey and abroad.

As a service provider that has taken on the task of Turkey's digitalization as a mission, Türk Telekom continues its investments in new digital products and services, which will increase the work efficiency of corporate customers.

The corporate fixed internet new campaign portfolio, launched in the second half of 2017, continued to be offered to customers in 2018. In addition, the "İnternetsiz İşyeri Kalmasın (No workplace without Internet)" campaign was launched in February 2018 for corporate customers in order to increase fixed broadband penetration. In August, Samsung mobile phone campaigns, which are offered with fixed broadband, were launched in the office channel to meet the various needs of corporate customers.

Within the scope of the Metro Ethernet product, new campaigns aimed at driving expansion in the market were launched where Türk Telekom subsidizes the cost of fiber installation at the customers' facilities, along with the campaigns that offer preferential conditions to meet the access redundancy needs of the existing customers, and provide the continuity of increasing speed and service.

The campaign offered service switching opportunities along with affordable offers were presented to those customers who use DSL but wish to benefit from the Metro Ethernet Internet service.

Activities and campaigns continue with the aim of increasing sales in Metro Ethernet Internet Services for Strategic and Large Customers. Thanks to the special campaigns, customers were provided with the opportunity to benefit from the Metro Ethernet Internet service with more affordable monthly payments.

M2M Platform enhanced in the corporate mobile segment

In 2018, new features were included in the existing M2M Platform, and a new product was launched to enable corporate customers to manage the M2M lines more efficiently. This platform allows customers, especially those in the fields of energy, finance and telemetry, to manage M2M lines used for services such as POS, automatic remote meter reading (ARMR) and vehicle tracking effectively. Through the M2M Platform, customers may activate their lines; obtain information about the status of the lines, data usage, last connection times to the network and locations. Customers may also prevent their line from being used from another device, by matching the device with that specific line.

As required by the Regulation on In-Car Emergency Call Systems, the eCALL feature was commissioned via improvements in Türk Telekom's mobile network. Vehicles with the eCALL feature will be enabled with the facility of calling the 112 Emergency Call Center as soon as the vehicle's system receives a significant impact alert at the time of the accident or with manual triggering while transmitting the geo-coordinates of the accident location and other vehicle related information to the call center.

Global trends indicate that eSIM technology will be the next-generation SIM product to be used in devices. In the process of preparing Türk Telekom and the sector for the rollout of this technology, Türk Telekom has carried out joint work with the ICTA to support the process of determining the regulation and legislation that will be enacted in Turkey, in addition to the work being carried out jointly with manufacturers.

In accordance with the Legislation on Private Security Equipped Public Transport Vehicles, the use of in-vehicle cameras has become mandatory in public transportation vehicles and other communal transportation vehicles such as school buses and company shuttle buses. In this context, Türk Telekom launched In-Car Camera Campaigns, which allow payment in installments by mobile bill for camera systems. This campaign supports the process of rendering the maximum possible number of vehicles more secure in a short space of time.

In order to increase the share of revenue in the mass SMS & MMS, mobile advertising products for public and private sector customers, multiproduct campaigns and offers were rolled out which encourage a broadening in different products and new acquisitions with periodic discount campaigns.

New products and developments continued within the scope of Corporate Data and Managed Services

Campaigns and tariffs continued to be launched in Rental Circuits, Point-to-Point Services, and TTPVN with the aim of increasing revenues by retaining and building the customer base. In addition, the Media Transfer product was introduced to the market in August 2018, which enables broadcasting companies to transfer uninterrupted broadcasts between the live broadcasting points and their studios through fiber-optic lines. The Media Transfer product, a special VPN solution for the media sector, was introduced with the aim of capturing a share from the satellite market. The first customer of the product TFF (Turkish Football Federation) decided to use the product in the infrastructure of the VAR (Video Assistant Referee) service implemented for the first time in the 2018-2019 season. Work continues on the sale of the product to other broadcasting companies and broadcasting platforms.

Türk Telekom continues to offer innovations within the scope of the Wi-Fi service. In addition to the YöneTT Wi-Fi product that is offered as a managed service, the Public Wi-Fi product offered at more than 5,000 hotspots throughout Turkey was commissioned with its new configuration. With this service, the nationwide Wi-Fi network has been enlarged, while mobile and broadband

customers currently receiving services from Türk Telekom can enjoy free Wi-Fi. In addition, corporate customers may offer a quality Wi-Fi service free of charge for their customers and in accordance with the legislation. Efforts are underway to increase the number of Wi-Fi hotspots to 8,000 for this service. This new configuration also promotes revenue growth.

Growth continuing as the depth of corporate digital services increases

Opened in 2018, the Esenyurt Data Center is Turkey's largest data center, encompassing a total area of 27,000 m² and built with a TL 130 million investment to meet the growing data center needs of institutions and provide a facility where Turkey's data can stay within Turkey. With the new center, the total area of Türk Telekom's data centers was quadrupled with the aim of meeting the increasing data center needs of the Strategic, Large and Public customers.

With its data center investments, Türk Telekom not only serves customers but also hosts its digital and cloud services under its own assurance.

With the rapid spread of Information Technologies, cyber security risks have increased for all customer groups. In the event of cyber-attacks targeting the infrastructure of corporate and public customers, the private information of customers and citizens can be accessed. This not only raises the prospect of irreversible damages such as misuse, deletion or corruption of the accessed information, but also risks financial losses. According to Türk Telekom figures, the number of volumetric cyber-attacks above DDOS 1 Gbps increased by 103% in 2017 compared to the

TTPVN ile ofisler arasında güvenli iletişim!

Fırsatı Yakala

BU İŞTE BERABERİZ

Türk Telekomlu Ofis
Türk Telekom'un işyeri için sunduğu güvenli iletişim hizmetiyle ofisler arasında güvenli iletişim.

Cihaz Kılıfı
Türk Telekom'un işyeri için sunduğu cihazları koruyan ve şarj eden özel cihaz kılıflarıyla işyeri güvenli.

Özel Avantajlar
Türk Telekom'un sunduğu işyeri için özel avantajlar ve fırsatlar. İşyeri için özel fiyatlar ve hizmetler.

İşyerim Kurumsal Ofis
İşyerim Kurumsal Ofis ile işyeri için özel iletişim ve hizmetler.

Ayrıca, TTPVN ve Türk Telekom markaları, "Türk Telekom" iş markası altında bir araya gelir. Paket, tarife ve diğer tüm değişiklikleri için TTPVN'e.

Türk Telekom Kurumsal mobil müşterilere özel fırsat ve avantajları kaçırmayın!

Cyber Security Center

Türk Telekom Cyber Security Center is providing 24/7 remote monitoring service aimed at protecting customers from cyber-attacks.

previous year. In 2018, there was a 56% increase compared to previous year.

As Turkey's largest provider of cyber security services, Türk Telekom works round the clock in order to ensure the data security of all corporate and public customers. The security of the data and infrastructure of Turkey's critical organizations is ensured with Türk Telekom's security products.

Security services offered by Türk Telekom are grouped under three headings.

Network Security Services

- DDoS attack prevention with Turkey's largest DDOS protection capacity
- Content Filtering
- Firewall
- Active Defence
- Advanced Persistent Threat Service with the first supplier backup in Turkey
- Antivirus

Dedicated Security Services

- Hardware and License Services
- Managed Security Services

Professional Security Services

- Vulnerability Analysis & Penetration Tests
- Consultancy Services

Through the Cyber Security Center, which serves corporate and public segment customers, 24/7 remote monitoring service aimed at protecting customers from cyber-attacks, as well as customer announcement services based on basic analyses carried out by specialist engineers and technicians were commissioned in 2018. In addition to remote monitoring and basic analysis, in-depth analysis, correlation building, cyber intelligence and consulting, remote and on-site support services will be provided in the next phases.

Corporate solutions and smart cities

Within the scope of corporate solutions, the Company's solution partners meet additional products and services that complement the communication solutions provided by Türk Telekom to its customers. Accordingly, customer satisfaction is enhanced thanks to the provision of service from a single point and new revenue sources are created for Türk Telekom. Within the scope of corporate solutions, services such as installation, maintenance and repair are sold together with hardware and software complementing the communication infrastructure.

Türk Telekom has a wide portfolio of solution partners. Over 200 partners and over 100 manufacturers, in the company's ecosystem, develop solutions to meet the diverse needs of customers. Türk Telekom sets higher targets every year in the ever growing and developing corporate solutions ICT market and is taking firm steps towards meeting these targets.

Projects and marketing activities specific to the corporate segment continued in 2018

In 2018, the focus was on marketing efforts aimed at encouraging digital transformation in public institutions, producing optimum solutions that enable the efficient use of public resources through the safe storage, processing and the interpretation of critical data acquired through digital transformation.

In order to carry Turkey to a future where cities become smarter, Türk Telekom invests in smart technologies and brings innovative services to the citizens. Türk Telekom leads Turkey's largest smart city projects with the customized smart city solutions, being rolled out in accordance with the new approach to urban generation, for the Antalya Metropolitan Municipality, the Kırşehir Municipality, the Mersin and Edirne Metropolitan Municipalities, following the roll out in Kars and Karaman. Türk Telekom provides smart solutions, which meet the ever-growing problems facing cities, and supports the construction of peaceful and safe cities, which offer an increasing quality of life for their residents.

Türk Telekom invests in smart city technologies that will support sustainable, efficient cities, which offer a high quality of life. New generation city technologies have been evaluated under the headings of transportation, security, energy, health, environment and life. While spreading the concept of smart city technologies in Turkey, Türk Telekom develops its ecosystem further by supporting local and national solution partners.

Services within the scope of smart city solutions are managed through the city management platform. The platform provides the monitoring, management and integration of various urban applications. With the data

collected, city administrations are enabled to make forward looking decisions.

The rollout of new generation cities, which began with Karaman in 2015, continued in 2017 with Kars and Osmaniye and Kadirli. Activities in this area were stepped up in 2018 with the Antalya, Kırşehir, Mersin, Edirne, Diyarbakır and Yakutiye (Erzurum) new generation city projects.

With the applications implemented under the smart Organized Industrial Zones (OIZ) heading, Türk Telekom enables significant savings in terms of resources for the economies of OIZs, which play the biggest role in the development of industrialization in Turkey. Türk Telekom maintains its leadership of Turkey's communication and technology by bringing the future to the present with modern, environmentally friendly, innovative and technological solutions.

With the Smart Campus project covering the universities in Turkey, Türk Telekom aims to lead the technological transformation of universities. The project is aimed at implementing services and projects, which will take the satisfaction of students, academics and corporate executives into primary consideration and which take into account the benefit of the general public and the universities. The Smart Campus solutions aim to meet the technological and infrastructural needs required for a life of learning, to raise the standards and to digitalize universities in their Smart Campus journey.

The Smart Campus solutions, which are gathered under the three main headings of campus planning, security and campus life solutions, were presented to the management of Anadolu University and Zaim University in 2018 and explained in detail. The project includes technological solutions such as interactive information flows and learning platforms for university students, as well as solutions that facilitate administrative, energy and asset management for universities. With the Smart Campus solutions, Türk Telekom supports the digitalization of universities, the development of both administrative and environmental means of the campuses and the efficient use of resources.

Within the scope of Health Transformation Program, the Technological Infrastructure of the modern health campuses of Mersin and Bilkent Universities, where all clinics are gathered at the same location and which aim to offer a higher quality service for patients by using state-of-the-art technology, will be provided by Türk Telekom for 25 years.

In addition to the Mersin Health Campus, which was brought into service in 2017, Bilkent Health Campus also started to provide service in 2018.

The Techno Check up Project is designed especially for large segment customers. The position of companies in the sector in terms of their use of technology are determined with Techno Check-up report and these large segment customers can receive technological consultancy from Türk Telekom within the scope of the Project. The project aims to increase the technological awareness of Türk Telekom's customers and to contribute to their technological development. The project aims to ensure that companies move to a position where they lead their sector in the use of technology.

Within the scope of this project, which is the first of its kind in the sector, the technology index is calculated by evaluating the general information obtained from customers, both from those who have given their consent for the use of their information within Türk Telekom and those who have filled out the questionnaire. The technology index allows corporations to plan the steps they will take in the field of technology and to compare their technological positions within the sector.

Digital Products And Services

Investing in the digital future

Türk Telekom continued to invest in the digital future - both its own and Turkey's digital future - in 2018.

With the efforts carried out during the year, significant steps were taken to further improve the customer experience by reaching customers carrying higher and more differentiated expectations, from different communication channels with faster and more innovative services. In this respect, Türk Telekom enhanced its digital channels, expanded the scope of its digital services and continued its research and development activities for the next-generation telecommunication technologies.

The digital transformation became an important element of Türk Telekom's vision in 2018. The action plans for digital transformation, which will both create new revenue areas and increase operational efficiency, have been established.

Increased customer interaction in digital channels

By putting customers at the heart of its activities in 2018, Türk Telekom further increased its interaction with its growing customer base through digital channels.

Türk Telekom has started to offer an advanced level of self-service to its customers via the Online Transactions application, which stands at the forefront of the digital channels with its new functions, digital channel specific opportunities, renewed user friendly interface and simplified user log-in.

5G

Türk Telekom's subsidiary Argela aims to play a leading role in 5G and innovative technologies with the domestic and national software technologies it develops.

Another product that was renewed in 2018 was TekŞifre (SinglePassword). Developed with the aim of improving the user experience and commanding a key position in the use of broadband products and services, the TekŞifre identity verification product, which reaches a total of 9 million users, was entirely renewed in the year. With the project, the processes of user creation and login were simplified by using mobile phone numbers instead of e-mail addresses and the designs in the web and mobile applications were renewed with a further strengthened user-friendly identity in the pages.

Further achievements in new growth areas of the digital economy

Türk Telekom understands the importance of new growth areas in the digital economy and, to this end, continues to invest in digital products and services. The achievements gained within this scope are briefly summarized below.

- The total number of subscribers of the Tivibu GO application, which was renewed in 2018, reached 2 million.
- Muud, which offers music lovers an unlimited listening experience with more than 4 million local and foreign tracks, independent of the operator, increased its number of users with the gift award internet packages it offers, special video content and the collaborations with the Shazam and Scorp services. In addition, the Muud Sahne (Stage) competition supported amateur artists and allowed them to reach audiences through a digital platform.
- e-dergi, which was launched at the end of 2017, introduced many new publications in 2018, providing a high quality digital reading experience for Türk Telekom mobile customers without depleting their internet quotas.
- In 2018, Türk Telekom also supported sub-segments in the digital arena in order to strengthen the customer experience. New mobile applications that offer segment specific privileges and services include Selfy for

young people, Prime for the upper segment, "Senin Zamanın (Your Time)" for women, and the "Türk Telekom Erişilebilir Yaşam (Türk Telekom Accessible Life)" applications for people with disabilities.

- Türk Telekom continued its social responsibility activities with innovative investments. In 2018, the Eye Sense application, which is Turkey's first photography application developed specifically for the visually impaired, was launched. The application was awarded in two categories within the scope of the Smarties awards organized by the Mobile Marketing Association (MMA).
- Turkey's first and leading digital gaming platform, Playstore added nearly 500 new games and the game accessories and physical console plays to its portfolio for the first time through new collaborations carried during 2018, offering comprehensive services to gamers from a single point.
- In 2018, Türk Telekom continued to effectively offer educational services with the Vitamin, Raunt and Türk Telekom Akademi (Academy) platforms, while also expanding the content of its security solutions.
- Offering fast, safe and easy solutions to meet the daily payment needs of its customers, the services offered by Türk Telekom Ödeme Hizmetleri (Türk Telekom Payment Services) were diversified with increased cooperation.
- Discount campaigns were offered through Google Play, and platforms, which are popular in Turkey such as Spotify, were included in the payment system portfolio.
- Türk Telekom improved the user experience at points of contact with the customers during the payment services process and provided increased accessibility.

Next-generation telecommunications technologies - 5G investments

Türk Telekom's subsidiary Argela aims to play a leading role in 5G and innovative technologies with the domestic and national software technologies it develops.

ProgRAN, a mobile network slicing solution based on Software Defined Networks (SDN) and developed by Argela, enables mobile network capacity to be divided into virtual slices through programming, thus ensuring the most flexible and effective configuration of the network as required.

As a developer of software-based technologies that enable 5G transformation such as SDN and NFV (Network Function Virtualization), Argela develops pioneering products and solutions for the adaptation of open source projects into networks, as well as determination of the architecture and strategy, and the research and

development of technologies to be used in the process of transforming operator networks into 5G.

The trials of two domestic new network technologies were successfully carried out in the 5G Valley Open Test Site in 2018 by Türk Telekom. ProgRAN and the Virtualization of Fiber Access Network (VOLTHA-Virtual Optical Line Termination Hardware Abstraction) technology, whose tests were conducted, aim to manage the fixed fiber access network, which forms the basis for the 5G transmission infrastructure, with software control.

Leading Digital Products and Services

Downloads for the Online Transactions application reached to 24 million in 2018

The Online Transactions application, which is continuously developed in line with customers' needs and expectations, was Türk Telekom's most visited channel in 2018 with its new functions, digital channel specific opportunities, renewed user-friendly interface and simplified user log-in procedure.

The application, which received 100 million visits per month from 12 million individual customers, has the largest transaction volume of any Türk Telekom application.

The Online Transactions platform, which allows Mobile, Internet at Home and Fixed Voice transactions to be performed from one application, serves customers with more than 100 types of transactions. The application, which has reached a total of 24 million downloads, won 10 awards in international competitions.

The number of TT Mobil users of the application in 2018 more than doubled compared to 2017, exceeding 10 million with a 63% penetration rate among smartphone users. The average usage frequency of the active customer base exceeded 14 visits per month.

Online Transactions: The most admired IOS application in Turkey's telecommunication sector

In parallel with the developments in technology, the Online Transactions application, which rapidly produces innovations that provide ease to the lives of Türk Telekom's customers, has continued to serve as a pioneer in the sector. Offering innovations such as sending Turkish Lira by Siri and the Face Detection Technology for its users, the application has become the most liked application in Turkey's telecommunications sector on the IOS platform, reaching a score of 4.6.

The application allows use without logging in and access to billing information with the Widget feature. The application can offer customized campaigns tailored to meet the needs of individual customers. Its special design specific to the Prime and Selfy users gives customers the chance to feel special.

In 2018, preferential offers started to be provided to users with the postpaid and prepaid packages, which were created specifically for the Online Transactions application. In addition, the loyalty campaign, "Sil Süpür", which offers subscribers free data and free minutes, also contributed significantly to the growth in this channel.

Investments in Online Transactions, which significantly enhance customer contact in digital channels, have also started to boost operational efficiency. Türk Telekom aims to further improve the digital customer experience it offers to its digital customers through new projects.

Tambu: Turkey's most downloaded digital keyboard

Designed for smartphones as an entry point for messaging applications, search engines, social media platforms and internet browsers, Tambu is Turkey's most downloaded digital keyboard platform.



Launched in December 2018, Tambu 2.0 includes an improved language engine, local eating and drinking venue search and a web search engine, gamification module that increases efficiency and interaction and keyword search systems for discovering and sharing domestic and national content.



Turkey's most downloaded digital keyboard

Marketing Activities

Tivibu GO

Tivibu GO continued to lead the sector in the television broadcasting area with its strong technological infrastructure, advanced broadcasting features and rich content.

In 2017, Tambu was introduced to Google Play and the Apple App Store, free of charge for all mobile operators. It reached 8.3 million downloads in 2018. As the leading application of its kind in the sector in terms of penetration, Tambu has reached a score triple that of its closest competitor in terms of brand recognition.

Original domestic stickers, instant translation features and themes that can be designed are among the features offered by Tambu 1.0. Launched in December 2018, Tambu 2.0 includes an improved language engine, local eating and drinking venue search and a web search engine, gamification module that increases efficiency and interaction and keyword search systems for discovering and sharing domestic and national content. With all of these features, Tambu offers its users the ability to discover a rich array of content which can be shared easily on all platforms.

Enjoy TV, anytime and anywhere, with Tivibu GO

In 2018, Tivibu GO continued to offer its users a series of firsts and led the sector in the television broadcasting area with its strong technological infrastructure, advanced broadcasting features and rich content.

As part of the efforts to expand digitalization, alternative payment methods started to be offered to users for package purchase and film rental transactions in 2018. Within this scope, users started to carry out their non-committed and monthly package purchases directly through the mobile application and over the web.

Anyone who downloads the application with the guest user feature may experience Tivibu GO without purchasing a package, and can watch specific channels and content with no time limits. With the renewed application technology and interface, activities aimed at improving the user experience continued in 2018.

Appealing to all members of the family with channels including sport, films, documentaries and children's television, Tivibu continued to offer the four screen

experience by bringing a rich and diverse range of content to customers through their mobile phones, tablet devices or computers as well as their TV sets with the Tivibu GO application.

With the technology to record to BuluTT (the cloud), Tivibu GO allows EPG Catch up, which is streaming, to be revived without recording – the first time such a feature has been offered in Turkey. Tivibu GO offers many features such as creating customized profiles for family members, and content suggestion system in line with audience habits with advanced suggestion engine.

The Turkey Tahincioğlu Basketball Super League, the Turkey Women's Basketball Super League and the Eurocup games will be broadcasted on the Tivibu platform Tivibu Sports channel for three years starting from the 2018-2019 season.

Turkey's domestic digital music platform: Muud

The Muud music service, which was renewed and re-launched with a development of its technological infrastructure, offers users a "freedom of music according to your Muud (mood)" experience with 4 million local



and foreign tracks, a library which is continuously being enriched with new additions.

The pioneer of digital music platforms, Muud expanded its user base significantly in 2018 with the contribution of new channels and campaigns. Having developed further with a string of new innovations, Muud has become one of Turkey's largest and most popular digital music platforms by reaching new users.

Structured as a smart platform to instantly announce new developments occurring in the music world to its subscribers, Muud offers its users the opportunity to create personalized lists. At the same time, Muud gives users the possibility to listen to the songs they want from the lists prepared according to their different moods.

Open for all to use, independent of the operator, Muud offers all paid or unpaid members the opportunity to listen to 1,000 tracks per month without any advertising or limits – a clear advantage not available on other digital music platforms. Muud also offers users the chance to listen to music while offline.

Türk Telekom mobile subscribers who use Muud may listen to millions of tracks wherever they are, without limit, and free of charge without depleting their usage quotas on their internet packages.

Muud Premium subscribers enjoy access to unlimited local and foreign tracks and can take advantage of various features while offline. Other users are offered a one-month free trial of premium subscription under a promotion campaign.

Pioneering collaborations from Muud

With its comprehensive music services, the digital music platform Muud has left its mark on the sector with its pioneering collaborations and projects in 2018. One example of this was its collaboration with Shazam, the world's best known search engine, where Shazam generated traffic for Muud from its users.

muud

“Freedom of music according to your Muud (mood)” experience for music lovers with 4 million local and foreign tracks, a library which is continuously being enriched with new additions

In cooperation with Scorp, a social network platform with the video sharing theme which is attracting a growing base of active users, fields specific to Muud and which reflect its special brand identity and the Muud specific promotional video content were created. This paved the way for a significant increase in the number of Muud users.

In addition to these pioneering collaborations in the digital arena, Muud has focused on alternative sales channel creation projects in the physical space, and started the physical sale of Muud Premium subscription codes in contracted workplaces.

Muud also contributes to the digitalization of amateur artists. While amateur artists broadcast their work over Muud with the Muud Stage contest, Muud users can give their favorite artists a score and help artists win album and video clip awards under the Muud sponsorship.

e-dergi: Turkey's digital magazine and newspaper reading platform

Turkey's digital newspaper and magazine reading platform, the Türk Telekom e-dergi app, was launched in November 2017 and is open to customers from all operators. e-dergi,



Vitamin and Raunt

Türk Telekom has continued its intensive efforts to support education with educational platforms Vitamin and Raunt.

which offers a superlative digital reading experience, has been offered free of charge within the scope of the special tariffs and packages specific to the Türk Telekom mobile customers since the beginning of 2018.

e-dergi offers customers from all operators a digital reading experience with its wide range of content that is renewed daily, including hundreds of magazines in many categories from fashion to economy and from technology to celebrity news. Offering its customers the most comprehensive content free of charge, in contrast with its competitors in the market, e-dergi added more than 50 new publications to its library in 2018.

In 2018, the e-dergi, which has been carrying out positioning activities with special content in media specific to customers' interests, reached a record number of users.

Playstore: Turkey's first and leading digital gaming platform

Türk Telekom continued its efforts to increase the service quality of Playstore, which is Turkey's first and leading digital gaming platform, to ever higher levels. Playstore has become one of the most popular digital platforms among gamers with its game launches, which have been carried out simultaneously with world launches in 2018, at preferential prices and with the option to pay in up to 12 monthly installments.



Playstore focused on widening the diversity of its product portfolio and creating an alternative sales channel.

In 2018, Playstore focused on widening the diversity of its product portfolio and creating an alternative sales channel. With the new supplier agreements entered into, it added nearly 500 new games to the platform in 2018.

Focusing on meeting all the needs of gamers, Playstore added the accessories (keyboard, mouse, etc.) necessary to play a game within the scope of the service offering, as well as physical consoles, to its portfolio for the first time in 2018.

Vitamin: Turkey's largest education platform & Raunt: the new generation university entry preparation platform

Having played a key role in the digitalization of education in Turkey, Türk Telekom continued to increase the penetration of its products in the area of education in 2018. Vitamin, which is Turkey's largest education platform, and Raunt, a new generation university entry preparation platform, are examples of platforms that embody the contribution that Türk Telekom has made to education.

Türk Telekom has continued its intensive efforts to support education with educational platforms Vitamin and Raunt. Vitamin aims to help elementary and high school pupils prepare for assignments and exams from home over the Internet, and is offered with the bundle offers made to segment tariffs. Vitamin hosts some of Turkey's most comprehensive and richest content, and meets the requirements of the Ministry of Education school curriculum. The Raunt application aims to assist those pupils preparing for the entrance examination for Higher Education Institutions (Yüksek Öğretim Kurumları Sınavı - YKS), to help them gain entrance to the department and university of their dreams.

All internet connected devices are used safely with Türk Telekom Security

Within the scope of the strategic partnership with McAfee, the content of Türk Telekom Security solutions was expanded in 2018.



Turkey's first and leading digital gaming platform Playstore

With the launch of the Total Protection product, Türk Telekom Security has started to provide physical and software security for mobile devices as well as PCs and laptops. In addition, with the launch of the Safe Family package in October, parents who are Türk Telekom Internet at Home customers were able to check their children's activity in apps and digital media.

The Türk Telekom Akademi: Turkey's digital personal training platform

The training platform for Türk Telekom employees, the Türk Telekom Akademi has expanded its education portfolio and started to be rolled out to all fixed broadband customers. Thousands of education programs including the micro MBA, foreign language and career packages were brought to Türk Telekom customers at preferential prices.

It is Now Your Time with Türk Telekom

In order to make customers feel the privilege and advantage of being a Türk Telekom customer, Türk Telekom launched the "Senin Zamanın (Your Time)" mobile



application with the aim of providing communication solutions specific to women as well as offering content that will help make the daily lives of Türk Telekom customers more valuable and colorful. A free event dedicated to women, mother and child content, and a life guide were offered with the Your Time mobile application.

Operator services and next-generation applications

Digital payment services

TT Ödeme Hizmetleri A.Ş. (TT Payment Services) was established in April 2013 to provide fast, safe and easy solutions to meet the daily payment needs of its customers in the rapidly growing digital payment market and to add innovative payment methods to the Türk Telekom product portfolio.

TT Payment Services, which received the payment license in January 2017, continues its activities with Türk Telekom Mobile Payment and Türk Telekom Netten Ödeme products. In 2018, the number of services offered by TT Payment Services was increased and diversified in line with the growth in the digital payment sector. In order to bring customers together with safe and high quality content, priority has been given to collaborations with the member businesses providing products and services in this direction. Collaboration was made with music platform Spotify and the option of being charged with the mobile payment has been offered to Türk Telekom subscribers since August.

Türk Telekom offered its customers using mobile payment a number of advantages over other payment methods in terms of speed and convenience. Türk Telekom has contributed to improving customer loyalty through the communication activities it has carried out. Discount campaigns were carried out on Google Play, the most popular media sales platform on Android phones.

Each point of interaction with the user was examined under a customer-focused approach and the customer experience was improved by periodically revising the service standards and flows.

Within the framework of its better service policy, improvements were made on the customer services platform and at the Call Center in order to extend support to customers whenever they need, and thus offer faster solutions. Efforts to render the web pages of the Türk Telekom Payment Services (<http://www.turktelekomodemehizmetleri.com/>) more comprehensible and accessible were completed, and videos have been prepared in order to reach wider audiences, aiming for increased brand recognition.

Sales Activities



Office Channel

The share of Office channel, which has a wide network and domain throughout Turkey, in total company sales is increasing.

Consumer Sales Activities

Exclusive and Semi-Exclusive Sales Channels Optimization

In 2018, an employee based targeting system was introduced to increase employee productivity and reward successful personnel in Türk Telekom's Exclusive channel (TTM). In addition, system and reporting improvements have been made to monitor and analyze the dealer-based employee performance based on productivity.

In order to respond to changing needs in the exclusive channel and to support the increase in channel activation through the efficient use of available resources, changes in premium systems were carried within the year.

In semi-exclusive and sub-channels, semi-exclusive (TTBN) and sub-dealers (ESN) have been optimized to integrate products and services from end to end in the framework of the Integrated Distribution Center (EDM), which was established in 2017. In the semi-exclusive channel, Home Internet Access contract extension procedures have started, and it was ensured that the channel focused on the new acquisition as well as services that increase the company revenue. Transition to point-based targeting model for semi-exclusive and sub-channel was carried, increasing channel efficiency and decreasing customer acquisition unit costs in premium systems.

As of August 2018, a new device financing model was introduced in the exclusive channel in cooperation with financing institutions for the mobile device financing needs of Türk Telekom subscribers, and for this purpose, a consumer financing pilot project was initiated. In this model, competitive interest rates are provided. Türk Telekom Group acts as an intermediary and installments are reflected on subscriber mobile invoices. With this new consumer finance solution, Türk Telekom aims to consolidate its leading position in smartphone penetration as well as to increase data usage by offering subscribers an easy and fast way to buy or renew their mobile phones.

The extension of this project across Turkey in 2019 is being evaluated.

Share of Türk Telekom Office Channel's sales is increasing

In 2018, performance monitoring and premium structures were improved in the office channel, which has a wide network and domain throughout Turkey, and channel development processes were improved. With these, the ability for the channel to move rapidly and in harmony with the overall company strategy, to focus on productivity with lower costs and higher sales was ensured. In 2018, the share of sales of the channel in total company sales increased.

The number of postpaid mobile, Tivibu and device sales in Türk Telekom office channels increased in 2018 compared to previous years. In this channel, as a result of the launch of the sale of prepaid mobile lines via credit card in the last quarter of the year, there has been a significant increase in the sales of prepaid lines.

The transformation process of Türk Telekom Offices started

Within the scope of the Office Transformation Project, which was implemented in 2017 and envisages the renewal of commercial areas in Türk Telekom Offices within the framework of the current retail approach and changing customer expectations, 7 pilot stores were transformed as of the end of 2018. The main objectives of the project are;

- expanding the product portfolio to include all fixed and mobile products of Türk Telekom Group,
- enriching the portfolio of devices and accessories,
- the renewal of sales and after-sales service processes for the creation and improvement of customer experience areas.

Within this framework, the office has been redesigned taking into account customer expectations and global retail practices, and necessary updates have been made in parallel with the competencies stated in human resources, auxiliary systems and operational processes. As of 2019, taking into account the outcomes of the Location Optimization Project, the new concept will be expanded in phases.

Active Sales Channel established in Türk Telekom

In January 2018, Türk Telekom's Active Sales Channel (ASK) was established. In 2017, corporate products, which were sold through the Corporate Reseller channel and SME Portfolio Managers, and retail products offered through Proactive Partners (Door to Door) channel, started to be sold through a single channel with ASK. In this new channel, reaching high-value customers in new customer

TFF VAR

In TFF VAR project where the Turkey Football Federation Video Referee Infrastructure is provided, fast and secure transfer of video content is carried out by Türk Telekom.

acquisition is a priority. At the same time, the efficiency of the channel has increased and savings in sales expenses have been achieved. While retention of existing customers in the system for longer periods are included among the focus areas of this channel, various custom products for corporates are included in the main products sold in this channel.

Star Days commence in face-to-face channels

Within the scope of the "Yıldızlı Günler-Star Days" concept, Türk Telekom has offered advantages to its customers for three set days each month in face-to-face channels. While providing sales motivation to employees with the focus on different products, brand loyalty and additional benefit excitement have been created with the advantages offered to customers. The product portfolio and time planning selected according to the needs of the channels increased the customer traffic in the stores and enabled incremental sales.

Corporate Sales Activities

Strategic, Public and Large-Scale Customers

In 2018, a large-scale analysis of customer portfolios, which are under the scope of Corporate Sales and managed by Türk Telekom sales managers, was conducted. By these performance analyses, the development needs in the segments were determined and restructuring activities were carried out. Segment-based customer portfolio management standards have been established in order to carry out more effective customer management within the scope of segmentation. In the corporate sales channel, target setting and KPI structure have been renewed in accordance with the company's strategies and segmentation structure, taking into consideration the competition and market conditions.

Within the scope of the new segmentation structuring, a Local Public segment has been established for joint management by the General Directorate and Regional Directorates. In addition, customer management has been made more effective with the sectoral and regional focus on corporate customer management.

In this period, the growth of existing services such as Fixed Voice, Fixed Data and increase in customer satisfaction were ensured in line with customers' needs. With the service quality that was further strengthened by the transition to LTE in mobile, new customer acquisition and revenue growth were targeted for products such as mobile marketing and SMS. In line with the strategy of becoming a single point technology provider with the new segmentation and increasing the share of wallet of customers, Türk Telekom focused on ICT (Network Solutions, Software Solutions, System Solutions and Digital Conversion Projects etc.) projects with Group Companies Innova, AssisTT, SEBİT, TTI and business partners.

Türk Telekom accelerated sectoral projects

In the energy sector big data project Energy Outage Detection System (EKTS) was launched and test runs has been carried out in many energy distribution companies. These projects aim to provide energy distribution companies with value-added services through which they can improve their operations.

In order to enable Türk Telekom customers to implement the digitization process in the retail sector, with Group Company Innova, solutions such as Smart Store, Smart Queue Systems for retail points and banks, Smart Survey applications and Digital Signage have been developed. Türk Telekom has introduced a wholesale Wi-Fi product that provides uninterrupted access to retail chain customers and increases data usage.

Specific to media sector, Media Transport Network (MTN) service, which enables broadcasters to transmit their broadcasts through terrestrial lines to provide high quality and scalable services, has been activated and tests have been completed with the relevant customers.

Offering Turkey's richest solution portfolio and customer-focused service in the Data Center area, Türk Telekom opened its new data center in Esenyurt, Istanbul in May 2018. Türk Telekom, providing ease of service to its corporate customers from one point with its new integrated structure, increased the number of data centers to 5 with the Esenyurt Data Center. Türk Telekom continues to increase the capacity of newly opened data center halls and to serve its customers in high security facilities with international standards in Istanbul and Ankara with an understanding of flawless service. Türk Telekom also continues its long-term investments in order to meet the data center needs of institutions.

Türk Telekom has structured and commissioned the largest Cyber Security Center in Turkey (SGM) to protect its customers against cyberattacks targeting all institutions in recent years. Türk Telekom, Turkey's largest Anti DDOS

provider, launched the first Cloud APT infrastructure in Turkey. In addition to the security services that are actively offered to customers with SGM, many complementary services such as Cyber Security Center Monitoring, Analysis, End Device Management, Security Consultancy, and Penetration Testing have been implemented. In this context, the efforts to provide end-to-end security management to Türk Telekom customers continued in 2018 with the establishment of a Service Operations Center and the provision of different products and special solutions to customers. A number of special security solutions have been carried out and introduced to customers, such as Security Information and Event Management (SIEM), the Law on the Protection of Personal Data (KVKK) training, and Cyber Incident Response Team (SOME) training.

A new sales channel has been created by developing and activating the Share Your Invoice model of mobile in 2018, to convert effective and focused customer management into sales. In this way, new customer activations have been enabled and a proactive service has been provided by conducting customer visits.

Türk Telekom has carried out opportunistic development efforts for new customer needs emerging in accordance with changing legislation. With the implementation of KVKK (Protection of Personal Data Law), solutions have been created with business partners for services such as ISMS, ISO 27001 and KVKK consultancy, which have emerged as necessities in every sector. Similarly, proposals have been made for solutions to the camera and application needs that arise within the scope of the number-plate recognition system legislation.

Türk Telekom implements critical projects in public area Bilkent City Hospital

Bilkent City Hospital started its activities in early 2019 with partial acceptance of patients. The official opening is scheduled for the first quarter of 2019. Bilkent City Hospital will be Turkey's largest hospital. All IT infrastructure of the Bilkent Health Campus, which includes the Hospital Information Management System (HBYS) software, data center, peripherals, hardware and other software, will be delivered by Türk Telekom. HBYS services will be delivered by Türk Telekom subsidiary Innova.

KYK WI-FI Project

The largest wireless internet network in Turkey has been established and operated for fast, uninterrupted and secure connection of students staying in Credit and Hostels Institution dormitories. Within the scope of the project, 500,000 students are served in 1,050 locations.

TFF VAR

In the project where the Turkey Football Federation Video Referee infrastructure is provided, fast and secure transfer of video content is carried out by Türk Telekom. The service, the only example in the world in terms of the number of locations where it is provided, is offered in 19 locations in various regions of Turkey.

Health IT Network Project

The Health Informatics Network is the closed circuit information network offered by TTPVN service thanks to the flexible, powerful and secure structure of the Türk Telekom MPLS network. Via this network, all terminals can access ministerial applications such as KPS, ÇKYS and EBYS. Within the scope of the project, service is provided at 3,000 locations.



Regional Structuring

Türk Telekom customer management has been organized according to regional structure in order to provide more effective and focused customer management within the scope of segmentation activities.

MONE Safe School Project

Within the scope of the Safe School project carried out by the Ministry of National Education, a 6 years Agreement was signed for the provision of Mobese, point-to-point Metro Ethernet (NN ME) products to 762 schools in Phase 1, and 1,000 schools in Phase 2.

The Istanbul Metropolitan Municipality

In the scope of EDS (Electronic Detection System) and city security, agreements were signed with Istanbul Metropolitan Municipality and its subsidiaries on NN ME and security camera systems.

Tubitak Ulakbim

Within the scope of Tubitak Ulakbim project, NN ME data service revenues were secured by signing a protocol in November 2018.

Türk Telekom is closer to its large-scale customers and local administrations with its regional structuring

Türk Telekom customer management has been organized according to regional structure in order to provide more effective and focused customer management within the scope of segmentation activities. More effective and focused management of the service relationship with local administrations has been achieved with the newly created Local Public segment. In addition, organized industrial zone administrations have also become a separate focus.

Smart City / Smart Campus Projects

Within the scope of the smart city and campus projects, many local administrations have been consulted, solution presentations have been carried out and the institutions was informed that they will be able to realize their projects with the strength and reliability of Türk Telekom not only in the infrastructure but also in superstructure. After the Antalya Metropolitan Municipality Smart City project -largest Smart City project undertaken by Türk Telekom, Mersin and Kırşehir projects have also been completed and the reference Project List has been expanded in

this business segment. In the Antalya Metropolitan Municipality Smart City project, with the positioning of Smart Management Platform developed by Türk Telekom subsidiary Innova, an important example has been created not only on the hardware but also on the software side.

Mobile Service Projects and IOT

The increasing needs and increasingly widespread usage models in mobile communications indicate the need to increase investments in this area. In 2018, many studies and projects have been carried out in this area, in particular relating to M2M and IOT.

Efforts were made to create more binding proposals on the device side, and developments in the IOT market have been followed closely through meetings with solution partners and via activities attended.

Value Added Service Focus for Large-Scale Customers

The importance of providing customers with the solutions they need in connection with mobile communication in business life is increasing day by day. Türk Telekom highlighted Türk Telekom solutions such as SMS, Academy, Mobile Field, and Dect2GSM, fixed data line redundancy in its meetings with customers and carried out actions to ensure the sale of value-added services. Especially with TTVPN mobile redundancy, mobile line sales were realized to many customers in 2018.

New Generation Fixed Voice and Value Added Services

PSTN; PRI (Primary Rate Interface - 2 Mbps digital Telephone Line) conversion and PSTN, PRI; IPÇH (IP multi-line) Virtual Switchboard conversion opportunities will continue to be the area of focus in the coming period. Due to the competition focusing on the sale of IP based voice services, studies have been carried out on the transformation of existing voice services for the Virtual Switchboard and IPCH solutions.

Fixed Data and Internet Developments

Due to the increase in competition in the MPLS market both nationally and regionally, alternative solutions are needed. The Eco VPN product was developed and introduced in 2018 in order to provide a more cost-effective solution.

Metro Ethernet Internet service sales increased significantly in 2018. In data services, backup work, in particular, has been shown to be more prominent.

Wholesale Activities



Wholesale Activities

Solutions designed in line with the principle of equality

Türk Telekom provides high quality, customer oriented, reliable communication services and with the most appropriate solutions in line with the principle of equality, without discrimination at the "wholesale level" to operators authorized by the Information and Communication Technologies Authority (ICTA).

In that context, Türk Telekom serves more than 300 internet service providers, mobile operators; voice, fixed data, directory information, and international voice operators.

DATA Services

Extensive high-capacity data services

Türk Telekom supports the infrastructure of the operators with its extensive data services, especially with high capacity point to point and internet products offered for data transfer. The Company also proactively responds to new requirements by meeting the needs of end users who are served through this infrastructure. In addition, activities are carried out with many strategic objectives including measures aimed at the effective use of the widespread infrastructure of Türk Telekom by the operators, ensuring efficiency in infrastructure and increasing the amount of content hosted in Turkey.

With the projects completed in 2018 for other internet service providers (ISPs), a 14% increase in Data Center Connection capacity, an increase of 300 Gbps in Internet capacity and 135 Gbps in point-to-point capacity were achieved.

Pilot project underway within framework of infrastructure leasing service

In order to ensure efficient use of existing infrastructure and to accelerate new investments, a cooperation protocol was signed between Türk Telekom, Vodafone, Türkcell, Türksat and Telkoder on 24 May 2018 regarding the lease of fixed electronic communication infrastructure. The protocol aims at the effective and efficient use of Turkey's resources, the prevention of duplicate investments, the expansion of the infrastructure coverage area, the faster advancement of national broadband targets, meeting customers' quality expectations, creating a sustainable infrastructure and reducing negative environmental impacts of this process.

In this context, a pilot project agreement was signed with Vodafone on 13 August 2018 regarding the leasing of fixed infrastructure and the project was completed in Sincan, Ankara. According to the agreement, Türk Telekom will lease its infrastructure to Vodafone for a period of 15 years at favourable rates in locations where infrastructure is available, and where it is not, the additional investment requirement will be financed by Vodafone. Within the scope of this project, Türk Telekom will own the new infrastructure.

The screenshot shows the Türk Telekom website interface. At the top, there is a navigation bar with links for 'Hakkımızda', 'Yatırımcı Bilgileri', 'Medya Merkezi', and 'ONLINE İŞLEMLER'. Below the navigation bar is the Türk Telekom logo and a main banner for 'SIP TRUNK' service. The banner text reads: 'Yüksek güvenlikli ve kaliteli altyapısıyla esnek SIP Trunk Ses Hizmeti'ni deneyin!' and includes a 'Detaylı Bilgi' button. To the right of the banner is a diagram illustrating the SIP Trunk service with a cloud and several phones connected to it. Below the banner are four service categories, each with an icon and a brief description:

- Türk Telekomlu Olun!**: Türk Telekom'un ayağınıza sunduğu avantajlarla abla dünyaya bir adım bir yakınlaştınız.
- Cihaz Teklifleri**: Türk Telekom'un ayağınıza sunduğu telefonlar, aksesuarları cihaz kampanyaları ve indirimleri.
- Özel Avantajlar**: Türk Telekom'un sunduğu en uygun fiyatlarla, en hızlı ve en güvenilir şekilde hizmetlerimizi sizlere sunuyoruz.
- İşyerim Kurumsal Ofis**: İşyerim Kurumsal Ofis ile hizmetlerimizi sizlere en iyi şekilde sunuyoruz.

New products and campaigns launched within the scope of data services

As part of the efforts to meet the increased traffic needs of operators, the tariffs of SSG (Service Selection Gateway) and ME (Metro Ethernet) were expanded by the inclusion of up to 100 Gbps speed options. In the SSG internet product, an active redundancy service was put into operation in order to provide a greater benefit from this service.

Data services product portfolio enriched with security products

The data services product portfolio, offered at a wholesale level, was enhanced with the introduction of an anti-virus service available for operators. With this service, operators will be able to offer this service to their end users through the resale method by receiving multiple product packages from Türk Telekom.

Broadband Services

Bringing Internet to more than half a million new households through the “Internet is On Us” campaign

Considering the pioneering role of broadband internet usage in the development of the country, the “Internet Bizden (Internet on Us)” Campaign, which aimed at increasing internet penetration was launched exclusively for the resale model in 2017. The Campaign was extended to the bit-stream access (BSA) model and made available to operators throughout the market in 2018. The campaign brought Internet to more than half a million households in 2018. It is observed that users choosing a 24-month free access package at the wholesale level switched to more comprehensive packages in line with their increasing daily requirements.

Türk Telekom designed the PTS (PPP Transport Termination) product, which provides operational convenience with a lower investment requirement through the efficient use of national resources. In addition, within the scope of broadband, new services have been offered such as automation for installations with appointments, expanded error messages lists, remote control of troubleshooting, and the home installation of fixed broadband. A new campaign has started so that operators can provide free additional data which fixed internet users can benefit through a wide array of Wi-Fi hotspots across the country.

Supporting women entrepreneurs

Within the framework of vision of investment in Turkey's future, the Women's Entrepreneurial Campaign, which is aimed at providing contribution to the nation's development and society, was launched in order to help women become more active in working life and in the telecommunications sector in particular. The campaign, intended to support women entrepreneurs who participated in working life and who had obtained “women entrepreneurs certificate” through KOSGEB offered monthly discounts to women entrepreneurs who would use broadband products.

Voice Services

Türk Telekom Wholesale meets wholesale voice and SMS interconnection, wholesale line rental, value-added services and the directory enquiries service needs between Türk Telekom and operators. Also, the unit provides voice and SMS interconnection, value added services and guidance services between TT Mobil / TTNET and operators.

Wholesale Activities

75 Gbps*2

The protocol to double internet access capacity of 75 Gbps provided to the KKTC and to increase end-user internet access six-fold was signed.

Support for fixed voice and broadband market with Wholesale Line Rental service and Call Initiation Discount Campaigns

The number of Wholesale Line Rental service subscribers increased by 37% YoY during 2018 with the support of “Connection Fee” and “New Sales Support” campaigns carried out in Wholesale Line Rental services to support the fixed voice and broadband market. In addition, the “Call Initiation Discount Campaign” which was launched to support fixed voice service operators continued.

Access protocols for freephone 0800 numbers

Türk Telekom’s 0800 Field Code Freephone Numbers, which could only be dialled from the Türk Telekom network in previous years, have been updated with additional interconnection protocols to access these numbers from the networks of other operators, as well as providing access to 0800 freephone numbers of other operators from the Türk Telekom and TT Mobil Networks. The said protocols were signed with the operators requesting them.

2018 Wholesale Activities

Contributions to customer satisfaction with region-based customer manager application

In 2018, the Region-Based Customer Manager system was introduced in order to meet increasing customer demands in a timely and proactive manner, to increase service quality and productivity, to maintain customer experience and satisfaction, and to generate revenue-enhancing solutions. With this system, instant solutions, faster returns and planning were offered to meet customer needs.

Wholesale Digitalization Pathway

The wholesale webpage has been prepared for all services offered at the wholesale level, where tariffs, announcements and current campaign information are shared. The mobile application has been developed in order to meet customer demands more rapidly and to provide customer managers with up-to-date information off-site. In addition, study was carried to view the province and product based distribution of all wholesale customers in Turkey through the web interface. With this study, it will be possible to identify the regions where customers provide intensive service, the regions where expansion is needed and to view summary capacity information through a user-friendly interface, and as such, sales opportunities can be analysed.

Cross-selling activities among Group companies

Innovative Technologies, end to end solution and services were discussed at “Digital Transformation Meeting” with the attendance of Service Providers and TT Group Companies.

Wholesale internet agreement with Turkish Republic of Northern Cyprus (KKTC)

The protocol to double current internet access capacity of 75 Gbps provided to the KKTC in 3 years horizon and to increase end-user internet access approximately six-fold was signed in Nicosia between Türk Telekom and the Ministry of Public Works and Transportation of the Turkish Republic of Northern Cyprus on 12 July 2018.

Sales Channel Expansion and Business Development Activities

Initiatives to improve benefits for end users

In 2018, Türk Telekom Wholesale, conducted meetings with energy companies, retail chains and global content providers, in which the entry into the market is considered to be beneficial for both the sector and the end user. As a result of these interviews, some energy companies have started to work to establish a telecommunications company and are planning to obtain a license from ICTA in the first quarter of 2019.

Regional structuring of wholesale customer service

In order to ensure the regulatory compliance, process standardization, customer experience and satisfaction in wholesale business processes that are being carried out with corporate and consumer segments in the regions, the Wholesale Customer Services Regional Structure process has been brought to implementation stage. With the Wholesale Customer Services Regional Structure, it is aimed to increase customer satisfaction, service quality and productivity, increase compliance with regulations and ensure process standardization.

Pending orders to sale conversion project

Pending orders to sale conversion project is the project of converting pending orders to sales through processed data by sharing open business orders in voice, data and broadband services with regions at certain intervals in order to ensure regulatory compliance, reduce service level commitment penalties and increase revenues.

Increased efficiency with dedicated assistant application

The application is an effective and fast problem solving application which assigns experienced assistants to relevant teams who will meet the demand to manage the workforce at the Türk Telekom Call Center in the most efficient manner and offer the maximum benefit to customers with a qualified demand - quality service perspective.

Projects for handling customer orders and complaints

New field communication model: The model was developed to ensure that the correct orders reach the correct team quickly in order to provide a solution to customer demands and complaints as rapidly as possible.

AnahTTar automation system: This system can be integrated with all systems in order to create a quality solution for customer demands and complaints and designed so all processes can be monitored on a live basis and analyzed and reported. The first phase has been activated.

Two-way complaint automation system: The automation system was developed to be able to manage customers effectively and to respond as soon as possible with the correct information. With this system, all complaints can be communicated to Türk Telekom online, and process stages can be monitored and necessary data can be provided for analysis.

Türk Telekom expanded its domestic and international interconnection services

Türk Telekom managed 97 billion minutes of voice traffic and 36 billion SMS messages for 120 domestic interconnection clients in 2018.

The Company managed 556 million minutes of international voice traffic, (international freephone and prepaid services), and "Alovatan service" through interconnections to 58 operators, including those in Northern Cyprus.

Customer Care Activities



1.3 billion

In 2018, Türk Telekom communicated with its customers about 1.3 billion times through all channels.

Consumer Customer Care Services

Türk Telekom aims to provide the best customer experience at all times

The business processes and the organization of Consumer Customer Care Services operate in line with its vision of "serving as a solution center that delivers the best customer experience in all channels".

Türk Telekom's Consumer Care Services covers all products - mobile, broadband, fixed voice, and TV - through the call center, that can be reached from the 444 1 444 number.

Consumer Customer Service Structure

The Türk Telekom Group provides a continuous service for its retail customers nationwide on a 24/7 basis with its extensive staff. Türk Telekom's consumer customer service structure consists of approximately 1,000 customer service personnel working in the face-to-face channel located in offices and dealers throughout Turkey, and approximately 9,000 call center customer representatives in 20 different provinces which operate around the clock, and its powerful self-service channels.

Türk Telekom launched new projects in 2018 aimed at providing customers with excellence in the customer experience in all channels, and to standardize the services offered in the face-to-face channels.

- **Dealer Customer Service Project:** While Türk Telekom had previously only provided customer service through face-to-face channels in Türk Telekom offices, with the launch of the project it started to provide customer services in 58 dealers as well. Within the scope of the project, more than 87,000 customer requests were met, with the recovery of over 16,000 customers thanks to the improvement in face-to-face channel retention rates in the seven months between June and

December. Türk Telekom aims to offer excellence in its customer experience with the expansion of the project in 2019.

- **TT Office Mobile customer service project:** Within the scope of the project, mobile customer service operations offered from Türk Telekom offices were enriched to meet all after-sales needs of mobile customers. The mobile authorization definitions and training processes for all customer service personnel were completed.

Consumer Customer Services business volume and results

Türk Telekom communicated with its customers approximately 1.3 billion times through all channels in 2018. The Customer Satisfaction scores of Consumer Customer Services continued to improve in 2018.

95% of the customer communication traffic volume of Consumer Customer Care Services was realized over the self-service channels in 2018.

Consumer Customer Services outgoing call activities

Consumer Customer Services not only ensured customer satisfaction but also continued to create value add through revenue-generating activities. To this end, detailed studies were carried out with the marketing teams in order to increase the revenue generated in both face-to-face channels and the call center channel, with a focus on retention management and cross-selling increased with data analysis.

When compared to 2017, sales revenues in the fixed line consumer segment increased by 30%, while the customer retention success rate increased by 20%.

Of the revenue-maximizing upselling sales, 97% were performed by consumer customer services and 49% by corporate customer services; of the recommitment calls 50% were performed by the consumer call center and 92% by the corporate call center.

Post proactive collection calls, collection revenues in mobile products increased by 83% when compared to the previous year.

Cross-selling opportunities were undertaken in the outbound calls channel leading to TV sales to mobile customers and internet sales to mobile and fixed voice customers.

Online Transactions

The sales turnover of the Online Transactions application, the Company's most popular channel, quadrupled in 2018 when compared to the previous year.

With the increasing focus on cross-selling in face-to-face customer service channels, the number of mobile cross-sells in Türk Telekom offices increased by 74% when compared to 2017.

24% of XDSL sales and 27% of Tivibu sales were realized through customer service channels.

In order to meet the needs of Arabic speaking customers, the Company continued to provide Arabic service to its customers in incoming call and collection operations. In addition, customers could also benefit from communication in Arabic through SMS messages.

Activities aimed at retaining consumer and corporate customers were carried out through joint retention projects, achieving improvements in retention rates.

Revenue-enhancing results were obtained with the switch of customers from the prepaid segment to the postpaid segment. Retention activities carried out for postpaid customers wishing to switch to the prepaid services recorded an 83% improvement and contributed significantly to the mobile postpaid customer base.

Consumer Customer Care Services met all of the ICTA (Information and Communication Technologies Authority) targets in 2018, responding to customer calls within an average of 18 seconds. Significant progress was achieved in meeting customer demands and resolving complaints, especially in the Internet at Home segment. Thanks to process improvement and work aimed at reducing complaints, the number of mobile complaints and Internet at Home complaints decreased by 11% and 40%, respectively, during 2018.

Customer experience maps were designed for mobile, fixed voice, fixed broadband, and Tivibu products to identify any problem areas in the corporate and consumer customer life cycles and necessary actions were determined.

In order to increase customer satisfaction and manage call center operations more efficiently, all complaints related to malfunctions, invoices or transfers etc. were dealt with by special teams.

Consumer Customer Care Services Self-Service Channels

Web Online Transactions, Sales and Customer Services channel, continues to implement its customer-oriented approach in all channels under management, and to design user-friendly and innovative services. The number of downloads of the Mobile Online Transaction application, which is Turkey's leading online transactions application presenting transactions related to mobile, Internet at Home, and fixed voice subscriptions for users in a single application, reached 24 million. The number of transactions carried out doubled to a new record level in 2018, while the sales turnover of the Online Transactions application, the Company's most popular channel, quadrupled in 2018 when compared to the previous year.

Corporate Customer Care Services Structure

Türk Telekom Corporate Customer Care Services strive to deliver the best customer experience and improve service quality to the highest level in all business processes. To this end, various projects are developed in line with the Company's vision and business strategies.

Türk Telekom's Corporate Customer Care Services provide an uninterrupted service around the clock through Türk Telekom offices located in 81 provinces and through the 444 5 444 customer services number, for all of its products.

Corporate Customer Services has a structure divided into segments which are designed to meet different customer needs

In this context, solutions for customers of strategic importance are provided with both call and e-mail support with special and expert customer representatives.

Value-added services

Corporate Customer Care Services meet the after-sales needs of corporate customers with 580 customer representatives in the call center channel and 400 Corporate Customer Care Services personnel in face-to-face channels. Corporate Customer Services continue to manage approximately 4.1 million calls and 2 million emails from Mobile, Internet and Fixed Voice subscribers with a differentiated service concept focused on customer satisfaction.

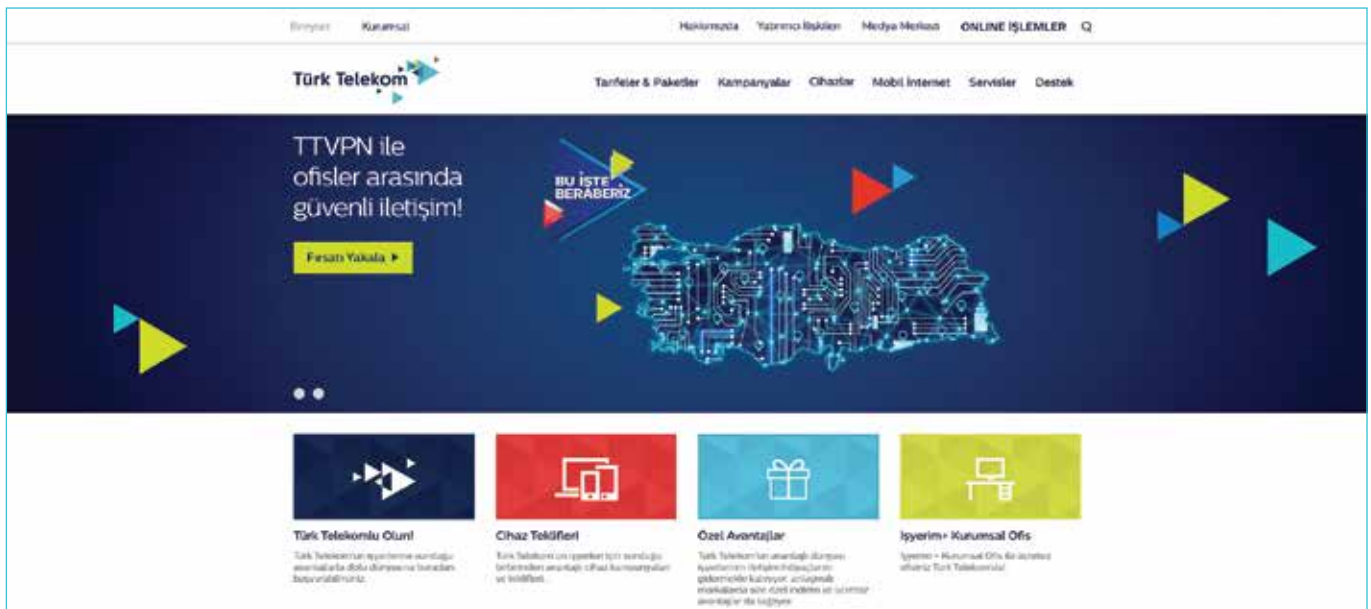
Corporate Customer Care Services have also become an operation that adds value to the Company through its sales activities. In this regard, the unit realized an 8% increase in upselling activities over 2017, while achieving a 38% improvement in activities for customer retention.

Türk Telekom Group's "Dedicated Corporate Customer Representative" service, set up to reinforce the loyalty of corporate customers in the premium segment, and to improve their customer experience, gained the capability to deliver end-to-end services to around 20,000 customers.

Türk Telekom provides service to its corporate customers with On-Site Customer Representatives located in their own locations in order to manage all after-sales activities. With this service, fast and effective solutions are created for all requests and complaints about mobile, fixed voice and fixed broadband products.

Türk Telekom's expert technical support staff

The area of responsibility of the technical support team, created in 2016 to manage Data Center problems experienced by customers of strategic importance, was expanded to cover critical products including TTVPN (Türk Telekom Virtual Private Network), NN ME (Point-to-Point Metro Ethernet), ME INT (Metro Ethernet İnternet) and KGH (Corporate Security Services). As such, an improvement was achieved in customer management performance during breakdowns in circuits used by corporate customers and which carry large volumes of traffic.



Investments and Infrastructure Projects

Türk Telekom unwaveringly continues its investment and infrastructure development efforts as it strives to further advance its customer experience.

91%

As of 2018 year end, the LTE population coverage ratio in Türk Telekom's mobile network increased to 91%, while the ratio of fiber-connected LTE base stations was at 50% levels.

Investments in fiber network brings faster speeds to customers

In 2018, Türk Telekom continued to invest in its fiber network, which is one of its key investment priorities. With the new investments, the length of the fiber network reached 282,000 km by 2018 year-end.

In 2018, the sites where customers can access high-speed broadband increased, and Fiberkentt projects, which enable the transformation of existing copper infrastructure to fiber infrastructure continued.

The fiber infrastructure transformation for 190,000 broadband subscribers was completed during the year, and the number of FTTC/B/H homepass reached 18.6 million. With the fiber transformation, which also continued in 2018, Türk Telekom customers are offered speed alternatives of 50Mbps, 100Mbps or 1Gbps depending on their tariff or package selections and their network infrastructure.

Infrastructure work for newly developed residential areas was prioritized during the year. Broadband access were brought to 950,000 households, where there was previously no infrastructure.

Mobile network investments drove LTE coverage to 91%

At the end of 2018, the LTE population coverage ratio reached 91% in Türk Telekom's mobile network, while the share of fiber connected LTE base stations was at 50% levels.

As of 2018 year-end, the total mobile data traffic:

- in the LTE network, was 37.2PB (up by 133% YoY)
- in the 3G network, was 35.5PB (up by 18% YoY)

With the impact of investments on the mobile network, the share data traffic in the LTE network exceeded 50%, although LTE started being used recently in Turkey.

With the investments carried out, the number of mobile sites of Türk Telekom reached 20,726 by the end of the year.

Work continued in Universal Service Project during 2018

The tender to bring mobile services to 1,472 locations without mobile communication infrastructure within the scope of the Universal Service Fund was carried in 2017 under the leadership of the Ministry of Transport and Infrastructure (previously Ministry of Transport, Maritime Affairs and Communication). The tender was won by TT Mobil (formerly Avea)- Vodafone Evrensel İş Ortaklığı.

Within the scope of the Universal Service Project, Türk Telekom and Vodafone, which jointly use their technology and know-how, established a joint venture between TT Mobil (a subsidiary 100% owned by Türk Telekom) holding 51% stake and Vodafone holding 49% stake.

Within the scope of the project, all installation, the 24/7 operations are carried out under the leadership of Türk Telekom.

Work on the project also continued in 2018, and services started in 530 locations with 451 sites at the end of the year.

Domestic LTE base station: The ULAK Project

Türk Telekom continued to extend significant support for the ULAK base station project in 2018, which is one of the most important milestones in the process of localization and nationalization of communication infrastructures with high technology.

Within the scope of the project, laboratory tests of ULAK domestic LTE base station have been completed. Monitoring of two Türk Telekom sites in Şile, İstanbul, which work on the ULAK eNB base, continue. As of the end of 2018, the installation of a total of five ULAK eNB based sites were completed in the Rize city center. Testing and development process continues in the active network.

Within the scope of the Universal 2.0 project, ULAK base stations were commissioned in Kars that would provide services to all three operators for the first time. Work on the installation of 326 base stations continues within the scope of Universal 2.0. Additionally, eNodeB base stations for 250 sites were ordered by Türk Telekom.

A first in the field of health from Türk Telekom with NB-IoT

In 2018, Türk Telekom undertook a pioneering initiative in the health sector. With NB-IoT (the Narrowband Internet of Things) technology, it has paved the way for smart health devices and relevant applications.

The Internet of Things technology provides safer patient monitoring in the health care services sector, while providing important savings in terms of time, energy and cost.

Türk Telekom smart organ carrying units, that have been produced within the scope of the test project developed with the solution partners, continuously measure and provide online reporting of the temperature, humidity levels of the transported organ and the information on the lid movements. In critical situations, an alarm message is sent to the relevant parties both through the software and through SMS and e-mail.



Investments and Infrastructure Projects

EKTS

In 2018, Türk Telekom commissioned the EKTS (Energy Outage Detection System) service for energy distribution companies.

Cities are getting smarter with Türk Telekom

The smart city projects are a collection of applications, which aim to help the lives of the citizens and the public sector on a sustained basis, responding to the needs of the cities by using information and communication technologies with Türk Telekom's extensive fiber optic network and mobile infrastructure.

In this context, city operations can be made more efficient with more than 20 components such as Intelligent Transportation Systems, Smart Meters, Smart Lighting, Smart Irrigation and Smart Waste Management. Thanks to the Smart City Management Platform, the system can be easily managed and reported with a single interface. With components such as EDS (Electronic Monitoring System), security cameras and panic button, the security level in the cities is improved. Meanwhile Smart Junction Management, Smart Bus Stop and Smart Transportation Systems allow for easy and efficient transportation, help to reduce the waiting time in traffic, enable to save time and fuel, and provide a cleaner environment by reducing carbon dioxide emissions. Information and guidance can be provided to the public through kiosks, in-car information screens and the real time message sign in traffic, while Smart Health can also enable chronic patient follow-up.

Türk Telekom continued work on Smart City projects in 2018, after completing Karaman and Kars Smart City projects.

Work continues on the installation and commissioning of EDS, Wi-Fi, Smart Irrigation, Smart Lighting, City Information Screens and the Smart City Management Platform within the scope of the Antalya Smart City project.

Additionally, work also continues within the scope of the Mersin Smart City Project, including Turkey's largest Smart Junction project consisting of 67 junctions. Installation and commissioning of the real time message sign screens are ongoing.

Within the scope of the Kırşehir Smart City Project, installation work continues for Smart Transportation System (Smart Bus Stop, EDS, Traffic Violation Systems, Smart Junction, Open Area Wifi, In-Stop and In-Vehicle Wifi etc.). In addition, trial and development studies for the Remote Smart Meter Reading using NB-IoT technology are continuing with two domestic meter companies in the Kırşehir Municipality.

Strengthening its position in data centers

Thanks to its strong infrastructure, Türk Telekom provides the widest fixed bandwidth in the market, thus enabling very high speeds of data traffic.

Türk Telekom Data Center provides its customers with services such as Server Hosting, Server Rental, the BuluTT Server, E-Mail and Web Space Hosting and Security through its headquarters in Ankara and İstanbul. Türk Telekom Data Center operates on its campuses with a total area of 9,528 m², which are located in Ümitköy (2,450 m²) and Ahlatlıbel (550 m²) in Ankara and in Esenyurt (2,400 m²), Gayrettepe (1,600 m²), Güneşli (1,582 m²), Ümraniye (520 m²) and Esentepe (426 m²) in İstanbul.

Power cut durations notified to electricity distribution companies in real time

In 2018, Türk Telekom commissioned the EKTS (Energy Outage Detection System) service for energy distribution companies. Within the scope of the service, the modem data is processed in real time through the broadband infrastructure and thus the incidence of any power cut is detected. The durations of power cuts are notified to the electricity distribution companies (EDAŞ) in province, district, neighborhood and building basis in real time through the web service.

In addition to the web service, the visualization demo of the alarms transmitted over the interface was prepared in collaboration with Innova. Within the scope of the project, quarterly reporting interfaces covering the entire country have been prepared.

Work on the commercialization of the web interface is still ongoing. Developmental work on the use of the data of street cabinets and base stations as data sources is still ongoing. Developmental work also continues to enhance the alarms to be provided to the electricity distribution companies, through map and reporting interfaces.

TekŞifre (single password) platform – covering 900,000 transactions per day

TekŞifre is a platform that allows users to login with a single username and password when using Türk Telekom services. At present, TekŞifre Platform serves as a central

entrance interface for 18 value-added services and hosts an average of 900,000 transactions per.

Cyber security activities

Türk Telekom has integrated its Corporate Security Services in Ankara under the largest Cyber Security Center (CSC) in Turkey. In this center, end-to-end solutions in global standards addressing the cyber security needs of Türk Telekom customers will be provided, ensuring the continuity of uninterrupted and secure access of customers. Türk Telekom offers the widest Cyber Security service portfolio in Turkey. In addition to corporate security services already offered, Türk Telekom Cyber Security Center aims to offer all cyber security services and products required by customers such as cyber security management services including security incidence monitoring, analysis and intervention services, and consultancy Services which can served individually as well, and cyber threat Intelligence Services with the support of Türk Telekom's experience, assurance and quality.

Alarms and cyber incident alarms related to security infrastructures providing service to internal and external cyber security customers, are monitored on a 24/7 basis by the Türk Telekom CSC team.

Security incidence management activities

The capacity of the structure of the SIEM (Central Security Monitoring and Analysis Systems), which facilitates the detection of and intervention in cyber incidents and violations was stepped up at Türk Telekom. Critical applications and systems within the TT Group have been integrated into this structure.

In 2018, within the scope of full compliance with laws, regulations and standards such as Law No. 5651, Electronic Communication Regulation, PCI DSS, ISO 27001 standards and the TT Group Information Security Policy, the level of integration of the systems and applications, which contain personal data and bear critical importance for the company, into the central security monitoring and analysis systems increased by 25%. The total number of resources integrated reached 7,890.

As a result of the capacity increase and, the records of employees' access to incidents and sensitive information, which are required to be kept in Türk Telekom systems as required by regulations and standards, could be kept for a longer period of time. With the project, the traceability of the activities that could pose a risk to information security within Türk Telekom and the Company's proactive security level also increased.

Türkiye'nin verisi Türk Telekom'da güvende

Türk Telekom, Türkiye'deki en büyük beyaz alana sahip, Tier III sertifikalı Esenyurt Veri Merkezini hizmete sunuyor.



Research and Innovation Activities

Türk Telekom is one of the world's leading information and communication companies with its strong infrastructure, continuously diversified and growing value-added innovative services; its capacity to rapidly reflect technology to its services and its international collaborations.

Smart Transportation

Türk Telekom is the first Turkish operator to have experimented with Smart Transportation Systems set out in the National Broadband Strategy and Action Plan.

Contributing to Turkey's digital transformation

In line with its vision to carry communication to the future, Türk Telekom targets the provision of fast, high quality and economic services to its customers with its customer oriented and integrated communication solutions.

Türk Telekom is one of the world's leading information and communication companies with its strong infrastructure, continuously diversifying and multiplying value-added innovative services; its capacity to rapidly reflect technology to its services and its international collaborations.

Türk Telekom also aims to maintain its leadership position by achieving a competitive advantage in new generation communication services, in addition to adding value to traditional telecom services. Aiming also being the region's primary provider of communication and entertainment technologies, Türk Telekom is also contributing to Turkey's digital transformation.

Conducting R&D activities under an ecosystem approach

Türk Telekom aims to provide innovative solutions to its customers through the research, development and commercialization of new generation technologies with its R&D and innovation activities. Türk Telekom has established a strong ecosystem including universities, SMEs with intensive R&D activities and international R&D partners in order to maximize the potential offered by the existing know-how in Turkey.

Türk Telekom carries out R&D activities in the following technological strategic fields:

- Big Data technologies: Data visualization, data analysis, data mining, machine learning technologies and artificial intelligence applications, privacy and anonymization

- Experienced network and service quality management: Innovative applications for customer experience and service management, virtualization-oriented technologies (SDN, NFV), 4G, 5G and technologies beyond, Cloud RAN, communication with visible light (VLC / LiFi)
- Smart platforms and services: Cloud based services, Internet of Things (IoT) based services, smart home / city / life applications

Outputs obtained within the scope of R&D Center activities in 2018

In 2018, Türk Telekom conducted 10 R&D projects with incentive support. In 2018, grants of EUR 142,500 was received from four European Union R&D projects and TL 590,000 from six TÜBİTAK projects. In addition, applications submitted to three EU and five TÜBİTAK projects are still under evaluation.

The number of patent applications made in 2018 increased by 20% compared to the previous year, reaching 182. Two of these applications were international, while the others were national applications.

A total of 23 applications for academic publications were made in 2018.

The first Turkish operator to experiment in the field of smart transportation systems

Türk Telekom is the first Turkish operator experimented Smart Transportation Systems set out in the National Broadband Strategy and Action Plan (2017-2020).

In a pioneering development, Türk Telekom and Nokia carried out the V2X demo at the Mobile World Congress in Spain in 2018. With the demo, the participants were taken to the virtual streets of a future metropolitan city where there is a heavy traffic and where smart transport systems operate on the 5G infrastructure.

The new generation smart transportation systems aim to achieve standardization and interoperability of the systems for interconnected vehicles, smart city infrastructure, transportation infrastructure, roads, bridges, traffic signs and signalers. The system developed with Nokia promises a more orderly, safer and more economical transportation.

With the V2X technology, a communication network was established by communicating with other vehicles on the road, pedestrians and all smart transportation systems. The information received from this network provides a safer, more environmentally friendly, efficient and comfortable traffic environment.

Argela's ProgRAN also was rolled out in Turkey

The live field trial of the technology of RAN Slicing (Radio Access Network Slicing) developed by Türk Telekom's subsidiary Argela, was carried out by Türk Telekom on the site established within the scope of the Universal Service Project in the Habiller region of Konya.

The "100% domestic" Argela CEM Project

The customer experience management (CEM) platform used in Türk Telekom's mobile network is being renewed within the scope of the project launched at the end of 2017. Developed by Argela, the network performance monitoring and customer experience solution platform is the first and only domestic product in its field. In this context, a 100% domestic product certificate was obtained from the Istanbul Chamber of Industry and the Union of Chambers and Commodity Exchanges of Turkey (TOBB) for the deep packet inspection (DPI), network performance virtualization and customer experience management solutions on 9 October 2018.

Research and Innovation Activities

The product developed will be used to analyze network performance, service quality and customer experience and will contribute significantly to deliver improvements.

Highlights from the 5G Valley Open Test Site activities

5G VATS Memorandum of Understanding

5G Valley Open Test Site (5G VATS) Project aims the establishment of an open test-trial site, which all companies and academics working on the 5G and Beyond subjects can benefit from.

5G VATS was developed under the leadership of ICTA in the region that covers the area between the Hacettepe University Beytepe Campus, the Bilkent and Middle East Technical University (METU) campuses and the Information and Communication Technologies Authority (ICTA) Head Quarters in Ankara. The aim of the site is to establish an environment where universities, research centers, companies and e-technology start-ups can test the applications and technologies related to the 5G and beyond that are to be developed with the domestic and national resources, and where they can create added value.

The 5G Valley Open Test Site Cooperation Protocol was signed by ICTA, Hacettepe University, Ihsan Doğramacı Bilkent University, METU, Türk Telekomünikasyon A.Ş., Vodafone Telekomünikasyon A.Ş. and Turkcell İletişim Hizmetleri A.Ş. on 15 August 2017.

The Memorandum of Understanding, which has the stated aim of deploying end-to-end 5G network, the 4G core network (developed with domestic and national resources), 4G base stations, IoT platform and the test measurement devices (allowing testing in physical network in the 5G Valley), was signed on 24 July 2018 in order to establish test network infrastructures in the 5G VATS.

Türk Telekom regularly attended the 5G Valley Executive Board meetings and provided expert support to meeting participants on the assessment of recommendations as well as the establishment of the test network infrastructure and the determination of the sustainability processes and the execution.

The 5G and Beyond Joint Graduate Support Program

Under the coordination of the ICTA, the first researchers were enrolled in the 2018-2019 academic year as part of the 5G and Beyond Joint Graduate Support Program that was established in cooperation with Türk Telekom, Turkcell, Vodafone, and METU, Bilkent and Hacettepe Universities.

The program, which targets graduate and doctorate students, aims the development of qualified talent needed by the sector, in addition to carrying out specific research and projects related to the 5G and beyond technologies.

Within the scope of the program, Türk Telekom also offers part-time working opportunities for participating students. In this context, six graduate students were included into the Türk Telekom payroll and as such the support given to the program confirmed.



Türk Telekom's 5G road map published in 5G White Book

The White Book prepared by the 5GTR Working Groups under the leadership of the ICTA represents a first that sets out Turkey's priorities, strategies and road maps for 5G and beyond.

The 5G White Book- one of the important outputs of the 5GTR Forum - presents the status of 5G technologies and developments in the world and in Turkey, as well as predictions concerning 5G architecture and perspectives with regard to the 5G requirements for potential technology building blocks.

The 5G White Book also aims to serve as a guide of the 5G and beyond strategy and roadmaps in line with Turkey's goal of being one of the countries that produce these technologies.

The studies that will be and should be carried out in Turkey regarding the core network layer and the physical layer, which constitute the 5G communication network, and the services and applications which will work on these layers are discussed in the book. The book includes details about the software, hardware, services and applications, which may be developed by taking Turkey's technological capabilities in the field of the 5G and beyond technologies into account of, along with recommendations and road maps with regard to how the 5G ecosystem can be expanded and become efficient.

The content of the 5G White Book was created with the contribution of public institutions and organizations, operators, technology companies and suppliers, NGOs, private sector representatives and academics who are members of the 5GTR Forum Core Network, Physical Network, the Service and Application and Standardization Working Groups.

The 5G White Book has become a reference document for both the public and private sector on the 5G and beyond communication technologies. It is expected that such studies, which will support initiatives aimed at creating a domestic and national ecosystem in the 5G and beyond new generation communication technologies, will increase in the coming period.

Actively contributing to the End-to-End Domestic and National 5G Communication Network Project

Türk Telekom offered a significant contribution to the End-to-End Domestic and National 5G Communication Network Project in 2018. The project is being carried out by the Communication Technologies Cluster (HTK) to support the development of 5G technologies in Turkey. Within the scope of the project, R&D studies were carried out in the fields of CRAN, new radio, NFV, cyber security, radio links, OSS and switching equipment in cooperation with 17 companies and 3 operators, which are all members of the cluster.

During the meetings held under the leadership of the ICTA, Türk Telekom met SMEs that are members of HTK and information was provided regarding the products offered by the Türk Telekom network. One-to-one interviews were conducted with those companies seeking to carry out domestic production with feedback given about their products and improvement areas. In order to contribute to the product development processes of the companies within the scope of the project, the Türk Telekom sites and laboratory were opened to the domestic product tests.

The 5G Valley Opening Ceremony

The 5G Valley Opening Ceremony were carried out with the participation of the Deputy Minister for Transport and Infrastructure, Dr. Ömer Fatih Sayan, in the ICTA Laboratory located in the Beytepe Campus of Hacettepe University.



Open Networking Foundation (ONF)

Under the roof of ONF, Türk Telekom initiated SDN / NFV adaptation studies on the basis of open source software with its subsidiary Argela in 2018 and has undertaken an innovative and pioneering role in its sector.

The Assistant General Manager of Technology, Yusuf Kırac, made the opening speech on behalf of Türk Telekom. VOLTHA and ProgRAN demonstrations were carried out at the Türk Telekom booth.

Further studies for the EU / TÜBİTAK projects in 2018

In 2018, four European Union (EU) projects were carried out, including one H2020 and three Celtic-Plus projects. Two EU project proposal applications were submitted.

The SIGMONA project, which was successfully completed within the scope of Celtic-Plus, was awarded with the Celtic-Plus Innovation Award in May 2018 under the category of SDN infrastructure in mobile networks. Meanwhile, work continued on six TÜBİTAK projects while six new TÜBİTAK project proposal applications were submitted during the year.

Further work on the Open Networking Foundation (ONF)

Türk Telekom continues to work with the Open Networking Foundation (ONF), which is one of the few open platforms in the world that leads the development of new generation communication technologies. Under the roof of ONF, Türk Telekom initiated SDN / NFV adaptation studies on the basis of open source software with its subsidiary Argela in 2018 and has undertaken an innovative and pioneering role in its sector.

In this context, Türk Telekom continues to play an active role in the development of Software Defined Networks (SDN), Network Functions Virtualization (NFV) and Cloud technologies.

Türk Telekom hosted workshop of ITU-T SG-12 Service Quality Development Group in İstanbul

Türk Telekom is actively involved in the Working Group 12 of the ITU-Telecommunication Standardization Sector (ITU-T), which conducts work in the field of Network Performance, QoS, QoE, and carries the vice-chairman duty at the working group.

Türk Telekom hosted the event organized by the ITU-Telecommunication Standardization Sector (ITU-T) Service Quality Development Group (QSDG) which sets the standards in the telecommunication sector in the international arena



The event held between 3-7 September 2018 was attended by 104 people including ITU Members, ICTA representatives, operators, suppliers and regulatory agencies from a total of 7 different countries.

As the host of the meeting, Türk Telekom conducted a number of presentations, moderated sessions, and enjoyed effective interaction with the participant audience.

Türk Telekom Technology Innovation Center - providing one-to-one simulation of the Türk Telekom network

Türk Telekom Technology Innovation Center was opened in November 2018.

Providing a one-to-one simulation of the Türk Telekom network, the Center offers the opportunity to design, develop and test telecommunication networks and services at the highest level with a sustainable and repeatable quality approach.

The following activities are carried out at the Türk Telekom Technology Innovation Center, which also includes Access, Network and New Technology Laboratories, in addition to a simulation hall.

- Providing the network's xPON transformation with an architecture that is completely software based (VOLTHA), and the virtualization of the NFVI network,
- Carrying out architectural designs by providing testing environment support for design studies and pre-emptively preventing errors before they materialize,

- Certification - Reporting and conducting compliance inspections for various products,
- Simulation facilities - Providing end-to-end testing environment with the Open and Virtual Networks,
- Training - broadening the competencies of employees and bringing an expert workforce to the telecommunication sector,
- Providing testing and an R&D environment within the scope of the domestic and national 5G developments,
- Providing a laboratory environment that offers students and academics the opportunity to develop telecommunication technologies by conducting studies in cooperation with academia,
- Providing a laboratory environment for small entrepreneurs and start-ups who want to do business and develop projects in the telecommunication sector, within the scope of an incubation environment.

Türk Telekom has established simpler and more agile organizational structures to support corporate **focus areas** in line with its strategies.

10,798

Türk Telekom supports the freedom of establishment an association and the right to collective bargaining. As of December 2018, unionized employee number is 10,798 in Türk Telekom Group.

One of Turkey's largest employers

Türk Telekom aims to be the most preferred company in the Turkish telecommunications sector and thus in line with its future strategy and future targets to attract a qualified workforce aligned with the corporate culture and values.

The Group provides services with a large family of 33,417 people throughout the country, with 16,908 Türk Telekom and 16,509 Türk Telekom subsidiary employees, who are professional and highly experienced in their fields.

20% of the employees at Türk Telekom are women, 80% are men; while 56% of the employees at Türk Telekom subsidiaries are women and 44% are men.

10% of Türk Telekom employees hold a master's and doctorate degree, 35% hold an undergraduate degree and 39% hold associate degree. These rates stand at 3% for master's and doctorate, 36% for undergraduate and 26% for associate degree at Türk Telekom subsidiaries.

In addition, 51% of Türk Telekom employees are aged between of 21-35, 28% between 35-45 and 21% are 45 and above. At the subsidiaries, 78% of the employees are aged between 21-35, 19% between 35-45, and 3% are 45 and above. While the average age at Türk Telekom is 36, it is 31 in Türk Telekom subsidiaries.

A company that respects trade union life and rights

Türk Telekom supports the freedom of establishment an association and the right of collective bargaining. As of December 2018, the number of union members was 10,798 at Türk Telekom Group.

The 12th term collective labor contract, which is valid for two years between 1 March 2017 - 28 February 2019, and determining the wage and other social rights and working conditions of approximately 11,000 union members within

Türk Telekom continued to be implemented. Thanks to the effective social dialogue and cooperation between the company and the Türkiye Haber-İş Trade Union, no significant disagreements were observed. At offices, work peace has been ensured and no strike, delay or stoppage has taken place.

Effective workforce planning

Türk Telekom having the responsibility of being one of the biggest employers of Turkey, carries out many pioneering and innovative human resources practices in order to effectively manage the human resources at the company.

Türk Telekom's human resources policies are based on human rights, equal opportunity, full compliance with ethical principles and legal regulations, diversity, respect for differences and inclusion. These policies enable a harmonious working environment in which the employees of the company who carry out their activities in 81 provinces throughout Turkey can work together towards the same goals.

Workforce planning activities has been carried out to determine the right number of the labor force, which will serve Türk Telekom's strategic targets more effectively and sustain growth and profitability. Within the scope of the labor force planning, benchmarking was conducted using the workforce numbers of the international telecom operators, which are integrated and use their own infrastructure and which offer similar services in the size of

Türk Telekom. As a result of this study, Türk Telekom's labor force plan was prepared.

Within the framework of the customer focus strategy aiming to provide high quality services to the customers, organizational changes in Türk Telekom's top management structure were implemented in December 2018.

Performance management studies that increase productivity

In 2018, the evaluation of 8,078 employees was completed within the scope of the 2017 performance period and 6,075 employees received feedback from their managers.

Target Setting Meetings, which aim to deploy the 2018 senior management targets to director level, were carried out for each business unit. The director targets were then deployed to manager level at the meetings held with the participation of the relevant directors and managers. 2018 Target Setting and Target Review Periods have been completed, covering 7,764 employees.

In addition, in December 2018, the Top Management Targets were set for 2019, and then the Target Setting Meetings aimed at deploying the top management targets to director level were held on business unit basis.



Türk Telekom Akademi

Türk Telekom Akademi, the largest integrated corporate school in Turkey, continues to implement training projects that support the career development of employees.

High interest in the START Young Talent Program

As a company with one of the largest employment capacities in Turkey, Türk Telekom received 18,546 applications in 2018 within the scope of the Young Talent Program "Türk Telekom START". 8,595 candidates who fulfilled the appropriate criteria were included in the General Talent and English Language Assessment. 316 candidates passing these assessments were interviewed after they were evaluated at the Assessment Center. 72 candidates who successfully completed the evaluation process and interviews commenced work full time.

Leading corporate school in career development: Türk Telekom Akademi

Türk Telekom Akademi, the largest integrated corporate school in Turkey, continues to implement training projects that support the career development of employees. Using up-to-date educational technologies, the Akademi provides training and development services with 488 training topics, with 570 active in-house trainers, at 141 training locations, and the average training hour per employee for 2018 is 39.9.

Türk Telekom Akademi employee development activities

In 2018, Leaders School, Technology School, Marketing School, Sales School, Customer Service School, Human Resources School, Finance School, School of Occupational Health and Safety, In-House Trainers School, structured specifically for the core business functions for employee development have continued their activities.

In January-December 2018, the personal development and professional needs of the employees were met by the Personal Development School, Business Unit specific schools, vocational catalog training, technical expertise training and leadership and talent development programs. A total of 4,773 activities were conducted within that

scope. The training penetration rate was 85.2%, and 15,824 employees attended class training at least once.

The new graduates who started to work within the scope of Türk Telekom START Program have graduated from the program by completing orientation program and field visits, class trainings, coaching meetings, rotation process, mentoring program, innovation project process and presentations in the "START Development Program".

Türk Telekom Akademi also organizes live broadcast training in order to support the development of employees on a regular basis every month. In this context, under "Technology Platform" and "Lunch Break" sessions, expert speakers in their fields convey the technologies that lead to today and the future and trend in personal development to employees in one hour live broadcast sessions. After the live broadcast, the videos of the programs are made accessible to all employees via Türk Telekom Port.

Additionally, in the area of technology, the "FTTX Systems Certificate program" has been launched by Türk Telekom Akademi in order to increase the level of knowledge and skills of access technology employees responsible for the operation and maintenance of fiber systems. Within the scope of the program aimed at 1,300 participants, 36 company employees at expert level attended the trainings in the first stage at the Nokia Training Center in Belgium, Antwerp and successfully completed the program. In 2018, 1,084 Türk Telekom employees were included in the Cisco Network Expertise program.

Within the scope of Türk Telekom Akademi, Coaching and Internal Mentoring Programs were carried out in order to sustain the development of employees throughout their business life also in 2018. English speaking clubs have been launched to improve the foreign language skills of employees.

In addition, development programs to raise awareness on the confidentiality of personal data and information security have been implemented for employees. In this context, a special e-training was prepared in cooperation with Türk Telekom Akademi and Regulation teams in order to raise awareness among all employees on the topic of "Law on Protection of Personal Data". Within that scope, nearly 11,000 employees have been reached with in-class and e-trainings. In order to increase the awareness on Information Security, e-trainings were assigned to employees, and 90% of employees completed these e-trainings. In addition, ISO27001 Internal Auditor and Chief Auditor in-class trainings were organized to enable the Information Security Management System to operate and run efficiently within the company.

Leadership Development Programs

Türk Telekom Akademi designed and implemented special talent development programs for employees with high performance and high potential in 2018.

Türk Telekom Leaders School Program: The development of managers is critical in the implementation of Türk Telekom strategies. In this context, the “Türk Telekom Leaders School” was designed with Boğaziçi University, one of the leading universities in Turkey, with the aim of instilling the leadership skills required by technological developments, the expectations of the new generation, competition, rapid and dynamic business environment and to strengthen the leadership culture that will carry Türk Telekom forward.

In the period 2017–2018, 159 Türk Telekom managers participated in the Leaders School.

Strategic Leadership Development Program in the World of VUCA: The Strategic Leadership Development Program in the World of VUCA has been developed with the aim of providing a holistic perspective on Business Management and tools to support Türk Telekom executives on the journey of leading high performance teams in uncertain periods while managing change. A total of 155 participants participated in the program, which was established in cooperation with Sabancı University.

Future Technologies Program: The “Future Technologies program” has been launched for Company managers in order to experience future technology and to shift from being a follower to being followed. In the trainings held in Finland and China for a period of one week, the Internet of Things, 5G technology, IP video, cloud technologies, Virtual Reality and technologies that will lead to the future, such as Augmented reality, have been experienced in application centers. In 2018, a total of 140 managers participated in this program.

Industry 4.0 Managerial Leadership Development Program: The “Industry 4.0 Managerial Leadership Development Program”, focusing on the concept of Industry 4.0, which combines technology and production, has been implemented. In this program, which was realized with the participation at the executive level by Türk Telekom, Industry 4.0 compatible Huawei manufacturing facilities were visited and the experiences of PCCW company operating in Hong Kong, and which has experienced Integration in fixed and mobile technologies, are shared.

Orkestra integrated talent management process

With the Orkestra representing the integrated approach of Türk Telekom Akademi, under the talent management system, the development of the right people in the right positions and with the support of the right development is aimed.

Orkestra consists of three basic phases: Performance Management, Talent Management (Potential Evaluation) and Training/Development (Development Planning).

Within this scope, 360° competency assessment and potential assessments were completed for approximately 7,300 employees in 2018. A total of 58 Talent Management Committee Meetings were held on for business units, where all evaluation results of the employees were reviewed and development needs assessed. To ensure organizational continuity, contingency plans have been defined for executive positions above a certain level. Critical positions were determined and requirements analyses were performed to expand the scope of the contingency and to backup critical expertise.

Assessment/Development Center and Development Consultancy Programs were carried out to support the development of employees. In 2018, Development Consultancy for 300 employees and Assessment/Development Center studies for 200 employees were carried out internally. Through these tools, the development needs of the employees are evaluated by themselves and their managers, and the In 2018, there was 63 managerial level and 740 expert level vertical



8 Awards

Türk Telekom has achieved 8 prestigious awards in the field of Human Resources in 2018 in national and international platforms, further strengthening its employer brand perception.

career movements (promotion) within the Regional/ Head Office. As a pilot program in 2018, Career Paths for Human Resources, Sales and Customer Service, Marketing, Technology and Finance functions were designed in order to support the awareness of employees about in-house options and to determine appropriate career movements in line with their expertise.

Within the scope of the “Leadership Culture Development Program” carried out to contribute to the development of a leadership culture in Türk Telekom, 783 executives were assigned to the development program in 2018, designed for these areas by determining their strong/open to development areas within the framework of Türk Telekom Leadership Model.

“Telecommunication From The Master” Certificate Program

The program, which was implemented in order to improve cooperation with universities and support employment, continues to meet the need for qualified intermediate staff, which is the biggest problem of the telecommunications sector in the country. Within the scope of the program, end-to-end application laboratories have been established in 14 universities, and education is provided under 23 different titles in accordance with the sector needs.

Training sales and business development activities

The Training Sales and Business Development Department offers training content and development programs designed with the accumulated training experience of Türk Telekom Akademi to public and private organizations. In this context, the training needs of many public and private sector organizations were met by Türk Telekom Akademi in 2018 and a high level of educational product sales were realized.

In addition, foreign language training, career training packages, certified training programs and fast reading programs were opened on the digital platform via the Türk

Telekom Akademi website in order to meet the training and development activities of retail and SME customers.

Within the scope of Training Sales and Business Development, the company has also supported social responsibility projects. Within the scope of “Turkish and Adaptation Education Project for Syrian citizens”, Turkish courses at A1 level were completed by approximately 1,000 people in 40 classrooms. Thus, the participants gained the ability to read, write and express in themselves in Turkish at a level to sustain their daily lives.

Use of educational technologies in Türk Telekom

In addition to classroom education, the share of e-learning increased to 12% during the year 2018 by using alternative education technologies. The e-training catalogue was opened to all employees and close to 220 video clips were prepared with the Academy Video Studio.

Occupational Health and Safety (OHS) Training has been carried into the digital environment and a high level of savings has been achieved. With virtual reality, both “OHS Work at Height Training” and “Türk Telekom 4 Product VR training” applications have been expanded throughout the company and in the sector. Within the scope of educational technologies, interactive video-like features have been included in the projects and implemented. A large number of group trainings were given by preparing the “Use of Technology in Education” and “Game Play” training under the umbrella of Türk Telekom Akademi. Again, in the context of “Game Play”, QuizGame was launched and a serious subject such as regulation were discussed with employees in a fun way. In addition, screen trainings of applications used by Türk Telekom office and dealer employees in the company were organized.

Employer Brand Activities

Within the scope of Türk Telekom being a preferred company, various employer brand activities were also conducted. Türk Telekom has achieved 8 prestigious awards in the field of Human Resources in 2018 in national and international platforms, further strengthening its employer brand perception.

Campus Communications: Within the scope of Türk Telekom campus communications, Türk Telekom leaders meet with university students at the beginning of their career and introduce the sector by sharing their experiences. Türk Telekom provides information about career opportunities as well as providing promotion of telecommunication sector and business areas by participating in organizations held at universities all over Turkey throughout the year.

Türk Telekom Career Web Site: Within the scope of employer brand activities, the Türk Telekom Career website has been completely renewed in order to ensure that it is in a structure that can be viewed on all devices smoothly with its “sensitive web design” approach. Those who want to join the Türk Telekom family or get information about Türk Telekom human resources can access the information quickly and practically and leave their resumes if they wish through the new simplified and user friendly www.turktelekomkariyer.com.tr website.

Social Media Communications: Employer brand communications for young talent and professionals are carried out via Türk Telekom Career social media accounts. With content such as Life at Türk Telekom, Human Resources practices, current news, career recommendations, campus, and continuous social media communication, candidates are introduced to Türk Telekom.

Internal Communication Activities

New Channels in Employee Communication

Alternative channels such as instant notification application and digital displays have been implemented and the rate of the use of these channels in employee communication has been increasing. In addition, the effectiveness of employee announcements such as Gündem, Friday Post were measured and improvements were made in fields such as design. The interface of Türk Telekom Port, which is the joint communication platform of all employees of Türk Telekom, has been renewed and presented to the service of the employees with its new user friendly design. Within the scope of integrated communication, announcements made by e-mail are supported by an instant notification application and news and announcements reach 100% of employees.

In-house communication magazine, with its brand-new corporate design and a much richer content, has been published in print form on 3-month intervals under the name of “Türk Telekom Güncel”. The magazine was also introduced digitally to Türk Telekom employees via Türk Telekom Port. In the magazine, where employees take part with their off--the-job success and hobbies, a wide range of issues ranging from kitchen to travel, from business to celebrity interviews are presented to readers.

Employee Motivation and Loyalty Projects

New internal communication projects have been implemented in order to increase employee motivation and loyalty and to support employee development; and existing projects have been developed and continued.

Within the scope of the motivation program implemented under “Campaigns for Us” project, discount agreements were made with companies in many fields, from education to restaurants, health to food, for employees and their first degree relatives. Participating companies and discount rates are shared with all employees through Türk Telekom internal communication channels. In this context, under agreement with cooperating brands, stands were opened at Türk Telekom locations and company employees were given the opportunity to spend a pleasant time in the intensive work pace and to shop at affordable prices.

The project “Discovering the Authors Within Us” was continued in 2018, aiming to support the reading culture among employees and enable them to transfer their expertise in their fields of expertise to each other. The books written by the employees of the company specifically “Ters İşler -In Reverse”, describing the damage caused by The Plaza language to the Turkish language in a humorous tone, and “Bildğin Gibi Değil -Not As You Know”, which illuminates the etymological origins and histories of the words used in daily life, have been published in 4,000 copies and presented to Türk Telekom employees.

The Authors Within Us

The project “Discovering the Authors Within Us” continued in 2018, aiming to support the reading culture among employees and enable them to transfer their expertise in their fields of expertise to each other.

To increase awareness of Türk Telekom employees towards the correct use of the Turkish language and to support their development and language, the “Turkish Mobilization” has been introduced. Within the scope of this project, which is also supported by the Company’s senior management, the correct use of the Turkish language instead of the incorrect use of the so-called plaza language has been encouraged. Within the scope of the project, examples supporting the correct use of the language are regularly shared with employees through internal communication channels.

In order to increase awareness of the damage caused by electronic waste to the environment, to reduce the damage by recycling these wastes in a healthy way and to convert the source obtained to value for Turkey, the campaign “We collect E-waste, Recycle and Protect Nature” has been initiated. With this campaign organized in the form of a competition in cooperation with Occupational Health and Safety teams for Türk Telekom employees and their families, contribution to Turkey’s future and sustainability together with Türk Telekom Human Resources is aimed. In the second phase of the project carried out in 2018, 15,000 e-waste has been collected all over Turkey. These wastes were used in the workshops of gifted children and then recycled in collaboration with TÜBİSAD, with the resource donated to Red Crescent.

Instant awards

Within the scope of the Instant awards launched in order to spread the appreciation and reward culture in Türk Telekom throughout the company, 228 success stories were shared with internal communication in 2018 and 191 employees were rewarded in this context.

Inventor idea development system

Türk Telekom attaches importance to contributing to the company’s future with the ideas of its employees. From 2016 to 2018, a total of 1,905 new ideas have been

proposed by a total of 1,115 inventors to the inventor idea development system (Mucit), which is open to the innovative ideas of all employees. After evaluation in many respects, 47 ideas and Inventors among the ideas presented to the Innovation Committee, which included the top executives were found to meet the criteria, and were awarded. In 2018, the Inventor Idea development system, was transformed into a more fun and smarter innovation platform for employees.

Employee activities

In 2018, a total of 48 activities including 1,846 employees were organized in order to evaluate the integration of the teams, processes, targets and the current situation under the roof of Türk Telekom. The average satisfaction rate of the events is 4.4 out of 5. A high level of satisfaction was achieved by the activities built on team spirit, cooperation, and working together.

Motivation activities

Within the scope of motivation activities in 2018, team meetings, target meetings, regional visits, launch events and project celebration activities were organized.

In addition, activities aimed at motivating employees were carried out on their special days. On March 8, International Women’s Day, all female employees were given flowers by male employees; On Down Syndrome Day, a book which describes the success story of an employee with Down Syndrome, was distributed to employees free of charge.

Again, the Turkish Telekom Sports Olympics, where 5,000 Türk Telekom employees from all over Turkey compete with team spirit in 6 different areas, has been held in cooperation with the Directorate of Facility Management and as such, one of the largest private company internal sports organization in Turkey has been held.

Türk Telekom’s Human Resources practices are well-appreciated

In 2018, Türk Telekom Human Resources was awarded with the most prestigious awards in the national and international arena, and has left behind a very successful year.

Awarder	Category	Project	Award
Stevie Awards for Great Employers	Chief Human Resources Officer of the Year	Şükrü Kutlu, Türk Telekom CHRO	Gold
Stevie Awards for Great Employers	New Products and Services Categories	Orchestra Talent Management System /360 Degree Competency Evaluation	Gold
Stevie Awards for Great Employers	Achievement in Employee Relations	Stay Interview Program	Bronze
Stevie Awards for Great Employers	Achievement in Internal Communications	Our Reading Culture Projects	Bronze
Stevie Awards IBA	Human Resources Executive of the Year	Sükrü Kutlu, CHRO	Bronze
Brandon Hall HCM Excellence Awards	Best Advance in Employee Recognition	Stay Interview Program	Bronze
TEGEP	Best Learning and Development Program	Internal Trainer School	Winner
TEGEP	Best Leader and Management Development Program	Future Technologies Program	Winner



Investor Relations

Türk Telekom's Investor Relations Department had the opportunity to meet 350 equity and bond investors in various locations, especially in the USA and in the UK during 2018.

Since 2009

Türk Telekom has been included in the BIST Corporate Governance Index since 2009 and is the only telecom company in the Index.

Türk Telekom engages in a transparent and close communication with its stakeholders

Türk Telekom is an integrated telecommunication and technology services provider, whose main shareholders are Levent Yapılandırma Yönetimi A.Ş. (LYY) (55%), the Ministry of Treasury and Finance (25%), and the Turkish Wealth Fund (5%).

The remaining 15% of the shares in Türk Telekom are publicly traded on the Borsa İstanbul (BİST) under the TTKOM ticker.

As of the end of 2018, the Company's market capitalization was TL 13.7 billion.

As of the end of 2018, Türk Telekom had two Eurobonds, each of USD 500 million. These bonds trade on the Irish Stock Exchange.

Türk Telekom's Investor Relations Department had the opportunity to meet 350 equity and fixed income investors in 2018

Türk Telekom's Investor Relations Department reports to General Manager/CEO with respect to management of relations with existing and potential shareholders and fixed income investors on a regular basis, to answer investor and analyst questions in the most effective manner and to carry out activities with the aim of increasing the value of the Company.

The Investor Relations attended 13 investor conferences and 3 roadshows in various locations, especially in the USA and in the UK, throughout 2018. The Department met 261 equity and fixed income investors during the course of these events.

Including numerous meetings held in Istanbul, Türk Telekom's Investor Relations Department had the opportunity to meet 350 equity and fixed income investors during 2018.

During 2018, following the announcement of the quarterly financial and operational results, teleconferences were held to share the assessments of the company's senior management on the relevant quarter and to give the opportunity to investors and analysts to ask questions to the management. In addition, meetings were organized with the aim of bringing together the senior management of Türk Telekom with analysts and providing effective face-to-face communication.

The frequent questions from investors and analysts throughout the year concerned the drivers of the strong growth recorded by Türk Telekom, the sustainability of this growth, the increase in fixed broadband penetration in parallel with the strategy, the factors affecting the increase in market share in mobile, actions on operating expenses

that drove the strong EBITDA, the shareholder structure and the debt profile.

Türk Telekom takes utmost care to implement the principles stipulated in the Corporate Governance Principles issued by the Capital Markets Board and monitors the interests of all shareholders and stakeholders at equal distance in a transparent and close relationship.

Türk Telekom's Investor Relations Director also serves as a member of the Corporate Governance Committee.

Türk Telekom is included in the national and international indices in the areas of corporate governance and sustainability

Türk Telekom has been included in the BIST Corporate Governance Index since 2009 and is the only telecom company in the Index.

Türk Telekom has been included in the BIST Sustainability Index since 2014 when the index was established. The importance that the Company places on environmental, social and corporate governance policies and the exemplary practices have played an important role in Türk Telekom's successful performance in the BIST Sustainability Index.

Türk Telekom is also included in the international FTSE4Good Index, where the performances of companies with strong and exemplary applications in the field of environmental, social and governance (ESG) practices are evaluated.

Türk Telekom pays utmost attention to ensure the functioning of the internal processes comply with the legislation, and distance learning programs are implemented in order to raise awareness about compliance with the legislation. In 2018, approximately 10,000 people completed distance learning in this context.

In order to monitor those employees in positions with access to insider information, a system and database were established during the year. The determination of individuals with access to insider information is carried out through this system.

Around 150 institutional investor base

According to the latest study conducted by an independent service provider in December 2018, Türk Telekom had around 150 institutional investors worldwide.

The survey revealed that "value-oriented investors" constituted the majority of the investor base. In addition to the "value-oriented investors", "Growth" and "Index" are among the investment styles with a high share in the distribution.

Türk Telekom's institutional investor base is composed of funds based mostly in Europe (32%), the USA (24%) and the UK and Ireland (17%). In addition, a large number of funds from different regions in the world (Singapore, Hong Kong, etc.) as well as investors in Turkey are among the investors.

24 brokerage firms actively cover Türk Telekom - a very high figure among Turkish corporations.

An approach, which supports multi-faceted and effective stakeholder communication

Having adopted a leadership position in Investor Relations, Türk Telekom carries out the most advanced implementations.

The content of the Investor Relations website is prepared by taking into account the needs and expectations of individual/institutional investors, the analysts and stakeholders that constitute the company's target audience. The website provides access to important strategic, financial and operational information, and Türk Telekom's investment theme.

The content of the website, which enables shareholders and stakeholders to access information in the easiest way, is updated simultaneously in both Turkish and English.

In addition, the Investor Relations website includes a "Contact Form" where shareholders and stakeholders can communicate with Türk Telekom quickly.

Current announcements such as regulatory disclosures made by Türk Telekom on the Public Disclosure Platform (KAP) are sent simultaneously to the current distribution list of the stakeholders, including analysts and investors who opt to receive them.

These announcements, which are sent to the distribution list, are also shared on Twitter. Featured speeches of the senior management in the investor call are also shared through this media.

International Awards for Türk Telekom's 2017 Annual Report and its Investor Presentation

In 2018, the investor presentation, prepared by Türk Telekom Investor Relations, which included the current financial and operational results and information about the Company's strategy, won recognition in the "International Business Awards" also known as the Stevie Awards, which is among the prestigious organizations of the global business world. The presentation was also awarded in Creativity International Graphic Design and Advertising Awards in 2018.

In another accolade, Türk Telekom's 2017 Annual Report, published in 2018, was awarded at the 2017 Vision Awards held by the LACP.

Sustainability & Corporate Social Responsibility

In line with its goal of leaving a habitable world to future generations, Türk Telekom carries out transformation works to ensure that its office and business processes are more compliant with the principles of sustainability.

2,000 Locations

Türk Telekom uses solar power in approximately 2,000 locations with the system having a total installed capacity of 2.5 MW.

Sustainability Initiatives

In line with its goal of leaving a habitable world to future generations, Türk Telekom continues work on its transformation efforts to ensure that its office practices and business processes are more compliant with the principles of sustainability. The Company seeks to involve all employees and their families, suppliers and customers in this transformation process as a cornerstone of its sustainability strategy.

Expanding efforts in renewable energy

Acutely aware of the impact of high energy consumption on society and the environment, Türk Telekom attaches importance on investments and work in the area of energy efficiency and renewable energy with the aim of efficient use of energy resources, widening the use of renewable energy resources and minimizing negative impacts on the environment. The activities carried out and achievements obtained in this context are summarized below.

- Türk Telekom systematically reduces carbon emissions through its efforts to use renewable energy and through efficiency projects. Türk Telekom uses solar power in approximately 2,000 locations with the system having a total installed capacity of about 2.5 MW.
- Cooling and sound communication systems with a low level of efficiency have been replaced with high efficiency equipment. Air conditioning units used in the system rooms have been replaced with new generation, low energy consumption free-cooling air conditioners, thus contributing to efforts to reduce carbon emissions. With the Smart metering project, energy consumption can be monitored in detail and in real-time when necessary.
- Services in the old generation systems that have completed their technological life cycle have been

replaced with new generation transmission systems, thus enhancing service quality by providing ease of maintenance and operation and energy saving.

- In Türk Telekom offices, space savings have been achieved through the building / system hall optimization projects, bringing about a significant reduction in energy consumption in cooling.
- In addition, savings and also reduction in carbon emissions have been achieved with the use of energy saving light bulbs, heat insulation and sheathing, public transportation, building automations, an environmentally friendly vehicle fleet, paper recycling, the electronic document and documentation system (EDITT), central printing systems, distance learning, telepresence and video conferencing.

Since December 2011, Türk Telekom has been providing all employees with online training on climate change, risks and the simple changes that can be made on the daily habits to reduce these risks. Türk Telekom also conducts in-class training on energy efficiency and occupational health and safety legislation.

At the same time, Türk Telekom has the accolade of being the first telecommunications company to have rolled out the e-billing system in Turkey.

Türk Telekom promoting the efficient use of resources with Smart Cities

Türk Telekom has implemented a number of initiatives for sustainability. Türk Telekom Smart Cities is one of these initiatives, and aims to develop integrated solutions tailored to the needs of each city with a new generation approach to urbanism as well as new generation urban technologies, thus serving the sustainable society by achieving resource savings.



Türk Telekom Smart Cities initiative, which has been implemented in order to bring lasting ease to the lives of citizens and public authorities by using information and communication technologies, enabling forward-looking decision making by processing the data that is collected from different channels such as sensors and vehicles on the Company's IoT platform.

Ease is brought to city life by new generation applications offered under the headings of smart traffic, smart environment, smart health, smart security, smart energy and smart management.

Turkey's first integrated new generation city project

Within the scope of the Türk Telekom Smart Cities initiative, Turkey's first integrated new generation city project was implemented in Karaman. This was followed by Antalya and Kars Smart City projects. With these projects, the smart applications developed by Türk Telekom have been integrated into public services and urban life.

With the scope of the projects aimed at saving energy in all public services concerning smart life, encompassing traffic, health, irrigation and lighting, over 20 applications such as smart transportation, environment, health, safety, irrigation and energy have become manageable through a single interface offered by the Smart City Operation Centers.



CDP

Reporting to the CDP for the first time in 2011, Türk Telekom was the first Turkish telecommunications company to take part in this global initiative.

The new generation cities projected aim to provide public benefit in locations where smart systems are available. With the new generation city applications, savings of up to 40% in electricity and 30% in irrigation were achieved. The decrease in the time spent in traffic resulted in a 28% fall in carbon dioxide emissions and as much as a 45% fall in fuel consumption.

Türk Telekom is engaged in efforts to rollout the Smart City projects, with work continuing in Antalya, Kırşehir and Mersin, and which eventually to be brought to 81 provinces. Introductory activities have been continuing in many municipalities.

Taking measures to enhance efficiency and protect human health at base stations

The measures taken and the solutions developed by Türk Telekom at base stations in order to increase efficiency and to protect human health are summarized below.

- In line with the objective of increasing energy savings, equipment with a high level of energy consumption at Türk Telekom facilities has been replaced with lower energy consuming models.
- In order to reduce greenhouse gas emissions at the base stations, environmentally friendly air conditioning gas is used. At the same time, Türk Telekom has air conditioner usage rate at minimum levels thanks to the installation of free cooling fan systems at the base stations.
- DC Invertors which have high energy losses have been replaced with high-efficiency (97%) models. It is ensured that old type DC Invertors that become are idled after replacement are recycled in an environmentally friendly manner at recycling facilities.

- Unexpected energy losses are minimized thanks to regular maintenance and repairs of base stations.
- Energy savings are achieved by using renewable energy sources such as solar panels and wind turbines at suitable base stations.
- Electromagnetic field measurements are carried out before and after the installation of base stations, thus ensuring safe operations for public and the environment.
- In the planning, design, installation and operation phases, maximum attention is paid to minimize human and environmental intervention factors at the base stations and all necessary precautions are taken.
- Placing first priority on human health and the environmental safety, all necessary safety equipment is used in order to ensure base stations are not being affected by natural disasters and do not endanger the environment and public health.
- Base stations are monitored 24 hours a day and the site of the station, allowing the most rapid intervention in the event of emergency situations or natural disasters, thus ensuring the highest level of operational competency.

Continued participation in the Carbon Disclosure Project

Türk Telekom strives to reduce greenhouse gas emissions by offering products and services that support the low carbon economy, and extends support to various sectors with products and service solutions with low carbon emissions. Greenhouse gas management and efforts to tackle climate change are important issues for the company and are included in the company's overall strategy. Goal of Türk Telekom at this stage is to set an example for the sector in fighting climate change and continue to be the facilitator to the companies in other sectors.

The Carbon Disclosure Project (CDP) is an international organization with the largest climate change database in the world, which reports globally on how climate change risks are being managed by companies every year. It evaluates the responses of participating companies with regard to the management of environmental risks according to the CDP methodology, which is an environmental data rating methodology. Companies with high environmental awareness share records of their greenhouse gas emissions, their water resources management and their climate change strategies with

investors through the CDP in order to determine their mitigation targets and to enhance their performances. This report provides guidance on how global investors can benefit from the climate data in order to make more accurate investment decisions.

Similar to high performance companies reporting worldwide, Türk Telekom also participates in the CDP. Reporting to the CDP for the first time in 2011, Türk Telekom was the first Turkish telecommunications company to take part in this global initiative.

Türk Telekom reported to the CDP between 2010 and 2011 and started to report to the CDP in 2017. Türk Telekom report submitted to the CDP was assessed at the D (Disclosure) level in 2017.

In the responses of Türk Telekom for the 2018 CDP report, the company disclosed on the projects to increase its energy savings and renewable energy use, to reduce its fuel consumption and carbon monoxide emissions, and its annual energy saving objectives, Smart City projects, Cloud Eye technology and projects that have a positive impact on climate change. This reporting resulted in an improvement in the rating from D+ to the C+ (Awareness) level.

The departments throughout Türk Telekom have annual emission reduction targets and the realizations are regularly monitored.

Türk Telekom's objective is to set the strategic emission reduction targets that will cover 5 and 10-year periods until the next reporting period, and further reduce carbon emissions that can be managed through the Company and to ensure that the emission calculations are verified by an authorized institution.

Türk Telekom has annual targets to reduce electricity and fuel consumption. Despite the increase in network capacity, the annual electricity consumption of the fixed network edged down from 800 million kWh in 2016 to 790 million kWh in 2017 thanks to the efficiency and savings projects implemented.

In 2018, targets for reducing annual electricity consumption were set by the senior management and relevant employees. Despite the growth in the number of customers, frequency bandwidth and capacity utilization, the Company decreased its electricity consumption by 2.2% yoy to 773 million kWh. Türk Telekom is amongst the few operators that decreased electricity consumption in the world in the past five years. In addition, Building Automation Systems were installed in ten buildings in 2018, with a target to cut fuel costs in the related units by 15%.

Continuing efforts to promote the occupational health and safety and environmental culture

Türk Telekom is obliged to take the necessary measures in workplaces as stipulated by the Occupational Health and Safety Law and the Environmental Law, and the legislation published in line with these laws. It strives to implement and develop the measures set out by the mentioned legislation at all workplaces.

Türk Telekom has adopted a proactive and productive approach to occupational health and safety and environmental management. The Company works to prevent occupational accidents, create environmental awareness and promote a culture of occupational health and safety and environmental awareness among employees by improving the related systems.

The methods and principles applied in determining potential hazards arising from Türk Telekom's activities, products and services and the risks related to them, the evaluation of their environmental impacts and aspects and, thereby, bringing potential hazards under control is defined systematically. Türk Telekom prepares and



Zero Waste

The aim of Türk Telekom is to leave a habitable environment for future generations by taking part in the Zero Waste Project.

reports risk and environmental impact assessment tables in order to minimize occupational accidents, occupational illness and environmental aspects. The study is aimed at identifying the risks that may cause occupational accidents and illnesses before they occur and to take the necessary precautions.

The Occupational Health and Safety Committees, which are responsible for determining possible risks and to take necessary measures, are structured to ensure the health and safety of employees in the Company's workplaces. Feedback from employees with regard to occupational health and safety measures is evaluated in these committees, in which representatives of employees participate as members.

Türk Telekom's three regional directorates operate under the ISO 14001 Management System and OHSAS 18001 Occupational Health and Safety Management System. The company holds the ISO 14001 Management System Certificate and provides systematic improvement and development of the environmental management.

The OHSAS 18001 Occupational Health and Safety Management System Certificate enables the systematic rollout and improvement of occupational health and safety activities.

Recycling to Protect the Future

A comprehensive study on waste management is carried out within the scope of Türk Telekom's sustainable environmental policy and actions are taken, primarily for the recycling of waste. Steps are taken to ensure the recycling of wastes in accordance with the standards and methods specified in the relevant regulations, and in a manner that is not harmful to the environment; if this is not possible, the wastes are disposed of.

Highlights from the results obtained from the waste management projects carried out in 2017 at Türk Telekom are as follows.

- Saving of 500 liters of petrol with the recycling of 5 tonnes of glass waste.
- Saving of 1,700 pine trees from being cut with the recycling of 100 tonnes of waste paper.
- Saving of 4 million tonnes of raw material with the recycling of 3,115 tonnes of waste metal.
- Energy savings of 10 million kWh were achieved with the recycling of 696 tonnes of waste plastic.
- Prevention of 175 million liters of water pollution and contributions to the production of biodiesel with the recycling of 175 liters of vegetable waste oil.
- Contributions to the production of renewable energy by sending medical wastes to licensed disposal facilities

Full steam ahead with Electronic Waste Collection Campaign

In accordance with the Regulation on the Control of Waste Electrical and Electronic Equipment, targets are set for manufacturers for the recollection of electrical and electronic devices that they offer to the market with amounts specified for each year as waste. In 2018, Türk Telekom continued the campaign it launched in 2017 to reclaim its modems from the market in line with its targets that it determined in accordance with this legislation.

With the campaigns and the organizations, such as Electronic Waste Collection Competition, carried out within the company, employees can contribute to the process and the revenues obtained from the collected wastes are used in social responsibility projects.

In 2017, with the revenue collected as a result of the Electronic Waste Collection Campaign carried out at Türk Telekom, the Company provided a contribution to the education of 55 children.

The electronic waste revenues generated as a result of the 2018 campaign was donated to the Kızılay (Turkish Red Crescent).

Ongoing activities for Zero Waste project

Aiming at preventing the rapid consumption of natural resources and transforming the waste into an input for the economy and preventing waste being a threat to the environment and human health, the waste management strategies constitute the basis of the sustainable development approach that transforms into a priority policy target on a global scale.

Within the framework of the sustainable development goals, the Zero Waste Project was launched in order to protect the resources, take control of the waste, to leave a clean and developed Turkey and a habitable world to future generations. The project is planned to be implemented in phases until 2023.

The aim of Türk Telekom is to leave a habitable environment for future generations by taking part in the Zero Waste Project.

The Zero Waste Project was launched as a pilot project on the campus of the Ankara Türk Telekom Headquarters. In the next phase of the project a strategic path within the scope of the Zero Waste Regulation, which will be put into effect is planned to be followed at the regional and headquarter offices.

Within the scope of the pilot application launched in March 2018 at the Ankara Türk Telekom Headquarters,

- Design and production of recycling boxes are completed.
- In order to reach the core target and to create awareness of recycling, four-part recycle bins, which are classified as glass, plastic, paper and household waste bins, were placed on the building floors and battery collection boxes were placed in front of the building.
- Employees were informed about the waste and recycling subjects.
- In order to carry out waste collection operations on-campus in an organized and orderly way, an electrical vehicle in the Company's inventory, was allocated to the project and the vehicle was configured for this purpose.
- Design works of waste separation units to be used in dining halls and cafeterias were initiated.
- Design works of the posters and notices that will be used within the scope of the project were initiated.
- Training and video content studies aimed at informing the employees and raising their awareness of the environment and waste were initiated.



45,000

Within the scope of “İnternetle Hayat Kolay” project, 45,000 people gained internet literacy.

Corporate Social Responsibility

Türk Telekom works with the principle of “accessible communication for all”

Türk Telekom considers contributing to access to information for all segments which cannot participate in society due to economic, social, regional or physical reasons as its corporate responsibility and works with the principle of “accessible communication for all”.

Paying attention to shaping the way of doing business in line with United Nations Targets for Sustainable Development, Türk Telekom carries out corporate social responsibility projects that add value to Turkey, especially within the framework of the articles of “Qualified Education” and “Elimination of Inequalities”.

Continuing its social responsibility activities with the “Just one change is enough, Worth It For Turkey” approach, Türk Telekom has implemented many projects under the brand of “Value To Turkey”. Among the projects are, İnternetle Hayat Kolay, Telefon Kütüphanesi, Günışığı, Okulumda Günışığı, Sesli Adımlar, Yeni Nesil Gelecek, Gelecek Köprüsü, Türk Telekom Schools, Türk Telekom Amateur Sports Clubs.

Local social responsibility activities organized by Türk Telekom Provincial Directorates are conducted within the scope of “Value to Turkey” Project.

45,000 people gain internet literacy

The “İnternetle Hayat Kolay” project targets people who are not aware of the possibilities offered by the internet and cannot benefit from these opportunities. The project enables these people step into the online world through internet literacy training. The project was carried out in cooperation with Türk Telekom, Habitat Association and United Nations Development Programme (UNDP).

Aiming to eliminate regional and economic disparities, the target group of the project is adults over 25 years of age in 81 provinces, primarily in the provinces with development priority, and who do not have or have very limited internet literacy. Women are given priority in the target group.

Within the scope of the project, 45 thousand people were received internet literacy education as of 2018 year end.

The project’s mobile application was developed to ensure that the educational content is accessible by all from anywhere. In order to ease the lives of refugees with the internet, the application was also launched in Arabic.

In the project, participants above middle age benefited from the training on subjects such as taking e-appointments, pension queries, using e-government, and online contact with their far away relatives.

In the Telephone Library books speak, disabilities disappear

Türk Telekom launched Turkey’s first Telephone Library in 2011 in collaboration with the Boğaziçi University Visually Impaired Technology and Education Laboratory (GETEM), based on the principle of equal opportunity access to information.

With the Telephone Library project, over a thousand audiobooks are offered to visually impaired Türk Telekom customers via the telephone number 0 800 219 91 91. Visually impaired Türk Telekom customers can access the audiobooks free of charge with the passwords they receive after becoming a member of GETEM. It is also possible to reach the Library through a free application downloaded on mobile phones.

There are over a thousand books and content in more than 50 categories, from poetry to novels, from history to personal development, from mock exams to documentary films in the telephone library, which serves as an audiobook and content service for visually impaired individuals. Users have the possibility to pause and continue listening to the book later, to rewind or fast forward the book, to listen to it faster or slower, and to access the book they are looking for through an audible menu.

In addition to the books in the telephone library, in the “Talking Paintings” section, there are audio descriptions of 20 world-famous paintings and instant Anadolu Agency news so that visually impaired individuals can follow the agenda.

With the currency recognition function developed recently, the Telephone Library allows visually impaired individuals to pay in stores, shops, in taxis, at any time they need securely without the need for an internet connection.

Since its inception in 2012, the Telephone Library has been called a total of 7.5 million minutes. The mobile app launched in 2016, has been downloaded 25 thousand

times, and the Voice to Books application facilitating voluntary book reading has been downloaded 24 thousand times.

Project was awarded one of the world's most prestigious PR awards, Turkey's Best Project by SABRE.

Integrating children with low vision

Children with visual abilities below a certain percentage are generally treated as "totally blind" in Turkey and directed to schools for visually impaired. The project, which started in 2014 in cooperation with EY-der, aims to provide early intervention education for children with limited vision and to continue their lives without the help of others and to continue integration education instead of the schools for the visually impaired.

Within the scope of the Günüşığı project, the visual acuity of visually impaired children are determined and these children are made aware of their vision capacities. The Günüşığı project, the only example that enables distance early intervention education, has spread across Turkey with the technology and infrastructure of Türk Telekom.

Children, who were considered blind, were integrated with their peers by the project, which has provided education for 900 children with low vision in 62 provinces as of 2018. The first and only smartphone application designed by Türk Telekom within the scope of the project to support functional vision skills and improve hand-eye coordination, Günüşığı Games has been downloaded 5,000 times so far. Günüşığı Games is an application that can be used by children with low vision and the elderly with weakened vision.

Another benefit created by the project was the transformation of the pictures drawn by the children with low vision to holiday greeting cards by Türk Telekom.

Türk Telekom's Günüşığı project received the Corporate Social Responsibility award at the Golden Compass awards with the Günüşığı Games. Günüşığı Games was also a finalist in the Glomo GSMA 2018 awards, one of the most prestigious awards in the GSM sector.

As a first in Turkey, the social impact of the project was measured in financial terms in accordance with international standards, using the theory of change and social return on investment. According to the report, it has been determined that the investment has created an economic value close to two-fold, when taking into account children and parents; and the value created when

the whole family is taken into consideration is 3:1, or three fold. The social value created by Türk Telekom with this project is far above the world average.

The Günüşığı project was also invited as a case study at the International Week at the Royal Dutch Visio event.

Günüşığı education now reaches schools

The Okulumda Günüşığı, which started in 2018, was born as a result of the natural evolution of the Günüşığı project. Within the scope of this project, students, parents, teachers, and administrators at mainstream schools attended by low vision graduates of the Günüşığı education are given training on Low Vision Education.

With the project, a total of 50 schools in 11 provinces were selected. It is planned to continue the training for 2 years and 4 semesters and to reach about 5 thousand teachers during the project period.



78 Schools

With the Türk Telekom Schools Project, a modern educational environment for students is provided in 78 Türk Telekom education buildings, established all over Turkey, mostly in the East and SouthEast.

In 2018, trainings were offered in Kars, İstanbul, Kütahya, İzmir, Siirt, Uşak, Ordu, Ankara, Eskişehir, Antalya and Tekirdağ provinces.

It is aimed to increase social awareness by increasing Okulmda Günışığı education and to share the results with the Ministry of National Education by reporting at a school level.

Sesli Adımlar enable people with visual and hearing impairments to move

Sesli Adımlar is a smartphone application that enables visually and hearing impaired people to navigate complex buildings such as shopping malls, campus, and airports without assistance.

The application, first launched in 2014 only for blind people, enables blind people to find the places they want to go in public spaces without anyone else's help or to understand where they are at the moment.

The Sesli Adımlar application, which provides operator independent voice guidance through smartphones, has been made suitable for hearing impaired people by adding simple icons in 2017.

The application has been put to service in 47 different structures, including the Chicago Lighthouse, Istanbul Technical University, Kars Government Office, Grand Mosque, San Francisco Lighthouse and the Ministry of Youth and Sports. Sesli Adımlar has been downloaded by approximately 30 thousand people in 8 countries and 20 different cities and has been used 200 thousand times, covering an area greater than 2 million square meters.

The application, which shifted to a multilingual infrastructure in 2018, has been used abroad as well as by tourists, migrants, and refugees thanks to its English, German and Arabic options.



In 2018, Sesli Adımlar received an invitation to the “Accessibility” workshop, where standards will be set in the field of technologies that facilitate the lives of people with disabilities organized by the US Consumer Technology Association CTA.

The application was launched at the Antalya Metropolitan Municipality Building in 2018, within the scope of Smart Cities.

Young people are preparing for next-generation technologies

New Generation Future; was launched in 2018 with the cooperation of Türk Telekom, Microsoft Turkey, and the Habitat Association. The main focus of the project is to contribute to the acceleration of Turkey’s compliance with the Industrial 4.0 process, to support the growth of the software sector in Turkey and to invest in human resources to produce smart technologies.

Within the scope of the project, 350 young people studying in vocational schools and high schools were given 16 hours face- to-face training using IoT kits by 35 volunteer trainers in 14 pilot provinces. Trainings are also offered free to all via Microsoft Open Academy and TT Academy.

Together we are building a bridge to the future

The Gelecek Köprüsü project, launched in 2018 in cooperation with Türk Telekom, Human and Civilization Foundation and Sakarya University in order to enable the Syrian refugees to adapt to society with language and vocational trainings and to continue their life with ease should they return to their countries.

In the first phase of the project, 7 thousand applications were made from Istanbul alone and 400 people selected from the applicants were given various trainings. The subjects of education were determined as Basic Turkish education, Coding and Web Design, Photography and Videography, Journalism and Writing.

Major investments in education

Türk Telekom is implementing one of the largest social responsibility projects ever implemented in the field of education. With the Türk Telekom Schools Project, a modern educational environment for students is provided in 78 Türk Telekom education buildings, 54 of which are schools, established all over Turkey, mostly in the East and Southeast.

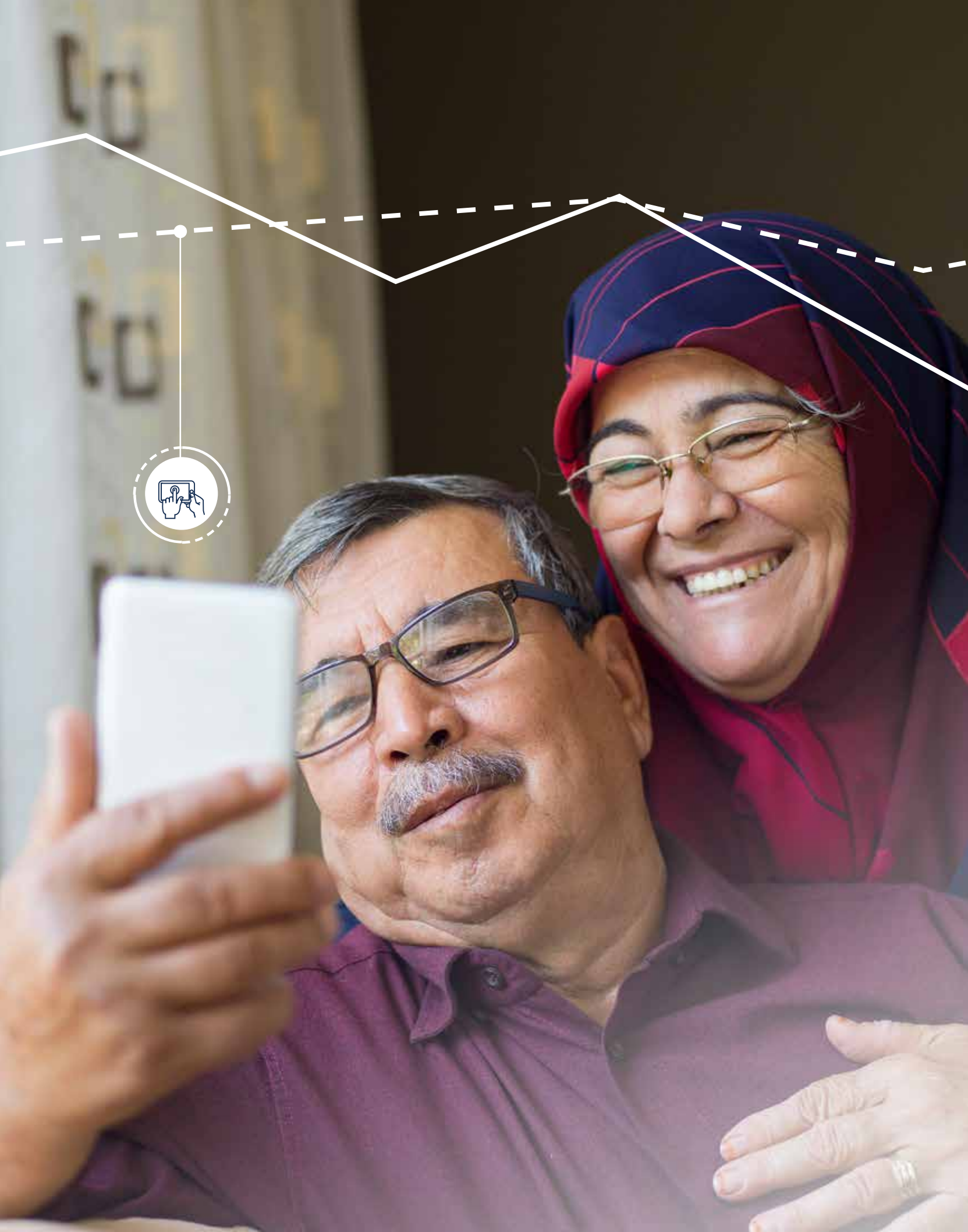
Every year thousands of students graduate from these schools and educational buildings that are transferred to the Ministry of National Education, students who are successful in studying here but are not financially able to are given scholarships by Türk Telekom every year.

Introducing young people to sports

Türk Telekom invests in the future of Turkey by supporting amateur athletes in many different categories throughout the country, taking into account the positive contribution of sports to the development of young people.

There are hundreds of young people who represent Turkey with success by being selected to a national team among 5,312 athletes in 32 branches from 44 provinces, from basketball to fencing, athletics to badminton.





**We are
connecting
Turkey to the
future**

with our fiber strength



Argela conducts research, development and innovation activities for next-generation telecommunications technologies and develops intellectual property for 5G technologies.



Established in 2004 and joined Türk Telekom in 2007, Argela conducts research, development and innovation activities for next-generation telecommunication technologies and develops intellectual property for 5G technologies.

Argela provides solutions and products to telecom operators in the global market and to telecom companies, public and defense industry organizations in Turkey.

Argela creates added value both in Turkey and in the world, with patent applications and intellectual property developed in the USA regarding next-generation telecommunications technologies, in particular in 5G technologies.

Argela develops strategic projects in cooperation with defense industry organizations in Turkey. In addition to the first phase of the Fourth Generation Communication System Development (ULAK) Project, signed in 2013 with the Undersecretariat of Defense Industries, the company successfully delivered the software defined networks project for public safety networks in December 2017 within the scope of the MİLAT Project, signed in 2015. The company also carries out various projects for the defense industry together with other public institutions and defense industry organizations.

Argela's solution portfolio includes programmable radiolinks (Programmable Radio Access Networks, ProgRAN), software defined networks, LTE base stations, network performance monitoring, subscriber analytics, subscriber satisfaction management, Smart Grid Applications, Mobile Device Control Systems (EIR) and Signaling and Firewall applications for mobile operators.

In addition to this work, the Company carries out joint projects with many universities and companies within the scope of European Union Horizon 2020 and Celtic projects. Argela contributes to the technological

17

Number of patents obtained in the 5G area: 17

development of Turkey through these efforts, also receives funding for R&D studies with EU support.

Argela's work with many universities in Turkey includes next-generation technology projects such as 5G, software defined networks, virtualization of network functions, cyber security, self-organizing mobile networks, and large data processing.

The company is headquartered in Istanbul, and in addition to the Ankara office, its subsidiary Netsia, located in Sunnyvale, USA, carries out R&D activities. In 2018, Argela has also developed business partnerships in many countries such as Japan, Ethiopia, Kazakhstan, Algeria, and Azerbaijan in order to increase its awareness abroad and to attain new customers.

Leading the next-generation of technology solutions: ProgRAN (Programmable Radio Access Networks)

ProgRAN, one of the solutions that Argela's US-based subsidiary Netsia has been working on for a while, provides a scalable and flexible architecture for 5G technologies, enabling high-capacity, customized networking and service solutions to meet future mobile communications needs. Netsia has set up the exclusive LTE Trial Platform using ProgRAN technology in the test environments of the leading operators of the US and Europe. To date, the ProgRAN test platform has been

delivered abroad to Spain's Telefonica (October 2017), United States of America's Verizon (November 2017), France's Orange (December 2017) and Japan's KDDI (2018) operators.

MAC (Multi Access Cloud): The Future of Cloud-Based Access Network Architecture

Argela has started developing the border cloud-based multi-access solution ARGELA/NETSIA MAC to meet the need of telecom infrastructures to be closer to the user and to offer faster service. This solution aims to manage fixed-mobile convergence on software defined basis, with network functions running on the border cloud data centers of general hardware. The MAC solution will enable telecommunication operators to convert their central offices into data centers consisting of convenient hardware, providing mobile and fixed service from the same central office. Thus, investment expenditures and operating expenses will be reduced and the system will be able to be configured and scaled as desired. With its software defined and virtualized infrastructure, the MAC solution will allow telecom operators the ability to offer new services to subscribers in a short time.

Argela operates under the Open Networking Foundation (ONF) with the world's leading operators (AT & T, DT, NTT, Telefonica, Türk Telekom) within the scope of MAC solution components SEBA, VOLTHA and ONOS open-source projects.



Next-generation Projects

Argela's work with many universities in Turkey includes next-generation technology projects such as 5G, software defined networks, virtualization of network functions, cyber security, self-organizing mobile networks and large data processing.

Argela's 100% domestic solutions have added a new international customer with NPM / CEM

Argela's Network Performance Monitoring (NPM) solution enables wired and wireless service providers to monitor the end-to-end network performance, detailed customer behavior and service quality and maintains it at a certain level of performance. For this purpose, signal and data probes have been developed for many protocols in mobile, fixed and IP networks.

The NPM solution enables efficient use of network resources by providing end-to-end and real-time monitoring of the network through real-time probes. While the solution has a wide range of performance metrics and reporting sets that are easily accessible, the distributed architecture allows rapid and efficient query times. The

data generated by the NPM system can be sent to CRM systems and regulatory bodies in real time.

The Customer Experience Management (CEM) solution provides meaningful analysis and behavioral information about customer experiences in networks such as voice, data access, data usage and messaging. With this solution, operators can observe the individual activities of their customers in real time. This solution is used for further analysis and acceleration and improvement of customer services.

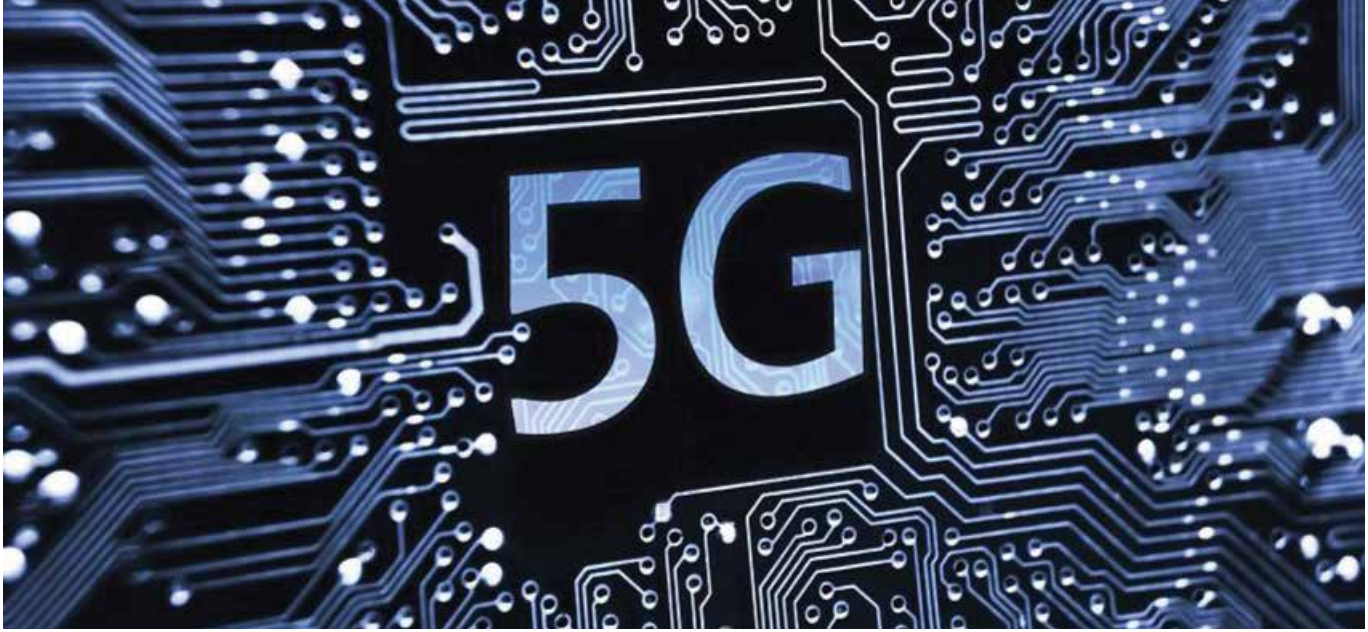
Argela continues its efforts towards the sale of NPM and CEM products abroad, and also held many meetings and developed partnerships in 2018. The tender for the mobile operator Ethio Telecom (Ethiopia), which has the largest number of subscribers in Africa, was won. The installation continues at full speed.

Argela's contributions to the fourth generation of mobile communication technologies continue.

Fourth Generation Communication System Development (ULAK) Project

For the first time in 2013, Argela turned to a sector outside of telecommunication and was approved to conduct the Fourth Generation (4G/LTE) Communication System Development (ULAK) Project of the Undersecretariat for Defense Industries (SSM). Within the scope of the project, Argela developed and delivered all hardware and





software components of the fourth-generation mobile communication technology base stations together with its business partners. The first LTE technology base stations developed within the scope of the project were commissioned in Kars in May 2018. As of the end of 2018, more than 450 ULAK base stations are live.

Following the successful operation of ULAK project in the field, the development of additional features required by the operators is continuing within the scope of Argela Phase 2.

Türk Telekom continues contributions to the Network Transformation without pause

Today, telecom networks are rapidly becoming cloud-based, using virtualization technologies and transforming into software-based programmable and sliceable structures. The Türk Telekom network is also aimed to be transformed and made ready for 5G, using software-based technologies such as SDN (Software Defined Network) and NFV (Network Function Virtualization) within the framework of a long - term program. In line with this goal, Argela and Türk Telekom have determined the architecture and strategy to be used in the transformation of the Türk Telekom network. Efforts on research and development of technologies to be used, as well as adaptation of the open source projects to the network are continuing.

The following benefits are aimed within the scope of the project:

- The provision of both mobile and fixed network functions as software technologies independently of hardware, thus using the network capacity in the most efficient way and reducing external dependency,
- Establishing a 5G ecosystem consisting of local and national companies by leading the way for the development of virtual functions by domestic companies,
- Implementing new services rapidly and increasing customer satisfaction,
- Improving investment and operating costs through virtualization,
- Contributing to these projects with the use of open source projects as much as possible and providing new revenue sources by presenting the solutions created for 5G to foreign markets

NPM/CPM

Ethio Telecom (Ethiopia), the mobile operator with the largest number of subscribers in Africa, has chosen Argela for Network Performance Imaging (NPM) and Customer Experience Management (CEM) Solutions.

The 5G Center of Excellence continues to work without pause in line with its strategic goals

Argela 5G Excellence Center, which began its activities at the Ankara METU Technopolis in 2017 with the aim of developing 5G technologies, continued supporting academic studies as well as collaborating with specialist education companies in their fields.

Focusing mainly on the most important stages of the transition to 5G, software-based networks, virtual network functions, and multi-access edge cloud issues, the Center is working flat out to transform into an environment where everyone can benefit regarding 5G in general. 2019 plans have been made to focus on the extension of partnerships established with universities in Ankara and Istanbul to include universities in other provinces in Turkey and the creation of a national awareness regarding 5G.

In addition, negotiations between Argela, ICTA (the Information and Communication Technologies Authority) and TSE (Turkish Standards Institution) are ongoing to establish the 5G Excellence Center as a center for the detailed testing of the components of domestic and foreign software-based network products that may pose a risk to Turkey's cyber security, and "Internet of Things".

In 2019 Argela 5G Center of Excellence will continue its activities in the fields of,

- Testing and development of network virtualization technologies for LTE and 5G,
- Establishment of the ability to test and demo on real systems,
- Developing studies in an eco-system including universities and domestic companies,
- Interoperability between LTE and 5G, certification and as a training center.

The Center is also used for the testing and development of various virtualization technologies in the laboratory environment within the scope of the Türk Telekom Transformation program.

Innova offers end-to-end integrated solutions to all informatics needs of leading companies in different sectors of Turkey, including telecommunications, finance, energy, public, healthcare, retail, and services.



Innova, the information technology solutions provider of Türk Telekom, provides the technology support needed by institutions in the path to digital transformation with its solutions including the latest opportunities offered by technology. Innova provides end-to-end integrated solutions to address all information needs of the leading companies in different sectors of Turkey, including telecommunications, finance, energy, public, health, retail and service.

Innova Digital operates in many areas, such as modern communications, data center and cloud technologies, ERP, CRM, Document and Process management, digital marketing and customer experience solutions, employee productivity applications and sectoral solutions, as well as Internet of objects (IoT), Fintech, Kiosk and Digital Signage, Advanced Business Intelligence Solutions which are required by companies.

With the technology solutions produced by local engineering in Turkey at world standards, Innova exports to 37 countries in 4 continents today.

Innova's Arena Solution Received 100% Locality Approval

Arena solution of Innova, which enables enterprises in different sectors to manage field services effectively and to gain efficiency with its innovative features, has been awarded a "Domestic Goods Certificate" by the Istanbul Chamber of Industry (ISO).

New SkywaveloT Partner Program from Innova

Innova has launched the SkywaveloT Partner Program, which will allow partners to develop new applications and integrate existing applications on the Internet of Things (IoT) platform, SkywaveloT.

Innova, which has implemented important projects in the technology sector in Turkey, aims to increase the value add

37 Countries

With the technology solutions produced by local engineering in Turkey at world standards, SEBIT exports to 37 countries in 4 continents today.

Fast 50

The only company in Deloitte Fast 50 that has been growing unstop for 13 years

in the field of IoT by meeting with companies operating in IoT field, new startups and manufacturers aiming to connect their machines with SkywaveloT Partner. Using the SkywaveloT platform, companies can easily access the expertise they need in product development, marketing and in establishment of new collaborations.

Great awards for Innova's great projects

First place in the IoT category for Innova's Smart Store Project

The Smart Store Project, developed by Innova for Türk Telekom, won the first prize in the "Internet of Things" category of IDC IoT, Big Data and Analytical Technology Awards. The Smart Store solution developed by Innova using SkywaveloT platform and Smart Merchandising application was completed and installed in more than 900 Türk Telekom stores and offices throughout the 81 provinces. Over the course of the project, more than 3,000 devices were installed and integrated with the SkywaveloT platform. With the Smart Store solution, Türk Telekom provides remote monitoring and centralized management in stores.

Innova is the Winner of the SAP On-Premise Highest Revenue Growth Award

Due to its success in on-premise license sales in 2017, Innova has been awarded the SAP On-Premise Highest Revenue Growth Award among more than 20 SAP Partners.

The only company in Deloitte Fast 50 that has been growing unstop for 13 years

Innova is the only company that has managed to be included in the Deloitte Technology Fast 50 Turkey program, which includes the highest performing companies in the technology sector, for a period of 13 years straight.

SOME IMPORTANT PROJECTS

Mersin City Hospital

innova has brought together all the software required for the continuity of the Hospital Information Management System (BHYS) service of Mersin City Hospital, the first City Hospital in Turkey. The data center installation needed by the software and integration of all hardware, network and other IT infrastructure have been carried out. The operation and management of these systems will be carried out by innova for a period of 5 years.

Ankara City Hospital

The Hospital Information Management System (HBYS) Application and Operation services of Ankara City Hospital, which is the world's Largest Health Complex, are carried out by Innova. The software required for the realization of this service, the data center installation required for the operation of these, all hardware, network and other IT infrastructure, as well as the integration of this software with other systems and services, processes aimed at the operation of hardware and systems, and hundreds of data entry staff logging the operation and patient data, are provided by Innova. The HBYS service will be provided by innova for a period of 5 years at Ankara City hospital, which started accepting patients in February 2019.

STP (Health Tourism Portal) Project

With the health tourism portal project implemented for the Ministry of Health as a sub-contractor of Türksat, conduct of promotion and customer relations activities of organizations serving in the field of international health tourism, provision of options that will ensure the comfort of all future international patients and patient relatives and contribution to the development of this area is aimed.

With STP, provision of information on health and tourism services such as health care institutions, prices of health care institutions, accommodation and transportation facilities for health tourism is targeted.

In this context, analysis, design, software development, testing, training, commissioning, maintenance and operation and warranty services will be provided for STP Web Application and Mobile Application.

HYP (Disease Management Platform) Project

The aim of the "Disease Management Platform", implemented for the Ministry of Health as the sub-contractor of Türksat, the early diagnosis of chronic diseases, control of the signs and symptoms of diseases by providing treatment in accordance with the recommendations of evidence-based medical guides

with periodic follow-up and prevention of individuals from experiencing functional losses and becoming disabled via follow-up of complications.

The aim of this project is to develop a disease monitoring system that can prevent the increase in burden on the health systems and economy due to the increase in the aging population and chronic diseases and ensure the sustainability of quality health services.

TTPAY

The platform, which was established using the infrastructure of Türk Telekom Ödeme Hizmetleri A.Ş., continues in phases. Electronic currency license application to BRSA will be processed after the completion of independent audits.

E-Invoice Projects for CarrefourSA and Aselsan

CarrefourSA, one of the important companies in retail chain sector, and Aselsan, one of the leading companies in the defense industry, and their group companies, use the e-invoice product through the PayFlex system.

Viva Kuwait Dealer Management System

A finance and dealer commission model is developed with Viva Kuwait Dealer Management System. All phases of the Project will be completed in 2019.

The Viva Kuwait Dealer Management System project mobile application was developed and use by Viva Kuwait's employees and distributors commenced. End users can perform different transactions such as charging, and bill payment via the mobile application.

New customers added to Virtual POS Client

The Virtual POS Client product for card storage needs of insurance companies was developed and offered to the use of Güneş Sigorta, Anadolu Sigorta and Vakıf Emeklilik companies.

CIPPAYS Virtual POS Server project

CIPPAYS, which serves banks operating in Northern Cyprus, started to use the virtual POS server product. The CIPPAYS project carries the importance of being the first project where virtual POS server is sold for to a non-bank client.

Vodafone Dealer Management System

Innova has developed a special application that can work on ÖKC (Payment Recorder Device) to optimize the sales processes of Vodafone dealers through the dealer management system it integrated with Vodafone. Service to Vodafone has commenced by undertaking the

installation and operation of ÖKC in the field together with a subcontractor.

New products

Dynamic Pricing

Dynamic pricing is an improved platform using Competitive Analysis to determine the optimal sale prices of products and services under conditions where prices can easily and frequently change. The product aims easy renewal of the prices in the e-commerce sector, which uses dynamic pricing widely, and facilitation of price renewals with the expansion of electronic price tags in the retail sector.

E-Reconciliation

With PayFlex E-Reconciliation, which carries complex reconciliation processes to the electronic environment, another product has been added to the e-transformation family. In addition to mandatory notifications such as BA/BS (goods purchase/sale reconciliation), it is possible to carry out customer and reconciliations through the application.

Joint Credit Platform

The Joint Credit Platform offers customers of e-commerce sites and/or companies selling over the dealer network the opportunity to receive instant credit from different banks over a single interface. The solution for Hepsiburada.com is now integrated with 5 banks.

AvioFlex Product family

AvioFlex Cabin+

Developed for the aviation sector, AvioFlex cabin+ makes it easy to manage the tasks that await cabin managers during the pre-flight, flight and post-flight stages of each route.

AvioFlex Crew Check-in

With the AvioFlex Crew Check-in product developed by Innova for the aviation sector, flight crews can perform check-in operations via mobile devices and can display all required flight information. Thus, significant time saving is achieved in airports, especially in periods of intense air traffic.

AvioFlex Crew Duty

AvioFlex Crew Duty, developed by Innova, allows the cabin crew to access all necessary details on flights via a web portal or a mobile device. The application greatly improves the flow of information between cabin and ground teams and helps to manage staff operations properly.

AvioFlex

With the Avioflex product family, Innova contributes to the cost management of the aviation sector.

AvioFlex LIFUS Manager

With AvioFlex LIFUS Manager, the training processes of the cockpit and cabin crew, such as which instructor provided training to pilots or flight personnel and the notes of the relevant personnel are followed through this application. By managing processes in real time with the use of tablets, the efficiency of airline companies increases.

Innova on the rise on IT 500 in the overall ranking

Innova has been awarded a variety of awards by research companies, which follow of successful projects in Turkey and international solution partners.

Innova was awarded the “category of Business Applications of the Year” award in the software category according to the results of the “IT 500 survey” conducted based on net sales revenues of companies operating in the IT sector in Turkey. In addition, Innova has risen 2 places on the list of Turkey’s 500 largest IT companies

according to sales revenues, reaching the 25th place as of 2018.

1. Foreign Customer Category Award from TEB to Innova
2. IT 500 “Business Applications of the Year Category First Place
3. SAP On-Premise Highest Revenue Growth Award
4. Weeam “The Transition from the Most Successful Competition in 2017 Project” for Bilkent City Hospital
5. “Microfocus 2017 Best New Logo Partner” Award
6. Best Innovation Project of the Last 10 Years in Europe for SEAS Project for which Innova is Consortium Leader
7. IDC IoT category first prize for Innova’s Smart Merchandising Project
8. 2nd place for Innova’s PayFlex OBP Solution from PSM Awards in the “Technology Provider of the Year” category
9. Fastest growing company award in Deloitte Technology Fast 50
10. Deloitte Technology Fast 50 “Big Star” Category “Best Performing Company” Award



With its strong technological infrastructure, effective human resource management, and an excellent service approach, AssisTT is on its way to becoming the brand that sets call center standards.

ASSISTT

Founded in 2007, AssisTT provides call center services, as well as end-to-end and customized “value-added” services to sector leading private companies and public institutions as a “strategic partner”. AssisTT provides services such as Technical Infrastructure, Interactive Voice Response (IVR) Software, Seat Rental, Payroll Services, Training, Recruitment, Speech Analysis, 11818 Directory Data Update and Enrichment, Customer Experience services as well as classic call center services.

Accurate and powerful steps towards strategic goals with the MHRS (Central Hospital Appointment System) project

AssisTT won the Ministry of Health MHRS (Central Hospital Appointment System) tender in February 2018. The inauguration of the MHRS project, which was completed in Erzincan, was realized with the participation of Binali Yıldırım, the Prime Minister at the time, and AssisTT started to offer services within the scope of the project.

In April 2018, AssisTT restarted to service the Ministry of Family and Social Policies, which had been served in previous years. With this operation, the Gaziantep and Sakarya locations started to provide services.

Growth in the financial sector gaining momentum

AssisTT expanded its financial sector business partnership portfolio with new participation in 2018. In addition to Vakıfbank in its portfolio, the Company started to provide services for Yapı Kredi and Burgan Bank. AssisTT was awarded the Halkbank tender in 2018, and will start providing services in 2019.

Continuing to increase the number of partners

AssisTT won the tender for the foreign operations of the Çiçek Sepeti (Lola Flora) in September to serve 7 countries

12,753 Employees
30 Locations
23 Cities

in 6 languages (English, Italian, Spanish, Portuguese, Russian, and French) through its Albanian/Tirana location.

AssisTT's activities have won recognition and been exemplified on a global and national scale

AssisTT's activities received appreciation and admiration on both a national and global scale in 2018 and won numerous awards.

Contact Center World Awards:

In the EMEA finals of the Contact Center World Awards, one of the most prestigious award ceremonies worldwide,

- "Best Large Sized Outsourced Call Center" (Gold)
- "Best Public Service" (Gold)
- "Best Self-Service Technology" (Gold)
- "Best Customer Services" (Silver)
- "Best Quality Team Leader" (Silver)

National Awards

- Employee Loyalty Achievement Award (Aon Hewitt)
- Gold Earpiece: I Love This Job Because ... (Call Center Association)
- Contribution to Employment Award: Erzincan Call Center (Ministry of Labor and Social Security)
- Erzincan Location In LEED Green Building Certification Project: Platinum Certificate

Continuing to contribute to employment

AssisTT contributes to the development of the economy by employing thousands of people with investments in Anatolia. With its strong technological infrastructure, effective human resource management, and an excellent service approach, AssisTT is well on its way to becoming a brand that sets call center standards.

To this end, AssisTT has won awards in recognition of its Erzincan call center, which employs more than 1,050 staff. The General Manager of AssisTT received a plaque from the Minister for Labor and Social Security.



SEBİT

As Turkey's leading education technology company, SEBİT shapes the education dynamics of the future with more than 30 years of R&D know-how and international solutions.



Turkey's leading education technology company, SEBİT, contributes to the transformation of education with the power it derives from synergies with Türk Telekom, and through the innovative use of technology.

A subsidiary of Türk Telekom, SEBİT not only operates in Turkey but also actively serves in other countries with the education solutions which it has developed since its establishment in 1988, as an R&D Laboratory in TÜBİTAK. In this context, the Company offers national and international solutions tailored to support societal benefit and the learning needs of individuals.

Having undertaken so many firsts in Turkey, SEBİT's product and service portfolio continuously expands and thereby continues to lead the transformation in education.

SEBİT's educational products, which is being developed by a strong workforce of 240 professionals at the METU Technopark in Ankara and the Skysong Innovation Center at Arizona State University in the USA, are used by students and teachers all over the world.

Continuing its work with competent and creative human resources and having proved itself as a pioneer with numerous awards, SEBİT is considered to be one of the world's best educational technology companies by many international education authorities.

Solutions that add value to the lives of millions of students and thousands of teachers

SEBİT, which joined the Türk Telekom Group in 2007, aims to offer equal opportunities and product variety at every educational stage with new services and products, designed by using mobile Information and Internet technologies. At the same time, SEBİT aims to remove obstacles to participatory education.

Millions of students and hundreds of thousands of teachers

The products and services developed by SEBİT have been offered to millions of students and hundreds of thousands of teachers within Fatih Project since 2015.



SEBİT VCloud

Turkey's first new generation educational sharing and collaboration platform SEBİT VCloud is designed to rapidly transform the educational environment of private schools.

The products and services developed by SEBİT have been offered to millions of students and hundreds of thousands of teachers since 2015 within the scope of the FATİH Project. In 2018, the following activities took place;

Content Activities: Content at every grade level and assessment material updates were made on the Educational Information Network-EBA (www.eba.gov.tr), which is the official portal of the FATİH Project, within the scope of new curriculum announced by the Ministry of Education. In addition, English content for 3rd grade students is being added. These updates are expected to continue in the upcoming activity period, with the addition of new content.

VClass: The Interactive Classroom Management "software" VClass, which was developed by SEBİT in order to support effective lesson instruction in the classroom, was updated in 2018 reflecting the feedback received from schools. Meanwhile, SEBİT's Content Development Ecosystem Platform, which was opened on EBA in order to make teachers involved in the digital content development process, is now also actively used by teachers.

Professional Development: The formation of professional development groups in the EBA Professional Development, improvement and update activities related to the content continued during the activity period. In

addition to the e-course structure that enables teachers to receive distance education, studies and system designs that are necessary for live training were completed. Work on the EBA Professional Development will also continue in the next activity period.

VCollab: Work continues on performance improvements and feature development of VCollab, which is a social learning platform designed and developed by SEBİT with an innovative approach. The VCollab wall structure was also adapted to the EBA Professional Development study space.

Raunt - Turkey's first and only personalized university preparation solution

Turkey's first and only personalized university preparation product, Raunt, was developed by SEBİT for both the retail market and for the use of university candidates in private and public high schools. After years of development and improvement, the product, which was offered for use in 2015, is now being used in all grades from the 9th to the 12th grade in private high schools.

The "Smart Recommendation System", which is a personalized study plan offered by Raunt through the www.raunt.com website and the Raunt Mobile Application completely prepares candidates for the university entrance exam with its rich digital and printed content.

In the 2018-2019 education year, books released by Turkey's most established and experienced publishers in university preparation were selected by SEBİT and included in Raunt. With this partnership structure, Raunt offers its users a privileged university preparation environment, where Turkey's most powerful publishers in university preparation are gathered together, and where the performance evaluations of students from digital and printed publications can be seen instantly through an integrated structure.



Turkey's first and only personalized university preparation solution

A brand new era in educational technologies with the SEBİT VCloud

Turkey's first Next-Generation Educational Sharing and Cooperation Platform, the SEBİT VCloud, offered to private schools in the 2017-2018 academic year, was designed by SEBİT in order to rapidly transform the educational environment of private schools. The product, which ushered a new era in educational technologies, is used by a total of around 100,000 students, teachers, and administrators in around 300 private schools.

With the SEBİT VCloud, students participate in the process through a personalized approach to education. With e-Portfolio, that was included in the product in 2018 after exhaustive R&D work, participants can pass to the future, the social and academic knowledge they had accumulated in the collaborative learning environment.

VFabrika, an interactive content creation system for teachers and students

Additional features were included to the system to allow programming of embedded electronic boards (Arduino) with VFabrika, which was developed to produce e-content with the help of a visual programming paradigm without requiring software coding. These new features enabled the development of applications in which the data coming from live sensors can be processed. In addition, it also became possible to remotely control embedded systems with an application developed on the Android operating system.

VStore, the Educational application market

Within the scope of SEBİT VCloud, dedicated educational applications market was created for the institutional schools that receive services from SEBİT. Through VStore, the products and services of SEBİT's business partners can be delivered to students, teachers in schools and parents, and as such, a new retail sales channel was created.

DinamikMAT – a smart question generating system for unlimited number of mathematics questions

DinamikMAT is Turkey's first and only "smart question generating system". In maths lessons for students in their 5th, 6th, 7th, and 8th grades, DinamikMAT has the feature to generate an unlimited number of questions in short answer and multiple-choice forms. Thousands of question types can be derived by the DinamikMAT algorithm which is prepared in accordance with the curriculum

of the Ministry of Education. This allows an unlimited number of questions from the preferred question type. In the workouts sent by the teachers, students receive the questions as differentiated exercises with changing difficulty levels, and their progress can be measured.

Hızlıgo – increasing reading speed with scientific methods

The online speed reading system, Hızlıgo, which helps increase reading speed using scientific methods, was updated and released in September 2018 with its new interface, enhanced personalization features and intelligent tutoring system that adapts to the level of each user. Hızlıgo that helps to increase the speed of reading without loss of the meaning, includes texts that are prepared for the 5-12th grade students and adults at appropriate length and at difficulty levels. The system allows students to save time in solving long paragraph questions at the critical exams. Moreover, it helps students to review curricular topics, thanks to the sample texts for performing eye exercises that are selected from different courses of different grades.



Since 1998

SEBIT not only actively serves in Turkey but also abroad with the education solutions that it has developed since its establishment in 1998. The Company offers national and international solutions tailored to bring social benefit and meet the needs of individuals.

SEBIT's international activities and partnerships

With innovative and effective use of technology, SEBIT is progressing towards becoming one of the world's leading companies in educational technologies. To date, the company has been present in many countries with the products it has developed.

Working together with Microsoft, within the framework of global scale sales partnership program, the VCloud product has been rendered "Co-Sell Ready" and work is being carried out to sell the product in cooperation.

Together with Safaricom, the largest mobile operator in Kenya, business model development continues for the use of SEBIT VCloud and Adaptive Curriculum products in schools across Kenya.

In January, upon the agreement signed with the Education Foundation (Maarif Vakfı), pilot programs of the Adaptive Curriculum were implemented in the Foundation schools abroad, whose language of instruction is English.

BEACONING - The EU funded project for game-based learning platforms

Within the scope of the BEACONING Project, which began in 2016, SEBIT has been particularly involved in the design of learning analytics function and interfaces. In 2018, a

pilot implementation related to the project was conducted at the METU Development Foundation Schools.

At the International BEACONING Day, children from the ages of 12 to 16 in Coventry, Barcelona, Madrid, Porto, Milan, Nantes, Paris, Bucharest, Bremen, Edinburgh, Warsaw, Ankara, Haywards Heath and Singapore cities, could simultaneously experience urban gaming fun, with discovery and learning at the core of the game. The event with the aim to develop environmental awareness was completed successfully.

Socio-technical design in higher education for the 1-1 education model

SEBIT carried out a socio-technical university design in order to adapt the 1-1 education model to higher education, which was developed for the Ministry of Education's FATİH Project.

The university design project, which started in 2016 with the support of the Ministry of Development, covers the design of a higher education system with a focus on serving society, which is a new approach in the world, as integrated with digital technologies, and creation of the roadmaps for implementation.

The closing meeting of the project was held with a wide participation in Kayseri in September. SEBIT also contributed to the development of a booklet of the Socio-Technical University Design and delivered the booklet to Abdullah Gül University.



Türk Telekom International

Telekom International conducts its international data, internet, fiber infrastructure, wholesale voice, and mobile roaming operations with its subsidiaries in 17 countries.



Türk Telekom International (TTI) is the Türk Telekomünikasyon A.Ş. group company responsible for international data, internet, fiber infrastructure, wholesale voice, and mobile roaming operations.

An extensive product portfolio with subsidiaries in 17 countries

With its headquarters in Budapest, the capital of Hungary, Türk Telekom International serves fixed and mobile telecommunications operators, international alternative infrastructure operators, domestic and international internet service providers and corporations in Turkey and over 40 other countries in Central and Eastern Europe, the Middle East, the Caucasus, Central and Southern Asia and the Far East. The company provides the following services:

- Full range of internet and data communications,
- IP Transit service,
- Network planning and implementation,
- Integrated network operations,
- Fiber optic infrastructure and access,
- International and local wholesale voice services,
- Mobile roaming and services management,
- International IT and telecommunication consultancy,
- Customer management from a single center

Leading position in intercontinental telecommunications with over 45,000 km of infrastructure

With the fiber optic network backbone of over 45,000 km mainly located in Central and Eastern European countries, Türk Telekom International contributes towards Turkey's and Türk Telekom's goal of becoming a communication bridge and data crossroads between the European and Asian continents, and to strengthen their global positions.

+45K km

With the fiber optic network backbone of over 45,000 km mainly located in Central and Eastern European countries, Türk Telekom International contributes towards Turkey's goal of becoming a communication bridge between the European and Asian continents.



SEA-ME-WE-5

Türk Telekom International is a full member of the SEA-ME-WE-5 underwater fiber optic cable consortium consisting of 19 operators that are all leaders in their fields.

The company offers internet and IP services to wide array of operators and companies with 72 point-of-presence (PoP) in 22 countries.

In addition to providing communication services and products to companies and operators abroad,

TTI provides international data and Internet access to Türk Telekom with a capacity of 7.5 Terabytes per second.

With the strength derived from the Türk Telekom brand which is well-recognized not only regionally but also globally, Türk Telekom International continued to build on its strong position in 2018 through efforts undertaken to expand across Eurasia and to develop new products and services. The Company is expanding its field of activity through new cooperation projects aimed at capturing a significant share in the digitalized world and offering different products to its customers.

A vital link in communication between Asia and Europe - the underwater fiber optic cable project SEA-ME-WE-5

The new Southeast Asia-Middle East-Western Europe 5 (SEA-ME-WE 5) international underwater fiber optic cable system project is the 5th milestone of the SEA-ME-WE System. Türk Telekom International is a full member of the SEA-ME-WE-5 underwater cable consortium consisting of 19 operators that are all leaders in their fields.

The cable provides access with Marmaris Terrestrial Station to the Istanbul and Edirne border links through Türk Telekom and Türk Telekom International fiber optic networks and through the Türk Telekom International fiber networks in Europe to European PoPs. Thus, a route is created that provides fully protected backup to the SEA-ME-WE-5 Cable System passing through Mediterranean.

Cooperation works were initiated in 2018 and are planned to be stepped up in 2019, with the aim of providing the European connections of the carriers and operators in the Asian region, through the Marmaris Terrestrial Station. This work will contribute to Turkey's positioning as a communication bridge and data crossroads between East and West.

The Trans-Eurasia Super Information Highway - TASIM studies gaining momentum

The routes that can provide the telecommunication link between Europe and Asia with the minimum latency are the routes that extend to China via Turkey terrestrially. Work being undertaken by the consortium to determine the technical and commercial details with regard to the TASIM (Trans-Eurasian Information Super Highway) route, which will reach China through Turkey, Georgia, Azerbaijan, the Caspian Sea, and Kazakhstan, gained pace in 2018. This project will pave the way for high quality and rapid alternatives to be established between Europe and Asia. Also, connection means will be provided to the Caucasian countries, the Eastern European countries and Central Asian Turkic Republics which lack access to underwater cable systems.

Backup and diversification work at Turkey's internet exit points and routes continue at full speed

In order to limit the impact of internet downtime arising from human error or natural disasters, the work to strengthen Türk Telekom International's network on the border exit points continued during 2018. The technological upgrade work of the infrastructure to enable Med-Türk, the underwater cable exiting from Istanbul, to carry higher internet capacities is planned to be completed in 2019.

Turkey fast becoming an international data center of attraction with its IP products and services

In addition to the projects aimed at geographical expansion and diversification of existing routes, Türk Telekom International offered IP products to international-based service and content providers during 2018 with the aim of securing Turkey's place as an international data center of attraction in 2018. Accordingly, companies with international content were able to reach Istanbul using Türk Telekom International infrastructure, and to host their servers at Türk Telekom International's Istanbul Data Center. Thus, Türk Telekom customers are offered access to certain content over the internet in a much shorter time and with high speeds and capacities.

Strong and confident steps towards strategic goals with the HR transformation project

Türk Telekom International's Human Resources transformation Project initiated in 2017 in accordance with the strategies related to

- Long-term focus taking growth plans into account
- Transparency in company's priorities among management and employees
- Customer focus strategies

was completed in 2018.

With the project, in all countries where Türk Telekom International operates, the business sizes were determined, the roles and responsibilities were clarified, a standard and simplified title and grade structure was adopted, and promotion criteria and competencies for each level was defined. In addition, company, sales and management team based competencies and performance indicators were identified.

Thanks to the project, standardization and transparency on issues such as remuneration, promotion, side benefits, trainings, career paths, will contribute to the commitment and motivation of the employees and will enable Türk Telekom International to progress towards the strategic goals with even stronger and confident steps.

Contributions to Gender Equality in Education

One of the United Nations Sustainable Development Goals is Gender Equality. Gender equality is not only a right but an indispensable element of achieving a more peaceful, happy and safe society and the world.

Türk Telekom International is proud of its work to help girls continue their education with its support for UNICEF's Equality for Boys and Girls in Education program, on behalf of its employees.





**We are
connecting
Turkey to the
future**

with our leadership in
technology transformation



Corporate Governance

Important Developments after the Accounting Period

Regulatory Disclosures dated 03.01.2019

Extraordinary General Assembly Meeting - Information Note is attached

Our Board of Directors has resolved that Our Company's Extraordinary General Assembly Meeting shall be held at the address of Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Merkezi, Turgut Özal Bulvarı 06103 Aydınlikevler, Ankara and by electronic means on 25.01.2019 at 11:00 in order to discuss the attached agenda items.

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

A Group Privileged Shareholders Meeting

Our Board of Directors has resolved that Our Company's A Group Privileged Shareholders Meeting shall be held at the address of Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Merkezi, Turgut Özal Bulvarı 06103 Aydınlikevler, Ankara and by electronic means on 25.01.2019 at 12:00 midday order to discuss the attached agenda items.

Agenda, invitation letter and proxy sample for the meeting are attached.

B Group Privileged Shareholders Meeting

Our Board of Directors has resolved that Our Company's B Group Privileged Shareholders Meeting shall be held at the address of Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Merkezi, Turgut Özal Bulvarı 06103 Aydınlikevler, Ankara and by electronic means on 25.01.2019 at 1:00 pm order to discuss the attached agenda items.

Agenda, invitation letter and proxy sample for the meeting are attached.

C Group Privileged Shareholders Meeting

Our Board of Directors has resolved that Our Company's C Group Privileged Shareholders Meeting shall be held at the address of Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Merkezi, Turgut Özal Bulvarı 06103 Aydınlikevler, Ankara and by electronic means on 25.01.2019 at 2:00 pm order to discuss the attached agenda items.

Agenda, invitation letter and proxy sample for the meeting are attached.

Regulatory Disclosure dated 04.01.2019

Independent Board Member Approval

Upon our Board of Directors' decision dated 27.12.2018, our company had applied to Capital Markets Board (CMB) for nomination of Mr. Nureddin Nebati as Independent Board Member. CMB has approved this application via the letter dated 04.01.2019.

Regulatory Disclosures dated 07.01.2019

Board Resolution and CMB Application Regarding Bond Issue

Our Company's Board of Directors resolved in accordance with Clause 7 of Articles of Association of our Company and paragraph 3 of Clause 31 of Capital Markets Law that, subject to completion of all the necessary procedures in accordance with the relevant legislation, and in particular the legislation of the Capital Markets Board, one or more foreign currency and / or Turkish Lira denominated debt capital market instruments shall be issued overseas without being offered to the public within one year from the approval of the Capital Markets Board, in the structure of a conventional Eurobond and/or sukuk up to a total amount of USD 500 million or its equivalent (including the equivalent of USD 500 million). Within this resolution scope, necessary approval application has been made to the Capital Market Board today. In relation to the subject of the bond issuance mentioned in this disclosure, in order to ensure that the legitimate interests of our Company and our investors are protected amid volatile market conditions and for the evaluation of different possibilities in the issuance process and/or for a possible deferral for more appropriate market conditions, until the completion of related studies, the disclosure of insider information was decided to be postponed pursuant to article 6 of the Material Events Disclosure Communiqué numbered II-15.1 by the Capital Markets Board (CMB). This disclosure is made pursuant to the relevant legislations, based on the fact that the reasons for postponement have been removed.

Regarding decision of the Capital Markets Board

Following our disclosure dated 26 December 2018 regarding the application of our shareholder, Levent Yapılandırma Yönetimi A.Ş. (LYY) to the Capital Markets Board in order to be exempt from the mandatory tender offer requirement stated under the respective provisions of the Capital Market Law and Communiqué On Takeover Bids with serial no II-26.1, we have been informed as of 7 January 2019 by our shareholder LYY that the Capital Markets Board has granted its approval for the exemption under its decision dated 4 January 2019.

Regulatory Disclosure dated 10.01.2019

Fitch Ratings Annual Review Result

Fitch Ratings has affirmed our company's Long-term Foreign and Local Currency Issuer Default Ratings of "BB+" with Negative Outlook, and senior unsecured rating of "BB+" as part of a routine annual review process.

Regulatory Disclosures dated 11.01.2019

Approval of the amendment in Articles of Association by the CMB

Our Company's application to the Capital Markets Board (CMB) for amendments of Articles of Association of our Company, as stated by our Company's public disclosure dated 26.12.2018, has been approved by CMB and announced via CMB bulletin dated 10.01.2019.

Board of Directors Committee Appointments

According to our Board of Directors' resolutions:

1) As per item 4.5.1. of Corporate Governance Principles of Capital Markets Board's Corporate Governance Communique, II-17.1;

Board Members Mr. Hakan Aran and Mr. Bülent Aksu have been elected to the membership positions of the "Early Identification and Management of Risks Committee" which became vacant due to Mr. Mazen Abou Chakra's and Mr. Cenk Serdar's resignation,

Board Member Mr. Selim Dursun has been elected to the membership position of the "Audit Committee" which became vacant due to Mr. İbrahim Eren's resignation. Mr. Yiğit Bulut who is currently a member of the Audit Committee has been selected as the chairman of the Audit Committee.

Independent Board Member Mr. Nureddin Nebati has been selected as the chairman of the Corporate Governance Committee which became vacant due to Mr. İbrahim Eren's resignation. Additionally, Independent Board Member Mr. Selim Dursun, and Board Member Mr. Muammer Cüneyt Sezgin have been elected to the membership positions of the "Corporate Governance Committee" which became vacant due to Mr. Mohammed Hariri and Mr. Cenk Serdar's resignation.

2) Sub-Committee of the Board, Executive Committee has been decided to be removed.

Extraordinary General Assembly Meeting - Information Note is updated

Our Board of Directors has resolved that Our Company's Extraordinary General Assembly Meeting shall be held at the address of Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Merkezi, Turgut Özal Bulvarı 06103

Aydınlıkevler, Ankara and by electronic means on 25.01.2019 at 11:00 in order to discuss the attached agenda items.

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

Regulatory Disclosures dated 16.01.2019

Approval of the amendment in Articles of Association by Republic of Turkey Ministry of Trade

Our Company's application to Republic of Turkey Ministry of Trade for amendments of Articles of Association of our Company, as stated by our Company's public disclosure dated 26.12.2018, has been approved on 16.01.2019.

Extraordinary General Assembly Meeting - Information Note is updated

Our Board of Directors has resolved that Our Company's Extraordinary General Assembly Meeting shall be held at the address of Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Merkezi, Turgut Özal Bulvarı 06103 Aydınlıkevler, Ankara and by electronic means on 25.01.2019 at 11:00 in order to discuss the attached agenda items.

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

Regulatory Disclosures dated 25.01.2019

Extraordinary General Assembly Meeting Result

Extraordinary General Assembly Meeting was held.

Minutes and List of Attendees is attached.

General Assembly Approval of Amendments in Articles of Association

In our Company's Extraordinary General Assembly Meeting held on 25.01.2019, the amendments to Article 1 "Incorporation", Article 6 "Capital", Article 8 "The Board of Directors", Article 16 "Board of Statutory Auditors", Article 17 "Duties, Authorities and Liabilities Of The Statutory Auditors", Article 19 "Authority of The General Assembly" to the Company's Articles of Association, have been approved as proposed by the Board of Directors.

A Group Privileged Shareholders Meeting Result

A Group Privileged Shareholders Meeting was held.

Minutes and List of Attendees is attached.

B Group Privileged Shareholders Meeting Result

B Group Privileged Shareholders Meeting was held. Minutes and List of Attendees is attached.

C Group Privileged Shareholders Meeting Result

C Group Privileged Shareholders Meeting was held. Minutes and List of Attendees is attached.

Regulatory Disclosures dated 30.01.2019

Guidance for 2019 Consolidated Financial Results

Under current circumstances, guidance for 2019 is as below:

- Consolidated revenue growth (excluding IFRIC 12) to be at 15% - 16% levels over 2018
- Consolidated EBITDA to be at TL 10.0 billion – TL 10.2 billion levels
- Consolidated CAPEX to be at TL 5.5 billion - TL 5.7 billion levels

Our company adopted IFRS 16 accounting standards starting from 1 January 2019. Guidance includes IFRS 16 impact on EBITDA (TL 650-700 million) and CAPEX (TL 850- 900 million).

2018 Year End Consolidated Financial and Operational Result

Please find Türk Telekomünikasyon A.Ş.'s 2018 year end consolidated financial and operational results release attached.

More detailed investor presentation will be available on our Company's Investor Relations website (www.ttinvestorrelations.com) on 31 January 2019.

Regulatory Disclosure dated 01.02.2019

Board of Directors' resolution for profit distribution

It is resolved that by the Board of Directors;

1. Our Company's loss generated as a result of its activities performed between dates 01.01.2018 - 31.12.2018 according to the independently audited consolidated financial tables prepared in accordance with the provisions of "CMB Communique About Financial Reporting in Capital Markets No. II-14.1" is TL 1,391,261,128 and the commercial loss calculated within the scope of the provisions of Tax Procedure Law is TL 1,965,757,320.

2. Accordingly, it shall be proposed to the General Assembly that no dividend to be distributed for the activity year 2018 due to the loss calculated in accordance with

consolidated financial tables and the provisions of Tax Procedure Law.

Regulatory Disclosure dated 04.02.2019

Announcement Regarding the Eurobond Transactions

Our company, Türk Telekomünikasyon A.Ş. (Türk Telekom), has decided that Türk Telekom and/or the Group companies shall purchase and/or sell Türk Telekom's bonds currently trading on the Irish Stock Exchange at the prices and levels determined by the management, depending on market conditions. Within the scope of this decision, the maximum amount of funds allocated for purchase is set at USD 20 million.

Accordingly, our company's Eurobonds (ISIN Code: XS1028951264) with total nominal value of USD 5 million are purchased for USD 4,687,395.83 in total (average price: USD 93.125) by Türk Telekom.

Regulatory Disclosure dated 06.02.2019

Announcement Regarding the Eurobond Transactions

As per our company Türk Telekomünikasyon A.Ş.'s (Türk Telekom) disclosure dated 4 February 2019, regarding its decision to purchase and/or sell Türk Telekom's bonds trading on the Irish Stock Exchange, our company's Eurobonds (ISIN Code: XS1028951264) with a total nominal value of USD 5 million are purchased for USD 4,662,500 in total (average price: USD 93.250) by Türk Telekom.

Regulatory Disclosure dated 07.02.2019

Announcement Regarding the Eurobond Transactions

As per our company Türk Telekomünikasyon A.Ş.'s (Türk Telekom) disclosure dated 4 February 2019, regarding its decision to purchase and/or sell Türk Telekom's bonds trading on the Irish Stock Exchange, our company's Eurobonds (ISIN Code: XS1028951264) with a total nominal value of USD 2.5 million are purchased for USD 2,340,625 in total (average price: USD 93.625) on 6 February 2019 by Türk Telekom.

Regulatory Disclosure dated 08.02.2019

Capital Markets Board's Approval of Debt Instrument Issuance

Our application to Capital Markets Board (CMB) which has been disclosed via the regulatory disclosure dated 7 January 2019, regarding the issuance of one or more foreign currency and / or Turkish Lira denominated debt capital market instruments overseas in the structure of a conventional Eurobond up to a total amount of USD 500 Million or its equivalent (including the equivalent of

USD 500 million) has been approved by the Capital Markets Board on 7 February 2019. Approved issuance certificate is attached.

Regulatory Disclosures dated 11.02.2019

Announcement Regarding the Eurobond Transactions

As per our company Türk Telekomünikasyon A.Ş.'s (Türk Telekom) disclosure dated 4 February 2019, regarding its decision to purchase and/or sell Türk Telekom's bonds trading on the Irish Stock Exchange, our company's Eurobonds (ISIN Code: XS1028951264) with a total nominal value of USD 2 million are purchased for USD 1,848,000 in total (average price: USD 92.400) on 8 February 2019 by Türk Telekom.

Capital Markets Board's Approval of Debt Instrument Issuance

Our application to Capital Markets Board (CMB) which has been disclosed via the regulatory disclosure dated 7 January 2019, regarding the issuance of one or more foreign currency and / or Turkish Lira denominated debt capital market instruments overseas in the structure of a conventional Eurobond up to a total amount of USD 500 Million or its equivalent (including the equivalent of USD 500 Million) has been approved by the Capital Markets Board on 7 February 2019. Approved issuance certificate is attached.

Regulatory Disclosures dated 13.02.2019

Announcement Regarding the Eurobond Transactions

As per our company Türk Telekomünikasyon A.Ş.'s (Türk Telekom) disclosure dated 4 February 2019, regarding its decision to purchase and/or sell Türk Telekom's bonds trading on the Irish Stock Exchange, our company's Eurobonds (ISIN Code: XS1028951264) with a total nominal value of USD 5.5 million are purchased for USD 5,062,500 in total (average price: USD 92.045) on 11-12 February 2019 by Türk Telekom.

Registration of Extraordinary General Assembly Meeting Results

The resolutions taken at our Company's Extraordinary General Assembly Meeting held on 25 January 2019 have been registered by Ankara Trade Registry Office on 8 February 2019 and published on the Turkish Trade Registry Gazette on 13 February 2019.

Registration of A Group Privileged Shareholders Meeting Result

A Group Privileged Shareholders Meeting results have been registered.

Registration of B Group Privileged Shareholders Meeting Result

B Group Privileged Shareholders Meeting results have been registered.

Registration of C Group Privileged Shareholders Meeting Result

C Group Privileged Shareholders Meeting results have been registered.

Registration of Amendments in Articles of Association

Amendments of Articles of Association of our Company, which approved by our Company's Extraordinary General Assembly meeting on 25 January 2019 have been registered by Ankara Trade Registry Office on 8 February 2019 and published on the Turkish Trade Registry Gazette on 13 February 2019.

Regulatory Disclosures dated 14.02.2019

Articles of Association

Our Company's current Articles of Association including the amendments registered on 8 February 2019 is uploaded to the Company Summary Information section of the Public Disclosure Platform.

Roadshow Plan for Debt Instrument Issuance

As per our previous announcements regarding debt capital market instrument issuance, our Company plans to issue Eurobonds to qualified investors abroad, with a tenor of between 5 to 7 years, within the current issue ceiling approved by the Capital Markets Board of Turkey. The Eurobonds will be subject to 144A/RegS regulations. In this respect, starting from 15 February 2019, high level management of our Company will carry out investor meetings arranged by mandated banks, in London, Boston and New York. The final decision on the bond issuance, the issuance amount and conditions, will be determined according to market developments following these meetings. The Eurobonds are planned to be listed on the Euronext Dublin when the issuance is completed. The Eurobonds are expected to be rated "BB-" by S&P Global Ratings and "BB+" by Fitch Ratings. BofA Merrill Lynch, Citi, ING, MUFG and Société Générale have been mandated for the issuance.

S&P Global Ratings Credit Rating Decision

S&P Global Ratings (S&P) has affirmed our company's credit rating of "BB-" with "Stable" outlook. Meanwhile, S&P has upgraded our company's stand-alone credit profile (SACP) from "bb+" to "bbb-" due to stronger credit metrics.

Regulatory Disclosures dated 21.02.2019

Overseas Debt Instrument Issuance-Pricing

The book building process of the planned bond issuance of our Company subject to Rule144A/RegS regulations and which is planned to be listed on the Euronext Dublin has been completed. The information regarding the bonds to be issued is provided below USD 500 million with 6-year maturity, 28 February 2019 as the redemption date, 6.875% coupon rate, and 99.396% re-offer price. The transaction is expected to be completed after subscription agreement is signed and order issuance certificate is obtained from the CMB.

Regulatory Disclosures dated 22.02.2019

Establishment of Nomination and Remuneration Committee

As per item 4.5.1. of Corporate Governance Principles of Capital Markets Board's Corporate Governance Communique, II-17.1; it has been decided to establish a Nomination and Remuneration Committee within the Board of Directors of our Company.

The Nomination and Remuneration Committee shall consist of the following members:

- Yiğit Bulut - Committee Chairman (Independent Board Member)
- Dr. Ömer Fatih Sayan - Committee Member (Chairman of Board of Directors)
- Dr. Muammer Cüneyt Sezgin - Committee Member (Member of Board of Directors)

Upon the establishment of a separate Nomination and Remuneration Committee and its charter, the Corporate Governance Committee Charter of our Company has been updated.

Regulatory Disclosures dated 27.02.2019

Approval of the Order Issuance Certificate and Signing of Subscription Agreement

The Order Issuance Certificate for the bond issuance, which book-building process have been completed of a nominal amount of USD 500 million with a 6 year maturity, 6.875% coupon rate, and 99.396% re-offer price was approved by the Capital Markets Board of Turkey.

The subscription agreement of the bond issuance was signed on 26 February 2019.

Dividend Distribution Proposal

It is resolved that by the Board of Directors;

1. Our Company's loss generated as a result of its activities performed between dates 01.01.2018 - 31.12.2018 according to the independently audited consolidated financial tables prepared in accordance with the provisions of "CMB Communique About Financial Reporting in Capital Markets No. II-14.1" is TL 1,391,261,128 and the commercial loss calculated within the scope of the provisions of Tax Procedure Law is TL 1,965,757,320.

2. Accordingly, it shall be proposed to the General Assembly that no dividend to be distributed for the activity year 2018 due to the loss calculated in accordance with consolidated financial tables and the provisions of Tax Procedure Law.

Conclusion of Affiliation Report

01.01.2018 - 31.12.2018 Accounting Period Conclusion of Affiliation Report

This Report is prepared and issued in reliance upon paragraph (1) of Article 199 of the Turkish Commercial Code No. 6102, to the extent of knowledge of the Board of Directors of our Company, with respect to the relations of our Company with its Controlling Company and with other affiliates of its Controlling Company in the 2018 fiscal year. Therefore, it is undersigned and hereby declared that each legal transaction mentioned in the Report is balanced with an appropriate counter performance, and that our Company has not incurred any damages or losses due to any measure taken or avoided.

Corporate Governance Principles Compliance Report

Statement of Compliance with Corporate Governance Principles

Türk Telekomünikasyon A.Ş. ("Türk Telekom") pays utmost attention to implementing the Corporate Governance Principles published by the Capital Markets Board of Turkey ("CMB"). The Company updates its annual and interim activity reports and corporate website, and makes them available to its shareholders to meet the said principles. Shareholders have access to comprehensive information through the Türk Telekom investor relations website, which is constantly kept up-to-date, and may also direct their queries to the Investor Relations Department.

On 12 December 2018, Türk Telekom received an overall Corporate Governance rating of 9.29 as a result of an independent corporate governance rating assessment conducted by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA A.Ş.), which was authorized by the CMB to rate under the CMB's Corporate Governance Principles.

The Company's Corporate Governance Rating was determined as a result of the assessment undertaken under four major categories (Shareholders, Public Disclosure and Transparency, Stakeholders, Board of Directors) which were given different weightings within the framework of the CMB's Corporate Governance principles. The breakdown of corporate governance rating under the major categories was as follows:

Sub Categories	Weight	Rating
Shareholders	25%	86.92
Public Disclosure & Transparency	25%	98.55
Stakeholders	15%	98.59
Board of Directors	35%	90.61
Total		92.87

This rating of 9.29 assigned to Türk Telekom based on the Corporate Governance Principles is a clear indicator that the Company is largely compliant with the CMB Corporate Governance Principles and has brought the necessary policies and measures into effect. The Company will maintain its efforts to fully comply with the Principles of Corporate Governance.

Reasons for non-compliance with Corporate Governance Principles

Pursuant to the Communiqué No:II-17.1 dated 3 January 2014 of the Capital Markets Board on the Corporate Governance, and other regulations, the non-complied issues and their grounds are listed below. No conflict of interest has occurred to date due to the principles that are not complied.

Presence of voting privileges

The privileges attached to the Golden Share held by the Ministry of Treasury and Finance of the Republic of Turkey are statutory (the law numbered 4673), and the Company is not authorized to amend these privileges.

Presence of no articles in the Articles of Association regarding the procedures for the invitation of members of the board for a meeting by shareholders and stakeholders

Pursuant to the New Turkish Commercial Code numbered 6102, which entered into force on 1 July 2012, each board member may submit a written request to the chairman of the board to invite members of Board of Directors for a meeting.

Furthermore, shareholders holding 5% of the capital have the right to ask the Board of Directors to call an Extraordinary General Assembly Meeting by stating the reasons for doing so and the agenda in written form, and also insert additional topics onto the agenda in the event that an General Assembly Meeting is to be convened anyway.

There is no other method of invitation of board members for a meeting.

Mechanisms and models to encourage the participation of stakeholders in the management of the company are not regulated by the Articles of Association or the Company's internal regulations

Models for the participation of the Company's employees in the management have not been included in the Articles of Association; however, such models have been developed and put into practice within the scope of the company's internal directives. Models for the participation of the Company's employees in the management, such as the Occupational Health and Safety and Disciplinary Boards, the Dispute Resolutions Board and the Inventor Idea System are being developed.

Presence of no articles in the Articles of Association to extend minority rights to shareholders, which hold less than one twentieth of the capital

The Articles of Association of the Company was prepared taking into account the ratio determined by the Turkish Commercial Code (TTC).

Board of Directors' participation is not limited to one committee

Due to the number of Independent members of the Board of Directors of the Company, some independent members of the Board of Directors are assigned in more than one committee.

No policies were constituted to achieve a minimum 25% target for female members in the Board of Directors of the Company

The Company does not have a policy setting the target ratio for female Board of Directors or the timing for that provided that the ratio shall be minimum twenty-five percent.

No performance assessments of Board of Directors have been conducted to evaluate whether the Board of Directors have fulfilled their responsibilities effectively

No assessment had yet been carried out as of the publication date of the Annual Report.

Shareholders

Investor Relations Unit

At Türk Telekom, an Investor Relations Department ("the Department") was formed which reports directly to the CEO with respect to management of relationships with existing and potential shareholders and investors in debt instruments, effectively responding to queries from investors and analysts, and carries out activities targeted at increasing the value of the Company's shares.

Execution of the responsibility arising from capital markets legislation and coordination of corporate governance practices is supervised by the Director of Investor Relations, Sabriye Gözde Çullas, who holds Capital Market Activities Level 3 and Corporate Governance Rating licenses, and is also responsible for the management of investor relations activities.

The primary activities handled by the Department are as follows:

- Including all kinds of cases related to Corporate Governance and Public Disclosure, performing the requirements of the Capital Market Regulations, and handling necessary internal and external disclosures and monitoring related processes,

- Introducing and presenting the Türk Telekom Group to domestic and foreign; individual and institutional; equity and fixed income investors,
- Keeping existing and potential equity investors and fixed income investors regularly informed of the Company's activities, financial standing and strategies in a timely, accurate and complete manner,
- To ensure that records related to correspondences between investors and the Company and other information and documents are maintained in a manner that is sound, reliable and up-to-date,
- Responding to written information requests from equity and fixed income investors related to the Company,
- Preparing documents required for submission for shareholders' review with regard to the General Assembly Meeting, and taking precautions to ensure the organization of the General Assembly Meeting in accordance with related regulation, the Articles of Association and other regulations within the corporation,
- Responding to requests for information from research analysts; ensuring the best introduction of the Company and providing necessary information to ensure that reports for investors are prepared in an accurate and complete fashion,
- Sharing the interim and year-end statements, investor presentations, press releases and annual and interim activity reports regarding financial and operational results with investors and the press; updating the investor relations website regularly to ensure that shareholders have access to accurate and complete information,
- Keeping investors regularly informed of Türk Telekom and the Turkish Capital Markets by participating in conferences and investor meetings,
- Monitoring public disclosures carried out pursuant to the Company's disclosure policy and applicable legislation,

Contact information for employees working in the Investor Relations Department is as follows:

Full Name	Title
Sabriye Gözde Çullas	Director
Eren Öner	Manager
Nergis Gündoğdu	Assistant Manager
Şule Gençtürk	Assistant Manager
Özge Atay	Assistant Associate
Tuğçe Cengiz	Assistant Associate

Phone Number: 0212 309 96 30

E-mail address: investorrelations@turktelekom.com.tr

- Sharing stock related information within the Company, by monitoring the composition of domestic/foreign investors and significant changes in trading volume of the Türk Telekom shares which are publicly traded on the Borsa Istanbul.

Please contact the Corporate Governance and Compliance Manager, Eren Öner, for questions related to dividends, voting on during General Assembly or transfer of shares.

The Department received over 1,000 requests for information by telephone and email during 2018, all of which were responded to.

In 2018, the Investor Relations Department attended 13 investor conferences and 3 roadshows at various locations, particularly in the United States and the UK; the Department met 261 equity and fixed income investors during these events. Including the meetings held in Istanbul, the Türk Telekom Investor Relations Department had the opportunity to meet a total of 350 equity and fixed income investors throughout 2018.

Shareholders' Exercise of their Right to Obtain Information

Within the framework of the Turkish Commercial Code No. 6102, queries other than those relating to trade secrets and undisclosed information, received from shareholders and analysts by the Investor Relations Department by letter, telephone, email or other means are answered to in the fastest and most effective way possible upon contacting the relevant person with the highest authority on the related matter. Approximately 1,000 information requests received by Türk Telekom in the relevant period were answered.

Furthermore, current and past information and developments relating to Türk Telekom which may be of interest to shareholders are regularly communicated to the concerned parties through the investor relations website www.ttinvestorrelations.com, both in Turkish and English. They are also regularly communicated to those registered on the database through email.

Further details are presented under the heading of the "Corporate Investor Relations Website and its Content" below.

Company activities are periodically audited by independent auditors appointed by the General Assembly upon proposal by the Board of Directors. Independent audit services for the activities conducted in 2018 were provided by KPMG, which performs the services concerned under the legal entity of Akis Bağımsız Denetim ve SMMM A.Ş.

There is no article related to the appointment of a special auditor in the Articles of Association. There was no request for the appointment of a special auditor in 2018 and no special audit was conducted. On the other hand, the Company is subject to the audit and inquiry of the Information and Communications Technologies Authority, the Capital Markets Board of Turkey and the Competition Authority within the scope of the relevant legislation of the sector. The results of inquiries and audits are disclosed to the public in the context of disclosure of material events regulated by the Communiqué on the Principles Regarding the Public Disclosure of Material Events.

Minority shareholders may request the appointment of a special auditor in accordance with the 438th and 439th articles of the New Turkish Commercial Code 6102.

General Assembly Meetings

Article 19 of the Articles of Association stipulates, "The General Assembly shall be the main decision body of the Company, possessing every kind of authority in relation to the business of the Company provided by law". Article 21 of the Articles of Association lists the "Material Decisions to be adopted by the General Assembly" as follows:

- a. the presentation of any petition for winding-up ;
- b. any change to these Articles of Association;
- c. any change in the corporate name of the Company;
- d. any change to the accounting reference date or accounting policies, other than as required by law;
- e. any change in the share capital or the creation, allotment or issue of any shares or of any other security or the grant of any option rights or rights to subscribe to the capital, or to convert any instrument into such shares or securities other than bonus shares;
- f. any reduction of capital or variation of the rights attached to any class of shares or any redemption, purchase or other acquisition by the Company of any shares or other securities of that company;
- g. any merger with or material acquisition of any other company;
- h. the cessation of any major Business operation;
- i. any material change to the nature of its Business;
- j. the payment or declaration by the Company of any dividend or distribution of any other kind relating to the shares other than in accordance with Article 30;

k. decisions on any of the matters referred to in Article 12 (a) to (f) above to the extent that such matters have not been approved in accordance with Article 12:

- the entry into of any contract or commitment not provided for in the Budget under which the Group Company may incur costs (per transaction) of more than USD 50 million;
- the acquisition of any assets or property (other than in the ordinary course of business) at a total cost (per transaction) of more than USD 50 million;
- the sale or disposition of any fixed assets for a total price per transaction of more than USD 10 million;
- the borrowing of amounts by a Group Company which when aggregated with all other borrowings of that Group Company would exceed USD 150 million, except for the loans obtained from banks in the ordinary course of business;
- entering any agreement (other than any management agreement referred to in Article 12(g) below) between a Group Company and a Shareholder (other than the holder of the Group B Shares) or its Associates which (x) is not at arm's length terms in terms or (y) involves the transfer of monies or goods and services of a value greater than USD 30 million
- the appointment of any representative to act for the Company at any general assembly meeting of any Group Company (other than the Company and AVEA);
- the entry into of any management agreement between a Group Company on the one part and a Shareholder, or any Associated Companies of a Shareholder or any person that entered into a management agreement/ management consultancy agreement with the holder of the Group A Shares or any of its Associated Companies in connection with the tender process for the block sale on the other part. However, this Article shall not prevent the Company from entering into employment or consultancy agreements with individuals.

Arrangements regarding Company's General Assembly Meetings are in the Türk Telekomünikasyon A.Ş.'s Articles of Association, which is public and can be found on the Company's Investor Relations website. Rightholder who have right to join the General Assembly Meetings pursuant to Article 18 are able to join the meeting via electronic general assembly meeting system in accordance with article 1527 of Turkish Commercial Code.

2018 General Assembly Meetings

On 28 May 2018, the Ordinary General Assembly Meeting convened at the address of Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Merkezi, Turgut Özal Bulvarı,

06103 Aydınlikevler, Ankara, where 95.44% of the Company shares were represented. During this meeting, no questions were raised by shareholders attending either through the electronic platform or individually. Minutes of the Meeting can be accessed from <http://www.ttyatirimciiliskileri.com.tr/en-us/corporate-governance/pages/general-assembly-meeting.aspx> No proposals for agenda items were tabled by shareholders during the meeting.

Particulars related to the said Ordinary General Assembly Meeting dated 28 May 2018 were registered by the Ankara Trade Registry Directorate on 1 June 2018, and published in Turkish Trade Registry Gazette dated 5 June 2018.

An Extraordinary General Assembly Meeting was convened on 19 July 2018, at Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Merkezi, Turgut Özal Bulvarı, 06103 Aydınlikevler, Ankara, in which 94.78% of the Company's shares were represented. No questions were raised by shareholders attending during this meeting, either over the electronic platform or individually. The minutes of the Meeting are accessible from the website, <http://www.ttyatirimciiliskileri.com.tr/en-us/corporate-governance/pages/general-assembly-meeting.aspx>. No proposals for the agenda items were tabled by shareholders during the meeting.

Particulars related to the said Extraordinary General Assembly Meeting dated 19 July 2018 were registered by the Ankara Trade Registry Directorate on 26 July 2018, and were published in the Turkish Trade Registry Gazette dated 31 July 2018.

Furthermore, public disclosures announced by the Company regarding the General Assembly Meetings were also published on the Public Disclosure Platform as of the meeting dates. The General Assembly Meetings were convened without any press or stakeholder participation.

The rules governing the Company's General Assembly Meetings are covered in the Türk Telekomünikasyon A.Ş. Articles of Association, which is publicly disclosed and posted on the investor relations website.

According to Article 31 of the Company's Articles of Association, General Assembly Meetings are announced at least 21 days in advance of the meeting date, excluding the dates of announcement and meeting, in the Turkish Trade Registry Gazette and in two national newspapers in accordance with Article 414 of the Turkish Commercial Code, so as to inform the shareholders in advance of the General Assembly Meetings. Information on General Assembly Meetings, General Assembly agenda, letters of invitation, proxy sample forms and information note, which includes detailed information regarding agenda items are also posted on the investor relations website.

Shareholders who wished to exercise their rights attached to their shareholding fulfilled the necessary procedures for participation in General Assembly Meetings pursuant to applicable legislation and attended the General Assembly Meeting.

The announcement and explanations which the Company is required to disclose in accordance with the principles of corporate governance, the Information Set forth and the invitation to the General Assembly Meeting and the Minutes of the Meeting are made available for uninterrupted access to the shareholders on the website, www.ttinvestorrelations.com.

There were no transactions that required the positive vote of a majority of independent board members in order to be resolved by the Board of Directors, or which were left to the discretion of General Assembly due to the negative votes of independent board members.

In the General Assembly Meeting, the shareholders were informed of donations including education, health, sport, culture, the arts or humanitarian aid undertaken by the Company to associations and charitable institutions, which totaled TL 16,667,606.78 in the year 2017. Total donations including education, health, sport, culture, the arts and humanitarian aid made in 2018 amounted to TL 27,120,534. In line with the donation policy of the Company, total donations in a fiscal year cannot exceed TL 40 million.

As far as Company is aware, no shareholders holding management control, board members, insiders with administrative responsibilities or spouses and their relatives up to the second degree relation by blood or marriage were not engaged in any transaction that could cause a conflict of interest for the Company or its subsidiaries, or did not carry out any commercial transaction included in the operation of the Company and its subsidiaries on behalf of themselves or another individual, or did not join a partnership engaged in the same scope of activity in the capacity of a partner with unlimited liability. All General Assembly Meeting resolutions were applied in 2018.

On 21 December 2018, 55% of the shares held by Ojer Telekomünikasyon A.Ş. ("OTAŞ") in Türk Telekomünikasyon A.Ş. were transferred to Levent Yapılandırma Yönetimi A.Ş. (LYY), which is a special purpose vehicle whose shareholders are the creditor banks that provided loan to OTAŞ.

The Company's Class A shares held by Levent Yapılandırma Yönetimi A.Ş. and Class C shares held by the Ministry of Treasury and Finance of the Republic of Turkey are registered, whereas the remaining shares are bearer shares.

Voting and Minority Rights

All Shares of Türk Telekom can be transferred except for one privileged (golden) share of Group C. For the purpose of protecting the national interest in issues of national security and the economy, the following actions and resolutions cannot be taken without the affirmative vote of the holder of the C Group Privileged Share at either a meeting of the Board of Directors or the General Assembly. Otherwise, such transactions shall be deemed invalid.

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

Pursuant to the Articles of Association and the Telegram and Telephone Law numbered 406, the holder of the C Group Privileged Share appoints one member representing the Privileged Share to the Board of Directors of Turk Telekom. The C Group Privileged Share owner cannot participate in capital increases.

The Company's Articles of Association contain the provision that minority rights are to be exercised by shareholders representing at least 5% of the paid-in capital. However, minority shareholders are not represented on the Board of Directors.

There are no reciprocal shareholding interests in the Company's share capital.

Dividend Right and Profit Distribution Policy

The Articles of Association do not grant any privileges regarding participation in the Company's profit. Each share is entitled to an equal profit share; however, the holder of the Class C share does not receive any share from the profit. Türk Telekom dividends are paid within the legally prescribed periods of time as set out by the applicable legislation.

The Company adopts a policy of distributing the maximum amount of distributable profit in accordance with Articles 28, 29 and 30 of our Company's Articles of Association. The Dividend Distribution policy was approved by shareholders' in the 2013 Ordinary General Assembly Meeting convened on 27 May 2014. On the other hand, the Board of Directors considers the short-term financial liabilities of group companies and the conditions of those contracts signed with creditors in determining the Company's dividend proposal.

As stated in the Company's Articles of Association, the dates and the manner of distribution of the annual profit

to shareholders is decided by the General Assembly upon the proposal by the Board of Directors, in accordance with the provisions of the Capital Market Law and applicable legislation.

The Dividend Distribution Policy is disclosed to the public through investor relations website (www.ttinvestorrelations.com) and stated in Company's Annual Report.

In order to further strengthen the Company's balance sheet structure, the Board of Directors proposed that the TL 1,135,532,329.14 in net profit for 2017 fiscal year would be set aside as the extraordinary legal reserve, and that no profit distribution would be made from the earnings from the 2017 fiscal year. This proposal of the Board of Directors was approved in the Ordinary General Assembly Meeting held on 28 May 2018, and no distribution of the profit was carried out.

The Company did not buy back its shares in 2018.

Transfer of Shares

The provisions of the Company's Articles of Association restricting transfer of shares are as follows:

Subject to Article 6/A of the Company's Articles of Association, all shares of Türk Telekom can be transferred except for one privileged (golden) share of Group C. For the purpose of protecting the national interest in issues of national security and the economy, the following actions and resolutions cannot be taken without the affirmative vote of the holder of the C Group Privileged Share at either a meeting of the Board of Directors or the General Assembly. Otherwise, such transactions shall be deemed invalid:

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

The transfer of shares are restricted until the expiration of the Strategic Commitment Period of 14 November 2008 as stipulated in Article 6.A.2 of the Articles of Association, which is as follows: "At any time after the later of the expiry of the Strategic Commitment Period and the date on which the holder of the Group A Shares has paid in full for all of its Shares in the Company, the holder of the Group A Shares may transfer some or all of its Shares to a third party, subject always to the veto rights of the holder of the C Group Privileged Share." After the end of the aforementioned restriction period, the transfer of the

Company's Group A shares may always be the subject of the veto rights of the holder of the Group C Privileged Share. The Strategic Commitment Period ended on 14 November 2008 and the holder of Group A shares paid the amount in full for all of their shares in the Company. Accordingly, the Company's Group A shares may be transferred with the approval of the holder of the C Group Privileged Share. The Group A Shareholder may pledge, mortgage or charge those of its shares as shall from time to time not be subject to the Share Pledge to a financial institution for the purpose of security for borrowings incurred in respect of the purchase of such shares or otherwise. If that financial institution forecloses such a pledge, mortgage or charge then it may only transfer the Group A Shares subject to the pledge, mortgage or charge in the event that it obtains the prior written consent of the Treasury (such consent not to be unreasonably withheld).

According to Article 6.A.3 of the Company's Articles of Association, the restriction placed of the transfer of shares of Group B shareholders is limited to the strategic commitment period and there shall be no restrictions on the transfer of Group B shares after the end of the strategic commitment period on 14 November 2008.

Furthermore, according to the supplemental Article 17 of the Telegram and Telephone Law numbered 406 and paragraph 4 of the Article 6 of the Company's Articles of Association, the C Group Privileged Share shall not be sold.

Public Disclosure and Transparency

Company Disclosure Policy

The Türk Telekom Disclosure Policy has been formulated in line with the CMB's Communiqué on Principles Governing Disclosure of Material Events No: II-15.1 and CMB's Corporate Governance Principles. In line with the decision taken by the Company's Board of Directors, the policy was updated on 12 April 2018 and announced on the Public Disclosure Platform, and has been approved and brought into effect by the Board of Directors, with shareholders being informed during the Ordinary General Assembly Meeting convened on 28 May 2018. The disclosure policy is posted on the investor relations website (www.ttinvestorrelations.com) under the "Corporate Governance" heading. The Investor Relations Department is responsible for the monitoring and development of the said policies, and the names and duties of those with the relevant responsibility are listed under the heading of the Investor Relations Unit. These individuals closely cooperate with the Board of Directors and Corporate Governance Committee in the fulfillment of these responsibilities.

Assessment of Company Guidance

On 25 April 2018 and 6 November 2018, the Company revised the guidance, which it announced on 8 February 2018.

Explanations about the revised guidance in April 2018 are as follows:

“Our company adopted IFRS 15 and IFRS 9 accounting standards with effect from 1 January 2018.

The adoption of these standards is expected to have an incremental impact of around TL 600 million on the 2018 EBITDA and CAPEX, while no material impact is expected on revenue. Accordingly, the Company revised its 2018 guidance, which had previously been announced through the 8 February 2018 dated regulatory disclosure.

Revised guidance for 2018 is as below under current circumstances:

- Consolidated revenue growth (excluding IFRIC 12) to be around 11% above the 2017 level,
- Consolidated EBITDA of between TL 7.6-7.8 billion,
- Consolidated CAPEX to be around TL 4.1 billion. “

The explanations regarding the revised guidance in November 2018 were as follows:

“The company has decided to revise its 2018 guidance for Consolidated revenue (excluding IFRIC 12), EBITDA and CAPEX upwards on the back of the strong revenue growth and strong operational profitability observed in the first nine month of 2018.

Accordingly, under the revised circumstances, the guidance for 2018 is as follows;

- Consolidated revenue growth (excluding IFRIC 12) to be around 13% with respect to 2017,
- Consolidated EBITDA to be TL 8.0-8.2 billion,
- Consolidated CAPEX to be around TL 4.2 billion.”

Türk Telekom achieved its 2018-year end revenue target, whereas its realized EBITDA was well above the TL 8.0-8.2 billion that had been guided, primarily driven by strong sales revenues and the efficiency measures taken to improve management of operating costs. In other words, excluding IFRIC adjustments, the Company recorded 12.8% revenue growth in line with the guidance and TL 8.4 billion in EBITDA, well ahead of the guidance for the year. During the same period, consolidated capital expenditures amounted to TL 4.1 billion, in line with the guidance.

Guidance for 2019 Regarding Consolidated Financial Results

Under current circumstances, guidance for 2019 is as below:

- Consolidated revenue growth (excluding IFRIC 12) of 15-16% over the 2018 level,
- Consolidated EBITDA of TL 10.0-10.2 billion,
- Consolidated CAPEX of TL 5.5-5.7 billion.

The Company adopted IFRS 16 accounting standards with effect from 1 January 2019. Guidance includes the impact of IFRS 16 on EBITDA (TL 650-700 million) and CAPEX (TL 850- 900 million).

The Investor Relations Website and its Content

The Investor Relations website can be accessed from www.ttinvestorrelations.com, and is actively used in achieving transparency and public disclosure in parallel with Capital Market legislation, CMB and BIST rules and regulations and the CMB's Corporate Governance Principles. A large portion of the information on the website is provided in both Turkish and English. The main headings covered on the website are listed below:

- Detailed information about the company profile
- Vision, mission and values
- Company management and shareholding structure
- Information about the Members of the Board of Directors and Senior Management of the Company
- Company's Articles of Association and the Turkish Trade Registry Gazette where the amendments are published
- Trade registry information
- Financial statement and activity reports
- Public disclosures of material events
- Earnings releases
- Investor presentations
- Stock performance information
- Bond information
- Credit ratings
- Contact information of analysts
- Information about the General Assembly Meetings
 - Agenda
 - Information set
 - Meeting Minutes
 - List of attendants
 - Proxy sample

- Corporate governance principles compliance report
- Profit distribution policy, history and capital increases
- Disclosure policy, remuneration policy, and other policies
- Ethic Codes
- Independent auditor information
- List of insiders with administrative responsibilities
- Internal audit and Risk Management
- Information on committees established according to the

- Capital Markets Board Corporate Governance Principles
- Offering circular related to the public offering
- Türk Telekom Call Center and contact information
- Investor Relations contact information
- Information related to the social responsibility projects of Türk Telekom
- Frequently asked questions and answers
- Telecom glossary

Trade Registry Information

Date of Registration	June 30 1994
Date of publishing the corporation in Turkish Trade Registry Gazette	July 1 1994
Registration Number	103633
Trade Registry Office	Ankara Trade Registry Office
Central Registration System Number	0876005220500084

Disclosure of Ultimate Controlling Individuals

Not subject to the authorized capital system, the Company has a share capital of TL 3,500,000,000 which is fully paid-in.

On 21 December 2018, 55% of the shares held by Ojer Telekomünikasyon A.Ş. (“OTAŞ”) in Türk Telekomünikasyon A.Ş. were transferred to Levent Yapılandırma Yönetimi A.Ş. (LYY), which is a special purpose vehicle whose shareholders are the creditor banks that provided loan to OTAŞ.

The distribution of the paid-in capital among the shareholders is shown below:

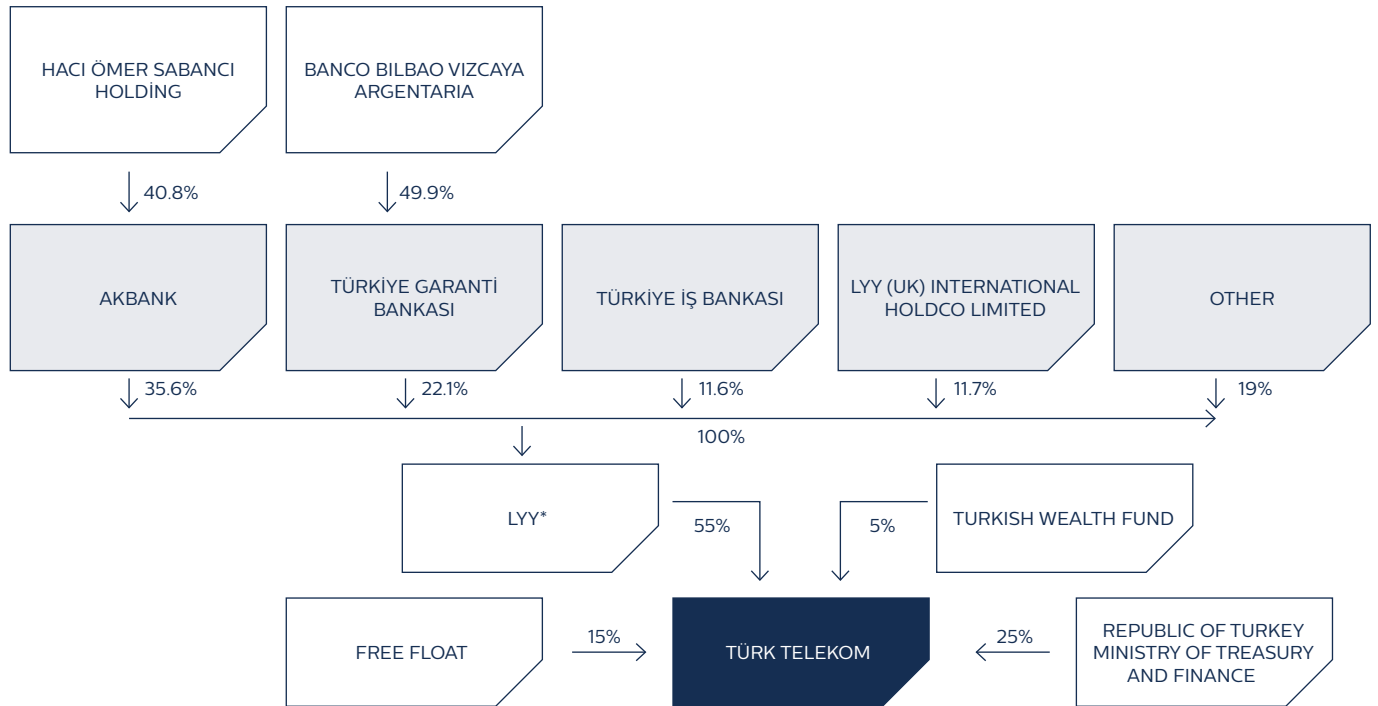
Shareholders	Share in Capital		
	Amount (TL)	Group	Share (%)
Levent Yapılandırma Yönetimi A.Ş.	1,925,000,000.00	A	55
Republic of Turkey Ministry of Treasury and Finance	875,011,884,975	B	25
Republic of Turkey Ministry of Treasury and Finance	0.01	C	
Turkish Wealth Fund	174,988,115.015	B	5
Free Float	525,000,000.00	D	15
TOTAL	3,500,000,000.00	-	100

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

Corporate Governance Principles Compliance Report

The natural and legal persons owning shares in our Company's capital are set out below:

SHAREHOLDER STRUCTURE



* Levent Yapılandırma Yönetimi A.Ş.

Note: Turkish Wealth Fund has 1.68% share in free float.

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

Other Information in accordance with legislation

The content of the annual activity report is prepared in accordance with the New Turkish Commercial Code and the regulations of the Capital Market Board. There were no conflicts of interest arising between Türk Telekom and the related organizations which offer investment advice, investment analysis and rating activity.

The Chief Executive Officer is not the Chairman of the Board of Directors.

No administrative sanction or penalty has been imposed on any member of the Board of Directors. As there are no reciprocal shareholding interests in the Company's share capital, no information regarding this issue is provided in the activity report.

Board of Directors

Structure and Formation of the Board of Directors

During the Extraordinary General Assembly Meeting of the Company held on 25 January 2019, Article 8 of the Articles of Association of the Company, entitled "Board of Directors" was amended and the number of the members of the Board of Directors was set at nine, and the Board of Directors was elected for a term of 3 years.

In accordance with the Company's Articles of Association, members of the Board of Directors may be nominated as follows;

(a) the Group A Shareholder as all be entitled to nominate five (5) persons for election as Directors.

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

- 30% or more of the shares, the Treasury shall be entitled to nominate three (3) persons for election as independent board members who carry the independence criteria as defined in the Capital Market legislation or
- 15% or more of the shares (but less than 30% of the shares), the Treasury shall be entitled to nominate two (2) persons for election as independent board members who carry the independence criteria as defined in the Capital Markets legislation
- During the calculation of 15% and 30% of the shares mentioned above paragraphs, the amount of B Group shares and D Group shares held by the Treasury and Turkish Wealth Fund shall be taken into account together.

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

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

As of the report date, the structure of the Board of Directors of the Company is as shown below:

Türk Telekomünikasyon A.Ş. Members of the Board of Directors		
Name-Surname	Duties at Türk Telekomünikasyon A.Ş. over the last 5 years	Duties Outside Türk Telekomünikasyon A.Ş.
Dr. Ömer Fatih Sayan Chairman of the Board of the Directors Member of Nomination and Remuneration Committee		<ul style="list-style-type: none"> • Deputy Minister at the Ministry of Transport and Infrastructure of the Republic of Turkey
Eyüp Engin Vice Chairman of the Board of the Directors	<ul style="list-style-type: none"> • 28.12.2018 - Current: Board Member of TT Mobil İletişim Hizmetleri A.Ş. • 28.12.2018 - Current: Board Member of TTNET A.Ş. • 28.12.2018 - Current: Chairman of the Board of Directors of Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret A.Ş. 	<ul style="list-style-type: none"> • Akbank T.A.Ş. Head of Internal Audit • Ak Yatırım Menkul Değerler A.Ş. Board Member • Ak Yatırım Menkul Değerler A.Ş. Head of Audit Committee • Ak Finansal Kiralama A.Ş. Board Member • Ak Finansal Kiralama A.Ş. Head of Audit Committee • Akbank AG Board Member • Akbank AG Head of the Audit Committee • Ak Portföy Yönetimi A.Ş. Member of the Audit Committee • Akbank T.A.Ş. Mensupları Tekaüt Sandığı Vakfı Board Member
Bülent Aksu Member of Board of Directors Member of Early Identification and Management of Risks Committee		<ul style="list-style-type: none"> • Deputy Minister for Ministry of Treasury and Finance of the Republic of Turkey
Yiğit Bulut Independent Board Member Chairman of Early Identification and Management of Risks Committee Chairman of Audit Committee Chairman of Nomination and Remuneration Committee		<ul style="list-style-type: none"> • Key Advisor of the Presidency of Turkish Republic • Member of the Economic Policy Committee of the Presidency of The Republic of Turkey

Corporate Governance Principles Compliance Report

<p>Hakan Aran Member of Board of Directors Member of Early Identification and Management of Risks Committee</p>	<ul style="list-style-type: none"> 28.12.2018 - Current: Board Member of TT Mobil İletişim Hizmetleri A.Ş. 28.12.2018 - Current: Board Member of TTNET A.Ş. 28.12.2018 - Current: Board Member of AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş. 28.12.2018 - Current: Board Member of İnnova Bilişim Çözümleri A.Ş. 28.12.2018 - Current: Chairman of the Board of Directors of SEBİT Eğitim ve Bilişim Teknolojileri A.Ş. 	<ul style="list-style-type: none"> Türkiye İş Bankası A.Ş. Deputy Chief Executive İş Net Elektronik Bilgi Üretim Dağıtım Tic. ve İlet. Hiz. A.Ş. Chairman of the Board of Directors Softtech Yazılım Teknolojileri Araştırma Gel. ve Paz. Tic. A.Ş. Chairman of the Board of Directors Livewell Giyilebilir Sağlık Ürün Hiz. ve Tekn. San. ve Tic. A.Ş. Chairman of the Board of Directors Gullseye Lojistik Teknolojileri A.Ş. Chairman of the Board of Directors Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı Board Member
<p>Selim Dursun Independent Board Member Member of Audit Committee Member of Corporate Governance Committee</p>	<ul style="list-style-type: none"> 2 March, 2012 – 2 February, 2015: İnnova Bilişim Çözümleri A.Ş. Member of the Review Committee 	<ul style="list-style-type: none"> Deputy Minister at the Ministry of Transport and Infrastructure of the Republic of Turkey
<p>Dr. Nureddin Nebati Independent Board Member Chairman of Corporate Governance Committee</p>		<ul style="list-style-type: none"> Deputy Minister at the Ministry of Treasury and Finance of the Republic of Turkey
<p>Dr. Muammer Cüneyt Sezgin Member of Board of Directors Member of Corporate Governance Committee Member of Nomination and Remuneration Committee</p>	<ul style="list-style-type: none"> 28.12.2018 - Current: TT Mobil İletişim Hizmetleri A.Ş. Vice Chairman of the Board of the Directors 28.12.2018 - Current: Board Member of TTNET A.Ş. 28.12.2018 - Current: Chairman of the Board of the Directors at Turk Telekom International Group 	<ul style="list-style-type: none"> T. Garanti Bankası A.Ş. Board Member Garanti Bank S.A. (Romania) Board Member Garanti Bank S.A. (Romania) Head of the Audit Committee Garanti Emeklilik ve Hayat A.Ş. Board Member Garanti Emeklilik ve Hayat A.Ş. Head of the Audit Committee Garanti Yatırım Menkul Kıymetler A.Ş. Board Member Garanti Yatırım Menkul Kıymetler A.Ş. Head of Audit Committee
<p>Emre Derman Member of Board of Directors</p>		<ul style="list-style-type: none"> Akbank T.A.Ş. Board Member Turcas Petrol A.Ş. Independent Board Member

Biographies of the members of Türk Telekom's Board of Directors are provided in the Board of Directors Section of the annual report and Investor Relations website. Pursuant to the 10th article of the Articles of Association, the members of the Board of Directors shall hold office for a term of 3 years.

In line with the Capital Markets Board legislation, the Corporate Governance Committee performed the member nomination responsibility of the Nomination Committee for the designation of the Members of the Board of Directors whose nominations were discussed and decided at the Extraordinary General Assembly Meeting, which was held on 25 January 2019. B Group shareholders presented three independent board nominee members to the Corporate Governance Committee, and the Corporate Governance Committee prepared a report dated 4 January 2019 on the suitability of the nominees with respect to the independency criteria, and presented this report to the Board of Directors on the same dates.

After the Capital Markets Board provided consent for the nominees, three nominees of independent members of the Board of Directors were submitted to the General Assembly's approval and were also elected.

Statements of Independence that each Independent Board Member have signed are presented in the appendix of this report. No circumstances were found which could jeopardize the independence of the Board of Directors in the activity period. No company rules have yet been internally established regarding the positions to be held by the members of Board of Directors outside the company.

Separately, upon the expiry of the term of office of the Board of Directors elected at the Extraordinary General Assembly Meeting held on 8 July 2015, the election of members of the Board of Directors was held at the Extraordinary General Assembly Meeting on 19 July 2018. In line with the Capital Markets Board legislation, the Corporate Governance Committee performed the member

nomination responsibility of the Nomination Committee for the designation of the Members of the Board of Directors whose nominations were discussed and decided at the Extraordinary General Assembly Meeting, which was held on 19 July 2019. B Group shareholders presented four independent board nominee members to the Corporate Governance Committee, and the Corporate Governance Committee prepared two reports dated 25 June 2018 and 18 July 2018 on the suitability of the nominees with respect to the independency criteria, and presented these reports to the Board of Directors on the same dates. After Capital Markets Board provided consent for the nominees, four nominees of independent members of Board of Directors were submitted to the General Assembly's approval and elected as well.

Changes in the Members of the Board of Directors in 2018

Pursuant to Article 363 of the Turkish Commercial Code, the Board of Directors undertook appointments upon the vacancies arising from the resignations of the members of the Board of Directors, and these members were elected in the Extraordinary General Assembly Meeting held on 19 July 2018. Within this context, by the Board of Directors;

Dr. Ömer Fatih Sayan was appointed as a member of the board on 4 September 2018, after it had become vacant due following resignation of Suat Hayri Aka.

Selim Dursun was appointed as an Independent Board Member on 4 September 2018. The position had become vacant following the resignation of Fahri Kasırga. The Company had applied to the Capital Markets Board (CMB) for the Independent Board Member nominee of Selim Dursun, and received the written consent of CMB on 14 September 2018).

Bülent Aksu, nominated by Group A shareholders, was appointed to the board membership position on 2 November 2018, which had become vacant following Rami Aslan's resignation.

Dr. Nureddin Nebati, nominated by Group A shareholders, was appointed to the board membership position on 2 November 2018, which had become vacant following Mazen Abou Chakra's resignation.

Faisal Mohammed I Aldughaiter, nominated by Group A shareholders, was appointed to the board membership position on 2 November 2018, which had become vacant following Nasser Sulaiman A Al Nasser's resignation.

Hakan Aran, nominated by the Group A shareholders, was appointed to the board membership position on 22 December 2018, which had become vacant following Mohammed Hariri's resignation.

Dr. Muammer Cüneyt Sezgin, nominated by Group A shareholders, was appointed to the board membership position on 22 December 2018, which had become vacant following Cenk Serdar's resignation.

Eyüp Engin, nominated by Group A shareholders, was appointed to the board membership position on 22 December 2018, which had become vacant following Al-Hakam Marwan Moh'd Kanafani's resignation.

Board Member Dr. Nureddin Nebati, and Independent Board Members Sefer Turan and İbrahim Eren resigned on 27 December 2018, and Dr. Nureddin Nebati was appointed as Independent Board member, replacing Sefer Turan on 27 December 2018.

Principles of Activity of the Board of Directors

Pursuant to the Articles of Association, the Board of Directors shall meet at least four times a year or shall meet whenever the Company's business so requires. The activities of the Board of Directors are run by the Board Secretariat. At least 10 business days before the meeting, a notice of the time of meeting and the agenda, which is accompanied by any relevant papers, are sent to the Board of Directors. Meeting notices are sent to the members of the Board of Directors via e-mail. The agenda of the meeting is set by e-mails in view of the proposals set forth by members of the Board of Directors, the CEO, VPs and Executive members of departments. The agenda is finalized by receiving the consent of the Chairman of the Board. In 2018, the Company's Board of Directors convened on 31 May and 13 December to evaluate strategic matters concerning the Company. The overall attendance rate of board meetings was 98%. Pursuant to the 12th article of Articles of Association, questions arising meetings are passed by a simple majority of the votes of the Directors present at such meeting unless the resolution relates to a "Supermajority Decision Relating to the Board". Supermajority Decisions Relating to the Board were taken with the presence and affirmative vote of seven Directors, at least one of which shall be a Director representing the Ministry of Treasury and Finance of the Republic of Turkey. Questions arising at the meeting of Board of Directors and issues with multiple views are read into the minutes with the appropriate grounds of negative votes in detail. The rights of members of the Board of Directors representing the C Group shareholder are set out in the section of Voting Rights and Minority Shares. No negative votes on these resolutions were received. There were no significant transactions presented for approval of the independent directors and all related party transactions were approved by the majority of the independent directors. The Company has insured the damages that will be caused by the faults of the members of the Board of Directors during

their duties. The Company's existing Executive Liability Insurance policy has been implemented in a way that the total liability limit exceeds 25% of the company's capital.

Numbers, Structures and the Independence of Committees within the Board of Directors

Audit Committee

The Audit Committee was established with the Board Resolution dated 9 June 2008.

With the Board Resolution dated 11 January 2019, the Audit Committee members were designated as follows.

Yiğit Bulut, who was already a member of the Audit Committee, was selected as the chairman of the Audit Committee, and Independent Board Member Selim Dursun was elected to the membership position of the Audit Committee.

The Committee holds meetings once every three months. The Committee gathered four times in 2018 and reviewed and monitored Türk Telekom Group's processes of accounting, finance and auditing as well as their processes for monitoring compliance with the law and regulations and their own code of business conduct, as well as such other matters which may be delegated specifically to the Committee by the Board from time to time. The Operating Principles of the Audit Committee were revised and updated in 2018, and entered effect upon the approval of the Board of Directors.

Corporate Governance Committee

The Corporate Governance Committee was established with the Board Resolution dated 17 October 2012.

With the Board Resolution dated 11 January 2019, the Corporate Governance Committee members were designated as follows.

Independent Board Member Nureddin Nebati is serving as Chairman of the Corporate Governance Committee. Non-executive board members Selim Dursun (Independent Member) and Dr. Muammer Cüneyt Sezgin and the Investor Relations Director, Sabriye Gözde Çullas, are serving as members of the Corporate Governance Committee.

The Corporate Governance Committee shall provide the implementation, improvement and adoption of corporate governance principles within the Company and shall convene as often as deemed necessary to ensure the effectiveness of its work. In 2018, the committee held nine meetings and carried out its activities effectively.

The Corporate Governance Committee undertakes the duties of the Nomination and Remuneration

Committees, since there were no specific Nomination and Remuneration Committees in 2018.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was established with the Board Resolution dated 22 February 2019.

Independent Board Member Yiğit Bulut is serving as Chairman of the Nomination and Remuneration Committee. Board Member Dr. Ömer Fatih Sayan and Board Member Dr. Muammer Cüneyt Sezgin are serving as members of the Nomination and Remuneration Committee.

Early Identification and Management of Risks Committee

The Early Identification and Management of Risks Committee was established with the Board of Resolution dated 23 October 2013.

With the Board Resolution dated 11 January 2019, the Early Identification and Management of Risks Committee members were designated as follows.

Independent Board Member Yiğit Bulut is serving as the Chairman of the Early Identification and Management of Risks Committee. Non-executive Board Members, Hakan Aran and Bülent Aksu, are serving as the members of the Early Identification and Management of Risks Committee.

The Early Identification and Management of Risks Committee convenes every two months and carries out its tasks effectively. In 2018, the Committee held a total of five meetings. This committee was established with the following aims:

- To identify any potential risks that could jeopardize the existence, development and continuity of the Türk Telekom Group,
- To establish the Corporate Risk Management System to implement necessary measures and actions with the aim of eliminating identified risks, and to ensure the system's continuity and to improve it if necessary,
- To conduct activities related to the risk management and monitoring via risk management tools within the scope of a risk management system,
- To ensure that the findings received from the Corporate Risk Management System form important components of the decision making process,
- To present reports to the Board of Directors on these issues.

Independent Board Member Yiğit Bulut is serving as both the Chairman of the Early Identification and Management

of Risks Committee and the Audit Committee. Independent Board Member Selim Dursun serves as both the Member of the Corporate Governance Committee and the Member of the Audit Committee.

Risk Management and Internal Control Mechanism

The mission of the Türk Telekom Group Corporate Risk Management is “to identify potential events that might affect the Company, to manage the risks in line with the

corporate risk appetite of the Company and to provide a reasonable degree of assurance for the Company to achieve its objectives; to establish systematic process which will be used in the Company as a whole to define the strategies, with the contribution of the senior management and all other employees”, while its vision is “to establish a Corporate Risk Management system which is in parallel with international best practices”.

The Türk Telekom Group Corporate Risk Management cycle has been created within the scope of the international best standards (ISO 31000). [Please see figure 1]

Türk Telekom Group Corporate Risk Management Process

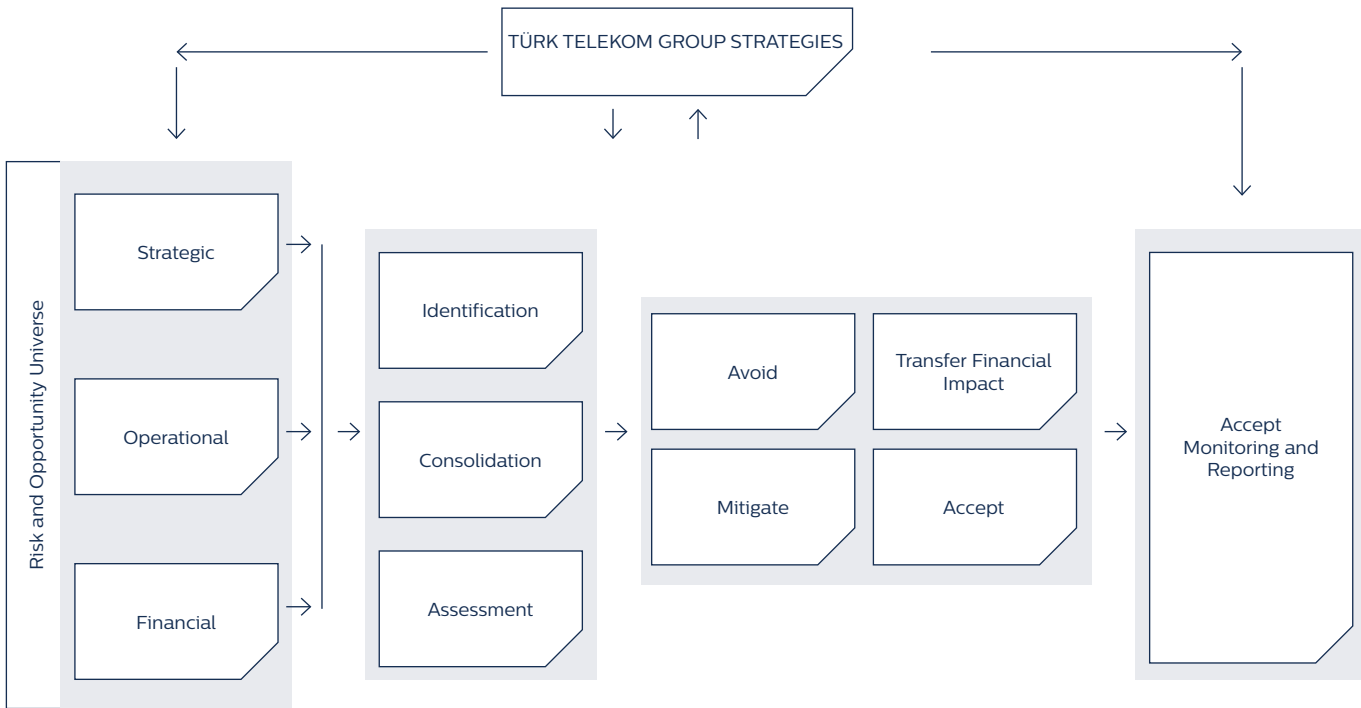


Figure 1. Türk Telekom Group Corporate Risk Management Cycle

In the Türk Telekom Group, Corporate Risk Management is a process established upon “Continuous Communication and Consultation” which is the fundamental of the systematic taken as a basis. For this reason, this process is carried out with the participation of all business units.

Every year, all units identify the internal and external potential risks that may arise in parallel with the economic, sectoral and legal developments that may hinder the Group from achieving its strategic objectives.

The risks which Türk Telekom is exposed to are classified as strategic, operational and financial. These risks are measured through qualitative and quantitative risk metrics and management tools which are continuously improved and updated to be in harmony with the dynamic global conditions and the ICT sector.

In addition to these measurements, the root causes that underlie/trigger potential risks are also analyzed in detail. Action plans, which are prepared in accordance with the priorities set by the Senior Management, focus on the root causes that lead to the cause-and-effect relationship, and a domino effect is created to eliminate or reduce the identified risk within reasonable costs.

Türk Telekom Group Corporate Risk Management Corporate Governance Model

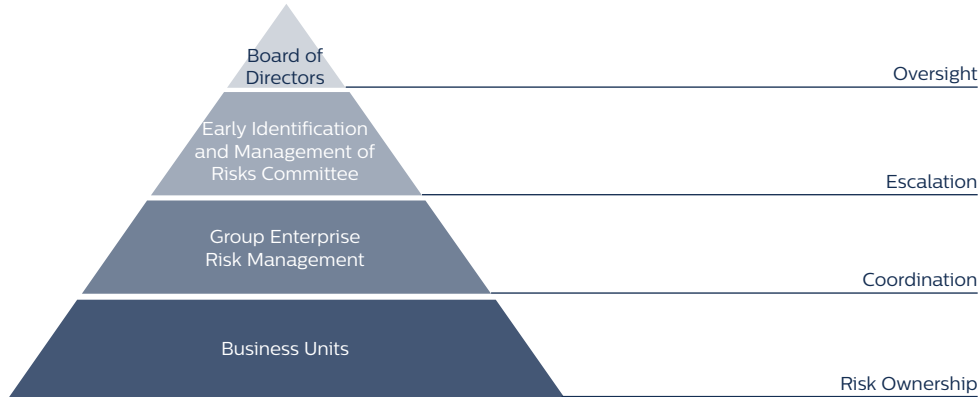


Figure 2. Türk Telekom Group Corporate Risk Management Corporate Governance Model

In this governance model;

The Board of Directors reviews and assesses the risks and opportunities that Türk Telekom is exposed to in compliance with the Group’s strategies.

The Early Identification and Management of Risks Committee takes into consideration the risks that the Türk Telekom Group is or may be exposed to, and ensures that the “Risk Management Process” is established, and continuously oversees the effectiveness of the system. The Committee presents significant risks and opportunities to the attention of the Board of Directors.

The Corporate Risk Management department is engaged in determining and improving the minimum standards regarding the Corporate Risk Management System, coordinating the Corporate Risk Management processes carried out within the Group, monitoring the existing levels and the development levels of the identified risks and reporting them to the related Management units.

Business Units consider the risks under their responsibility and take necessary action.

The Internal Control Environment provides the assurance that controls and actions function to manage risks.

In the one-to-one work carried out with middle and upper-level executives of the company’s business lines, the risks of Group companies are also clearly identified in line with the risk management standards established for Türk Telekom. The evaluation process draws a detailed panorama of the risk universe that the Company is

exposed to, taking into account the root causes that generate risks, the relationships between risks, sectoral factors and the macroeconomic dynamics of the country. Effective analysis of the root causes that generate the identified risks constitutes the basis of the action planning, while a cost-effective and optimized management process is implemented with the actions

Strategic Targets of the Company

The Strategic Business Plan, which includes the strategic targets determined by observing global and local sectoral developments, technological developments and the identification of customer preferences and the annual budget, are subject to approval from the Board of Directors. The Board monitors Türk Telekom’s performance in reaching its strategic targets on a monthly basis

Prohibition on Carrying out Business and Competing with the Company

The Company has adopted practices that are aligned with Articles 395 and 396 of the Turkish Commercial Code and Principles of Corporate Governance annexed to Communiqué II-17.1 on Corporate Governance. During the Ordinary General Assembly Meeting dated 28 May 2018, the Extraordinary General Assembly Meeting dated 19 July 2018 and the Extraordinary General Assembly Meeting dated 25 January 2019, permission was granted to the controlling shareholders, Members of the Board of Directors, the senior executives, their spouses and their relatives by blood and marriage up to the second degree to conduct transactions which may cause a conflict of interest for the Company or the Company’s subsidiaries

and to compete in accordance with the Communiqué II-17.1 on Corporate Governance, and the general assembly was informed of any such transactions of this nature realized within the year.

Remuneration of Members of the Board of Directors and Senior Executives

Shareholders were informed of the “Remuneration Policy” determined for the Members of the Board of Directors and the Senior Executives in accordance with the Principles of Corporate Governance in the Ordinary General Assembly Meeting dated 28 May 2018. The Remuneration Policy was disclosed to the public and posted on the investor relations website on the same day. Remuneration of members of the Board of Directors is determined by the General Assembly in accordance with Article 408 of Turkish Commercial Code No. 6102 and Article 8 of the Company’s Articles of Association. During the Ordinary General Assembly Meeting held on 28 May 2018 and the Extraordinary General Assembly Meeting held on 19 July 2018, it was approved and accepted that each member of the Board of Directors shall be paid a net remuneration amount of TL 15,000 per month, in

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

(TL x 1,000)	1 January- 31 December 2017	January- 31 December 2018
Short-term benefits	127,307	110,327
Wages and similar fees	117,712	99,646
Attendance fees	9,595	10,681
Long-term defined benefits	2,667	2,365
Social Security Institution premiums	2,667	2,365
Total	129,974	112,692

Stakeholders

Türk Telekom’s stakeholders are individuals, institutions or interest groups, such as employees, creditors, customers, suppliers, trade unions and various non-governmental organizations which are involved in the fulfillment of the company’s objectives or activities.

In its operations and activities, Türk Telekom strives to protect the rights of its stakeholders as regulated by relevant legislation and mutual agreements. In situations where the rights of stakeholders cannot be protected by legislation and mutual agreements, the interests of stakeholders are protected in accordance with the rules of good faith and to the extent of the Company’s capabilities.

Company Policies Regarding Stakeholders

Türk Telekom’s policies regarding its employees are carried out in accordance with the principles of its human resources policy, and its relations with suppliers are carried out with the principles set out by its procurement policy.

addition to two bonuses per year, each equal to monthly remuneration amount, in January and in July.

During the Extraordinary General Assembly Meeting held on 25 January 2019, it was decided that the monthly net remunerations per member determined at the Extraordinary General Assembly Meeting held on 19 July 2018, would be increased in line with the 2018 annual consumer price index (CPI) announced by the Turkish Statistical Institute (TurkStat), and that the bonuses, to be paid twice in a year, in January and in July, would also be raised by the same amount as the monthly remunerations.

There is no performance measurement and a performance-based rewarding system in place for Board members. The Company has never lent money or extended loans to any Board member or executive, no credit has been extended under personal loans through third persons, nor have any guarantees been provided such as suretyship in their favor.

As the undisputed leader in Turkey’s communication and entertainment technologies, Türk Telekom has determined its vision as ensuring to enrich the businesses and lives of its customers, by doing its best in every field.

Türk Telekom listens to the requests and suggestions of its customers and it exercises the maximum effort to resolve complaints as rapidly as possible in a fair, impartial and confidential manner in accordance with the laws, regulations and Company rules.

Türk Telekom attaches importance to ensure that its relations with companies such as dealers, contractors and partners are accurate, consistent and reliable and that all kinds of businesses are carried out in accordance with the relevant contracts, laws or regulations. In the contracts signed with these companies, objective criteria such as conformity to the principles and practices, opinions of the legal and the relevant business unit, and the benefits and costs are taken into consideration.

Türk Telekom protects the rights of its stakeholders with the policies and regulations related to the prevention of corruption and bribery. The Company's corporate website includes an ethics violation notification channel where stakeholders may report transactions that contravene the relevant legislation or are not ethical. The Türk Telekom Group Business Ethics Committee, which investigates notifications impartially, ensures that relevant research and inquiry are executed and notifications are resolved within the framework of the findings obtained, provides consultancy service to employees regarding ethical issues and evaluates conflicts of interest brought to its attention in a balanced manner. Necessary audits and inspections are carried out by the Company and the results are reported to the applicants.

Information security requirements and the rights of stakeholders are evaluated within the framework of the Information Security Policy, under the scope of Law on Protection of Personal Data (KVKK) and other legislation. Türk Telekom undertakes all technical and administrative measures to ensure the appropriate level of security in order to prevent illegal access to personal data or processing of the data, and to ensure the protection of the data.

As a result of the measures to enable participation of stakeholders in the management, the development of models for the Company employees' involvement in the management such as Occupational Health and Safety Boards, Disciplinary Boards, Conflict Resolution Board, Inventor Idea System etc. continued in 2018.

Employee participation in management is regulated in the Collective Labor Agreement through the functioning of the Disciplinary Boards and Dispute Resolution Boards.

Informing the Stakeholders

Türk Telekom shareholders and investors are kept informed in line with the public disclosure principles.

The Company's Sales and Customer Care Department efficiently handles Türk Telekom customers' requests for information about services and products, deals with comments or complaints and provides solutions for customer problems.

Intercompany disclosures are carried out by the Internal Communication Department within the body of the Human Resources, Regulation and Support Assistant General Manager Directorate, the Academy and the Internal Communication Directorate.

Human Resources Policy

Türk Telekom aims to be the most preferred company in the Turkish telecommunications sector and thus in line with its future strategy and targets to attract a qualified workforce aligned with the corporate culture and values.

Türk Telekom aims to generate long term employment within the opportunities presented by technological developments, fiscal and economic conditions, sectoral changes in order to provide fast, high quality and economical services.

The continuous improvement of Türk Telekom depends on the capability and flexibility of employees to adapt to the sector's changing conditions quickly and efficiently. With their superior skills, competence and experience, employees help Türk Telekom become one of the leading companies in the world.

In accordance with Türk Telekom's strategies and leadership model, training and development activities are carried out to ensure the development of knowledge, skills and behaviors, support the employer brand, invest on development at the retention point by supporting high performance.

The basic principles of Human Resources at Türk Telekom include ensuring that the right training and investment in employees' development is provided at the right time, to the right person, with managers taking an active role in the development of their employees, integrating opportunities for development with all human resources processes, sustainability of training and development activities supported by technology, and ensuring the use of alternative development methods and resources in all processes.

The Company informs employees of decisions taken or developments concerning employees by the appropriate Internal Communication tools (such as notifications, e-mail announcements, instant notification and the internal communication portal). Furthermore, regular exchanges of views are carried out with the union. Decisions affecting employees are communicated to union representatives and the union.

Recruitment and career planning is carried out in line with the principle of providing equal opportunities to employees in equal conditions within the context of human resources policy determined by the Company. Recruitment principles are defined criteria are set according to objective principles.

In cases where the changes in the company management are foreseen to cause disruption to the operation of the company, a succession plan is made to determine the managers to be appointed.

Recruitment processes are determined in accordance with applicable laws and regulations. Employee relations are currently managed by the Human Resources Partners.

Recruitment Processes

Türk Telekom's recruitment efforts are aimed at meeting the qualified workforce needs required by the company with the most appropriate candidates with the required competency and experience. The recruitment process is evaluated in three dimensions as demand management, selection and placement.

In the process of demand management, annual workforce plans are set out by considering the needs of the organization, norm staff and new staff. In the selection process, it is essential to create a talented candidate pool and determine candidates through objective criteria. In this context, the Company's career site, leading recruitment sites and domestic and foreign HR consulting firms are used. In order to reach potential candidates, contact is established with universities, vocational chambers and official institutions like İŞKUR, while digital and social media tools are also used.

In the selection process, different measurement and evaluation tools are used to ensure objectivity and to correctly assess competence. The remuneration and benefits offered to candidates who are successful in the selection process are evaluated by the Remuneration Unit. Candidates with negative progress are informed on the results.

Working Culture

Türk Telekom works to the goal of establishing an ongoing relationship with its employees and stakeholders built on respect, trust and ethical values, adhering to the corporate culture built and maintained on the basis of respect and sharing, as well as its principles which include a "Customer-Focused, Innovative, People Oriented, Trustworthy and Agile" Approach. There were no complaints regarding discrimination from the employees in 2018.

Türk Telekom conducts all its business processes under an approach that respects the universal principles of human rights and equality of opportunity to all. At the same time, Türk Telekom respects and supports the right to freedom of association and speech, as well as the right of unionization and collective bargaining.

The Company takes measures to avoid racial, religious, language or gender discrimination among employees and to protect employees against physical, mental or emotional harassment in the company. The procedures and complaint mechanism regarding these issues has been established by the Business Ethics Unit. The

complaint mechanism is the Ethics Violation Notification Channel. Türk Telekom Business Ethics Codes and Disciplinary Principles are implemented in these areas.

Acts of discrimination on grounds of age, language, race, ethnicity, nationality, state of health, gender, marital status, religion or sect, political stance or philosophical beliefs are among the acts and conditions that would necessitate dismissal according to the disciplinary principles of the Company.

The company effectively supports the right to form association and collective bargaining. There are two active associations established by employees. In addition, every two years, according to Article 9 of the Collective Bargaining Agreement signed with the Haber İş Union, representatives from the Company are obliged to perform their duties in good faith, in the best possible way, quickly and as well as possible, to act in good faith in their relations with union members, representatives and managers and to avoid attitudes and behaviors which could damage harmony in the workplace. It is essential that the company representatives refrain from intervening in any way in the internal structure of the Union, and obligations to unions and workers arising from either legislation or collective labor contracts are fulfilled.

Türk Telekom takes measures necessary to ensure the protection of personal data and information security. Türk Telekom also oversees compliance of the Company practices with laws and regulations regarding working hours, overtime hours, forced and compulsory labor. Child labor, forced labor, the employment of illegal migrants and the foreign nationals without work permits are prohibited at Türk Telekom, and compliance in this area is audited by public authorities.

Occupational Health Safety and the Environment

The Company has determined creating a healthier and safer working environment for its employees, minimizing the impact of environmental harm and implementing environmentally friendly technologies among its primary targets.

In line with these targets, employees are expected to comply with legal regulations, practices and accepted standards in workplaces, comply with measures taken as a result of all risk and impact assessments in line with the preventive approach, comply with systems that will minimize the occurrence of incidents, accidents or emergency losses, and participate in training programs organized to enhance the safety culture, risk perception, and environmental consciousness, demonstrate an objective and transparent attitude in audits related to occupational health, safety and the environment, to report any behavior, situations or accidents that could endanger

occupational health and safety, and to cooperate with the responsible Occupational Health and Safety officer in charge.

Türk Telekom, which has adopted a proactive and productive Occupational Health Safety and Environmental Management, works to improve these systems, prevent occupational accidents, foster an environmental awareness and promote occupational health and safety, an environmental culture among employees.

Türk Telekom prepares and documents risk and environmental impact assessment tables to determine potential hazards and related risks arising from its activities, products and services, to evaluate the environmental impact and dimensions, to systematically define the methods and principles for controlling potential risks and minimizing occupational accidents, occupational illnesses and environmental risks.

The aim of the work is to determine risks that may lead to occupational accidents and occupational diseases and to take the necessary measures.

The risk control hierarchy is implemented to control risk. Furthermore, the following principles have been adopted;

- Eliminating danger or sources of danger,
- Replacing what is dangerous with what is not, or less dangerous,
- Dealing with risks at their source

These are intended to eliminate risk completely, or if this is not possible, to reduce risk to an acceptable level.

In order to protect employees from work-specific hazards, personal protective equipment is provided where collective protection is not possible.

“Occupational Health and Safety Committees” have been established in the company’s workplaces. In periodic meetings, the following tasks are fulfilled:

- Guiding employees regarding occupational health and safety issues,
- Evaluating the hazards and precautions related to occupational health and safety in the workplace, determining the measures and notifying employers or the representatives of the employer,
- Identification of the measures, and notification of the employer or employer’s representative with a report in the event of any occupational accident occurring at workplace, or occurrence that took place in the workplace but while not considered to be an occupational accident, did have the potential to cause damage to the workplace or work equipment, or in case

of occupational illnesses or occupational health and safety hazards,

- To plan education and training on occupational health and safety at work, to prepare programs and rules related to occupational health and safety, to present these for the approval of the employer or the employer’s representative, and to monitor the implementation of these programs and inform the employer in case of any deficiency,
- To plan the necessary security measures for the maintenance and repair work to be performed at the workplace and to control the implementation of these measures,
- To monitor the adequacy of the measures taken against fire, natural disaster, sabotage or similar hazards at work and to monitor the work of the related teams.

Representatives of employees also participate in these boards as members and all kinds of feedback regarding the occupational health and safety measures of employees is evaluated.

The company has adopted a sustainable environmental policy and a comprehensive study on waste management is being carried out in this context. Priority is given to actions regarding the recycling of all hazardous/nonhazardous wastes, and the disposal of these wastes as provided in the legal framework, and eliminating where recycling is not possible.

In this context, the campaigns carried out within the company (Electronic Waste Collection Competitions) contribute to the wellbeing of employees, while revenues from the collected wastes can be used in social responsibility projects.

Performance Management and Continuous Improvement

The purpose of the Performance Management process is to ensure that employees contribute to delivery of the targets determined in line with the Company vision and the strategic priorities of the relevant year and to assess their contributions in an objective and systematic manner while creating a motivating work environment and supporting personal development.

Each year, Company objectives are set out to the departmental and individual levels so employees can understand how their individual efforts contribute to the bigger picture. Target deployment meetings, which are held every year after the preparation of Target Cards of Senior Management, are aimed at ensuring the management is aligned to spread the performance culture throughout the Company, to determine the targets in line with the SMART criteria, and to carry out an appropriate assessment. It is of the highest importance that managers

communicate the information and strategies shared during these meetings to their teams.

After setting the goals, the management team evaluates the realization of these goals. Managers provide performance feedback to their teams to make them aware of their performance, support their development, and help them unleash their full potential. The outcomes of the Performance Management Process provide input for various HR processes such as Compensation and Rewards, Career and Talent Management, Training and Development and Performance Development Process activities.

Studies relating to the performance management process and system, including guidelines, announcements, visuals, infographics and videos are shared with relevant individuals during the performance periods.

Remuneration

In order to realize its goals, Türk Telekom aims to attract qualified employees, retain employees, keep motivation high to ensure its services are sustainable and reward outstanding performance. In that context, remuneration is determined by the relevant legislation, job description, required responsibilities, qualifications and market value.

Non-Compensation Benefits

In order to improve working conditions and living standards, Türk Telekom provides its employees with various rights such as free communication services, free life and accident insurance, a meal card, personnel transportation, company vehicle and private pension support. Türk Telekom also supports the living standards of its employees and their families through various funds, health and welfare organizations. In addition, Türk Telekom implements an individual pension system in order to further contribute to the lives of its employees during their retirement.

These rights vary according to various parameters such as employment contracts, status, work areas, title, position and job levels.

Business Ethics Code

The Türk Telekom Business Ethics Code is the set of basic behaviors and rules that all employees must abide by, particularly the Members of the Board of Directors.

The Business Ethics Code, which is the key document that serves as guidance for Türk Telekom employees and is to be adopted by them as a principle, was approved by the Board of Directors and was publicly announced over the Company's investor relations website. The document was issued in line with the vision, mission and values of Türk Telekom, in order to determine how all employees should

behave both within the working environment and outside the working environment. The document can be reached from <http://www.ttinvestorrelations.com/en-us/corporate-governance/pages/code-of-ethics.aspx>.

Employees recruited in the Company are sent the "Business Ethics Code" and "Business Ethics Notification Form" by the Recruitment team by e-mail, and are asked to read the Code and then sign the Notification form. In addition, all employees renew their declarations at the beginning of each year by signing the "Business Ethics Code Compliance Form". In 2018, employees were also required to fill out the Business Ethics Code Compliance Form.

In addition, online training programs are prepared in order to inform existing employees of the Business Ethics Code, increase the understanding of policies and rules, and to coordinate with the Türk Telekom Academy unit in order to direct online training to all employees in certain periods.

All employees at Türk Telekom are responsible for preserving, fixing and maintaining ethical standards and each employee is in the position of being a voluntary auditor. Managers act in accordance with the code of ethics, encourage a culture of behaving in accordance with these rules, and respond to any questions or concerns that their employees may have regarding the Business Ethics Code.

In the event of any situation where the Türk Telekom Group Business Ethics Code is determined or observed to have been violated, this situation is honestly reported through one of the ethics violation notification channels. Notifications related to the Business Ethics Code can never be prevented and employees may serve notification by passing their managers. Any negative sanctions imposed on an individual, such as discrimination, demotion, dismissal, deprivation of rights, threats or harassment on the basis of employees being involved in the investigation or investigation process are also a violation of the Business Ethics Code. Any violations by employees are taken into consideration in HR practices.

Any gift, money, cheque, property, dwelling, position, hospitality in the form of a holiday, special discount, commission, discount, deduction or facilitator payment, any movable or immovable debentures, share in real estate etc, which is given for the purpose encouraging an act which violates the behavior modals included in the Ethical Code, or obtaining any interest from the accepting employee and affecting the way the employee fulfills their duty is prohibited from being offered, given or accepted by any employee.

The policy of preventing bribery and corruption and raising awareness of Türk Telekom employees in tackling such behaviors is also included in the Business Ethics Code. The Disciplinary Principles constitute the basis for deterrence and sanctions against any incidences of bribery or corruption. The penalty of dismissal, which is the most severe penalty in the disciplinary principles, is applied if it is determined that acts such as corruption or bribery have been carried out by employees.

Procurement & Vendor Management

The Mission of Türk Telekom Procurement and Vendor Management Directorate is;

- To identify and implement procurement strategies which will support Türk Telekom Group's targets,
- To provide support to the Business Units in reaching their business objectives
- To carry out the procurement procedures with optimum quality, price and technical performance
- To manage supplier relations in a sustainable and effective manner by improving the ecosystem of the Türk Telekom Group.

Its Vision is;

- To become one of the procurement and vendor management teams with a high level of competence that employs the best practices at a global and sector level,
- As one of the core business functions within the body of Türk Telekom Group's organization, contributing to the Group's strategies.

Procurement in Türk Telekom is carried out centrally

The procurement activities of Türk Telekom Group Companies are carried out centrally by the Procurement and Vendor Management Directorate.

The duties and authorities of the rules and procedures to ensure that the company's core purchasing strategy, which is "to establish the necessary competitive environment and meeting the demands with the most appropriate price, time, quality and conditions", are determined by the Purchasing Policy and Procedure approved by the Türk Telekom Board of Directors.

Accordingly, at Türk Telekom:

- A holistic procurement strategy based on end-to-end management of processes has been adopted in order to ensure that purchases are realized in the most appropriate way and to create added value.

- A clear definition of the processes was ensured in order to make vendor management effective and standardize the implementation.
- The responsibilities of the business and procurement units were rearranged with an approach aimed at increasing efficiency, and an efficient and simple purchasing structure was set out by taking into consideration the basic elements such as total cost of ownership, supply chain risks and sustainability.
- The authorization limit approval hierarchy was revised and an approval mechanism focused on managerial control was established.

The procurement procedures of Türk Telekom Group Companies are carried out in accordance with the relevant legislation and the provisions of the Türk Telekom Group Procurement Policy and Procedure and through the bidding/tendering method.

- Taking into account the principle of segregation of duties, procurement units and other units fulfill procurement related duties under their responsibility in accordance with this policy.
- In order for procurements to be made with optimal quality, time and cost, all the relevant units work with the responsiveness to inform each other on time and fulfill their duties completely.
- In order to make procurements in accordance with Türk Telekom Group's interests, the creation of a thoroughly transparent and competitive environment is ensured by acting in line with short, medium and long-term business plans.
- In order to make use of scale advantage in procurements, to benefit from the total purchasing power of Türk Telekom Group, demand that constitute integrity in economic and technical terms are combined to the maximum extent possible.
- Effective procurement is carried out by taking into account the main factors such as the TCO (total cost of ownership), supply chain risks and sustainability.
- All efforts are taken to contribute to the competitiveness of Türk Telekom Group Companies.
- In order to avoid abusing the confidence of suppliers, all efforts are taken to prevent placing additional tasks on suppliers beyond what is commercially necessary.
- Taking the nature of business into account, all efforts are taken to meet Türk Telekom Group Companies' requirements at without intermediary (manufacturer, importer or main distributor) to the maximum extent possible.

- As well as pursuing targets focused on savings and costs, Business Units which are internal customers are provided with Procurement services which meets a certain quality and on optimal time periods.

The principle of segregation of duties

In order to eliminate risks such as errors, omissions, inaccuracies and irregularities in procurement processes, the principle of segregation of duties should be abided to by the units, which manage orders and accept services. Türk Telekom Group Employees have at most one of the following authorities related to Procurements. Only the authorities specified in (a) and (c) may be vested on the same person or within a group:

- Identification of demand
- Supplier selection, specification of conditions and order management
- Product or service acceptance
- Invoice acceptance and payment procedures

Supplier management principles

The main principles adopted by Türk Telekom regarding the supplier management process are;

- Transparency,
- Fairness and equal treatment,
- Communication based on mutual respect and honesty,
- Maintenance of intellectual property and confidential information.

Ethical procurement principles

The core values of the procurement process are transparency, accuracy and honesty. The relationship between Türk Telekom Group employees and the stakeholders and suppliers is based on the core values set out in the Turk Telekom Code of Business Ethics, which first and foremost include those specified below.

- Utmost care is taken in the fulfillment of obligations vis-à-vis suppliers within the framework of the contracts.
- Utmost care is taken to conduct procurement processes in accordance with the laws and Company policies.
- In accordance with the supplier relationship management responsibilities, the Procurement Department provides suppliers a with relevant information regarding the Procurement Policies and the Company's Procedures.
- Utmost care is taken to ensure that suppliers conform to legal regulations and ethical rules, and in the event of violations, necessary notifications and warnings

are issued. Türk Telekom Group reserves the right to terminate its relations any supplier that does not comply with the rules set out and will terminate relations with suppliers when necessary.

- Utmost care is taken to ensure that the company and the suppliers act in accordance with human resources, human health and environmental policy requirements.
- Within the scope of purchasing activities, relations with competitors are carried out within the framework of legal and ethical rules.
- All efforts are taken to prevent attitudes or behavior by suppliers, which may harm Türk Telekom Group's brand value.
- No burden is imposed on suppliers apart from the requirements of legal regulations and the customs of trade.
- Suppliers are treated fairly and equally in line with the conditions of competition and the market.
- Supplier selection is based on fair and objective criteria.
- Conflicts of interest are avoided, with supplier relations managed on a transparent and fair basis without establishing a relationship based on self-interest.

Sustainable procurement approach

The purpose of Sustainable Procurement Approach is to ensure sustainability in purchasing as well as in the general activities of the Türk Telekom Group. In this context, the procurement process is managed in a manner, which prioritizes the protection of human and environmental health, reduction in waste and the consumption of natural resources.

Türk Telekom Group takes the utmost care to abide by the sustainability principles, and to choose alternative local products or products, which offer the features that most closely satisfy the relevant conditions.

Information Security

Information Security is one of the seven codes in the Business Ethics document. In the Business Ethics Code, as set out in the "Information Security Policy" of the Company, information is defined as all data, text, images, sound and other communication in the physical or digital environment that is produced, used, transmitted, archived or legally transferred to the company in business processes. Information including, but not limited to, the company's strategic information, organizational information, or information which is commercial, technical, consists of financial data, information which is related to customers or dealers, information regarding policy, procedures, regulations or products, service information,

personal information related to employees is specified in this scope.

With regard to information security, it is stated that employees;

- are committed to uphold the confidentiality of classified information and/or trade secrets, and to adhere to the principles of loyalty and secrecy,
- protect the confidential and private information of employees, customers, suppliers, business partners and other people and organizations, and do not use this information for non-business purposes,
- do not share information which they have learned and documents they have acquired with unauthorized persons or authorities in or outside the Company, and do not use such information in any way for their own purposes,
- do not use the information and documents they have against the Company or in favor of competitors, even after leaving the Company.
- exercise care to protect intellectual property such as patents, commercial secrets, copyrights, names and brands etc.

The leaking of any confidential information and / or documents under the scope of "Trade of Inside Learners" for the purpose of earning through the stock exchange or any other means is prohibited.

When certain information needs to be shared with third parties due to business requirements, such information should be shared without causing any damage to the company (through confidentiality agreements etc.) by informing the information security/ relevant unit and obtaining approval from the senior manager.

Employees are reminded that the e-mail account allocated by the company is allocated for company work and may be inspected.

The sharing of information and documents requested by Regulatory Bodies and Independent Auditors should be performed in accordance with company practices and in a correct, understandable and timely manner.

In case of mistaken access to or exposure to confidential information, outside the authority for any reason whatsoever, the employee should apply to the information safety unit and through any of the notification channels included under the title "Notification of Ethical Violations".

In the event of any violation of the conditions stipulated above, ethical and disciplinary processes may be carried out and employees may be subject to any of the penalties set out in the Disciplinary Principles, depending on their violation.

The measures to be taken in relation to Information Security have been detailed in the "Information Security Policy" document prepared by the Company's Technology units, which has been shared with employees through the internal communication portal, Türk Telekom Port.

Information Security Management System and Audit

Access to all data within this scope is structured on a "Need to Know" basis, and only staff required to be party to such information as part of their duty are authorized to access the data. In order to identify suspicious usage or usage of data, which falls outside the stipulated purpose, access to this data is continuously recorded and audited.

Inter-system access, remote access to systems, access to databases, user identification processes and the reporting of request processes at Türk Telekom are undertaken through secure and controlled processes designed through the demand management systems. Security tests are performed on the systems before the projects go live and at certain intervals, and any security findings identified are resolved by the relevant teams.

Security risks are minimized by separating the application layer, the database layer and the web layer through the layered structure planned in the network layer. Network-level security devices ensure that access is monitored in accordance with established rules. Within the scope of the Regulation on Network and Information Security, the processes for initiating and approving transactions to be performed on critical systems have been separated in accordance with the article of the "Separation of tasks and environments". Within the scope of access control, all systems are reviewed at least once a year in accordance with the Türk Telekom Group Information Security Policies and Procedures.

The systems that are engaged in the prevention of data leakage, either purposefully or inadvertently, from all kinds of channels through which critical data is processed and transferred, are used in Türk Telekom's networks by observing the movements of end users. Anonymization, masking of critical / personal / confidential data, and the related user authorizations are performed in the databases in order to meet the Law on Protection of Personal Data requirements and to prevent unauthorized access to confidential data.

The one-year audit plan, which principally covers technology processes and is drawn up based on the risk assessments performed at the end of each year, is approved by the Audit Committee which is formed within the Board of Directors. The Türk Telekom Internal Audit Department is authorized to perform the audit plan.

In recent years, Information Security has been repeatedly determined as one of the most critical fields among the

subjects handled during the risk assessments carried out within this framework. Accordingly, the Türk Telekom Internal Audit Department's audit plans cover the Information Security Policies and Systems every year. In addition, in accordance with generally accepted auditing principles, within the framework of the methodologies used, the Internal Audit Department provides reasonable assurance for the audits in the fields related to Information Security within the Türk Telekom Group.

Information Security Certifications

Türk Telekom Group holds the ISO 27001 certificate covering fixed and mobile networks. Within this scope, Information Security Internal Audit activities are carried out on an annual basis and action assignment and follow ups are performed in accordance with the results of the audit. In addition, all employees are assigned Information Security Awareness training periodically within the scope of the ISO 27001 standard.

In addition, Türk Telekom holds PCI-DSS certification under the mobile network. In this context, vulnerability and penetration tests of the systems are performed at certain intervals. Within the scope of the PCI-DSS, awareness training as required by the standard is periodically provided to the related employees.

Employee Training Programs Related to Information Security and Confidentiality

Regular online training programs conducted include the following topics:

- The date and legal basis of personal data processing
- The main responsibilities of Türk Telekom in this area
- Personal Data Processing Inventory and VERBIS
- The rights of the person concerned
- Data storage times and deletion/destruction
- Penalties set out by relevant laws and regulations
- Special measures to be taken in Türk Telekom's business processes
- Actions to be taken specific to the personal data with special attributes
- Information Security Awareness
- Business Continuity

Providing Information About Personal Data Protection

The Türk Telekom "KVKK (The Law on Protection of Personal Data) Enlightenment Text" has been prepared in accordance with KVKK legislation and includes the identity of the data officer, the purpose for which the personal

data will be processed, which personal data will be transferred to whom, and for what purpose, the method of collecting personal data and the legal reason for doing so and the person's other rights mentioned in Article 11 of the Act.

Pursuant to Article 11 of the KVKK Law, any person may apply to Türk Telekom on behalf of themselves to;

- learn whether or not personal data is being processed,
- request relevant information if personal data related to themselves has been processed,
- obtain information regarding the purposes of the processing of personal data, and whether or not such data has been processed accordingly,
- know the identity of third persons within or outside the country to whom personal data has been transferred,
- request the rectification of any incomplete or inaccurate personal data process,
- request the erasure or destruction of personal data within the framework of the conditions referred to in Article 7,
- request notification to third parties to whom personal data has been transferred of operations carried out within the meaning of sub-paragraphs (d) and (e),
- object to any conclusion to the detriment of themselves resulting from analysis of the processed data exclusively by means of automated systems,
- request compensation for any damages incurred as a result of unlawful personal data processing.

In accordance with the KVKK (The Law on Protection of Personal Data), the legal entity is responsible for all obligations arising from this law and related legislation. For the Company, the Türk Telekom Board of Directors is responsible for Personal Data Privacy and Security as the data supervisor.

As a third party, Türk Telekom has authorized dealers who handle customer data. All dealer employees are informed of personal data protection legislation through notifications. For all workflows requiring clear consent, consent texts addressed to the subscribers and employees of the dealers have been prepared, and dealers are required to obtain such approvals in all necessary cases.

Partner and supplier contracts are reviewed and revised in accordance with the KVKK (The Law on Protection of Personal Data) and relevant legislation. In addition, training programs, announcements and audits for business partners and dealers are already in place and planned to be realized.

Corporate Governance Principles Compliance Report

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.				X		This issue constitutes a separate item of the agenda of the General Assembly Meeting; however, as there are many donations and beneficiaries, a summary information is provided.
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.					X	There was no participation request to the General Assembly Meeting by the media in fiscal year 2018
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.4.2 - The company does not have shares that carry privileged voting rights.		X				There is no privileged voting rights. Group (A), (B) and (C) shareholders has been granted the privilege to nominate candidates to the Board of Directors in Article 8 of the Company's Articles of Association.
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			There is no provision in the Articles of Association to be granted minority rights to shareholders who have less than one twentieth of the capital. At the same time, attention is paid to the use of minority rights within the scope of TTK and CMB regulations.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					

Corporate Governance Principles Compliance Report

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.					X	Group C Privileged Share refers to 1 Group C share held by Ministry of Finance and Treasury in accordance with Telegraph and Telephone Law No.406. Without prejudice to Article 6 / A of the Articles of Association of the Company, All shares of Türk Telekom except C Group 1 share may be sold. In accordance with Article 6/A.2. of the Company's Articles of Associate, transfer of the shares of Group A shareholder is subject to the veto right of the Group C share. According to Article 6 / A of the Company's Articles of Association, the transfer transaction of registered shares which affects the management control, and registration transaction of such transfer to the share ledger shall not be performed without the affirmative vote of the C Group Privileged Shareholder.
2.1. CORPORATE WEBSITE						
2.1.1. - The company website includes all elements listed in Corporate Governance Principle 2.1.1.					X	
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.					X	
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.					X	

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
2.2. ANNUAL REPORT						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.						There are internal directives about this topic. Models for participation of company employees in management such as Occupational Health and Safety Boards, Disciplinary Boards, Dispute Resolution Boards, Inventor Idea System continued to be developed in 2018.
		X				
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					

Corporate Governance Principles Compliance Report

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7-The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	X					
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			Our Company does not have a policy setting a 25% targets and glidepath for the ratio of female members in board of directors.

Corporate Governance Principles Compliance Report

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/ accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1-Each board member attended the majority of the board meetings in person.	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.				X		There is no restriction for the members of the Board of Directors to assume any other duties outside the Company. The duties of the members of the Board of Directors outside the Company are presented in the annual report and in their resumes published on the website.
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.				X		The number of independent members on the Board of Directors does not allow for Board members to serve in only one of the Board's committees. Therefore some independent members of the Board of Directors serves in more than on committee.

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	In fiscal year 2018, the committees have not received any consultancy services hence this subject was not included in the annual report.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.				X		The performance of the Board of Directors has not been evaluated.
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.				X		The remuneration of provided to executives are disclosed in aggregated form on annual report and are not disclosed on individual basis.

Corporate Governance Information Form

1. SHAREHOLDERS

1.1. Facilitating the Exercise of Shareholders Rights

The number of investor meetings (conference, seminar/ etc.) organised by the company during the year	Investor relations participated in 13 investor conferences and 3 roadshows in various locations, particularly in the United States of America and United Kingdom in 2018. A total of 261 equity and bond investors were met during these events. Including many meetings in İstanbul in 2018, Türk Telekom investor relations had the opportunity to meet 350 equity and bond investors in total.
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1.2. Right to Obtain and Examine Information

The number of special audit request(s)	No requests were made for the appointment of a special auditor in the reporting period.
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The number of special audit requests that were accepted at the General Shareholders' Meeting

None

1.3. General Assembly

Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)

<https://www.kap.org.tr/en/Bildirim/679100>
<https://www.kap.org.tr/en/Bildirim/685748>
<https://www.kap.org.tr/en/Bildirim/690310>
<https://www.kap.org.tr/en/Bildirim/690726>
<https://www.kap.org.tr/en/Bildirim/696557>
<https://www.kap.org.tr/en/Bildirim/696639>

Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time

Documents are also shared simultaneously on Public Disclosure Platform (KAP) and on the company's investor relations website in English.

The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9

No such transaction took place during the year.

The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)

No such transaction took place during the year.

The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)

<https://www.kap.org.tr/en/Bildirim/684154>

The name of the section on the corporate website that demonstrates the donation policy of the company

<http://www.ttyatirimciiliskileri.com.tr/> / "Corporate Governance" / "Policies"
<http://www.ttyatirimciiliskileri.com.tr/en-us/corporate-governance/pages/policies.aspx>

The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved

<https://www.kap.org.tr/tr/Bildirim/362901>

The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting

There is no such provision in the articles of association

Identified stakeholder groups that participated in the General Shareholders' Meeting, if any

There was no participation in General Assemblies held in 2018 except by shareholders.

1.4. Voting Rights

Whether the shares of the company have differential voting rights

No

In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.

-

The percentage of ownership of the largest shareholder

55%

1.5. Minority Rights

Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association.	There is no provision in the Articles of Association to grant minority rights to shareholders who have less than one twentieth of the capital. However, compliance with the use of minority rights within the scope of TTK and CMB regulations is ensured.
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	http://www.ttyatirimciiliskileri.com.tr/ “Corporate Governance” / “Policies” http://www.ttyatirimciiliskileri.com.tr/en-us/corporate-governance/pages/policies.aspx
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	<p>Accordingly,</p> <ul style="list-style-type: none"> - Our Company’s profit generated as a result of its activities performed between dates 01/01/2017 – 31/12/2017 according to the independently audited consolidated financial tables prepared in accordance with the provisions of “CMB Communique About Financial Reporting in Capital Markets No.II-14.1” is TL 1,135,532,329.14 and the commercial profit calculated within the scope of the provisions of Tax Procedure Law is TL 2,370,578,044.73; - Pursuant to the CMB Communique on Dividends No: II-19.1, the profit after tax amount of TL 1,135,532,329.14 shall be the base amount for dividend distribution; - Pursuant to article 11/1 of the CMB Communique on Dividends No:II-19.1, there are no losses in our Company’s previous years’ profit distribution table to be deducted on the grounds that our Company’s recent assets (excluding the term profit of which previous losses shall be deducted priorly) are adequate; - Since our Company already reached the general legal reserve limit, which is 20% of the paid in capital in accordance with Article 519 of Turkish Commercial Code, this reserve is not required for 2017; - Net profit in the amount of 1,135,532,329.14 TL, shall be set aside, as the extraordinary legal reserved in order to provide a robust balance sheet structure under the provisions of our Company’s Articles of AssociationOur Company’s profit generated as a result of its activities performed between date <p>The Chairman put the same to a vote.</p> <p>As a result of voting, the dividend distribution proposal of the Board of Directors was approved and accepted by a majority of a total of TL 229,868 negative and TL 3,340,239,983 affirmative votes.</p>
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	https://www.kap.org.tr/en/Bildirim/685748

Corporate Governance Information Form

General Assembly Meetings									
General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
28.05.2018		95%	0%	95%	Corporate Governance/ General Assembly Meeting Informations	Corporate Governance/ General Assembly Meeting Informations	-	0	https://www.kap.org.tr/tr/Bildirim/685748
19.07.2018		95%	0%	95%	Corporate Governance/ General Assembly Meeting Informations	Corporate Governance/ General Assembly Meeting Informations	-	0	https://www.kap.org.tr/tr/Bildirim/696639

2. DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website

Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.

<http://www.ttyatirimciiliskileri.com.tr/en-us/pages/default.aspx>
Türk Telekom Group -Ownership Structure, Announcements and Disclosures Corporate Governance - Board of Directors, Committees, Senior Management, Insiders with Administrative Responsibilities, Corporate Governance Compliance Report, Corporate Governance Rating, General Assembly Meeting Information, Articles of Association and Trade Registry Information, Internal Audit and Risk Management, Related Party Transactions, Code of Ethics, Policies, Independent Auditor

If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.

<http://www.ttyatirimciiliskileri.com.tr/en-us/turk-telekom-group/investing-in-turk-telekom/pages/ownership-structure.aspx>

List of languages for which the website is available

Turkish, English

2.2. Annual Report

The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.

a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members

Corporate Governance Principles Compliance Report section

b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure

Corporate Governance Principles Compliance Report section

c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Corporate Governance Principles Compliance Report section
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	There was no legislative amendments that could significantly affect the Company's operations in 2018.
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Consolidated Independent Audit Report / Commitment and Obligations
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	Corporate Governance Principles Compliance Report Section / Other information according to the legislation
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	Corporate Governance Principles Compliance Report section
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Sustainability and Corporate Social Responsibility and Corporate Governance Principles Compliance Report Section

3. STAKEHOLDERS

3.1. Corporation's Policy on Stakeholders

The name of the section on the corporate website that demonstrates the employee remedy or severance policy	http://www.ttyatirimciiliskileri.com.tr / "Corporate Governance" / "Policies" http://www.ttyatirimciiliskileri.com.tr/en-us/corporate-governance/pages/policies.aspx
The number of definitive convictions the company was subject to in relation to breach of employee rights	-
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Business Ethics Committee
The contact detail of the company alert mechanism	etik@turktelekom.com.tr http://www.ttyatirimciiliskileri.com.tr/en-us/corporate-governance/pages/corporate-governance-committee-communication-form.aspx

3.2. Supporting the Participation of the Stakeholders in the Corporation's Management

Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	Corporate Governance Principles Compliance Report Section
Corporate bodies where employees are actually represented	Türkiye Haber-İş Union

3.3. Human Resources Policy

The role of the board on developing and ensuring that the company has a succession plan for the key management positions	Human Resources Policy: In cases for executive position changes that might lead to disruptions in company management, back up plans are prepared for the determination of the new managers to be appointed.
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Corporate Governance Information Form

The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.

<http://www.ttyatirimciiliskileri.com.tr/> "Corporate Governance" / "Policies"
<http://www.ttyatirimciiliskileri.com.tr/en-us/corporate-governance/pages/policies.aspx>

Employment Policy

Türk Telekom aims to recruit its employees on long term basis as a principal to provide rapid, high quality and economic services with regard to technological developments, financial and economic conditions and sectoral changes in its field of activity. Continuous success of Türk Telekom depends on the ability of its employees to adapt rapidly and efficiently to the changing conditions of the sector, as well as their flexibility in this respect. Our employees via their superior skills, competence and experience help the Company to become one of the leading companies in the world. Türk Telekom supports on-the-job training by programs carried in cooperation with regulatory and supervisory agencies as well as the universities and provides employment opportunities within this framework. Our company asserts its claim of being the most preferred company to work for by sharing the pride of being a Türk Telekom employee with young talents from universities and professionals outside the company. Recruitment criteria are determined and documented in written form and that criteria should be followed. Türk Telekom provides equal recruitment and career planning opportunity to its applicants.

Whether the company provides an employee stock ownership programme

Pay edindirme planı bulunmuyor (There isn't an employee stock ownership programme)

The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.

<http://www.ttyatirimciiliskileri.com.tr/> "Corporate Governance" / "Policies"
<http://www.ttyatirimciiliskileri.com.tr/en-us/corporate-governance/pages/policies.aspx>

Human Resources

Türk Telekom maintains all its business processes with an approach that respects universal human rights principles and equality of opportunity to all. Türk Telekom also respects and supports freedom of association and speech, and the right of unionization and collective bargaining. Our company takes measures to avoid racial, religious, language and gender discrimination among employees and to protect employees against physical, mental and emotional harassment within workplace, that are contrary to human rights. Discriminating acts on grounds of age, language, race, ethnicity, nationality, state of health, gender, marital status, religion, sect or denomination, political thought and philosophical beliefs are among acts and misconducts that necessitate a dismissal penalty according to disciplinary principles of the company. Türk Telekom takes measures for the protection of personal information and information privacy. It also monitors the compliance of the Company's practices with laws and regulations regarding working hours, overtime hours, forced labor and compulsory labour. Child labor, forced labor, illegal immigrants, and foreigners without work permit are forbidden to work at Türk Telekom and the compliance is audited by public authorities.

The number of definitive convictions the company is subject to in relation to health and safety measures	5
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	http://www.ttyatirimciiliskileri.com.tr/ / “Corporate Governance” / “Code of Ethics” http://www.ttyatirimciiliskileri.com.tr/en-us/corporate-governance/pages/policies.aspx
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	The Company carries out many social responsibility projects such as “Easy Life With The Internet”, “Phone Library”, “Daylight”, “Voice Steps”. A dedicated unit has been set up for social responsibility under the Corporate Communication Department.
Any measures combating any kind of corruption including embezzlement and bribery	Anti-Corruption measures are included in the Code of Ethics.
4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	-
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	3 individuals jointly represent and bind our company in the broadest terms on all kind of matters as below: - Eyüp Engin, Member of the Board of Directors nominated by Group A Shareholder, - One of the Independent Board Members nominated by Group B Shareholder, - Member of Board of Directors representing Group C Privileged Share
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	Number of reports submitted to the Committee and Board of Directors is 6
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Assessments of the Board of Directors Section
Name of the Chairman	Dr. Ömer Fatih Sayan
Name of the CEO	Dr. Boulos H.B. Doany
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	Not the same person
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company’s capital	https://www.kap.org.tr/en/Bildirim/723758
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	-
The number and ratio of female directors within the Board of Directors	0

Corporate Governance Information Form

Composition of Board of Directors							
Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/ He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not
Dr. Ömer Fatih Sayan	Non-executive	Not independent director	04.09.2018		Not considered	No	No
Eyüp Engin	Non-executive	Not independent director	22.12.2018		Not considered	No	Yes
Bülent Aksu	Non-executive	Not independent director	02.11.2018		Not considered	No	Yes
Yiğit Bulut	Non-executive	Independent director	06.05.2014	https://www.kap.org.tr/tr/Bildirim/358251	Considered	No	Yes
Hakan Aran	Non-executive	Not independent director	22.12.2018		Not considered	No	No
Selim Dursun	Non-executive	Independent director	04.09.2018	https://www.kap.org.tr/tr/Bildirim/708083	Considered	No	No
Dr. Nureddin Nebati	Non-executive	Independent director	02.11.2018	https://www.kap.org.tr/tr/Bildirim/728732	Considered	No	No
Dr. Muammer Cüneyt Sezgin	Non-executive	Not independent director	22.12.2018		Not considered	No	Yes
Emre Derman	Non-executive	Not independent director	25.01.2019		Not considered	No	No

4. BOARD OF DIRECTORS-II

4.4. Meeting Procedures of the Board of Directors

Number of physical board meetings in the reporting period (meetings in person)	2
Director average attendance rate at board meetings	98%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	10 days
The name of the section on the corporate website that demonstrates information about the board charter	Article 12 of the Company's Articles of Association. http://www.ttyatirimciiliskileri.com.tr / "Corporate Governance" / "Articles of Association and Trade Registry Information" http://www.ttyatirimciiliskileri.com.tr/en-us/corporate-governance/pages/articles-of-association-trade-registry-information.aspx
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	-

4.5. Board Committees

Page numbers or section names of the annual report where information about the board committees are presented	Board of Directors' Committees and Corporate Governance Principles Compliance Report Sector
Link(s) to the PDP announcement(s) with the board committee charters	Audit Committee: https://www.kap.org.tr/en/Bildirim/659174 Nomination and Remuneration Committee: https://www.kap.org.tr/en/Bildirim/741628 Early Identification and Management of Risks Committee: https://www.kap.org.tr/tr/Bildirim/304033 Corporate Governance Committee: https://www.kap.org.tr/en/Bildirim/741628

Composition of Board Committees-I				
Names of the Board Committees	Name of Committees Defined as "Other" in the First Column	Name-Surname of Committee Members	Whether Committee Chair or Not	Whether Board Member or Not
Corporate Governance Committee		Dr. Nureddin Nebati	Yes	Board member
Corporate Governance Committee		Selim Dursun	No	Board member
Corporate Governance Committee		Dr. Muammer Cüneyt Sezgin	No	Board member
Corporate Governance Committee		Sabriye Gözde Çullas	No	Yönetim kurulu üyesi değil (Not board member)
Audit Committee		Yiğit Bulut	Yes	Board member
Audit Committee		Selim Dursun	No	Board member
Committee of Early Detection of Risk		Yiğit Bulut	Yes	Board member
Committee of Early Detection of Risk		Bülent Aksu	No	Board member
Committee of Early Detection of Risk		Hakan Aran	No	Board member
Nomination and Remuneration Committee		Yiğit Bulut	Yes	Board member
Nomination and Remuneration Committee		Dr. Ömer Fatih Sayan	No	Board member
Nomination and Remuneration Committee		Dr. Muammer Cüneyt Sezgin	No	Board member

4. BOARD OF DIRECTORS-III

4.5. Board Committees-II

Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Corporate Governance Principles Compliance Report Section http://www.ttyatirimciliskileri.com.tr/en-us/corporate-governance/pages/audit-committee.aspx
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Corporate Governance Principles Compliance Report Section http://www.ttyatirimciliskileri.com.tr/en-us/corporate-governance/pages/corporate-governance-committee.aspx
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Corporate Governance Principles Report Section http://www.ttyatirimciliskileri.com.tr/en-us/corporate-governance/pages/nomination-and-remuneration-committee.aspx
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Corporate Governance Principles Report Section http://www.ttyatirimciliskileri.com.tr/en-us/corporate-governance/pages/early-identification-and-management-of-risks-and-committee.aspx
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Corporate Governance Principles Report Section http://www.ttyatirimciliskileri.com.tr/en-us/corporate-governance/pages/nomination-and-remuneration-committee.aspx
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Annual Report / Corporate Governance Principles Report Section

Corporate Governance Information Form

Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Corporate Governance / Policies http://www.ttyatirimciliskileri.com.tr
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Annual Report / Corporate Governance Principles Report Section "Financial Right Provided to the Members of Board of Directors and to the Senior Executives "

Composition of Board Committees-II

Names of the Board Committees	Name of Committees Defined as "Other" in the First Column	The Percentage of Non-executive Directors	The Percentage of Independent Directors in the Committee	The Number of Meetings Held in Person	The Number of Reports on Its Activities Submitted to the Board
Audit Committee		100%	100%	4	4
Corporate Governance Committee		75%	50%	9	3
Committee of Early Detection of Risk		100%	33%	5	0
Nomination and Remuneration Committee	-	100%	33%	-	-

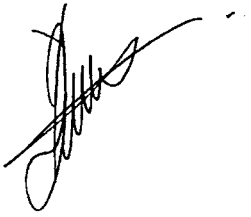
Statement of Independence

Statement of Independence

I have been nominated for the vacant independent board membership of Türk Telekomünikasyon A.Ş. ("The Company"). Pursuant to Corporate Governance Principles attached to the Communiqué No: II-17.1 on the Corporate Governance;

I declare that;

- A relationship of an executive position with important duties and responsibilities has not been established by me, my spouse or up to third degree relatives by blood or marriage within the last five years and I do not jointly or separately hold more than 5% of capital or voting right or privileged share or have significant commercial relationship, with Türk Telekomünikasyon A.Ş., associations that Türk Telekomünikasyon A.Ş. holds management control or has significant effect on, and shareholders that hold Türk Telekomünikasyon A.Ş.'s management control or have significant effect on Türk Telekomünikasyon A.Ş. and entities whose management control held by these shareholders,
- I have not worked in a management position undertaking important duty and responsibilities for firms, particularly audit,(including tax audit, legal audit and internal audit), rating and consultancy firms, firms that Türk Telekomünikasyon A.Ş. purchases or sells goods or services considerably, in the period that goods and services are purchased or sold, and also have not been appointed as board member to those firms within the last five years.
- I have necessary educational background, information and experience for fulfilling independent board member duties,
- Pursuant to Income Tax Law No.193 dated by 31.12.1960, I am a resident in Turkey
- I have the ethical standards, reputation and experience enabling them to contribute to activities of the Company, protect their impartiality with regard to conflict of interest that may arise among shareholders, make independent decisions by taking into account the rights of stakeholders,
- I have time to follow the requirements of the business activities of Türk Telekomünikasyon A.Ş. and to precisely perform the tasks I have undertaken,
- I do not serve as an independent board member in more than three of the Türk Telekomünikasyon A.Ş.'s or the companies whose management control held by shareholders that hold Türk Telekomünikasyon A.Ş.'s management control and also in total more than five of publicly traded companies.
- I am not registered and announced on behalf of the legal entity elected as Board Member



Yiğit Bulut

Statement of Independence

Statement of Independence

I have been nominated for the vacant independent board membership of Türk Telekomünikasyon A.Ş. ("The Company"). Pursuant to Corporate Governance Principles attached to the Communiqué No: II-17.1 on the Corporate Governance;

I declare that;

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- I have not worked in a management position undertaking important duty and responsibilities for firms, particularly audit,(including tax audit, legal audit and internal audit), rating and consultancy firms, firms that Türk Telekomünikasyon A.Ş. purchases or sells goods or services considerably, in the period that goods and services are purchased or sold, and also have not been appointed as board member to those firms within the last five years.
- I have necessary educational background, information and experience for fulfilling independent board member duties,
- Pursuant to Income Tax Law No.193 dated by 31.12.1960, I am a resident in Turkey
- I have the ethical standards, reputation and experience enabling them to contribute to activities of the Company, protect their impartiality with regard to conflict of interest that may arise among shareholders, make independent decisions by taking into account the rights of stakeholders,
- I have time to follow the requirements of the business activities of Türk Telekomünikasyon A.Ş. and to precisely perform the tasks I have undertaken,
- I do not serve as an independent board member in more than three of the Türk Telekomünikasyon A.Ş.'s or the companies whose management control held by shareholders that hold Türk Telekomünikasyon A.Ş.'s management control and also in total more than five of publicly traded companies.
- I am not registered and announced on behalf of the legal entity elected as Board Member



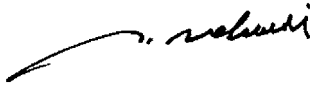
Selim Dursun

Statement of Independence

I have been nominated for the vacant independent board membership of Türk Telekomünikasyon A.Ş. ("The Company"). Pursuant to Corporate Governance Principles attached to the Communiqué No: II-17.1 on the Corporate Governance;

I declare that;

- A relationship of an executive position with important duties and responsibilities has not been established by me, my spouse or up to third degree relatives by blood or marriage within the last five years and I do not jointly or separately hold more than 5% of capital or voting right or privileged share or have significant commercial relationship, with Türk Telekomünikasyon A.Ş., associations that Türk Telekomünikasyon A.Ş. holds management control or has significant effect on, and shareholders that hold Türk Telekomünikasyon A.Ş.'s management control or have significant effect on Türk Telekomünikasyon A.Ş. and entities whose management control held by these shareholders,
- I have not worked in a management position undertaking important duty and responsibilities for firms, particularly audit,(including tax audit, legal audit and internal audit), rating and consultancy firms, firms that Türk Telekomünikasyon A.Ş. purchases or sells goods or services considerably, in the period that goods and services are purchased or sold, and also have not been appointed as board member to those firms within the last five years.
- I have necessary educational background, information and experience for fulfilling independent board member duties,
- Pursuant to Income Tax Law No.193 dated by 31.12.1960, I am a resident in Turkey
- I have the ethical standards, reputation and experience enabling them to contribute to activities of the Company, protect their impartiality with regard to conflict of interest that may arise among shareholders, make independent decisions by taking into account the rights of stakeholders,
- I have time to follow the requirements of the business activities of Türk Telekomünikasyon A.Ş. and to precisely perform the tasks I have undertaken,
- I do not serve as an independent board member in more than three of the Türk Telekomünikasyon A.Ş.'s or the companies whose management control held by shareholders that hold Türk Telekomünikasyon A.Ş.'s management control and also in total more than five of publicly traded companies.
- I am not registered and announced on behalf of the legal entity elected as Board Member



Dr. Nureddin Nebati

Statement of Responsibility

FINANCIAL TABLES APPROVED BY THE BOARD OF DIRECTORS STATEMENT OF RESPONSIBILITY AS PER ARTICLE 9 OF THE CAPITAL MARKETS BOARD COMMUNIQUE NO: II-14.1

RESOLUTION DATED: 30.01.2019

RESOLUTION NO: 13

We hereby state that:

a) We have reviewed the Consolidated Financial Tables of our Company for the accounting period ending on 31 December 2018

b) According to information to which we have access as a part of our duties and responsibilities within the Company, the Consolidated Financial Tables do not contain any material inaccurate disclosures or any shortcomings which may prove to be misleading because of the date of disclosure.

c) According to information to which we have access as a part of our duties and responsibilities within the Company, the Consolidated Financial Tables, which have been prepared in accordance with the Capital Markets Board Communique No: II-14.1, faithfully reflect the assets, liabilities, financial standing and profits and losses of the Company.

Kind regards,



Yiğit Bulut

Audit Committee Chairman



Selim Dursun

Audit Committee Member



Dr. Paul (Boulos H.B.) Doany

General Manager-CEO



Kaan Aktan

Finance Assistant General Manager

ANNUAL REPORT APPROVED BY THE BOARD OF DIRECTORS STATEMENT OF RESPONSIBILITY AS PER ARTICLE 9 OF THE CAPITAL MARKETS BOARD COMMUNIQUÉ NO: II-14.1

RESOLUTION DATED: 28.02.2019

RESOLUTION NO: 39

We hereby state that:

a) We have reviewed the Board of Directors Annual Report for the 1 January-31 December 2018 which has been prepared in accordance with II.14.1. "Communiqué on Principles of Financial Reporting in Capital Markets" and have reviewed the "Corporate Governance Compliance Report" and the "Corporate Governance Information Form" which have been prepared in accordance with the mandatory formats specified by the Capital Markets Board' (CMB) decision no: 2/49 on 10 January 2019 as per II-17.1 "Communiqué on Corporate Governance"

b) Based on our knowledge within the scope of our duties and responsibilities in the Company, the Annual Report do not contain any misleading statements with regards to important matters or do not contain any shortcomings any missing information that would be interpreted as misleading as of the date of disclosure.

c) Based on our knowledge within the scope of our duties and responsibilities in the Company, the Annual Report faithfully reflects the development and performance of the business and the consolidated financial situation of the Company along with the risks and uncertainties that the Company is facing.

d) Based on our knowledge within the scope of our duties and responsibilities in the Company, the "Corporate Governance Compliance Report" and the "Corporate Governance Information Form" faithfully reflect the information provided in such reports



Yiğit Bulut

Audit Committee Chairman



Selim Dursun

Audit Committee Member



Dr. Paul (Boulos H.B Doany)

General Manager-CEO



Kaan Aktan

Finance Assistant General Manager

Independent Auditor's Report on the Annual Report of the Board of Directors

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the Shareholder's of Türk Telekomünikasyon Anonim Şirketi

Opinion

We have audited the annual report of Türk Telekomünikasyon Anonim Şirketi (the "Company") and its subsidiaries (together will be referred as "the Group") for the period between 1 January 2018 and 31 December 2018, since we have audited the complete set consolidated financial statements for this period.

In our opinion, the consolidated financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Group are consistent, in all material respects, with the audited complete set of consolidated financial statements and information obtained during the audit and provides a fair presentation.

Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by the Capital Markets Board of Turkey and Standards on Auditing which is a component of the Turkish Auditing Standards issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Annual Report section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Auditor's Opinion on Complete Set of Consolidated Financial Statements

We have expressed an unqualified opinion on the complete set of consolidated financial statements of the Group for the period between 1 January 2018 and 31 December 2018 on 30 January 2019.

Board of Directors' Responsibility for the Annual Report

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Communiqué on the Principles of Financial Reporting In Capital Markets numbered II – 14.1 (the "Communiqué"), the Group's management is responsible for the following regarding the annual report:

- Group's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.
- Group's management prepares its annual report in such a way that it reflects the operations of the year and the consolidated financial position of the Group accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Group's consolidated financial statements. The annual report shall also clearly indicates the details about the Group's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.
- The annual report also includes the matters below:
 - Significant events occurred in the Group after the reporting period,
 - The Group's research and development activities.
 - Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

Auditor's Responsibility for the Audit of the Annual Report

Our objective is to express an opinion on whether the consolidated financial information included in the annual report in accordance with the TCC and the Communiqué and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Group are consistent with the audited consolidated financial statements of the Group and the information obtained during the audit and give a true and fair view and form a report that includes this opinion.

We conducted our audit in accordance with the standards on auditing issued by the Capital Markets Board of Turkey and Standards on Auditing issued by POA. These standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the consolidated financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Group are consistent with the consolidated financial statements and the information obtained during the audit and provides a fair presentation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of KPMG International Cooperative



28 February 2019
İstanbul, Türkiye

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

31 December 2018 Consolidated Financial Statements and Independent Auditor's Report

30 January 2019

This report contains 7 pages of "Independent Auditor's Report" and 112 pages of financial statements and explanatory notes.

Independent Auditor's Report



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To the Shareholders of Türk Telekomünikasyon Anonim Şirketi

A) Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Türk Telekomünikasyon Anonim Şirketi and its subsidiaries (together will be referred to as “the Group”), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (“TFRSs”).

Basis for Opinion

We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey (“CMB”) and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) (“Standards on Auditing issued by POA”). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA (“POA's Code of Ethics”) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition and the initial application of TFRS 15

Refer to Note 2.3, Note 2.4 and Note 2.5 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for revenue recognition and the impact of TFRS 15.



The key audit matter

The Group's revenue is primarily generated from fixed-line telecommunication services, mobile telecommunication services, sales of equipment and TV subscriptions.

The accuracy of revenue recognized in the consolidated financial statements is an inherent industry risk because the billing systems of telecommunications companies are complex and process large volumes of data with a combination of different products and services sold during the year, through a number of different systems.

Significant management judgment can be required in determining the appropriate measurement and timing of recognition of different elements of revenue within bundled sales packages, which may include services and telecommunication products such as equipment.

As described in Note 2.3 to the consolidated financial statements, the Group has initially adopted TFRS 15 Revenue from Contracts with Customers as of 1 January 2018.

The Group has applied the exemption provided by TFRS 15 Revenue from Contracts with Customers not to restate the comparative periods as a result of the TFRS 15 adoption.

The application and adoption new revenue standard is complex. TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. As such, adoption of TFRS 15 is an area of focus in the audit.

How the matter was addressed in our audit

We have performed the following audit procedures to be responsive to this area:

- Assessing the appropriateness of the revenue recognition policy of the Group;
- Assessing, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of management's;
- key internal controls over the general IT environment in which the business systems operate, including access to program controls, program change controls, program development controls and computer operation controls; and
 - key internal IT controls over the completeness and accuracy of rating and bill generation and the end-to-end reconciliation controls from the rating and billing systems to the accounting system.
 - Testing a sample of customer bills and checking these to supporting evidence and cash received;
- Testing material journals processed between the billing systems and the general ledger;
- Testing the end-to-end reconciliations from data records to the billing systems and to the general ledger; and
- Substantive testing on a sample of non-systematic adjustments which are outside of the normal billing process and therefore carry higher levels of management judgment.

Regarding the initial application of TFRS 15:

- obtaining an understanding of the Group's new accounting policies, evaluate their appropriateness and document the results,
- assessing the appropriateness of the methods used to determine the impact of the initial application of TFRS 15,
- assessing the Group's disclosures in the consolidated financial statements to satisfy the new disclosure requirements.
- obtaining a schedule of cumulative effect the Group and evaluated the completeness and mathematical accuracy of the schedule by assessing whether the schedule of adjustments is complete and reflects appropriate consideration for the changes in the revenue accounting under TFRS 15;
- analyzing the existing contracts with customers and considered revenue recognition policy in the current period in respect of those revenue streams, as well as completeness and accuracy of relevant disclosures

Based on our work, We had no material finding that have impact on the audit of accounting for revenue recognition.. We found the initial application of TFRS 15 in the consolidated financial statements appropriate.



Financial instruments and initial application of TFRS 9

Refer to Note 2.3, Note 2.4 and Note 2.5 to the consolidated financial statements for summary of significant accounting policies and estimates and assumptions and the impact of the adaptation of TFRS 9 and financial instruments.

<u>The key audit matter</u>	<u>How the matter was addressed in our audit</u>
<p>As described in note 2.3 to the consolidated financial statements, the Group has initially adopted TFRS 9 Financial Instruments as of 1st January 2018.</p> <p>As permitted by TFRS 9, the requirements have been applied retrospectively without restating comparatives. The hedge accounting requirements in TFRS 9 are similar with TAS 39. Under TFRS 9, the time value of options has to be recognized as a cost of hedging in OCI and accumulated in a separate component of equity.</p> <p>Also, the Group has interest rate swaps and cross currency swap transactions designated as cash flow hedge as at 1 July 2018. Valuation of derivative financial instruments could have a material impact on the consolidated financial statements</p> <p>We identified financial instruments and initial application of TFRS 9 as a key audit matter because TFRS 9 is a new and complex accounting standard which requires significant judgment for impairment reserve and accounting for derivative instruments are complex and hedge accounting requirements, including documentation, can be complicated.</p>	<p>We have performed the following audit procedures to be responsive to this area:</p> <ul style="list-style-type: none"> • Assessing the modeling techniques and methodology against the requirements of IFRS 9. • Involving our TFRS 9 specialists in areas that required specific expertise (i.e. the expected credit loss model). • Selecting sample of derivatives and testing with involving our valuation specialist to perform valuation of the derivatives and compared the result with management's valuation, • Assessing the accuracy of the disclosures in the consolidated financial statements. <p>We found the initial application of TFRS 9 and assessments, estimates and assumptions of financial instruments in the consolidated financial statements appropriate.</p>

Litigations, claims and contingent liabilities

Refer to Note 2.4, Note 2.5 and Note 24 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for litigations, claims and contingent liabilities.

<u>The key audit matter</u>	<u>How the matter was addressed in our audit</u>
<p>The Group operates in a highly regulated industry. Major risks identified by the Group in that area relate to compliance with regulatory requirements and customer protection. We have determined this to be a key audit matter, because there is a high level of judgment required in estimating the level of provisioning required.</p>	<p>We have performed the following audit procedures to be responsive to this area:</p> <ul style="list-style-type: none"> • Discussing with the legal department material legal cases to determine the Group's assessment of the likelihood and magnitude of any liability that may arise; • Reading legal opinions and on-going cases from legal counsels of the Group; • Assessing and challenging management's conclusions through understanding precedents set in similar cases; • Where appropriate and relevant, examining correspondence connected with the cases; and • Reviewing the level of provisions recorded and assessed the adequacy of disclosures in the consolidated financial statements. <p>We considered management's judgments on the level of provisioning to be reasonable.</p>



Valuation of deferred tax assets

Refer to Note 2.4, Note 2.5 and Note 11 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for valuation of deferred tax assets.

<u>The key audit matter</u>	<u>How the matter was addressed in our audit</u>
<p>The Group has recognized deferred tax assets for deductible temporary differences and unused tax losses that it believes are recoverable.</p> <p>The recoverability of recognized deferred tax assets is dependent on the Group's ability to generate future taxable profits sufficient to utilize deductible temporary differences and tax losses (before latter expire).</p> <p>We have determined this to be a key audit matter, due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences. Significant judgment is required in relation to the recognition and recoverability of deferred tax assets.</p>	<p>We have performed the following audit procedures to be responsive to this area:</p> <ul style="list-style-type: none">• Assessing and challenging the assumptions and judgments exercised by management in respect of the forecasts of future taxable profits by analyzing the assumptions adopted by management;• Considering the historical accuracy of forecasts of future taxable profits made by management by comparing the actual taxable profits for the current year with management's estimates in the forecasts made in the previous year and assessing whether there were any indicators of management bias in the selection of key assumptions;• Considering the impact of recent regulatory developments, where applicable and relevant;• Reconciling tax losses and expiry dates to tax statements; and• Assessing whether the Group's disclosures in the consolidated financial statements of the application of judgment in estimating recognized and unrecognized deferred tax asset balances appropriately reflect the Group's deferred tax position with reference to the requirements of the TFRSs. <p>We considered management's judgment on the recoverability of Group's deferred tax asset to be reasonable.</p>

Impairment of goodwill, Property, plant and equipment and Intangible assets

Refer to Note 2.4, Note 2.5, Note 16, Note 19 and Note 20 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for impairment of goodwill and, Property, plant and equipment and Intangible assets.



The key audit matter

As at 31 December 2018, the Group's non-current assets principally comprised property, plant and equipment and intangible assets. The Group has recognized goodwill amounting to TL 44.944 thousand as at 31 December 2018 (31 December 2017: TL 44.944 thousand). Impairment on property, plant and equipment and intangible assets are amounted to TL 16.299 thousand (31 December 2017: TL 76.897 thousand) and TL 1.132 thousand (31 December 2017: TL 35.891 thousand), respectively as at 31 December 2018.

In performing impairment assessments, management compared the carrying value of each of the separately identifiable cash generating units ("CGUs") to which goodwill, property, plant and equipment and Intangible assets had been allocated with their respective value in use based on discounted cash flow forecasts to determine if any impairment loss should be recognized.

The recoverable amount of CGUs, which is based on the higher of the value in use or fair value less costs to sell, has been derived from discounted cash flow models. These models use several key assumptions, including estimates of future sales volumes, and prices, operating costs, terminal value growth rates and the weighted-average cost of capital ("WACC").

We identified this issue as a key audit matter because the carrying values of these assets are material to the consolidated financial statements and also because of the significant judgment required in determining the assumptions to be used to estimate the recoverable amount.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of goodwill and other non-current assets included the following:

- Involving our own valuation specialist to assist in evaluating the appropriateness of discount rates applied, which included comparing the WACC with sector averages for the relevant markets in which the CGU's operate;
- Evaluating the appropriateness of the assumptions applied to key inputs such as sales volumes and prices, operating costs, inflation and long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry;
- Performing our own sensitivity analysis which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact on the currently estimated headroom for the CGUs; and
- Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgments and sensitivities.

We found management's calculation methods and the assumptions reasonable.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Turkish Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing issued by the CMB and Standards on Auditing issued by POA. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Group on 30 January 2019.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2018, the Group's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Group's articles of association in relation to financial reporting.
- 3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of KPMG International Cooperative



Şifir Soysal, SMMM
Partner
30 January, 2019
İstanbul, Türkiye

Contents

	PAGE
TABLE OF CONTENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	232
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	234
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	235
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	236
CONSOLIDATED STATEMENT OF CASH FLOWS	238
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	
NOTE 1. REPORTING ENTITY	239
NOTE 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	242
NOTE 3. SEGMENT REPORTING	279
NOTE 4. CASH AND CASH EQUIVALENTS	280
NOTE 5. FINANCIAL LIABILITIES	282
NOTE 6. TRADE RECEIVABLES FROM AND PAYABLES TO THIRD PARTIES	284
NOTE 7. RECEIVABLES AND OBLIGATIONS UNDER FINANCE AND OPERATIONAL LEASES	285
NOTE 8. DUE FROM AND DUE TO RELATED PARTIES	286
NOTE 9. OTHER RECEIVABLES AND PAYABLES	289
NOTE 10. INVENTORIES	290
NOTE 11. DEFERRED TAX ASSETS AND LIABILITIES	290
NOTE 12. OTHER CURRENT ASSETS, OTHER LIABILITIES AND EMPLOYEE BENEFIT OBLIGATIONS	294
NOTE 13. PREPAID EXPENSES AND DEFERRED REVENUES	295
NOTE 14. FINANCIAL INVESTMENTS	296
NOTE 15. DERIVATIVE FINANCIAL INSTRUMENTS	296
NOTE 16. GOODWILL	301
NOTE 17. ASSETS HELD FOR SALE	302
NOTE 18. INVESTMENT PROPERTY	303
NOTE 19. PROPERTY, PLANT AND EQUIPMENT	304
NOTE 20. INTANGIBLE ASSETS	306
NOTE 21. PROVISIONS	309
NOTE 22. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS	312
NOTE 23. SHARE BASED PAYMENT	315
NOTE 24. COMMITMENTS AND CONTINGENCIES	315
NOTE 25. SUPPLEMENTARY CASH FLOW INFORMATION	327
NOTE 26. SUBSEQUENT EVENTS	327
NOTE 27. REVENUE	328
NOTE 28. OPERATING EXPENSES	328
NOTE 29. EXPENSES BY NATURE	329
NOTE 30. OTHER OPERATING INCOME/(EXPENSES)	329
NOTE 31. INCOME/(EXPENSE) FROM INVESTING ACTIVITIES	330
NOTE 32. FINANCIAL INCOME/(EXPENSE)	330
NOTE 33. TAXATION ON INCOME	330
NOTE 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES	333

Consolidated Statement of Financial Position As At 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

		Current period	Prior period
		Audited	Audited
	Notes	31 December 2018	31 December 2017
Assets			
Current assets		10.936.213	10.566.394
Cash and cash equivalents	4	4.494.536	4.100.204
Trade receivables			
- Due from related parties	8	10.489	23.707
- Trade receivables from third parties	6	5.140.127	4.792.834
Other receivables			
- Other receivables from third parties	9	67.434	57.894
Derivative financial instruments	15	200.921	557.712
Inventories	10	248.852	203.978
Prepaid expenses	13	307.877	343.332
Current tax related assets		94.803	33.884
Other current assets	12	333.813	415.488
		10.898.852	10.529.033
Assets held for sale		37.361	37.361
Non-current assets		25.262.298	18.582.141
Financial investments	14	11.995	11.840
Trade receivables			
- Trade receivables from third parties	6	128.182	91.197
Other receivables			
- Other receivables from third parties	9	38.480	33.837
Derivative financial instruments	15	36.481	59.006
Investment property	18	20.194	22.376
Property, plant and equipment	19	14.254.053	9.115.520
Intangible assets			
- Goodwill	16	44.944	44.944
- Other intangible assets	20	9.738.095	8.437.536
Prepaid expenses	13	71.927	68.935
Deferred tax assets	11	896.513	660.707
Other non-current assets	12	21.434	36.243
Total assets		36.198.511	29.148.535

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

Consolidated Statement of Financial Position As At 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

		Current period	Prior period
	Notes	Audited 31 December 2018	Audited 31 December 2017
Liabilities			
Current liabilities		13.496.359	8.661.581
Financial liabilities			
- Bank borrowings	5	52.216	66.714
Short term portion of long term financial liabilities			
- Bank borrowings	5	4.106.293	2.395.531
- Obligations under finance leases	7	631	617
- Bills, bonds and notes issued	5	2.601.235	23.800
Trade payables			
- Due to related parties	8	110	2.326
- Trade payables to third parties	6	3.845.124	4.066.558
Employee benefit obligations			
Other payables	12	166.317	175.712
- Due to related parties	8	204.792	-
- Other payables to third parties	9	898.957	844.592
Derivative financial instruments	15	648.934	192.052
Deferred revenue	13	453.114	226.864
Income tax payable	33	6.465	24.344
Short term provisions			
-Short term provisions for employee benefits	21	230.191	162.906
-Other short term provisions	21	246.173	433.238
Other current liabilities	12	35.807	46.327
Non-current liabilities		15.248.549	15.931.867
Financial liabilities			
- Bank borrowings	5	10.882.470	10.270.506
- Obligations under finance leases	7	1.963	1.982
- Bills, bonds and notes issued	5	2.276.610	3.732.588
Other payables			
- Due to related parties	8	170.164	-
- Other payables to third parties	9	57.428	375.233
Derivative financial instruments	15	84.004	117.389
Deferred revenue	13	655.314	367.201
Long term provisions			
-Long term provisions for employee benefits	21	907.172	813.393
-Other long-term provisions	21	8.167	8.035
Deferred tax liability	11	205.257	245.540
Equity		7.453.603	4.555.087
Paid-in share capital			
Inflation adjustments to paid in capital (-)	22	3.500.000	3.500.000
Share based payments (-)	22,23	(239.752)	(239.752)
Share based payments (-)	22,23	9.528	9.528
Other comprehensive income/expense items not to be reclassified to profit or loss			
-Actuarial loss arising from employee benefits		(628.350)	(526.583)
-Increase in revaluation of property, plant and equipment		4.283.816	-
-Gains due to change in fair value of financial liability attributable to change in credit risk of liability		64.852	-
Other comprehensive income/expense items to be reclassified to profit or loss			
-Hedging reserves		(886.488)	(299.552)
-Foreign currency translation reserve		417.238	218.920
Restricted reserves allocated from profits	22	2.355.969	2.355.969
Other reserves	22	(1.320.942)	(1.320.942)
Retained earnings/(accumulated losses)		1.288.993	(278.033)
Net loss/(profit) for the period		(1.391.261)	1.135.532
Total liabilities and equity		36.198.511	29.148.535

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

Consolidated Statement of Profit Or Loss for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

		Current Period	Prior Period
		Audited	Audited
	Notes	1 January - 31 December 2018	1 January - 31 December 2017
Sales	3,27	20.430.900	18.139.554
Cost of sales (-)	28	(11.249.445)	(10.029.082)
Gross profit		9.181.455	8.110.472
General administrative expenses (-)	28	(1.784.341)	(1.706.962)
Marketing, sales and distribution expenses (-)	28	(2.409.985)	(2.404.461)
Research and development expenses (-)	28	(147.779)	(124.737)
Other operating income	30	231.369	291.123
Other operating expense (-)	30	(492.474)	(540.970)
Operating profit		4.578.245	3.624.465
Impairment (losses)/gains in accordance with TFRS 9, net		(268.034)	(468.115)
Income from investing activities	31	130.288	130.398
Expense from investing activities (-)	31	(12.960)	(5.610)
Operating profit before financial expenses		4.427.539	3.281.138
Financial income	32	1.422.499	722.307
Financial expense (-)	32	(7.872.319)	(2.525.118)
Profit/(loss) before tax	3	(2.022.281)	1.478.327
Tax income/(expense)			
- Current tax expense	33	(20.480)	(696.792)
- Deferred tax income	11,33	651.500	353.997
Profit/(loss) for the year		(1.391.261)	1.135.532
Earnings/(losses) per shares attributable to equity holders of the parent from (in full Kuruş)	22	(0,3975)	0,3244
Earnings/(losses) per diluted shares attributable to equity holders of the parent from (in full Kuruş)	22	(0,3975)	0,3244

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

Consolidated Statement of Other Comprehensive Income for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

		Current Period	Prior Period
		Audited	Audited
	Notes	1 January - 31 December 2018	1 January - 31 December 2017
Profit/(loss) for the period		(1.391.261)	1.135.532
Other comprehensive income items not to be reclassified to profit/(loss):			
Items not to be reclassified to profit or loss:			
Gain from revaluation of property, plant and equipments	19	4.430.008	(32.593)
Actuarial loss from employee benefits	21	4.758.000	-
Change in fair value of financial liability attributable to change in credit risk of liability		(126.172)	(40.417)
Deferred tax effect of other value increase funds not to be reclassified from OCI to PL		309.949	-
-Tax effect of actuarial loss from employee benefits	11	(511.769)	7.824
-Tax effect of revaluation of property, plant and equipment		24.405	7.824
-Tax effect of change in fair value of financial liability attributable to change in credit risk of liability		(474.184)	-
Other comprehensive income items to be reclassified to profit or loss:			
Change in foreign currency translation differences		(388.618)	65.527
Cash flow hedges-effective portion of changes in fair value	11	198.318	119.515
Hedge of net investment in a foreign operation		(121.269)	31.566
Change in value of time value of options		(173.643)	(99.051)
Tax effect on other comprehensive income items to be reclassified to profit or loss		(438.759)	-
-Tax effect of cash flow hedges-effective portion of changes in fair value		146.735	13.497
-Tax effect of hedge of net investment in a foreign operation		24.254	(6.313)
-Tax effect of hedge of time value of options		34.729	19.810
		87.752	-
Other comprehensive income, net of tax		4.041.390	32.934
Total comprehensive income		2.650.129	1.168.466

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

Consolidated Statement of Changes in Equity for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

					Other comprehensive income items not to be reclassified to profit or loss in subsequent periods		
					Gains/(losses) on revaluation and re- measurement		
	Paid-in share capital	Inflation adjustment to paid in capital	Share based payment reserve	Other gains/ (losses)	Gains/ (losses) on revaluation of property, plant and equipment	Actuarial loss arising from employee benefits	Gains/ (losses) due to change in fair value of financial liability attributable to change in credit risk of liability
Balance at 1 January 2017	3.500.000	(239.752)	9.528	(1.320.942)	-	(493.990)	-
Transfers	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(32.593)	-
Profit for period	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	(32.593)	-
Balance at 31 December 2017	3.500.000	(239.752)	9.528	(1.320.942)	-	(526.583)	-
Balance at 1 January 2018	3.500.000	(239.752)	9.528	(1.320.942)	-	(526.583)	-
Adjustments in accounting policies (net of tax) (Note 2.3)	-	-	-	-	-	-	(183.107)
Adjusted balance at 1 January 2018	3.500.000	(239.752)	9.528	(1.320.942)	-	(526.583)	(183.107)
Transfers	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	4.283.816	(101.767)	247.959
Loss for period	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	4.283.816	(101.767)	247.959
Balance at 31 December 2018	3.500.000	(239.752)	9.528	(1.320.942)	4.283.816	(628.350)	64.852

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

Other comprehensive income items to be reclassified to profit or loss in subsequent periods				Retained earnings/(losses)				
Reserve of gains/(losses) on hedging								
Gains or losses on hedges of net investment in foreign operations	Gains/(losses) on change in value of time value of options	Cash flow hedge reserve	Foreign currency translation reserve	Restricted reserves allocated from profits	Retained earnings/(losses)	Net profit/(loss) for the period	Equity	
(131.944)	-	(113.620)	99.405	2.355.969	446.307	(724.340)	3.386.621	
-	-	-	-	-	(724.340)	724.340	-	
(79.241)	-	25.253	119.515	-	-	1.135.532	1.168.466	
-	-	-	-	-	-	1.135.532	1.135.532	
(79.241)	-	25.253	119.515	-	-	-	32.934	
(211.185)	-	(88.367)	218.920	2.355.969	(278.033)	1.135.532	4.555.087	
(211.185)	-	(88.367)	218.920	2.355.969	(278.033)	1.135.532	4.555.087	
-	-	-	-	-	431.494	-	248.387	
(211.185)	-	(88.367)	218.920	2.355.969	153.461	1.135.532	4.803.474	
-	-	-	-	-	1.135.532	(1.135.532)	-	
(138.914)	(351.007)	(97.015)	198.318	-	-	(1.391.261)	2.650.129	
-	-	-	-	-	-	(1.391.261)	(1.391.261)	
(138.914)	(351.007)	(97.015)	198.318	-	-	-	4.041.390	
(350.099)	(351.007)	(185.382)	417.238	2.355.969	1.288.993	(1.391.261)	7.453.603	

Consolidated Statement of Cash Flows for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

		Current Period Audited	Prior Period Audited
	Notes	1 January - 31 December 2018	1 January - 31 December 2017
Net profit/(loss) for the period		(1.391.261)	1.135.532
Adjustments to reconcile net profit to cash provided by operating activities:			
Adjustments for depreciation and amortisation expense	29	3.717.763	2.906.444
Adjustments for impairment loss/(reversal of impairment loss)		290.649	608.257
- Adjustments for impairment loss of receivables	6,9	394.175	468.115
- Adjustments for impairment loss of inventories		5.483	27.354
- Adjustments for impairment loss of property, plant and equipment	29	17.431	112.788
- Adjustments for other impairment loss		(126.440)	-
Adjustments for provisions		439.587	561.221
- Adjustments for provisions related with employee benefits	21	356.790	324.368
- Adjustments for reversal of lawsuit and/or penalty provisions	21	82.665	236.705
- Adjustments for other provisions	21	132	148
Adjustments for interest expenses and income		698.733	318.865
- Adjustments for interest income		(390.996)	(287.637)
- Adjustments for interest expense		1.040.703	556.450
- Deferred financial expenses from credit purchases		49.026	50.052
Adjustments for unrealised foreign exchange losses		5.760.962	1.506.495
Adjustments for fair value losses/(gain)	32	308.200	(27.620)
- Adjustments for fair value loss on derivative financial instruments	32	439.738	(27.620)
- Adjustment for gains on change in fair value of bills, bonds and notes issued		(131.538)	-
Adjustments for tax expenses	33	(631.020)	342.795
Adjustments for gains arising from sale of tangible assets	31	(117.328)	(124.788)
Other adjustments for which cash effects are investing or financing cash flow		115.735	57.412
Other adjustments for non-cash items	25	(88.715)	(81.027)
Operating profit before working capital changes		9.103.305	7.203.586
Changes in working capital:			
Adjustments for increase in trade receivable		(781.840)	(1.151.197)
Adjustments for increase/(decrease) in inventories		(50.357)	29.932
Adjustments for increase/(decrease) in trade payable		(339.332)	415.372
Decrease in other assets related with operations		117.714	134.657
Increase in other payables related with operations		396.888	158.096
Cash flow from operating activities:			
Interest received		120.449	105.850
Payments related with employee benefits	21	(323.680)	(337.799)
Payments related with other provisions	21	(370.588)	(68.166)
Income taxes paid		(99.278)	(534.115)
Other outflows of cash	25	(184.346)	(12.031)
Net cash from operating activities		7.588.935	5.944.185
Investing activities			
Financial assets		(155)	-
Payments related to liabilities arising from acquisition of non-controlling interests		(205.000)	(205.000)
Proceeds from sale of property, plant, equipment and intangible assets		144.511	151.001
Purchases of property, plant, equipment and intangible assets		(4.065.306)	(4.223.530)
Net cash used in investing activities		(4.125.950)	(4.277.529)
Cash flows from financing activities			
Proceeds from loans		831.049	1.560.795
Repayments of borrowings		(3.222.944)	(1.854.449)
- Loan repayments		(3.222.944)	(1.854.449)
Payments of finance lease liabilities, net	25	(826)	(71)
Cash inflows/(outflows) from derivative instruments, net	25	(1.572)	18.788
Interest paid		(1.062.115)	(456.516)
Interest received		270.547	181.787
Other cash outflows, net	25	(115.735)	(57.412)
Net cash used in financing activities		(3.301.596)	(607.078)
NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES		161.389	1.059.578
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES IN CASH AND CASH EQUIVALENTS		48.599	12.229
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		3.688.104	2.616.297
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	3.898.092	3.688.104

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

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

1. REPORTING ENTITY

Türk Telekomünikasyon Anonim Şirketi ("Türk Telekom" or "the Company") is a joint stock company incorporated in Turkey. The Company has its history in the Posthane - i Amirane (Department of Post Office) which was originally established as a Ministry on 23 October 1840. On 4 February 1924, under the Telephone and Telegraph, the authorization to install and operate telephone networks throughout Turkey was given to the General Directorate of Post, Telegraph and Telephone ("PTT"). The Company was founded on 24 April 1995 as a result of the split of the telecommunication and postal services formerly carried out by the PTT. All of the personnel, assets and obligations of the PTT pertaining to telecommunication services were transferred to the Company, the shares of which were fully owned by the Prime Ministry Under secretariat of Treasury - as of 2018 Republic of Turkey Ministry of Treasury and Finance- ("the Treasury").

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

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

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

Transfer of the Group A shares, which constitutes 55% of the Company's capital, to the afore-mentioned SPV, Levent Yapılandırma Yönetimi A.Ş. (LYY) as of 21 December 2018 has been notified to the Company in accordance with Article 198 of the Turkish Commercial Code. Pursuant to Article 499 of the Turkish Commercial Code, LYY has been registered as a new shareholder in the Company's shareholders' ledger.

As at 31 December 2018, the parent company and controlling party of the Company is Levent Yapılandırma Yönetimi A.Ş. (31 December 2017: Saudi Oger Ltd. due to 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 in the conditions where the Concession Agreement is expired or not renewed, the Company shall transfer all equipment that affects the operation of its systems in full working order and the real estates in its use where these equipment are deployed to the ICTA or to an institution designated by the ICTA.

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

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

1. REPORTING ENTITY (CONTINUED)

The details of the Company's subsidiaries as at 31 December 2018 and 31 December 2017 are as follows:

Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%)	
				31 December 2018	31 December 2017
TTNet Anonim Şirketi ("TTNet")	Turkey	Internet service provider	Turkish Lira	100	100
TT Mobil İletişim Hizmetleri A.Ş. ("TT Mobil") ⁽¹⁾	Turkey	GSM operator	Turkish Lira	100	100
Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("Argela")	Turkey	Telecommunication solutions	Turkish Lira	100	100
Innova Bilişim Çözümleri Anonim Şirketi ("Innova")	Turkey	Telecommunication solutions	Turkish Lira	100	100
Assist Rehberlik ve Müşteri Hizmetleri Anonim Şirketi ("AssisTT")	Turkey	Call center and customer relations	Turkish Lira	100	100
Sebit Eğitim ve Bilgi Teknolojileri A.Ş. ("Sebit")	Turkey	Web Based Learning	Turkish Lira	100	100
NETSIA Inc.	USA	Telecommunications solutions	U.S. Dollar	100	100
Sebit LLC	USA	Web based learning	U.S. Dollar	100	100
TT International Holding B.V. ("TT International") ⁽¹⁾	Netherlands	Holding company Internet/data services, infrastructure and wholesale	Euro	100	100
Türk Telekom International AG ("TTINT Austria") ⁽¹⁾	Austria	voice services provider Internet/data services, infrastructure and wholesale	Euro	100	100
Türk Telekom International Hu Kft (TTINT Hungary) ⁽¹⁾	Hungary	voice services provider Internet/data services, infrastructure and wholesale	Euro	100	100
S.C. Euoweb Romania S.A. ("TTINT Romania") ⁽¹⁾	Romania	voice services provider Internet/data services, infrastructure and wholesale	Euro	100	100
Türk Telekom International Bulgaria EOOD ("TTINT Bulgaria") ⁽¹⁾	Bulgaria	voice services provider Internet/data services, infrastructure and wholesale	Euro	100	100
Türk Telekom International CZ s.r.o ("TTINT Czech Republic") ⁽¹⁾	Czech Republic	voice services provider Internet/data services, infrastructure and wholesale	Euro	100	100
TTINT Telcomd.o.o Beograd ("TTINT Serbia") ⁽¹⁾	Serbia	voice services provider Internet/data services, infrastructure and wholesale	Euro	100	100
TTINT Telcomunikacijed.o.o ("TTINT Slovenia") ⁽¹⁾	Slovenia	voice services provider Internet/data services, infrastructure and wholesale	Euro	100	100
Türk Telekom International SK s.r.o ("TTINT Slovakia") ⁽¹⁾	Slovakia	voice services provider Internet/data services, infrastructure and wholesale	Euro	100	100
TT International Telekomünikasyon Sanayi ve Ticaret Limited Şirketi ("TTINT Turkey") ⁽¹⁾	Turkey	voice services provider Internet/data services, infrastructure and wholesale	Euro	100	100
Türk Telekom International UA TOV ("TTINT Ukraine") ⁽¹⁾	Ukraine	voice services provider Internet/data services, infrastructure and wholesale	Euro	100	100
Türk Telekom International Italy S.R.L. (TTINT Italy) ⁽¹⁾	Italy	voice services provider Internet/data services, infrastructure and wholesale	Euro	100	100
TTINT International DOOEL Skopje ("TTINT Macedonia") ⁽¹⁾	Macedonia	voice services provider Internet/data services, infrastructure and wholesale	Euro	100	100
Türk Telekom International LLC ("TTINT Russia") ⁽¹⁾	Russia	voice services provider	Euro	100	100
Türk Telekomünikasyon Euro GmbH. ("TT Euro") ⁽¹⁾	Germany	Mobil service marketing	Euro	100	100

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

1. REPORTING ENTITY (CONTINUED)

Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%)	
				31 December 2018	31 December 2017
Türk Telekom International d.o.o. ⁽¹⁾	Croatia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International HK Limited ⁽¹⁾	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. ⁽²⁾	Belgium	Mobile service marketing	Euro	100	100
TT Ödeme Hizmetleri A.Ş.	Turkey	Mobile finance	Turkish Lira	100	100
Net Ekran1 TV ve Medya Hiz. A.Ş. ("Net Ekran1")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran2 TV ve Medya Hiz. A.Ş. ("Net Ekran2")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran3 TV ve Medya Hiz. A.Ş. ("Net Ekran3")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran4 TV ve Medya Hiz. A.Ş. ("Net Ekran4")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran5 TV ve Medya Hiz. A.Ş. ("Net Ekran5")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran6 TV ve Medya Hiz. A.Ş. ("Net Ekran6")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran7 TV ve Medya Hiz. A.Ş. ("Net Ekran7")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran8 TV ve Medya Hiz. A.Ş. ("Net Ekran8")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran9 TV ve Medya Hiz. A.Ş. ("Net Ekran9")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran10 TV ve Medya Hiz. A.Ş. ("Net Ekran10")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran11 TV ve Medya Hiz. A.Ş. ("Net Ekran11")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran12 TV ve Medya Hiz. A.Ş. ("Net Ekran12")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran13 TV ve Medya Hiz. A.Ş. ("Net Ekran13")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran14 TV ve Medya Hiz. A.Ş. ("Net Ekran14")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran15 TV ve Medya Hiz. A.Ş. ("Net Ekran15")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran16 TV ve Medya Hiz. A.Ş. ("Net Ekran16")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
11818 Rehberlik ve Müşteri Hizmetleri A.Ş. ("11818")	Turkey	Call center and customer relations	Turkish Lira	100	100
TT Satış ve Dağıtım Hizmetleri Anonim Şirketi	Turkey	Selling and Distribution Services	Turkish Lira	100	100
TT Ventures Proje Geliştirme A.Ş.	Turkey	Corporate Venture Capital	Turkish Lira	100	100

⁽¹⁾ Hereinafter, will be referred as TTINT Group.

⁽²⁾ The title of Avea İletişim Hizmetleri A.Ş. was announced on 30 May 2018 by TT Mobil İletişim Hizmetleri A.Ş.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

1. REPORTING ENTITY (CONTINUED)

The details of the Company's joint operation as at 31 December 2018 and 31 December 2017 are as follows:

Name of Joint Operation	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%)	
				31 December 2018	31 December 2017
TT Mobil-Vodafone Evrensel İş Ortaklığı	Turkey	Internet/data services, infrastructure and wholesale voice services provider	Turkish Lira	51	51

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

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

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

The number of personnel subject to collective agreement as at 31 December 2018 is 10.798 (31 December 2017: 11.770) and the number of personnel not subject to collective agreement as at 31 December 2018 is 22.619 (31 December 2017: 22.732). The total number of personnel as at 31 December 2018 and 31 December 2017 are 33.417 and 34.502, respectively.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation of the 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

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

The Group has initially adopted TFRS 15 and TFRS 9 with a date of initial application of 1 January 2018. The comparative information has not been restated according to the transition period.

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.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of presentation of the 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 other than lands and investment property acquisitions prior to 1 January 2000 for which the deemed cost method was applied in accordance with TAS 29 "Financial Reporting in Hyperinflationary Economies", lands, derivative financial instruments, bills, bonds and notes issued which have been reflected at their fair values. Investment properties and tangible assets other than lands which are recognized with deemed cost method are valued with fair values as of 1 January 2000, lands accounted as property, plant and equipment, derivative financial liabilities and bills, bonds and notes issued are valued with fair values as of balance sheet date.

The methods used to measure the fair values are discussed further in Note 2.4 (t).

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 and Company's joint operation are presented in Note 1.

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

Additional paragraph for convenience translation to English:

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosures requirement of the POA.

2.2 Basis of consolidation

The accompanying financial statements include the accounts of the parent company Türk Telekom; its subsidiaries and joint operation. The financial statements of the entities included in the consolidation have been prepared as at the date of the consolidated financial statements.

a) Subsidiaries

As at 31 December 2018, the consolidated financial statements include the financial results of Türk Telekom and its subsidiaries that the Group has control over its financial and operational policies which are listed at Note 1.

Control is normally evidenced when the Company controls an investee if and only if the Company has all the following; a) power over the investee b) exposure, or rights, to variable returns from its involvement in the investee and c) the ability to use its power over the investee to affect the amount of company's returns. The results of subsidiaries acquired are included in the consolidated statements of income from the effective date of acquisition as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. The consolidated financial statements are prepared using uniform accounting policies for similar transactions and events and are prepared with the same chart of accounts of the Company.

b) Business combinations

From 1 January 2010 the Group has applied revised TFRS 3 "Business Combinations" standard. The change in accounting policy has been applied prospectively and had no effect on business combinations completed during prior periods.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Basis of consolidation (continued)

b) Business combinations (continued)

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquirer.

The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the entity and the equity interests issued by the Group. When the agreement with the seller includes a clause that the consideration transferred could be adjusted for future events, the acquisition-date fair value of this contingent consideration is included in the cost of the acquisition. All transaction costs incurred by the Group have been recognized in general administrative expenses.

For each business combination, the Group elects whether it measures the non-controlling interest in the acquirer either at fair value or at the proportionate share of the acquirer's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquirer.

Acquisition method requires allocation of the acquisition cost to the assets acquired and liabilities assumed at their fair values on the date of acquisition. Acquired assets and liabilities and contingent liabilities assumed according to TFRS 3 are recognized at fair values on the date of the acquisition. Acquired company is consolidated starting from the date of acquisition.

If the fair values of the acquired identifiable assets, liabilities and contingent liabilities or cost of the acquisition are based on provisional assessment as at the balance sheet date, the Group made provisional accounting. Temporarily determined business combination accounting has to be completed within twelve months following the combination date and adjustment entries have to be made beginning from the combination date.

c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

d) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of the Group entities at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the exchange rate ruling at the date. Foreign currency differences arising on translation of foreign currency transactions are recognized in the income statement, except for differences arising on qualifying cash flow hedges to the extent the hedge is effective, which are recognized in other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Basis of consolidation (continued)

d) Foreign currency (continued)

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to reporting currency at average exchange rates in the related periods.

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

The Group entities use USD, Euro or TL, as functional currency since these currencies are used to a significant extent in, or have a significant impact on, the operations of the related Group entities and reflect the economic substances of the underlying events and circumstances relevant to these entities. All currencies other than the functional currency selected for measuring items in the financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in the functional currency have been re-measured to the related functional currencies. The Group uses TL as the reporting currency.

The financial statements of subsidiaries that report in the currency of an economy formerly accepted as hyperinflationary (Turkey) are restated to the unit of currency effective at the reporting date until 1 January 2005. As stated above, with the resolution dated 17 March 2005 to end the hyperinflation accounting for the periods starting after 31 December 2004, TL is not assessed as a currency of a hyperinflationary economy effective from 1 January 2005.

The foreign currency exchange rates as of the related periods are as follows:

	Average		Period end	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Euro/TL	5,6789	4,1159	6,0280	4,5155
USD/TL	4,8301	3,6445	5,2609	3,7719

iii) Hedge of net investment in a foreign operation

The Company acquires foreign currency bank loans in order to hedge its net investment in a foreign operation. Foreign exchange gain and/or loss resulting from the subsidiary's net investment portion of this loan is reclassified to other comprehensive income. Foreign exchange gain and/or loss resulting from the subsidiary's net investment portion of this loan reclassified to other comprehensive income will be transferred to profit and loss in case of disposal. Tax effects of foreign exchange gain and/or loss resulting from the subsidiary's net investment portion of this loan is recognized under other comprehensive income as well.

2.3 Changes in accounting policies, comparative information and restatement of prior periods' financial statements

Except for the changes below, the accounting policies applied in these consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

a) TFRS 15 Revenue from contracts with customers

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced TAS 18 *Revenue*, TAS 11 *Construction Contracts* and related interpretation.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3. Changes in accounting policies, comparative information and restatement of prior periods' financial statements (continued)

a) TFRS 15 Revenue from contracts with customers (continued)

The Group has initially adopted TFRS 15 *Revenue from Contracts with Customers* with a date of initial application of 1 January 2018. As a result, the Group has changed its accounting policy for revenue recognition as detailed below.

The Group has applied TFRS 15 using the cumulative effect method – by recognizing the cumulative effect of initially applying TFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information presented for 2017 has not been restated and continues to be as previously reported under TAS 18 and TAS 11 and related interpretations. The details of the significant changes and quantitative impact of the changes are set out below.

i) Sales of equipment and other telecommunication services in bundled packages

For equipment sold in bundled packages, the Group previously limited revenue to the amount that was not contingent on the provision of future telecommunication services. Under TFRS 15, the total consideration in the contract is allocated to all products and services – e.g. equipment, mobile telecommunication services, and connection fees – based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells those products and services on their own in separate transactions. For items that are not sold separately the Group estimates stand-alone selling prices using the expected cost plus a margin approach.

For those contracts including sales of a distinct equipment or distinct connection fee, a lower proportion of consideration is allocated to equipment or connection fees and therefore revenue is recognized later under TFRS 15 than under TAS 18. The impact of these changes on items other than revenue is a decrease in income accruals.

Previously, the Group recognized revenue for connection fees immediately when connection services were provided and the cost of connection was also recognized immediately as an expense. Under TFRS 15, connection fees that are assessed as distinct are recognized as revenue. Connection fees for activities that are an improvement to or an extension of the Group's own network, rather than a transfer of goods or services to the customers are determined as not distinct and no separate revenue is recognized. For distinct connection fees revenue recognized is measured based on their stand-alone selling prices. The stand-alone selling prices of connection fees are estimated based on expected cost plus a margin approach. For connection fees that are not distinct, no portion of consideration is allocation to non-distinct connection fees, and therefore revenue is recognized later under TFRS 15 than under TAS 18. The impact of these changes on items other than revenue is a decrease in income accruals.

ii) Subscriber acquisition and retention costs

Subscriber acquisition costs include commissions and premiums incurred for acquisition and retention of subscribers.

The Group previously recognized commissions and premiums incurred for acquisitions/retentions in the consolidated statement of profit or loss during the year they are incurred. Under TFRS 15, the Group capitalizes these commission and premiums if these costs are incremental with obtaining a contract with a customer and if they are expected to be recovered. Under TFRS 15, subscriber acquisition and retention costs are capitalized as intangible assets are amortized in marketing, sales and distribution expenses. Subscriber acquisition costs are amortized consistently during subscriber life cycle and subscriber retention costs are amortized consistently during the the renewal period.

iii) Significant financing component

To estimate the transaction price in a contract, the Group adjusts the promised amount of consideration to reflect the time value of money if the contract contains a significant financing component. Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. The discount rate used is the rate that would be reflected in a separate financing transaction between the Group and the customer at a contract inception.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3. Changes in accounting policies, comparative information and restatement of prior periods' financial statements (continued)

a) TFRS 15 Revenue from contracts with customers (continued)

iii) Significant financing component (continued)

Indefeasible right of use ("IRU") contracts of the Group are adjusted for significant financing component. The Group previously was not adjusting for significant financing component under TAS 18. Under TFRS 15, consideration is adjusted to reflect the financing component of the transaction and related financing component is recognized as interest expense in financial expenses and presented separately from revenue from customers in profit or loss.

iv) Impacts on the consolidated financial statements

The following table summarizes the impact, net of tax, of transition to TFRS 15 on retained earnings at 1 January 2018:

Impact of adopting TFRS 15 at 1 January 2018

Retained earnings	
Sales of equipment in bundled packages and connection fee	(204.412)
Subscriber acquisition/retention costs	843.203
Significant financing component	(45.607)
Related tax	(43.406)
Currency translation difference	2.468
Impact at 1 January 2018	552.246

The following tables summarize the impacts of adopting TFRS 15 on the Group's consolidated financial statements as at 31 December 2018 for each of the line items affected.

i. Impact on the consolidated statement of financial position

31 December 2018		Impact of changes in accounting policies		
		As reported	Adjustments	Balances without adoption of TFRS 15
Intangible assets	b	9.738.095	(1.024.338)	8.713.757
Trade and other receivables	a	5.384.712	18.165	5.402.877
Def. tax asset		896.513	(13.430)	883.083
Other		20.179.191	-	20.179.191
Total assets		36.198.511	(1.019.603)	35.178.908
Deferred tax liabilities		205.257	(64.910)	140.347
Deferred revenue	a, c	1.108.428	(289.935)	818.493
Other		27.431.223	-	27.431.223
Total liabilities		28.744.908	(354.845)	28.390.063
Retained earnings		1.288.993	(552.246)	736.747
Foreign currency translation difference		417.238	10.583	427.821
Net profit		(1.391.261)	(123.095)	(1.514.356)
Other		7.138.633	-	7.138.633
Total equity		7.453.603	(664.758)	6.788.845

a. Sales of equipment and other telecommunication services in bundled packages and connection fees

b. Subscriber acquisition and retention costs

c. Significant financing component

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3. Changes in accounting policies, comparative information and restatement of prior periods' financial statements (continued)

a) TFRS 15 Revenue from contracts with customers (continued)

iv) Impacts on the consolidated financial statements (continued)

ii. Impact on the consolidated statement of profit or loss and other comprehensive income

31 December 2018		Impact of changes in accounting policies		
		As reported	Adjustments	Balances without adoption of TFRS 15
Sales	a, c	20.430.900	29.794	20.460.694
Marketing, sales and distribution expenses	b	(2.409.985)	(181.135)	(2.591.120)
Financial income/(expense), net	c	(6.449.820)	17.510	(6.432.310)
Tax expense		631.020	10.736	641.756
Other		(13.593.376)	-	(13.593.376)
Profit		(1.391.261)	(123.095)	(1.514.356)
Total comprehensive income		4.041.390	(123.095)	3.918.295

a. Sales of equipment and other telecommunication services in bundled packages and connection fees

b. Subscriber acquisition and retention costs

c. Significant financing component

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3. Changes in accounting policies, comparative information and restatement of prior periods' financial statements (continued)

a) TFRS 15 Revenue from contracts with customers (continued)

iv) Impacts on the consolidated financial statements (continued)

iii. Impact on the consolidated statement of cash flows

31 December 2018	Impact of changes in accounting policies		
	As reported	Adjustments	Balances without adoption of TFRS 15
Profit for the period	(1.391.261)	(123.095)	(1.514.356)
Adjustments to reconcile net profit to cash provided by operating activities:			
-Depreciation and amortisation expense	b 3.717.763	(480.139)	3.237.624
-Tax expenses	(631.020)	(10.736)	(641.756)
-Other	7.407.823	-	7.407.823
Changes in working capital:			
-Increase in other payables related with operations	396.888	(47.303)	349.585
-Other	(1.053.815)	-	(1.053.815)
Cash flow from operating activities	(857.443)	-	(857.443)
Net cash from operating activities	7.588.935	(661.273)	6.927.662
Purchases of property, plant, equipment and intangible assets	b (4.065.306)	661.273	(3.404.033)
Other	(60.644)	-	(60.644)
Net cash from investing activities	(4.125.950)	661.273	(3.464.677)
Other	(3.301.596)	-	(3.301.596)
Net cash from financing activities	(3.301.596)	-	(3.301.596)
Net (decrease)/increase in cash and cash equivalents before currency translation differences	161.389	-	161.389
Effect of changes in foreign exchange rates in cash and cash equivalents	48.599	-	48.599
Cash and cash equivalents at the beginning of the period	3.688.104	-	3.688.104
Cash and cash equivalents at the end of the period	3.898.092	-	3.898.092

a. Sales of equipment and other telecommunication services in bundled packages and connection fees

b. Subscriber acquisition and retention costs

c. Significant financing component

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Changes in accounting policies, comparative information and restatement of prior periods' financial statements (continued)

b) TFRS 9 Financial instruments

The Group has initially adopted TFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. TFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The following table summarizes the impact, net of tax, of transition to TFRS 9 on retained earnings and other comprehensive income at 1 January 2018:

	Impact of adopting TFRS 9 at 1 January 2018
Retained earnings/(losses)	
Recognition of expected credit losses under TFRS 9	(263.230)
Changes in carrying amount of liabilities measured at FVTPL at initial application in accordance with TFRS 9	156.390
Related tax	(13.912)
Opening balance under TFRS 9 (1 January 2018)	(120.752)
	Impact of adopting TFRS 9 at 1 January 2018
Other comprehensive income	
Changes in carrying amount of liabilities measured at FVTPL at initial application in accordance with TFRS 9	(228.884)
Related tax	45.777
Opening balance under TFRS 9 (1 January 2018)	(183.107)

i. Classification of financial assets and financial liabilities

TFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under TFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. TFRS 9 eliminates the previous TAS 39 categories of held to maturity, loans and receivables and available for sale. Under TFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of TFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities except for bills, bonds and notes issued.

As at 1 January 2018, the Group has used the option to reclassify its bills, bonds and notes issued on initial application as measured at fair value through profit or loss as allowed in transition requirements of TFRS 9 which is permitted when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

For an explanation of how the Group classifies and measures bills, bonds and notes issued and accounts for related gains and losses under TFRS 9, see Note 2.4.

The effect of adopting TFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under TFRS 9, see Note 2.4.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Changes in accounting policies, comparative information and restatement of prior periods' financial statements (continued)

b) TFRS 9 Financial instruments (continued)

TFRS 9 replaces the 'incurred loss' model in TAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortized cost and contract assets, but not to investments in equity instruments. The details of the new model under TFRS 9 is disclosed in Note 2.4.

Impact of the new impairment model

As at 1 January 2018, the effect of impairment allowance under TFRS 9 is as follows:

Loss allowance as at 31 December 2017 under TAS 39	(2.864.484)
Additional impairment recognized at 1 January 2018 on:	
- Trade receivables	(24.876)
- Other assets and receivables	(17.568)
- Provision for expected credit losses on loan commitments	(220.786)
Loss allowance as at 1 January 2018 under TFRS 9	(3.127.714)

iii. Hedge accounting

When initially applying TFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of TAS 39 instead of the requirements in TFRS 9. The Group has not elected to adopt the new general hedge accounting model in TFRS 9. Accounting policies applied in preparation of consolidated financial statements as at 31 December 2017 have not changed.

As at 1 July 2018, the Group has elected to adopt the new general hedge accounting model in TFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses forward foreign exchange contracts to hedge the variability in cash flows arising from changes in foreign exchange rates relating to foreign currency borrowings and bill and bond issuance. The Group uses cross currency swaps that are used as hedging instruments in cash flow hedge transactions only in the fair value changes of the spot value in the hedging relationship. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity.

Under TAS 39, time value of option contracts were recognized in profit or loss at the time of change in fair value. However, under TFRS 9, time value of options are accounted for as a cost of hedging; they are recognised in OCI and accumulated in a cost of hedging reserve as a separate component within equity.

Under TAS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affected profit or loss. The same approaches also apply under TFRS 9 to the amounts accumulated in the cost of hedging reserve.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Changes in accounting policies, comparative information and restatement of prior periods' financial statements (continued)

b) TFRS 9 Financial instruments (continued)

iii. Hedge accounting (continued)

Hedge Ineffectiveness

The Group monitors source of ineffectiveness over the course of the hedge relation period. The change in the fair value of the hedged item will be calculated using the hypothetical derivative method.

The entire fair value of the participating cross currency and cross currency swap including currency basis was designated as the hedging instrument. The hypothetical derivative is modelled to exclude the currency basis. Hedge ineffectiveness is determined by comparing the actual derivative which includes currency basis to the hypothetical derivative which does not include currency basis.

There is 'an economic relationship' between the hedged item and the hedging instrument as the underlying of the hedging instrument matches, and aligned with, the hedged risk so that the hedging instrument and the hedged item are expected to move in opposite directions as a result of a change in the hedged risk.

The effect of credit risk does not 'dominate the value changes' that result from that economic relationship. The impact of changes in credit risk are not magnitude such that it dominates the value changes, even if there is an economic relationship between the hedged item and hedging instrument.

The hedge ratio, between the amount of hedged item and the amount of hedging instrument is 1:1.

Effect arising from application of TFRS 9 hedge accounting requirements

The application of hedging approach in accordance with TFRS 9 does not have any impact on retained earnings.

iv. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 (2014) have been applied retrospectively, except as described below.

- Comparative periods have not been restated for prior periods. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of TFRS 9 are recognized in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of TFRS 9 and therefore is not comparable to the information presented for 2018 under TFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Changes in accounting policies, comparative information and restatement of prior periods' financial statements (continued)

b) TFRS 9 Financial instruments (continued)

v. Classification of financial assets and liabilities on the date of initial application

The following table shows the original measurement categories under TAS 39 and the new measurement categories under TFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018:

	Note	Original classification under TAS 39	New classification under TFRS 9	Original carrying amount under TAS 39	New carrying amount under TFRS 9
Financial assets					
Cash and cash equivalents	4	Loans and receivables	Amortised cost	4.100.204	4.100.204
Trade and other receivables (including related parties)	6,9	Loans and receivables	Amortised cost	4.999.469	4.974.593
			Changes in fair value attributable to other comprehensive income		
Financial investments	14	Assets held for sale		11.840	11.840
Other assets	12	Loans and receivables	Amortised cost	194.669	177.101
Financial liabilities					
Bank borrowings	5	Other financial liabilities	Other financial liabilities	12.732.751	12.732.751
Bills, bonds and notes issued	5	Other financial liabilities	Fair value through profit or loss	3.756.388	3.828.882
Financial leasing liabilities	7	Other financial liabilities	Other financial liabilities	2.599	2.599
Interest rate swaps	15	Fair value - hedging instruments	Fair value - hedging instruments	117.389	117.389
Trade payables and provisions (including related parties)	6,9	Other financial liabilities	Other financial liabilities	5.369.485	5.148.699

The Group's accounting policies on the classification of financial instruments under TFRS 9 are set out in Note 2.4. The application of these policies resulted in the reclassifications set out in the table above and explained below.

- Trade and other receivables that were classified as loans and receivables under TAS 39 are classified at amortized cost under TFRS 9. An increase of TL 42.444 thousand in the allowance for impairment was recognized in opening retained earnings at 1 January 2018 on transition to TFRS 9.
- In accordance with TFRS 9, expected credit losses are recognized for the guarantees given for borrowings of distributors which are utilized in financing of equipment purchases that will be sold to Group's customers as part of commitment sales. As at 1 January 2018, provision amounting to TL 220.786 is recognized in consolidated financial statements.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Changes in accounting policies, comparative information and restatement of prior periods' financial statements (continued)

b) TFRS 9 Financial instruments (continued)

v. Classification of financial assets and liabilities on the date of initial application (continued)

- *v. Classification of financial assets and liabilities on the date of initial application (continued)* Financial investments that were classified as available for sale financial assets under TAS 39 are now classified at FVOCI under TFRS 9. Those assets are comprised of 6,84% share of the Group's share in Cetel Telekom İletişim Sanayi ve Ticaret Anonim Şirketi ("Cetel"). Cost of Cetel is used as a measure for its fair value since management has insufficient recent information to measure fair value.
- Bills, bonds and notes issued that were classified as other financial liabilities under TAS 39 are classified as FVTPL under TFRS 9 as permitted in transition requirements. The increase in carrying value of bills, bonds and notes is recognized in retained earnings amounting to TL 156.390 and in other comprehensive income amounting to negative TL 228.884 as at 1 January 2018.

c) Property, plant and equipment

Group has commenced measuring its lands using the revaluation model compliant with TAS 16 starting from 31 December 2018 which have previously been measured under the cost model. In accordance with the methods in TAS 16 related to property, plant and equipment, since there is a change in accounting policies to carry the assets with their revalued values, initial application of this policy change is applied prospectively in accordance with the requirements of TAS 8. The details of the accounting policy change regarding the measurement of lands are disclosed in Note 2.4. The effect of the change on consolidated financial statements as at 31 December 2018 is disclosed in Note 19.

2.4 Summary of significant accounting policies

a) Financial instruments

i. Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets - Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI - equity investment, or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (continued)

a) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets - Policy applicable from 1 January 2018 (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis

The Group holds 6,84% of shares of Cetel as equity investment and has elected to present changes in fair value of Cetel in other comprehensive income. Cost of Cetel is used as a measure for its fair value since management has insufficient more recent information to measure fair value.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (Note 15) and equity investments measured at FVTPL.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment - Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (continued)

a) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest - Policy applicable from 1 January 2018 (continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales.

Financial assets that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

[Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest - Policy applicable from 1 January 2018](#)

'Principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Trade receivables and other receivables meet solely payments of principal and interest test since principal is the present value of the expected cash flows. Those receivables are managed in line with the held to collect business model.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (continued)

a) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets: Subsequent measurement and gains and losses - Policy applicable from 1 January 2018

Financial assets at FVTPL	Financial assets at FVTPL are comprised of derivatives. These assets are subsequently measured at fair value. Net gains and losses, including any interest, are recognized in profit or loss.
Financial assets at amortized cost	Financial assets at amortized cost are comprised of cash and cash equivalents, trade receivables, other receivables and other assets. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.
Equity investments at FVTPL	Equity investments at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Equity investments at FVOCI	Equity investments at FVOCI include the Group's 6,84% of share of Cetel. These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial assets: Policy applicable before 1 January 2018

Non-derivative financial assets

The Group initially recognized loans and receivables and deposits on the date that they were originated. All other financial assets were recognized initially on the trade date at which the Group became a party to the contractual provisions of the instrument.

Non-derivative financial assets were comprised of loans and receivables and cash and cash equivalents and financial investments.

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets were recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables were comprised of cash and cash equivalents, and trade and other receivables, receivables from related parties and financial investments.

Receivables from customers in relation to a component of revenue were recognized as trade receivables in financial statements. Receivables that were not classified as trade receivables and were not financial investments were recognized as other receivables.

Cash and cash equivalents were comprised of cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and were used by the Group in the management of its short-term commitments.

Cash and cash equivalents were comprised of cash, cash at banks and other cash and cash equivalents.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (continued)

a) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets: Policy applicable before 1 January 2018 (continued)

Loans and receivables (continued)

Project and reserve accounts were included in other current assets. The use of project and reserve accounts were subjected to the approval of the lender in accordance with the financial contracts.

Financial investments

As of 31 December 2017, the Group accounted its 6,84% shareholding in Cetel as financial investments in the consolidated financial statements. As of 31 December 2017, Cetel was carried at cost after deducting impairment, if any and accounted under financial investments in the consolidated financial statements because the Company did not have significant influence at Cetel.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. The Group does not have any financial liabilities at FVTPL except for derivatives and bills, bonds and notes issued.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Non-derivative financial liabilities

The Group initially recognized debt securities issued and subordinated liabilities on the date that they were originated. All other financial liabilities were recognized initially on the trade date, which was the date that the Group becomes a party to the contractual provisions of the instrument.

The Group classified non-derivative financial liabilities into the other financial liabilities category except for bills, bonds and notes issued. Such financial liabilities were recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities were measured at amortized cost using the effective interest method.

Other financial liabilities were comprised of loans, trade and other payables, payables to related parties and other payables.

Bills, bonds and notes issued are measured at fair value through profit or loss. The amount of change in the fair value of the bills, bonds and notes issued that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income and the remaining amount of change in the fair value is recognized in profit or loss.

Trade payables were payables to third parties in relation to their capacity as suppliers. Payables stemming from transactions with parties that were not suppliers or customers which were not classified as trade payables and were not a result of financing operations were recognized as other payables.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (continued)

a) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Non-derivative financial liabilities (continued)

When a financial instrument gave rise to a contractual obligation on the part of the Group to deliver cash or another financial asset or to exchange another financial instrument under conditions that were potentially unfavorable, it was classified as a financial liability. The instrument was equity instrument if, the following were met:

a) The instrument included no contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that were potentially unfavorable to the Group.

b) If the instrument would or might be settled in the Group's own equity instruments, it was a non-derivative that included no contractual obligation for the Group to deliver a variable number of its own equity instruments; or a derivative that would be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

iii. Derecognition

Derecognition - Policy applicable from 1 January 2018

Financial assets

The Group derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Group was recognized as a separate asset or liability.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Derecognition - Policy applicable before 1 January 2018

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognized a financial liability when its contractual obligations were discharged, cancelled or expired.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (continued)

a) Financial instruments (continued)

v. Impairment

Policy applicable from 1 January 2018

Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- contract assets (as defined in TFRS 15).

Under TFRS 9, loss allowances are measured on either of the following bases:

- Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument; and
- 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).
- The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:
 - bank balances for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables, other receivables, other assets and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

12-month expected credit losses are that result from possible default events within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (continued)

a) Financial instruments (continued)

v. Impairment (continued)

Policy applicable from 1 January 2018 (continued)

Measurement of ECLs (continued)

ECLs are discounted at the effective interest rate of the financial asset.

For trade receivables, other receivables, other assets and contract assets the Group applies the simplified approach to providing for expected credit losses prescribed in TFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. The Group performed the calculation of ECL rates separately for individual, corporate, public and wholesale customers. The ECLs were calculated based on actual credit loss experience over the past years.

Exposures within each group were segmented based on common credit risk characteristics such as delinquency status.

Actual credit loss experience was adjusted to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Future collection performance of receivables are estimated by considering general economic conditions to incorporate forward looking information to the expected credit loss calculations.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial re-organization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of impairment in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss. As a result, the Group reclassified impairment losses amounting to TL 468.115, recognized under TAS 39, from 'general administrative expenses' to 'Impairment (losses)/gains in accordance with TFRS 9, net' in the consolidated statement of profit or loss for period ended 31 December 2017.

Impairment losses on other financial assets are presented under 'general administrative expenses', similar to the presentation under TAS 39, and not presented separately in the consolidated statement of profit or loss due to materiality considerations.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (continued)

a) Financial instruments (continued)

v. Impairment (continued)

Policy applicable before 1 January 2018 (continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where trade receivables, other receivables, other assets and contract assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

At each balance sheet date, The Group assessed whether a financial asset or group of financial assets were impaired. When an objective evidence existed which represented that an impairment loss occurred in the receivables and loans stated as its amortized cost or the investments held until their maturity, amount of the loss has been determined as the difference between the current value calculated by discounting the estimated cash flows (excluding unrealized loan losses in the future) in the future based on the original interest rate (the effective interest rate calculated when initial accounting occurred) of the financial asset and the carrying value

Carrying value of the asset was decreased directly or by using a provision account. The related loss amount was recognized in income statement.

In the subsequent term, if the impairment loss decreased and the related decrease was objectively associated with a case (such as improvement at the credit rate of the obligator) occurred after the impairment loss had been recognized/accounted, the recognized impairment loss had been reversed directly or by using a provision account. The reverse could not cause carrying value of the related financial asset to be higher than the amortized value which arose as at the date of the reversal of impairment if the impairment was not recognized/accounted. The reversed amount was recognized/accounted in income statement.

Reserve was provided for the overdue uncollectible receivables. Also portfolio reserve was provided for the not due receivables based on certain criteria. The carrying amount of the receivable was reduced through use of an allowance account. Impaired debts were derecognized when they were assessed as uncollectible.

vi. Derivative financial instruments

Cash flow hedges

The Group has adopted TFRS 9 *Financial Instruments*, replacing TAS 39 in accordance with the risk management strategy and objectives as of 1 July 2018. The high-level aim of the new hedge accounting model is that financial reporting will reflect more accurately how an entity manages its risk and the extent to which hedging mitigates those risks. Specifically, the new model aims to provide a better link between an entity's risk management strategy, the rationale for hedging and the impact of hedging on the financial statements.

The Group enters into participating cross currency swap transactions in order to hedge the changes in cash flows of floating and fixed rate financial instruments. While applying cash flow hedge accounting, the effective portion of the changes in the fair value of the hedging instrument is accounted for under "other comprehensive income/expense items to be reclassified to profit or loss" in equity, and the ineffective portion is recognized in profit or loss. The changes recognized in equity is removed and included in profit or loss in the same period when the hedged cash flows effect the profit or loss. In addition, time value of options included in participating cross currency swaps are accounted for cost of hedging and recognized under other comprehensive income.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (continued)

a) Financial instruments (continued)

vi. *Derivative financial instruments (continued)*

Cash flow hedges (continued)

Under IFRS 9, a hedging relationship is discontinued in its entirety when as a whole it ceases to meet the qualifying criteria after considering the rebalancing of the hedging relationship. Voluntary discontinuation when the qualifying criteria are met is prohibited. Hedge accounting is discontinued when the risk management objective for the hedging relationship has changed, the hedging instrument expires or is sold, terminated or exercised, there is no longer an economic relationship between the hedged item and hedging instrument or when the effect of credit risk starts dominating the value changes that result from the economic relationship.

When the Group discontinues hedge accounting for a cash flow hedge it shall account for the amount that has been accumulated in the cash flow hedge reserve in accordance as follows;

- if the hedged future cash flows are still expected to occur, that amount shall remain in the cash flow hedge reserve until the future cash flows occur.
- if the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment. A hedged future cash flow that is no longer highly probable to occur may still be expected to occur. The amount recognized in OCI prior discontinuation will be reclassified from OCI to Profit and Loss, in accordance with the contractual cash flow of the hedged item.

The new hedge effectiveness testing model is prospective only and can be qualitative, depending on the complexity of the hedge. Effectiveness range 80%-125% in TAS 39 is replaced by an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relation.

b) Property, plant and equipment

i) *Recognition and measurement*

Property, plant and equipment ("PPE") of the Group other than lands is carried at cost less accumulated depreciation and any accumulated impairment losses. The Group elected to measure property, plant and equipment of the Company on a deemed cost basis in the first period of application of TAS 29 "Financial Reporting in Hyper Inflationary Economy" since detailed records of the acquisition date and costs of items of PPE were not available for the Company prior to 1 January 2000. The deemed cost values for buildings as at 1 January 2000 were appraised by CMB licensed real-estate valuation companies. The network equipment and vehicles values were appraised by Detecon International GmbH (a subsidiary of Deutsche Telecom AG). Other than the PPE for which cost was determined on a deemed cost basis, the cost of PPE generally comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. PPE that are recognized at deemed cost basis or at cost are restated for the effects of inflation until 31 December 2004 in accordance with TAS 29.

Lands accounted as property, plant and equipment are measured at revalued amount. Revalued amount for lands is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed in regular intervals depending on the changes in fair values of the items of lands being revalued. The increase in carrying amount of lands as a result of revaluation is recognized in components of other comprehensive income component. When land's carrying amount declines as a result of a revaluation, this declined amount is recognized in profit or loss. However, the decline shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus. Thus, the relevant decline reduces the accumulated amount in equity under the heading of revaluation surplus.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

b) Property, plant and equipment (continued)

i) Recognition and measurement (continued)

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor costs are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are calculated as the difference between the net proceeds from disposal and the carrying amount of the item and are recognized net within "income/(expense) from investing activities" in profit or loss.

ii) Subsequent cost

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in consolidated statement of profit/(loss) as incurred.

iii) Depreciation

Depreciation is calculated effective from purchase or replacement date to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Land is not depreciated.

Useful lives of property, plant and equipment are as follows:

<u>Property plant and equipment</u>	<u>Useful life (years)</u>
Buildings	21-50 years
Outside plant	5-21 years
Transmission equipment	5-21 years
Switching equipment	5-8 years
Data networks	3-10 years
Vehicles	5 years
Furniture and fixtures	3-5 years
Set-top box and satellite receiver	4 years
Other property, plant and equipment	2-8 years

Useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The remaining useful lives of the PPE of the Company are limited to the concession periods. Considering the Concession Agreement the remaining useful lives of tangible fixed assets are 8 years at the most.

Leased assets are depreciated by the same method used for property and equipment over the shorter of the lease term and their useful lives.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

c) Intangible assets

i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is included in intangible assets.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Transactions costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged to the consolidated income statement during the year when the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or infinite. The Group does not have any intangible assets with infinite useful lives. Intangible assets with finite lives are amortized on a straight line basis over the shorter of their useful economic lives or remaining concession period. Whenever there is an indication that the intangible asset may be impaired it is assessed for impairment. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed each financial year end at least.

Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement. The amortization periods for intangible assets are between 3 and 25 years. The remaining useful lives of the intangible items are limited to the concession period. Considering the Concession Agreement, the remaining useful lives of intangible assets are 8 years at the most.

iii) Research and development

Research costs are expensed as incurred. Development expenditure on an individual project is recognized as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Impairment test is performed periodically in order to identify whether there is any impairment in the development stage. After initial recognition, development costs are recognized at cost less amortization and impairment. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Periodic impairment tests are applied to the assets in order to foresee any probable impairment on the assets in the period that they are not ready for utilization yet.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

c) Intangible assets (continued)

iv) TV contents

Rights to feature contents such as films, TV shows etc. acquired under license agreements along with related obligations are recorded at the contract value when a license agreement is executed or the license period has begun. The amounts recognized are amortized on the licensing period or a per play basis over the licensing period. To the extent that it is determined that the content has no future programming usefulness and will no longer be exploited, the unamortized cost of the content is written off.

d) Investment properties

Investment properties, which are properties held to earn rent and/or for capital appreciation are measured initially at cost plus all direct transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. The Group decided to measure investment property on a deemed cost basis in the first period of application of TAS 29, since detailed records of the acquisition date and costs of items of investment property were not available prior to 1 January 2000 and restated these deemed cost basis for the effects of inflation until 31 December 2004.

Investment properties are transferred from/to property, plant and equipment when their utilization purpose is changed. When investment properties are disposed, the difference between sales revenue and the carrying amount is charged to the consolidated income statement.

Market values of the investment properties at 1 January 2000 were determined by CMB licensed independent real-estate appraisers. Following initial recognition, investment properties are carried at costs less any accumulated amortization and any accumulated impairment losses.

Depreciation is charged to investment properties excluding land, over their estimated useful economic lives, using the straight-line method. The useful lives of buildings that are owned by the Group range between 15 - 50 years. The remaining useful life of the investment property is limited by the concession agreement, except for the exception of the concession agreement. When considering the Concession agreement the remaining useful lives of investment property is 8 years at the most.

e) Assets held for sale

The Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or the group of assets held for sale) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable management must be committed to a plan to sell the asset (or the group of assets held for sale) and an active program to set the buyers and complete the plan must have been initiated. Furthermore, the asset (or the group of assets held for sale) must be actively marketed for sale at a price that is reasonable in relation to its fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

e) Assets held for sale (continued)

In case the period to complete sale of assets is extended due to circumstances which are not under the control of the Group, the assets will continue to be classified as assets held for sale provided that the Group has still an active sales program.

The Group measures assets held for sale at the lower of its carrying amount and fair value less costs to sell. The Group does not depreciate a non-current asset when it is classified as held for sale and the gain or loss arising from the sale of the assets is classified at income/expense from investing activities accounts.

f) Leased assets

i) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease in the consolidated statement of income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

ii) The Group as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financial charges are included to the consolidated income statement.

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

g) Inventory

Inventories are recognized at the lower of cost and net realizable value. Costs comprise purchase cost and, where applicable and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value is the less marketing, selling and other various expenses to be incurred in order to realize sale.

h) Impairment

Non-financial assets

Property, plant and equipment and intangible assets

At each balance sheet date, the Group assesses whether there is an indication that any of its PPE and intangible assets may be impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in the consolidated income statement.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

h) Impairment (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated income statement.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Whenever the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the consolidated income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the acquisition, irrespective of whether other assets or liabilities are assigned to these units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amounts of the net assets assigned to the cash-generating unit, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

i) Reserve for employee severance indemnity

Payments to defined contribution retirement benefit plans are charged as an expense in the year in which the contributions relate to. Payments made to the Social Security Institution of Turkey and Turkish Republic Retirement Fund are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan. The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense in the period to which the employees' service relates.

For defined benefit plans and other long-term employment benefits, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. The Company recognizes the service cost of the previous period as expense at the earlier of the dates below:

- a) The date of the change or reduction in the plan, and
- b) The date of the recognition of the related restructuring costs (see: TAS 37) or the benefits deriving from the termination of the employment contract,

The retirement benefit obligation recognized in consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for any unrecognized past service cost. There is no funding requirement for defined benefit plans. The Group recognizes actuarial gains and losses in the other comprehensive income.

j) Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

k) Contingent assets and liabilities

Possible assets or obligations that arise from past events and for which their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of the Group are treated as contingent assets or liabilities.

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. If the possibility of transfer of assets is probable, contingent liability is recognized in the financial statements.

A contingent asset is disclosed in consolidated financial statements, when the possibility of an inflow of economic benefits to the entity is probable. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

l) Related parties

- Parties are considered related to the Company if;
- A person or a close member of that person's family is related to a reporting entity if that person:
- Has control or joint control over the reporting entity;
- Has significant influence over the reporting entity; or
- Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- The entity and the reporting entity are members of the same group.
- The entity and the company are members of the same group.
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- The entity is controlled or jointly controlled by a person identified in (a).
- A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

m) Revenue

The Group has applied TFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under TAS 18 and TAS 11. The details of accounting policies under TAS 18 and TAS 11 are disclosed separately if they are different from those under TFRS 15 and the impact of changes is disclosed in Note 2.3.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or service to a customer.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (continued)

m) Revenue (continued)

For the period ended 31 December 2017 ("comparative period"), revenue was recognized when the significant risks and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of the goods and services could be estimated reliably, there was no continuing management involvement with the goods, and the amount of revenue could be measured reliably. Revenue was measured at the fair value of the consideration received or receivable and represented amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Service revenues were recorded at the time services were rendered.

i) Fixed line revenues

Revenues from fixed-line telecommunication services like network access, local usage, domestic and international long distance and infrastructure leases are recognized on an accrual basis as services are provided.

Connection fees that are assessed as distinct are recognized as revenue. Connection fees for activities that are an improvement to or an extension of the Group's own network, rather than a transfer of goods or services to the customer are determined as not distinct and no separate revenue is recognized. For distinct connection fees in a bundle, revenue recognized is measured based on their stand-alone selling prices. The stand-alone selling prices of connection fees are estimated based on expected cost plus a margin approach. Distinct connection fees are immediately recognized as revenue when connection services are provided and the cost of connection is also recognized immediately as an expense.

Revenues from sale of indefeasible right of use contracts, which are long term capacity/line rental arrangements, are accounted over the term of the contract.

ii) Mobile revenues

Revenues generated from mobile telecommunication services such as outgoing and incoming traffic, roaming revenues, revenues from value added services and monthly fees which are recognized at the time services are rendered. With respect to prepaid outgoing revenues, the Group generally collects cash in advance by selling scratch cards to dealers and distributors. In such cases, the Group does not recognize revenues until the subscribers use the service and present such amounts under deferred revenues in the consolidated financial statements.

The Group recognizes content revenue based on the agreement between the Group and the content providers. As the Group is the primary obligor of the service, the revenue received from the subscribers is presented on gross basis and the portion paid to the content providers is recognized as operating expense.

iii) Equipment sale revenues

Revenues from sales of phone device, modem and other network equipment are recorded as revenue when control over a product or service is transferred to a customer.

For bundled packages, the Group accounts for individual products and services separately if they are distinct - i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it either on its own or together with other resources that are readily available to the customer. The consideration is allocated between distinct products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells those products and services separately. For items that are not sold separately the Group estimates stand-alone selling prices using the expected cost plus a margin approach. Equipment revenues are presented in other revenues. Cost of products and services are recognized as expense when related revenue is recognized.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (continued)

m) Revenue (continued)

iv) TV revenues

Revenues from TV subscriptions are charged to contract customers on a monthly basis. Revenues are invoiced and recorded as part of a periodic billing cycle, and are recognized as the services are provided. Pay-per-view revenue is recognized when the movie is rented. Advertising revenue is recognized as the commercials are aired.

v) Subscriber acquisition costs

Subscriber acquisition costs include commissions and premiums incurred for acquisition and retention of subscribers.

The Group capitalizes these commission and premiums as incremental costs of obtaining a contract with a customer and if they are expected to be recovered. Subscriber acquisition costs are amortized consistently during the subscriber life cycle and subscriber retention costs are amortized consistently during the renewal period and amortization expense is recognized in marketing, sales and distribution expenses.

vi) Significant financing component

To estimate the transaction price in a contract, the Group adjusts the promised amount of consideration for the time value of money if that contract contains a significant financing component. Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer.

Indefeasible right of use ("IRU") contracts of the Group are adjusted for significant financing component. For bundled contracts where the control of equipment is transferred to the customer upfront but collection is made in installments, no significant financing component is recognized based on materiality considerations.

n) Income from investing activities and expense from investing activities

Income from investing activities are comprised of incomes from scrap and property, plant and equipment sales.

Expense from investing activities are comprised of loss on sales of property, plant and equipment sales.

o) Financial income and financial expenses

The Group's finance income and finance costs include:

- a. interest income;
- b. interest expense;
- c. transaction cost;
- d. coupon payments of bond;
- e. gains and losses on hedging instruments recognized in profit or loss;
- f. foreign currency gains or losses on financial assets and financial liabilities.

Interest income or expense is recognized using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- g. the gross carrying amount of the financial asset; or
- h. the amortized cost of the financial liability.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

o) Financial income and financial expenses (continued)

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that cannot be matched with acquisition, construction or production of an asset are recognized in profit or loss by using effective interest rate.

Rediscount, interest and foreign exchange gains and losses arising from trading transactions are recognized in other operating income and expense.

Accounting for significant financing component is disclosed in detail in Note 2.4.(m).

p) Earnings per share

Earnings per share is calculated by dividing the consolidated profit/(loss) for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

r) Taxes

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in the consolidated statement of profit/(loss) except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income.

i) Current tax

Current tax is comprised of the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Prepaid corporation taxes and corporate tax liabilities are offset when they relate to income taxes levied by the same taxation authority.

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group's able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

r) Taxes (continued)

i) Current tax (continued)

The Company and the other consolidated subsidiaries have reflected their deferred tax asset and liabilities by netting their individual balances; however, there is no netting on a consolidation basis. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is possible that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

iii) Tax exposures

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's board of directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

t) Determination of fair values

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

i) Trade and other receivables

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

ii) Derivatives

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

iii) Bills, bonds and notes issued

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

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

t) Determination of fair values (continued)

iv) Other non-derivative financial liabilities

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

v) Lands

Lands accounted as property, plant and equipment are measured at revalued amount. Revalued amount for lands is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

u) Standards issued but not yet effective and not early adopted as of 31 December 2018

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

IFRS 16 Leases

On 16 April 2018, POA issued the new leasing standard which will replace TAS 17 Leases, TFRS Interpretation 4 Determining Whether an Arrangement Contains a Lease, TAS Interpretation 15 Operating Leases - Incentives, and TAS Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to TAS 40 Investment Properties. TFRS 16 Leases 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 TFRS 16.

The Group is required to adopt TFRS 16 Leases from 1 January 2019. The Group is assessing the estimated impact that initial application of TFRS 16 will have on its consolidated financial statements, as described below.

TFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

i. Leases in which the Group is a lessee

The Group, recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payment on its consolidated financial statements. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized.

ii. Leases in which the Group is a lessor

The Group will reassess the classification of sub-leases in which the Group is a lessor.

iii. Transition

The Group plans to apply TFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings recognised at 1 January 2019. Prior period comparative consolidated financial statements will not be restated.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

u) Standards issued but not yet effective and not early adopted as of 31 December 2018 (continued)

IFRS Interpretation 23 - Uncertainty Over Income Tax Treatments

On 24 May 2018, POA issued IFRS Interpretation 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRS Interpretation 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS Interpretation 23.

Amendments to IFRS 9 - Prepayment features with negative compensation

On December 2017, POA has issued amendments to IFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. Under IFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 9.

Amendments to IAS 28- Long-term Interests in Associates and Joint Ventures

On December 2017, POA has issued amendments to IAS 28 to clarify that entities also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 28.

The revised Conceptual Framework

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

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

u) Standards issued but not yet effective and not early adopted as of 31 December 2018 (continued)

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

Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

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

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs – 2015-2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its [consolidated] financial statements.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 19.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

u) Standards issued but not yet effective and not early adopted as of 31 December 2018 (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 19 - Plan Amendment, Curtailment or Settlement (continued)

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

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

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 3.

2.5 Significant accounting assessments, estimates and assumptions

In the process of applying the Group's accounting policies, the management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements (excluding those involving estimations).

i) Operating Lease Commitments - Group as Lessor: The Company has entered into a cross-occupation agreement with PTT. The Group has determined that it retains all the significant risks and rewards of ownership of its properties subject to the agreement which are leased out on operating leases.

ii) Income from Sales Campaign: Group makes sales campaigns with suppliers under which they bundle telecommunication services with equipment supplied by the suppliers. The Group management accounts bundled offers as an agent if the sale transaction satisfies the below conditions:

- i. Group, has no inventory risk.
- j. Group has no responsibility on technical qualifications of equipment delivered to customers and responsibility after sale belongs to supplier.
- k. Group does not make any modification on the equipment.
- l. Group earns either a fixed rate of commission or zero profit on the transaction.

iii) Prepaid Card Sales Agent - Principal Analysis: Since TT Mobil is primarily responsible for providing the service, has credit and inventory risk and determinant in setting prices; starting from April 2010, TT Mobil recognizes prepaid card incomes on a gross basis.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.5 Significant accounting assessments, estimates and assumptions (continued)

iv) *Commission income*: The Group renders intermediary collection services regarding handsets sold by the distributors at the Group exclusive sale channels. Accordingly, the arrangement with the customer includes both handset principal amount and GSM services. Total considerations have been collected from the customers with up to 36 month instalments via GSM bills where each benefit is clearly identifiable and separable. the Group does not recognize any revenues from the sale of handsets and acts as an agent since it has no control over price, nor risk on stock. However, the collection risk of handset principal amount is on the Group and the distributors collect this amount from the Group on monthly basis. Apart from the GSM revenues, since customer base and sales channels are made available to the distributors, the Group charges a commission to those distributors. This commission income is classified under other revenues and it is recognized when the handset is delivered to the customer.

v) *Content Sales*: Since TT Mobil is primarily responsible for providing the service, has credit and determinant in setting prices; TT Mobil recognizes content revenues on a gross basis.

vi) *Liabilities within the scope of vendor financing*: For capital expenditures, the Group carries out vendor financing with some of its suppliers in accordance with the agreements made with banks and those suppliers. Since the terms are not substantially different with the discounted present value of the cash flows under the new terms of the liabilities, the Group continues to classify those liabilities as trade payables.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- The Group determines whether property, plant and equipment are impaired by estimating the recoverable amount of the assets whenever there is an indication of impairment. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows (Note 16).
- The estimates used by the Group in the application of TFRS Interpretation 12 are as follows:
- The Company assesses that approximately 30% of the foreseen network investments related to the replacement of the network equipment which are reclassified to intangible assets and which are then recognized in the financial statements as intangible assets are the contractual replacements as required by the concession agreement. The Group has provided a provision amounting to TL 8.167 (31 December 2017: TL 8.035) (Note 21) in the consolidated financial statements for the foreseen contractual replacements in the future. Aforementioned provision is the present value of the contractual replacement expenses as at 31 December 2018 that will be realized in the future. Discount rate used in the provision calculation is determined as 20,90% (31 December 2017: 14,40%).
- ii) In accordance with TFRS Interpretation 12, the Company has determined the cost of the investments in intangible assets recognized under the scope of TFRS Interpretation 12 by adding the profit margin, which is applied in the market for similar construction services, to the cost of acquiring the related network equipment. The estimated profit margin used in construction services provided in exchange for concession right is 13% (31 December 2017: 13%) for the year ended as of 31 December 2018. The profit margin of property, plant and equipment accounted within the scope of TFRS Interpretation 12 amounting to TL 771.141 (31 December 2017: TL 704.315) (Note 20) is TL 88.715 for the year ended as of 31 December 2018 (31 December 2017: TL 81.028).
- A deferred tax asset is recognized only to the extent that it is probable that a tax benefit will be realized in the future. If it is probable that a tax benefit will be realized, a deferred tax asset is recognized on unused tax losses, unused tax credits and other deductible temporary differences. With the expectation to recover certain part of its tax losses carried forward in TT Mobil, the Group has recognized deferred tax assets on statutory tax losses available for offsetting with future statutory taxable profits. Every year, the Group re-assesses its tax loss carry forwards and if there is a material change in the deferred tax asset recognized in the consolidated financial statements, the deferred tax assets are also changed (Note 11).

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.5 Significant accounting assessments, estimates and assumptions (continued)

Key sources of estimation uncertainty (continued)

- Assumptions used in the impairment test of property, plant and equipment and intangible assets have been explained in Note 16.
- For trade receivables, other receivables, other assets and contract assets the Group applies the simplified approach to providing for expected credit losses prescribed in TFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. The Group performed the calculation of ECL rates separately for individual, corporate, public and wholesale customers. The ECLs were calculated based on actual credit loss experience over the past years. Exposures within each group were segmented based on common credit risk characteristics such as delinquency status. Actual credit loss experience was adjusted to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Future collection performance of receivables are estimated by considering general economic conditions to incorporate forward looking information to the expected credit loss calculations.
- Assumptions used by Company in goodwill impairment test are explained in Note 16. The Group determines the useful life of an asset by considering its future economic benefits. This evaluation is driven by the Group's previous experience on similar assets. The Group also considers useful life of the asset from technical and commercial perspectives due to changes and developments in market in order to assess whether additional impairment is required or not.

There are other estimations made by the management during the determination of provisions for litigations (Note 24).

3. SEGMENT REPORTING

The Group has two main segments; fixed line and mobile. Fixed line services are provided by Türk Telekom, TNet, Argela, Innova, Sebit, AssisTT and TTINT Group whereas mobile service is provided by TTMobil. Group management assesses segment performance over earnings before interest, tax, depreciation and amortization ("Adjusted EBITDA"). Adjusted EBITDA is calculated by adjusting the operating income by i) adding income/expense from investing activities, depreciation, amortization and impairment expenses and ii) deducting exchange gains/losses, interest and rediscount income/expenses on current accounts presented in other operating income and expense. Group management uses adjusted EBITDA as it is comparable with other companies in the sector. As Group management does not monitor Group's performance over geographical segments, geographical segment reporting is not presented. The segment results and balance sheet items are presented below:

	Fixed line		Mobile		Intra-group eliminations and consolidated adjustments		Consolidated	
	1 January - 31 December 2018	1 January - 31 December 2017	1 January - 31 December 2018	1 January - 31 December 2017	1 January - 31 December 2018	1 January - 31 December 2017	1 January - 31 December 2018	1 January - 31 December 2017
Revenue	14.177.217	12.803.650	7.567.400	6.695.859	(1.313.717)	(1.359.955)	20.430.900	18.139.554
Contributive revenue (*)	12.927.194	11.537.237	7.503.706	6.602.316	-	-	20.430.900	18.139.554
Contributive adjusted EBITDA (**)	5.836.919	4.787.299	2.598.844	1.664.609	-	-	8.435.763	6.451.908
Capital expenditure (***)	2.795.930	2.254.645	1.297.930	977.417	(7.358)	(11.227)	4.086.502	3.220.835

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

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

(***) Capital expenditures do not include TL 88.715 (31 December 2017: TL 81.028) amounted profit margin which is capitalized on intangible assets that are accounted within the scope of TFRS Interpretation 12.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

3. SEGMENT REPORTING (CONTINUED)

	1 January - 31 December 2018		1 January - 31 December 2017	
Fixed line contributive adjusted EBITDA	5.836.919		4.787.299	
Mobile contributive adjusted EBITDA	2.598.844		1.664.609	
Adjusted EBITDA	8.435.763		6.451.908	
Foreign exchange gains, interest income, discount income on current accounts presented in other operating income	143.539		172.841	
Foreign exchange losses, interest income, discount income on current accounts presented in other operating expense (-)	(416.569)		(324.379)	
Financial income	1.422.499		722.307	
Financial expense (-)	(7.872.319)		(2.525.118)	
Depreciation, amortisation and impairment	(3.735.194)		(3.019.232)	
Consolidated profit/(loss) before tax	(2.022.281)		1.478.327	
31 December 2018	Fixed Line	Mobile	Eliminations	Consolidated
Total segment assets	26.745.001	10.058.430	(604.920)	36.198.511
Total segment liabilities	(25.643.545)	(3.696.824)	595.461	(28.744.908)
31 December 2017	Fixed Line	Mobile	Eliminations	Consolidated
Total segment assets	19.831.444	9.649.583	(332.492)	29.148.535
Total segment liabilities	(21.438.677)	(3.477.001)	322.230	(24.593.448)

4. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash on hand	143	298
Cash at banks- demand deposit	799.859	631.227
Cash at banks- time deposit	3.693.827	3.467.650
Other	707	1.029
	4.494.536	4.100.204

As of 31 December 2018, 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% and 24,31% for TL deposits, between 0,10% and 5,00% for US Dollar deposits and between 0,05% and 2,55% for Euro deposits (31 December 2017: for TL deposits between 5,00% and 15,45%, for US Dollar deposits between 0,10% and 4,60%, for Euro deposits between 0,05% and 2,77%).

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

4. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	31 December 2018	31 December 2017
Cash and cash equivalents	4.494.536	4.100.204
Less: restricted amounts		
- Collection protocols and ATM collection	(341.553)	(377.983)
- Other	(254.891)	(34.117)
Unrestricted cash	3.898.092	3.688.104

As of 31 December 2018, demand deposits amounting to TL 341.553 (31 December 2017: TL 377.983) is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected. As of 31 December 2018, other restricted amounts mainly consist of blocked deposits related to Türk Telekom's derivative financial instruments.

As of 31 December 2018, the Group has bank loans amounting to Euro 59.930 (31 December 2017: Euro 136.252) which have been committed to banks and have not been utilized yet, having maturity dates on 20 December 2020 respectively.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

5. FINANCIAL LIABILITIES

Bank borrowings

	31 December 2018			31 December 2017		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Short-term borrowings:						
Unsecured TL bank borrowings with fixed interest rates	4,51	51.598	51.598	13,86	65.459	65.459
Interest accruals:						
Unsecured TL bank borrowings with fixed interest rates		618	618		1.255	1.255
Short-term borrowings			52.216			66.714
Short-term portion of long-term bank borrowings:						
Unsecured USD bank borrowings with fixed interest rates	3,10	16.167	85.054	3,08	40.582	153.072
Unsecured USD bank borrowings with variable interest rates ^(*)	4,62	391.736	2.060.886	3,76	288.451	1.088.010
Unsecured EUR bank borrowings with variable interest rates ^(**)	1,29	310.007	1.868.725	1,27	238.168	1.075.450
Interest accruals of long-term bank borrowings:						
Unsecured USD bank borrowings with fixed interest rates		31	163		202	761
Unsecured USD bank borrowings with variable interest rates ^(*)		15.344	80.723		18.560	70.007
Unsecured EUR bank borrowings with variable interest rates ^(**)		1.782	10.742		1.823	8.231
Short-term portion of long-term bank borrowings			4.106.293			2.395.531
Total short-term borrowings			4.158.509			2.462.245
Long-term borrowings:						
Unsecured TL bank borrowings with fixed interest rates	-	-	-	17,00	14.600	14.600
Unsecured USD bank borrowings with fixed interest rates	3,10	4.720	24.837	3,08	20.870	78.718
Unsecured USD bank borrowings with variable interest rates ^(*)	4,62	1.360.641	7.158.194	3,76	1.633.262	6.160.503
Unsecured EUR bank borrowings with variable interest rates ^(**)	1,29	613.709	3.699.439	1,27	889.533	4.016.685
Total long-term borrowings			10.882.470			10.270.506
Total financial liabilities			15.040.979			12.732.751

^(*) As at 31 December 2018, interest rate varies between Libor+ 0,54% and 3,40% (31 December 2017: Libor + 0,54% and 3,40%)

^(**) As at 31 December 2018, interest rate varies between Euribor+ 0,28% and 2,60% (31 December 2017: Euribor + 0,25% and 2,59%)

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

5. FINANCIAL LIABILITIES (CONTINUED)

Bank borrowings (continued)

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

	31 December 2018					Total	31 December 2017					Total
	Up to 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	More than 5 years		Up to 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	More than 5 years	
Unsecured TL bank borrowings with fixed interest rates	52.216	-	-	-	-	52.216	31.969	34.745	14.600	-	-	81.314
Unsecured USD bank borrowings with fixed interest rates	-	85.217	24.837	-	-	110.054	15.064	138.769	60.908	17.810	-	232.551
Unsecured USD bank borrowings with variable interest rates	229.027	1.912.582	2.471.816	3.910.783	775.595	9.299.803	180.176	977.841	1.433.414	3.874.871	852.218	7.318.520
Unsecured Euro bank borrowings with variable interest rates	29.341	1.850.126	1.587.645	1.395.640	716.154	5.578.906	31.017	1.052.664	1.406.622	1.809.161	800.902	5.100.366
	310.584	3.847.925	4.084.298	5.306.423	1.491.749	15.040.979	258.226	2.204.019	2.915.544	5.701.842	1.653.120	12.732.751

Bill, bonds and notes issued

	31 December 2018			31 December 2017		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Short-term portion of long-term bills, bonds and notes issued:						
USD bank borrowings with fixed interest rates	3,75	494.447	2.601.235	-	-	-
Bill, bonds and notes issued:						
USD bank borrowings with fixed interest rates	-	-	-	-	6.310	23.800
Short-term bills, bonds and notes issued		494.447	2.601.235		6.310	23.800
Long-term bills, bonds and notes issued:						
USD bank borrowings with fixed interest rates	4,88	432.742	2.276.610	4,32	989.578	3.732.588
Long-term bills, bonds and notes issued		432.742	2.276.610		989.578	3.732.588
Total financial liabilities		927.189	4.877.845		995.888	3.756.388

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 19 June 2014. The bonds are now quoted at Irish Stock Exchange.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

5. FINANCIAL LIABILITIES (CONTINUED)

Bill, bonds and notes issued (continued)

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 19 June 2014. The bonds are now quoted at Irish Stock Exchange.

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

	31 December 2018				31 December 2017			
	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	2.601.235	-	2.276.610	4.877.845	23.800	1.870.509	1.862.079	3.756.388
	2.601.235	-	2.276.610	4.877.845	23.800	1.870.509	1.862.079	3.756.388

6. TRADE RECEIVABLES FROM AND PAYABLES TO THIRD PARTIES

Trade receivables

	31 December 2018	31 December 2017
Short-term		
Trade receivables	7.569.664	6.857.149
Other trade receivables	182.899	148.473
Income accruals	628.766	627.510
Allowance for doubtful receivables (-)	(3.241.202)	(2.840.298)
Total short-term trade receivables	5.140.127	4.792.834
Long-term		
Trade receivables	128.182	91.197

Trade receivables generally have a maturity term of 60 days on average (31 December 2017: 60 days).

Income accruals contain contract assets that accounted in accordance with IFRS 15.

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

	1 January 2018 - 31 December 2018	1 January 2017 - 31 December 2017
At January 1	(2.865.174)	(2.373.313)
Provision for the year, net	(375.602)	(466.414)
Change in currency translation differences	(426)	(571)
At 31 December	(3.241.202)	(2.840.298)

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

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

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 31 December 2018 and 2017, 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 > days
31 December 2018	5.268.309	3.922.429	350.070	196.995	82.690	716.125
31 December 2017	4.884.031	3.546.112	288.448	157.752	91.438	800.281

Receivables guaranteed of the Group are amounted to TL 37.073 (31 December 2017: TL 17.232).

Trade payables

	31 December 2018	31 December 2017
Short-term		
Trade payables	3.268.880	3.681.260
Expense accruals	575.902	385.298
Other trade payables	342	-
Total short-term trade payables	3.845.124	4.066.558

The average maturity term of trade payables is between 30 and 150 days (31 December 2017: 30 and 150 days).

As of 31 December 2018, short term trade payables consists of payables within scope of supplier finance that amounting TL 879.911 (31 December 2017: TL 937.140).

7. RECEIVABLES AND OBLIGATIONS UNDER FINANCE AND OPERATIONAL LEASES

Financial leases:

The Group has no financial lease receivables as of 31 December 2018 and 2017.

Finance lease obligations that the Group has entered into for acquisition of network equipment, vehicle and a building are as follows:

	31 December 2018			31 December 2017		
	Future minimum lease payments	Interest	Present Value of minimum lease payments	Future minimum lease payments	Interest	Present Value of minimum lease payments
Within one year	634	3	631	619	2	617
Between one to two years	1.965	2	1.963	1.983	1	1.982
	2.599	5	2.594	2.602	3	2.599

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

7. RECEIVABLES AND OBLIGATIONS UNDER FINANCE AND OPERATIONAL LEASES (CONTINUED)

Operating leases:

At the balance sheet date, the Group has irrevocable operational leasing commitments on the basis of the other property rental operations. The maturity dates of these commitments as follows:

	31 December 2018	31 December 2017
Within one year	8.667	4.358
Between one to two years (inclusive)	3.114	5.018
In the second to fifth years (inclusive)	2.903	4.849
After fifth year	2.778	342
	17.462	14.567

a) The Company has operating lease agreements with respect to leased lines. The revenue from leased lines for the year ended TL 31 December 2018 amounts to TL 466.855 (31 December 2017: TL 382.573).

b) Group entered into operating lease agreements with respect to base stations and rental buildings. Total operating lease expense for the year ended 31 December 2018 amounts to TL 479.168 (31 December 2017: TL 428.538).

A summary of commitments in relation to base station leases are as follows:

	31 December 2018	31 December 2017
Within one year	336.079	125.467
Between two and five years	610.220	464.405
Later than five years	83.273	69.340
	1.029.572	659.212

8. DUE FROM AND DUE TO RELATED PARTIES

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

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

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

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

Details of balances and transactions between the Group and other related parties as at 31 December 2018 and 2017 are disclosed below:

	31 December 2018	31 December 2017
Due from related parties (Trade receivables-short term)		
Saudi Telecom Company ("STC") (1)	-	22.399
Akbank T.A.Ş.(2)	4.061	-
Türkiye Garanti Bankası A.Ş. (2)	3.748	-
Türkiye İş Bankası A.Ş. (2)	2.680	-
Other	-	1.308
	10.489	23.707
Due to related parties (Trade payables-short term)		
STC (1)	-	2.326
Akbank T.A.Ş. (2)	95	-
Türkiye Garanti Bankası A.Ş. (2)	15	-
	110	2.326
Due to related parties (Other payables-short term)		
Türkiye İş Bankası A.Ş. (2)	204.792	-
	204.792	-
Due to related parties (Other payables-long term)		
Türkiye İş Bankası A.Ş. (2)	170.164	-
	170.164	-

1) STC, the shareholder of Oger Telecom, is not defined as related party since 21 December 2018.

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

As of 31 December 2018, due to other payables in other short and long term payables is related to discounted payable as a result of share transfer agreement in order to purchase 10,0035% share of TT Mobil's issued capital that will be sold to Group's customers as part of commitment sales.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

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

Deposits held by related parties	31 December 2018
Akbank T.A.Ş.	
Time Deposit	953.905
Demand Deposit	52.737
	1.006.642
Deposits held by related parties	
Türkiye İş Bankası A.Ş.	
Time Deposit	266.728
Demand Deposit	93.497
	360.225
Türkiye Garanti Bankası A.Ş.	
Time Deposit	1.265
Demand Deposit	66.701
	67.966

Transactions with shareholders:

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

As of 31 December 2018, unpaid portion of Treasury Share, universal service fund and ICTA share are recorded under other short term payables and these expenses are accounted in cost of sales account.

Guarantees provided to related parties:

As of 31 December 2018, guarantees amounting to USD 67.714 and EUR 155.735 are for financial liabilities of TT Mobil which are amounted to USD 230.000 and EUR 273.125, and guarantees amounting to USD 50.000 is given for financial liabilities of TTINT Turkey, and guarantees amounting to EUR 300 is given for financial liabilities of TTINT Romania, amounted to USD 46.666 and EUR 300, respectively, by Türk Telekom.

Transactions with other related parties:

The Company is rendering and receiving international traffic carriage services, data line rent services to and from STC and sharing advertisement expenses with STC. For the period ended 1 January-21 December 2018, total revenues and expenses incurred in relation to these services amounted to TL 16.984 and TL 4.457, respectively (31 December 2017: TL 9.968 revenue and TL 1.732 expenses).

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

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

Compensation of key management personnel

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

	1 January - 31 December 2018	1 January - 31 December 2017
Short-term benefits	110.327	127.307
Long-term defined benefit plans	2.365	2.667
	112.692	129.974

9. OTHER RECEIVABLES AND PAYABLES

Other short term receivable

	31 December 2018	31 December 2017
Other short term receivable	62.948	55.044
Deposits and guarantees given	4.486	2.850
Other doubtful receivables	42.759	24.186
Allowance for other doubtful receivables	(42.759)	(24.186)
	67.434	57.894

As of 31 December 2018, TL 29.746 (31 December 2017: TL 37.983) portion of other short term receivables consists of receivables from Ministry of Transport and Communications due to the expenses made under Universal Service Fund.

As of 31 December 2018, other doubtful provision amounting to TL 18.989 (31 December 2017: TL 740) is provided while TL 416 (31 December 2017: TL 395) is reversed.

Other long term receivables

	31 December 2018	31 December 2017
Deposits and guarantees given	38.480	33.837
	38.480	33.837

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

9. OTHER RECEIVABLES AND PAYABLES (CONTINUED)

Other short term payable

	31 December 2018	31 December 2017
Taxes and duties payable	236.068	270.653
Universal Service Fund (1)	153.969	142.165
ICTA shares	140.205	97.540
Treasury share accruals	120.145	104.466
Other payables (2)	248.570	229.768
	898.957	844.592

(1) According to the article numbered 5369 related with "International Service Fund" published on 16 June 2005, Türk Telekom, TTNNet and AssisTT will contribute 1% of their net revenues of each year to the Ministry of Transportation as Universal Service Fund. The contribution is payable by the end of April of the following year.

(2) As of 31 December 2018, amounting to TL 217.719 in other short term payables is comprised of guarantees given for borrowings of distributors which are utilized in financing of equipment purchases that will be sold to Group's customers as part of commitment sales.

Other long term payables

	31 December 2018	31 December 2017
Deposits and guarantees received	32.040	34.675
Other payables	25.388	340.558
	57.428	375.233

As of 31 December 2017, other payables in other long term payables and other payables amounting to TL 204.861 in other short term payables is related to discounted payable as a result of share transfer agreement in order to purchase 10,0035% share of TT Mobil's issued capital.

10. INVENTORIES

The Group has inventory amounting to TL 248.852 as at 31 December 2018 (31 December 2017: TL 203.978). Major part of this balance is composed of modems, computer, tablet, dect phones, cable, cable box and SIM cards.

11. DEFERRED TAX ASSETS AND LIABILITIES

The Group calculates deferred tax assets and liabilities based on temporary differences arising between the carrying amount of assets and liabilities as reported under Turkish Accounting Standards and their tax base for statutory purposes. These temporary differences are mainly due to the timing differences of certain income and expense items in statutory and Turkish Accounting Standards financial statement as disclosed below.

The Group perpetually reassesses unrecognized deferred tax assets and decided to account for deferred tax assets (resulting from Türk Telekom, TT Mobil, TTNNet and TTINT) arising from the tax losses carried forward based on the estimated taxable profits according to the business plan.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

11. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

As of 31 December 2018, Türk Telekom, TT Mobil, TTNNet and TTI's unrecognized deductible tax losses that will be utilized upon the existence of a tax base and the expiration dates are as follows:

Expiration years	31 December 2018	31 December 2017
2018	-	311.651
2019	675.298	673.466
2020	842.901	841.883
2021	1.482.195	1.526.412
2022	1.387.981	1.281.997
2023	2.762.967	2.700
2024	3.971	2.974
2025	2.195	-
Indefinite	498.647	384.761
	7.656.155	5.025.844

As of 31 December 2018, deferred tax assets arising from prior year tax losses of Türk Telekom, TT Mobil, TTNNet and TTINT Group is amounting to TL 1.183.983 (31 December 2017: TL 577.482).

In addition, deferred tax assets over deductibles from taxable income determined as 50% of the interest to be calculated over cash capital increase amounts which are registered in Turkish Trade Registry or the interest calculated over the cash capital contributions of the newly established corporations amounting to TL 136.591 is recognized as at 31 December 2018 (31 December 2017: TL 75.684).

As of 31 December 2018, as explained Note 33, TT Mobil has investment allowances amounting to TL 121.145 for which deferred tax asset is not recognized (31 December 2017: TL 91.637).

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

11. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

As at 31 December 2018, 20% and 22% tax rate is used for the calculation of deferred tax assets and liabilities for companies established in Turkey depending on the estimation of on which years temporary differences will reverse (31 December 2017: 20% and 22%).

Deferred tax asset/ (liability)	31 December 2018						
	Net balance at 1 January 2018	Recognised in profit or loss	Recognised in OCI	Effect of movements in exchange rates	Net balance	Deferred tax asset	Deferred tax liability
Deferred tax asset recognized from tax losses carried forward	577.482	571.772	34.729	--	1.183.983	1.183.983	--
Deferred tax asset arising from capital increase	75.684	60.907	--	--	136.591	136.591	--
Provision for long-term employee benefits	137.772	(8.235)	24.405	--	153.942	153.942	--
Other short and long term provisions	64.009	(25.383)	--	--	38.626	40.915	(2.289)
Universal service fund and other contributions	(24.090)	49.835	--	--	25.745	25.745	--
Provision for unused vacation	18.435	340	--	--	18.775	18.775	--
Provision for doubtful receivables	38.634	4.201	--	--	42.835	43.628	(793)
Other	(32.828)	(10.648)	--	--	(43.476)	13.764	(57.240)
Derivative instruments	(61.455)	51.782	112.006	--	102.333	102.333	--
Income accruals	17.632	19.990	--	--	37.622	37.834	(212)
Bill, bonds and notes issued	14.499	(31.278)	(61.990)	--	(78.769)	--	(78.769)
Temporary differences on property, plant and equipment/intangible assets	(422.148)	(31.783)	(474.184)	1.164	(926.951)	14.993	(941.944)
Deferred tax asset/ (liability) before net-off	403.626	651.500	(365.034)	1.164	691.256	1.772.503	(1.081.247)
Net-off of tax						(875.990)	875.990
Net deferred tax asset/ (liability)					691.256	896.513	(205.257)

As of 31 December 2018, the total amount of deferred taxes related to transactions recognized directly in equity is TL 365.034 (31 December 2017: TL 1.511).

As of 31 December 2018, the total amount of the Group's unrecognised deferred tax asset related to subsidiaries is TL 914.712 (31 December 2017: TL 1.242.388).

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

11. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax asset/ (liability)	Net balance at 1 January 2017	Recognised in profit or loss	31 December 2017		Net balance	Deferred tax asset	Deferred tax liability
			Recognised in OCI	Effect of movements in exchange rates			
Deferred tax asset recognized from tax losses carried forward	275.356	302.126	--	--	577.482	577.482	--
Deferred tax asset arising from capital increase	38.950	36.734	--	--	75.684	75.684	--
Provision for long-term employee benefits	134.664	(4.716)	7.824	--	137.772	137.772	--
Other short and long term provisions	(9.292)	73.301	--	--	64.009	65.787	(1.778)
Universal service fund and other contributions	23.208	(47.298)	--	--	(24.090)	--	(24.090)
Provision for unused vacation	14.941	3.494	--	--	18.435	18.435	--
Provision for doubtful receivables	(12.484)	33.752	--	--	21.268	29.340	(8.072)
Other	38.818	(82.911)	--	--	(44.093)	29.436	(73.529)
Derivative instruments	(51.210)	(3.932)	(6.313)	--	(61.455)	--	(61.455)
Income accruals	(26.343)	(996)	--	--	(27.339)	3.712	(31.051)
Temporary differences on property, plant and equipment/intangible assets	(366.423)	44.443	--	(526)	(322.506)	32.978	(355.484)
Deferred tax asset/ (liability) before net- off	60.185	353.997	1.511	(526)	415.167	970.626	(555.459)
Net-off of tax						(309.919)	309.919
Net deferred tax asset/ (liability)					415.167	660.707	(245.540)

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

12. OTHER CURRENT ASSETS, OTHER LIABILITIES AND EMPLOYEE BENEFIT OBLIGATIONS

Other current assets

	31 December 2018	31 December 2017
Intermediary services for collection ^(*)	109.982	158.437
Value Added Tax ("VAT") and Special Communication Tax ("SCT")	106.803	156.415
Advances given ^(**)	75.781	62.074
TAFICS projects	12.270	25.701
Other current assets	28.977	12.861
	333.813	415.488

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

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

	31 December 2018	31 December 2017
Intermediary services for collection	21.427	36.232
Other non-current assets	7	11
	21.434	36.243

Other current liabilities

	31 December 2018	31 December 2017
Advances received	10.297	23.911
Other liabilities	25.510	22.416
	35.807	46.327

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

	31 December 2018	31 December 2017
Payables to personnel	60.633	58.360
Employee's income tax payables	53.067	45.501
Social security premiums payable	52.617	71.851
	166.317	175.712

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

13. PREPAID EXPENSES AND DEFERRED REVENUES

Short-term prepaid expenses

	31 December 2018	31 December 2017
Prepaid rent expenses	202.754	203.766
Other prepaid expenses	105.123	139.566
	307.877	343.332

Other short term prepaid expenses consist of prepaid insurance, prepaid commissions, prepaid advertising and other prepaid expenses.

Long-term prepaid expenses

	31 December 2018	31 December 2017
Prepaid rent expenses	64.070	45.056
Other prepaid expenses	7.857	23.879
	71.927	68.935

Short-term deferred revenues

	31 December 2018	31 December 2017
Deferred revenues (*)	331.150	139.409
Advances received (**)	121.964	87.455
	453.114	226.864

(*) Deferred revenues mainly consists of invoiced but unconsumed minutes of deferred monthly fixed fee revenues due to the allocation of total consideration in the contract to all products and services under TFRS 15 and TTINT's indefeasible right of use contracts.

(**) Advances taken mainly result from the advances taken by the Company from the customers.

Long-term deferred revenues

	31 December 2018	31 December 2017
Deferred revenues (*)	537.281	268.699
Advances received (**)	118.033	98.502
	655.314	367.201

(*) Deferred revenues mainly result from TTINT's indefeasible right of use contracts.

(**) Advances taken mainly result from the advances taken by TTINT's according for indefeasible right of use contracts.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

14. FINANCIAL INVESTMENTS

	31 December 2018	31 December 2017
Cetel	11.840	11.840
Other	155	-
	11.995	11.840

The Group holds 6,84% of shares of Cetel as equity investment and cost of Cetel is used as a measure for its fair value since management has insufficient more recent information to measure fair value.

15. DERIVATIVE FINANCIAL INSTRUMENTS

Cash flow hedges and derivative financial instruments

Interest rate swaps

As of 31 December 2018 fair value of interest rate derivative transactions amounting to TL 84.004 has been recognized under long term financial liabilities (31 December 2017: TL 117.389 long term financial liabilities). Unrealized gain on these derivatives amounting to TL 29.530 (31 December 2017: TL 31.566 gain) is recognized in other comprehensive income. Unrealized gain on these derivatives' time value amounting to TL 3.855 (31 December 2017: TL 3.453 gain) is recognized in statement of profit or loss.

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

Company	Notional Amount (US Dollar)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2017 (TL)
Türk Telekom	400.000	11 April 2012 - 30 April 2012	Pay fixed rates and receive floating rates between March 2014 and March 2022	(19.527)
Türk Telekom	200.000	8 April 2013 - 17 April 2013	Pay fixed rates and receive floating rates between 19 August 2015 and 21 August 2023	(8.467)
Türk Telekom	300.000	29 April - 20 May 2014	Pay fixed rates and receive floating rates between June 2016 and June 2024	(80.975)
Türk Telekom	150.000	15 May 2014-16 May 2014	Pay fixed rates and receive rates between June 2016 and August 2016, and June 2024 and August 2024	(8.420)
				(117.389)

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges and derivative financial instruments (Continued)

Cross currency swap transaction

As of 31 December 2018 fair value of participating cross currency swap transactions amounting to TL 366.901 has been recognized under short term financial liabilities and TL 200.921 has been recognized under short term financial assets (31 December 2017: Nil). Unrealized loss on these derivatives amounting to TL 150.799 (31 December 2017: Nil) is recognized in other comprehensive income.

Company	Notional Amount (USD)	Trade Date	Amendment Date	Terms	Fair Value Amount as at 31 December 2018 (TL)
Türk Telekom	500.000	21 April 2015 - 9 July 2015	19 September 2018- 8 October 2018	Pay TL and receive USD at June 2019	105.867
Türk Telekom	325.000	13 April 2016 - 3 August 2018	8 July 2018- 20 July 2018	Pay TL and receive USD at June 2024	60.888
Türk Telekom	100.000 ^(*)	27 March 2018 - 28 March 2018	19 September 2018	Pay TL and receive EUR at December 2025	16.181
Türk Telekom	94.545 ^(*)	20 July 2018- 1 August 2018	12- 13 September 2018	Pay TL and receive EUR between December 2021 - November 2022	17.985
					200.921

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

^(*) Nominal amount of indicated operations are Euro.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate derivative instruments which are not designated as hedge

As of 31 December 2018 fair value of the interest rate swap transactions which are not designated as hedge and amounting to TL 36.481 is recognized under long term financial assets (31 December 2017: TL 59.006 assets). Unrealized loss on these derivatives amounting to TL 22.525 (31 December 2017: TL 7.609 gain) is recognized in profit or loss.

Company	Notional Amount (US Dollar)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2018 (TL)
Türk Telekom	300.000	29 April - 20 May 2014	Pay 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%)	36.481
				36.481

Company	Notional Amount (US Dollar)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2017 (TL)
Türk Telekom	400.000	11 April 2012 - 30 April 2012	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%)	16.873
Türk Telekom	200.000	8 April 2013 - 17 April 2013	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%)	10.454
Türk Telekom	300.000	29 April - 20 May 2014	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%)	31.679
				59.006

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

As of 31 December 2018, fair value of derivative transactions amounting to TL 282.033 is recognized under short term financial liabilities (31 December 2017: TL 151.236 financial liabilities, 557.712 financial assets).

USD/TL Cross Currency Swaps Instruments

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

USD/EUR Cross Currency Swaps Instruments

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

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2017 (TL)
Türk Telekom	500.000	21 April 2015 - 9 July 2015	Pay TL and receive USD between June 2015 and June 2019	485.887
Türk Telekom	100.000	14 September 2017- 26 September 2017	Pay TL and receive USD between September 2015 and June 2024	13.359
Türk Telekom	350.000	31 March 2016- 13 April 2016	Pay TL and receive USD between June 2016 and June 2024	58.466
				557.712
Türk Telekom	175.000	30 April 2015	Pay EUR and receive USD between June 2015 and June 2024	(63.643)
Türk Telekom	380.000	10 March 2016 - 17 March 2016	Pay EUR and receive USD between June 2016 and November 2020	(73.404)
Türk Telekom	50.000	14 December 2017	Pay TL and receive USD between December 2017 and June 2024	(1.413)
TTINT Türkiye	50.000	16 June 2016	Pay EUR and receive USD between December 2016 and June 2026	(12.776)
				(151.236)

Options which are not designated as hedge

As of 31 December 2017, the Company had also entered into foreign exchange option transactions between 6 January 2015 - 17 March 2016 with a total notional amount of EUR 828.431. As of 31 December 2018, the option has completely matured between 29 January - 31 January 2018 and gain on these derivatives amounting to TL 40.816 (31 December 2017: TL 143.587 gain) is recognized in the consolidated statement of profit or loss.

Company	Notional Amount (EUR)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2017 (TL)
Türk Telekom	490.196	6 January 2015- 18 June 2015	Foreign exchange option transactions with maturities between June 2015 and June 2024	(37.129)
Türk Telekom	338.235	10 March 2016- 17 March 2016	Foreign exchange option transactions with maturities between November 2018 and November 2020	(3.687)
				(40.816)

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Hedge of net investment in a foreign operation

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

16. GOODWILL

	31 December 2018	31 December 2017
Goodwill of TT Mobil	29.694	29.694
Goodwill of Innova	7.308	7.308
Goodwill of Argela	7.942	7.942
	44.944	44.944

The Group performs impairment analysis for goodwill and other non-current asset groups annually as at 31 December. The Group has performed impairment analysis for all of the identified cash generating units.

Türk Telekom and TTNET cash generating unit impairment analysis

For cash generating unit impairment analysis of Türk Telekom and TTNET, total assets and liabilities are considered as one cash generating unit. Recoverable amount is calculated through 5 years business plan which is approved by the management.

Discount rate used for the discount of cash flows for the periods that corporate tax would pay as 22% are 20,8% - 23,7% and between 17,0% - 20,2% for other period (31 December 2017: Corporate tax would pay as 22% is 14,39% and 14,48% for other period), 7% expected growth rate and the weighted average cost of capital (WACC) sensitivity as of +1%/-1% (31 December 2017: +1%/-1%). Cash flow projections after 2023, TL cash flow estimations are not projected with consideration of inflation rate of business plan and expected growth rate of the country. As a result of test, no impairment is identified for the cash generating unit.

TT Mobil cash generating unit impairment test

TT Mobil have been considered as a single cash generating unit and has been tested for impairment together for goodwill and all other assets. Recoverable amount is calculated through based on 5 years business plan which is approved by the management.

Discount rate used for the discount of cash flows for the periods that corporate tax would pay as 22% are 22,1% - 25,1% and between 18,3% - 21,5% for other period (31 December 2017: Corporate tax would pay as 22% is 15,27% and 15,36% for other period). Cash flow projections after 2023 are estimated by using 13% growth rate, considering the inflation rate used in the business plan and expected growth rate of TT Mobil. Company value of TT Mobil has been tested at a sensitivity of WACC terminal growth rate by +1%/-1% (31 December 2017: 1%/-1%). As a result of the impairment test, it has been noted that there is no impairment is identified on goodwill arising on the TT Mobil acquisition.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

16. GOODWILL (CONTINUED)

Innova and Argela cash generating unit impairment test

Innova and Argela, are both considered as single cash generating unit and are tested for impairment of for goodwill and all of their other assets. Recoverable amount was determined through the usage value which is calculated based on the 5 years business plan approved by the management. The estimated value of the projected cash flows consists of the discounted cash flows until 2023. Cash flow projections beyond 2023 are estimated by using 7% growth rate, for both Innova and Argela, respectively, considering the inflation rate used in the business plan and expected growth rate of the country. The discount ratio used in valuation are 25,5% - 28,5% for Innova and 25,9% - 29,1% for Argela for the periods that corporate tax would pay as 22% and between 21,3% - 24,7% for Innova (31 December 2017: Corporate tax would pay as 22% is 17,74% and 17,77% for other period for Innova) and between 21,7% - 25,1% for Argela (31 December 2017: Corporate tax would pay as 22% is 20,4% and 20,42% for other period for Argela) for other periods. Valuation has been tested at a sensitivity of +1%/-1%. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient. As a result of the impairment test, no impairment is identified for the cash generating units and the goodwill arising from the acquisition of Argela and Innova.

TTINT cash generating unit impairment test

TTINT cash generating unit recoverable amount is determined over the usage value which had been calculated based on the seven years business plan approved by the management. The estimated value of the projected cash flows consists of the discounted cash flows until 2025. The valuation work has been carried out based on a seven-year business plan so that the company's long-term cash generating capacity can be measured more accurately. The WACC rate used in valuation is 9% (31 December 2017: 7%) and valuation is tested at a sensitivity of +0,5%/-0,5%. In addition to this, gross profit margin rate is tested for sensitivity by +1%/-1% and capex/net sales ratio is tested for sensitivity by +0,5%/-0,5%. For the WACC calculation, telecommunication companies are considered as a benchmark for the calculation of the beta coefficient. As a result of test, no impairment is identified for the cash generating unit.

Sebit cash generating unit impairment test

In cash generating unit impairment analysis for Sebit, total assets and liabilities were considered as one cash generating unit. Recoverable amount was determined through the usage value which had been calculated based on the five years business plan approved by the management. The discount ratio used for the cash flows for the periods that corporate tax would pay as 22% are 25,6% - 28,6% and between 21,5% - 24,9% for other periods (31 December 2017: Corporate tax would pay as 22% is 21,88% and 21,93% for other periods). The estimated value of the cash flows consists of the ones which were discounted until 2023. The growth rate for the current and subsequent terms was foreseen as 7% by considering the inflation rate stated in cash flow estimations business plan and the estimated growth rate of the country. Cash generating unit value was tested with +1%/-1% WACC and growth rate sensitivity of the cash flows (31 December 2017: +1%/-1%). As a result of test, no impairment is identified for the cash generating unit).

17. ASSETS HELD FOR SALE

As of 31 December 2018, based on the decision of Board of Directors to sell a real estate, this asset was classified as held for sale.

Asset held for sale for the years ended 31 December 2018 and 2017 is given net book value TL 37.361.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

18. INVESTMENT PROPERTY

The movement of investment property and the related accumulated depreciation for the years ended 31 December 2018 and 2017 is given below:

	1 January 2018 - 31 December 2018	1 January 2017 - 31 December 2017
Cost		
Opening balance	43.012	43.012
As at 31 December	43.012	43.012
Accumulated depreciation		
Opening	20.636	18.453
Depreciation charge for the year	2.182	2.183
As at 31 December	22.818	20.636
Net book value as at 31 December	20.194	22.376

Investment property consists of number of buildings and lands mainly occupied by various corporations.

The Group assesses whether there is any impairment indicator in investment properties. If such indicator exists the Group compares fair values and carrying values of the investment properties on an individual asset basis and records identified impairment of the investment properties.

The Group's investment properties consist of number of buildings and lands. In accordance with balance between cost and benefit principle the fair values of all investment properties are not determined in each year, instead selected investment properties' fair values have been determined. In this context, fair values of the investment properties as of the balance sheet date are not presented.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

19. PROPERTY, PLANT AND EQUIPMENT

The movement of PPE and the related accumulated depreciation for the years ended 31 December 2018 and 2017 is given below:

	Land	Buildings	Network and other equipment	Vehicles	Furnitures and fixtures	Other fixed assets	Construction in progress	Total
Cost								
Opening balance, 1 January 2018	526.973	1.781.199	38.740.099	128.031	821.492	245.898	950.365	43.194.057
Transfer	-	159.469	733.567	440	241	420	(1.170.370)	(276.233)
Additions	70.519	75.337	1.267.278	4.089	37.176	7.881	634.984	2.097.264
Revaluation	4.758.000	-	-	-	-	-	-	4.758.000
Disposal	(2.835)	(6.305)	(610.676)	(22.583)	(24.677)	(698)	-	(667.774)
Foreign currency translation differences	1.956	5.654	373.344	1.331	3.640	1.183	24.432	411.540
Closing balance, 31 December 2018	5.354.613	2.015.354	40.503.612	111.308	837.872	254.684	439.411	49.516.854
Accumulated depreciation								
Opening balance, 1 January 2018	-	1.328.827	31.742.826	121.221	672.757	212.906	-	34.078.537
Transfer	-	(10.795)	(10.379)	-	(7)	-	-	(21.181)
Depreciation charge for the year	-	103.355	1.466.753	2.397	53.037	10.595	-	1.636.137
Disposal	-	(4.151)	(597.731)	(22.437)	(19.753)	(653)	-	(644.725)
Impairment	-	6.166	10.133	-	-	-	-	16.299
Foreign currency translation differences	-	2.413	191.962	400	2.008	951	-	197.734
Closing balance, 31 December 2018	-	1.425.815	32.803.564	101.581	708.042	223.799	-	35.262.801
Net book value, 31 December 2018	5.354.613	589.539	7.700.048	9.727	129.830	30.885	439.411	14.254.053

As of 31 December 2018, net book value of leased assets of Group composes of vehicles and land buildings amounting respectively 2.417 TL, 38.090 TL (31 December 2017: land and buildings amounting to TL 29.752).

The Group does not have any capitalized borrowing cost on property, plant and equipment (31 December 2017: nil).

There is no restriction or pledge on the intangible as at 31 December 2018.

For the year ended 31 December 2018, impairment on property, plant and equipment amounting to TL 10.133 is recognized in cost of sales (31 December 2017: TL 50.745), and TL 6.166 is recognized in general administrative expenses (31 December 2017: TL 26.152).

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2018, revalued amount of lands is 5.354.613 TL which is valued by real estate valuation companies licensed by Capital Markets Board of Turkey ("CMB"). The increase in carrying amount of lands amounting to TL 4.758.000 is recognized in other comprehensive income, net of tax. Had the measurement of lands based on their cost, their carrying amount would be TL 596.613 as at 31 December 2018. Valuation companies that performed the valuations are Anreva Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş., Atak Gayrimenkul Değerleme A.Ş., Bilgi Gayrimenkul Değerleme A.Ş., De-Ga Gayrimenkul Değerleme ve Danışmanlık A.Ş., Değer Gayrimenkul Değerleme ve Danışmanlık A.Ş., Detay Taşınmaz Değerleme ve Danışmanlık A.Ş., Düzey Gayrimenkul Değerleme ve Danışmanlık A.Ş., Ekip Taşınmaz Değerleme A.Ş., Epos Gayrimenkul Danışmanlık ve Değerleme A.Ş., Kuzey Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş., Lal Gayrimenkul Değerleme ve Müşavirlik A.Ş., May Gayrimenkul Değerleme A.Ş., Metrik Gayrimenkul Değerleme Danışmanlık A.Ş., Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş., Prime Gayrimenkul Değerleme ve Danışmanlık A.Ş., Piramit Gayrimenkul Değerleme ve Danışmanlık A.Ş., Vakıf Gayrimenkul Değerleme A.Ş., Vizyon Taşınmaz Değerleme ve Danışmanlık A.Ş..

	Land	Buildings	Network and other equipment	Vehicles	Furnitures and fixtures	Other fixed assets	Construction in progress	Total
Cost								
Opening balance, 1 January 2017	527.656	1.738.540	37.864.996	141.732	796.945	240.249	744.590	42.054.708
Transfer	-	21.207	653.038	756	13.122	340	(947.556)	(259.093)
Additions	380	25.339	917.331	476	17.845	6.175	1.140.566	2.108.112
Disposal	(2.122)	(6.845)	(898.862)	(15.699)	(7.991)	(1.209)	(319)	(933.047)
Foreign currency translation differences	1.059	2.958	203.596	766	1.571	343	13.084	223.377
Closing balance, 31 December 2017	526.973	1.781.199	38.740.099	128.031	821.492	245.898	950.365	43.194.057
Accumulated depreciation								
Opening balance, 1 January 2017	-	1.178.944	31.181.593	134.139	622.603	202.478	-	33.319.757
Disposal	-	(2.888)	(882.442)	(15.699)	(6.342)	(700)	-	(908.071)
Depreciation charge for the year	-	114.601	1.310.147	2.692	55.581	10.933	-	1.493.954
Impairment	-	26.210	50.687	-	-	-	-	76.897
Transfer	-	10.806	(8.716)	-	80	-	-	2.170
Foreign currency translation differences	-	1.154	91.557	89	835	195	-	93.830
Closing balance, 31 December 2017	-	1.328.827	31.742.826	121.221	672.757	212.906	-	34.078.537
Net book value, 31 December 2017	526.973	452.372	6.997.273	6.810	148.735	32.992	950.365	9.115.520

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

20. INTANGIBLE ASSETS

	Licence	Customer relationship	Brand	Research and Development	Other intangible assets	Subscriber acquisition/retention costs	Concession rights	Total
Cost								
Opening balance, 1 January 2018	4.547.210	1.086.949	302.916	374.473	5.704.148	-	3.838.973	15.854.669
Adjustments in accounting polices	-	-	-	-	-	1.595.042	-	1.595.042
Transfers	1.432	-	-	18.617	337.864	-	(14.993)	342.920
Disposals	-	-	-	-	(27.810)	-	(10.616)	(38.426)
Additions ^(*)	1.163	-	-	20.077	624.299	661.273	771.141	2.077.953
Foreign currency translation differences	1.639	68.352	-	1.252	270.347	-	-	341.590
Closing balance, 31 December 2018	4.551.444	1.155.301	302.916	414.419	6.908.848	2.256.315	4.584.505	20.173.748
Accumulated amortization								
Opening balance, 1 January 2018	1.241.907	980.791	221.435	221.670	3.767.088	-	984.242	7.417.133
Adjustments in accounting polices	-	-	-	-	-	751.839	-	751.839
Transfers	-	-	-	-	93.739	-	(5.871)	87.868
Disposals	-	-	-	-	(23.676)	-	(10.616)	(34.292)
Amortization charge for the year	307.896	15.317	40.604	46.967	847.125	480.139	340.612	2.078.660
Impairment	-	-	-	-	1.132	-	-	1.132
Foreign currency translation differences	563	33.794	-	1.252	97.704	-	-	133.313
Closing balance, 31 December 2018	1.550.366	1.029.902	262.039	269.889	4.783.112	1.231.978	1.308.367	10.435.653
Net book value, 31 December 2018	3.001.078	125.399	40.877	144.530	2.125.736	1.024.337	3.276.138	9.738.095

^(*) Additions amounting to TL 771.141 (31 December 2017: TL 704.315) comprise intangible assets under scope of TFRS Interpretation 12.

The Group have capitalized borrowing cost on intangible assets amounted TL 1.512 (31 December 2017: 2.891).

For the year ended 31 December 2018, impairment on intangible assets amounting to TL 1.132 is recognized in general administrative expense (31 December 2017: cost of sales TL 32.999, general administration expenses TL 2.892).

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

20. INTANGIBLE ASSETS (CONTINUED)

For the year ended 31 December 2018, depreciation and amortization expense is recognized cost of sales, sales and distribution expenses, general administration expenses and research and development expenses respectively amounting to TL 2.359.908 (31 December 2017: TL 2.180.672), TL 890.612, (31 December 2017: TL 337.680), TL 443.584 (31 December 2017: TL 369.572), and TL 23.909 (31 December 2017: 18.520), respectively.

For the year ended 31 December 2018, subscriber acquisition and retention costs amounting to TL 661.273 are capitalized as intangible assets since those costs are incremental costs of obtaining a contract with a customer and are expected to be recovered. Amortization expense amounting to TL 480.139 is recognized in marketing, sales and distribution expenses.

For initial application of TFRS 15, subscriber acquisition and retention costs amounting to TL 843.203 are recognized as an opening adjustment at 1 January 2018.

	Licence	Customer relationship	Brand	Research and Development	Other intangible assets	Concession rights	Total
Cost							
Opening balance, 1 January 2017	4.544.999	1.050.543	302.916	331.052	4.991.503	3.207.180	14.428.193
Transfers	1.517	-	-	11.999	224.784	(18.215)	220.085
Disposals	-	-	-	-	(90.194)	(54.307)	(144.501)
Revaluation	-	-	-	-	-	-	-
Additions	-	-	-	31.210	458.228	704.315	1.193.753
Foreign currency translation differences	694	36.406	-	212	119.827	-	157.139
Closing balance, 31 December 2017	4.547.210	1.086.949	302.916	374.473	5.704.148	3.838.973	15.854.669
Accumulated amortization							
Opening balance, 1 January 2017	934.279	952.777	180.806	176.337	3.041.259	801.463	6.086.921
Disposals	-	-	-	-	(88.851)	(54.307)	(143.158)
Transfers	-	-	-	-	(572)	(40.601)	(41.173)
Amortization charge for the year	307.426	11.702	40.629	47.713	769.443	242.048	1.418.961
Impairment	-	-	-	(2.640)	2.892	35.639	35.891
Foreign currency translation differences	202	16.312	-	260	42.917	-	59.691
Closing balance, 31 December 2017	1.241.907	980.791	221.435	221.670	3.767.088	984.242	7.417.133
Net book value, 31 December 2017	3.305.303	106.158	81.481	152.803	1.937.060	2.854.731	8.437.536

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

20. INTANGIBLE ASSETS (CONTINUED)

Remaining amortization periods after acquisition of significant intangible assets are as follows:

TT Mobil license	10,4 years
TT Mobil brand name	1 year
TTINT customer relationships	6,8 years
TTINT other	11,8 years

On 26 January 2016, TT Mobil and TTnet brand names are re-branded as "Türk Telekom" based on the decision of Group management. Following the change, useful life of TT Mobil brand, which was 10,1 years, is now estimated as 4 years. The effect of this change on expected amortization expense, included in cost of sales, is as follows:

	2019	Later
Increase/(decrease) in amortization expense	24.972	(94.940)

There is no restriction or pledge on the intangible as at 31 December 2018 (31 December 2017: nil).

3G license tender

The tender for authorization of IMT-2000/UMTS services has been held on 28 November 2008 with the participation of all three GSM operators operating in Turkey.

The license fee (including 18% VAT) amounting to TL 539.332 is paid by TT Mobil in April 2009 and ultimately the Concession Agreement is signed on 30 April 2009.

The net book value of the 3G license as at 31 December 2018 is TL 249.069 (31 December 2017: TL 272.792).

GSM 900 additional frequency band tender

The tender for the reallocation of unused 900 MHz Frequency Bands had been held on 20 June 2008 and TT Mobil had obtained C band with the minimum fee of TL 128 year/channel (excluding VAT).

TT Mobil had been granted 5,5 additional GSM 900 MHz frequency channels as a result of the tender and ultimately total number of GSM 900 MHz frequency channels has reached to 12 together with previously-held 6,5 channels.

TT Mobil made TL 14.122 (including VAT) payment as the tender fee for the remaining GSM license duration and amended license agreement has been signed between TT Mobil and ICTA on 25 February 2009.

The net book value of the GSM 900 license as at 31 December 2018 is TL 5.011 (31 December 2017: TL 5.719)

4.5G license tender

Tender of IMT Services and Infrastructures Authorization, also known as 4.5G tender in public has been held in Ankara on 26 August 2015 by ICTA. In the IMT Service and Infrastructure Authorization Tender done by ICTA, TT Mobil has won the following packages: 2x10 MHz bandwidth in 800 MHz frequency for Euro 380.000, 2x7.6 MHz bandwidth in 900 MHz frequency for Euro 216.819, 2x20 MHz bandwidth in 1800 MHz frequency for Euro 310.000, 2x10 MHz bandwidth in 2600 MHz frequency for Euro 25.859, 1x15 MHz bandwidth in 2600 MHz frequency for Euro 22.000. Total spectrum fee is Euro 954.678. IMT Authorization period is valid until 30 April 2029 and will be able to start rendering services starting from 1 April 2016. 900 MHz and services in 1.800 MHz frequency are commenced to be rendered since 1 December 2015.

As of 31 December 2018 net book value of 4.5G license amounts to TL 2.387.733 (31 December 2017: TL 2.618.804) in the consolidated financial statements.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

21. PROVISIONS

Other short-term provisions

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

	31 December 2018	31 December 2017
Litigation, ICTA penalty and customer return provisions	145.364	433.238
Provision for expected credit losses on loan commitments ⁽¹⁾	100.809	-
	246.173	433.238

⁽¹⁾ Consists of expected credit losses are recognized for the guarantees given for borrowings of distributors which are utilized in financing of equipment purchases that will be sold to Group's customers as part of commitment sales.

The movement of provisions is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
As at 1 January	433.238	264.200
Provisions for the period	88.524	237.225
Settled provisions	(370.588)	(68.166)
Reversals	(5.859)	(520)
Foreign currency translation difference	49	499
As at 31 December	145.364	433.238

Short-term provisions for employee benefits

	31 December 2018	31 December 2017
Short term provisions for employee benefits		
Personnel bonus provision	230.191	162.906
	230.191	162.906

The movement of provisions is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
As at 1 January	162.906	165.862
Provision for the period	252.453	245.760
Provisions paid	(153.578)	(201.561)
Reversals	(32.641)	(46.405)
Foreign currency translation difference	1.051	(750)
As at 31 December	230.191	162.906

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

21. PROVISIONS (CONTINUED)

Long term provisions for employee benefits

	31 December 2018	31 December 2017
Long term provisions for employee benefits		
Defined benefit obligation	795.371	711.040
Unused vacation provisions	111.801	102.353
	907.172	813.393

Defined benefit obligation

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

The retirement pay liability as at 31 December 2018 is subject to a ceiling of full TL 5.434,42 (31 December 2017: full TL 4.732,48) 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.

i) The movement of defined benefit obligation is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Defined benefit obligation at January 1	711.040	695.953
Service cost	53.364	42.895
Interest cost	64.738	57.084
Actuarial loss ^(*)	126.172	40.417
Benefits paid	(159.971)	(125.713)
Foreign currency translation difference	28	404
As at 31 December	795.371	711.040

^(*) As at 31 December 2018, actuarial loss amounting to TL 126.172 (31 December 2017: TL 40.417) is recognized in other comprehensive income.

ii) Total expense recognized in the consolidated income statement:

	1 January - 31 December 2018	1 January - 31 December 2017
Interest cost	64.738	57.084
Service cost	53.364	42.895
Total net cost recognized in the consolidated statement of income	118.102	99.979

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

21. PROVISIONS (CONTINUED)

Long term provisions for employee benefits (continued)

Defined benefit obligation (continued)

iii) Principal actuarial assumptions used:

	31 December 2018	31 December 2017
Interest rate	15,0%	11,0%
Expected rate of ceiling increases	10,0%	6,0%

For the years ahead, voluntary employee withdrawal of the Group is 2,36% (31 December 2017: 2,57%).

As of 31 December 2018, sensitivity analysis is performed for the significant assumptions of defined benefit obligation:

Sensitivity Level	Discount Rate		Salary Increase Rate		Employee Withdrawal Rate	
	0,25% decrease (14,75%)	0,25% increase (15,25%)	0,25% decrease (9,75%)	0,25% increase (10,25)	0,25% decrease	0,25% increase
Net effect of defined benefit obligation	11.327	(14.192)	(14.772)	11.866	(5.352)	1.099

Long term employee benefits excluding defined benefit obligation

The movement of unused vacation provisions is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
As at 1 January	102.353	87.448
Provision for the period	61.227	55.603
Provisions paid	(10.131)	(10.525)
Reversals	(42.351)	(30.569)
Foreign currency translation difference	703	396
As at 31 December	111.801	102.353

Other long-term provisions

	31 December 2018	31 December 2017
Provision for the investments under the scope of TFRS Interpretation 12	8.167	8.035
	8.167	8.035

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

22. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS

As of 31 December 2018 and 2017, the shareholders of the Company with their shareholding percentage are as follows:

	31 December 2018		31 December 2017	
	%	TL	%	TL
The Treasury	25	875.000	25	875.000
OTAŞ	-	-	55	1.925.000
Levent Yapılandırma Yönetimi A.Ş.	55	1.925.000	-	-
Public Share	15	525.000	15	525.000
Turkish Wealth Fund ("TWF") (*)	5	175.000	5	175.000
		3.500.000		3.500.000
Inflation adjustment to share capital		(239.752)		(239.752)
		3.260.248		3.260.248

* Council of Ministers decided to transfer 6,68% (5% Group B, 1,68% Group D) of the shares of the Company belonging to the Undersecretariat of Treasury to the Turkish Wealth Fund with regards to Law on Establishment of Turkish Wealth Fund Management Incorporated and on Amending Certain Laws numbered 6741 and dated 19 August 2016.

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

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

Based on the articles of association of the Company, the board of the directors of the Company shall consist of 12 directors.

The board of directors shall be composed of 12 members nominated by the LYY and Treasury as follows:

- The group A Shareholder shall be entitled to nominate 7 persons for election as directors;
- Provided that the Treasury as group B shareholder shall hold:
 - 30% or more of the shares, the Treasury shall be entitled to nominate 4 persons for election as independent board members who carry the independence criteria as defined in the Capital Market legislation; or
 - 15% or more of the shares (but less than 30% of the shares) the Treasury shall be entitled to nominate 2 persons for election as independent board members who carry the independence criteria as defined in the Capital Markets legislation;
 - During the calculation of 15% and 30% of the Shares mentioned in above paragraphs, the amount of group B shares and group D shares held by the Treasury shall be taken into account together.
- as long as the Treasury holds 15% or more of the shares (but less than 30% of the shares), the group A shareholder shall be entitled to nominate 2 persons, who carry the independence criteria as defined in the Capital Markets legislation, for election as independent board members and 7 persons for election as Director.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

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

(d) while the Treasury holds the C group privileged share, the Treasury shall be entitled to nominate a further 1 person for election as director for the C group privileged share.

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

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

The meeting quorum at a board meeting shall be seven of the directors provided that there shall be at least one director appointed by the holder of the group A shares and one director appointed by the holder of the group B shares. If a meeting quorum is not present within half an hour of the time appointed for the meeting or ceases to be present, the director(s) present shall adjourn the meeting to a specified place and time not earlier than five business days after the original date. The meeting quorum at such adjourned meeting shall consist of half of the number of directors then in office (regardless of the nominating share holder) plus one provided that three business days' notice has been given to all the directors.

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

Number of members and independent board members of the Board of Directors to be nominated by the Group A, B and Group C Shareholders have been revised by the amendment to the article 8 of the Articles of Association at on the Extraordinary General Meeting dated 25 January 2019 (Note 26).

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

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

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

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

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

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

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

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

Dividends

The Company's 2017 consolidated net income has been compared with its statutory net income and TL 1.135.532 was determined as an amount available for dividend distribution. Company's Board of Directors decided that on 8 February 2018, 2017 net profit in the amount of TL 1.135.532 shall be set aside, as the extraordinary legal reserved in order to further strengthen the balance sheet structure under the provisions of the Company's Articles of Association. This decision has subjected to the Company's Ordinary General Assembly was convened for the year 2017.

During the year ended 31 December 2017 there is no consolidated profit for the year 2016, no amount is determined as available for dividend distribution.

Other reserves

The amounts transferred directly to equity, instead of statement of profit or loss as of the reporting date are as follows:

	31 December 2018	31 December 2017
Gains on revaluation of property, plant and equipment	4.283.816	-
Currency translation differences	417.238	218.920
Gains due to change in fair value of financial liability attributable to change in credit risk of liability	64.852	-
Share based payment reserve (Note 23)	9.528	9.528
Cash flow hedge reserve	(185.382)	(88.367)
Reserve for hedge of net investment in a foreign operation	(350.099)	(211.185)
Losses on change in value of time value of options	(351.007)	-
Actuarial loss arising from employee benefits	(628.350)	(526.583)
Difference arising from acquisition of subsidiary	(1.320.942)	(1.320.942)
	1.939.654	(1.918.629)

Reserves on hedges of net investment in foreign operations

The Company recognizes the differences arising on the translation of monetary items that are associated with the hedge of net investment in a foreign operation in other comprehensive income (Note 15).

Cash flow hedge reserve

The Group entered into interest rate swaps in order to hedge it position against changes in interest rates. Accordingly, effective fair value changes of these instruments are recognized directly in equity at cash flow hedge reserve (Note 15).

Earnings/losses per share

The calculation of the basic earnings/losses per share attributable to the ordinary equity holders of the Company is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Weighted average number of ordinary shares outstanding during the year	350.000.000.000	350.000.000.000
Net profit/(loss) for the year attributable to equity holder of the Company	(1.391.261)	1.135.532
Basic earnings/(losses) per share (in full Kuruş)	(0,3975)	0,3244

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

23. SHARE BASED PAYMENT

According to the Turkish Council of Ministers decision dated 12 December 2007, which was published in the Turkish Official Gazette on 26 December 2007, 52.500.000.000 (45%) shares of Türk Telekom owned by the Treasury, the minority shareholder of Türk Telekom, has been sold as at 15 May 2008, through an initial public offering ("IPO") (such shares correspondence to corresponding to 15% Türk Telekom's shares). During the IPO, 12.299.160.300 of such shares have been allocated to the employees of Türk Telekom, PTT and small investors together with 5.220.503.800 shares allocated to domestic investors with high purchasing power with discounted price varying according to the payment terms and application date (compared to the price applied to the other corporate investors for the remaining shares of 34.980.335.900. The discounts provided to Türk Telekom employees have been considered as within the scope of IFRS 2 ("Share Based Payment") by the management of Türk Telekom considering the fact that Türk Telekom receives services from its employees. The Group has reflected the fair value of the discounts provided to Türk Telekom employees, amounting to TL 9.528, as an expense in the consolidated statement of profit or loss for year ended 31 December 2008 and credited the same amount into the equity as a share based payment reserve.

The market price during the IPO:	TL 4,60
The average price applied to the employees of Türk Telekom:	TL 4,2937
The number of shares sold to Türk Telekom's employees (lot):	31.104.948
Total benefits provided to the employees:	TL 9.528

The management of Türk Telekom decided that the discounts provided to PTT's employees, small investors and domestic investors with high purchasing power are not within the scope of IFRS 2 by considering the fact that;

- Türk Telekom has not received any benefits (goods and services) in exchange for the discounts provided these groups to and
- The Treasury provided these discounts not as a party acting as a shareholder of Türk Telekom but rather as a State Authority in order to increase the number of small investors as it has been done in all other privatization enhanced through an IPO.

The fair value of the discounts provided to these groups amounts to approximately TL 34.000 in 2008, at the year of the transaction.

24. COMMITMENTS AND CONTINGENCIES

Guarantees received and given by the Group are summarized below:

		31 December 2018		31 December 2017	
		Original currency	TL	Original currency	TL
Guarantees received	USD	146.157	768.918	148.101	558.621
	TL	837.781	837.781	794.884	794.884
	Euro	31.190	188.016	37.966	171.434
		1.794.715		1.524.939	
Guarantees given ^(*)	USD	172.418	907.075	176.395	665.344
	TL	523.470	523.470	407.836	407.836
	Euro	159.114	959.139	212.114	957.801
	Other	-	-	43	43
		2.389.684		2.031.024	

^(*) Guarantees given amounting to US Dollar 151.500 (31 December 2017: US Dollar 151.500) is related to the guarantee provided to the ICTA by TT Mobil with respect to the TT Mobil Concession Agreement, guarantees given amounting to Euro 12.840 (31 December 2017: Euro 12.840) is related with the guarantee provided for 3G license and guarantees given amounting to Euro 57.281 (31 December 2017: Euro 57.281) is related with the guarantee provided for 4.5G license.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Company's guarantee, pledge and mortgage (GPM) position as at 31 December 2018 and 31 December 2017 is as follows:

	31 December 2018	31 December 2017
A. GPMs given on behalf of the Company's legal personality	2.389.684	2.031.024
B. GPMs given in favor of subsidiaries included in full consolidation	1.531.807	1.163.655
C. GPMS given by the Company for the liabilities of 3 rd parties in order to run ordinary course of business	1.278.718	1.985.846
D. Other GPMs	-	-
i. GPMs given in favor of parent company	-	-
ii. GPMs given in favor of Company companies not in the scope of B and C above	-	-
iii. GPMs given in favor of third party companies not in the scope of C above	-	-
Total	5.200.209	5.180.525

Based on law 128/1 of Turkish Code of Obligations, the Group has given guarantee to distributors amounting to TL 1.278.718 for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by the Group (31 December 2017: TL 1.985.846). The guarantees has given to the banks 25.489 TL, 215.837 TL, 37.792 TL Akbank T.A.Ş., Türkiye Garanti Bankası A.Ş. ve Türkiye İş Bankası A.Ş. respectively.

Other commitments

The Group has purchase commitments for sponsorships, advertising and insurance services at the amounting to 6.500 USD equivalent to 34.196 TL (31 December 2017: TL 91.193) as at 31 December 2018. Payments for these commitments are going to be made in a 3-year period.

The Group has purchase commitments for fixed assets amounting to 85.565 USD, 14.758 Euro and 324.899 TL equivalent to 864.009 TL (31 December 2017: TL 1.124.637) as at 31 December 2018.

Türk Telekom concession agreement

The Concession Agreement was entered into between the Company and ICTA on 14 November 2005 following the privatization of the Company and the resultant reduction in the public shareholding to less than 50%. The Concession Agreement covers:

- the performance of the telecommunications services which are within the scope of the Agreement;
- the establishment and operation of necessary telecommunications facilities and the submission of these facilities to the use of other operators or persons and institutions making a demand as per the law;
- the marketing and provision of telecommunications services.

The Concession Agreement places an obligation on the Company, in the event of termination or non-renewal of the Concession Agreement, to transfer all equipment affecting the operation of the system together with all its functions and in good condition, and all immovable properties where such equipment is installed and which the Company uses, to the ICTA, or to any other institution to be designated by ICTA, at no cost.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

In case ICTA determines that the Company has not fulfilled its obligations stemming from the Concession Agreement and has not corrected the situation within a period granted to it, or that there is a court decision on bankruptcy or composition against the Company, the Company is granted a grace period of not less than 90 days commencing from written notification by ICTA, to fulfil its obligations. Within this grace period, the Company submits a remedy program for its abovementioned obligations to ICTA. In case ICTA accepts the remedy program, the matters in dispute shall be re-examined at the end of the program provided. If the program is not accepted, then ICTA may terminate the Concession Agreement upon expiry of the period granted to the Company.

The Concession Agreement places also a number of obligations with respect to delivering services on the Company in relation to the provision of telecommunications services.

The Concession Agreement requires that the Company shall meet all payments accrued as a result of the Concession Agreement and the establishment and operation of the telecommunication network in accordance with the applicable legislation or agreements concluded by the Government of the Republic of Turkey. These payments specifically includes the permit and utilization fees for the use of frequencies. In addition, the Company is required to pay the ICTA 0,35% of its net sales revenue, as contribution share towards ICTA's expenses.

Under the Concession Agreement, requests for access in relation to the infrastructure should be met to the extent technically possible and without discrimination. The Company is further required to publish reference access and interconnection offers approved by the ICTA.

The Concession Agreement also contains an obligation on the Company to provide universal services. According to article 6 entitled "Revenues for Universal Service" of the Universal Service Law No:5369, the Company declares the amount of 1% of its net sales revenue to the Ministry of Transport, Maritime Affairs and Communications until the end of April of the following year and the company inform up to the following month. This amount shall be transferred within the same period to the account of the central accounting department of the Ministry and shall be registered as revenue in the budget under the name of "Revenues for Universal Service".

The tariffs to be charged by the Company are subject to the approval of the ICTA unless expressly provided to the contrary in any regulation issued by the ICTA.

The content of customer bills is governed by relevant laws and regulations. It is possible to issue a separate invoice for each service, as well as to issue one single invoice for more than one service rendered to a subscriber. The cost of each service shall be demonstrated separately, in the event of preparation of one single invoice for more than one service. A detailed bill is sent to the subscribers upon request, to the extent technically possible and subject to the payment of a fee.

Other provisions of the Concession Agreement provide for the confidentiality of communications and the establishment of effective methods to answer customer complaints.

[TT Mobil GSM and IMT-2000/UMTS concession agreement and IMT Authorization Certificate](#)

Regarding to Gsm and IMT-2000/UMTS concession agreement and IMT Authorization Certificate, the Company shall provide fixed guarantee by cash and/or letter of bank guarantee amounting to 6% of the Company's Licence fee and right of use fee. In case it is identified that TT Mobil does not fulfill its contractual obligations, ICTA will have the right to record as revenue these guarantees.

[Concession Agreement for Licensing of Establishment and Operation of GSM-1800 Digital Cellular Mobile Telephone System](#)

A concession agreement was entered into between TT Mobil and the ICTA ("the TT Mobil Concession Agreement") on 12 January 2005 which replaced and superseded the previous GSM 1800 license agreements in place in relation to Aycell and Aria. After GSM 900 Frequency Band bidding done by ICTA on 20 June, 2008, agreement was rearranged, the contract ("the TT Mobil Concession Agreement") was rearranged after the Authorization Tender for IMT Services and Infrastructures made by ICTA on 26 August 2015.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement for Licensing of Establishment and Operation of GSM-1800 Digital Cellular Mobile Telephone System (continued)

The TT Mobil concession agreement covers the establishment, development and operation of a GSM 1800 network and delivery of the system to the Authority or the establishment to be designated by the Authority at the end of the contracted term as being in an operating condition.

Pursuant to the TT Mobil Concession Agreement, TT Mobil was granted to use 75 channels in the 1800 MHz band and 12 channels in the 900 MHz band. The term of the TT Mobil Concession Agreement is 25 years from 11 January 2001.

TT Mobil may apply to the ICTA for renewal between dates 24 and 6 months before the end of TT Mobil Concession Agreement. ICTA may renew the license of TT Mobil by evaluating the renewal request according to legislation on that date.

In the event of expiry or non-renewal, TT Mobil is under an obligation to transfer the network management centre, being the central operation units of the GSM 1800 system, gateway switchboards and central subscription works systems (including all kinds of technical hardware), together with all equipment affecting the operation of the system and the immovable properties used by TT Mobil to the ICTA or to the establishment to be designated by ICTA at no cost.

TT Mobil is also committed to renew the network in line with technological improvements and international agreements and maintain the adequacy of the network by means of technology until the end of the agreement.

License fees were paid prior to the issuance of the concession agreement.

TT Mobil provided a performance bond in the amount of US Dollar 151.500. TT Mobil, additional to that bond, provided performance bond amounting TL 760 corresponding to 6% of bidding amount after GSM 900 Additional Frequency Band bidding by ICTA on 20 June 2008. Should the operator is understood to not perform its contractual obligations, the Authority shall record and confiscate the final guarantee as income.

The TT Mobil Concession Agreement provides that the license may be transferred with the approval of the ICTA and within the terms of the Authorization Ordinance. However, no transfer may be made to an entity which already has a GSM 900 or GSM 1800 license in Turkey, or to related parties of such an entity, to the companies or subsidiaries which is owned or managed somehow by shareholders of entity or to the management of such entity and their first and second blood relatives and relative affinities. In cases such issues are determinate; GSM 1800 license given to them by ICTA is cancelled.

Regarding transfer of shares regulation clauses at the date of the transaction will be applied. The approval of the Competition Authority is also required for any change of control, being a transfer of the shares.

Fund payable to the Treasury

TT Mobil will pay an amount equal to 15% of the gross sales on a monthly basis to the Treasury, except for the default interest imposed on their subscribers for their late payments, indirect taxes, financial obligations such as charges and fees, and the accrual amounts accounted for reporting purposes.

Contribution share to the ICTA

TT Mobil shall pay 0,35% of the annual net sales to the ICTA as contribution share to the ICTA's expenses, latest on the last working day of April of the following year.

Coverage area

TT Mobil has guaranteed and undertook to cover (up to 2 Watt outdoors) at least 50% of the population of Turkey within three years after 11 January 2001 and at least 90% of the population of Turkey within five years after 11 January 2001. However, the localities where there are less than 10.000 inhabitants shall not be taken into consideration. This coverage area refers to the area to be covered by TT Mobil alone, and will not be contributed by national roaming. Upon request of the ICTA, yearly utmost two settling areas shall be covered with priority by TT Mobil. TT Mobil has completed its related liabilities with respect to coverage at 31 December 2004.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement for Licensing of Establishment and Operation of GSM-1800 Digital Cellular Mobile Telephone System (continued)

Service offerings

TT Mobil agrees and undertakes to provide the services specified within the frame of GSM memorandum of understanding applied by GSM association including, but not limited to the services specified by GSM license agreement (call forwarding, barring of outgoing and incoming calls, technical assistance for subscribers and free call forwarding to police and other public emergency services).

Service quality

TT Mobil will comply with the telephone service quality standards set down in the International Telecommunication Union ("ITU-T") recommendations in the GSM 1800 international standards. These standards require blocking rate of the licensed indoor network to be 5% and the call failure rate not to be more than 2%.

Tariffs

TT Mobil may freely determine its tariffs provided that these tariffs are not contrary to the regulations of the ICTA

Emergencies

TT Mobil will take the necessary measures with priority in order to satisfy the requirements and the needs of subscribers and users in emergencies, provided that the public authorities and enterprises will have priority in the case of health and security emergencies or fire and other disasters. TT Mobil has to provide at least two base stations for the use of Ministry of Transport, Maritime Affairs and Communications in emergency.

Investment plans

TT Mobil pursuant to the relevant regulation, until the first day of December every year, TT Mobil will present its investment plan for the following calendar years to the ICTA. These plans will be valid for 3 years and will contain information about the dynamic demand forecasts, and number and locations of the exchange stations, base stations and base control stations to be established, the period of operation, and the investment costs. Within 120 days of receipt of the investment plan, the ICTA will approve the compliance of plans to the article 6th of the agreement. Investment plan will be presented so as to inform the ICTA after the requirements arising from the article 6th of the agreement are met.

National roaming

TT Mobil may enter into contracts with other licensed GSM networks in Turkey for national roaming purposes. Roaming contracts and the financial clause of the contracts has to be presented to ICTA before signature procedures completed.

Suspension of operations

If deemed necessary for public security and national defense in case of war, general mobilization, etc. the Authority may temporarily or permanently suspend all or a part of the operational activities of TT Mobil and may directly operate the network. The period of suspension as above will be added to the term of the license and the income of such a period, if any, will belong to TT Mobil.

Termination of the agreement by the ICTA

The ICTA may cancel the license or terminate the Agreement for the following reasons;

- i) A final judgment of the competent courts for insolvency of TT Mobil or its composition with creditors,
- ii) Determination of the failure of TT Mobil to perform its contractual obligations hereunder and to remedy its default in a reasonable period of time granted,
- iii) Determination that TT Mobil extends its activities beyond the frequencies allocated hereunder or other frequencies that may be allocated by the ICTA to TT Mobil for use in the GSM 1800 System, and failure of TT Mobil to cease such activities in a reasonable period of time granted,
- iv) Failure of TT Mobil to pay the license fees hereunder.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement for Licensing of Establishment and Operation of GSM-1800 Digital Cellular Mobile Telephone System (continued)

However, that except for point (iv) above, TT Mobil will be given the opportunity to fulfill its obligations within a period not less than 90 days of written notice by the ICTA. During this period of time, TT Mobil will furnish to the ICTA a corrective action program for fulfillment of its obligations. If this program is accepted by the ICTA, the points of disagreement will be revised at the end of the program. If this program is not acceptable, the ICTA may terminate the Agreement at the end of the time period provided to TT Mobil

Upon termination of the Agreement, TT Mobil shall transfer all of the GSM 1800 system equipment to the ICTA without any remuneration.

Insurance

TT Mobil will maintain adequate all risk insurance for the telecommunication facilities and services established and operated until the end of the license term.

Concession Agreement of the Establishment and Operation of IMT2000/UMTS Infrastructures and Provision of Services

The Concession Agreement with ICTA has been signed on 30 April 2009 and Avea has been granted with 3G license for an amount of Euro 214.000 excluding VAT. The term of the license is 20 years effective from the signature date of the Agreement. 3G services have been launched on 30 July 2009. The contract ("the Avea Concession Agreement") was rearranged after the Authorization Tender for IMT Services and Infrastructures made by ICTA on 26 August 2015.

According to this Agreement;

- TT Mobil shall provide subscribers' and users' 112 calls and other emergency situation calls to public security institutions and other public institutions, and to direct those calls to the centers requested by the said institutions, free of charge bearing all costs.
- TT Mobil shall keep at least 2 units of IMT-2000/UMTS mobile base stations to be used in emergency situations under the request of the Ministry of Transport and Communication.
- Within the first 5 years by the signature of the Agreement, TT Mobil shall obtain the approval of the ICTA for each assignment of TT Mobil shares in ratio exceeding 10% to persons and entities other than the current shareholders and subsidiaries of the current shareholders. Any type of share assignment leading a change in the control of TT Mobil shall be subject to the approval of the ICTA.
- TT Mobil has granted a bank letter of guarantee amounting to 12.840 which is 6% of the license fee, for to act as final guarantee. Should the TT Mobil is understood to not perform its contractual obligations; ICTA shall record and confiscate the final guarantee as income. In such confiscation of final guarantee as income is realized, TT Mobil shall grant new final guarantee within 30 days. Should the new final guarantee not granted within the said period, the Agreement might be terminated.
- During the term of the Agreement, TT Mobil shall each year submit its investment plan related to the subsequent calendar year, till 1 December to the ICTA. This plan shall be prepared for three years and shall include such information as the number, location, coverage areas, investment costs with respect to exchange centres, base stations and control stations to be established, as well as the realization ratio of the previous year's investment plan and reasons of deviation, if any.
- TT Mobil will pay an amount equal to 15% of the gross sales on a monthly basis to the Treasury, except for the default interest imposed on their subscribers for their late payments, indirect taxes, financial obligations such as charges and fees, and the accrual amounts accounted for reporting purposes.
- TT Mobil shall pay 0.35% of the annual net sales to the ICTA as contribution share to the ICTA's expenses, latest on the last working day of April of the following year.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement of the Establishment and Operation of IMT2000/UMTS Infrastructures and Provision of Services

Coverage Area Obligations:

Following the signature of the Agreement, TT Mobil shall have under coverage the population within the borders of;

- metropolitan municipalities within 3 years,
- all the municipalities of all provinces and districts within 6 years,
- all the residential locations having a population of more than 5.000 within 8 years,
- residential locations having a population of more than 1.000 within 10 years.

These are the areas which are to be covered by TT Mobil alone and this obligation shall not be fulfilled through roaming.

TT Mobil should maintain service quality in accordance with ICTA regulations, ETSI (European Telecommunications Standards Institute) standards and ITU (International Telecommunication Union) standards, decisions and recommendations given by ITU.

Upon request of the ICTA, yearly utmost two settling areas shall be covered with priority by TT Mobil.

If there is any delay in fulfillment of the coverage area obligations, except the force major conditions, an administrative fine shall be applied within the frame of Relevant Legislation. If there is any delay in fulfillment of the coverage area obligations for a period of more than two years, then the Agreement might be terminated by the ICTA.

The Investments for hardware and software being used in the electronic communications network

Except for the investments made in the lease of place, towers, piles, pipes, containers, channels, energy transfer lines and similar infrastructure plants; each year TT Mobil shall fulfill the following requirements for its investments related to electronic communications network (hardware, software etc.);

a) To procure at least 40% of such investments from vendor companies employing a R&D center established in Turkey and engaged in developing R&D projects in relation with the information and communication technologies provided at least 200 engineers functioning in such company in the first year after the signature of the Agreement, at least 300 engineers in the second year and at least 500 engineers for the third and subsequent years or from vendor companies employing a R&D center with at least 150 engineers functioning in the first year after the signature of the Agreement, at least 250 engineers in the second year and at least 350 engineers for the third and subsequent years however such company to employ also a Technical Assistance Centre with at least 50 engineers in the said first year, at least 100 engineers in the second year and at least 150 engineers in the third and subsequent years.

A vendor company may not establish the R&D center and Technical Assistance Centre together with another vendor company; but may establish with a company, organization or institution resident in Turkey. The vendor company shall have at least 50% share of such centers. Said organization or institution resident in Turkey shall not employ other R&D centers and Technical Assistance Centers that have been established together with other vendor companies functioning in information and communication technologies area.

The university associates may also be employed part time, as engineers to be employed by the vendor company. The number of the university associates may not exceed 5% of the total number of engineers stated above.

TT Mobil is obliged to perform its investments regarding the electronic communications network by auditing and determining whether vendor companies comply with the foregoing terms and conditions.

b) To procure at least 10% of such investments from the vendors in quality of Small and Medium Sized Entities and established in Turkey for the purpose of product and system development.

All the independent software and hardware units to be used in the network of TT Mobil shall have open interface connections with each other.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement of the Establishment and Operation of IMT2000/UMTS Infrastructures and Provision of Services (continued)

The Investments for hardware and software being used in the electronic communications network (continued)

ICTA may perform audits regarding the execution of this obligation or may commission another organization or institution to perform such auditing when deems necessary. The costs to arise from such audits shall be paid by TT Mobil.

Should TT Mobil is understood to procure goods and services through methods against the foregoing terms and conditions, an administrative monetary penalty shall be applied to TT Mobil up to 1% of its turnover of the previous calendar year.

Should TT Mobil not perform the said obligations, a penalty as 40% of total amount of its investments in the network (hardware, software etc.), except for the investments for lease of place, towers, piles, pipes, containers, channels, energy transfer lines and similar infrastructure plants, shall be applied separately to TT Mobil for each year. This clause is valid for the first three years following the signature date of the Agreement. Annual periods start with the signing of the concession agreement.

Termination of the Agreement by ICTA:

The Authority might terminate the Agreement for the following reasons;

- A bankruptcy or bankrupt's certificate decision on TT Mobil given by the judicial authorities,
- TT Mobil not performing some of its contractual obligations and not correcting such breach in the given period,
- TT Mobil operating under the frequencies other than the ones allocated to itself by ICTA,
- Termination of TT Mobil Concession Agreement
- TT Mobil not performing national roaming obligation stated in the contract

In such circumstances, ICTA gives TT Mobil the opportunity to fulfill its obligations within 90 days after the written notice. In case TT Mobil cannot fulfill all the obligations within this period, the Agreement will be terminated by ICTA. The license fee or any other fee is not reimbursable in case of a termination of agreement. In the case of cancellation of agreement by ICTA, TT Mobil will alienate all data and documents which constitute system, software affecting the running of system (including tower, beam, blare, container, channel, energy transmission lines, antenna etc), stated and in the usage of TT Mobil to ICTA or to the entity ICTA enounces by making sure that there is no pledge, mortgage, levy and related legal blockages on them and they are free of cost and works free of problems.

The contract ("the TT Mobil Concession Agreement") was rearranged after the Authorization Tender for IMT Services and Infrastructures made by ICTA on 26 August 2015.

TT Mobil has been authorized to provide IMT service and Limited Use Authorization Certificate on 27 October 2015.

According to the Authorization Certificate;

- TT Mobil shall provide emergency call services in line with the regulations of ICTA, free of charge bearing all costs and comply with the regulations of ICTA in relation to this matter.
- TT Mobil shall keep at least 2 mobile base stations so as to be used for the provision of IMT services upon the Ministry's request, in the case of disaster and emergency.
- Within the first 5 years by the signature of the Agreement, TT Mobil shall obtain the approval of the ICTA for each assignment of TT Mobil shares in ratio exceeding 10% to persons and entities other than the current shareholders and subsidiaries of the current shareholders. Any type of share assignment leading a change in the control of TT Mobil shall be subject to the approval of the ICTA.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Certificate of Rights and Obligations regarding the Installation and Operation of IMT Infrastructure and Provision of IMT Services (continued)

- TT Mobil has granted a bank letter of guarantee amounting to Euro 57.300 which is 6% of the total fee, for to act as final guarantee. Should be understood that TT Mobil to not perform its contractual obligations; ICTA shall record and confiscate the final guarantee as income. In such confiscation of final guarantee as income is realized, TT Mobil shall grant new final guarantee within 30 days. Should the new final guarantee not granted within the said period, the Authorization might be terminated by ICTA.
- TT Mobil will pay an amount equal to 15% of the gross sales on a monthly basis to the Treasury, except for the default interest imposed on their subscribers for their late payments, indirect taxes, financial obligations such as charges and fees, and the accrual amounts accounted for reporting purposes.
- TT Mobil shall pay the administrative fee at the rate and in the way determined by ICTA in accordance with the applicable law.

Coverage Area Obligations:

Following the authorization, TT Mobil shall put at least

- 95% of Turkey's population within 8 years
- 90% of the population in each province and district within 8 years
- 99% of highways, high speed and very high speed train routes and tunnels longer than 1 km within 3 years
- 95% of divided highways within 6 years
- 90% of conventional train routes within 10 years
- under coverage. Additionally, following the authorization, TT Mobil shall put at least
- 99% of highways, high speed and very high speed train routes and tunnels longer than 1 km added after the first year within 2 years of its entering into service
- 95% of divided highways added after the fourth year within 2 years of its entering into service
- 90% of conventional train routes added after the eight year within 2 years of its entering into service

under coverage.

Areas covered by TT Mobil pursuant to the IMT-2000/UMTS Concession Agreement shall be deemed to be also covered under this authorization on condition that the service quality criteria set forth in the respective article are satisfied. Additionally, areas covered by TT Mobil under this authorization for the purpose of provision of IMT services shall be deemed to be covered in the determination of the coverage obligation of IMT-2000/UMTS services.

Coverage obligation shall be fulfilled by TT Mobil on its own and not through national roaming. However, TT Mobil shall be entitled to share radio access network in the areas under the coverage obligation.

Maximum two settlements per year shall be primarily brought by TT Mobil under coverage upon ICTA's request and under the service quality standards determined for such areas.

In the event that the fulfilment of coverage obligation is delayed for any reason other than force majeure events, administrative fine shall be applied pursuant to the applicable law. In the event that the fulfilment of the coverage obligation is delayed for more than two (2) years, the Authorization might be terminated by ICTA.

Service quality obligation:

TT Mobil shall ensure data download at minimum 2 Mbps in the areas subject to coverage obligation at a probability of 95% per user. The matters related to the inspection of this obligation shall be determined by ICTA.

These data transmission speeds are minimum values and ICTA shall determine service quality obligations required to be ensured by TT Mobil taking into account ETSI standards, ITU standards, decisions and recommendation, our national development targets, technological improvements and user requirements.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Certificate of Rights and Obligations regarding the Installation and Operation of IMT Infrastructure and Provision of IMT Services (continued)

Sharing the Radio Access Network:

On condition that the provisions of the applicable law are not breached, TT Mobil may install and operate the radio access network to be installed for the provision of IMT services together with other operators authorized to provide IMT services and further, lease necessary transmission lines from authorized operators in order to materialize the connections within the radio access network.

This right shall not remove the obligations of TT Mobil under the authorization and shall not constitute a reason for non-fulfilment of such obligations. TT Mobil shall not avoid fulfilling its obligations under the authorization due to reasons arising from the sharing. TT Mobil shall, in the case of sharing, be obliged to take all measures required to prevent any interruption of services it provides under the authorization.

In all settlements having a population less than 10.000, TT Mobil shall, following the authorization, be obliged to:

- a) install antenna facilities to be installed under the authorization (excluding in-building antenna facilities) in such manner that facilitates active sharing of radio access network with other operators and share such facilities with the operators,
- b) In the event that there exists any antenna facilities installed by other operators at the settlements in question following the authorization for the antenna facilities to be newly installed by TT Mobil under this authorization, TT Mobil shall use such antenna facility by active sharing of radio access network.

Following this authorization, the antenna facilities newly installed under IMT-2000/UMTS Concession Agreements shall also be subject to the obligation prescribed by this paragraph.

TT Mobil shall be obliged to actively share radio access network in the antenna facilities to be newly installed under this authorization in order to cover highways, high speed railways and divided highways following the authorization. Following this authorization, the antenna facilities newly installed under IMT-2000/UMTS Concession Agreements shall also be subject to the aforementioned obligation.

Investments and communication services related to the hardware and software used in the network

Except investments made for property lease, tower, pole, pipe, container, conduit, power transmission lines and similar infrastructure; TT Mobil shall, following the authorization, be obliged to provide:

- a) At least 40% of its investments and communication services related to the network (such as hardware, software); Within two (2) years, from supplier companies established in Turkey as to develop R&D projects in the field of information and communication technologies, employing at least 500 engineers and 100 researchers; within four (4) years, from supplier companies having a R&D center, employing 500 engineers and 250 researchers, or within two (2) years, from supplier companies established in Turkey as to develop R&D projects in the field of information and communication technologies, employing at least 350 engineers and 100 researchers and also within two (2) years from supplier companies having a Technical Assistance Center employing at least 150 engineers, within four (4) years from supplier companies having R&D center employing 350 engineers and 250 researchers and within four (4) years from supplier companies having a Technical Assistance Center employing at least 150 engineers.
- b) At least 10% of its investments from products produced in Turkey and from SMEs established to develop products and systems in Turkey.

Up to 60 within 2 years and up to 150 within 4 years following the authorization, of the personnel of TT Mobil employed in the status of researcher at the R&D center established by TT Mobil for the purpose of developing R&D projects in the field of information and communication technologies shall be taken into account under the obligation related to the number of the researchers set forth in the sub-paragraph (a) of this paragraph provided that such center is organized as an independent unit under TT Mobil's organization or all shares of the center are owned by TT Mobil.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Certificate of Rights and Obligations regarding the Installation and Operation of IMT Infrastructure and Provision of IMT Services (continued)

Investments and communication services related to the hardware and software used in the network (continued)

Teaching staff of universities who work part-time at R&D centers under the applicable law or while working at universities carry out academic studies requested by the supplier and/or TT Mobil may be included in the researchers to be employed by the supplier and/or TT Mobil at R&D centers. The number of teaching staff may not exceed 10% of total number of researchers referred to in this subparagraph (a).

A supplier company may establish R&D and technical assistance centers together with institutions or bodies, except other suppliers, established in Turkey, which operate in the field of information and communication technologies and do not have a R&D or technical assistance center established with other suppliers. The supplier companies must hold at least 50% of the shares of such centers.

All independent software and hardware units to be used by TT Mobil in the network shall be interconnected through explicit interfaces.

TT Mobil shall be obliged to materialize its investments and communication services relating to the network (such as hardware, software) by checking and verifying whether or not the supplier companies and Small Entities ("SME") fulfil the conditions stated above.

TT Mobil shall be obliged to supply its investments and communication services relating to the network (hardware or software such as base station, switching, router), except investments relating to property lease, tower, pole, container, channel, power transmission lines and similar facilities, from the products determined to be domestic product under the Law No 4734 and applicable law at least by 30% within the first year, at least by 40% within the second year and at least by 45% within subsequent years following the authorization. Such items among the products supplied by the supplier companies and SMEs to TT Mobil, which are determined to be domestic products shall be taken into account under this obligation. TT Mobil contemplating that it will not be able to fulfil its obligations set forth in the this paragraph due to the availability condition of the products determined to be domestic products, supply capacity of the producers and other conditions shall apply to ICTA indicating the reasons, no later than six (6) months before the expiry of the obligation period. ICTA may reduce or terminate the obligation for the respective period if it deems necessary.

Additional to the obligation in the paragraph above; investments specified in the paragraph above, to be measured for periods of 4 years, following the authorization TT Mobil shall be obliged to supply from the products determined to be domestic product under the Law No 4734 and applicable law a minimum average of 30% in the first 4 years, 40% in the second 4 years and 45% in the third 4 years. Such items among the products supplied by the supplier companies and SMEs to TT Mobil, which are determined to be domestic products shall be taken into account under this obligation. TT Mobil contemplating that it will not be able to fulfil its obligations set forth in the this paragraph due to the availability condition of the products determined to be domestic products, supply capacity of the producers and other conditions shall apply to ICTA indicating the reasons, no later than six (6) months before the expiry of the obligation period. ICTA, provided that Ministry's opinion to be taken, may reduce or terminate the obligation for the respective period if it deems necessary.

Whether or not the obligations under this article have been fulfilled shall be evaluated with the obligations of TT Mobil under the IMT-2000/UMTS Concession Agreement.

Cancelation of Authorization:

ICTA may terminate the Authorization Certificate for the following reasons;

- A bankruptcy or bankrupt's certificate decision on TT Mobil given by the judicial authorities,
- TT Mobil not performing some of its contractual obligations and not correcting such breach in the given period,
- TT Mobil operating under the frequencies other than the ones allocated to itself by ICTA and not ceasing these operation within the given period,

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Certificate of Rights and Obligations regarding the Installation and Operation of IMT Infrastructure and Provision of IMT Services (continued)

Cancelation of Authorization (continued)

- Termination of one of TT Mobil's Concession Agreements signed earlier,
- TT Mobil not performing its obligations stated in the article related to confidentiality of the communication, national security and public order

In such circumstances, ICTA gives TT Mobil the opportunity to fulfill its obligations within 90 days after the written notice. In case TT Mobil cannot fulfill all the obligations within this period, the Authorization Certificate will be terminated by ICTA.

The license fee or any other fee is not reimbursable in case of a termination of agreement. In the case of cancelation of agreement by ICTA, TT Mobil will alienate all data and documents which constitute system, software affecting the running of system (including tower, beam, blare, container, channel, energy transmission lines, antenna etc), stated and in the usage of TT Mobil to ICTA or to the entity ICTA enounces by making sure that there is no pledge, mortgage, levy and related legal blockages on them and they are free of cost and works free of problems.

Legal proceedings of Türk Telekom

Disputes between the Company and Municipalities

For contribution to the infrastructure investment and municipality share, municipalities filed against the Company and as at 31 December 2018, total provision including the nominal amount and legal interest charge which is amounting to TL 51.059 (31 December 2017: TL 50.258) is recognized.

Disputes between the Group and the ICTA

The Company has filed various lawsuits against ICTA. These lawsuits are related with the sector-specific and tariff legislations and legislations with respect to the other operators in the market. The sector-specific disputes generally stem from the objections with respect to the provisions of interconnection legislation, legislation with respect to telecommunication services and infrastructure. As of 31 December 2018, TL 37.359 provision provided for ICTA penalties and amounts to be repaid to customers due to ICTA resolutions (31 December 2017: TL 23.131).

TT Mobil's Treasury Share investigation

Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" was published on the Official Gazette numbered 30261 on 5 December 2017. According to mentioned Law, the provisional clause was added to Telegraph and Telephone Law numbered 406, which regulates restructuring provisions on contribution share to universal service, contribution share to authority expenses, administrative fee, radio fee, penalty fee and ancillaries thereof under dispute or under examination. In regard to the provisional clause, the Company has decided to utilize the restructuring provisions regarding treasury share, contribution share to universal service, contribution share to authority expenses, administrative fee, radio fee, penalty fee and ancillaries thereof which are the subject of finalized investigations

The Company, applied for restructuring on 24 January 2018 and terminated all the disputes, relating the subject, by waiving/accepting. Within the scope of restructuring provisions, total amount calculated in this context is TL 312.181, which includes TL 210.463 principal and TL 101.718 interest (based on Domestic Producer Price Index, Yi-UFE). Payments were made in six equal installments (plus deferred payment interest) in two-month periods beginning in January 2018. The last installment was paid on 30 November 2018

The Ministry of Customs and Trade administrative fine

The Ministry of Customs and Trade conducted an audit at TT Mobil over the value added services that are provided to the subscribers and as a result of this inspection, an administrative fine amounting to TL 138.173 was imposed against TT Mobil based on the allegation that distant sales rules were disregarded.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Ministry of Customs and Trade administrative fine (continued)

Upon such administrative fine, applications were filed respectively for the settlement first and then for the abolishment of the said administrative action with The Ministry of Trade. Our application for the abolishment of administrative fine was refused, and the settlement was rejected by TT Mobil in the course of settlement. A cancelation case has been initiated with stay of execution request regarding the penalties claimed.

According to management decision, as of 31 December 2018 the Company has recognized no provision in the consolidated financial statements that has been made for fulfillment of the obligation to the extent that it is not probable that a material outflow of resources embodying economic benefit will have occurred.

Other issues

Provision has been provided in the consolidated financial statements for the probable court cases against the Group based on the lawyers' assessments. The provision for such court cases is amounting to 56.946 TL as at 31 December 2018 (31 December 2017: TL 47.668). 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.

25. SUPPLEMENTARY CASH FLOW INFORMATION

Other explanations

	31 December 2017	Cash flows	Non-cash flows			31 December 2018
			Acquisition	Foreign exchange movement	Other non-cash changes	
Financial liabilities	16.489.139	(3.454.010)	1.040.703	6.134.272	(291.280)	19.918.824
Obligations under finance leases (Note 7)	2.599	(826)	--	821	--	2.594
Derivative financial instruments (Note 15)	309.441	(1.572)	--	--	425.069	732.938
Total liabilities from financing activities	16.801.179	(3.456.408)	1.040.703	6.135.093	133.789	20.654.356

"Other outflows of cash" in net cash used in operating activities represents change in restricted cash. Restricted cash amount is disclosed in Note 4. "Other outflows of cash, net" in net cash used in financial activities represents change in other financial payment. "Other adjustment for non-cash items" in adjustments to reconcile net profit to cash provided by operating activities represents change in TFRS Interpretation 12.

Capitalized subscriber acquisition and retentions costs amounting to 661.273 TL are disclosed in "Purchases of property, plant, equipment and intangible assets" in consolidated statement of cash flows.

26. SUBSEQUENT EVENTS

Türk Telekom's Board of Directors resolved in accordance with Clause 7 of Articles of Association of Türk Telekom and paragraph 3 of Clause 31 of Capital Markets Law that, subject to completion of all the necessary procedures in accordance with the relevant legislation, and in particular the legislation of the Capital Markets Board, one or more foreign currency and/or Turkish Lira denominated debt capital market instruments shall be issued overseas without being offered to the public within one year from the approval of the Capital Markets Board, in the structure of a conventional Eurobond and/or sukuk up to a total amount of USD 500 Million or its equivalent (including the equivalent of USD 500 Million). As of 7 January, within this resolution scope, necessary approval application has been made to the Capital Market Board.

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

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

26. SUBSEQUENT EVENTS (CONTINUED)

The board of directors shall be composed of nine (9) members nominated by the Shareholders,

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

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

- 30% or more of the Shares, the Treasury shall be entitled to nominate three (3) persons for election as Independent Board Members who carry the independence criteria as defined in the Capital Markets legislation; or
- 15% or more of the Shares (but less than 30% of the Shares) the Treasury shall be entitled to nominate two (2) persons for election as Independent Board Members who the carry the independence criteria as defined in the Capital Markets legislation;
- During the calculation of 15% and 30% of the Shares mentioned in above paragraphs, the amount of Group B Shares and Group D Shares held by the Treasury and Turkish Wealth Fund shall be taken into account together.

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

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

27. REVENUE

	1 January 2018 - 31 December 2018	1 January 2017 - 31 December 2017
Mobile	7.534.284	6.638.683
Broadband	5.532.700	4.899.033
Fixed voice	2.603.183	2.603.435
Corporate data	1.690.211	1.492.416
International revenue	926.220	639.019
IFRIC 12 revenue	771.141	704.315
Tv	305.669	228.135
Other	1.067.492	934.518
	20.430.900	18.139.554

28. OPERATING EXPENSES

	1 January 2018 - 31 December 2018	1 January 2017 - 31 December 2017
Cost of sales (-)	(11.249.445)	(10.029.082)
Marketing, sales and distribution expenses (-)	(2.409.985)	(2.404.461)
General administrative expenses (-)	(1.784.341)	(1.706.962)
Research and development expenses (-)	(147.779)	(124.737)
	(15.591.550)	(14.265.242)

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

29. EXPENSES BY NATURE

	1 January 2018 - 31 December 2018	1 January 2017 - 31 December 2017
Personnel expenses	(3.018.853)	(2.861.189)
Taxes	(2.004.943)	(1.635.517)
Domestic interconnection	(1.270.446)	(1.202.488)
Repair and maintenance expenses	(836.017)	(721.877)
TFRS Interpretation 12 related fixed assets additions and capex provision expenses	(682.426)	(623.288)
Advertisement expenses	(637.419)	(597.423)
International interconnection	(636.511)	(425.480)
Utilities	(578.716)	(407.888)
Rent expenses	(562.822)	(500.661)
Cost of sales and cost of equipment sales of technology companies	(502.519)	(468.631)
Other expenses	(1.125.684)	(1.801.568)
Total operating expenses (excluding depreciation and amortization expense)	(11.856.356)	(11.246.010)
Depreciation, amortization	(3.717.763)	(2.906.444)
Impairment expenses	(17.431)	(112.788)
Total operating expenses	(15.591.550)	(14.265.242)
30. OTHER OPERATING INCOME/(EXPENSES)		
	1 January 2018 - 31 December 2018	1 January 2017 - 31 December 2017
Interest and discount gains	140.221	127.972
Rental income	35.616	26.743
Indemnity income	21.649	31.048
Foreign exchange gains	3.318	44.869
Other	30.565	60.491
Other operating income	231.369	291.123
Foreign exchange losses	(298.763)	(135.723)
Litigation provision compensation and penalty expenses	(92.345)	(248.852)
Interest expenses on employee benefit obligations (Note 21)	(64.738)	(57.084)
Interest and discount losses	(34.399)	(72.195)
Other	(2.229)	(27.116)
Other operating expense (-)	(492.474)	(540.970)

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

31. INCOME/(EXPENSE) FROM INVESTING ACTIVITIES

	1 January 2018 - 31 December 2018	1 January 2017 - 31 December 2017
Gain from scrap sales	105.503	112.307
Gain on sales of property, plant and equipment	24.785	18.091
Income from investing activities	130.288	130.398
Losses from sales on property, plant and equipment	(12.960)	(5.610)
Expense from investing activities (-)	(12.960)	(5.610)

32. FINANCIAL INCOME/(EXPENSE)

	1 January 2018 - 31 December 2018	1 January 2017 - 31 December 2017
Gain on derivative instruments	444.713	420.785
Interest income on bank deposits and delay charges	270.547	181.787
Foreign exchange gains	575.308	119.389
Gains on change in fair value of bills, bonds and notes issued	131.538	-
Other	393	346
Financial Income	1.422.499	722.307
Foreign exchange losses	(5.821.839)	(1.510.419)
Interest expense	(1.050.389)	(563.762)
Loss on derivative instruments	(884.451)	(393.165)
Other	(115.640)	(57.772)
Financial expenses	(7.872.319)	(2.525.118)
Financial expenses, net	(6.449.820)	(1.802.811)

33. TAXATION ON INCOME

	31 December 2018	31 December 2017
Corporate tax payable:		
Current corporate tax provision	22.725	651.405
Prepaid taxes and funds (-)	(16.260)	(627.061)
Tax payable	6.465	24.344

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

33. TAXATION ON INCOME (CONTINUED)

	1 January 2018 - 31 December 2018	1 January 2017 - 31 December 2017
Tax expense:		
Current tax expense:		
Current income tax expense	(22.725)	(671.216)
Adjustments in respect of income tax of previous year	2.245	(25.576)
Deferred income (Note 11):		
Deferred tax income	651.500	353.997
	631.020	(342.795)

As of 31 December 2018 deferred tax expense amounting to TL 365.034 (31 December 2017: TL 19.810 income) are recognized in other comprehensive income.

The Company and its subsidiaries located in Turkey are subject to taxation in accordance with the tax regulations and the legislation effective in Turkey where the Group companies operate. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month.

In Turkey, corporate tax rate is 22% as of 31 December 2018 (2017: 20%). However, according to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

The tax legislation provides for a temporary tax of 22% (2017: 20%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2017. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, corporate rate is set to 22% for the years 2018, 2019 and 2020.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

33. TAXATION ON INCOME (CONTINUED)

Dividend payments made to resident and non-resident individuals, non-resident legal entities and corporations resident in Turkey (except for the ones exempt from corporate and income tax), are subject to an income tax of 15%.

Dividend payments made from a corporation resident in Turkey to a corporation also resident in Turkey are not subject to income tax. Furthermore, income tax is not calculated in case the profit is not distributed or transferred to equity.

The dividend income (excluding the participation certificates of investment funds and profit shares derived from the share certificates of investment trusts) derived by entities from the participation in the capital of another resident entity is exempt from corporate tax. Furthermore, 75% of the income derived by entities from the sale of participation shares and real estates (immovable property) preferential rights, founders' shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax as of 31 December 2018. However, according to the amendments by Law numbered 7061, this rate is reduced from 75% to 50% with regard to immovable properties and tax declarations starting from 2018 will be calculated using 50% for immovable properties.

In order to be able to benefit from the exemption, the relevant income should be kept under a fund account in the liabilities and should not be withdrawn from the enterprise for 5 years. The sales amount should be collected by the end of the second calendar year following the year of sale.

The reconciliation between tax expense and the product of accounting profit multiplied by applicable tax is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Profit before tax	(2.022.281)	1.478.327
Tax at the corporate tax rate of (22%)	444.902	(295.665)
Tax effects of:		
- expenses that are not deductible in determining taxable profit	(42.663)	(36.023)
- tax rate difference of subsidiaries	2.999	744
- deferred tax asset recognition from cash capital increase	60.907	36.734
- deferred tax asset recognized/(derecognized) from previous years' tax losses carried forward by subsidiaries	113.845	43.825
- the effect of increasing corporate tax ratio from 20% to 22%	-	(22.190)
- adjustments and tax losses of subsidiaries not subject to deferred tax	51.030	(70.220)
Tax expense for the year	631.020	(342.795)

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

33. TAXATION ON INCOME (CONTINUED)

Investment Incentives

TT Mobil has obtained investment incentive certificates from the Turkish government authorities in connection with certain major capital expenditures, which entitle TT Mobil, among other things, to:

- A 100% exemption from customs duty on machinery and equipment to be imported,
- An investment allowance of 100% on approved capital expenditures,

The investment allowance indicated in (b) above is deductible from current or future taxable profits for the purposes of corporation tax; however, such investment allowances are subject to a withholding tax. At 31 December 2018, investment allowances amount to TL 9.542.318 (2017: TL 7.633.791). Unrecognized deferred tax asset is TL 121.145 (2017: TL 91.637).

The Law foresaw that the taxpayers that have investment allowance rights obtained under the scope of the previous provisions valid before 24 April 2003 and the provisions of the amended article 19 of the Income Tax Law (amended with Law No 4842) that were effective until 31 December 2005 would be able to utilize their investment allowance rights only for their income generated in the years 2006, 2007, and 2008.

However on 15 October 2009, the Constitutional Court decided to cancel the phrases which abolish the investment allowances after 2008 and limit the use of investment allowance incentive allowance with the years 2006, 2007 and 2008. The annulment decision is effective after being published in the Official Gazette no 27456 dated 8 January 2010. Accordingly, TT Mobil may utilize those unused incentive in the future.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk policies of the Group are managed centrally with the support of a committee. All Group companies meet their cash needs determined in business plans approved by their boards, by using credits or capital increase with guidance of the central management. The Group may choose long or short term financing according to their financing needs and market assumptions.

The Group's risk management policies are designed to identify and analyze the risks faced by the Group, to determine appropriate risks limits and controls, and to observe commitment to these limits. Risk management policies and systems are constantly under review to reflect changes in the Group's activities and market conditions.

The Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Financial risk factors

The Group's principal financial instruments comprise forward market transactions, bank loans and cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations and to hedge interest rate risk. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees to policies for managing each of these risks.

Credit risk

	Receivables						
	Trade Receivables		Other receivables		Deposits and banks	Derivative Instruments	Other
	Related Parties	Third Parties	Related Parties	Third Parties			
31 December 2018							
Maximum credit risk exposed to as at the reporting date (A+B+C+D+E)	10.489	5.268.309	-	105.914	4.494.393	237.402	-
- Guaranteed portion of the maximum risk	-	37.073	-	-	-	-	-
A. Carrying amount of financial assets not overdue or not impaired	10.489	3.922.429	-	105.914	4.494.393	237.402	-
B. Carrying amount of financial assets with rediscussed conditions that are considered overdue or impaired if not rediscussed	-	-	-	-	-	-	-
C. Carrying amount of financial assets overdue but not impaired	-	1.345.880	-	-	-	-	-
-Amount secured via guarantees	-	-	-	-	-	-	-
D. Carrying amount of assets impaired	-	-	-	-	-	-	-
-Overdue (gross book value)	-	(3.241.202)	-	(42.759)	-	-	-
-Impairment (-)	-	3.241.202	-	42.759	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-	-

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

	Receivables						
	Trade Receivables		Other receivables		Deposits and banks	Derivative Instruments	Other
	Related Parties	Third Parties	Related Parties	Third Parties			
31 December 2017							
Maximum credit risk exposed to as at the reporting date (A+B+C+D+E)	23.707	4.884.031	-	91.731	4.099.906	616.718	-
- Guaranteed portion of the maximum risk	-	17.232	-	-	-	-	-
A. Carrying amount of financial assets not overdue or not impaired	23.707	3.546.112	-	91.731	4.099.906	616.718	-
B. Carrying amount of financial assets with rediscussed conditions that are considered overdue or impaired if not rediscussed	-	-	-	-	-	-	-
C. Carrying amount of financial assets overdue but not impaired	-	1.337.919	-	-	-	-	-
-Amount secured via guarantees	-	-	-	-	-	-	-
D. Carrying amount of assets impaired	-	-	-	-	-	-	-
-Overdue (gross book value)	-	2.840.298	-	24.186	-	-	-
-Impairment (-)	-	(2.840.298)	-	(24.186)	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-	-

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Financial losses due to Group's receivables and financial assets which result from not implementing agreement clauses related to financial assets by a customer or other party constitutes credit risk.

When determining the credit risk exposure as at the balance sheet date, items like guarantees received, which increase the credit worthiness have not been considered. The aging for assets overdue but not impaired for has been provided in Note 6.

As of 31 December 2018, the maximum credit risk Company exposure is reflected by presenting all financial assets from carrying amount on consolidated balance sheet.

Liquidity risk

Liquidity risk is uncertainty to cover future financial obligations.

The Group's objective is to maintain a balance between current assets and liabilities through close monitoring of payment plans and cash projections.

The Group manages current and long-term funding by maintaining adequate reserves, banking facilities, reserve borrowing facilities and loan agreements with suppliers through continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2018 and 2017 based on contractual undiscounted payments (including interest payments not due yet).

Contract based maturities as at 31 December 2018	Book value	Total contract based cash outflow (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities and bills, bonds and notes issued	19.918.824	23.245.870	315.164	7.088.059	14.985.281	857.366
Obligations under finance leases	2.594	2.599	158	476	1.965	-
Trade payables	3.845.124	3.845.124	3.732.338	112.786	-	-
Other payables ⁽¹⁾	1.417.484	1.452.543	1.190.109	-	262.434	-
Related parties	110	110	110	-	-	-
Derivative financial liabilities (net)	732.938	737.926	79.697	364.471	325.707	(31.949)

Contract based maturities as at 31 December 2017	Book value	Total contract based cash outflow (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities and bills, bonds and notes issued	16.489.139	19.062.316	253.002	2.717.940	12.493.807	3.597.567
Obligations under finance leases	2.599	2.602	154	465	1.983	-
Trade payables	4.066.558	4.066.870	3.739.500	327.370	-	-
Other payables ⁽¹⁾	1.300.601	1.322.274	947.043	-	375.231	-
Related parties	2.326	2.326	-	2.326	-	-
Derivative financial liabilities (net)	309.441	309.441	6.069	23.766	104.747	174.859

⁽¹⁾ Other payables item includes other payables, employee benefit obligations and other current liabilities. Taxes and other payables contained within employee benefit obligations and advances contained within other current liabilities are excluded.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk

Foreign Currency Risk

	31 December 2018					31 December 2017				
	TL Equivalent	US Dollar	Euro	GBP	Other	TL Equivalent	USD	Euro	GBP	Other
1. Trade receivables	315.683	22.861	28.884	3	15.201	248.843	25.209	34.052	-	-
2a. Monetary financial assets (Cash and banks accounts included)	3.286.197	336.639	250.863	17	2.040	2.023.846	366.988	141.646	-	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
3. Other	108.766	922	17.232	-	29	111.129	5.452	20.056	-	-
4. Current assets (1+2+3)	3.710.646	360.422	296.979	20	17.270	2.383.818	397.649	195.754	-	-
5. Trade receivables	-	-	-	-	-	1.660	440	-	-	-
6a. Monetary financial assets	36.481	6.934	-	-	-	59.006	15.643	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	677	2	149	-	-
8. Non-current assets (5+6+7)	36.481	6.934	-	-	-	61.343	16.085	149	-	-
9. Total assets (4+8)	3.747.127	367.356	296.979	20	17.270	2.445.161	413.734	195.903	-	-
10. Trade payables	2.044.960	302.973	70.387	-	19.113	1.629.635	327.159	87.558	50	3
11. Financial liabilities	6.707.528	917.725	311.789	-	-	2.419.330	354.105	239.991	-	-
12a. Monetary other liabilities	9.561	201	1.411	-	-	14.929	199	3.140	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-
13. Short-term liabilities (10+11+12)	8.762.049	1.220.899	383.587	-	19.113	4.063.894	681.463	330.689	50	3
14. Trade payables	-	-	-	-	-	-	-	-	-	-
15. Financial liabilities	13.159.080	1.798.103	613.709	-	-	13.988.494	2.643.710	889.533	-	-
16 a. Monetary other liabilities	85.271	16.095	99	-	-	216.834	31.252	21.914	-	-
16 b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	13.244.351	1.814.198	613.808	-	-	14.205.328	2.674.962	911.447	-	-
18. Total liabilities (13+17)	22.006.400	3.035.097	997.395	-	19.113	18.269.222	3.356.425	1.242.136	50	3
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	10.070.310	1.824.600	78.180	-	-	3.614.894	1.605.000	(540.140)	-	-
19a. Total asset amount hedged	-	-	-	-	-	-	-	-	-	-
19b. Total liability amount hedged	(10.070.310)	(1.824.600)	(78.180)	-	-	(3.614.894)	(1.605.000)	540.140	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	(8.188.963)	(843.141)	(622.236)	20	(1.843)	(12.209.167)	(1.337.691)	(1.586.373)	(50)	(3)
21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(18.368.039)	(2.668.663)	(717.648)	20	(1.872)	(15.935.867)	(2.948.145)	(1.066.438)	(50)	(3)
22. Fair value of FX swap financial instruments	(448.013)	(85.159)	-	-	-	365.659	96.943	-	-	-
23. Hedged amount of foreign currency assets	-	-	-	-	-	-	-	-	-	-
24. Hedged amount of foreign currency liabilities	(10.070.310)	(1.824.600)	(78.180)	-	-	(3.614.894)	(1.605.000)	540.140	-	-

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES 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 5.

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):

31 December 2018	Profit/Loss		Other comprehensive income	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL by 10%:				
1- USD net asset/liability	(1.398.652)	1.398.652	-	-
2- Hedged portion of USD risk (-) ⁽¹⁾	287.143	(196.188)	98.573	(70.465)
3- USD net effect (1+2)	(1.111.509)	1.202.464	98.573	(70.465)
Appreciation of Euro against TL by 10%:				
4- Euro net asset/liability	(422.151)	422.151	-	-
5- Hedged portion of Euro risk (-)	186.468	(156.462)	(52.525)	19.659
6- Euro net effect (4+5)	(235.683)	265.689	(52.525)	19.659
Appreciation of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	(245)	245	-	-
8- Hedged portion of other foreign currency (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	(245)	245	-	-
Total (3+6+9)	(1.347.437)	1.468.398	46.048	(50.806)

⁽¹⁾Including the fair value differences of cross currency, interest rate swap and option contracts.

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

31 December 2017	Profit/Loss		Other comprehensive income	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL by 10%:				
1- USD net asset/liability	(1.137.335)	1.137.335	-	-
2- Hedged portion of USD risk (-)	55.277	(86.024)	(11.895)	11.895
3- USD net effect (1+2)	(1.082.058)	1.051.311	(11.895)	11.895
Appreciation of Euro against TL by 10%:				
4- Euro net asset/liability	(472.427)	472.427	-	-
5- Hedged portion of Euro risk (-)	55.520	(55.520)	-	-
6- Euro net effect (4+5)	(416.907)	416.907	-	-
Appreciation of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	(25)	25	-	-
8- Hedged portion of other foreign currency (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	(25)	25	-	-
Total (3+6+9)	(1.498.990)	1.468.243	(11.895)	11.895

Interest rate risk

The value of a financial instrument will fluctuate as a result of changes in market prices. The Group's interest rate risk is primarily attributable to its borrowings.

The interest-bearing financial liabilities have variable interest rates, whereas the interest bearing financial assets have a fixed interest rate and future cash flows associated with these financial instruments will not fluctuate in amount. The Group is subject to interest risk due to financial liabilities and finance lease obligations. Policy of the Group is to manage this risk through fixed and variable rates borrowings. In order to cover for these risks, the Group has entered into interest rate swaps (Note 15).

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

The interest rate risk table is presented below:

	31 December 2018	31 December 2017
Financial instruments with fixed interest rate		
Financial assets	3.693.827	3.467.650
Financial liabilities	(5.040.115)	(4.070.254)
	(1.346.288)	(602.604)
Effect of hedging	(7.546.710)	(5.687.597)
	(8.892.998)	(6.290.201)
Financial instruments with variable interest rate		
Financial liabilities	(14.878.709)	(12.418.885)
Effect of interest rate swaps	7.546.710	5.687.597
	(7.331.999)	(6.731.288)

If the base point of denominated interest rates for financial instruments with variable interest rate was higher 0,25%, with all other variables held constant, the Group's income before tax and minority interest would be lower by TL 6.529 (31 December 2017: TL 6.640) and interest rate was lower 0,25%, with all other variables held constant, the Group's income before tax and minority interest would be higher by TL 6.229 (31 December 2017: TL 6.185) as of 31 December 2017.

On the other side because of hedging, if the base point of interest rate higher/lower 0,25%, equity would be higher by TL 57.004 (31 December 2017: TL 40.856), if the base point of interest rate lower 0,25%, equity would be lower by TL 57.858 (31 December 2017: TL 41.472).

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

34. 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 and fair values of financial asset and liabilities in the Group's consolidated financial statements.

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

	Carrying amount		Fair value	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial assets				
Cash and cash equivalents	4.494.536	4.100.204	4.494.536	4.100.204
Trade and other receivables (including related parties)	5.384.712	4.999.469	5.384.712	4.999.469
Financial investments (*)	11.995	11.840	(*)	(*)
Derivative financial assets	237.402	616.718	237.402	616.718
Financial liabilities				
Bank borrowings	15.040.979	12.732.751	15.039.834	12.731.473
Bills, bonds and notes issued	4.877.845	3.756.388	4.877.845	3.828.882
Financial leasing liabilities	2.594	2.599	2.594	2.599
Trade payables and other liabilities (including related parties) (**)	5.262.718	5.369.485	5.262.718	5.369.485
Derivative financial liabilities	732.938	309.441	732.938	309.441

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

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

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value hierarchy table (continued)

Fair value hierarchy table as at 31 December 2018 is as follows:

	Date of Valuation	Fair Value Measurement			
		Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets measured at fair value:					
Derivative Financial Assets:					
Cross currency swaps	31 December 2018	200.921	-	200.921	-
Interest rate swaps	31 December 2018	36.481	-	36.481	-
Financial liabilities measured at fair value:					
Bills, bonds and notes issued	31 December 2018	4.877.845	4.877.845	-	-
Derivative Financial Liabilities:					
Interest rate swaps	31 December 2018	84.004	-	84.004	-
Cross currency swaps	31 December 2018	648.934	-	648.934	-
Other financial liabilities not measured at fair value					
Bank loans	31 December 2018	15.039.834	-	15.039.834	-

Notes to The Consolidated Financial Statements As At And for The Year Ended 31 December 2018

(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)
(Convenience translation of a report and financial statements originally issued in Turkish)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value hierarchy table (continued)

Fair value hierarchy table as at 31 December 2017 is as follows:

	Date of Valuation	Total	Fair Value Measurement		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets measured at fair value:					
Derivative Financial Assets:					
Cross currency swaps	31 December 2017	557.712	-	557.712	-
Interest rate swaps	31 December 2017	59.006	-	59.006	-
Financial liabilities measured at fair value:					
Derivative Financial Liabilities:					
Interest rate swaps	31 December 2017	117.389	-	117.389	-
Cross currency swaps	31 December 2017	192.052	-	192.052	-
Other financial liabilities not measured at fair value					
Bank loans	31 December 2017	12.731.473	-	12.731.473	-
Bills, bonds and notes issued	31 December 2017	3.828.882	3.828.882	-	-

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 2017 and 2018.

Glossary

0-9

3G

Third generation of mobile systems. Provide high-speed data transmissions and higher supporting multimedia applications such as full-motion video, video conferencing and Internet access. See "UMTS".

A

Access Channel

The network element used to connect a subscriber to the nearest switch or concentrator. An access channel generally takes the form of a closed circuit and consists of a pair of copper wires, but may also employ fiber optic cables, microwave links or other technologies.

ACD (Automatic Call Distribution)

A specialized phone system for handling incoming calls which recognizes and answers calls according to instructions from a database and then routes the calls to an operator or agent.

ADSL (Asymmetric Digital Subscriber Line)

A technology for transferring data that uses an access channel to provide faster network access to the Internet and other popular multimedia and data services at speeds of up to two to six Mbps, a transfer speed 50 times faster than narrowband or dial-up Internet access.

ARPL (Average Revenue per Line)

Measures the average monthly revenue generated for each line. The method used to calculate this measure may differ among operators.

ARPU (Average Revenue per User)

Measures the average monthly revenue generated for each customer unit, such as a mobile phone.

ATM (Asynchronous Transfer Mode)

A multiplexing and routing technology for high-speed digital communications that permits data, text, voice, video and multimedia signals to be transmitted simultaneously between network access points at speeds of up to 155 Mbps or more. ATM allows for better local area network interconnections, PABX interconnection, data transmission and flexible bandwidth delivery.

B

Base Station

Fixed transceiver equipment in each cell of a mobile telecommunications network that communicates by radio signal with mobile handsets in that cell.

Bit

The smallest unit of binary data.

Bit stream Access

Access to Türk Telekom equipment connecting a provider to the end user to provide high-speed access services. This form of access differs from wholesale in that, in terms of transmission capacity, it provides access at a binary rate and the operator, as the access provider, decides on the technical specifications for the equipment directly connected to the access channel, as well as on the interface offered at the end-user side.

BPS (Bits per Second)

A data transmission rate

Broadband Service

A communications service for content requiring high-speed transmission rates such as video transmission.

C

Call Forwarding

A feature permitting the user to program a phone to ring at an alternate location; call forwarding may be in effect at all times or only in certain designated instances, such as when a particular phone is busy or there is no answer.

Glossary

Call Waiting

A warning signal received when a person is on a call that there is a second incoming call.

Carrier Pre-Selection

A mechanism that allows customers to select competing operators as that user's default operator without dialing additional codes on the telephone. The customer subscribes to the services of a competing operator and his calls are routed through such operator.

Centrex

An enhanced phone service offered by public exchanges that delivers PBX switchboard-like functions to groups of users without the need for a private exchange within an organization or other group of users.

Churn

A measure of customer turnover due to subscription disconnections as a result of terminations by customers; switching by customers to competing services; terminations by the service provider due to customer non-payment; and, in the case of mobile communications services, expirations of prepaid cards.

CLIP (Call Line Identification Presentation)

A code that is sent over phone lines in certain locations when a person makes a phone call. This code includes the phone number of the person making the call. Certain modems are able to understand this code, and inform the customer of the identity of the person who is calling before the customer answers the phone.

CLIR

Caller Line Identity Restriction

Co-Location

The physical or virtual placement of competitors' equipment within the facilities of Türk Telekom for purposes of providing telecommunications services to end users, such as interconnection and unbundling.

CPI

Consumer Price Index

CTI (Computer Telephony Integration)

A system that enables a computer to act as a call center, accepting incoming calls and routing them to the appropriate destination.

D

Digital

A method of storing, processing and transmitting information through the use of distinct electronic or optical pulses that represent the binary digits 0 and 1. Digital transmission and switching technologies employ a sequence of these pulses to represent information as opposed to the continuously variable analog signal. Compared to analog networks, digital networks allow for greater capacity, lower interference, protection against eavesdropping and automatic error correction. Signals are encoded into digits for transmission.

DSL (Digital Subscriber Line)

See "xDSL".

DSLAM (Digital Subscriber Line Access Multiplexer)

Equipment at a phone company's central location that can be used to link many customer DSL connections to a single high-speed ATM line.

DWDM (Dense Wavelength Division Multiplexing)

A technique enabling several independent flows of digital information to co-exist on the same optical fibre.

E

EDGE

Enhanced Data Rates for Global Evolution.

Ethernet

A local area network allowing several computers to transfer data, typically over a coaxial cable.

Glossary

Exchange

See “switch”.

F

Frame Relay

A data transport protocol that divides a physical communications line into several virtual channels. A technology part-way between X25 packet switching and ATM.

Frequency band

A specified range of frequencies. Frequency refers to the number of times per second that a wave (e.g., electromagnetic wave) oscillates or swings back and forth in a complete cycle from its starting point to its end point.

G

GByte

A unit of binary data commonly used to measure data storage or transfer.

Gbps (Gigabits per second)

A data transmission rate. One Gbps equals one billion bps.

G.SHDSL (Global Symmetric High Bit-Rate Digital Subscriber Line)

Service that provides equal bandwidth for both uploads and downloads and transports data at a maximum bit rate of 2.3 mbits/s in both directions.

GMPCS (Global Mobile Personal Communications via Satellite)

A personal communication system providing transnational, regional or global coverage through satellites that are accessible by end users with small and easily transportable terminals.

GPRS (General Packet Radio Service)

A GSM-based packet-switched data transmission technology standard, established by the European Telecommunications Standards Institute, in which base stations can be directly connected to the Internet, thus bypassing the switching systems typically used to connect mobile traffic to fixed networks. GPRS provides users of mobile communications services better data access capability with virtually instant and permanent connections, as well as speeds up to ten times higher than GSM.

GSM (Global System for Mobile Communications)

A digital mobile telecommunications system standardized by the European Telecommunications Standards Institute based on digital transmission and cellular network architecture with roaming in use throughout Europe, Japan and in various other countries. GSM systems operate in the 900 MHz (GSM 900) and 1800 MHz (GSM 1800, also referred to as DCS 1800) frequency bands.

GSM 900 and GSM 1800

See “GSM”.

I

Interconnection

The linking of telecommunications networks used by the same or different persons in order to allow the users of the services or networks of one person to communicate with the users of the services or networks of the same person or of another person, or to access services provided by another person.

International Roaming

Provision of roaming services in the domestic market to subscribers of a competing operator’s network. See “roaming”.

Internet Access Line

The network element used to connect a subscriber to the nearest switch or concentrator. An access channel generally takes the form of a closed circuit and consists of a pair of copper wires, but may also employ fibre optic cables, microwave links or other technologies.

IP (Internet Protocol)

Protocol used in the Internet for communication among multiple networks.

Glossary

IP-VPN (Internet Protocol Virtual Private Network)

A closed network of encrypted links accessible via Internet protocol

IPTV

Internet Protocol television, a system in which digital television services are delivered by using Internet Protocol over a network infrastructure, which may include delivery via a broadband connection.

ISDN (Integrated Services Digital Network)

A transmission system with the capacity to transmit two streams of information (voice, text, data or graphics) simultaneously on a single access channel based upon end-to-end digitalization and standardized out-of-band signaling.

ISDN-BA

Integrated Services Digital Network Basic Access, comprising two voice channels and one signaling channel.

ISDN-PA

Integrated Services Digital Network Primary Access, comprising 30 voice channels and one signaling channel.

ISP (Internet Service Provider)

A company providing access to Internet and other computer based information networks through its servers.

IT (Information Technology)

The broad subject concerned with all aspects of managing and processing information, especially within a large organization or company.

ITI (Interactive Terminal Interface)

A protocol that allows for the transfer of binary files between terminals across an X.25 network.

IVR (Interactive voice response)

A telecommunications system that uses a pre-recorded database of voice messages to present options to a user, typically over telephone lines.

K

Kbps (Kilobits Per Second)

A data transmission rate. One Kbps equals 2(10) bps.

L

LAN (Local Area Network)

A short distance data transmission network designed to interconnect personal computers, workstations, minicomputers, file servers and other computing devices within a localized environment, for the purpose of sharing files, programs and various devices such as printers and high-speed modems. LANs may have a decentralized communications management or include dedicated computers or file servers that provide a centralized source of shared files and programs.

Leased line

Voice and data circuits leased to connect two or more locations for the exclusive use of the subscriber.

Local Loop

See "access channel".

M

MByte

A unit of computer data commonly used to measure data storage or transfer.

Mbps (Megabits per Second)

A data transmission rate. One Mbps equals 2(20) bps.

MHz (Megahertz)

A measure of frequency. One MHz equals 1,000,000 cycles per second.

MMS (Multimedia Messaging Service)

A standard defined for use in advanced wireless terminals that allows users to send and receive messages containing various kinds of multimedia content, such as images, audio and video clips, with a "non-real-time" transmission.

MNP (Mobile Number Portability)

A service that allows customers to keep their mobile phone numbers when they change service providers.

MNS (Managed Network Services)

The management and provision of operational support for a network environment while the network hardware and associated assets remain on the client's books.

Glossary

MoU (Minutes of Use)

A measurement of customer activity. Average minutes of use per customer, usually presented on a monthly basis.

MVNO (Mobile Virtual Network Operator)

A company that offers mobile services using another company's network.

MPLS (Multiprotocol Label Switching)

A standards-approved technology for speeding up network traffic flow and making it easier to manage. MPLS involves setting up a specific path for a given sequence of packets, identified by a label put in each packet, thus saving the time needed for a router to look up the address in order to forward the packet to the next node.

N

Narrowband

A channel that provides data transfer rates less than or equal to one voice-grade line. Contrast with broadband speeds of data transfer.

NGN (Next Generation Networks)

IP/MPLS protocol-based digital packet-switched network.

NMT 450

Nordic mobile telephone and one of the earliest first generation mobile networks that operated mostly in the 450 MHz band.

Node

A network element that provides a point at which key telecommunications equipment or computers can access the network. In circuit networks, nodes are switching systems. In packet-switched networks they are often computers.

O

On-Net

Calls that stay on an operator's network or a customer private network from beginning to end.

P

Packet switching

A data transmission process, utilizing addressed packets, whereby a channel is occupied only for the duration of transmission of the packet.

PMR (Private Mobile Radio)/PAMR (Public Access Mobile Radio)

A commercial service using trunking techniques in which multiple groups of users can set up their own closed systems within a shared public network.

PC (Personal Computer)

A small digital computer based on a microprocessor and designed to be used by one person at a time.

Penetration Rate

The total number of subscribers for a carrier divided by the population that it serves expressed as a percentage.

Point-to-Point

A link from one user or network to another using a phone line.

PoP (Point of Presence)

A site where there exists a collection of telecommunications equipment, usually modems, digital leased lines and multi-protocol routers.

Pulses

A unit of measurement of billing intervals

Push-To-Talk

Mobile phone technology that allows a mobile phone to be used for real-time one-to-one and one-to-many voice communication, typically requiring the speaker to push a button on the handset to be heard and to release the button to listen.

PSTN (Public Switched Telephone Network)

The international telephone system based on copper wires carrying analog voice data. This is in contrast to newer telephone networks based on digital technologies, such as ISDN.

Glossary

PTT

The PTT is the General Directorate of Postal Telegraph and Telephone. Türk Telekom operated as part of the PTT from 1924 to 1995, when it was separated from the PTT and incorporated as a joint stock company under the Undersecretary of the Treasury.

R

Registered line

Registered line refers to a line with a valid and effective subscription agreement between the operator and the customer.

Ringback

When the customer gets a busy tone when calling a number, the caller is invited to punch R5. Once the called party's line is free, the service will call back the customer and will connect them.

RLLO

Türk Telekom's reference local loop offer. Türk Telekom is required by the Local Loop Unbundling Communiqué enacted on 1 July 2005 to publish a reference offer for access to its local loop. The reference local loop offer must be approved by the Telecommunications Authority every year. Türk Telekom submitted its RLLO for approval on 29 September 2005.

Roaming

The mobile telecommunications feature that permits subscribers of one network to use their mobile handsets and telephone numbers when in a region covered by another operator's network.

Router

An inter-network device that relays data packets to networks connected to the router based upon the destination address contained in those data packets being routed.

S

SCT (Special Communications Tax)

A tax imposed on all mobile communications services in Turkey to fund public works in the aftermath of the 1999 earthquake in Turkey's Marmara region. The tax was originally applicable through the end of 2000, but has been extended twice and on 1 January 2004 was made permanent when Law 5035 was enacted. The tax is paid by mobile customers and collected by mobile operators.

SDH (Synchronous Digital Hierarchy)

The European standard for high-speed digital transmission using fibre optic cables.

SIM (Subscriber Identity Module)

An electronic card inserted into a GSM phone that identifies the user account to the network, handles authentication and provides data storage for user data such as phone numbers and network information. It may also contain applications that run on the phone.

SLA (Service Level Agreement)

A contract between a network service provider and a customer that specifies, usually in measurable terms, what services, and in certain cases, the quality of such services that the network service provider will furnish.

SMS (Short Message Service)

A mobile communications system that allows users to send and receive alpha-numeric messages of up to 160 characters from one mobile handset to another via a short message service center.

SOHO

Small Office/Home Office.

Switch

A device used to set up and route telephone calls either to the number called or to the next switch along the path. They may also record information for billing and control purposes.

T

Termination rate

The interconnection fee received by an operator for incoming calls terminating on its network.

Glossary

U

UMTS (Universal Mobile Telecommunications System)

The third-generation broadband mobile communications standard. UMTS utilizes Code Division Multiple Access, or CDMA, technology and has the speed and capacity to handle multimedia transmissions. A UMTS system offers mobile telephony, messaging services, wireless access to the Internet and other multi-media services at higher speeds than GSM systems.

USO (Universal Service Obligation)

The obligation placed on Türk Telekom by the Universal Service Law enacted on 16 June 2005 to ensure that standard telephone services, pay phones and prescribed carriage services are reasonably accessible to all people in a particular region on an equitable basis, and with affordable pricing, wherever they reside or carry on business.

V

Voicemail

Any system for sending, storing and retrieving audio messages, similar to a telephone answering machine.

VoIP

Voice over Internet Protocol, in which voice traffic is carried over Internet Protocol rather than a circuit-switched network.

VPN (Virtual Private Network)

A data network that shares telecommunications infrastructure but acts as a secure private network, with an architecture based on the use of the TCP-IP (Time Compression Multiplexing—Internet Protocol).

W

WAP (Wireless Application Protocol)

A global open specification that supports Internet Protocols on wireless devices, such as mobile phones, two-way radios, smart phones and communicators, to easily access and interact with Internet-based services. With WAP, a mobile phone user can view mini-pages and interact with a small, multiple choice screen.

Wi-Fi (Wireless Fidelity)

The generic term used to refer to any type of IEEE 802.11 radio frequency network, in which signals are sent over radio frequencies or infrared using wireless network cards and hubs to provide wireless network access.

WiMax (World Interoperability for Microwave Access)

The successor to Wi-Fi. The generic term used to refer to any type of IEEE 802.16 radio frequency network, with a range of up to 80 km and a bandwidth of up to 75bps.



Glossary

WLAN

A wireless network connecting two or more computers or other devices over a short distance, such as within an office, a home or a hot spot. Wi-Fi and its successor, WiMax, are examples of WLANs.

X

X25

A worldwide protocol for communications services using packet-switched networks.

xDSL

Refers collectively to all types of digital subscriber lines, the two main categories being ADSL and SDSL. Two other types of xDSL technologies are High-data-rate DSL (HDSL) and Very high DSL (VDSL). DSL technologies use sophisticated modulation schemes to pack data onto copper wires. They are sometimes referred to as “last-mile technologies” because they are used only for connections from a telephone switching station to a home or office, not between switching stations.

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