



**We are very
beautiful together**





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Glossary

The events of 2016 bolstered Turkey's feelings of national unity and solidarity. The country grew ever stronger and demonstrated a development performance that served as an example in many areas. During these challenging times, we have all seen what a vital role "communication" plays. As the Türk Telekom family, we will continue working "together" with self-sacrifice for our country, as always..



We are
growing
together!





Türk Telekom

1.5 Million

New subscribers

38.9 Million

Total subscriber
number

As the leading communication and entertainment service provider in Turkey, we continued our strong operational performance this year. We added 1.5 million new subscribers, expanding our subscriber base to 38.9 million.

We are **rising**
together!





Türk Telekom

75%

Smartphone
penetration

53%*

Ownership of
smartphone users
on LTE devices
devices

Smartphone penetration rose to 75%, while 53% of smartphone users are on LTE-compatible devices.

Since the LTE launch, our customers' data usage has increased significantly.

*Among smartphones.

We are **selfy'ing**
together!



Türk Telekom



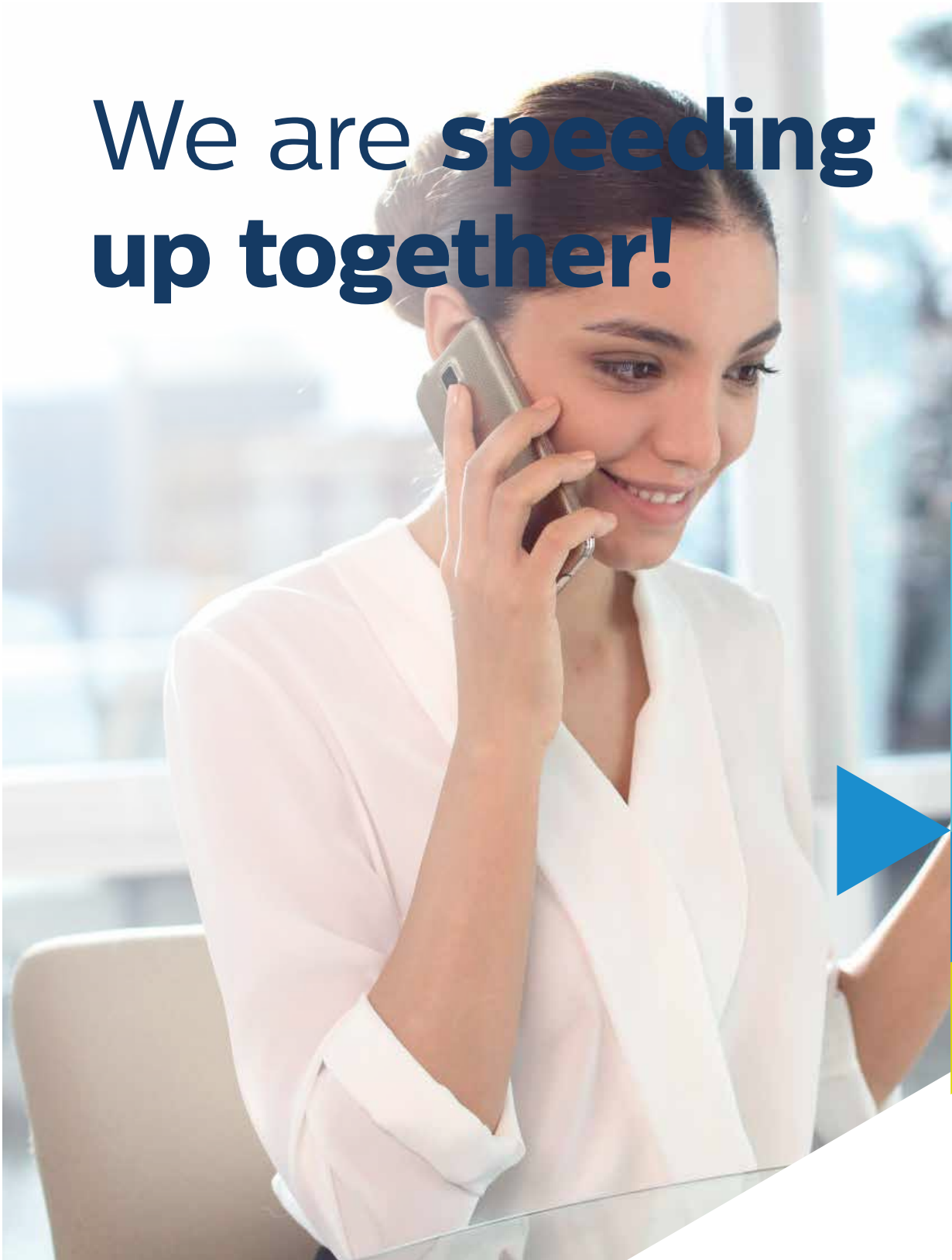
Türk Telekom
selfy

**Enthusiasm
+
Energy
+
Happiness**

**Advantages
+
Privileges**

Following the brand integration process, we took yet another innovative step, rebranding our mobile services sub-brand aimed at young people as Selfy. We aim to reinforce our position in the youth market with the Selfy brand. Our innovative offerings and services give young people the opportunity to make their own choices.

We are **speeding
up together!**



Türk Telekom



228 thousand km

Fiber infrastructure

13.9 Million

Fiber Homepass
Coverage

We continued to build on our strengths in fixed services. We extended our fiber network to 228 thousand km, covering the entire country, while our fiber homepass coverage reached 13.9 million households.

Türk Telekom Group

As the “Multi play provider of Turkey,” Türk Telekom Group Companies offer a complete range of mobile, internet, phone, TV and innovative digital services.

Türk Telekomünikasyon A.Ş., with 176 years of history, is the first integrated telecommunications company in Turkey. In 2015, Türk Telekomünikasyon A.Ş. adopted a “customer-oriented” integrated structure in order to respond to the rapidly changing communication and technology needs of customers in the most powerful and accurate manner, while maintaining the legal entities of Avea İletişim Hizmetleri A.Ş. and TTNET A.Ş. intact and complying with the rules and regulations to which they are subject. Türk Telekom – which has a wide service network and rich range of products in the field of consumer and corporate services – brought its mobile, broadband, fixed voice and TV products and services together under the single brand name of “Türk Telekom” as of January 2016.

As the “Multi play provider of Turkey,” Türk Telekom Group Companies have 13.1 million fixed access lines, 8.7 million broadband and 18.6 million mobile subscribers as of December 31, 2016. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 33,224 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, owns 100% of mobile operator Avea İletişim Hizmetleri A.Ş.; retail internet services, IPTV, satellite TV, Web TV, Mobile TV, Smart TV services provider TTNET A.Ş.; TV Broadcasting and VOD services provider Net Ekran Companies; convergence technologies company Argela Yazılım ve Bilişim Teknolojileri A.Ş.; IT solution provider Innova Bilişim Çözümleri A.Ş.; online education software company Sebit Eğitim ve Bilgi Teknolojileri A.Ş.; call center company AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş.; wholesale data and capacity service provider Türk Telekom International and its subsidiaries.

Vision and Values

Türk Telekom, with 176 years of history, is the first integrated telecommunications company in Turkey.

Our Vision

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

Shared Values and Attitudes

▶ Customer Focus:

- We listen to our customers and make their lives easier with solutions customized to 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 boldly 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 swift 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

Türk Telekom was named “Turkey’s most valuable telecommunication brand” in 2016 on the “Telecoms 500” list of the world’s 500 most valuable telecommunication brands.

1994

- » Türk Telekom was established on June 30, 1994.

1995

- » PTT’s telecommunication and postal services divisions were separated on April 24, 1995. All personnel, assets and liabilities related to the telecommunications services of PTT were subsequently transferred to Türk Telekom, which was wholly owned by the Republic of Turkey Prime Ministry Undersecretariat of the Treasury.

2004

- » TT & TİM İletişim Hizmetleri A.Ş. was founded on February 19, 2004 through the merger of Türk Telekom’s GSM Operator, Aycell, and İş-TİM.
- » The trade name TT & TİM İletişim Hizmetleri A.Ş. was changed to Avea İletişim Hizmetleri A.Ş. on October 15, 2004.

2005

- » Türk Telekom’s privatization was completed on November 14, 2005, with the transfer of 55% of Türk Telekom shares to Oger Joint Venture Group.

2006

- » Türk Telekom subsidiary TTNET was established on April 26, 2006, commencing operations on May 14 by obtaining an internet service provider license.
- » Türk Telekom increased its shareholding in Avea to 81.12% with the acquisition of 40.56% of the shares of İş-TİM for USD 500 million on September 15, 2006.

2008

- » 15% of Türk Telekom shares were offered to the public and listed on the Istanbul Stock Exchange on May 15, 2008.

2010

- » Türk Telekom acquired Invitel International (now Türk Telekom International), on October 7, 2010, the leading wholesale capacity and data services provider in Central and Eastern Europe.

2011

- » Türk Telekom distributed TL 2.244 billion – its entire 2010 distributable profit – to shareholders in gross cash dividends on 30 May 2011, breaking an all-time record in the history of the Istanbul Stock Exchange.
- » Türk Telekom became Turkey’s first telecommunications company to report its carbon emissions to the Carbon Disclosure Project (CDP).

2012

- » Türk Telekom increased its total shareholding in Avea to 89.99%.

2013

- » TTNET and Sobee, two wholly owned Türk Telekom subsidiaries, were merged with the transfer of Sobee's entire assets and business to TTNET.
- » On December 10, 2013, upon a resolution adopted by the Board of Directors Türk Telekom announced the restructuring of its executive leadership by combining the roles of Group CEO and General Manager into a single CEO position and removing the Group CFO position.

2014

- » Türk Telekom's overseas bond offering of up to USD 1 billion (or its equivalent in other foreign currency or Turkish Lira) with a maturity of up to 10 years was oversubscribed eight times by investors from a broad geography. The transaction was the largest corporate bond issue as well as the first-ever dual tranche debt offering across two maturities issued in Turkey. Conducted in two tranches with 5-year and 10-year maturities, the bond issuance was priced at a 30 bps spread to Turkish sovereign issues of similar tenors.

- » International credit rating agency Fitch Ratings assigned "BBB-" (investment grade) with a stable outlook to Türk Telekom's long-term foreign and local currency issuer default ratings and assigned "BBB-" to senior unsecured rating; and affirmed the rating afterwards as part of its routine review in 2014.
- » International credit rating agency Standard & Poor's (S&P) upgraded the corporate credit rating of Türk Telekom from "BB+" to "BBB-" (investment grade), emphasizing that Türk Telekom had strengthened its liquidity position after a successful bond issue of USD 1 billion in June 2014.
- » TTNET A.Ş. purchased the Turkey media rights of UEFA Champions League and UEFA Europe League matches for three seasons beginning with the 2015-2016 season. It was announced that UEFA Champions League and UEFA Europe League football games would be broadcast via the Türk Telekom Group's digital TV broadcasting platform Tivibu. Pursuant to the contract signed with UEFA, an agreement was also reached with TRT, which became Türk Telekom's free-to-air partner.

History

In order to deliver mobile, broadband, fixed voice and TV services through a single channel; Avea, Türk Telekom and TTNET were unified under a single “Türk Telekom” brand.

2015

- » The Türk Telekom Group, the leading telecommunications and communication technology group in Turkey, celebrated its 175th anniversary with a spectacular reception held in Ankara with the attendance of President Recep Tayyip Erdoğan.
- » The transfer of the shares of Avea İletişim Hizmetleri A.Ş., which were held by the İş Bank Group, to Türk Telekomünikasyon A.Ş., was completed. With the share transfer, Türk Telekom became the sole owner of Avea İletişim Hizmetleri A.Ş.
- » After signing a C&MA (Construction and Maintenance Agreement), Türk Telekom International joined the SEA-ME-WE-5 consortium as a full member. In order to provide the most innovative, reliable and comprehensive services with the fastest and most robust infrastructure in Turkey and the surrounding region, Türk Telekom also supported the powerful terrestrial network connecting the three continents with the submarine.
- » Avea İletişim Hizmetleri A.Ş., has won the below packages in the IMT Service and Infrastructure Authorization Tender (publicly known as LTE Authorization Tender) held by the Information and Communication Technologies Authority (ICTA) on August 26, 2015.-2x10 MHz bandwidth in 800 MHz frequency for Euro 380,000,000,
 - 2x7.6 MHz bandwidth in 900 MHz frequency for Euro 216,819,184,
 - 2x20 MHz bandwidth in 1800 MHz frequency for Euro 310,000,000,
 - 2x10 MHz bandwidth in 2600 MHz frequency for Euro 25,858,917,
 - 1x15 MHz bandwidth in 2600 MHz frequency for Euro 22,000,000.
- » As a result of this tender Avea,
 - In the 800 MHz frequency, owns the cleanest and the closest package to the 700 MHz frequency, which is an important element for 5G
 - In the 900 MHz frequency, moved out of a disadvantageous position
 - In the 1800 MHz frequency, has the widest capacity, which is the most important frequency for LTE
 - Holds 175 MHz of total bandwidth.
 - Has the highest MHz per user.
- » Total spectrum fee is Euro 954,678,101.

- » Türk Telekom Group announced a partnership with Amazon Web Services (AWS) to provide the most advanced cloud computing solutions to Turkish companies. Under this partnership, all enterprises in Turkey, small or large, will be able to access virtual server services provided through the AWS global cloud network.
- » Türk Telekom Group, Turkey's leading integrated telecommunications company, joined the Bridge Alliance, the largest mobile alliance of the leading mobile operators in the Asia-Pacific region. The Türk Telekom Group is the first company to represent Turkey within the Bridge Alliance, which has a combined customer base of over 700 million customers.
- » Türk Telekom Group introduced its first smartphone "TT175."
- » Nokia and Türk Telekom agreed to cooperate to produce "baseband" equipment that emits signals, considered the brain of a base station. Türk Telekom became the first operator to integrate ULAK Turkey's first national LTE base station into its network.
- » Prior to the transition to LTE on April 1, Türk Telekom's senior management launched GIGA LTE.
- » Türk Telekom once again made its mark on the Bilişim 500 awards. Türk Telekom ranked first among 500 companies in terms of sales revenue, and also came first at the 17th edition of the Bilişim 500 Survey's "Communication Technologies" ranking. Türk Telekom also garnered the "Telecoms Company Main Category Winner of the Year" and "Internet Services Category Winner of the Year" awards.

2016

- » In order to deliver mobile, broadband, fixed voice and TV services through a single channel, the brands Avea, Türk Telekom and TTNET were unified under a single "Türk Telekom" brand.
- » Taking the first step towards its vision of supporting domestic production in LTE technologies, Türk Telekom became the first operator to place an order for ULAK, the LTE national base station project, developed by Aselsan, Netaş and Türk Telekom's R&D subsidiary Argela, with the support of the Undersecretariat of the Defense Industry.
- » Türk Telekom was named "Turkey's most valuable telecommunication brand" in 2016 on the "Telecoms 500" list of the world's 500 most valuable telecommunication brands, published annually by Brand Finance.
- » At the GSM Association Mobile Congress held in Barcelona on February 22-25, cooperation between Türk Telekom and Korea Telecom was announced.
- » Türk Telekom, Turkey's leading communication and entertainment Technology Company introduced its new youth brand Selfy.
- » Türk Telekom's Board of Directors appointed Paul Doany, a well-known figure in the sector, as CEO as of September 26, 2016.
- » Türk Telekom became the first Turkish operator to test Narrowband IoT technology on its own network, in collaboration with Nokia.
- » On December 12, 2016, organizational changes made in order to increase efficiency and effectiveness under the integrated Türk Telekom structure were announced.
- » Türk Telekom International joined the Sea-Me-We-5 consortium as a full member in 2015, and the cable system started to give service at the end of 2016, linking 17 countries in Asia to Europe over a distance of 20,000 kilometers.

Türk Telekom Main Highlights



Consecutive
9 YEARS

The most
valuable
telecom brand



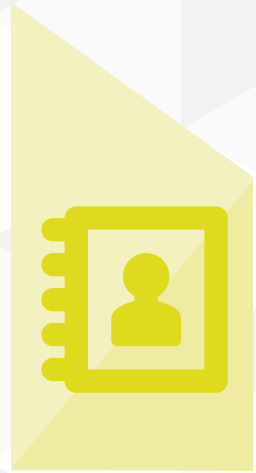
**THE LEADER
IN TURKEY**

Integrated
telecom services



98%

Fixed line
household
coverage



38.9

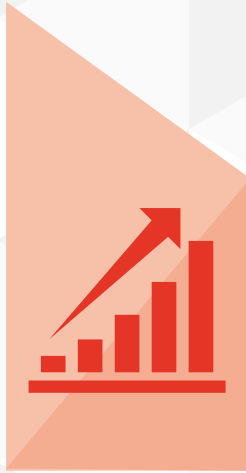
Million

Subscribers



75%

LTE population coverage rate



26

TL Billion

CAPEX since privatization (2005)



228

thousand km

Fiber infrastructure in 81 provinces



13.9

Million

Fiber household coverage

Highlights

On January 26, Türk Telekom unified its Avea, Türk Telekom and TTNET brands under single “Türk Telekom” brand to promptly offer its customers the latest technologies and the convenience of a one-stop shop.



JANUARY 2016

Türk Telekom's Single Brand Launch

Proactively assessing the changing world and customer needs, Türk Telekom unified its Avea, Türk Telekom and TTNET brands under the single “Türk Telekom” brand on January 26, to offer its customers the latest technologies, as well as the convenience of a one-stop shop. Thereby, Türk Telekom is today able to deliver mobile, broadband, fixed voice and TV services through a single channel, positioning itself as the

“Multi Play Provider” of Turkey, thanks to its unique capability of converging communication and entertainment technologies.

Türk Telekom also revised its brand identity and logo, achieving the biggest brand transformation in Turkey. The Company's new logo represents unity and harmony: Portrayed in a dynamic manner, the colorful triangles represent the integration of the three brands. Türk Telekom's new logo reflects the Company's energetic, innovative and progressive spirit, as well as the set of values it will be offering Turkey and the Turkish people. Additionally, the unification of three brands is symbol of the fact that the Company will meet all the communication needs of customers through a single channel.

The Single Brand launch event, one of the key milestones in Turkey's telecommunications history, was held in Antalya with the participation of Türk Telekom's senior managers. Subsequently, several events were organized in Istanbul and Ankara to tell the story of the new logo.

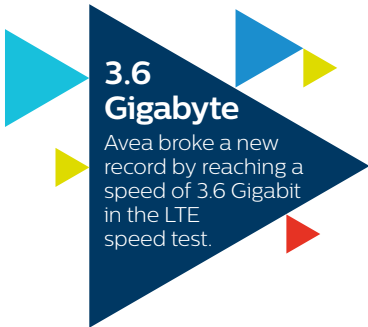
Türk Telekom Business Leaders Summit

Türk Telekom brought together the senior managers of the largest corporations in Turkey at the “Business Leaders' Summit”, held in Izmir on January 5, 2016. At the event, which was also attended by the senior managers of Türk Telekom, the Company shared its corporate solutions and highlighted the fact that its nationwide fiber network serves as the communication backbone of Turkey.

The World Economic Forum Annual Meeting in Davos

Türk Telekom's senior managers attended the World Economic Forum Annual Meeting, held on January 20-23, in Davos, Switzerland, where they shared important information relating to the Davos agenda and Turkey.

Türk Telekom



FEBRUARY 2016

Türk Telekom became the first operator to place an order in ULAK

Taking the first step towards supporting domestic production in LTE technology, Türk Telekom became the first operator to place an order in "ULAK", the LTE base station project developed by Argela- the R&D subsidiary of Türk Telekom, Netaş and Aselsan.

GSMA – Türk Telekom & Korea Telecom Collaboration and the MILAT Project

Türk Telekom's senior managers participated in the GSMA Congress (GSM Association Mobile Congress), which took place in Barcelona on February 20–25, 2016, and announced a new collaboration between Türk Telekom and Korea Telecom. As a result of this collaboration, LTE/Wi-Fi integration, a new technology initially launched exclusively in South Korea, and enabling mobile devices to reach

a speed of 1-gigabit-per-second, is now being used in Turkey as well. Additionally, the Company presented details of the MILAT Project and the national 5G roadmap to members of the press. As the only company complying with the technical requirements set forth by the Undersecretariat for Defense Industries (SSM), Türk Telekom participates in the MILAT Project with the ProgRAN solution, which was developed by the Company's R&D subsidiary Argela, and is considered among the groundbreaking technologies set to shape the future of 5G.

"Conference Broadcasting": A first-of-its kind service offered by Türk Telekom Tivibu

Türk Telekom Tivibu continues to develop innovative applications in TV broadcasting, and accordingly, the Company began conference broadcasting, which brings critical moments and goals in football matches to the audience within 3 minutes.

Highlights

Nokia and Türk Telekom signed a collaboration agreement for developing new products and services in 5G technology.



MARCH 2016

Launch of GIGA 4.5G

Following the launch of GIGA 4.5G, Türk Telekom started to deliver the LTE mobile internet experience in Turkey as of April 1.

At the launch event, which was attended by the senior managers of Türk Telekom, it was announced that as of April 1, Türk Telekom was the first operator in Turkey to offer a speed of 1-gigabit-per-second, and the only operator to offer an internet speed that is three times faster than LTE. Cristiano Ronaldo, one of the world's fastest football players, fronted Türk Telekom's GIGA LTE advertising campaign, which focused on speed.

Türk Telekom and Nokia support domestic production

Nokia and Türk Telekom signed a collaboration agreement for the production of "baseband" units, which process and transmit signals, in Turkey. Baseband units are considered one of the most critical components of base stations.

M2M World Congress

Türk Telekom's senior managers participated in the M2M World Congress in London, and presented Türk Telekom's M2M products and services targeting corporations.

APRIL 2016

5G Collaboration with Nokia

Nokia and Türk Telekom signed a collaboration agreement for developing new products and services with 5G technology.

IDC4 Data Center

Opening of the IDC4 Data Center Offering the richest solution portfolio and the best-in-class customer service in Turkey, Türk Telekom opened its new data center IDC4 in Ümitköy, Ankara with a ceremony on Thursday, April 14. Thanks to its new, integrated structure, Türk Telekom offers its corporate customers the convenience of a one-stop shop. The opening of the IDC4 Data Center brought the number of the Company's data centers to four. Türk Telekom continues to deliver seamless customer services at its world-class, high-security facilities in Istanbul and Ankara, while increasing the capacity of its new data centers.



5G World Summit

Türk Telekom's senior managers participated in the 5G World Summit in London and presented the Company's solutions relating to next-generation cities and 5G technology.

JUNE 2016

A broadcasting record from Türk Telekom Tivibu

Tivibu, the next generation TV platform of Türk Telekom, set a new record by broadcasting a total of 250 UEFA Champions League and UEFA Europa League matches during the 2015-2016 season. Tivibu holds the broadcasting rights of UEFA, one of the most prestigious sports organizations in the world, for three seasons. Tivibu broadcasted a total of 143 UEFA Champions League matches, of which 100 were broadcasted live, and a total of 99 UEFA Europa League matches, of which 78 were broadcasted live.

Türk Telekom is once again named "Turkey's Most Valuable Telecommunications Brand" on the "Turkey Most Valuable Brands – Turkey 100 list" in 2016

According to the results of the "Turkey 100 - Turkey's Most Valuable Brands" survey, conducted annually by Brand Finance, the world's leading branded business valuation consultancy, Türk Telekom was named the "Most Valuable Telecommunications Brand" in Turkey for the eighth consecutive year. It thereby, once again proved that it is the leading communications and entertainment technology company in Turkey.

MAY 2016

"Gönül Dağı" Project Launch

Türk Telekom announced that it would provide employment opportunities to young people raised in orphanages, within the framework of the "Gönül Dağı" Project initiated by the Ministry of Transport, Maritime Affairs and Communications. First Lady, Emine Erdoğan, the wife of Turkish President Recep Tayyip Erdoğan, along with the CEO of Türk Telekom attended the launch event.

The Launch of Sunshine Game Application

Within the framework of the Sunshine Project, which aims to teach children with low vision how to see by helping them improve their visual abilities, get an education, and participate in life with equal conditions, Türk Telekom introduced the Sunshine Game, the first-of-its-kind in the world, with the participation the Company's Chief Technology Officer. Developed by Türk Telekom's R&D department, the application aims to improve the visual function and eye-hand coordination of people of limited vision.



1st Place

Türk Telekom ranks first on the Bilişim 500 Companies list.

Highlights

Following the failed coup attempt of July 15th, Türk Telekom took immediate action to protect democracy and showed a strong stance against any form and movement that threatened the security of the state and the nation.



JULY -AUGUST 2016

July 15th - We Are Very Beautiful Together

During the failed coup attempt of July 15th, Türk Telekom took immediate action to protect democracy and a strong stance against any form and movement that threatened the security of the state and the nation.

Serving as the communication backbone of Turkey, Türk Telekom did not allow for any damage on the communication systems on the night of the failed coup attempt. The Company worked in full cooperation with the regulatory bodies and security forces to prevent coup plotters from accessing its communication systems.

The heroism demonstrated by the Turkish nation on that night inspired Türk Telekom's "We Are Very Beautiful Together" campaign, which eventually became the slogan of July 15th. In every detail from the visuals to the message, the campaign emphasizes national unity and solidarity.

Having a martyr for democracy, Türk Telekom united with the Turkish people and prevented the coup with the power of communication. In the aftermath of the failed coup attempt, Türk Telekom continued to support the families of martyrs who lost their lives defending democracy and initiated a campaign to mobilize support for the martyrs' families. The Company donated TL 10 million to the "July 15th Solidarity Campaign".

Further, Türk Telekom offered additional communication benefits to the public in order to support democracy duties, and provided full support to the Turkish people during the National Unity Rally, which took place on the July 15th Martyrs' Bridge. Türk Telekom's Emergency Communications Vehicle served throughout the night to enable thousands of people marching in the rally to communicate free of charge. Additionally, the Company extended the Wi-Fi coverage in more than 5 thousand locations and provided free internet access to citizens, who kept watch for democracy across Turkey.

Türk Telekom is named "Turkey's Most Valuable Telecommunications Brand" in 2016 once again.



Türk Telekom offered its mobile subscribers free minutes and mobile data, and the first 5 minutes free of charge for national and international calls made from pay phones. Additionally, the Company offered three thousand free minutes for national and international calls to individual customers using landline phones.

In addition to these benefits, Türk Telekom provided free-of-charge extra data to meet the rising communication needs of wholesale customers and their subscribers that have the unlimited package.

Türk Telekom topped the Bilişim 500 list

In terms of sales revenue, Türk Telekom ranked first among 500 corporations, rising to first place in the category of “Communication Technologies” on the 17th edition of the “Bilişim 500” (ICT Top 500) list. The Company was also named as the “Telecommunications Company of the Year,” as well as the “Internet Service Provider of the Year.

SEPTEMBER 2016

Paul Doany became the new CEO of Türk Telekom

Dr. Paul Doany was appointed as Türk Telekom CEO, effective as of September 26, 2016.

With Selfy, Türk Telekom created a new world for young people while breaking grounds with Avatar.

Türk Telekom’s “Selfy” created a new world for young people, while achieving a first with Avatar Türk Telekom launched a new youth brand, “Selfy”, opening the doors to a new world where young people can freely reflect their lifestyles, preferences and tastes.

Türk Telekom Tivibu welcomed the new broadcasting season

Türk Telekom’s next-generation TV platform Tivibu made a strong start into the new broadcasting season with advanced broadcasting features and rich content. Having introduced many groundbreaking firsts in TV broadcasting, Türk Telekom Tivibu welcomed the new

broadcasting season at a special event, which was attended by Türk Telekom’s managers and prominent people from the world of sports and entertainment.

Social Good Summit organized jointly by UN and Türk Telekom

The Social Good Summit, with the agenda to examine and discuss the impact of technology and new media on social good and sustainable development goals, was organized in Istanbul with the partnership of the UN Development Program and Türk Telekom.

OCTOBER 2016

Türk Telekom completed the 4th term of the PILOT Program

Türk Telekom’s startup accelerator program PILOT successfully completed its fourth term. The “Demo Day” event brought prominent entrepreneurs and investors of the startup ecosystem together.

Highlights

In collaboration with Nokia, Türk Telekom became the first operator to test NB-IoT (Narrow Band-Internet of Things) technology on its network in Turkey.



NOVEMBER 2016

Türk Telekom participated in the Education Technology Summit

Türk Telekom's CEO Dr. Paul Doany participated in the FATİH Project Education Technology Summit, which was organized by the Ministry of National Education, General Directorate of Innovation and Education Technologies to draw support for the FATİH Project, and to use the ecosystem created by the Project more effectively.

In collaboration with Nokia, Türk Telekom tested NB-IoT technology on its network

In collaboration with Nokia, Türk Telekom became the first operator to test NB-IoT (Narrow Band-Internet of Things)

technology on its network in Turkey. During the "IoT-enabled smart heat meter test" conducted at Türk Telekom laboratories, where future technologies are tested, the temperature of the operating room was measured and reported progressively.

Türk Telekom participated in the Bosphorus Summit

Türk Telekom participated in the 7th Bosphorus Summit, organized under the auspices of the President, to present its inclusive business models, which the United Nations Development Program considers to set a good example for the world. Türk Telekom CEO Dr. Paul Doany gave a speech on the Company's inclusive business models on the first day of the Summit.

DECEMBER 2016

Türk Telekom will represent Turkey at Network World 2020, leading 5G efforts in Europe,

Türk Telekom is once again elected to the Board of Network World 2020, the European Technology Platform for communications networks and services, which initiated 5G efforts within the European Union. The European

Türk Telekom topped the Bilişim 500 list



Technology Platform (ETP) was established to design and develop next generation communication technologies, as well as information and communication infrastructures in line with the “Europe 2020 Strategy”. Türk Telekom was elected to ETP’s Board in 2013, and the Company will continue to work to increase Turkey’s involvement in ETP and to contribute to 5G efforts.

Türk Telekom participated in the 33rd National Informatics Assembly organized by the Informatics Association of Turkey (IAT)

Türk Telekom’s CEO Dr. Paul Doany participated in IAT’s 33rd National Informatics Assembly, which was organized under the theme of “Informatics and Democracy”. Prime Minister Binali Yıldırım presented an Informatics

and Democracy Award to Türk Telekom for its support during the coup attempt.

Türk Telekom launched the mobile version of its Telephone Library

Türk Telekom took its Telephone Library service to a new level by launching the mobile version so that more book lovers with visual impairment could access the library regardless of their location. Within the scope of the “December 3rd International Day of People with Disabilities” events, two Telephone Library cabins were located at Hürriyet Newspaper’s building on December 1-2, and at Sabah Newspaper’s building on December 2-5 to give members of the press the opportunity to record audio books for the visually impaired.



Türk Telekom launched the mobile version of its Telephone Library.

Key Performance Indicators

Financial Indicators

Revenue, EBITDA and Net Income

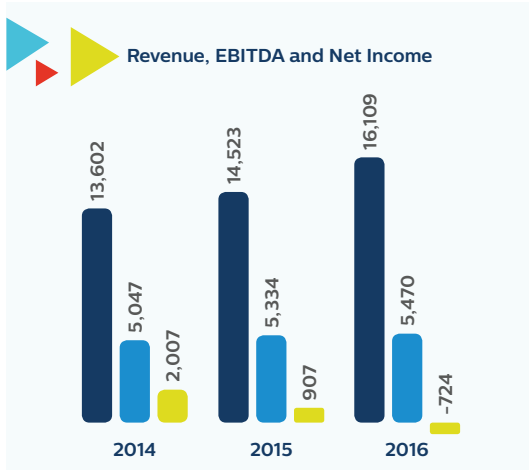
Türk Telekom Group successfully completed 2016 with record revenue generation and outstanding operational performance. Group revenues for the year increased to TL 16.1 billion with a growth rate of 10.9% YoY – the highest annual growth since the IPO. Excluding the construction revenue adjustment, double digit YoY top line growth of 10.6% was achieved, exceeding the guidance. The Group delivered an EBITDA of TL 5.5 billion with a 34% EBITDA margin, while capex was at TL 3 billion corresponding to a 19% capex/sales ratio.

*Construction accounting adjustment is a non-operational revenue line booked in conjunction with upgrades to fixed line infrastructure, such as the upgrade from copper to fiber based network.

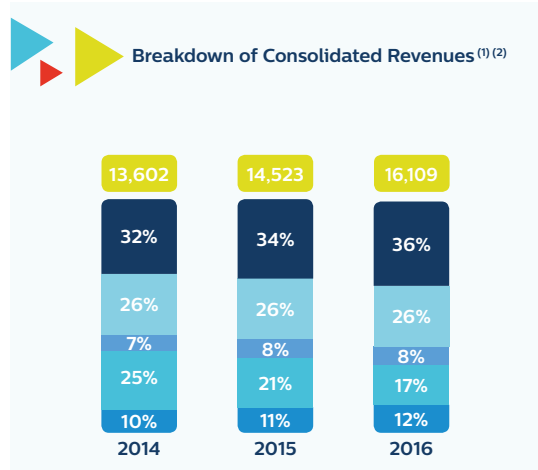
The Group realized a net loss of TL 724 million in 2016 due to FX losses driven by TL depreciation against USD and EUR.

Breakdown of Consolidated Revenues

The share of the high growth businesses; mobile and broadband revenues reached 62% in 2016, compared to 58% in 2014. Meanwhile, fixed voice revenues was the third largest revenue item contributing a 17% share in 2016, down from 25% in 2014.



■ Revenue (TL Million) ■ EBITDA (TL Million) ■ Net Profit (TL Million)



■ Revenue (TL Million) ■ Mobile ■ Broadband
■ Corporate Data ■ Fixed Voice ■ Other

Other: TV, international sales, interconnection, construction revenue adjustment, eliminations and other

As of Q2'16 there were some reclassifications in the revenue breakdown. The reclassifications are applied retroactively to Q1'14.

⁽¹⁾ Fixed Voice revenue is reclassified. Fixed line incoming call interconnection revenues, which were previously reported under domestic and international revenues, are reported under Fixed Voice revenue line.

⁽²⁾ TV revenues, which were previously reported under broadband revenues, are reported separately.

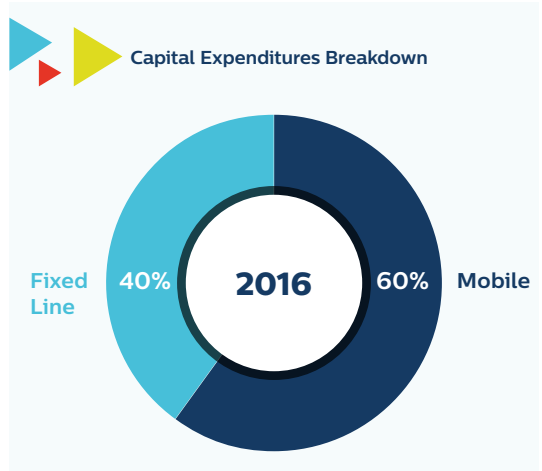
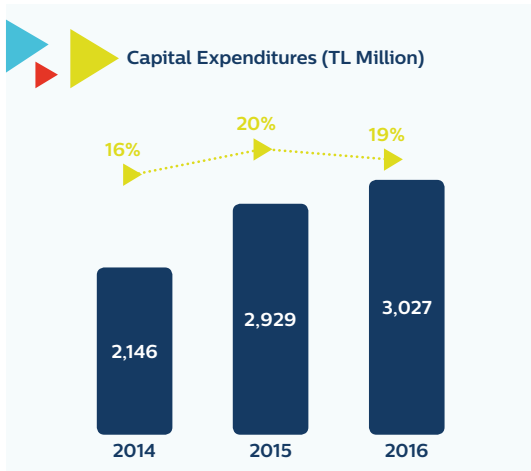
Note: As of Q2'16, eliminations are netted off with related revenue items. The new elimination line includes only the incoming call interconnection revenues that mobile and fixed line segments generate from each other.

Capital Expenditures

Group invested TL 3.0 billion in 2016 corresponding to 19% capex to sales, excluding LTE license fees, driven by fiber investments on the fixed side and LTE investments accelerated following LTE authorization tender.

Breakdown of Investment Expenses

Fiber infrastructure investments in fixed line and LTE investments in mobile, which gained momentum after the LTE auction, were the priority investment areas in 2016.



■ Capital Expenditures (TL Million) ► Capital Expenditures/Sales
 *Excluding license fees

Key Performance Indicators

Summary Income Statement (TL million)	2014	2015	2016	2015-2016 Change (%)
Revenue	13,602	14,523	16,109	10.9
Net Operating Expenses excluding Depreciation and Amortization	(8,555)	(9,189)	(10,639)	15.8
Earning before Interest Tax Depreciation and Amortization (EBITDA)	5,047	5,334	5,470	2.6
Depreciation and Amortization	(2,002)	(2,272)	(2,849)	25.4
Operating Profit	3,045	3,062	2,621	(14.4)
Net Financial Income/(Expenses)	(469)	(1,801)	(3,018)	67.6
Tax	(607)	(398)	(328)	(17.7)
Net Profit	2,007	907	(724)	n.m.

Revenues

Consolidated revenues increased by 10.9% YoY (up by TL 1,586 million) to TL 16,109 million in 2016 with a 16.2% increase in mobile (up by TL 802 million) and 12.6% increase in broadband (up by TL 476 million). Excluding the non-operational construction revenue adjustment, top line growth was 10.6% YoY (up by TL 1,506 million) in 2016, exceeding guidance. Stronger than expected revenue growth in 2016 was attributable to the better than expected impact of integration and brand unification on the top line during the year alongside higher than expected growth in project base revenues in Q4.

Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)

Consolidated EBITDA was TL 5.5 billion with 2.6% YoY growth and an EBITDA margin of 34.0%. Group EBITDA margin was partly affected by TL 67 million provision realized in Q4'16 related to treasury share notifications. Underlying 2016 EBITDA growth is 6.7% year on year with an EBITDA margin of 34.4% when adjusted for the provision in Q4'16 and one-off gain of TL 146 million in Q4'15 on the settlement with Turkcell.

Depreciation and Amortization

Depreciation and amortization expense increased by 25.4% YoY to TL 2,849 million in 2016, partly due to amortization of new spectrums.

Operating Profit

Operating profit declined 14.4% YoY (down by TL 441 million) to TL 2,621 million in 2016 due to acceleration in depreciation and amortization expense. Adjusted for TL 67 million provision realized in Q4'16 related to treasury share notifications and one-off gain of TL 146 million in Q4'15 on settlement with Turkcell, the decline in operating profit in 2016 is 7.8% YoY, while adjusted operating profit increased by 10.7% YoY in Q4'16.

Net Financial Income / Expense

The Group recorded a TL 3,018 million net financial expense in 2016 due to FX losses on the back of sharp depreciation of the Turkish Lira against USD and EUR in 2016. (December 2016 Closing Rates USD/TRY: 3.5192, EUR/TRY: 3.7099, December 2015 Closing Rates: USD/TRY: 2.9076, EUR/TRY: 3.1776)

Tax Expense

Tax expense was down by TL 71 million to TL 328 million in 2016 due to lower profit before tax, mainly due to FX losses.

Net Income / Loss

Group realized a net loss of TL 724 million in 2016 due to FX losses driven by TL depreciation against USD and EUR.

Summary Balance Sheet (TL million)	2014	2015	2016
Intangible Assets	4,789	8,217	8,341
Tangible Assets	8,194	8,565	8,710
Other Assets	4,356	6,154	6,806
Cash and Cash Equivalents	2,538	2,838	3,016
Total Assets	19,878	25,774	26,874
Share Capital	3,260	3,260	3,260
Reserves, Retained Earnings and Other Equity Items	3,043	1,733	126
Interest Baring Liabilities	8,878	11,803	15,041
Provision for Employee Termination Benefits	556	635	696
Other Liabilities	4,141	8,342	7,751
Total Equity and Liabilities	19,878	25,774	26,874

Total Assets

In 2016, total assets increased 4% year on year to TL 26.9 billion. Total assets grew mainly due to the increase in trade receivables in parallel to increase in sales, increase in tangible assets and increase in the asset value of derivative financial instruments.

Total Equity and Liabilities

Total equity and liabilities increased in 2016 with the impact of sharp depreciation of the Turkish Lira against USD and EUR, leading to an increase in interest bearing liabilities during the year.

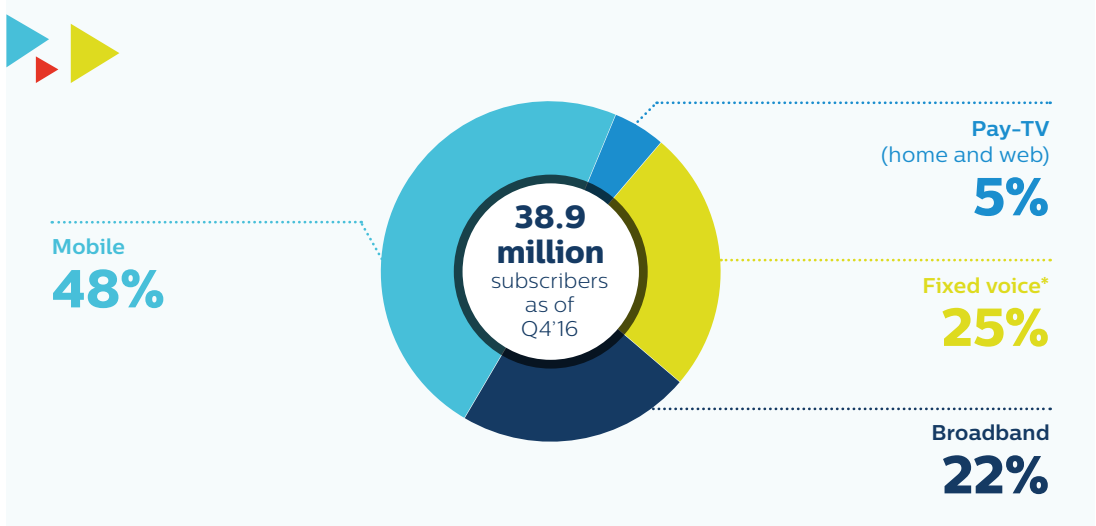
Ratios (%)	2014	2015	2016
Net Debt / EBITDA	1.26	1.68	2.17*
Net Debt / Total Assets	0.32	0.35	0.45
Debt (Total Liabilities) / Total Equity	2.15	4.16	6.94
Debt (Financial) / Total Equity	1.41	2.36	4.44
Current Ratio	1.52	0.99	1.11

*As of December 2016, EBITDA in Net Debt/EBITDA calculation excludes extraordinary claims.

Key Performance Indicators

Operational Indicators

Total number of Group subscribers reached 38.9 million with 1.5 million net additions in 2016. This was the highest annual net subscriber gain since the IPO.



*VOIP is not included

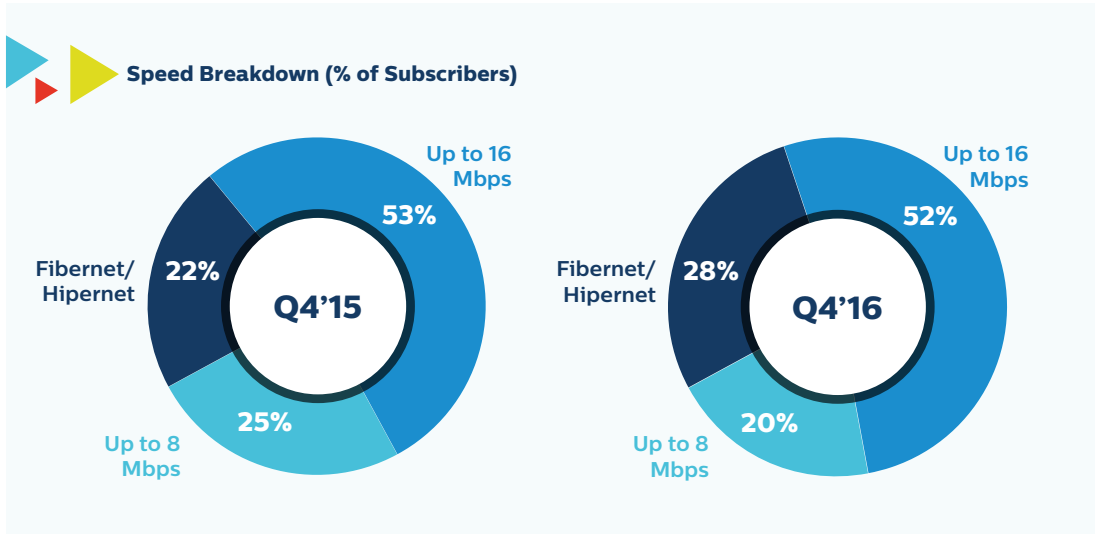
Broadband Operational Indicators

Türk Telekom broadband subscriber base reached 8.7 million in 2016 with 691 thousand increase in full year – the highest since 2008. The net additions were accompanied by a strong increase in broadband ARPU, up by 4.4% YoY. Moreover, the number of fiber subscribers* exceeded 2 million in 2016. In the full year, 80% of total broadband net additions were in fiber packages.

*Fiber subscribers include FTTH/B & FTTC subscribers

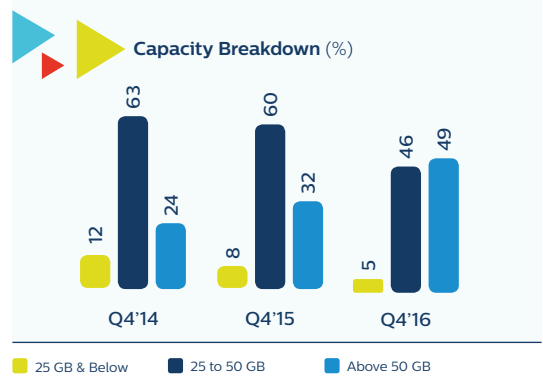
Broadband Operational Indicators	2014	2015	2016	2015-2016 Change (%)
Broadband Total Subscribers (million)	7.6	8.0	8.7	8.7
Broadband ARPU* (TL)	39.7	40.7	42.5	4.4

*As of Q2'16, TV revenues are excluded from Broadband ARPU calculation. The reclassification is applied retroactively to Q1'14



Türk Telekom with its 228 thousand kilometer nationwide fiber network, continued its leadership in this area, expanding the FTTH/B and FTTC homepass to 13.9 million in 2016.

With increasing data usage in the market and demand for higher speed, the share of subscribers on higher capacity tariffs (above 50 GB) reached 49% as of 2016 year-end, while the share of fiber/hipernet packages increased to 28%.



* Figures in graphs are based on Türk Telekom's retail subscribers.

Key Performance Indicators

Mobile Operational Indicators

Net additions in mobile segment gained momentum in 2016. Following 932 thousand net additions in 2015, the Group expanded its mobile subscriber base by 1.3 million to 18.6 million in 2016. Blended ARPU increased 7.8% YoY in 2016 driven by focus on postpaidization and rising demand for higher data packages.

Smartphone penetration was higher at 75% compared to 66% a year ago, while the share of data revenues increased to 39% of mobile service revenues in Q4'16 – 7 ppt improvement YoY.

Following the launch of LTE services on April 1st 2016, as of 2016 yearend Turk Telekom increased its LTE population coverage to 75% and the percentage of fiber connected LTE base stations to approximately 70%. Meanwhile, 53% of Group's smartphone users are on LTE compatible devices, and average monthly mobile data usage of LTE users reached 3.9 GB.

Mobile Operational Indicators	2014	2015	2016	2015-2016 Change (%)
Subscribers (million)	16.3	17.3	18.6	7.5
Postpaid Subscribers (million)	7.8	8.7	9.8	12.4
Prepaid Subscribers (million)	8.5	8.5	8.8	2.6
ARPU – Blended (TL)	22.0	23.5	25.3	7.8
3G Population Coverage(%)	84.3	85.4	87.3	2.2
LTE Population Coverage (%)			75.0	

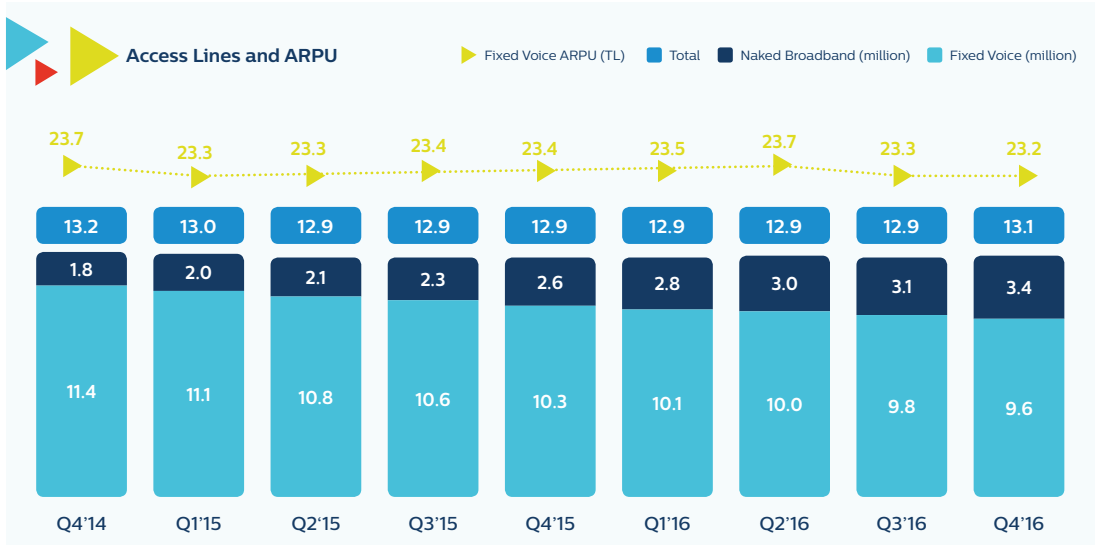
Fixed Voice Operational Indicators

Fixed voice subscribers declined by 652 thousand in 2016, at a 40% YoY lower pace. After bottoming out at 12.9 million over the last 6 quarters, the total number of fixed access lines (including naked DSL) increased to 13.1 million in Q4'16

Fixed Voice Operational Indicators	2014	2015	2016	2015-2016 Change (%)
Total Access Lines (million) ⁽¹⁾	13.2	12.9	13.1	1.4
Naked DSL Lines (million)	1.8	2.6	3.4	32.1
Fixed Voice ARPU (TL) ⁽²⁾	23.6	23.4	23.4	0.2

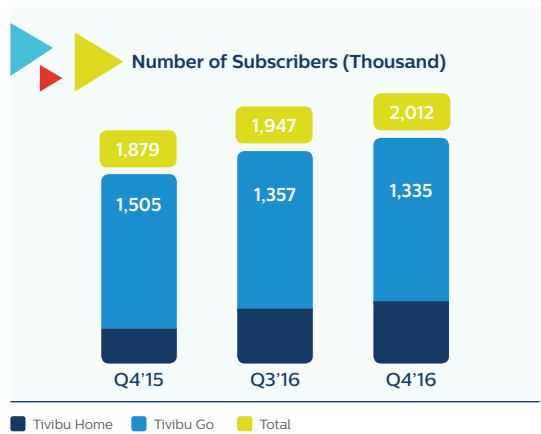
⁽¹⁾ Total access lines include PSTN and WLR lines

⁽²⁾ As of Q2'16, Fixed Voice ARPU is reclassified. Domestic and international fixed line incoming call interconnection revenues are included at fixed voice ARPU. The reclassification is applied retroactively to Q1'14.



TV Operational Indicators

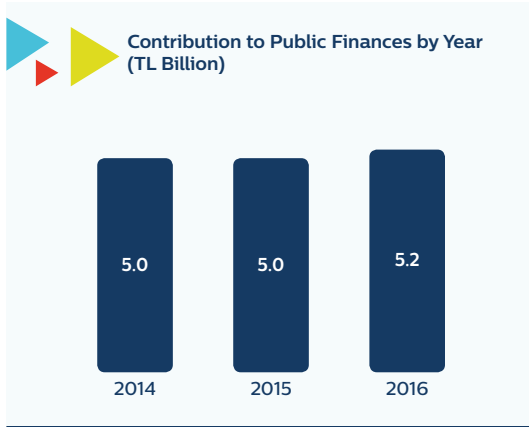
Since the launch of pay TV services in 2010, the Group has continued to enrich its TV content, at the end of 2014 acquiring the Turkish broadcasting rights of UEFA Champions League and UEFA Europa League games. Tivibu Home TV subscriber additions accelerated in the second half of 2015 with the start of the games in the third quarter of 2015, and since then to the end of 2016 386 thousand new subscribers were gained. In 2016, Home TV subscribers reached 677 thousand with a record high net addition of 293 thousand in 2016 thanks to its rich content, 4K technology and wide platform options offered.



Key Performance Indicators

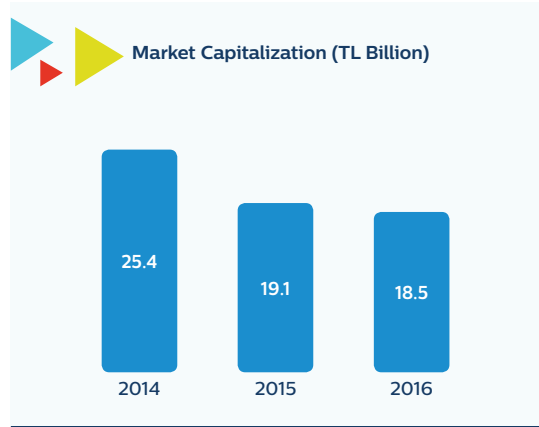
Contribution to Public Finances

In 2016, Türk Telekom Group made a contribution of TL 5.2 billion to Turkey's public finances through tax payments and Treasury shares transferred to the state.



Market Capitalization

The market capitalization was at TL 18.5 billion as of 2016 year-end.



Share Information

Company Name	Türk Telekomünikasyon A.Ş.
Scope of Activity	Telecommunications and Technology Services
Stock Exchange	Borsa İstanbul (BİST)
BIST Ticker	TTKOM
Bloomberg Ticker	TTKOM TI
Reuters Ticker	TTKOM IS
IPO Date	May 15, 2008
Free Float	15%
Number of Listed Shares	525,000,000
Average Daily Trading Volume (02.01.2016-31.12.2016)	TL 23.6 million
Market Capitalization (30.12.2016)	TL 18.5 billion
Gross Dividend per share 2016	TL 0.240246
Net Dividend per share 2016	TL 0.204209
Closing Price (30.12.2016)	TL 5.28
Highest Price (02.01.2016-30.12.2016)	TL 7.00
Lowest Price (02.01.2016-30.12.2016)	TL 4.99
ISIN	TRETTLK00013

Performance in 2016 and guidance for 2017

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 where 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, 2016, Türk Telekom provided its guidance for 2016 as below:
"Under normal circumstances, our guidance for 2016 is: Consolidated revenue growth (excluding construction revenue adjustment)* to be 7% to 9% over 2015; Consolidated EBITDA to be between TL 5.5 billion and TL 5.7 billion; Consolidated CAPEX to be around TL 3.2 billion"

As of year-end 2016, consolidated revenue excluding construction revenue adjustment* increased 10.6% year-over-year to TL 15.7 bn. EBITDA amounted to TL 5.5 billion, while capital expenditures were at TL 3 billion.

Guidance for 2017 Consolidated Financial Results

Under current circumstances, guidance for 2017 is as below:

- » Consolidated revenue growth (excluding construction revenue adjustment)* to be 8% to 9% over 2016
- » Consolidated EBITDA to be at TL 5.8 billion and TL 6.0 billion levels
- » Consolidated CAPEX to be around TL 3 billion

*Construction accounting adjustment is a non-operational revenue line booked in conjunction with upgrades to fixed line infrastructure, such as the upgrade from a copper to a fiber based Network

2016 Highlights

With the brand integration which we completed at the beginning of the year, we started offering our advanced technology products and services, including mobile, fixed telephone, broadband, and TV services, under the single brand across Turkey.



Türk Telekom realized one of the biggest brand transformations in Turkey in 2016

In 2016, Türk Telekom registered significant achievements, both for itself and the wider nation with its intense efforts to provide communications technology services, as well as its international partnerships and corporate social responsibility activities. The Company has invested TL 26 billion in the digital infrastructure of Turkey since 2005, becoming the largest investor in the sector.



In 2016, the vital importance of communication was confirmed once again

In 2016, Turkish people closed ranks with a strong sentiment of national unity and during the failed coup of July 15th and its aftermath. Once again, we all witnessed the vital importance of communication. As the company that operates Turkey's communication backbone, Türk Telekom played a vital role during and after the failed coup working in perfect harmony with security forces and regulatory authorities.



LTE

In 2016, the most important item on the sector's agenda was the launch of LTE services. With the agreement reached with Korea Telecom, we made GIGA LTE technology available to customers. This technology allows mobile users in Turkey to connect at speeds of 1 gigabits per second.

As Turkey's largest integrated telecom company, we continue our work on superstructure with the same motivation as in our efforts for infrastructure.



We are setting the standards in 5G

Türk Telekom expends intense efforts in 5G and represents Turkey in the international consortiums that set the EU roadmap for 5G. We were once again selected to the Executive Board of European Technology Platform (Networld 2020), which leads 5G efforts in the EU, as the only Turkish company on the Platform.



Adding color to customers' lives through communication and entertainment centered services

As Turkey's largest integrated telecom company, we continue our work on the superstructure with the same motivation as in our infrastructure efforts. In one of the latest examples of this, we launched a new brand for our youth and introduced Selfy to our young customers.



Corporate solutions

Through our investments in the digital future of Turkey, we aim at introducing the latest digital technologies not only to retail customers, but also to SOHOs, SMEs, and large scale enterprises, so as to turn them into "Next Generation Companies."

2016 Highlights

Türk Telekom's aim is to transform Turkey into a regional digital hub and to transform the sector into a driving engine for all industries in the country.



Leading the way in innovation and entrepreneurship

Türk Telekom has become one of the companies most supportive of entrepreneurship in Turkey, thanks to the PILOT project we launched to boost the entrepreneurial ecosystem in Turkey.



Adding value to Turkey through social responsibility projects

Türk Telekom not only focuses on its products and services, but also considers facilitating access to information for all disadvantaged social groups, be it from economic or physical reasons, as its corporate responsibility.



Awards acknowledging achievements...

The year of 2016 was one in which Türk Telekom's projects were crowned with national and international awards. From corporate communications to customer service, and from technology to public relations, we have received numerous prestigious awards among which were the IPRA Golden World Awards, Brand Finance "Turkey's Most Valuable Telecommunications Brand Award", and Global Telecoms Business Innovation Award.



In 2017...

Our aim is to transform Turkey into a regional digital hub and transform our sector into a driving engine for all national industries. We will continue our investments and hard work in 2017 without losing pace.

Awards

Türk Telekom's Agile Studio app came first in the ATD Excellence Awards, 'Excellence in Application' category.



- » Türk Telekom Ronaldo Needs Speed // Mastery in Production, Film // Production Design // Achievement Award
- » Türk Telekom Tivibu Video on Demand – Forest // Service, Radio // Crystal Apple
- » Türk Telekom Tivibu Video on Demand // Campaigns, Radio // Silver Apple
- » Tivibu Champions League – Sabri // Service, Radio // Silver Apple
- » Social Responsibility Commercial Enterprises and Brands Category – “Türk Telekom Telephone Library”
- » Digital/Online Film/Service Category – “Türk Telekom Cloud Storage” and “Zümrüt Photo Studio Film”

Awards in the digital arena

Türk Telekom strived to make a difference with its communication campaigns and creative ideas throughout the year. It continued to garner advertisement and marketing awards such as the Crystal Apple, Effie and Mediacat at the most prestigious competitions for professional creativity.

The Company received the following awards during the year for its TV and radio communication campaigns:

- » Türk Telekom's New Youth Service Selfy // Mastery in Production, Film // Production Design // Felis
- » Türk Telekom Tivibu Video on Demand – Telephone // Radio Section // Communication-Telecoms // Achievement Award

Setting off under the slogan of “The Internet changed the life of someone in your city, it can change yours, too”, the Fiber Cities project visited the cities of Adana, Kocaeli, İzmir, Gaziantep and Bursa, focusing on prominent local figures, whose lives were changed by Türk Telekom's fiber internet service, which connects these cities to the world. In recognition of the digital videos and outdoor content prepared for these five cities, Türk Telekom received a gold prize in the “Local Game-changers” category of the Effie 2016 awards.



Business Awards

Association for Talent Development Excellence Awards

Türk Telekom's Agile Studio app came first in the ATD Excellence Awards, 'Excellence in Application' category, also receiving an honorable mention in the 'Coaching and Mentorship' category.

Türk Telekom garners award from Turkish Patent Institute

Türk Telekom came third in the "5th Turkish Patent Awards," in terms of the number of trademark applications.

Global Telecoms Business Awards

Türk Telekom ranked first in the Mobile Infrastructure category for its corporate social responsibility project "Voice Steps", and garnered an innovation award for its "Multi-Band Antenna Technology for the Turkish LTE Network".

Türk Telekom's successful projects garner Gold Compass awards

At the award ceremony organized by the Public Relations Association of Turkey (TUHID), Türk Telekom received three important awards in 2016:

- » Sunlight Project – Special Jury Award
- » Antalya Akıllı KentTT (Smart City) Launch – Special UNDP Award
- » Avea Extraordinary Music Concerts – Sponsorship Communication Culture & Arts

Türk Telekom's IntelliMap brings the Oscar of the software industry to Turkey.

With its IntelliMap product, which offers mobile marketing opportunities based on location Türk Telekom won the grand prize in the "Best Marketing and Campaign Management Platform" category of the SIIA (Software and Information Industry Association) CODiE Awards.

Türk Telekom bestowed IPRA Golden World Award

In recognition of its media communication on gathering mobile, internet, phone, TV and innovative digital services under a single brand and launching a new brand image in early 2016, Türk Telekom received the grand prize in "Media Relations" at the "IPRA Golden World Awards 2016.

SocialBrand named Türk Telekom the most successful player in its industry for making active use of social media, establishing mutual communication with customers, and creating an intense interaction with its customers through its rich content.

Türk Telekom puts its stamp on the Stevies

Türk Telekom garnered numerous awards at the Stevie IBA in 2016:

- » Gold Stevie in the "HR Team of the Year" category, for the role of Internal Communication during the integration process
- » Silver Stevie in the "PR Campaign & Program of the Year / Internal Communication" category, for the new Türk Telekom brand's in-house launch

Awards

Türk Telekom was awarded the “Most Appreciated Project” award in the Best Foreign Currency Solution category of the Treasury Today Adam Smith Awards, organized for the ninth time in 2016.

organized by the In-House Communication & Employee Activities team and placing over 30 thousand employees at the center of the brand transformation

- » Silver Stevie in the “Branded Content Campaign of the Year” sub-category of the Marketing category, for the “Mother’s Day Surprise” video created by In-House Communication and Employer Brand team
- » Bronze Stevie in the “Human Resources Team of the Year” category, for Türk Telekom Academy’s Agile Studio app
- » Bronze Stevie in “HR Department of the Year”, for Türk Telekom’s call center services subsidiary AssisTT’s “Because You Are Worth It!” project, based on the “Happy Employee – Happy Customer” concept
- » Gold Stevie in the “Best New Product Promotion Event” category for Tivibu’s UEFA Champions League and European League Broadcast Launch
- » Silver Stevie in the “Best New Brand Experience Event” category for the event management team’s LTE launch, and Bronze Stevie in the same category for their New Brand Launch
- » Bronze Stevie in the “Communication or PR Campaign of the Year – Events and Celebrations” category for the Türk Telekom LTE launch



Furthermore, at the Stevie Great Employers Awards, the Türk Telekom Academy garnered a

- » Gold Stevie for the “Virtual Reality Experience of Working at High Altitude” and “Türk Telekom Sales Training”
- » Silver Stevie for the “Türk Telekom IP/MPLS Tiger Team Development Training”, and
- » Bronze Stevie for the “Code of Ethics Game”.

The Türk Telekom Human Resources team received two awards at the Brandon Hall 2016 Excellence Awards

The Türk Telekom Human Resources team received “Best Sales Onboarding” and “Best Advance in Competencies and Skill Development” awards for the development programs designed by the Türk Telekom Academy for retail sales teams.

Global Information Technologies Architecture Excellence Awards

At the Global Information Technologies Architecture Excellence Awards organized in India, Türk Telekom was granted an award in recognition of its “Automatic Protection against Cyber Threats” project, a first in the field.

Brandon Hall Award

At the Brandon Hall 2016 Excellence Awards, Türk Telekom Academy received a bronze award in the “Best Talent and Skill Development Program” for the “Retail Sales Trainer School”, an in-house trainer program designed for Türk Telekom dealer employees, and another bronze award in the “Best Sales Job Adaptation Program” category for the “Masters of Sales Program – Retail Sales School 101” program.

International award for Türk Telekom Comfortable Living

At the “Global Telecom Awards”, Türk Telekom Comfortable Living received an award in the “Turning the Internet of Things into Opportunity” category.

Financial Awards

“Most Appreciated Project” award for Türk Telekom

Türk Telekom was awarded the “Most Appreciated Project” award in the Best Foreign Currency Solution category of the Treasury Today Adam Smith Awards, which was organized for the ninth time in 2016.

Türk Telekom tops Bilişim 500

Türk Telekom ranked first among 500 companies in terms of sales revenue at the Bilişim 500 awards. The Company also came first at the 17th edition of Bilişim 500 Survey’s “Communication Technologies” ranking. Innova, on the other hand, ranked in the top 30 among Turkey’s 500 largest IT companies, marking a prominent achievement. The other awards received were as follows:

- » “Telecoms Company Main Category Winner of the Year” – Türk Telekom
- » “Internet Services Category Winner of the Year” – Türk Telekom

SAP Quality Awards

Türk Telekom won the bronze award at the SAP Quality Awards for the MDG (Master Data Governance) project developed for the Procurement Department.

Türk Telekom once again named “Turkey’s Most Valuable Telecoms Brand”

In the 2016 edition of “Turkey’s Most Valuable Brands - Turkey 100” survey, conducted annually by the international brand assessment firm Brand Finance, Türk Telekom was selected as the “Most Valuable Telecoms Brand in Turkey, confirming its position as Turkey’s leading communication and entertainment technologies company.

Corporate Social Responsibility Awards

PR Daily’s 2016 corporate social responsibility awards

Türk Telekom’s corporate social responsibility project, Life is Easier with the internet, won the grand prize in the category of “Best Corporate Social Responsibility Campaign of the Year” at PR Daily’s 2016 Corporate Social Responsibility Awards.



Since the beginning, we have always believed in Turkish economy, and continue to see a bright future in all aspects.

Mohammed Hariri
Chairman of the
Board of Directors

Türk Telekom 

Message from the Chairman

As Türk Telekom, we are working to build a solid infrastructure to offer a totally new lifestyle to our customers and to realize Turkey's digital transformation.

2016 was an extremely important year for Türk Telekom, and a stepping stone, considering the biggest brand unification of Turkey and seamless introduction of LTE services. These developments, in return, provided customers with top-notch quality in their communication and entertainment needs and investors with stronger operational results thanks to the efficiencies achieved and higher business traffic generated.

In January 2016, Türk Telekom successfully unified Avea, Türk Telekom and TTNET brands under the 'Türk Telekom' brand. In other words, Türk Telekom is positioned as 'Turkey's Multi-Product Player,' offering mobile, internet, phone, TV and innovative digital services in a one-stop shop, while combining communication, efficiency and entertainment.

By April 2016, Turkey's telecoms sector advanced into a new era with the launch of LTE services and as Türk Telekom, we are proud to offer the best mobile experience to our customers thanks to our Fiber-Powered LTE, which offers higher speed, capacity, and quality. Türk Telekom will be leading Turkey's new era in mobile with its largest spectrum per subscriber acquired at the Spectrum Auction in August 2015 and a solid fiber infrastructure covering every city, which are prerequisites for a top-notch LTE experience.

Thanks to these major achievements and dedicated execution of Türk Telekom, we have created significant value for all the stakeholders. Briefly, in 2016, our consolidated revenues realized at TL 16.1 billion, indicating 10.9% year over year growth – the highest growth figure since the IPO. These successful results prove that we are on the right track in better serving our clients in line with our dedication to establish the best telecommunication infrastructure and services to realize Turkey's 2023 vision.

2016 was a year of significant challenges, during which we witnessed unfortunate developments. The coup attempt against Turkey's democracy and national will on the night of July 15 was a deplorable incident; yet, the Turkish people successfully foiled the attempt, setting a democratic example for the entire world. This coup attempt was prevented thanks to the 'Power of Communication'. Turkey's communication backbone remained working seamlessly even at the hardest of times thanks to Türk Telekom's infrastructure investments, ongoing for many years. As Türk Telekom, we believe that the ruling of Turkey by a democratic and elected President and civilian government is an indispensable element for the welfare of the country and its citizens. Since the beginning, we have always believed in the Turkish economy, and continue to see a bright future in all aspects. As Türk Telekom, we are always proud to participate in helping to build this future. Therefore, Türk Telekom will uninterruptedly continue to invest in Turkey, as we have full confidence in the Turkish state, its democratic institutions and the Turkish economy.

As Türk Telekom, we are working to build a solid infrastructure to offer a totally new lifestyle to our customers and to realize Turkey's digital transformation. Forming the backbone of Turkey's digital infrastructure by realizing the greatest volume of investment in the sector, we provide our 38.9 million customers with high speed and quality, as well as digital products and services enhanced by state-of-the-art technology. As Turkey's most valuable telecommunications brand for 9 consecutive years, we strive to further extend our fiber footprint and fiber homepass nationwide, currently at 228 km and 13.9 million, respectively, so that more people may benefit from high speed internet connection.

For all these achievements, I sincerely thank the entire Türk Telekom family - our valuable employees, investors and business partners for their dedication and tireless work in 2016.



Mohammed Hariri
Chairman of the Board of Directors

Assessments by the Board of Directors

Türk Telekom Group successfully completed 2016 with record revenue generation and outstanding operational performance. Group revenues for the year increased to TL 16.1 billion with a growth rate of 10.9% YoY – the highest annual growth since the IPO

Assessment on the Financial and Operational Results

Türk Telekom Group successfully completed 2016 with record revenue generation and outstanding operational performance. Group revenues for the year increased to TL 16.1 billion with a growth rate of 10.9% YoY – the highest annual growth since the IPO. Excluding the construction revenue adjustment, double digit YoY top line growth of 10.6% was achieved, exceeding the guidance. The Group delivered an EBITDA of TL 5.5 billion with 34% EBITDA margin, while capex was TL 3 billion corresponding to a 19% capex/sales ratio.

The Group EBITDA margin was partly affected by TL 67 million provision realized in Q4'16 related to treasury share notifications. Underlying EBITDA growth is 6.7% year on year when adjusted for the provision in Q4'16 and one-off gain of TL 146 million in Q4'15 on settlement with Turkcell with an EBITDA margin of 34.4%.

Group realized a net loss of TL 724 million in 2016 due to FX losses driven by TL depreciation against USD and EUR. The operational highlights of 2016 were as follows;

The total number of Group subscribers reached 38.9 million with 1.5 million net additions in 2016. This was the highest annual net subscriber gain since the IPO.

The broadband subscriber base reached 8.7 million in 2016 with a 691 thousand increase in full year – the highest since 2008. The net additions were accompanied by a strong increase in broadband ARPU in Q4, up by 7.3% YoY.

Number of fiber subscribers exceeded 2 million with an accelerated net addition of 164 thousand in Q4. In the full year, 80% of total broadband net additions were at fiber packages.

Net additions in mobile segment gained momentum. Following 932 thousand net additions in 2015, group expanded its mobile subscriber base by 1.3 million to 18.6 million in 2016. Blended ARPU increased 9.7% YoY in Q4'16 – the highest pace of growth since Q2'13 driven by a strong focus on postpaidization and rising demand for higher data packages.

Smartphone penetration was higher at 75% compared to 66% a year ago, while the share of data revenues in services revenues increased to 39% – 7 ppt improvement YoY.

Fixed voice subscribers declined by 652 thousand in 2016, at a 40% YoY lower pace. After bottoming out at 12.9 million for the last 6 quarters, the total number of fixed access lines (including naked DSL) increased to 13.1 million in Q4'16.

Home TV subscribers reached 677 thousand with a record high net addition of 293 thousand in 2016 thanks to rich content, 4K technology and wide platform options.

Risk Assessment by the Board of Directors

Türk Telekom Group, in line with its operations, is exposed to Financial, Regulatory, Strategic and Operational risks. These risks are closely monitored, managed and methodologies to identify their magnitudes are being constantly developed. The risks and how they are managed are explained in detail below.

Financial Risks

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

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

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

Türk Telekom minimizes the negative impact of foreign exchange risk on its cash flow by carefully planning foreign currency cash flow. Firstly, the Group holds a well-balanced portfolio of foreign currencies (US Dollar and Euro) to avoid adverse impacts on the balance sheet. Additionally, in the face of exchange rate fluctuations between the Turkish Lira and these foreign currencies, the Group initiated a long-term hedging strategy in 2015, and realized a hedging transaction of US\$ 850 million, details of which are provided in the footnotes to the financial statement.

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

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

Türk Telekom protects itself against financial risks based on the evaluations and approval of the Treasury Committee, which is appointed by the Board of Directors.

Regulatory Risks

In Turkey, telecommunications operators are subject to primary and secondary regulations imposed by various authorities. These regulations can occasionally affect Türk Telekom's competitive position, financials, and profitability. In order to minimize these effects, the Company closely monitors all applicable regulations and conducts its operations in full compliance with these regulations. For the effective mitigation of risks that might arise from non-compliance, a robust control mechanism has been established.

Additionally, the possible effects of new regulations on the Company's operations, competitiveness and profitability are evaluated and properly managed in collaboration with related business units.

Strategic Risks

Türk Telekom operates in a competitive (e.g. strong and numerous entrants, pressure on prices of products/services) and regulated market with significant technological innovations. In awareness of this, Türk Telekom rigorously analyzes the market positioning of competitors, technological developments and consumer trends. Taking into account these factors, proactive risk management activities for achieving higher customer satisfaction and higher revenues are carried out within the Company's strategic priorities.

Assesments by the Board of Directors

Accordingly, Türk Telekom periodically performs Business Impact Analysis and Risk Assessment activities on critical products and services, monitors performance in line with business continuity objectives, and undertakes necessary improvements.

In line with changing customer expectations, new products and services are developed through systematic risk analyses, where necessary infrastructure and technology investments/ deployments are conducted to facilitate the “best customer experience”.

Moreover, the Company compensates for market share loss due to regulations or other market developments through new and innovative products and services; while at the same time evaluating opportunities for smart acquisitions in both domestic and foreign markets.

Operational Risks

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Some examples include infrastructure and technology systems outages, leakage of customer information due to cyber-attacks and inability to maintain high quality service due to various technical problems. These problems may result in lower customer satisfaction, regulatory penalties and, as a result, reputational damage and decreasing revenues.

As part of Operational Risk Management efforts, Türk Telekom meticulously implements a Business Continuity Management plan. Business Continuity Management (BCM) is defined as a holistic management process that identifies potential threats to an organization and the impact on key business operations those threats, if realized, might cause, and which provides a framework for building organizational resilience with the capability of an effective response that safeguards the interests of the organization’s internal and external stakeholders, reputation, and brand value. Accordingly, Türk Telekom periodically performs Business Impact Analysis and Risk Assessment activities on critical products and services, monitors performance in line with business continuity objectives, and undertakes the necessary improvements. Moreover, all IT and Network operations are carried out in line with security policies; potential problems are constantly analyzed and controlled via early warning mechanisms.

Regulations, as well as international best practices and standards, are closely monitored; compliance with these regulations and standards is strictly audited.

The above-mentioned risks are identified, assessed, monitored and reported through periodic consultation with business units. Meanwhile, the interactions between these risks are also evaluated and a monitoring system is developed for risks that affect each other.

Assessment of the Board of Directors on Early Identification and Management of Risks Committee

The Early Identification and Management of Risks Committee effectively fulfilled all of the duties described in the related regulation. The Committee convened six times in 2016 and effectively analyzed the identified risks, notified the Board of Directors about significant risks, provided the necessary resources for the efficient performance of the Corporate Risk Management function, and provided coordination between Corporate Risk Management, Internal Audit and other functions.

Assessment of the Board of Directors on Corporate Governance Committee Activities

The Corporate Governance Committee effectively fulfilled all of the duties described in the related regulation. The Committee convened four times in 2016 and evaluated the compliance of independent board member candidates with the independence criteria stipulated in Capital Markets Board legislation, obtained the signed independence statements of candidates and submitted its report to the Board of Directors. The committee has also made evaluations keeping close track of the Corporate Governance Rating process every year.

Assessment of the Board of Directors on Internal Control and Internal Audit Practices

Türk Telekom has set up the necessary internal control systems in order to reach its strategic goals; achieve efficiency and productivity in all Company operations; ensure the reliability and accuracy of financial and operational data; safeguard its assets; protect customers' personal information; and ensure compliance with applicable laws, regulations, policies and procedures.

Internal Audit Unit performs assurance checks and consultancy to evaluate and further develop the risk management, internal control and corporate governance processes of Türk Telekom and Group companies.

Reporting to the Board of Directors and the Audit Committee, the Internal Audit Unit operates in accordance with the principles approved by the Board of Directors and the international standards for internal auditing. Accordingly, an independent organization audited the Company's internal audit processes and provided a quality assurance report. The majority of the auditors hold internationally recognized certificates such as CIA, SMMM, CISA and CFE. According to their respective areas of expertise, audit teams perform audits related to finance, operations, IT and compliance.

The audits evaluate the efficiency of current internal controls designed to eliminate the risks associated with various business processes. The Unit analyzes the reasons and effects of the control shortcomings identified during audits, receives information from the relevant departments on action plans to resolve the issues identified and monitors whether these actions are implemented on time. In addition to audit activities, the Unit also conducts inspections and investigations as required.

Assessment of the Board of Directors on Audit Committee Activities

Audit Committee was set up upon the Board of Directors' resolution dated June 16, 2008, pursuant to Capital Markets Board Communiqué Series: X, No: 22. The Audit Committee was created to support the Board of Directors in the fulfillment of supervisory duties, including monitoring the accuracy of the Company's financial statements, compliance with in-house and external regulations, internal control systems, the quality, independence and performance of independent auditors, as well as the Company's internal audit function. The Committee acts in line with the duties and responsibilities delegated to it by the Board of Directors, and reports to the Board of Directors.

Assessments by the Board of Directors

The Audit Committee operates in accordance with the Audit Committee Regulation approved by the Board of Directors.

The Audit Committee consists of two members chosen among independent Board Members by the Board of Directors, as well as two observer members chosen among the Directors nominated by the Company's Class A shareholders as stipulated in the Articles of Association.

The Committee convenes at least five times per year and more frequently if deemed necessary. Committee meetings are held on the same day as Board of Directors meetings; at least four of the meetings take place on dates just prior to the public disclosure of the Company's financial statements. The Board of Directors is kept informed about the Committee's meetings and activities. The Audit Committee has effectively fulfilled all of its duties by convening 7 times in 2016.

Audit Committee operates in accordance with the Audit Committee Regulation approved by the Board of Directors. Some of the Committee's activities carried out in line with the referenced regulation include:

- » Prior to public disclosure of the Company's financial statements and data, the Audit Committee analyzes the sufficiency and conformity of these, and presents its opinion to the Board of Directors;
- » The Audit Committee holds regular meetings with the independent auditors, receives information on relevant issues such as the audit work, key findings, important changes in accounting policies, and etc., and informs the Board of Directors whenever deemed necessary;
- » The Audit Committee monitors the activities of the Internal Audit Unit, receives information on issues such as the review of risk assessment results, approval of the annual internal audit plan, important internal audit findings and the relevant actions taken, as well as internal audit performance indicators, and holds meetings with the Head of Internal Audit.

Board of Directors

Mohammed Hariri (1958)

Chairman of the Board of Directors

Mohammed Hariri is the Chairman of the Board of Directors of Oger Telecom Limited. He also serves as the Chairman of Türk Telekomünikasyon A.Ş., TTNET A.S., Avea İletişim Hizmetleri A.Ş., and Oger Telekomünikasyon A.Ş. in Turkey, and Cell C in South Africa. Mr. Hariri is also the Chairman of Groupmed sal (Holding), Bankmed sal and its subsidiaries in Lebanon and Switzerland, Saudi Med Investment Company in Saudi Arabia, and the Chairman of Groupmed International Holding Ltd. in Dubai. He is a Board Member of Arab Bank plc-Jordan and 3C Telecommunications (PTY) Ltd in South Africa. Mr. Hariri is a Member of the Board of Directors of the Association of Banks in Lebanon. Elected as a Member of the Board of Directors of Türk Telekom in November 2005, Hariri served as the Chairman of the Audit Committee between June 2008 and April 2009, and has been serving as the Chairman of the Board since April 2008, as the Chairman of the Executive Committee since April 2009 and as a Member of Corporate Governance Committee since October 17, 2012.

Fuat Oktay (1964)

Independent Board Member, Vice Chairman of the Board of Directors

He was born in 1964 in Yozgat-Çekerek. After graduating from the business management department at Çukurova University in 1985, he worked as a research associate at the university. He completed a master's program on Manufacturing Engineering and received his MBA in business management at the Wayne State University in 1990 in Detroit which is the center of automotive industry in USA. He also received his PhD on Industrial Engineering at the same University and worked as a research associate and academician at the Business Administration and Manufacturing Engineering Departments. He became an expert on aviation and automotive industries and he provided process management consultancy services to many companies and conducted many projects as the project leader. He worked

in the automotive industry, at the companies such as Ford, General Motors and Chrysler. In these companies, he worked on product development and lean production projects. He provided consultancy services to many public and private sector companies. Moreover, he provided consultancy services to small and medium sized enterprises, including KOSGEB. In some of these companies, he served as Director General, Vice-Chairman and Board Member. During the economic crisis hitting Turkey in early 2000s, he specialized in enterprise-based crisis management, and worked as Vice-Dean and Head of the Business Management Department at Beykent University. He served as Deputy Director General responsible for Strategic Planning and Business Development, Sales and Marketing, Production Planning and Information Technologies, at Türk Hava Yolları (THY). Between 2008–2012, he has brought 5 different joint venture projects to life at THY Teknik A.Ş. in the fields of maintenance & repair, design and manufacturing. He also served as a Steering Committee Member for Turkish-English, Turkish-German and Turkish-Spanish Business Councils at Foreign Economic Relations Board. He performed as the Chairman of the Prime Ministry Disaster and Emergency Management (AFAD) between January 2, 2012 and June 19, 2016. Since June 19, 2016, he has been working as the Prime Ministry Undersecretary and he speaks fluent English.

Abdullah Tivnikli (1959)

Member of the Board of Directors

After earning his B.S. in Mechanical Engineering from Istanbul Technical University, Abdullah Tivnikli completed an MBA at the same university. Following an invitation by the public authority involved in participation banking to develop the legal infrastructure for Turkey's participation banking model in Turkey, he actively took part in the establishment of Albaraka Türk Participation Bank. He has been a Member and subsequently the Vice Chairman of the Board of Directors of Kuveyt Türk Participation Bank since 1989. He is presently Executive Director of Eksim Group.

Board of Directors

Tivnikli has been serving as a Board Member of Türk Telekom and Member of the Executive Committee. Tivnikli is also a Board Member at Türk Telekom Group companies, TTNET and Avea, and he is the Vice Chairman of the Board of Directors of Argela, AssisTT, Innova and Sebit.

Suat Hayri Aka (1960)

Member of the Board of Directors

Suat Hayri AKA was born in Tatvan in 1960. He was graduated from Istanbul Technical University, Maritime Faculty with a BSc Degree in Nautical Sciences in 1982. He has got his MSc. degree in the field of Shipping & Port Administration between 1989 and 1990 at the World Maritime University (WMU) – Malmoe / Sweden. Suat Hayri AKA, who started his career at Turkish Cargo Lines as a captain, left his Office at the public sector in 1991 and worked at various managerial levels in private sector until 2006 in a diverse array of maritime sector branches such as operating ships, brokerage, international marine shipping, marine insurance services, sale and purchase of ships, training and consultancy services and engineering services on ship-building, salvage etc. As from 1994, he has lectured at the Faculty of Naval Architecture and Maritime Engineering at Istanbul Technical University on Ship Management and Maritime Economics for 12 years. He was appointed as the Deputy Undersecretary of the Ministry of Transport and Communications of the Republic of Turkey in 2006 and held office until June 2014. As Deputy Undersecretary, he was responsible for aviation, maritime sector (since 2012) and related institutions and the foreign relations and EU affairs of the Ministry between 2006 and 2014. During his term of office, he was also the EU permanent contact point of the Ministry. Furthermore, he carried out the Presidency of IPA Operational Program managing EU financial aids. Besides, as the representative of the Ministry, he took charge in Management and Executive Boards of İzmir

EXPO 2020 Project and, Transport Management Board of the International Transport Forum. He was awarded with Honorary Outstanding Alumnus award by World Maritime University in 2015. He was appointed as Undersecretary of the Ministry of Transport, Maritime Affairs and Communications in August 26, 2016. He is married with 2 children and has good command of English.

Cenk Serdar (1968)

Member of the Board of Directors

After graduating from Bilkent University-Industrial Engineering department in 1991, he completed his MBA at the University of Pennsylvania-The Wharton School. He started his professional career as Consumer Services Division Head at Superonline in 1998, after that, he served as Internet Services Director at Doğan Medya Group as well as Senior Vice President of Direct Banking at Garanti Bank between 1999-2001. Between 2001-2002 he was the CEO of Ixir, Internet Service Provider. He worked as Chief Technical Officer at Garanti Bank between 2002-2004 and he served as Chief Sales and Marketing Officer at Doğu Oto in 2004. In 2005 he was appointed as CEO of Mapco, a subsidiary of Turkcell. Between 2005-2009 he served as Chief Value Added Services Officer at Turkcell. Then, he served as Global Mobile Payments Director, Global Data and Communication Services Director and Global Consumer Products Director at Vodafone Headquarters, London between 2009-2013. Serdar has been working as Chief Consumer Officer at Saudi Telecom Company (STC) since 2013 and he also serves as a member at the boards of Avea İletişim Hizmetleri A.Ş., Contact Center Company (CCC) and SALE Advanced Co. Ltd.

Hakam Kanafani (1965)

Member of the Board of Directors

Kanafani is a Member of Türk Telekom's Board of Directors and the Chairman of Arab Advisers Group in Amman, Jordan. He is a board member of Oger Telecom and he serves on the Boards of Türk Telekom Group's technology companies, and is the Vice-Chairman of Türk Telekom International Group. Before that, he was the Group CEO of Türk Telekom; and previously Chief Business Development and Synergy Officer for Oger Telecom. Previously, he was the CEO of JAWWAL, Palestine's first private cellular network. Kanafani started his career at NASA, Goddard Space flight center. Kanafani is a University Trustee Scholar and holds Beta Gamma Sigma honors from the USA. He graduated from the University of Maryland, College Park. He was a founding member of Young Global Leaders and Young Arab Leaders. He was a board member in the GSMA for a two year term and listed on GTB's Power100 list for Telco executives worldwide for four years. Kanafani was named Best CEO for Investor Relations in Turkey in 2011, 2012 and 2013.

Mazen Abou Chakra (1976)

Member of the Board of Directors

Mazen Abou Chakra serves as Executive Member of the Board of Directors of Oger Telecom Limited, and acts as the Chief Legal Officer and Deputy CEO of Oger Telecom Limited. He is also Member of the Board of Directors of 3C Telecommunications PTY Limited and Cell C (Pty) Limited in South Africa and Assist Rehberlik ve Müşteri Hizmetleri A.Ş. in Turkey and member of Supervisory Board of Turk Telekom International Group. Mr. Abou Chakra began his career as a trainee at the law firm of DePardieu Brocas & Maffei in Paris before moving to the law firm of Shearman & Sterling (Paris Office). Prior to joining Oger Telecom, he served as an associate at Nabil Abdel-Malek Law Offices in Beirut. Mr. Abou Chakra is admitted to the Beirut Bar Association and holds a degree (Maitrise) in Law from Saint Joseph University in Beirut and a Masters in International Business Law from Paris I-Sorbonne University in Paris.

Nasser Sulaiman A. Al Nasser (1972)

Member of the Board of Directors

Since March 2015, Engineer Nasser Sulaiman A. Al Nasser has been a Senior Vice President of Technology and Operations at Saudi Telecom Company. He manages five major advanced technology Sectors in STC: Network, IT, Operations, Security, and Corporate Data Analytics. He pioneers and drives all the new related transformation initiatives, towards STC's 2020 Vision and beyond. He has a Bachelor's Degree in Electrical Engineering and has an extensive experience in all aspects of the telecommunications market. In the late 1990's, Engineer Al Nasser played an active role in the launch and expansion of STC mobile networks covering the entire Kingdom of Saudi Arabia. He has always held pivotal and critical positions within STC, including heading Network Engineering, Design and Operations. From 2003 to 2007, he served in multiple disciplines at KSA Main Telecommunications Regulatory body Communications and Information Technologies Commission, latest was (CITC General Manager for "Technical Standards and Numbering". In 2007, Engineer Al Nasser joined Etihad Etisalat Company (Mobily) to assume higher executive responsibilities. Until 2015, prior to rejoining STC, he served as Mobily's Chief Operations Officer. Since December 2015, he has held several non-executive Director Positions at major STC-Group subsidiaries and investments, including: Türk Telekomünikasyon A.S, AVEA, STC-S.

Board of Directors

Rami Aslan (1972)

Member of the Board of Directors

Rami Aslan is the member of the Executive Committee and the Board of Directors of Türk Telekom. He serves on the Boards of Türk Telekom Group's broadband communications and mobile companies "TTNET" and "AVEA". Mr. Aslan serves also as Chairman of the Board of Directors of several technology companies, including Argela, Innova and Sebit; one of the largest call centers in Turkey "AssisTT" as well as international capacity provider Türk Telekom International Group. After obtaining his Bachelor's degree with a major in Management Information Systems from McGill University in Canada and working for a few years in the IT sector in Ontario, Canada, Mr. Aslan pursued his studies and obtained his MBA degree at McGill in 1997 and later joined TD Bank of Canada Corporate Banking Division covering the Information Technology and Telecommunications Sector. He later joined Citigroup where he worked mainly covering the sector out of London, and later Bahrain and Dubai. Mr. Aslan joined the Dubai based Oger Group in 2005. During his twelve years with Oger Group, Mr. Aslan oversaw the share transfer period following the privatization of Türk Telekom in November 2005 and has later assumed the Chief Executive Officer position and Executive Board Member of Oger Telecom Limited in Dubai. In Parallel, Mr. Aslan also served as the Türk Telekom Group CEO role and initiated and completed the transformation and integration initiatives in the Türk Telekom Group Companies in less than three years. Mr. Aslan left his Türk Telekom CEO position on Sept 26, 2016 and continues to serve as on the Executive Committee and as Executive Board Member of Türk Telekom Group.

Fahri Kasırğa (1953)

Independent Board Member

Kasırğa graduated from Istanbul Kabataş Erkek High School, after completing his primary and secondary education in Çayeli-Rize. After graduating from Istanbul University Faculty of Law in 1977, he started his internship as a judge candidate at Rize in 1978, then in August, 1979 he was accepted as Hopa Public Prosecutor. In December 1979, he left his job to fulfill his national service. He returned to service as Erzurum-Olur Deputy Public Prosecutor and served as Public Prosecutor of Trabzon-Çaykara, Sakarya-Karasu and Chief Public Prosecutor of Ordu-Fatsa, Diyarbakır, Kocaeli respectively. In December 26, 2001 he was appointed as Ankara Chief Public Prosecutor, while he was performing this duty, he was appointed as Undersecretary of Ministry of Justice in October 3, 2010. Due to the 2007 General Elections, he was appointed as Minister of Justice and served as Minister of Justice between May 8, 2007 and August 29, 2007. Then he returned back to his duty of Undersecretary of Ministry of Justice. After performing this assignment about 1 year more, he was appointed to Prime Ministry High Counselor in July 18, 2008. Served as Undersecretariat to Prime Ministry between January 20, 2014 and September 11, 2014, he currently serves as Presidential Secretary-General. Kasırğa is married with two children.

İbrahim Eren (1980)

Independent Board Member

İbrahim Eren was graduated from Boğaziçi University International Relations and Political Science. He assumed multiple executive positions in several companies and corporations in technology and media sectors. İbrahim Eren had his master's degree from London Westminster University Media Management. He served as Deputy General Manager of ATV, one of the leading channels in Turkey, for 3 years. Eren has been working in TRT (Turkish Radio and Television) as Deputy General Manager since 2013, being responsible from 11 channels in TRT including TRT1 and TRT World. He also serves as a Member at the Board of Directors of Türk Telekomünikasyon A.Ş., and a Chairman at the Board of Directors of TİAK. Besides, he is serving as a Director of the International Emmy Awards. Eren is married with three children.

Yiğit Bulut (1972)

Independent Board Member

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

Changes in the Board of Directors

Board Member Mr. Talat Aydın resigned from the Board of Directors on March 15, 2016.

Pursuant to Article 363 of the Turkish Commercial Code, on March 29, 2016, the Company's Board of Directors appointed Mr. Suat Hayri Aka to the vacated Board Member position to represent the holders of Class C Privileged Shares, to serve until the end of the remaining term, and to be submitted to the General Assembly for approval at the first General Assembly meeting.

Mr. Suat Hayri Aka and Mr. Nasser Sulaiman A Al Nasser were approved to serve as real person board members at the General Assembly meeting held on May 16, 2016.

Upon the resignation of Independent Board Member Kemal Madenoğlu on July 14, 2016, Our Company's Board of Directors has resolved that Fuat Oktay shall be appointed as an independent board member, in the capacity of real person board member, to the vacant board member position for the remaining term of office of the Board of Directors in accordance with Article 363 of Turkish Commercial Code as to be submitted to the approval of the General Assembly of our Company at the first upcoming General Assembly Meeting to be held and selected as Vice Chairman of Board on July 19, 2016.

Board Committees

The members of the Board of Directors were elected at the Ordinary General Assembly Meeting on July 08, 2015 for a three-year term.

Audit Committee

Independent Board Member İbrahim Eren is the Chairman of the Audit Committee; Independent Board Member Yiğit Bulut serves as Committee Member, while Non-executive Board Members Mazen Abou Chakra and Nasser Suleiman A. Al Nasser serve as Observer Members.

Corporate Governance Committee

Independent Board Member İbrahim Eren is the Chairman of the Corporate Governance Committee, while Mohammed Hariri (Chairman of the Board) and Cenk Serdar (Member of the Board), and Investor Relations Director Sabriye Gözde Çullas serve as Committee Members.

Early Detection 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 Mazen Abou Chakra and Cenk Serdar serve as Committee Members.

Executive Committee

Chairman of the Board Mohammed Hariri is the Chairman of the Executive Committee, while Board Members Rami Aslan, Abdullah Tivnikli and Nasser Suleiman A. Al Nasser serve as Committee Members.

Statutory Audit Board

Ismail Kartal (1964)

Statutory Audit Board Member

(1964) İsmail Kartal was born in Sivas, Yenikarahisar. After he graduated from the Construction Department of the Faculty of Architecture and Engineering of Selçuk University, he started to work as an engineer at research team of Diyarbakır 9th Regional Directorate of Highway Organization. After he completed his military service between December 1989 and March 1991 as Reserve Officer, he returned his duty of engineer at Research Team of Diyarbakır 9th Regional Directorate in the same year and worked as the Team Engineer and Chief of Maintenance Division of Diyarbakır 9th Regional Directorate between the years 1993-1994. İsmail Kartal also carried out his duty as the Chief of Maintenance Division of Konya 3rd Regional Directorate between the years 1994-1998. Kartal, who was appointed as the Chief of Maintenance Division of İzmir 2nd Regional Directorate in 1998, worked as Maintenance Chief Engineer until 2002 and as the Assistant Regional Manager between the years 2002-2004 at İzmir Regional Directorate. He was appointed as the Assistant Manager to the Kastamonu 15th Regional Directorate in 2004 and was appointed principally as the Manager of Kastamonu 15th Regional Directorate and carried out this duty until 2006. Kartal, who worked as the Manager of İstanbul 1st Regional Directorate between the years 2006 and 2009 was appointed as the Assistant Director General of Highways between the years 2009 and 2011. He worked as the Manager of Bursa 14th Region between the years 2011 and 2014 and carried out the duties of Public Private Sector Partnership Regional Manager between the years 2011-2015 and the Manager of İstanbul 1st Regional Directorate simultaneously. He was appointed as Director General of Highways in 2015. İsmail Kartal is married and speaks English and German.

Ali Polat (1972)

Statutory Audit Board Member

(1972) Ali Polat was born in Elbistan, Kahramanmaraş. He was graduated from İstanbul University Department of Public Finance in 1997. He completed his MA degree at Marmara University Banking and Insurance Institute in 2000, and his Ph.D. at the same Institute in 2007. As he was studying his MA and Ph.D., he worked at the foreign transactions and international banking departments in Faisal Finans Kurumu A.Ş., Family Finans Kurumu A.Ş and Türkiye Finans Kurumu A.Ş. During his banking career, he worked at Finance Department in F-Secure in 2001, a global security software company in San Jose, California.

In 2009, he had a break in his 9 years banking career and started to work as Assistant Professor in Management Faculty at the King Saud University at the same year. Between April 2009 and August 2014, he lectured in banking and finance for bachelor and graduate degrees and researched in these topics. He has published articles in national and international journals and copyright books. As of September 2014, he was assigned as Principal Consultant of Prime Ministry and still occupies the same position. He is married and has 3 children. He speaks English.

Salih Orakçı (1964)

Statutory Audit Board Member

(1964) Mr. ORAKÇI, who was born in Refahiye, completed his primary, secondary and higher education in İstanbul and graduated from Maritime Transportation and Management Engineering Deck Department of Maritime Faculty of the İstanbul Technical University in 1986. Mr. ORAKCI was on duty between the years of 1986-2000 respectively as Deck Officer, First Mate and Master in D.B. Deniz Nakliyatı T.A.Ş. and as Port Manager in a private company. Mr. ORAKÇI began to work as Expert in the Directorate General of Coastal Safety and Salvage Administration on 23.03.2001. Then, he worked as Vessel Traffic Service Operator in 2001 and served as deputy in the Turkish Straits Vessel Traffic Services Foreign Affairs Manager in 2002, and became Chief Vessel Traffic Service Operator at the same year. Mr. ORAKCI, who performed task as Deputy Director General by proxy between 09.09.2003-107.11.2003, was appointed as Deputy Director General and member of the board personally as of 107.11.2003. He carried out a task as Director General and Chairman of the Board of Directorate General of Coastal Safety and Salvage Administration between 27.09.2005-13.05.2014. He was also the member of Maritime Council at the Turkish Union of Chambers and Commodity Exchanges. Mr. ORAKÇI, who has been performing the duty as Chairman of the Board of Cyprus Turkish Coastal Safety and Salvage Administration Ltd. Şti., is working as the coordinator in Secretariat General of Presidency of the Republic of Turkey.

Change in Audit Board

Salih Orakçı, İsmail Kartal and Ali Polat have appointed as Statutory Audit Board Member in General Assembly dated 16.05.2016.



Türk Telekom has 75% LTE population coverage thanks to our widespread fiber infrastructure touching every single city in Turkey.

Dr. Paul Doany

CEO



Message from the CEO

Our success derives its strength from the high quality product and services offered to the customers within the framework of our unmatched brand unification strategy.

Türk Telekom, Turkey's leading communication and entertainment Technologies Company, completed 2016 with outstanding top line growth and subscriber gain. Accordingly, we posted 10.9% year-over-year top line growth and 1.5 million net subscriber addition in 2016 – both record high figures since the IPO. This remarkable growth is beyond our annual guidance and is the result of offering top-notch quality products and services to our clients on the basis of Türk Telekom's unique brand unification strategy and one-stop shop experience for the entire telecommunication and entertainment needs of customers.

2016 was quite challenging due to the foiled coup attempt that took place on July 15. This attempt was foiled, as the Turkish people protected democracy and national will under the leadership of our President Recep Tayyip Erdoğan and Prime Minister Binali Yıldırım. Turkish people defeated this deplorable attempt with the power of "communication". As Türk Telekom, we fulfilled all our responsibilities and played an active role in defeating the coup attempt by supporting our government and nation. Thanks to the opportunities backed up by our strong communication infrastructure, the Turkish people flocked to the streets and in solidarity delivered the strongest possible response to the coup attempt. Some of our regional directorate buildings in Istanbul and Ankara, and our technology building in Umraniye were among the targets of the coup plotters. However, our colleagues on duty that night did not permit coup plotters to access the systems. Unfortunately, we suffered the loss of a martyr during these incidents. I wish God's blessing to all our democracy martyrs, including our teammate, and wish our veterans a swift recovery.

The heroic story written by Turkish people on that night inspired us to create our "We are beautiful together" campaign, which went beyond a mere advertising campaign and was embraced by the entire nation. This campaign rapidly spread across social media, and hence we united as a nation against the foiled coup attempt. As Türk Telekom, we have full trust in democracy and the leadership of the Turkish government, as well as the stability and resilience of the economy. We are very glad and proud that our country has left those hard times behind it, strengthening further.

As Türk Telekom, we did not pause a minute due to the incidents; on the contrary, we continued to work harder. 2016, in which we reaped the benefits of brand unification, became another year of achievements for Türk Telekom. Apart from realizing the biggest brand unifications in Turkish commercial history, 2016 was also a milestone in mobile communications given the seamless launch of LTE as of April 1. Türk Telekom proudly offers a unique experience to mobile users with its Fiber-Powered LTE covering 75% of population and touching every single city in Turkey, thanks to our widespread fiber infrastructure. Our Fiber-Powered LTE enables our customers to enjoy uninterrupted high speed and capacity wherever they go. As of day one, the number of subscribers benefiting from the advantages that LTE brings has been increasing rapidly. Besides being the operator with the highest smartphone penetration in the market at 75%, we also have the highest LTE device penetration within our smartphone base of 53%.

The highest quality and the most widespread infrastructure is a must to offer an uninterrupted and hassle-free communication and entertainment experience to our customers; but not enough to fully address rapidly evolving needs. Accordingly, at Türk Telekom, we are heavily focusing on transforming our strength in infrastructure to value added services as well. The best examples of these are Turkey's most loved online digital music platform Türk Telekom Müzik, leader digital gaming platform Playstore, and TV platform Tivibu with broadcasting rights of the UEFA Champions League and UEFA League Europa, as well as Turkey's leading online educational support service Vitamin.

Message from the CEO

2016 became a successful year for Türk Telekom that reached the fruits of integration strategy. As Türk Telekom, we realised the biggest brand unification in Turkish commercial history,

This year, we have renewed and re-branded our digital music platform as Türk Telekom Müzik. We are happy to see that Türk Telekom Müzik became embraced by music lovers within a short time, having become the most loved digital music platform of Turkey. Besides offering a wide music archive to its users both online and offline, it also enables new talents to share their music with millions and start their professional music career in this way.

Selfy, on the other hand, has the motto of "You Rule!" and enables young customers to create their own communication packages according to their needs and wishes. With Selfy, we aim to be preferred by the youth even more and strengthen our position in this segment. Avatar service, developed exclusively for Selfy subscribers is a first in the world and enables its users to customize the carrier name on their mobile phone display in their favorite words. It is loved and used by many young customers, enabling them to shape their communication world as they wish.

All these achievements have led to a remarkable success in numbers as well. Accordingly, total number of subscribers had a significant growth in 2016 and reached 38.9 million, up by 1.5 million YoY. In mobile segment, we recorded one of the highest subscriber growth with 1.3 million additions YoY thanks to our solid and nationwide fiber infrastructure and optimum mobile frequencies that deliver a top-notch LTE experience to our customers.

In 2016, we have also delivered our CAPEX guidance as we gave our investors at the beginning of the year. As Turkey's world-class integrated communication and entertainment technologies company, Türk Telekom has been working for 176 years as the biggest enabler of digital revolution in our country. In line with this mission, we have invested TL 26 billion in Turkey's digital future since the privatization in 2005 - the highest amount of investment realized in the sector.

We have invested mostly to enhance our fiber footprint and LTE coverage, as well as R&D activities to expand our innovative product portfolio.

In the fixed segment, our nationwide fiber footprint extended from 213 km to 228K km by reaching 13.9 million households in 2016. In addition, our wholly owned subsidiary Türk Telekom International has 40 thousand kilometers of fiber-optic infrastructure connecting 20 countries. Furthermore, we became the first and only Turkish company to participate in the SEA-ME-WE-5 consortium through which we have connected Turkey to a fiber network that stretches for more than 20 thousand kilometers between 17 countries, including France and Singapore.

We are also proactively taking bold steps towards placing Turkey among the global technology giants developing new technologies with our internal R&D efforts and international collaborations. Accordingly, we have full membership at ETSI - European Telecommunications Standards Institute and 3GPP, which are the ultimate standard setting organizations for mobile technologies. Hence, we are actually writing the software that 5G will rise upon. So far, through our wholly owned R&D subsidiary Argela, we have 28 patent applications to the US Trademark and Patent Institute for the development of 5G.

Argela also develops Turkey's first national base station project – ULAK – with Aselsan and Netaş with the aim of reducing Turkey's dependency on imports. In addition, Argela designs an end-to-end, secure and completely national network infrastructure – MILAT – to be used by the State Organizations and Ministries in collaboration with Turkish Undersecretariat of Defense Industry. Besides taking part in national projects, we are carrying out strategic partnerships with the world's technology giants including Nokia and Huawei in order to develop innovative technologies ranging from 5G to the Internet of Things (IoT) and to fortify our network to keep up with the highest standards in the world. Accordingly, Türk Telekom has become the first operator to test narrowband IoT technology on its own network and the only operator from Turkey to take part in the "GSMA Narrow Band-IoT Forum", which defines the standards shaping IoT technologies.

As Türk Telekom, we are ready to drive the change and Turkey's digital transformation in line with our government's 2023 vision. Accordingly, we aim to continue to invest for the digital future of our country.

We develop technologies of the future not only to improve people's quality of life, but also to transform businesses to master Industry Revolution 4.0 and hence utilize the benefits of digitalization. Currently, we are working as a solution partner to businesses ranging from artisans to large scale enterprises with our convergent technology solutions such as cloud services, M2M and big data.

Türk Telekom places considerable importance to entrepreneurship, as we believe it is the most crucial driver and enabler of innovation. We support start-ups directly and contribute in strengthening the entrepreneurial ecosystem through Pilot, which is the first start-up accelerator program run by a private company in Turkey. Within the scope of Pilot, we have been supporting an entrepreneurial ecosystem by providing 35 projects with cash support of TL 1.2 million since the launch of the program.

Besides providing top-notch products and services, we aim to make them reachable by all segments of the population – regardless of economic, social and physical barriers, thanks to our inclusive business approach. As Turkey's most valuable telecoms brand, our efforts and work in this field go beyond philanthropic activities to what the corporate citizenship requires. In this regard, we are constantly expanding our reach to more people. Accordingly, in 2016, we have developed a mobile game application that is a first in the world supporting our Sunshine Project, which aims to enhance the visual ability of children with limited sight. Similarly, we introduced the mobile application of our Books on the Phone Project, which formerly offered voiced books only via fixed line, to make it accessible by more visually disabled book-lovers and launched Voice to Books mobile application to increase

the number of volunteer readers for the project. In addition, we added voiced descriptions of renowned painters to our voice library under Talking Paintings application. This year, we extended our Life is Simple with Internet Project initiated in 2013 with the aim of increasing internet literacy. With our efforts during 2016, we extended the project to 50 cities and increased the number of people who received internet literacy training from 10 thousand to 21 thousand. We aim to increase this number to 30 thousand by the end of 2017.

Türk Telekom's outstanding works and achievements were also crowned by several awards in national and international scale. We received awards in almost all areas from technology to media relations and from marketing communication to human resources. In 2016, Türk Telekom was also awarded the Most Valuable Telecoms Brand in Turkey for 9 consecutive years, confirming its position as Turkey's leading communication and entertainment Technologies Company.

In 2016, we have successfully excelled in projects that stand as exemplary milestones not only for Turkey, but also for the sector globally. Following the successful execution of brand unification, we had started to streamline the organization towards a more coherent structure for faster decision-making, efficient resource utilization and quick response to customer needs.

Looking ahead, we will again be at the heart of innovation, simplicity and digital transformation. We are working non-stop to improve the life standards of our customers, to master the fourth Industrial Revolution in support to prosper businesses and to create value for our stakeholders. We envision a future for Turkey where innovation coupled with Turkish ingenuity will create prosperous results for all stakeholders.

I would like to thank every single one of you, whose heart is beating for Türk Telekom and for Turkey.



Paul Doany
CEO and General Manager

Türk Telekom Group Management

Dr. Paul (Boulos H.B.) Doany

CEO and 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 he also acted as Deputy General Manager of AssisTT between August 2016 and February 2017,..

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

Cengiz Doğan

Technology Assistant General Manager

Cengiz Doğan graduated from Electrical and Electronics Engineering, Computer and Communication department from Middle East Technical University in 1987. Mr. Doğan started his career at Türk Telekom™ in 1988 as an Engineer at NATO and TAFICS Department. Then, he promoted to be a Chief Engineer in 1996. Between 2003 and 2006, he served as Vice President of the department of Information Networks, between 2006–2009, as the Director of the Information Networks, between 2009–2011, as the Network Architecture Director and between 2011–2014, as the Technology and Architecture Design Director. Throughout his career, he directed several critical projects such as intranet network setup, IP MPLS installation and service, xDSL, installation and service of IPTV Headquarters, installation of Internet Data Center, establishment of Information Security unit, IPDSLAM project setup and installation. He also attended international certificate programs such as Cisco, Oracle-SQL and Next Generation Networks in Italy, Germany and England.

Cengiz Doğan is serving as Technology Assistant General Manager at Türk Telekom since October 2016.

Hakan Dursun

Marketing Assistant General Manager

Hakan Dursun graduated with high honors degree from Industrial Engineering, Boğaziçi University in 2002, and then completed his MBA degree from the same university with high honors.

Hakan Dursun started his career in strategic management consulting in The Boston Consulting Group's (BCG) Istanbul office in 2002, and continued his career in consultancy in New York office of the same company.

Having put his signature under many important projects in different industries such as finance, energy and banking. Hakan Dursun then continued his consulting career in Booz Allen Hamilton and Delta Partners companies between 2005 and

2008 in Turkey and the Middle East. Following his consulting career, Hakan Dursun assumed the regional director role in charge of Turkey and the Mediterranean countries at British Telecom (BT), and throughout his executive career, he has carried out many successful projects and partnerships in strategy, transformation, technology and commercial fields with the leading telecommunication operators in the region.

He joined Türk Telekom Group as the Advisor to Türk Telekom Group CEO in 2011 and Mr. Dursun held Strategy and Business Development Assistant General Manager role between 2014 and 2016. After that Dursun held Türk Telekom Consumer Marketing Officer Role between March– December 2016.

Hakan Dursun is serving as Marketing Assistant General Manager (under TTNET) since December 2016.

Firat Yaman Er

Strategy, Planning and Business Development Assistant General Manager

Firat 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. Firat Yaman Er is serving as Strategy, Planning and Business Development Assistant General Manager since December 2016.

Türk Telekom Group Management

Ümit Önal

Sales and Customer Care Assistant General Manager

Ümit Önal obtained his Bachelor degree with a major in Advertising and Public Relations Department from 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 TİAK (TV Monitoring and Research Committee) and committee head at TVYD (Association of TV Broadcasters).

Ümit Önal is serving as Sales and Customer Care Assistant General Manager (under TTNET) since December 2016.

Av. Yakup Öztunç (Acting)

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 Polska Polielektrolit Kimya 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. 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 Netaş 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.

Senior Management Changes During 2016

According to regulatory announcement dated 15.01.2016, Our Company's Chief Field Management Officer Tevfik Fikret Karaman decided to retire.. Regional Directorates who used to report to Chief Field Management Officer, will directly report to Türk Telekom CEO as of 15.01.2016.

According to regulatory announcement dated 11.03.2016, our Chief Consumer Marketing Officer Dehşan Ertürk resigned from his position at Türk Telekom Group and Hakan Dursun is appointed as the Chief Consumer Marketing Officer.

And as of 11.03.2016 Hakan Dursun's prior role and responsibilities, as Türk Telekom's Chief Strategy and Business Development Officer, will be assumed by Firat Yaman Er who will be the acting Chief Strategy and Business Development Officer in addition to his current role and responsibilities.

According to regulatory announcement dated 12.08.2016 TTNET Consumer Business Unit CEO and Avea İletişim Hizmetleri A.Ş. General Manager Erkan Akdemir and Türk Telekom Chief Technology Officer Coşkun Şahin served notice to leave their positions at Türk Telekom Group.

To this effect, TTNET Consumer Business Unit CEO Position has been abolished, making all reporting lines of TTNET Consumer Business Unit CEO direct reports to now report directly to Türk Telekom CEO Rami Aslan with immediate effect.

Türk Telekomünikasyon A.Ş. CEO Rami Aslan will assume the responsibilities of Avea İletişim Hizmetleri A.Ş. General Manager in addition to his existing responsibilities.

Chief Technology Officer responsibilities will be assumed by Türk Telekom CEO Rami Aslan in addition to his existing responsibilities.

As of According to regulatory announcement dated 31.08.2016 our Company's CEO Rami Aslan decided to leave Turk Telekom CEO Position which he held since December 10, 2013. Aslan will continue serving in the Executive Committee and Board of Directors of Türk Telekom in addition to his CEO and Board member role at Oger Telecom. Rami Aslan has continued to serve as CEO at Türk Telekom until a new appointment is made.

According to regulatory announcement dated 09.09.2016, our Company's Chief Procurement and Vendor Management Officer Metin Erhan, has decided to leave his position.

According to regulatory announcement dated 26.09.2016, Boulous H.B. Doany is appointed as CEO-General Manager of Türk Telekom.

Türk Telekom Group Management

According to regulatory announcement dated 05.10.2016, our company's Chief Human Resources Officer Bahattin Aydın has resigned from his position, Dr. Ramazan Demir, Chief Regulation Officer, is appointed as CEO Advisor for Special Projects.

As of 05.10.2016 Cengiz Doğan is appointed as Chief Technology Officer and Şükrü Kutlu is appointed as Chief Human Resources and Regulation Officer.

As of According to regulatory announcement dated 21.10.2016, TTNET Chief Consumer Customer Care Officer Orçun Onat, has decided to leave his position at Türk Telekom Group. Türk Telekom General Manager/CEO, Boulos H.B. Doany will execute his responsibilities until a new appointment for this position.

According to regulatory announcement dated 10.11.2016 Murat Kırkgöz, who joined our Company in 2001, and has served as Chief Financial Officer since October 2012, decided to leave his position effective from December 1, 2016 ensuring a smooth transition to his successor. Kaan Aktan, current Chief Consumer Finance Officer of TTNET, was appointed as Chief Financial Officer of Türk Telekom, effective from 01.12.2016.

According to regulatory announcement dated 10.11.2016, Arif Kaan Sümer is appointed as Chief Finance Officer to one of our group companies, Assitt Rehberlik ve Müşteri Hizmetleri A.Ş. and he resigned from TTNET Chief Corporate Finance Officer position.

According to regulatory announcement dated 23.11.2016 TTNET Chief Consumer Sales Officer Hüseyin Balcı decided to leave his position at Türk Telekom Group effective from November 30, 2016. Türk Telekom General Manager/CEO, Boulos H.B. Doany will execute his responsibilities until a new appointment for the related position.

According to regulatory announcement dated 25.11.2016, TTNET Corporate Business Unit CEO Mehmet Ali Akarca decided to leave his position at Türk Telekom Group effective from December 31, 2016. Türk Telekom General Manager/CEO, Boulos H.B. Doany will execute his responsibilities.

Kaan Aktan who is appointed as the Chief Financial Officer of Türk Telekom effective from 01.12.2016 resigned from his previous position of TTNET Chief Consumer Finance Officer.

According to regulatory announcement dated 12.12.2016 in order to increase efficiency and effectiveness under its integrated structure, Türk Telekom Group (TTG) announced organizational changes. With the new organization, TTG aims to achieve maximum benefit from the synergies of shared operations at the Assistant General Manager level and strengthen execution, while maintaining its customer centric approach and consumer and corporate customer focus. In addition to increased efficiencies, TTG targets to create additional value to total customer experience via the streamlined operations. Accordingly;

“Consumer Business Unit CEO, TTNET” position (as per the announcement dated 12.08.2016) and “Corporate Business Unit CEO, TTNET” position are abolished. Meanwhile, CXO positions under Consumer and Corporate Business Units at the previous organization are also abolished.

“Marketing Assistant General Manager” position is established, reporting directly to CEO, responsible for end to end management of marketing activities for corporate and consumer customers; accordingly, the current Corporate Marketing department, Consumer Marketing department and TV department will report to Hakan Dursun, who is appointed as Marketing Assistant General Manager (under TTNET).

“Sales and Customer Care Assistant General Manager” position is established, reporting directly to CEO, responsible for management of corporate and consumer sales and customer care activities; accordingly, the current Corporate Sales department, Consumer Sales department, Corporate Customer Care department, and Consumer Customer Care department will report to Ümit Önal who is appointed as Sales and Customer Care Assistant General Manager (under TTNET).

Finance Assistant General Manager will be responsible for end to end management of financial processes for all business units and functions; and accordingly, Corporate Finance and Consumer Finance departments will report to Kaan Aktan.

Business Planning Department and Strategy & Business Development Departments are integrated under “Strategy and Business Planning” department. Firat Yaman Er is appointed as Strategy and Business Planning Assistant General Manager, directly reporting to CEO.

“Business Support Assistant General Manager” position is established, reporting directly to CEO; and accordingly current Human Resources department, Regulation department and Support Services department will report to Şükrü Kutlu who has been assigned as the Business Support Assistant General Manager.

Yavuz Yıldırım will continue his current role as “Wholesale Assistant General Manager”. “Chief Procurement and Vendor Relations Management Officer” position has been abolished. This position is reorganized at Director level, directly reporting to the CEO.

CEOs of Türk Telekom Group Companies

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 Akademia 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.

Aydın Ersöz

Innova CEO

Following graduation from Robert College in 1980, Mr. Ersöz received his BA in Electrical and Computer Engineering at Princeton University. After completing an MS at Stanford University in the same field in 1986, he began working in Silicon Valley in the US. Starting in 1988, Mr. Ersöz worked in various positions at IBM Turkey for 5 years, followed by 5 years at Info Otomasyon A.Ş., a local

SI, where he was General Manager for the last three years of his tenure. Mr. Ersöz co-founded Innova IT Solutions in 1999. Following the acquisition of Innova by Türk Telekom in 2007, Mr. Ersöz serves as CEO of the company.

Ümit Atalay

Innova CEO

Upon graduation from Middle East Technical University's department of Computer Engineering in 1984, Ümit Atalay began his professional career at ITT CR Systems in Denmark in 1985. Atalay worked in various positions at Alcatel in Germany and Bell Northern Research Company in the UK between 1989 and 1992, returning to Turkey in 1992 to begin work as the System Security Manager of Pamukbank. He worked as a Manager responsible for Public Operations at Otomasyon A.Ş. for five years from 1994. A founding partner of Innova IT Solutions Inc., since 1999, Ümit Atalay has served as a Board member in the fields of public projects, large-scale projects and new technology development. He is serving as co-CEO of Innova with Aydın Ersöz, since 2007.

Bülent Kaytaç

Argela CEO

Bülent Kaytaç 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 Kaytaç 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. Kaytaç 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 Kaytaç is the CEO and the founder of Argela, a Türk Telekom Company.

Mehmet Candan Toros

Chairman of Türk Telekom International Group Management Board

Mehmet Candan Toros, has graduated from Istanbul Technical University with a B.Sc. in Electrical Engineering in 1988 and earned his MBA degree from Bilkent University in 2012. He is a seasoned professional with 28 years in telecommunication industry and he has also experiences on management of Telco services & products in sales in nationwide, broadband technologies and International Telco business. Implementation and introduction of DSL and broadband network/infrastructure in all across the country was achieved in the period of his leadership as Vice President of Technology (2003–2007). He also served as International & Wholesale Vice President of Türk Telekom between 2007 and 2012.

During his career, he worked as an Engineer and Managing Director in the marketing and sales activities of space segment including satellite communication networks, domestic and international installation and management of TÜRKSAT satellites orbital operations.

In the meanwhile, he was also Member of the Management Board of Türk Telekom International between 2010 and 2015.

Mr. Toros rendered a service as Coordinator (VP) of Türk Telekom in charge of Sectorial Relations & Project Management between December 2012 and November 2016. He was appointed as acting CEO of Türk Telekom International Group in November 2016.

Mehmet Candan Toros has been serving as Chairman of Türk Telekom International Group Management Board since December 2016.

Yusuf Kırac

Türk Telekom International General Manager

Yusuf Kırac graduated from Electrical and Electronics Engineering, Hacettepe University. Following his undergraduate studies, he worked as a manager in planning and integration management for 12 years at

Siemens and Nokia Siemens Networks. Mr. Kırac started to work in Türk Telekom in 2008 and took 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 TTPVN. 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. During his managerial role in 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, M2M's future strategies and policies. After the integration of Türk Telekom, Avea and TNet, he started to serve as Core & Transport Network Director. Besides his current responsibilities, he is also a board member of ESB (Access Providers Association) since 2015.

Yusuf Kırac is serving as Türk Telekom International General Manager since December 2016.

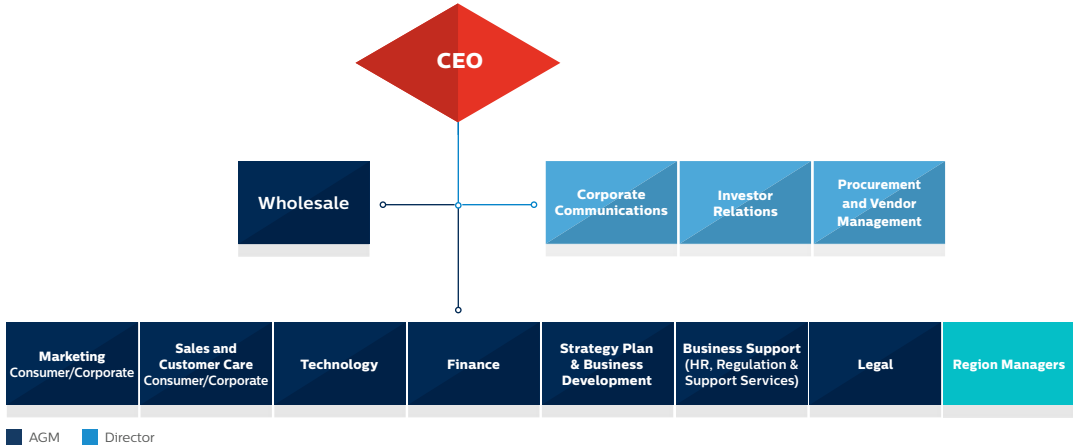
Cemil Yıldırım

AssisTT CEO

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.

Organizational Structure and Changes



Organizational Changes

In order to increase efficiency and effectiveness under its integrated structure, Türk Telekom Group (TTG) announced organizational changes on 12.12.2016. With the new organization, TTG aims to achieve maximum benefit from the synergies of shared operations at the Assistant General Manager level and strengthen execution, while maintaining its customer centric approach and consumer and corporate customer focus. In addition to increased efficiencies, TTG targets to create additional value to total customer experience via the streamlined operations. Accordingly;

- » “Consumer Business Unit CEO, TTNET” position (as per the announcement dated 12.08.2016) and “Corporate Business Unit CEO, TTNET” position are abolished.
- » Meanwhile, CXO positions under Consumer and Corporate Business Units at the previous organization are also abolished.
- » “Marketing Assistant General Manager” position is established, reporting directly to CEO, responsible for end to end management of marketing activities for corporate and consumer customers; accordingly, the current Corporate Marketing department, Consumer Marketing department and TV department will report to Hakan Dursun, who is appointed as Marketing Assistant General Manager (under TTNET).
- » “Sales and Customer Care Assistant General Manager” position is established, reporting directly to CEO, responsible for management of corporate and consumer sales and customer care activities; accordingly, the

current Corporate Sales department, Consumer Sales department, Corporate Customer Care department, and Consumer Customer Care department will report to Ümit Önal who is appointed as Sales and Customer Care Assistant General Manager (under TTNET).

- » Finance Assistant General Manager will be responsible for end to end management of financial processes for all business units and functions; and accordingly, Corporate Finance and Consumer Finance departments will report to Kaan Aktan.
- » Business Planning Department and Strategy & Business Development Departments are integrated under “Strategy and Business Planning” department. Firat Yaman Er is appointed as Strategy and Business Planning Assistant General Manager, directly reporting to CEO.
- » “Business Support Assistant General Manager” position is established, reporting directly to CEO; and accordingly current Human Resources department, Regulation department and Support Services department will report to Şükrü Kutlu who has been assigned as the Business Support Assistant General Manager.
- » Yavuz Yıldırım will continue his current role as “Wholesale Assistant General Manager”.
- » “Chief Procurement and Vendor Relations Management Officer” position has been abolished. This position is reorganized at Director level, directly reporting to the CEO.

Capital Structure and Changes

Türk Telekom is a prominent Turkish company with a robust capital structure.

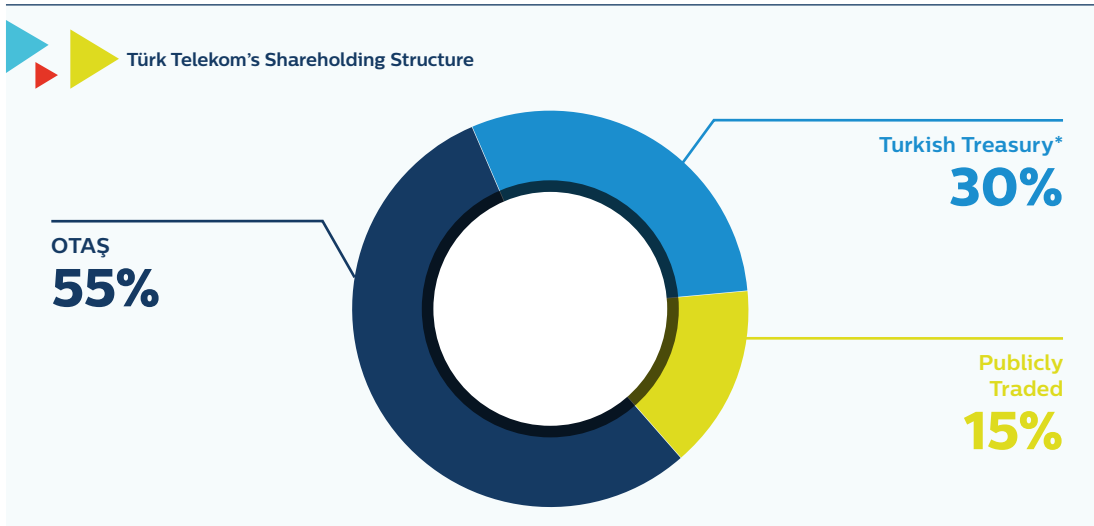
Ojer Telekomünikasyon A.Ş. (OTAŞ) has a 55% stake and the Treasury has a 30% stake in Türk Telekom. With a 15% being freely-floated. Türk Telekom is a prominent Turkish company with a robust capital structure.

- » Group A non-public share ownership of Ojer Telekomünikasyon A.Ş. is 55%.
- » The Turkish Treasury's Group B non-public share ownership is 30%, and Group D public share ownership is 1.68%. In addition, the Turkish Treasury owns a "golden share" (Group C share) with a nominal price of TL 0.01.*
- » According to the Official Gazette published on

February 5, 2017, the Council of Ministers decided to transfer the 6.68% (5% Group B, 1.68% Group D) Undersecretariat of Treasury shares in the Company to the Turkish Wealth Fund.

Oger Telecom Ltd. which has 99% share in Ojer Telekomünikasyon A.Ş. sold a 0.77% stake in Türk Telekomünikasyon A.Ş.'s D Class free-float shares on December 1, 2016, whereby Oger Telecom Ltd. now has no free-float shares in the D Class.

D Class free-float shares constitute 15% of total capital.



* According to the Official Gazette published on February 5, 2017, the Council of Ministers decided to transfer the 6.68% (5% Group B, 1.68% Group D) Undersecretariat of Treasury stake in the Company to the Turkish Wealth Fund. The above chart does not incorporate that development.

Sector Outlook⁽¹⁾

By increasing fixed broadband population penetration via investments in fiber, Turkey has increased its ranking among OECD countries compared to previous years.

There are 615 enterprises operating in the Turkish electronic communication sector, and 994 authorizations have been granted as of September 2016.

The net sales revenues of Türk Telekom and mobile operators reached TL 9.1 billion in the third quarter of 2016.

Fixed Voice Market

In Turkey, as of the third quarter of 2016, there are 11.08 million fixed voice subscribers, corresponding to a 14.1% penetration rate. Considering that the average household size in Turkey is 3.6 people, it can be concluded that fixed voice services are used by a significant portion of the population.

Broadband Market

The Turkish broadband market has grown from only 6 million subscribers in 2008 to 59.1 million subscribers as of third quarter 2016. The number of broadband users increased by 26.5% year over-year and 7% quarter-over-quarter in the third quarter 2016.

In the broadband market as of the third quarter of 2016, there were 49 million mobile broadband subscribers and 10.1 million fixed broadband subscribers. In terms of average data usage per subscriber, the fixed broadband segment led the way with a monthly usage of 67.8 GB, followed by 2.2 GB for the mobile broadband segment.

There are 10.1 million subscribers in the fixed broadband segment, which is comprised of xDSL, fiber and cable internet users. While this segment is dominated by xDSL technology, there is a striking increase in the number of fiber subscribers. The number of fiber subscribers reached approximately 1.8 million as of the third quarter of 2016.

The population penetration rate in the Turkish fixed broadband market as of September 2016 was 10% for DSL and 1% for cable. By increasing fixed broadband population penetration via investments in fiber, Turkey has increased its ranking among OECD countries compared to previous years.

⁽¹⁾ Source: Information and Communication Technologies Authority 2016 Q3 Market Data Report

Operators have rapidly expanded high-speed internet coverage in Turkey by boosting their investments in network and fiber internet. As of the third quarter of 2016, Türk Telekom accounts for the country's most extensive fiber infrastructure with its 223 thousand km network across all 81 provinces. Türk Telekom holds 78% of total existing fiber infrastructure in Turkey as of the third quarter of 2016.

The revenues of companies with ISP service authorization in the third quarter of 2016 rose by 21% year-over-year to exceed TL 1.5 billion.

As of the third quarter of 2016, total fixed broadband (including cable) usage in Turkey amounted to 2 million TB. And while 19% of the country's fixed broadband subscribers prefer packages with a connection speed of 4-8 Mbps, the share of those preferring speeds of 10-30 Mbps has risen to 70.8%.

In the third quarter of 2016, the number of users who access the internet via mobile computers and phones increased by 8% year-over-year to 48 million, in parallel with the rise in smartphone penetration. Türk Telekom maintained its market leading position in terms of smartphone penetration, with a rate of 73% as of the third quarter of 2016. Total usage in the mobile broadband segment was 313 thousand TByte in the third quarter of 2016. According to the breakdown of mobile internet subscribers, the highest share (35.2%) of usage comes from users who prefer 1-4 GB capacity.

Mobile Market

As of the end-September 2016, there were 74.5 million mobile subscribers in Turkey, corresponding to a 94.6% penetration rate. There are three operators in the market, namely Türk Telekom, Turkcell and Vodafone. As of the third quarter of 2016, Türk Telekom has 25%, Turkcell has 44% and Vodafone has 31% market share in terms of subscriber number.

In the third quarter, mobile internet usage rose by 23% over the previous quarter to 313 thousand Tbytes in the market, where numerous tariff and package campaigns with increased data content were introduced throughout the year.

As of the third quarter of 2016, postpaid subscribers accounts for 50.8% of the market in Turkey. The fact that the rate is 64% in European countries highlights that Turkey still has room to grow its postpaid subscriber base, which generates higher ARPU. As of the third quarter of 2016, operators' postpaid subscriber ratios are 52% for Turk Telekom, 52% for Turkcell and 48% for Vodafone.

Sector Outlook

In 2015, Türk Telekom Group has enriched its content by starting to use its Turkish media rights of UEFA Champions League and UEFA Europa League matches, realizing a substantial move for the TV market.

LTE Technology

LTE services were launched in Turkey on April 1, 2016, and the subsequent 9 months were immensely successful for Türk Telekom, which has reflected to financial and operational results.

Türk Telekom's fiber network spanning its LTE base stations across 81 cities enables it to provide the widest uninterrupted frequency range per subscriber attained during the frequency tender. With the launch of LTE, the amount of data usage has also increased considerably in line with expectations. The monthly average data usage of all Türk Telekom smartphone users is 2.8 GB per user, while the monthly average data usage of LTE users is 3.9 GB. This increase in data usage is expected to accelerate in the coming period. The mobile infrastructure must be supported with a strong fiber infrastructure in order to reflect the capacity and speed flexibility of LTE technology to the user experience to the maximum level.

TV Market

In Turkey, the prominent players of the Pay TV market are Türk Telekom Tivibu, Digiturk, D-Smart, Turkcell TV+ and Türksat. Turkey's TV market consists of IPTV, satellite and cable TV categories. The IPTV services are offered by Türk Telekom Tivibu and Turkcell TV+, and satellite platform services are offered by Türk Telekom Tivibu, Digiturk and D-Smart. Türksat, on the other hand, is the only operator that actively provides cable TV services in Turkey.

In 2015, Türk Telekom Group has enriched its content by starting to use its Turkish media rights of UEFA Champions League and UEFA Europa League matches, realizing a substantial move for the TV market. As a result, all UEFA Champions League and UEFA Europa League football matches are broadcast on Türk Telekom Tivibu beginning from the 2015-2016 season until the end of the 2017-2018 season.

As Turkey's first IPTV provider, Türk Telekom expanded its broadcast service to the satellite platform in 2015 and started broadcasting in 4K quality in December 2015. Türk Telekom's Home TV (IPTV and Satellite) subscribers reached 590 thousand as of the third quarter of 2016. In the satellite segment, as of the third quarter of 2016 Digiturk has a total of 2.7 million pay TV subscribers, whereas D-Smart had about 926 thousand pay TV subscribers. Cable TV services provider, Türksat had 1.2 million cable TV subscribers as of the third quarter of 2016.

A black and white close-up portrait of Cristiano Ronaldo, looking slightly to the left. He is wearing a dark, ribbed shirt. The background is a textured, light-colored wall.

**RONALDO'YA
HIZ LAZIM**

#ronaldoyahizlazim

ronaldoyahizlazim.com

Türk Telekom's Operations

With its focus on the telecommunications of the future, Türk Telekom has set itself the mission of offering speed, top quality and affordable services to its customers through customer-oriented and integrated communication solutions anywhere and anytime.

Türk Telekom Group, as a "Multi Player of Turkey", offers ,mobile, fixed voice, fixed broadband and TV services. Türk Telekom Group companies offer a wide range of services in consumer and corporate segments. As of December 31, 2016, Türk Telekom had 13.1 million fixed access lines, 8.7 million broadband and 18.6 million mobile subscribers. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 33,224 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, owns 100% of mobile operator Avea İletişim Hizmetleri A.Ş., retail internet services, IPTV, satellite TV, Web TV, Mobile TV, Smart TV services provider TTNET A.Ş.,TV Broadcasting and VOD services provider Net Ekran Companies, convergence technologies company Argela Yazılım ve Bilişim Teknolojileri A.Ş., IT solution provider Innova Bilişim Çözümleri A.Ş., online education software company Sebit Eğitim ve Bilgi Teknolojileri A.Ş., call center company AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş., wholesale data and capacity service provider Türk Telekom International and its subsidiaries.

Future Vision and Strategic Approach

With its perspective of carrying communication into the future, Türk Telekom has set itself the mission of offering speed, and top quality and affordable services to its customers through customer-oriented and integrated communication solutions, anywhere and anytime.

Having a robust infrastructure, value added innovative services diversified year after year, and the capacity to translate state-of-the-art-technologies into services, as well as strong international partnerships, Türk Telekom Group continuously boosts its regional presence and ranks among the top ICT companies of its region and the world.

Türk Telekom aims to add value to core telecoms services, and strengthening its competitive edge in new generation communication services, to reinforce its leadership position, and become the region's main communication and entertainment technologies services provider, subsequently contributing to Turkey's digital transformation. Türk Telekom designs value oriented multiplay offers which consist of mobile, internet, TV and innovative digital services powered by its group synergies. Türk Telekom provides convergence technologies and communication solutions to meet all the communication needs of consumer and corporate customers in a one-stop shop.



While working towards this goal, Türk Telekom takes into account the personal, social and business needs of its consumer and corporate customers, and strives to enable efficient telecommunication services, and access to data and content via a wide range of devices.

Improved Customer Value Perception through a Segmented Approach

- » Implementing a segmented customer management approach
- » Delivering technology solutions to more customers with value-oriented offers
- » Implementing value-based management

New Revenue Streams

- » Investing in business areas that generate scalable positive returns
- » Supporting basic services
- » Establishing strategic partnerships and collaborations to achieve innovation and faster adaptation

Effective and Efficient Operations

- » Singularizing and simplifying processes and systems
- » Creating a lean IT environment to activate platform partnerships
- » Supporting digitalization and the use of online channels
- » Preparing fixed and mobile assets for redesign - pre-5G era

Investing in People

Enabling a cultural transformation for a lean organization and effective operations



Türk Telekom's Operations

With its robust infrastructure, Türk Telekom enjoys a unique position in convergent services, and is the first real integrated telecommunications company with a diversified subscriber base.

Marketing Activities

As the leading communication and entertainment technologies company in Turkey, Türk Telekom delivers its services supported by its solid, nationwide fiber infrastructure of 228 thousand kilometers to 38.9 million customers.

The Company's fixed line household coverage is 98%, while fiber coverage has reached 13.9 million households. After the LTE spectrum auction, in 2016 Türk Telekom further strengthened its position in the 900 MHz spectrum for fiber-supported mobile services, and stood out as the only operator with a spectrum market share exceeding its subscriber market share. Thanks to its nationwide fiber infrastructure and optimal spectrum portfolio, the Company delivers the best LTE experience to its 18.6 million mobile subscribers.

With its robust infrastructure, Türk Telekom enjoys a unique position in convergent services, and is the first real integrated telecommunications company with a diversified subscriber base. While mobile subscribers account for more than 90% of the subscriber base of other market players, Türk Telekom leads with its diverse customer base of mobile subscribers (48%), fixed broadband subscribers (22%), fixed voice subscribers (25%), and TV subscribers (5%).

Successful progress towards service integration and ongoing infrastructure investments have significantly contributed to the operational performance in 2016.

In 2016, the Company added 1.5 million new subscribers to its subscriber base, whereby the base rose to 38.9 million.

Türk Telekom added 2.1 million net subscribers in mobile, fixed broadband and TV services, all of which have strong growth potential.

The Company's mobile net subscriber base increased by 1.3 million in 2016 to 18.6 million. Hence, Türk Telekom became the fastest growing mobile operator in the market with the highest market share gain.

Since 2011, Türk Telekom has remained the market leader in terms of smartphone penetration, and the Company maintained its leadership with strong offers in 2016. Türk Telekom's smartphone penetration rose to 75%, up 9 percentage points year on year.

**228
thousand km**

Türk Telekom has infrastructure of 228 thousand km fiber network across all 81 cities.



Türk Telekom sustained its strong position in the fixed broadband market and added 691 thousand net subscribers in 2016, marking the highest growth rate since 2008. Fiber subscribers accounted for 80% of the net rise in fixed broadband subscriptions, and fiber subscriber base rose by 37% to 2 million.

Türk Telekom continued to grow in the TV market as well; in 2016, the number of home TV subscribers rose by 293 thousand to 677 thousand.

Fixed and Mobile Broadband Infrastructure

Following the IMT auction held in 2015, Türk Telekom obtained the largest capacity in frequency packages under 2 GHz, which is critically important for LTE service quality, and the Company maintained its strong position as Turkey's internet service provider in 2016. During the LTE launch, on April 1, Türk Telekom has provided the largest bandwidth per subscriber.

Aiming to deliver the best mobile network experience to its customers, Türk Telekom has increased capacity through the 3G service provided over the 900 MHz frequency band since December 2015, boosted indoor coverage, and supported its LTE network.

As part of efforts to improve 3G and LTE networks, Türk Telekom introduced more than 14 thousand new coverage areas using the frequencies obtained at the IMT/LTE auction. Leveraging its mobile internet capacity, Türk Telekom offers its customers the best deals in the market; hence, the Company increased its mobile internet traffic by over 100% in one year.

Türk Telekom maintained its technology leadership by investing in 3G and LTE networks as well as in new technologies. Thanks to GIGA LTE technology, Türk Telekom is able to provide service to customers in 81 cities simultaneously, delivering a mobile internet service 3 times faster than the fastest LTE.

Türk Telekom's Operations

Continuing its fixed-line investments, Türk Telekom has reached approximately 6 out of every 10 households in Turkey with its fiber network* as of the 4th quarter of 2016.

Evde internete fiber hızıyla gelenlere cepte büyük bayram

Evde **35 GB** limitsiz internet **49.90 TL/AY**

Cepte **3 GB** **1000 DK** **1000 SMS** **19 TL**

Toplam **68.90 TL/AY**

Türk Telekom

FIBER GUCU

*Fiber homepass includes FTTH/B & FTTC

The Volte service, which was launched simultaneously, offers customers the opportunity to make calls of HD quality. Additionally, the Company launched the first and most detailed coverage map, on which customers can easily explore fixed and mobile services. The coverage map includes not only fixed and mobile coverage areas, but also Wi-Fi hotspots and points of sale. Türk Telekom also rolled out mass media campaigns to increase ownership of LTE-compatible devices and SIM cards.

Türk Telekom has successfully completed testing on Wi-Fi Calling technology, which will offer customers call continuity for a seamless transition between Wi-Fi and LTE networks. This technology will enable customers to make and receive calls over Wi-Fi connections, whenever mobile coverage is limited. Calls will not be interrupted when the user is out of the Wi-Fi coverage area, and will continue over the mobile network.

Continuing its fixed-line investments, Türk Telekom has reached approximately 6 out of every 10 households in Turkey with its fiber network* as of the 4th quarter of 2016.

Türk Telekom has the country's most extensive fiber infrastructure with a 228 thousand km network across all 81 cities, and as of the third quarter of 2016, the Company owned about 80% of the total fiber infrastructure in Turkey.



Consumer Marketing and Sales

Postpaid Mobile Segment

In 2016, Türk Telekom continued its growth in the postpaid mobile segment. Owing to its strong portfolio and a continuously enhanced customer experience, the Company addressed changing customer needs by presenting customized offers to different customer segments.

As a result, Türk Telekom expanded its postpaid subscriber base by 1.1 million, up 12% year on year, reaching 9.8 million postpaid subscribers in 2016.

The Company offered New Year data tariffs ranging from 2GB to 10GB to meet customers' changing internet needs, and thereby increased the number of postpaid mobile activations. In March 2016, before the transition to LTE, which was a key milestone for the Turkish mobile market, Türk Telekom launched the "Bol ve Hızlı" 3GB/5GB/7GB plans in order to meet customers' high data expectations. The Company aimed to deliver high-quality, high-speed and uninterrupted internet experience to its customers through its reliable LTE infrastructure and offers with higher mobile data plans. Türk Telekom offered a complimentary Tivibu Go Cinema package to the new subscribers of the "Bol ve Hızlı 5GB/7GB plans", which is aimed at the professional segment, consisting of customers who watch TV and movies on their mobile devices. In order to reach the target audience directly, this special offer was communicated at office plazas.

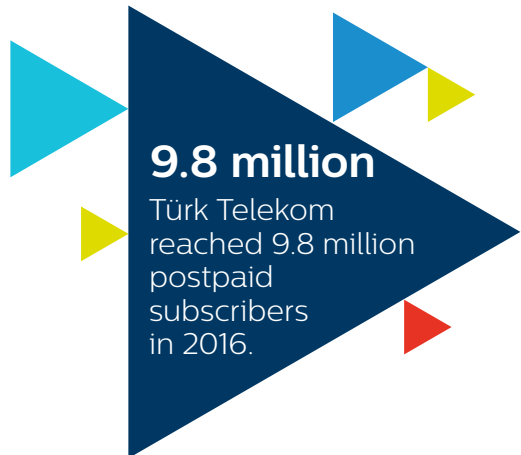
After the launch of the LTE service, Türk Telekom organized campaigns to increase customers' data usage at reasonable prices and to offer them a more advantageous LTE experience. The purpose of the complimentary 10GB data campaign was to enable customers to experience the speed of LTE supported by the power of fiber, and then to choose the internet plan most suitable to their needs. Additionally, the Company launched a special portfolio of extra internet packages designed to meet the changing needs of customers, who enjoy the benefits of LTE.

In line with the business model "Türk Telekom offers the best LTE deals", the Company launched the Fırsat 8GB plan, which included ample data usage at a reasonable price, in August 2016.

Türk Telekom continued to meet the communication needs of the public servant segment. To that end, the Company launched various postpaid plans, which included plenty of minutes, SMS, data and free minutes among the specific group, for staff of the Turkish Armed Forces and teachers.

At the end of March 2016, Türk Telekom launched the most affordable postpaid plans with rich offerings for the families of people injured or killed in terrorist attacks.

With the aim of allowing customers to communicate freely after July 15th, Türk Telekom allocated a plan including 100 minutes in all directions and 500MB mobile data to both postpaid and prepaid



Türk Telekom's Operations

Türk Telekom offered 2GB of mobile data for international roaming to Prime customers in order to incentivize international usage.

subscribers for a period of 30 days. Thanks to these allocations, customers were able to communicate with their loved ones during the crisis without the concern of exceeding their quotas.

The "Gel Dene" 1GB/3GB/5GB postpaid plans launched in October 2016 enabled customers to try out these plans, which do not include an early termination fee for the first three months, and thereby explore Türk Telekom's mobile world.

In collaboration with the "O Ses Türkiye" singing competition, Türk Telekom launched the "O Ses Türkiye" plan in October 2016. In addition to calling minutes, SMS messaging and mobile data, the plan also included 5 free votes for the "O Ses Türkiye" competition and unique content of the competition not published or broadcasted anywhere else. The Company also offered additional complimentary benefits such as Türk Telekom Music Premium and Tivibu Go to new subscribers of the "O Ses Türkiye" plan for a period of 12 months.

Further, Türk Telekom offered 2GB of mobile internet data for international data roaming to customers subscribed to Prime packages in order to boost international usage. The Company also launched a 1GB international data roaming plan for both postpaid and prepaid subscribers.



Prepaid Mobile Segment

In 2016, Türk Telekom was the only mobile operator to achieve growth in the shrinking prepaid market. Türk Telekom expanded its subscriber base by 3% to 8.8 million in total, while market was contracted by 5%.

The Company accelerated its subscriber growth with the "New Year's Plans" launched in the last days of 2015 and this trend continued in the first quarter of 2016 with more pace.

Built on a correct analysis of the market, and offering plenty of mobile data from 2GB to 10GB, these plans stood out in the prepaid market. New Year's Plans remained the top choices within the prepaid portfolio until March.

In March 2016, before the transition to LTE, which was an important milestone for the Turkish mobile market, Türk Telekom as the pioneer of the market launched the “Bol ve Hızlı” 3GB/5GB/7GB plans in order to meet customers’ high data expectations. With these prepaid plans offered with 2GB/3GB/5GB and 7GB options, and with the launch of LTE, the Company aimed to deliver a high-quality, high-speed and seamless internet experience to its customers through its reliable infrastructure and rich mobile data plans.

Embracing the motto “High-speed internet access is everyone’s right”, Türk Telekom offered its customers the best deals in May 2016.

In June 2016, the Company welcomed summer by launching the “Yaz Fırsatı” 2GB plan, which was designed to provide high-speed mobile internet to prepaid subscribers, who consume relatively less mobile data. Thereby, the Company continued to expand its subscriber base in this segment as well.

The “Dolu” 1GB/2GB and 3GB plans were launched in August 2016 to enable prepaid customers to experience the superior quality of Türk Telekom services at reasonable prices.

The Company also offered additional complimentary benefits such as Türk Telekom Music Premium and Tivibu Go to subscribers of the “O Ses Türkiye” plan for a period of 12 months.

Cross Mobile Campaigns for Türk Telekom’s Residential Internet and Fixed Voice Customers

Türk Telekom continued to distinguish itself in the market with its integrated mobile offers. The Company offered special mobile deals to fixed voice and residential broadband subscribers in order to meet all customer needs through a single point and offer them end-to-end communication services. The purpose of these cross-sell campaigns was to offer special privileges to existing customers when they purchased another group product/service.

Türk Telekom launched its cross-sell portfolio in 2015 with the Üçlü Avantaj, Gönül Bol, İçim Rahat and Dev Fırsat campaigns. In 2016, the Company further enhanced its cross-sell portfolio with many new and advantageous products.



“Ailece” plan, which was launched in February 2016 allowed shared use by up to 5 people, and included 15GB of mobile data, 5,000 minutes in all directions, unlimited minutes and unlimited text messaging within the group. The Company offered discounts on the “Ailece” plan to residential internet and phone customers.

After the launch of the “Cepte Büyük Bayram” and “Ultra” campaigns in March, the number of customers enjoying the benefits of cross-sell products increased significantly. In response to the increasing use of mobile internet, and as an alternative to the existing “Dev Fırsat” plan, Türk Telekom launched the “Dev Fırsat 4GB” plan in late March to better meet customer needs. Offered at a reduced price for the first 6 months, the plan specifically targeted fixed line subscribers.

In addition to its existing channels such as Facebook, Türk Telekom residential internet and phone IVR announcements, Türk Telekom mobile applications, and www.turktelekom.com.tr, the Company introduced new application channels, including other websites, in late March to breach customers through various channels.

In June 2016, Türk Telekom offered discounts on purchases on Migros Virtual Market during the month of Ramadan to those customers who had benefited from the Company’s cross-sell campaigns. The purpose was to make customers feel special, not only while using Türk Telekom services, but also with their daily needs.

Türk Telekom's Operations

Türk Telekom launched its youth brand Selfy in September 2016 with the slogan “You rule”.



In October 2016, Türk Telekom rolled out a TV campaign emphasizing the Company's robust mobile infrastructure, and inviting everyone to experience Türk Telekom's mobile world without paying any early termination fee in the first 3 months. The commercials featured famous and popular celebrities. The campaign aimed reinforcing customers' perception of Türk Telekom's strengths in the mobile segment, and thereby at boosting activations. Additionally, the Company offered discounts on monthly rates to residential fixed voice and residential fixed broadband customers who have subscribed to “Gel Dene” postpaid plans, through the “Bizdensin” campaign. In November, Türk Telekom rolled out three new commercials to support the campaign and to communicate messages about coverage, signal strength, high-speed mobile broadband and high-quality sound. Customers were invited to Türk Telekom to try out the popular Gel Dene plans without having to pay any early termination fees in the first 3 months.

In August, Türk Telekom offered discounts on monthly tariffs to residential fixed broadband and fixed voice customers using the Prime 10GB and 15GB plans through the “Cepte Avantaj” campaign, thereby providing high-income customers with the benefits of being a Türk Telekom customer.

By launching Mobile USB plans, which came with a modem, in October, Türk Telekom offered extra benefits to those fixed voice and residential fixed broadband customers, who needed an extra data line.

In November 2016, Türk Telekom launched the Tivibu Mobile Plans, offering new mobile subscribers the Tivibu Cinema package, or the Super Package, free-of-charge for a period of 24 months. This advantageous bundle offer, a first-of-its-kind in the sector, aimed at attracting new customers to both mobile services and Tivibu.

The New Youth Brand: Selfy

After unifying Avea, TNET and Türk Telekom brands under the single “Türk Telekom” brand the Company felt the need to create a new youth brand to extend its leadership position in the telecommunications sector to the youth segment. Accordingly, Türk Telekom launched its youth brand Selfy on September 22, 2016 under the concept of “You rule” to reinforce Türk Telekom’s brand image among young people. Young people aged 25 and under, who use Türk Telekom’s postpaid or prepaid individual plans, can subscribe to Selfy free of charge by sending a single text message.

The primary purpose of Selfy is to offer young people a world that they can shape according to their own rules, and also to support their lifestyles with diversified offers, and help them socialize.

Selfy has also achieved a first in the world with its Avatar Service. Selfy subscribers using the Avatar Service can personalize their cell phone screens by replacing the operator name on the main screen with whatever they want to write.

The Company introduced customized bundle offers enhanced with music, games, and movies within the world of Selfy to support young people’s lifestyles, and also launched special offers relating to popular mobile apps such as WhatsApp.

Türk Telekom also offered extra internet, SMS and voice packages to accommodate young people’s habits, such as internet usage at night, and established collaborations with brands that are popular among young people.

Türk Telekom Prime

Türk Telekom continued to focus on high-end customers following the integration process. Launched in January, Türk Telekom Prime offers a portfolio aimed at both mobile and residential broadband customers under a single brand, providing the most suitable, high quality plans and benefits in mobile and internet services. Striving to deliver the best value and special privileges to all of its subscribers, in 2016, Türk Telekom Prime offered many advantages and privileges to mobile and fixed broadband customers to turn ordinary things in life into very special ones, and to enrich their lives at unexpected moments.



The Prime Ultra Plans, which are designed according to customers’ data needs so as to enable them to communicate freely without worrying about minutes or text messages, thereby offering them a world of unlimited communications, were launched in March.

In August, Türk Telekom developed and launched a Prime Plan portfolio (Prime 10GB & Prime 15GB), offering the highest mobile data usage, to primarily satisfy the data needs of customers.

In collaboration with “O Ses Türkiye” singing competition, Türk Telekom launched a unique “O Ses Türkiye” Prime Plan in October 2016. A first-of-its-kind in Turkey, this unique plan was developed in line with customers’ tastes and preferences. In addition to calling, text messaging and internet, the “O Ses Türkiye” Prime Plan offers Türk Telekom Prime mobile users the opportunity to watch the competition on their phones and listen to their favorite songs repeatedly. Users can closely follow the competition by accessing special content, which hasn’t been published or broadcasted anywhere else, and even vote for their favorite contestant with free SMS voting.

In addition to rich mobile data and residential internet plans, Türk Telekom Prime brought a solution-focused approach to the lives of customers and offered many privileges that add color to their lives. Some of the most outstanding local and international benefits included special customer services, free parking with Ispark, discounts at popular restaurants, travel privileges such as free airport transfers with Havabus, and a special service team.

Türk Telekom's Operations

In 2016, Türk Telekom increased the data usage limit to 75GB for entry-level packages for new campaigns in line with rising internet usage of existing residential internet customers.

The advertisement features a woman on the left talking on a mobile phone. To her right is a graphic with three overlapping triangles: a yellow one at the top, a blue one in the middle, and a light blue one at the bottom. The text is as follows:

- Top yellow triangle: "Evde internete fiber hızıyla gelenlere cepte büyük bayram"
- Yellow triangle: "Evde 35 GB limitsiz internet 49.90 TL/AY"
- Blue triangle: "Cepte 3 GB 1000 DK 1000 SMS 19 TL"
- Light blue triangle: "Toplam 68.90 TL/AY"
- Bottom right: "Türk Telekom"
- Bottom left: "FIBER GÜCÜ"

Türk Telekom Prime continued to enrich the lives of its customers by offering them special benefits for the summer. Türk Telekom Prime customers enjoyed various privileges throughout summer, such as discounts and exclusive services at popular beach clubs in Çeşme and Bodrum, VIP airport transfers, outdoor movies, discounted pool admissions, special benefits in private tennis lessons, and discounts on Biletix tickets.

Additionally, Türk Telekom Prime customers experienced various other special privileges at events such as the Türk Telekom Prime Bebek Festival held in May, and Istanbul Coffee Festival held in October.

Residential Internet, Fixed Broadband and Fixed Voice Services

With the most extensive fiber infrastructure in Turkey with 228 thousand km network across all 81 cities, Türk Telekom aimed to increase its subscriber number through new sales in 2016, and accordingly designed its offer/campaign portfolio by taking customers' purchase barriers into consideration. The Company's first priority while developing its campaign portfolio was to increase penetration by presenting customers with transparent offers that include Türk Telekom's diversified products.

Türk Telekom welcomed 2016 by launching the "all inclusive" New Year's Campaign in order to meet the changing speed and capacity needs of customers. In February 2016, the Company introduced the "Tivibu-Added New Year's Campaign", which included residential fixed broadband and Tivibu package, to satisfy all communication needs of customers with Türk Telekom products. Meanwhile, the "Evde Cepte Bayram Campaign", consisting of mobile broadband packages, was launched in April 2016.

Increasing opportunities for accessing the internet, along with improved content and increased internet usage during this period boosted the residential fixed broadband segment, and accordingly, Türk Telekom began communicating plans with richer

data packages (100GB), instead of entry-level plans. Additionally, TV commercials focused on Fiber plans/speeds to emphasize Türk Telekom's technological strengths, and to motivate customers toward a better internet experience.

In the second half of the year, Türk Telekom launched temporary internet packages (valid for 2 to 3 months) for the summer season to meet the short-term internet needs of customers who spend the summer at their summer houses. Additionally, the Company introduced the "Hepsi Dahil Campaign" (All Inclusive), offering a modem device at a discounted price under the New Year's Campaign, which was the top offer within the Company's Residential internet campaign portfolio. Tivibu and mobile offers were also collected under this campaign, and as a result, "Tivibu'lu Hepsi Dahil" and "Evde Cepte Bayram" campaigns were created.

During the back to school season, the peak period of the demand for residential fixed broadband services, Türk Telekom introduced free education packages, device offers and joint campaigns in collaboration with other brands. Within the framework of the Back to School campaign launched in September 2016, Türk Telekom offered free educational support packages for children with purchases of the residential internet service. In addition, the Company launched various other campaigns offering discounts on printers, tablets and laptop computers, as well as discounts from several brands on online purchases of school bags and stationery products.

Back to school campaigns continued until the beginning of November 2016, and were then replaced with multiple bundle offers consisting of internet and mobile services, such as "Hepsi Dahil". Additionally, in late November, the Company launched another internet+mobile offer for new subscribers of residential internet: the "Ailece İnternet Campaign", which allowed up to 5 family members to use mobile data.

"Ev Telefonu Yeni Abonelik" campaign, offers "İnternet alana Ev Avantaj 100" and "SadeHat" tariffs at a discount. The campaign continued to accept new customers in 2016.

On new subscriptions, Türk Telekom offered discounts on Eko and Maksi packages, which included call minutes in all directions to new subscribers; thereby providing customers with the convenience of calling their loved ones either from their homes or mobile phones. Meanwhile, sales of the pay-as-you-go package with an internet package were promoted.

Commitment periods and price ranges were diversified according to customer groups under new campaigns in the residential internet segment.

In 2016, Türk Telekom increased the data usage limit to 75GB for entry-level packages for new campaigns in line with rising internet usage by existing residential internet customers. Accordingly, the Company presented higher GB, or higher speed offers to customers before renewing their contracts. More than half of the campaign sales resulted in upgraded plans.

Thanks to cross-sell campaigns, those fixed line customers who had also activated a mobile service, started to benefit from advantage offers.

With the "Mobilde Fırsat Campaign" launched in May 2016, customers who had upgraded their residential fixed broadband packages to a higher GB plan, enjoyed special prices and benefits in mobile services.



Türk Telekom's Operations

Türk Telekom launched Honor 7 and Türk Telekom K8 -custom-made for Türk Telekom - to its customers with favorable campaign offers.



Türk Telekom launched the “Free Fast Modem Campaign” to prepare its existing fixed broadband customers for higher speeds and improve their speed experience; within the scope of this campaign, the Company replaced customers' modems with high-tech VDSL modems free of charge.

In light of increasing and diverse customer needs, the Company added two new plans to its portfolio: Plans with up to 24 Mbps speed and Fair Usage Quota (FUQ) of 50GB, and Plans with up to 24 Mbps speed and FUQ of 100GB.

The purpose of the “Türk Telekom'dan Gündüz Konuşuran Campaign” (Daytime Talking), which offered unlimited minutes during the daytime, was to revive the habit of using residential phones. The campaign was offered to all fixed telephone customers unconditionally, without requiring any commitments.

The Company launched Free Home Insurance and Free Home Support Service campaigns, to meet customers' needs other than communication. Moreover, Personal Accident Insurance with an education benefit was also added to the portfolio to provide assurance to customers whose loved ones were continuing their education.

Regional Activities

Türk Telekom carried out communication activities specific to regions undergoing urban transformation with large-scale construction projects and housing development. In addition to the ongoing campaigns, the Company introduced a “+1 AY Bedava” (1 Month Free) campaign, in residential areas of low penetration. Taking socioeconomic differences into consideration to meet customer needs, Türk Telekom developed and implemented regional campaigns and communication activities, including a residential internet campaign targeting Türk Telekom's mobile customers. The purpose of this campaign was to increase fixed internet penetration in 33 cities.

The Company also carried out special campaigns to increase both mobile and fixed line ownership in regions of low penetration.

Fiber Platform efforts were initiated to improve fiber awareness in areas where fiber infrastructure was already present. To that end, the Company informed customers about the opportunity to use internet at fiber speed, and organized regional events in locations with fiber infrastructure.



Device Management

Having enriched its device portfolio with the world's top brands, Türk Telekom, reached strategic deals with Huawei and LG in March and April, launching the Honor 7 and Türk Telekom K8 -custom-made for Türk Telekom - to its customers with favorable campaign offers.

Accessories including phone chargers, car chargers, portable chargers and data cables manufactured according to the quality standards of Türk Telekom were made available at Türk Telekom stores at reasonable prices.

Fixed phones (DECT) manufactured according to the quality standards of Türk Telekom and standing out for their elegant design and reasonable prices were made available to customers at Türk Telekom stores.

Türk Telekom launched a special campaign for those customers wishing to purchase two smartphones at the same time, one for themselves and one for a loved one. With the "Dual Device" campaign, Türk Telekom offered its customers, who purchased a smartphone, the opportunity to purchase the second smartphone immediately and under a 24-month installment plan.

The Company also offered different brands and models of notebooks to meet customers' notebook needs.

Content Services and Business Partnerships Program Management

In 2016, Türk Telekom continued to make life easier for its customers, offering them unique experiences with content services in different categories, while also introducing various campaigns to increase customer satisfaction and loyalty.

Türk Telekom Music service is the choice of music lovers for listening to and downloading their favorite tunes anytime and anywhere. In 2016, the service continued to offer customers the privilege of listening to millions of Turkish and foreign tunes offline and with HD quality. With a completely revamped interface and improved customer experience, Türk Telekom Music remains the most innovative music platform, offering a fun music-listening experience with new apps such as Next Track on Shake to shuffle to the next song. Additionally, the "Sahne" (Stage) platform enables amateur singers to upload their songs on Türk Telekom Music to reach millions of people, thereby realizing their dreams. Türk Telekom Music offers the most comprehensive archive of Turkish music free of charge, and according to a market survey conducted by IPSOS, Türk Telekom Music was named "Turkey's most popular music platform" with its innovative features and privileges introduced in 2016.

Playstore, the first and leading digital gaming platform in Turkey, was revamped with a new user-friendly interface and enriched game portfolio in 2016. Thanks to its revamped interface and robust infrastructure, the platform maximized service quality and offered game lovers the most popular games picked by Playstore editors at special prices. Türk Telekom Playstore offers customers the opportunity to pay for games that are included in their fixed broadband bills, in up to 12 monthly installments, and therefore has become a favorite choice of game lovers. In 2016, a total of 108 game campaigns were organized, 38 new games were launched simultaneously with the rest of the world, and special unlimited GB (FUQ) campaigns were offered to Playstore customers. All these efforts attracted the attention of both game lovers and the gaming press.

Türk Telekom's Operations

The Technology Help Desk provides live support and general information on social media, smartphones, computer use and internet to Türk Telekom's mobile and fixed voice customers.

With instant match footage and summaries from the UEFA Champions League and Europe League, subscribers of the Tivibu Sports service fully enjoyed top-flight football games. Subscribers to the Tivibu Cep service had the pleasure of watching TV over their mobile devices 24/7, and had direct access to Türk Telekom's mobile world privileges throughout 2016.

The Secure Internet Service, Family Protection Password and McAfee Virus Protection, all offered under the umbrella of the TTNET Güvenlik brand, continued to offer customers residential fixed broadband services with higher security standards. Offering users the chance to back-up their files and then access or share these files from everywhere, NETDISK has helped customers store and share millions of files securely.

"Fenerbahçe SK", the official mobile application of Fenerbahçe Sports Club, which was developed with the support of Türk Telekom, continued to provide fans with news updates on the team, as well as a communication platform and special content services. The "Ülker Stadium- Fenerbahçe" app, the first stadium application in Turkey developed within the framework of the Fenerbahçe Smart Stadium project, was launched to offer fans a more enjoyable match watching experience. Fans can participate in interactive games and competitions via this application and fully immerse themselves in the match atmosphere with features such as Decibel meter and Smart Screen.

Vitamin is Turkey's most comprehensive online education program that assists elementary and high school students with home- and course-work in a convenient and entertaining manner over the internet, pursuant to the curriculum prescribed by the Ministry of National Education. It has continued to support students preparing for the university entrance exams YGS and LYS via the Raunt Project in 2016, to help them enter the University of their Dreams. Türk Telekom provides these services through Group Company Sebit.

Content services, operator services and mobile applications were gathered under one roof. "Servisler Cebimde" (Services on My Cell Phone), a mobile application providing a platform for all Türk Telekom services that make customers' lives easier. With this application, users can take advantage of services and mobile application campaigns, subscribe to any service they wish, and track their account on the My Profile section.

TT Launcher developed for TT175, Türk Telekom's first own branded smartphone, provided users with a unique experience with features such as Türk Telekom-patented special application icons, smart search with handwriting recognition, and memory clearing accelerator.

In terms of Business Partnership Services, those Türk Telekom mobile customers subscribed to Information and Entertainment packages had the opportunity to participate in sweepstakes to win various special prizes. Additionally, the "Kadınca



Yaşam” package, which offers tips on fashion and personal care as part of many privileges and benefits provided to Türk Telekom customers; the “İddaalı Haber” package, which delivers the latest sports news, and the entertaining “Karikatür” package were offered free of charge for a period of 6 months to customers of synergy offers.

The CAPS package, which includes many entertaining CAPS; the Cinema package, which provides unlimited streaming of hundreds of movies; and the Karikatür (Cartoon) package including the funniest cartoons, were offered free of charge to Selfy customers for a period of 3 months.

Türk Telekom launched various IVR services to offer both mobile and fixed voice customers common services.

The Technology Helpline provides live support and general information on social media, smartphones, computer use and internet to Türk Telekom’s mobile and residential phone customers.

The “Çocuğum Büyüyor” service enables parents to obtain information about child development and get answers to their questions on family consultancy, mother-child relations, and child psychology and behavior from expert pedagogues via live chat.

In late 2015, Türk Telekom launched “Konforlu Hayat”, a platform combining convenience, comfort and control to offer individuals a unique experience

and interaction. The Company continued to promote this website on new channels in 2016. To that end, the Türk Telekom Konforlu Hayat website (www.turktelekomkonforluhayat.com), the primary promotion and sales channel, was redesigned on the basis of user experience and reconfigured according to individual lifestyles. The result was a unique brand identity and structure.

Türk Telekom Konforlu Hayat surpassed all competitors and won first prize in the category of “Harnessing the IoT Opportunity” at the “2016 Global Telecom Awards”. Türk Telekom Konforlu Hayat was the only project from Turkey to win an award. This achievement proved the importance of investing in this area, both nationally and globally, and provided an important foundation for 2017.

Mobile Brand Partnerships

Türk Telekom continued its collaborations with BİMcell, PTTcell and Teknosa Mobil brands.

Within the scope of the partnership ongoing since 2012, with BİMcell Türk Telekom continued to offer simple and conveniently priced prepaid plans and packages to customers at more than 5,500 BİM stores.

Launched in 2013 as a partnership between PTT and Türk Telekom, PTTcell continues its operations through PTT offices across 81 provinces. PTTcell continues its growth with a rich portfolio of postpaid plans customized for every need.

Launched in May 2015 in partnership with Sabancı Group, TeknoSA Mobil plans are offered at TeknoSA stores across Turkey. Customers who subscribe to high-data TeknoSA Mobil plans can enjoy additional discounts on devices purchased at TeknoSA stores. Customers can also choose to pay for their devices in monthly installments invoiced together with their TeknoSA Mobil plans.

On the mobile front, Türk Telekom has reinforced its ongoing partnerships with Turkey’s top football teams. The business model based on a win-win strategy has not only led to a large expansion of the subscriber base, but also made a significant contribution to Turkish football.

Türk Telekom's Operations

Thanks to its robust technology infrastructure, advanced broadcasting features, and rich content, Türk Telekom Tivibu continued to introduce many “firsts” and pioneer in TV broadcasting in 2016.

As the architect of fan plans, in 2016, Türk Telekom included Konyaspor, one of the biggest Anatolian sports clubs, in its portfolio of partnerships with the leading sports clubs in Turkey. Under this partnership, both the fans and their team benefit from the use of Konyasporcell and KonyasporNET products.

Co-marketing Campaigns

In 2016, Türk Telekom launched various campaigns for its mobile, fixed voice and fixed broadband subscribers in several industries such as services, clothing, cargo, airlines, technology and e-commerce. Including the segment campaigns, Türk Telekom executed co-marketing campaigns in collaboration with nearly 50 brands across 20 industries.

Focusing mainly on the premium and youth segments, the Company developed various offers and campaigns to meet the varying needs of different customer segments. In addition to car rental and valet services aimed at Türk Telekom Prime customers, the Company introduced new collaborations with cafes and restaurants, as well as the leading ticket sales company Biletix in the second half of the year, thereby providing customers with additional privileges to make them feel special.

Following the launch of a new brand for the youth segment, Türk Telekom entered into collaboration with leading brands in fast-food, coffee and e-commerce sectors to meet the needs of young people and created a world of benefits for them.

Meanwhile, supermarket campaigns designed for the family segment targeted meeting the school-related needs of families during the back-to-school season.

TV

Thanks to its robust technology infrastructure, advanced broadcasting features, and rich content, Türk Telekom Tivibu continued to introduce many “firsts” and pioneer in TV broadcasting in 2016.

Offering a variety of programs from sports, movies, documentaries to children's channels, Tivibu appeals to all family members, young and old, and delivers its rich content via 4 screens including cell phones, tablets, computers and TV.

Tivibu continued to deliver its innovative services via all available platforms including satellite, IPTV, Smart TV and the internet, and in 2016 with net subscriber additions of 293 thousand, the number of Home TV subscribers reached 677 thousand.

A unique TV experience through the revamped platform

Tivibu, the first IPTV service in Turkey, continued to offer its users superior features through its revamped infrastructure.



- » 10 kids' channels including Baby TV, the first kid channel in the world to broadcast 24 hours a day, and Turner's new channel Boomerang TV
- » 4 HD channels dedicated to TV shows, including Fox Crime, Fox Life and FX

The new sports channel: Tivibu Spor

With live broadcasts of nearly 250 UEFA Champions League and Europa League matches during the 2015-2016 season, Tivibu achieved a "first" for Turkey. As of the beginning of the 2016-2017 season, Tivibu commenced its unencrypted broadcasting channel over the Turksat satellite. Tivibu offered the best of European football with uninterrupted live broadcasts throughout the week at its new studios.

In the last quarter, the channel began unencrypted broadcasting over the Turksat Satellite, reaching more than 1.5 million households, as well as potential customers of pay TV by the end of 2016.

New sports content

Broadcasting live Champions League and Europa League matches, Tivibu Spor 2, Tivibu Spor 3 and Tivibu Spor 4 screens were enhanced with new content.

In addition to NCAA (The National Collegiate Athletic Association) basketball matches, Tivibu Spor channels also broadcast live VTB Basketball League matches, in which teams from Spain, Germany, Eastern and Northern European countries compete weekly.

Since the 2015/16 season, Tivibu Spor broadcasts football matches of the Portuguese, Dutch and Russian leagues as well as Italian and Spanish King's Cup for a period of 3 years. Additionally, the platform continues to broadcast the world's leading Golf tournaments, along with the ATP 250 and WTA tennis tournaments and prestigious seasonal tournaments in other sporting fields such as Snooker, Boxing and Rugby.

The joy of watching movies on Tivibu

Tivibu continues to enhance its rich content including sports, documentaries, movies, kids channels, among others.

- » A true 4-screen experience delivered via TVs, computers, tablets and smartphones
- » Rewinding programs back 7 days without recording via cloud storage technology - a first for Turkey
- » Creating different profiles for all members of the family
- » Watching two channels at the same time with the "Dual display" feature - one channel displayed on the main screen, while another on the corner of the main screen
- » Advanced recommendation engine, suggesting content based on viewing habits
- » Broadcasting UEFA Champions League and Europa League matches on mobile devices

Rich content delivered from satellite across Turkey

In 2015, Tivibu started broadcasting via satellite and enhanced its satellite content with documentaries, TV shows, and lifestyle channels in 2016, reaching a total of 149 channels, of which 70 are of HD quality.

- » The world's top 12 documentary channels including National Geographic, Nat. Geo. People, and Nat. Geo Wild
- » 16 HD sports channels including Fox Sports

Türk Telekom's Operations

In addition to the commercial product launched in 2015, Tivibu completed the infrastructure of 3 new products and all commercial products were activated.



Having introduced the Video on Demand feature in Turkey, Tivibu forged ahead with its content strategy and launched 55 special movie menus in 2016.

In addition to the menus, Tivibu also provides a total of 1,250 movies for Pay-Per-View and 3,750 movies for Video on Demand options.

In 2016, more than 200 Turkish and foreign movies were broadcasted for the first time on Tivibu.

A "first" for Seasonal Channels in Turkey: 24/7 Unencrypted Broadcasting on the Ramadan Channel

Tivibu continued to develop seasonal channel projects and launched the 24/7 Ramadan channel, a "first" for Turkey. The channel broadcast live programs for 8 hours on average during iftar and sahur hours, as well as movies, documentaries and educational programs during the month of Ramadan.

New Commercial Products

In addition to the commercial product launched in 2015, Tivibu completed the infrastructure of 3 new products and launched all products in the commercial segment.

The Company started selling the Tivibu Hotel product, which offers exclusive content such as golf, movies, UEFA Champions League and Europa League matches, as well as CNN International for hotels in touristic regions.

The infrastructure of another product developed for residential compounds and a gated community was also completed, and the product was launched.

Semi-commercial Tivibu developed a special product for the SOHO segment for the first time. The purpose of the project is to enable SOHO segment customers subscribed to the residential Tivibu service to transform into SOHO segment customers with higher revenue.

Campaigns and brand partnerships

- » Within the framework of the New Year's and "All Inclusive" campaigns, Türk Telekom bundled Tivibu and internet products.
- » 200 Tivibu packages were offered as a prize in the sweepstakes campaign organized in partnership with Pepsi and Lays. The Tivibu brand was communicated on more than 100 million Pepsi and Lays products, as well as via commercials. The campaign period was September 15 - December 31, 2016.



- » Within the framework of the “Tivibu-Added Mobile Plans” campaign, the first mobile bundle offer, Türk Telekom began offering complimentary Tivibu Cinema/Super packages for a period of 24 months. The campaign period is November 11, 2016 - December 31, 2017.
- » To celebrate the launch of Selfy, the Company began offering complimentary Tivibu Go cinema packages with purchases of Selfy Dopdolu plans. Selfy launch campaign period: September 23, 2016 - March 31, 2017; Dopdolu campaign period: October 25, 2016 - December 31, 2017.
- » Set top boxes or satellite receivers were replaced with modules installed on the back of Smart TVs for access to Tivibu channels. As part of this partnership, buyers of Arçelik, Beko, and Grundig-branded, and Tivibu-enabled LED and LCD televisions were given Tivibu CAM Module and Super Package, free-of-charge for 12 months.
- » The technical infrastructure and content development of prepaid products, which will be sold through chain stores and third parties, has been completed. This project was initially launched in partnership with MediaMarkt, and Tivibu Super and Cinema packages were made available in stores. Starting in January 2017, products will be available at more than 40 stores across Turkey.
- » The “Sezona Erken Gel” campaign offers customers price advantages for early membership, before the start of the season. Campaign period: September 6, 2016 – June 30, 2017.

Accessible Life

The purpose of the Accessible Life project is to make all channels available to Türk Telekom’s customers so that disabled customers can access products and services more easily. “Accessible Products” included an advantageous bundle consisting of 4 products – mobile, broadband, fixed voice and TV- offered at a reasonable price for the first time in Turkey. In the first phase of the project, Türk Telekom Offices in Istanbul were redesigned based on the “Accessible Architecture” approach to make them ergonomic and accessible for the disabled. Accessible Architecture improvements included ramps, guide strips, and Braille-embossed signs. Architectural transformation began at Türk Telekom offices and stores in Istanbul, and will be expanded to include 152 Türk Telekom offices across Turkey.

More than 250 volunteers from among Türk Telekom employees took sign language and 360-degree communication with the disabled trainings to serve as Accessible Life Ambassadors. Certified sign language interpreters at the call center provide interpretation services to hearing-impaired customers on a voluntary basis at Accessible Life Desks. Additionally, disabled customers can access the call center without waiting.

Customer Experience Management

Türk Telekom continued to improve the customer experience throughout 2016. After uniting mobile, broadband and fixed voice services under the Türk Telekom brand in early 2016, the Company began providing multiplay offers through its channels.

As part of efforts to improve customers’ broadband experience, Türk Telekom developed home setup and dashboard processes. The Company also facilitated the migration of mobile customers before and after the LTE launch in April 2016, and took all necessary steps to be able to deliver an excellent customer experience. Regarding the processes that involve the highest number of customer transactions and calls, the Company reviewed and improved the end-to-end customer experience across all touch points.

Focusing on customer satisfaction, Türk Telekom immediately responded to customers’ communication needs during all catastrophic events and crises that took place in Turkey and other countries in 2016.

Türk Telekom's Operations

The Portakal Project, a business model developed by Türk Telekom, ING Bank and Teknosa, and incorporating subscription, device and credit sales, was launched in 2016.

Digital Payment Services

Founded in April 2013, Türk Telekom Ödeme Hizmetleri A.Ş. aims to provide Türk Telekom customers with fast, secure and easy solutions to meet their payment needs, while adding innovative payment methods to Türk Telekom's product portfolio. To that end, in 2016, the Company continued to serve customers with products such as Türk Telekom Mobile Payment, Türk Telekom Online Payment and Türk Telekom Payment at Home.

In line with growth of the digital payments industry, the Company expanded and further diversified its service portfolio in 2016. Accordingly in January, the Company began offering mobile content services via Türk Telekom Mobile Payment in light of the rising penetration of mobile devices and increased use of mobile content. Also as part of synergy-related efforts within Türk Telekom Group, advantageous Türk Telekom Music and Tivibu Sports campaigns were offered to customers, in addition to other campaigns launched via PlayStore, the digital media store of the technology giant Google.

The Portakal Project, a business model developed by Türk Telekom, ING Bank and Teknosa, and incorporating subscription, device and credit sales, was launched in 2016. The Project enables Türk Telekom customers to obtain discounts and ING Bank loans on their mobile device purchases at Teknosa by agreeing to a commitment period for their Teknosa mobile lines. Additionally, customers can repay their loans using the payment system of Türk Telekom Ödeme Hizmetleri A.Ş.

In April 2016, the "User-Based Limits Project" was launched under Türk Telekom Mobile Payment to provide users with personalized payment solutions, and to manage limits more effectively. The system assigns scores to postpaid customers based on certain criteria, and sets their monthly limits according to these scores. In addition, standards were developed and put into place for each customer interaction point in order to improve the customer experience.

Consumer Sales

Türk Telekom had its new brand launch at the beginning of 2016, and subsequently new branding materials were applied to dealer stores, attracting admiration from customers, who enjoyed the new technological look of the stores each time they entered for information on products or services. Knowledgeable store employees, who are consistently supported with training, also helped improve customer perception and increase sales. Further, the rising number of retail stores provided additional customer touch points.

The price advantages offered under the "New Year's Campaign" launched in the first quarter of 2016, together with the effective use of communication channels have had a positive impact on customer perception. The "Fırsat 8 GB" plan launched in June has also contributed to this effect.



The price advantages offered under the “Tivibu Her Yerde” campaign and the customer experience spots created within the stores helped Türk Telekom further reinforce its position in the TV market. Customers were able to get on-the-spot information and try the TV products.

Türk Telekom continued to focus on cross-selling efforts in 2016. To that end, the Company executed effective commercial campaigns, created informational materials to promote cross-sells, and provided cross-sell training to its dealers, all of which helped increase sales.

In May, the Company started using a new system, which enables incorporation of installment payments for devices into fixed voice and broadband invoices, in order to better meet customers’ demand for devices. Developed in line with customer and dealer expectations, this initiative became very successful with an increasing number of device sales.

Corporate Marketing and Sales

As part of the brand integration process initiated in early 2016, the corporate sales and marketing departments of Türk Telekom, Avea and TTNET were unified. This new organizational structure enables the Company to provide fast, integrated solutions to meet the needs of corporate customers.

2,500 corporate sales managers work in the field to introduce Türk Telekom’s integrated product portfolio to customers, thus providing them with end-to-end communication solutions. Following

integration, Türk Telekom became one of the largest corporate sales organizations in Turkey.

Corporate Advertising and Events

Having set out to offer corporate customers the convenience of one-stop shopping with its new integrated structure, in August 2015 Türk Telekom launched a new campaign aimed at building a “bridge” between generations through the use of technology. In light of the research findings indicating that 90% of SMEs love technology, and that business growth depends on its usage, Türk Telekom introduced a new platform – “Business runs better with our technology” – to its corporate customers.

The advertising message was conveyed through stories inspired by the conversations between the historic Karagöz and Hacivat characters to effectively emphasize the interaction between tradition and modernity. Set at a family-owned company, the commercials consisted of arguments between a father and his son about the Company’s products and services, and truly appealed to the collective consciousness and society’s shared values.

The “Business runs better with our technology” message served perfectly until the brand unification, after which, Türk Telekom adopted the slogan “Business runs better with the power of fiber” to communicate its robust fiber infrastructure. The Company continued to communicate its mobile, internet and phone offers via consistent advertising throughout 2016 and achieved the highest advertising scores in the industry.

Türk Telekom's Operations

Türk Telekom continues to design multiple offers featuring mobile and fixed services, which the Company gathered on a “single” platform following the integration process.

Uludağ Economic Summit sponsorship: Uludağ Economic Summit is an annual event organized by Capital and Economist magazines since 2012 and brings together prominent local and foreign speakers and business leaders. In 2016, Türk Telekom became a co-sponsor of the Summit, which was held on March 25-26, and a senior manager of the Company moderated a panel entitled “Turkey 2023: Where Will Growth Come From?”

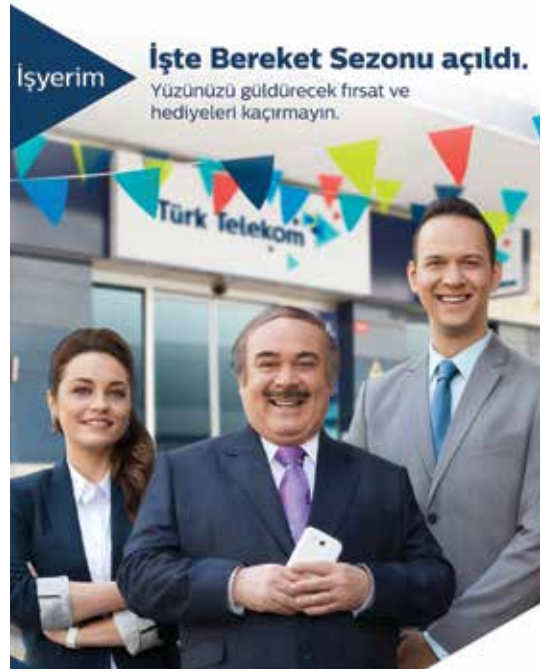
International Smart Cities Conference: Türk Telekom participated in “The Future of Smart Cities” conference, which was held on May 4-5 in Ankara, as the solution partner of Antalya Metropolitan Municipality, whose Smart City applications were shared as a success story. In our Smart City journey we have been working in collaboration with the city of Antalya where we have introduced our infrastructure and solutions; and as a consequence Antalya has become the most popular municipality of the expo area thanks to the smart display screens that included smart transportation, smart health, smart environment and smart energy components.

Smart City Expo: The event, which is one of the most important smart city organizations in the world, was held for the first time in Turkey between the 1st and 3rd of June in Istanbul, following on from cities like Amsterdam and Barcelona, which have already proven themselves as smart cities. In this important event, the vision and road map of Türk Telekom during the New Generation Cities journey was presented. Regarding the New Generation Cities, in the expo area visitors had the chance to experience through virtual reality glasses the impact of Smart Cities in our daily lives.

Fortune 500 Awards Ceremony sponsorship: We gave an opening speech and then took part as a speaker on the panel within the scope of the event organized on the 28th of September, under Türk Telekom's main sponsorship. At this important event, Türk Telekom received the Fortune 500 Turkey's Most Profitable Company Award, while the Türk Telekom Innovation Award was given to TREDAS, our working partner in the Big Data project.

Fatih Project Education Technology Summit: Organized by the Ministry of National Education with Türk Telekom's contributions, the second edition of the Education Technology Summit took place on November 4-5, 2016. Many companies and public employees involved in the development of education technologies participated in the event, where Türk Telekom's classroom technologies, mobile learning and cyber security solutions were presented by Sebit, Innova and Türk Telekom Academy.

“Bu İşte Beraberiz” Platform: “Bu İşte Beraberiz” Platform is a part of the Success Stories project. The purpose of the platform is to explain Türk Telekom's corporate solutions to large-scale corporate customers, including government entities and private companies. To this end, digital videos showing partnerships with powerful corporations and videos featuring product information are used. In this context, key customers featured in the digital videos include Bimeks, Özşanal, Kilit Group, Neutec, Carrefour, LCW, Folkart, Ilko, 3 Öğün, Ulu İnşaat and Paşa Hotels.



Multi Play Offers

Türk Telekom continues to design multi play offers featuring mobile and fixed services, which the Company united under a “single” platform following the integration process.

Hayırlı Olsun Campaign: Launched in 2015, “Hayırlı Olsun Campaign” offers new business founders an all-in-one bundle to meet all of their communication needs. The triple play offer to corporate customers consists of “office phone line, internet and mobile”, and continued throughout 2016.

Unlimited Internet with Office Phone: Launched in the last quarter of 2016, this campaign offers new companies, SMEs and small business owners bundled office phone line and Internet.

Public Projects and Campaigns

A special campaign for the Ministry of National Education (MNE) under the Fatih Project: Türk Telekom completed the first phase of the Fatih Project, one the biggest technology projects in Turkey, and started equipping schools with high-speed fiber internet in the second phase. To deliver high-speed internet, the Company began developing wholesale and retail MNE packages.

Kamunet: Türk Telekom, the leading provider of communication and entertainment services in Turkey, took a major step forward in its cyber security efforts. Providing end-to-end security systems, Kamunet (Public Network) protects public entities and agencies against cyber security threats and ensures information security. The Network’s closed-circuit system is aimed at minimizing cyber security risks, and the Ministry of Transport, Maritime and Communications has been using the Network internally since July 2015.

The Healthcare Campus project: The purpose of modern healthcare campuses is to provide high quality service to the public and to conduct R&D studies. Türk Telekom will be providing the technology infrastructure for the Mersin and Bilkent university healthcare campuses for a period of 25 years. To that end, work on the healthcare campuses in 24 cities, which together have a total capacity of 30,000 beds is completed. Work is underway at the Mersin and Bilkent healthcare campuses.

Türk Telekom's Operations

Türk Telekom also focused on expanding and increasing the revenue of data products and ME (Metro Ethernet) services targeting large-scale customers, and launched campaigns to promote package upgrades.

Fixed Voice and Broadband Projects and Developments

In addition to conventional voice services offered to customers, Türk Telekom continues to increase customer satisfaction with customer-focused integrated communication solutions and next generation services, and remains the pioneer of the fixed voice market. The Company developed new fixed voice projects and designed a simpler portfolio of fixed voice tariffs in order to provide the most convenient solutions to meet customer needs.

The new tariffs designed for small businesses include a variety of plans from 250 to 5,000 minutes in all directions. The new plans are offered with complimentary packages such as the "Siftah Package," which allows national calls in all directions between 8-11 AM, and the "Global Package," which includes 250 minutes for international calls.

In 2016, Türk Telekom focused on IP transformation, customer recovery and commitment contracts in the public segment. Accordingly, the Company designed various campaigns and conducted marketing activities aimed at customer recovery and commitment. Joint campaigns in mobile and broadband continue.

Fixed broadband offers tailored to the needs of corporate customers and multi play offers enriched with other Türk Telekom services helped to reinforce the Company's leadership position in the fixed broadband market.

Kamu'da hızlı ve güvenli internet, Türk Telekom Metro Ethernet!

Paylaşımsız,
güvenli ve
10 Gbps'ye kadar
simetrik
download/upload
hızında internet



The Company achieved sales success in the broadband market with the "Unlimited Fiber Internet" campaign, launched in 2016. The purpose of the campaign was to acquire new customers, while expanding the fiber customer base.

Launched in the last quarter, the "Unlimited Internet with Office Phone" campaign offers new companies, SMEs and small business owners highly advantageous bundles consisting of an office phone

line and internet. Other campaigns launched in 2016 included “Tam Zamanında” (Right On Time), “En Güvenli İnternet” (Safest Internet) and “İşte Farkın” (Your Difference).

Small-scale public entities were also included in the segment and customized campaigns were launched to meet their needs; such as the “Çifte Bereket Campaign” – a bundle offer for public entities consisting of “Internet for Family Health Centers” and “Internet and Collective SMS”.

Türk Telekom focused on expanding and increasing the sales of data products and Metro Ethernet (ME) internet services aimed at the public segment and large-scale customers; and launched corporate campaigns to promote package upgrades.

Mobile Service Projects and Developments

Smartphone usage continues to rise in Turkey, as elsewhere in the world. As LTE becomes more widespread and internet usage continues to increase among corporate customers, smartphone ownership will also increase. Accordingly, Türk Telekom will continue to offer attractive device campaigns to meet the needs of its customers, and to increase ownership of both smartphones and LTE-compatible phones.

The “LTE Sınırları Kaldıran” tariff, launched simultaneously with the transition to LTE on April 1st, offered corporate customers unlimited voice and messaging. Additionally, mobile internet content and Türk Telekom’s fiber strength in fixed services were also offered to customers in LTE services. The rich content of this tariff package perfectly met customers’ mobile needs.

A major change for customers for the transition to LTE was the need to use LTE SIM cards. Therefore, the Company initiated efforts to replace customers’ SIM cards at its sales channels.

Türk Telekom created a mobile broadband portfolio in order to meet the expectations of corporate customers, who wanted to connect to the internet at LTE speed. The LTE Mobile broadband portfolio consists of internet plans ranging between 1GB and



50GB, which are offered with a commitment contract and “Stop at limit” option. In addition to LTE plans, Türk Telekom offered its customers special deals on LTE Mobile USB Modems and Mobile Wi-Fi Modems. The Company also held detailed discussions with its business partners on the provision of Industrial WiFi Routers, which are used in vehicles, and subsequently developed router offers, mainly targeting the public segment.

The Güç campaign targets acquiring new mobile customers and offers discounts and special deals on all voice, SMS and data plans included in the “Advantageous Corporate Menu”.

Sürprizsiz (No Surprise) tariffs and campaign included 300 to 1,000 minute-plans with a “Stop at limit” feature and the prerequisite of a 12-month commitment period. These tariffs targeted companies that wanted to control, and prevent their employees from exceeding their limits.

Türk Telekom's Operations

In 2016, TTVPN transition in the public sector was continued, TTVPN transition of 8 new municipal administrations was completed especially with new acquisition towards municipalities.

Vehicle tracking campaigns for the public segment:

One of the factors that limit the use of M2M by public entities is the need for SIM card replacement and additional costs. To address this, Türk Telekom developed solutions to increase M2M usage at public entities.

Focusing on mobile VAS for the public sector (collective SMS, MMS and mobile advertising products):

Türk Telekom developed a diverse range of Mobile VAS campaigns to generate rapid and high revenues in the public sector, and devised simpler package structures.

Focusing on mobile VAS for large-scale customers (collective SMS, MMS and mobile advertising products):

The "Collective MMS" campaign was offered to large-scale customers on special days, national holidays and during sale periods to support their marketing activities.

THY Faturanı Paylaş campaign: Aimed at Turkish Airlines employees, this campaign included 4 options with different voice and data plans, and the most comprehensive plans came with a gift card.

Oyak Renault Faturanı Paylaş campaign: Aimed at Oyak employees, this campaign included 4 options with different voice and data plans.

Value Added Services

Türk Telekom Group continued to develop Value Added Services, which started to be planned under Virtual Switchboard (PBX) and other voice product services for the public sector. A few are as follows:

- » Interactive Voice Response (IVR)
- » Fax over IP
- » Voice Recording
- » Advanced reporting (CDR)
- » M2M platform
- » Next generation cities
- » İşyerim İnternette (WebOffice)
- » Bu İşte Beraberiz platform

Developments in Fixed Data

In 2016, TTVPN transition efforts continued in the public sector, especially geared toward municipalities. Türk Telekom undertook TTVPN transition for eight new municipal administrations, and increased the number of commitment contracts with existing customers via speed campaigns.

TTVPN smart device campaign: Türk Telekom offers smart devices to customers, who either upgrade the speed of their existing TTVPN circuits, or else change their plans, based on the revenue growth rates. Türk Telekom customers earn scores according to speed increase, and select from among a variety of devices, based on their score.

Bu İşte Beraberiz Platform: This platform, a part of the success stories project, presents Türk Telekom's corporate solutions for public and private sector customers. On this platform, there are product videos explaining our cooperation with powerful companies in the sector, and how our products function. Bimeks, Özşanal, Kilit Group, Neutec, Carrefour, LCW, Folkart, Ilko, 3 Öğün, Ulu Construction, and Paşa Hotels exemplify the big customer segment through digital videos.



Developments in ICT products: Türk Telekom manages outsourcing projects, which are developed to offer customers ultimate solutions rather than mere products and which require the involvement of multiple solution partners, under Full House ICT and in collaboration with Innova and other business partners, based on the scope of the project.

In light of increasing Cyber Attacks targeting strategic corporations and public entities around the world, Türk Telekom has developed marketing activities and campaigns in order to bring public entities under its Cyber Protection.

Data Center Investments

Offering the richest solution portfolio and the best-in-class customer service in Turkey, Türk Telekom opened its new data center IDC4 in Ümitköy, Ankara with a ceremony on Thursday, April 14. Thanks to its new, integrated structure, Türk Telekom offers its corporate customers the convenience of a one-stop shop. After the opening of the IDC4 Data Center, the Company's data center numbers rose to four. Türk Telekom continues to deliver flawless customer services at its world-class, high-security facilities in Istanbul and Ankara, while increasing the capacity of its new data centers. Additionally, the Company continues other long-term investments to meet the data center needs of corporations.

Device Management Projects

In the last quarter of 2016, Türk Telekom launched a new device campaign targeting new customers and activations in the small enterprise segment. Under this campaign, new customers can purchase devices, if they have had a fixed telephone subscription over the past 6 months.

Awards

The Corporate Marketing Communications Digital Marketing Team received the highly prestigious Crystal Apple award for the "Bulut Depo" commercial in the category of Online Film-Service in digital media.

1.2 billion

Consumer
Customer
Care Service
communicated
1.2 billion
times.

Türk Telekom's Operations

Through face-to-face customer services, 4.4 million customer transactions were executed; customer base was maintained by offering special campaigns and deals; and the collection process was supported.

Customer Care Services

Consumer Customer Care Services

The business processes and the organization of Consumer Customer Care Services have been designed to “serve as a solution center that delivers the best customer experience on all channels”.

Following the brand integration in January 2016, Türk Telekom unified all of its Consumer Care Service numbers for mobile, broadband, fixed voice and TV under one call center number “444 1 444”.

Türk Telekom Group serves its customers through face-to-face customer services at the Company's offices and dealers, the call center which operates 24/7 with approximately 8,500 customer representatives in 23 cities, and the increasingly preferred self-service channels.

In 2016, Consumer Customer Care Service while increasing customer satisfaction scores, communicated 1.2 billion times with customers across all channels.

93% of customers accessing Consumer Customer Care Services preferred to use Self-Service channels in 2016.

Besides increasing customer satisfaction, the Consumer Customer Care Services also serves as an income generator.

Through face-to-face customer services, 4.4 million customer transactions were executed; customer base was maintained by special campaigns and deal offers; and the collections process was supported.

The Consumer Customer Care Services continues to be a major income generator via product and service sales through self-service channels, and upselling, cross-selling, and customer loyalty actions through both incoming and outgoing calls; delivering a 58% rise in income generated. Proactive sales and efforts to prevent cancellations for postpaid subscribers increased by 100%, playing a significant role in expanding the postpaid subscriber base, which is a key customer segment for Türk Telekom. Additionally, the Company increased the use of e-invoices by 13%, an important step to protect the environment. Consumer Customer Care Services have also been very successful in collections, sustaining growth as an income-generating center.

The Consumer Customer Care Services has met all ICTA (Information and Communication Technologies Authority) targets during all periods; it responded to customer calls within 17 seconds; and made significant progress in meeting customer demands and resolving complaints, especially in mobile and fixed phone.



Online İşlem Kanallarımıza, “Horizon Interactive Awards”tan 4 Ödül!

Türk Telekom Online İşlem Kanallarımız, interaktif ve kreatif alanda dünyanın en prestijli ödülleri arasında yer alan “*Horizon Interactive Awards*”ta 4 ödüle birden layık görüldü.

Mobil uygulamamız, Mobil Uygulamalar İş (Mobile Apps - Business) kategorisinde, **Gümüş Ödül**
Ev Telefonu WEB Online İşlemler kanalımız; Müşteri Bilgilendirme Web Sitesi (Websites - Consumer Information) kategorisinde, **Bronz Ödül**
Mobil WEB Online İşlemler kanalımız; Web Sitesi (Websites - Responsive / Mobile Design) kategorisinde, **Bronz Ödül**
Online İşlemler Ev Telefonu uygulamamız; Mobil Uygulamalar İş kategorisinde, **Gümüş Ödül**

Detaylar için tıklayın.

Türk Telekom

The Consumer Customer Care Services aims to deliver the best customer experience through alternative channels as well (web, smart mobile devices, e-mail, SMS, USSD, chat, voice response systems, social media, TV, practical solution, video assist app). Accordingly in January 2016, Türk Telekom unified all web and mobile applications under the single brand to offer its customers an integrated experience. Following this integration, customers' use of web and mobile channels rose 100% in just one year. In particular, the use of mobile applications has doubled over the past year.

In 2016, Türk Telekom followed technological developments and innovations closely and applied these to alternative channels. The Company launched many new features and services such as bill payments by scanning credit card by camera, NFC (near field communication) solution for paying bills, special Widgets for IOS devices, Visual IVR and 3D Touch. Sales revenue rose 300% over the previous year, while refilling revenue (TL) increased 50% as a result of improvements in IVR menus. Meanwhile, sales of new USD packages rose by 62%.

With its technology investments, innovative practices, and user-friendly self-service channels designed to meet changing customer needs, Türk Telekom Group maintains its leadership position in customer satisfaction and service quality.

National and International Awards

As a result of technology investments and customer-centric improvements, Türk Telekom Online Transactions Web and Mobile Applications received a total of 4 awards (2 Bronze and 2 Silver) at the Horizon Interactive Awards, a highly prestigious awards program in the field of interactive and creative media production.

Corporate Customer Care Services

The purpose of Türk Telekom Corporate Customer Care Services is to deliver the best customer experience and improve service quality in all business processes involving customers, by means of various projects developed in line with the Company's vision and business strategies.

Türk Telekom's Operations

By assigning special back office teams to handle different customer demands in the mobile segment, Türk Telekom reduced the corporate customer complaints resolution time from 93 hours to 35.5 hours on average.

In 2016, Customer Experience Teams focused their efforts on mobile services and data center products, and created customer experience maps in order to better understand customers' expectations, and to determine action areas. They also started making welcome calls to new mobile customers.

To improve the quality of corporate customer services, Türk Telekom revised and shortened allocation processes relating to VPN-based products, and also increased revenue through early invoicing.

Türk Telekom launched two new programs aimed at delivering the best corporate customer experience: The "Zirvedekiler" program to increase motivation at TT offices and the "Müşterimle 1'im" program involving one-to-one customer visits.

Thanks to the synergy created between 395 corporate customer representatives in 81 cities, 74 customer loyalty personnel and the new field team, and also as a result of effective visits, training programs for channel development and office audits, the Company's customer satisfaction score surged to its highest level in 2016.

The number of members of the Fixed Corporate Online Transactions Center, which was created to make life easier for corporate customers, rose 32% over the previous year, while the collection rate via this channel rose 111%.

In line with single brand, 444 5 444 was designated as the shared call center number in 2016.

By assigning special back office teams to handle different customer demands in the mobile segment, Türk Telekom reduced corporate customer complaints resolution time from 93 hours to 35.5 hours on average.

As part of the integration process, Türk Telekom made significant progress towards singularizing return approval processes relating to fixed, mobile, and broadband invoices. Additionally, the Company completed the necessary structural improvements enabling to address fixed voice and broadband demands of those customers in the Strategic & Public segments, who use the Corporate Call Center via a single contract. The integration efforts for handling mobile demands are also progressing rapidly.

Türk Telekom completed the integration of fixed, broadband and mobile products into the outbound call center, which serves small- and medium-sized enterprises. As a result, call volume doubled over the previous year.

The Company ensured effective operations management via the E-mail tracking system, which was designed to improve report generation at the Corporate Customer Services Call Center.

Thanks to the CCC Data Center Support Team, the first call resolution rate rose to 21% and first call resolution time dropped by 58% when compared with the last quarter of the previous year. Additionally, troubleshooting time for virtual pbx and IN (444 – 800 services) issues reported to the call center was improved by 80%.



In the last quarter of 2016, Türk Telekom created a Corporate VIP Team to provide end-to-end support and proactive solutions related to all Türk Telekom products and services to customers in the Public, Corporate and Strategic segments. The Onsite Customer Service Team, which was created in 2015 to serve customers at their own locations for mobile products, also commenced providing service in fixed voice and broadband products in 2016, thereby ensuring an integrated management of the entire process.

Aiming to improve corporate customer loyalty, as well as overall customer experience, Türk Telekom launched the Lounge & Corporate Customer Services Office at five locations in Istanbul Gayrettepe, Ankara Bahçelievler, Izmir Konak, Bursa Gençosman, and Mersin Akdeniz. Integrated services such as catering, a conference room, video conference, and a business center among others, are offered to customers during their office visits, or with advance booking.

The Central Project Management Team helped improve customer satisfaction by ensuring fast and accurate order entry and setup in all corporate projects. The Company closely monitors the installation of new products such as Global VPN, IPÇH, YöneTT and WIFI and ensures effective coordination among teams.

Türk Telekom created a Fraud Operations Team to minimize the risk of corporate fraud and audited Corporate Dealers' compliance with the ICTA (The Information and Communication Technologies Authority) and Türk Telekom processes within defined risk parameters to manage potential risks.

Starting from the third quarter of 2016, Türk Telekom accelerated the transition to e-invoicing in both office and call center channels with the aim of protecting natural resources, pursuant to the Company's social responsibility approach, and also to reduce printing and mailing costs.



Investments and Infrastructure Projects

Thanks to its robust fiber infrastructure, as of April 1, Türk Telekom started to provide internet technology that delivers up to 1 Gbps internet connection to its mobile customers simultaneously in 81 cities.

Mobile Network

In 2016, Türk Telekom made large-scale and significant investments in its mobile network. As a result, the population coverage area expanded, network capacity increased and mobile service quality significantly improved. After the deployment of LTE on mobile network, users started to enjoy high-speed data services, while GIGA LTE hotspots set up in prominent locations of all city centers increased the speed to 1 Gbps. The transmission of data over the LTE network was enabled, resulting in improved customer satisfaction.

Fiber Network

- » As of the year-end of 2016, the total length of the fiber optic network was 228 thousand kilometers.
- » In 2016, FTTH/B coverage reached 1,015 thousand households, up by 213 thousand.
- » In 2016, FTTC/B/H coverage reached 13.9 million households, up by 1.9 million.

FIBERKENTT Project

In order to meet customers' changing speed expectations, Türk Telekom continues to replace its current copper access infrastructure with fiber optic access infrastructure. As part of the project, FTTC/B solutions in local central offices based on customer profiles were defined. The main benefits of the project are; increasing value added services and new customer acquisition through F/O solutions and carrying out transformations of eligible local central offices to reduce OPEX.

Fatih Project

This project involves setting up a fiber optic network at schools selected by the Ministry of National Education and improving educational efficiency through the use of smart boards and tablets in the classroom. To this end, the Company and the Ministry signed a protocol in 2016 for the installation of a fiber optic network at around 12,000 schools. The related fiber optic infrastructure works are currently underway.

Fixed network activities carried out in 2016:

- » In collaboration with Nokia, Türk Telekom tested the NG-PON2 technology for the first time in Turkey, and recorded the results in the presence of a notary public. Speeds up to 40Gbps were tested on a single-mode fiber.
- » In collaboration with Korea Telekom, Türk Telekom tested up to 1 Gbps speeds (gigawire) over copper lines, and conducted laboratory tests and field applications.
- » In collaboration with Huawei, Nokia and ZTE, Türk Telekom performed G.Fast tests, which deliver up to 1 Gbps speeds, over existing copper lines, and conducted field applications with test users.

Core Network and Carrier Network Projects

Core Network and Carrier Network investments targeted supporting the customer-focused approach, improving customer experience, diversifying and increasing revenue streams by preparing the network for new services, reducing network-based risks, shortening time-to-market, and optimizing operating expenses. Accordingly, the Company initiated work on Network Functions

Virtualization and Software-Defined Networking to prepare for the coming period while maintaining progress on LTE & U900, Capacity Increase, Network Transformation and Convergence Programs.

International data transmission capacity increased 30%, reaching 4.8Tbps. In order to increase revenue generated by the SMW5 Submarine Cable System, Marseille POP was set up as the 8th overseas POP and the Company deployed the first 100 GE (Gigabit Ethernet) transmission from Turkey to other countries.

Türk Telekom carried a 42% increase in the capacity of the IP/MPLS network, which serves Corporate, Wholesale and Individual Customers, and provides a cloud computing infrastructure, and thereby provided service to more than 10,000 access points on LTE, Mobese, Fatih, FTTX networks.

Meanwhile, carrier network capacity increased 18% over the previous year. Türk Telekom set a world record by successfully transmitting (DWDM technology) a capacity of 400Gb/s, the highest speed rate ever used commercially in the industry, over the fiber network between Ankara and Istanbul, the longest distance ever tried.

As per the Universal Service Requirements, the Company provided phone and broadband services to more than 2 thousand police stations and residential areas, which had previously lacked any type of electronic communications infrastructure.

As a result of transformation and efficiency projects, energy consumption and carbon footprint were reduced significantly in 2016.

GIGA LTE

On the strength of its robust fiber infrastructure, as of April 1, Türk Telekom started to provide internet technology that delivers up to gigabit-speed internet connection to its mobile customers simultaneously in 81 cities.

Corporate and Customer Projects

Data Center Projects

Türk Telekom selected the locations and completed the design process for new data centers in Ankara and Istanbul. An additional server room was set up and commissioned at the Ümitköy Data Center in Ankara in order to meet the demand properly, as per the Company's business strategy.

Human Resources Projects

Türk Telekom launched the "Mucit" (Inventor) program, which involves idea sharing, evaluation and rewarding among employees to foster self-improvement.

Pursuant to the "Performance Assessment" requirement set forth in the Collective Labor Agreement, the Company established the necessary systems and procedures to measure employee productivity, and to set targets and reward success accordingly. Türk Telekom's employee recognition program is a first of its kind in Turkey.

Corporate Information Technology Projects

The Centralized Troubleshooting System (MARS): Troubleshooting processes were revised to ensure compliance with TAM (Telecom Application Map) standards.

Creating Concordance between Geographic Information Systems and Compensation Process: This project ensured seamless coordination between field operations, business units and data processes after the integration of the new Compensation Program into the Geographic Information Systems.

TT Nette Analiz Systems project was carried out to deliver a true customer experience and resolve problems using DSLAM equipment, which serves broadband customers.

Türk Telekom started offering its customers VoLTE technology, which enables uninterrupted HD-quality video calls.

Türk Telekom made improvements to the Tulpar application, which has been developed to read/write parameters and performs health checks on Türk Telekom's network, and also to minimize human errors and improve the competencies of relevant teams by optimizing and increasing control over these activities.

Voice over LTE (VoLTE)

Türk Telekom began offering its customers the VoLTE technology, which enables HD-quality voice (wideband audio), instant call starting, uninterrupted HD-quality video calls, and delivers a richer voice experience in a quiet room.

Operational Excellence

Backed-up Management Center for Active

Operations: The Türk Telekom monitoring center was backed-up to ensure service continuity.

Awards

Türk Telekom received an award for its "Automatic Protection Against Cyber Threats" project at the "Global Enterprise & IT Architecture Excellence Awards" ceremony, held in India on September 8. The ATAR project, launched within OPG, is an innovative automation project in the field of SIEM (Security Incident and Event Management).

Being the only telecom company from Turkey to win an award, Türk Telekom also received another award in a different category: The Operations Director of the Technology Group won the "Global Business CIO" award, granted to the most successful

IT managers in recognition of their contributions to IT and enterprise architecture.

At the SAP Quality Awards, Türk Telekom received the Bronze Award for its MDG (Master Data Governance) project, developed for the purchasing business unit.

Türk Telekom won the "Multi-Band Antenna Innovations for Nationwide LTE Network in Turkey" award at the Global Telecom Awards.

Türk Telekom's Human Resources Talent Management System received the Bronze medal from Brandon Hall in the category of Integrated Talent Management Systems.

QuizGame won the "Best Advance in Gaming or Simulation Technology Gold Medal" from Brandon Hall in the award category of Excellence in Technology.

In collaboration with Nokia, Türk Telekom became the first operator in Turkey to test the NB-IoT (Narrow Band-Internet of Things) technology on its own network. During the "IoT-enabled smart heat meter test" conducted at Türk Telekom laboratories, where future technologies are tested, the temperature of the server room was measured and reported instantly. Türk Telekom performed this test with the units (enodeB) that have the same hardware used in LTE base stations and low-frequency packages that provide the best coverage.

Research and Innovation Activities

The Incubation Center received an R&D award from the Ministry of Science, Industry and Technology in 2016.

Through R&D and Innovation activities, Türk Telekom aims to research ,develop, and commercialize next generation technologies to offer the most innovative solutions to its customers with the vision of making Turkey’s digital transformation a reality. To this end, the Company consolidated all R&D activities under one roof and established the “Türk Telekom R&D Center” in May.

Areas of Activity and Projects

Next Generation Communication Technologies:

These efforts include architecture development and management of next generation technologies such as Li-Fi, heterogeneous networks, SDN/NFV, C-RAN and inter-operator network sharing.

Next Generation Services: These efforts include high value-added personalized services, Internet of Things, individual and enterprise cloud applications and services.

Big Data Analytics: These efforts include customer experience management, personalized tariffs/ services/campaigns, optimization of network investments and operations, and new data-based value-added services that do not violate privacy.

Patent and Publication Applications

In 2016, Türk Telekom filed 120 “TPE 1 PCT” patent applications and 48 publication applications. Compared with 2015, the number of patent applications and publication applications filed by the Company increased by 200% and 71% respectively.

R&D Center Activities

In 2016, Türk Telekom R&D Center carried out a series of activities that contributed to the R&D ecosystem. The Incubation Center received an R&D award from the Ministry of Science, Industry and Technology in 2016. The Company sponsored the 2016 IEEE-SIU conference and Bilkent University CS Fair. Within the framework of the Sunlight CSR Project, the Company launched an R&D training program geared towards people with low vision, and also developed the Sunlight game application aimed at children with low vision. Sunlight game application, a first of its kind in the world, serves as an educational and entertaining tool for children.

Research and Innovation Activities

1,500 applications in total were received during the four stages of PILOT, Turkey's first startup acceleration program initiated by the private sector.

Türk Telekom PILOT Startup Accelerator

Türk Telekom launched PILOT, startup acceleration program in 2013 to support entrepreneurship and create economic value by collaborating with innovative startups.

As Turkey's first startup accelerator initiated by the private sector, PILOT received nearly 1,500 applications during its four stages. To date, 35 startups graduated from the program and were granted a total of TL 1.2 million in startup capital.

The fourth stage of PILOT

PILOT completed its fourth stage successfully and Datapare, Ekmob, Jetract, Mentalup, Mihmandar and Teleporter teams, that graduated from the program, received TL 75,000 each. The startups had the opportunity to collaborate with Türk Telekom, and enjoyed other benefits, including use of office space, cloud services worth US\$ 100,000, mobile communication packages, and marketing communications support to promote their projects, for a period of 12 weeks. During the program, the startup teams also received one-to-one mentoring from Türk Telekom professionals, as well as prominent entrepreneurs, investors and other key players of the startup ecosystem, for 240 hours in total. They also underwent 80 hours of training on lean startups, user experience, digital marketing, and investor presentations. Teams, which were able to

develop a Minimum Viable Product (MVP) based on a validated business model, presented their MVPs and business models to the leading investors of the Turkish entrepreneurship ecosystem at the "Demo Day" event organized at the end of the program.

Türk Telekom's CEO Dr. Paul Doany delivered the opening speech at the "Demo Day" event, which was organized within the framework of the PILOT program's fourth batch, and emphasized the importance of entrepreneurship and innovation for the Turkish economy. In his speech, Dr. Doany said, "Traditional companies 'improve' their current business at best, but lack the courage for change. Startups, on the other hand, focus on the future and are not afraid to take risks. At this point, both need each other. While we benefit from their innovativeness and agility, they take advantage of our infrastructure and power of market access. Startups can benefit from our experiences, and we have a lot to learn from courage."

Over the coming years, Türk Telekom will continue to support the ecosystem and startups to help them join the ranks of the Turkish economy, meet their expectations to the highest level possible and transform Turkey into the region's entrepreneurship hub.

Human Resources

Türk Telekom Academy, Turkey's largest integrated corporate academy, continues to offer training programs that support employees' career development.

Türk Telekom Human Resources

Türk Telekom aims to be the most preferred company in the Turkish telecommunications sector, and in line with its future strategies and targets to attract and recruit the most skilled human resources aligned with the corporate culture and values.

Türk Telekom serves customers with a large family of 33,224 employees with diverse backgrounds and areas of expertise. 33% of employees are female, and 67% are male. 7% hold a postgraduate degree, 37% have a Bachelor's degree, and 29% have an associate degree. Moreover, 64% of employees are 21-35 years of age, 20% are 35-45 years of age, and 16% are 45 and older. The average age is 34 years.

11,700 union members working at Türk Telekomünikasyon A.Ş. offices are under the scope of 11th Term Collective Bargaining Agreement, which includes clauses governing wages, hours, fringe benefits, annual leave, occupational health, safety, and discipline. The Agreement is valid between March 1, 2015 and February 28, 2017.

Mozaik Program

The Mozaik Program, one of the most comprehensive projects undertaken by Türk Telekom, was launched after the integration process with the purpose of streamlining and simplifying all business processes. Employees at all levels of the organization participated in the Program, which was rolled out in November 2015. Within the framework of the Mozaik Program, the taxonomy of 700 business processes was achieved,

and over 1,800 workshops were organized and attended by about 1,000 process participants.

Recruitment

At the beginning of 2016, Türk Telekom added 989 employees to the project via İŞKUR's Technician Internship Program. The selected technicians were hired as İŞKUR Interns for the first six months, and other than the additional payments made by the Group, İŞKUR paid the basic salaries and insurance premiums. Those interns whose performances are deemed successful during the one-year internship period will be permanently hired by Türk Telekom Group.

In 2016, Türk Telekom hired a total of 1,162 employees: 893 people for the Head Office, and 269 people for Field Management.

Türk Telekom Academy

Türk Telekom Academy, Turkey's largest integrated corporate academy continues to offer training programs that support employees' career development.

Using the most up-to-date educational technologies, Türk Telekom Academy will be providing training and development programs on 500 different topics, with 658 in-house trainers at 135 locations.

Türk Telekom Academy Business Schools

Türk Telekom Academy is structured under separate schools that provide employee development programs in specific areas.

Human Resources

Türk Telekom carries out surveys to measure employee loyalty and to evaluate how satisfied employees are with the departments that provide services to them.

These are Leaders School, Technology School, Marketing School, Sales Schools, Customer Services Schools, Human Resources School, Finance School, Agility School, OHS School, Internal Trainer School, which offer structured and holistic training programs to employees.

In 2016, employees' personal development and professional needs were met through the Personal Development School, the Business Unit specific schools, technical expertise training programs and Leadership programs. Training was given to 19,364 specialists and 2,544 managers in total.

Regional Managers attended the Regional Leadership Seminars organized in 8 regions.

In 2016, 290 managers graduated from the Leaders School, which aims to support leadership development at all management levels. Meanwhile, the Strategic Leadership Program, which was organized in collaboration with the Insead Business School, significantly contributed to talent development within the organization.

Orkestra Integrated Talent Management Process

The Orkestra system represents Türk Telekom Academy's integrated approach to talent management and aims to place the right people in the right positions, while providing them with the right developmental support. Orkestra is composed of three main phases: Performance Management, Talent Management (Potential Appraisal) and Training/Development (Development Planning).

Accordingly;

- » 2015 year-end performance reviews, 360-degree competency appraisals and potential appraisals were completed for about 9,000 employees; a succession plan for management positions was developed.
- » The 2016 Goal Setting Process covering more than 10,000 employees was completed with goal expansion workshops, information sharing meetings, goal reviews and interim feedback.
- » Assessment Center, Development Consulting, Coaching and Mentoring Programs were carried out to support employee development.
- » Approximately 1,500 employees working at the Head Office and Regional Offices made horizontal career moves in 2016, and nearly 1,100 employees made vertical career moves (promotion).

Türk Telekom Academy offers Coaching and Mentoring Programs to support continuing professional development. In 2016, 24 managers participated in the Coaching Program. Meanwhile, there are 36 mentors working at the Company and 51 mentees benefit from the Mentoring Program.

Educational Technologies

By employing alternative education technologies in addition to in-class training, in 2016, Türk Telekom increased the share of e-learning in total individual training hours to 25%, a level equivalent to the world average. The e-learning course catalogue was made available to all employees; the new design and the mobile version of the Academy Portal was shared with the employees. Academy

Video Recording Studio was established, and to date, a total of 140 videos have been recorded. New education technologies, including Virtual Reality, “OHS Training”, and “Türk Telekom 4-Service VR” applications were launched.

Agile Studio

In 2016, the Agile Studio provided in-house learning, development and consulting services to 30 teams consisting of 202 employees from various business units by using only internal resources. The purpose was to create a cultural shift towards an agile organization and enhance agility and agile practices across the Company.

Partnerships with Universities

Türk Telekom aims to contribute to vocational training and employment through industry-university partnerships. Accordingly in 2015, the Company took an important step and launched the “Türk Telekom Academy - Vocational Schools (VS) Project”. The Project initially started at Erciyes University and later was expanded to 14 universities across the country. The purpose of VS partnerships is to set up techno-labs that feature the entire spectrum of telecommunication technologies at universities and develop students’ technical knowledge and skills regarding the telecommunications industry via courses delivered by Türk Telekom managers.

Culture and Values Program

Under the Culture and Values Program, an Organizational Health Index survey was conducted with more than 10,000 employees and in-depth interviews were carried out with 61 managers. Additionally, 8 workshops were organized to identify shared values and desired behaviors; approximately, 200 employees and managers from various departments participated in these workshops. Subsequently, the process of spreading organizational culture and values across the organization was initiated.

Employee Loyalty and Internal Customer Satisfaction Surveys

Türk Telekom carries out surveys to measure employee loyalty and to evaluate how satisfied employees are with the departments that serve them. These surveys help to improve employees’

engagement in Company processes, and to motivate them. Based on employee feedback, the Company can identify areas for improvement and take necessary actions.

Instant Employee Recognition

In order to spread the recognition culture across the entire organization, Türk Telekom introduced the practice of Instant Recognition in 2016, and with this revised process, over 800 employees were rewarded.

“Mucit” Idea Generation System

The Mucit Idea Generation System, which incorporates the suggestion systems used by Türk Telekom, AVEA and TTNET, was launched in 2016 under the motto “This Idea Works!” With its new design and revised processes, Mucit evaluates and rewards employees’ innovative ideas using objective criteria.

Employee Engagement Activities

Since January 2016, Türk Telekom has organized more than 90 activities and meetings in order to give teams – at Director and Deputy General Manager levels - the opportunity to socialize and to evaluate business processes, goals, and the current situation. A total of 32,902 employees were reached within these activities.

Themes such as team spirit, collaboration, working and achieving together were emphasized at these meetings, which, as a result, helped increase employee satisfaction significantly.

Social Activities Club: Baharat

In 2016, Baharat organized various activities and events, including a Play Station tournament with Ronaldo, organic market, DJ’ing Workshop, back-to-school and back-to-work events, taboo game of corporate values, among others.

Türk Telekom START Young Talent Program

In 2016, the START program received 28,369 applications. Out of these, 6,613 applicants who met the requirements took the General Aptitude and English Language tests. 1,905 candidates passing these tests participated in the assessment center, and 552 successful candidates were invited to one-to-one interviews. Ultimately, 66 candidates were

Human Resources

With its sales training programs, Türk Telekom Academy won Bronze awards in the categories of “Best Sales Onboarding Program” and “Best Advance in Competencies and Skill Development”.

hired for full-time, permanent positions, while 50 were hired as interns. During the year, intern/part-time vacancies were filled with candidates selected from the Türk Telekom START candidate pool.

38 fresh graduates, who were hired under the Türk Telekom START program in 2015, participated in the development program, orientation program, field visit, class training, coach interviews, rotation program, innovation project processes and graduated.

HR Awards

In 2016, Türk Telekom Human Resources Department received the following awards at Stevie International Business Awards, the world's premier business awards program:

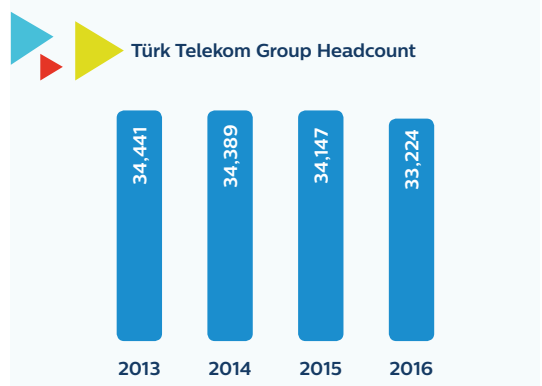
- » Internal Communications Team: Gold Stevie in the category of “Human Resources Department of the Year”
- » Internal Communications-Employee Engagement Activities: Silver Stevie in the category of “PR Campaign of the Year - Internal Communications”
- » Internal Communications-Employer Brand: Silver Stevie in the category of “Branded Content Campaign of the Year”
- » Türk Telekom Academy: Bronze Stevie in the category of “Human Resources Team of the Year”

Additionally, Türk Telekom Academy won the following awards under the Stevie Awards for Great Employers program:

- » Gold Stevie in the category of “Work at Height Virtual Reality Experience”
- » Gold Stevie for “Türk Telekom Sales School we are Master of Sales”

- » Silver Stevie for “Türk Telekom IP/MPLS Tiger Team Development Training”
- » Bronze Stevie for “Ethical Code Game”
- » With its sales training programs, Türk Telekom Academy won two Bronze awards in the categories of “Best Sales Onboarding Program” and “Best Advance in Competencies and Skill Development” at the Brandon Hall Group 2016 Excellence Awards.
- » At the “Excellence in Practice” awards organized by the Association for Talent Development (ATD), Agile Studio received the “Best Practice” award in the category of “Change Management”

In 2016, Orkestra Integrated Talent Management System received the “Bronze Award” from Brandon Hall in the category of Excellence in Technology.



Investor Relations

The Türk Telekom Investor Relations Department attended 18 investor conferences and 7 roadshows during 2016 at various destinations, particularly in New York and London; the Department met almost 300 investors during the year.

Türk Telekom Group is a leading integrated telecommunication and technology services provider, which delivers mobile, internet, phone, TV and innovative digital services to customers at world-class standards.

The Company's main shareholders are Ojer Telekomunikasyon A.Ş. (55%) and the Undersecretariat of the Treasury (30%), while the remaining 15% is publicly traded at Borsa İstanbul (BIST)*. According to the Official Gazette published on February 5, 2017, the Council of Ministers decided to transfer the 6.68% (5% Group B, 1.68% Group D) Undersecretariat of Treasury stake in the Company to the Turkish Wealth Fund. As of year-end 2016, the Group's market capitalization reached TL 18.5 billion. Doing its utmost to comply with the Capital Markets Board's Corporate Governance Principles, Türk Telekom enjoys a transparent and close relationship with investors and equally protects the interests of all shareholders and stakeholders.

In 2016, the Investor Relations Department attended 18 investor conferences at various locations, particularly in New York and London; the Department met with 256 investors at these events. Additionally, during the year, meetings were held with 37 investors during roadshows at various locations across Europe, USA and the UK. Türk Telekom Investor Relations expended great efforts to provide complete responses to all information requests received and met with almost 300 investors in total throughout 2016.

Almost 200 institutional investors worldwide

According to the latest survey conducted by an independent service provider in January 2017, Türk Telekom has almost 200 institutional investors worldwide. The survey reveals that "value oriented investors" constitute the majority of the investor base. In addition to the "value oriented investors", index, GARP (Growth at a Reasonable Price) and Growth are among the investment styles having high share at the distribution.

The Company's institutional investor base is composed of funds based mostly in UK & Ireland (43%), USA (33%) and Europe (10%) and the remaining is from other locations of the world (Singapore, Lebanon, and Turkey, etc). Twenty-five brokerage firms actively cover Türk Telekom; a very high figure among Turkish corporates.

Investor Relations Web Site

Applying best practices in investor relations with a pioneering approach; Türk Telekom addresses the expectations and requirements of its target audience of individual and institutional investors, experts, analysts and anyone who wants to receive investment information about the Company, with its Investor Relations web site. Ensuring that shareholders and stakeholders access information in a convenient and comprehensible manner, the web site is updated simultaneously in both Turkish and English.

Furthermore, the contact form that enables the shareholders and stakeholders to contact the Company, is available.

**According to the Official Gazette published on February 5, 2017, the Council of Ministers decided to transfer the 6.68% (5% B Group, 1.68% D Group shares) Undersecretariat of the Treasury stake in the Company to the Turkish Asset Fund. The figures do not account for that development.*

Corporate Social Responsibility

Türk Telekom Group provides information technologies – the main driving force behind sustainable economic growth and social development – to all parts of Turkey.

Türk Telekom Group provides information technologies – the main driving force behind sustainable economic growth and social development – to all parts of Turkey.

In addition to the products and services it develops, the Group aims to provide information access to all segments of society, which cannot fully participate in social life due to economic, social or physical reasons and executes projects under the principal of “accessible communication for everyone”.

Additionally, Türk Telekom supports UN's Sustainable Development Goals with its business practices and CSR projects.

In addition to various social responsibility projects carried out on a national scale, such as Life is Simple with internet, Telephone Library, Sunlight, Accessible Tivibu, Loud Steps, Türk Telekom Schools and Türk Telekom Amateur Sports Clubs, local social responsibility projects initiated by Türk Telekom Regional Offices are also carried out under the roof of the “Türkiye’ye Değer” (Value to Turkey) project.

“Türkiye’ye Değer” (Value to Turkey) Projects

Life is Simple with Internet

The “Life is Simple with Internet” project aims to provide internet literacy training programs to people unfamiliar with, and thus unable to utilize the potential of internet, helping them get acquainted with the online world. The Project is carried out with the cooperation of Türk Telekom, Habitat Association, and UNDP (United Nations Development Program). The main purpose of the Project is to provide everyone an equal opportunity in accessing information by eliminating regional and economic inequalities. Therefore, the primary target group consists of adults, and especially women, who are over 35 years of age, live in priority development areas – 50 cities in total, and who either lack, or have limited internet skills. To date, 20,000 people have become internet literate, and the goal is to introduce the online world to 30,000 people by the end of 2017.

Books on the Phone

Following the principle of providing equal access to information, Türk Telekom launched Turkey's first Telephone Library project – Books on the Phone – in collaboration with Boğaziçi University's Technology and Education Laboratory for the Visually Impaired (GETEM). Currently, the Telephone Library consists of approximately one thousand audio books and other content in



more than 50 categories, including poetry, novels, history, personal development, and practice exams, as well as movies with descriptive narration. Users can mark their place in an audio book and resume listening at the same spot, rewind or fast forward, slow down or speed up audio book playback, and find books easily with the audio menu.

In 2016, the Books on the Phone achieved a “first” and launched “Talking Paintings”, a descriptive gallery which enables visually impaired users to listen to the descriptions of the world’s most famous paintings. With the launch of the Türk Telekom Books on the Phone application, the library became accessible via mobile phones as well. Additionally, a new reading application, called “Voice to Books”, was launched to assist volunteers who wish to read books for visually impaired people.

Visually impaired book lovers can listen to audio books and other content free of charge by dialing 0800-219 9191 from their fixed telephones and using the passwords provided by GETEM, or by downloading the Türk Telekom Telephone Library mobile application free of charge. To date, the Telephone Library has been listened for approximately 4.5 million minutes.

Sunshine Project

In the first phase of the project, the levels of vision loss among visually impaired children are

determined. Then, children with low sight who are defined as visually impaired participate in an early intervention education program, which is delivered via tablets, in order to raise awareness on how to make fuller use of their sight. The project aims to enable these children to become independent individuals, while raising the awareness of their families through the early intervention education program. The Company plans to expand these early intervention education programs and reach out to more children and families through the use of technology. To that end, distance education opportunities are provided to children with low sight. Within the framework of this project, Türk Telekom developed and launched the Sunshine Game application, which targets helping children with low vision improve their visual abilities and eye-hand coordination. To date, the application has been downloaded 2,000 times.

Loud Steps Application

The “Loud Steps” application was developed to enable people of visual impairment to easily navigate through interior spaces without any assistance from others, and to help them fully participate in social life. With its unique technology infrastructure, the Loud Steps Application was developed in Turkey as a first in the world, and can be used by all visually impaired people free of charge and regardless of their telecoms operator. Loud Steps has been used more than

Corporate Social Responsibility

With the Türk Telekom Phone Library application, it is now possible to access the library on mobile devices as well.

130 thousand times by over 20 thousand visually impaired people, and can be actively used by various organizations in 11 countries of the world, including the USA, the UK and Spain. Loud Steps, a positioning and guidance system developed with the support of Türk Telekom, provides step-by-step guidance between the locations and gives an opportunity to people with vision and hearing impairments to more freely and safely move in many places such as university campuses, entertainment venues, airports, hospitals, public buildings, and shopping malls.

Accessible Tivibu

The new updates and improvements made to the Tivibu have significantly improved the TV-watching opportunities for visually and hearing impaired people. The visually impaired Türk Telekom subscribers are now able to enjoy a high-quality TV experience on Tivibu Web by using a screen reader. They can easily watch audio described films, easily access a film folder, change channels, and fast-forward, or rewind programs via the talking TV remote. By using screen readers, they can also enjoy the entire Tivibu platform on Tivibu Web with its visually impaired friendly version.

Türk Telekom Schools

To date, a total of 76 Türk Telekom educational buildings (including 52 school buildings) have been constructed across Turkey and handed over to the Ministry of National Education. Each year, thousands of students graduate from these modern educational facilities.

Türk Telekom Amateur Sports Clubs

Aware of the positive effect of sports on youth development, Türk Telekom provides support to amateur athletes in various sport disciplines. Out of about 503 athletes from 44 cities specialized in 31 sport disciplines, from basketball and fencing, to athletics and badminton, hundreds were selected for national teams, and have proudly represented Turkey in international competitions.

Sustainability Initiatives

In 2010, Türk Telekom became the first telecommunications company in Turkey to report its GHG emissions to the Carbon Disclosure Project (CDP).

Shaping its business processes, offices, products and services around the principles of sustainability in order to leave a better world for future generations, Türk Telekom views the active participation of employees, their families, suppliers and customers in this process as an integral part of its strategy.

As the first Turkish company to join the Global e-Sustainability Initiative (GeSI), which conducts a range of activities on efficient use of energy, energy conservation, and e-sustainability, Türk Telekom applies its sustainability approach to its business processes, office practices, and products and services.

Well aware of the social and environmental impact of its high level energy consumption, Türk Telekom attaches importance to undertake investments in energy efficiency and renewable energy in order to use natural resources efficiently, extend the use of renewables, and minimize adverse impacts on nature.

By using solar and wind energy, the Company is able to deliver carbon emission savings. The Company replaces less efficient DC energy equipment with high efficiency models. Similarly, plant transformation/ FiberkenTT projects and Central office with low energy efficiency are replaced with next-generation Central office and outdoor equipment with high-energy efficiency.

Türk Telekom reduces carbon emissions by replacing air conditioners in system rooms with next generation Free-Cooling air conditioning units with low energy consumption. The Smart Metering Project enables the Company to monitor energy consumption in detail, and when necessary, in real time. In addition, services formerly running on older generation systems

were transferred into next-generation transmission systems. These modifications resulted improvements at maintenance facilities, as well as energy savings, room upgrades and increased service quality.

Meanwhile, sustainability efforts undertaken at offices, as well as building/room optimization projects provide space savings, leading to drastic reductions in energy consumption for cooling purposes. Environmental practices such as the use of energy-efficient light bulbs, heat insulation and jacketing, public transport, building automation, an eco-friendly car fleet, paper recycling, electronic document management system, centralized printing, e-learning, tele-presence, and video conferencing help to increase recycling rates and overall savings, while reducing carbon emissions.

Since December 2011, Türk Telekom has been providing online training programs to educate its employees about climate change, associated risks, and how to change simple daily habits to reduce these risks. Furthermore, Türk Telekom was the first telecommunications company in Turkey to switch to the e-invoicing system.

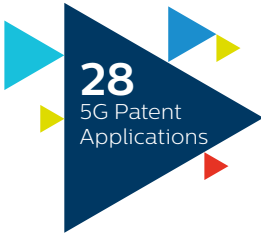
Carbon Disclosure Project

Türk Telekom became the first telecommunications company in Turkey to report its GHG emissions to the Carbon Disclosure Project (CDP). According to a study conducted in 2011 to evaluate the performances of BIST 100 companies that report to the CDP, Türk Telekom was selected as one of the top two corporations in terms of methodology and disclosure. In 2012, Türk Telekom ranked among the top five. The Company initiated efforts to report its CHG emissions to the CDP in 2017. Türk Telekom was granted the "Carbon Disclosure Leadership Turkey" award with the report issued in 2013.

Türk Telekom Group Companies

Argela operates as a research, development and innovation center in the field of next-generation telecommunications technologies, in particular for 5G and 5G enabling technologies.

ARGELA



Established in 2004, Argela joined Türk Telekom Group in 2007. Argela undertakes research, development and innovation activities in the field of next-generation telecommunications technologies, and develops intellectual property for 5G and 5G enabling technologies.

Argela markets its solutions and products to telecom operators globally, as well as to the public institutions and defense industry in Turkey.

Argela, a subsidiary of Türk Telekom, creates added value both in Turkey and abroad in the field of next-generation telecommunications technologies, in particular 5G and 5G enabling technologies with its patent applications and intellectual property assets in the USA.

In the domestic market, Argela develops strategic projects in collaboration with the defense industry. In addition to the Fourth Generation Communication System Development Project (ULAK) signed with the Turkish Undersecretariat for Defense (SSM) in 2013, the Company also works on the software-defined networking infrastructure project for public security networks under the MILAT Project signed in 2015 with SSM. Further, Argela continues to collaborate with other public and defense industry institutions on various other projects related to the defense industry.

Argela's solution portfolio includes programmable radio access networks, software-defined networking, LTE macro base stations, network performance monitoring, subscriber analytics and customer satisfaction management, small cells (LTE) and fixed-mobile convergence.

The company also carries out a number of projects with various universities and companies within the framework of the European Union FP7 and Celtic Programs. With these projects Argela not only contributes to the technological advancement of Turkey, but also obtains funding for its R&D efforts via EU support.

Argela works with various universities in Turkey, on next generation technologies such as the LTE network, 5G enabling technologies such as software defined networks and virtualization of network functions,, cyber security, self-organizing mobile networks, traffic security solutions, the internet of things, cloud services, big data processing and human computer interaction.



Headquartered in Istanbul, the Company has R&D facilities in Ankara and Sunnyvale, California, USA. In 2016, to improve its international recognition, Argela developed business partnerships in several countries.

ProgRAN (Programmable Radio Access Networks)

The ProgRAN solution, which Argela has been developing for some time, provides a scalable and flexible architecture for 5G technologies, and thus will enable the provision of a high capacity, customized network and service solutions to address the mobile communication needs of the future.

Software-Defined Networking (MILAT) Project

Within the scope of the Software Defined Networks Project (MILAT), Argela was to meet the cyber security needs of The Turkish Armed Forces within the framework of the agreement signed in 2015 with the Undersecretariat of Defense Industry and thus the activities continued in 2016 to develop a Software Defined Networks solution to be used in Public Security and 5G project infrastructures.

Argela, made numerous patent applications to the US Patent and Trademark Office for ProgRAN and Software Defined Networks in 2016. Furthermore, “ON.Lab” that develops tools and platforms based on Software Defined Networks and Virtualization of Network Functions for networks and applications of various sizes, joined the Consortium. In two large scale projects of ON.Lab, Argela plays an active role with its solutions. Argela is one of the companies making important contributions to the 5G architectural design project “M-CORD”

built within ON.Lab based on Software Defined Networks, Virtualization of Network Functions, and Cloud technologies. Argela’s partners in this project are the leading companies and telecom operators in the world, and the US based companies in particular.

Fourth Generation Communication System Development Project (ULAK)

In 2013, Argela for the first time entered into an industry other than telecommunications when it was selected to carry out the Fourth Generation (4G/4.5G) Communication System Development Project (ULAK) of the Undersecretariat for Defense Industries. Under this project, Argela cooperated with business associates to domestically develop all hardware and software components of base stations with LTE communication technology. These base stations will be used by both mobile operators and government and defense institutions.

This project also aims to support Turkey’s strategic objective of becoming a mobile communication infrastructure exporter by developing LTE technology with domestic capital.

Türk Telekom Group Companies

AssisTT provides call center services to Turkey's leading institutions and organizations in addition to its services to Türk Telekom Group companies.

AssisTT



AssisTT was founded in 2007. In addition to offering traditional call center services, AssisTT has also become a strategic partner for its clients by providing valuable data to guide their sales and marketing activities. The company creates value with end-to-end customized services delivered to sector leading private enterprises and public institutions.

Aside from Türk Telekom Group companies, AssisTT provides call center services to leading institutions and organizations.

In 2016, the Company won the tender for MHR9, the ninth phase of the "Turkish Ministry of Health Centralized Hospital Appointment System Tender", viewed as one of the largest tenders for the call center sector, and signed a three-year contract in November 2016.

AssisTT contributes to Turkey's economic development by providing employment to thousands with its investments across Turkey. As a subsidiary of Türk Telekom, AssisTT is also moving closer to becoming the brand that sets call center standards with a robust technological infrastructure, efficient human resource management and service excellence approach.

AssisTT Awards

In 2016, Türk Telekom's call center company AssisTT ranked number one globally in the "Large-Scale Outsourced Call Center" category at "Contact Center World", one of the most prestigious industry-specific events in the world.



Türk Telekom Group Companies

Climbing to 16th place among ICT TOP 500 IT companies, Innova ranked among the top 5 in a total of 12 categories under the main categories of hardware, software and service.

İNNOVA



Innova IT Solutions is Turkey's leading software developer and systems integrator. The company operates two main offices, in Istanbul and Ankara, as well as being present in 12 other locations across Turkey. It recently became the only company ever to have been named on the Deloitte Technology Fast 50, an index of the fastest growing Turkish technology companies, for eleven straight years.

Innova delivers end-to-end solutions to meet all the IT requirements of Turkey's leading companies in the telecoms, finance, public, health, retail and sports sectors. It also increased the number of countries that it exports to 37 on four continents.

Innova moved up 12 places on the ICT Top 500 List

Compared to its ranking in 2014, Innova rose by 12 places to 29th on the 17th edition of the “Bilişim 500” (ICT Top 500) list, which ranks information and communications technology companies in Turkey based on their net sales revenue. Climbing to 16th place among IT companies, Innova ranked among the top 5 in a total of 12 categories under the main categories of hardware, software and service. Additionally, Innova, for the fifth time, won the “Big Star” award granted by the Deloitte Technology Fast 50 Program.

EuroCloud Awards

Innova's legal document automation solution “Lega Cloud” won first prize in the category of “Best Cloud Service for Vertical Markets”, at both national and European levels, at the 2016 EuroCloud Awards. Meanwhile, the IoT platform “SkywaveloT”, also developed by Innova, received first prize at national level in the category of “Best Cloud Service for Horizontal Markets”, and ranked among the top three most successful solutions in Europe.

Eight More Awards to Innova in 2016

In 2016 Innova was deemed worthy of several awards given by research companies focused on the Turkish IT sector and by its international solutions partners. In addition to the awards given by Deloitte and EuroCloud, Innova won the following:



- » LinkPlus “Oracle Partner Achievement Award” (2016)
- » Cisco 2015 “Architectural Excellence: Enterprise Networks” Award (2016)
- » Cisco “Cloud Partner of the Year” Award (2016)
- » Fortinet “Managed Security Service Provider of the Year” Award (2016)
- » Cisco “Cloud Builder Partner of the Year” Award (2016)
- » SAP “Highest Revenue Growth” Award (2016)
- » HPE “Partner of the Year: Telecommunications” Award (2016)
- » HPE Turkey - FY16 - “Partner of the Year” (2016)

Lega: A New Product Family From Innova

Developed by Innova, the legal document automation solutions LEGA, LEGA LITE and LEGA CLOUD enable companies - small, medium or large -to follow the entire legal proceedings pertaining to debt collection.

LEGA brings a modern, standardized and centralized management approach to all execution case files and lawsuits – in favor, or in opposition to –concerning all types of corporations, mainly financial institutions and telecom operators, which generate invoices and rely on prompt and regular collections. LEGA LITE is a web-based legal document management application that facilitates coordination between corporations and law firms, and can be integrated into other internal systems such as ID verification, document management, accounting etc. LEGA CLOUD, on the other hand, provides access to all the features and functions of LEGA LITE via cloud service whereby small-

sized companies can also benefit from the legal document management and monitoring service without having to invest in a server.

The number of corporations integrated into the PayFlex CTC Platform reached 95

With the addition of 15 new corporations in the first half 2016, the total number of companies integrated into the Corporate Transactions Center rose to 95.

Smart City Platform Project

The project involves the development of new products for Smart Cities, of which the pilot application was carried out in 2015. The objective is to create a central software and IoT platform that enables the centralized management and data monitoring of multiple cities and towns.

Some of the Major Projects Carried Out in 2016

Türk Telekom Smart Stores and Infrastructure Project

This project covered Türk Telekom’s stores and focused on the installation of all data infrastructure and IT devices, Türk Telekom-TTNET-Avea new system definitions, and supply, installation and operationalization of DS monitors. A digital signage network consisting of 4,600 monitors across a total of 820 Türk Telekom stores was set up.

Additionally, Smart Store IoT solutions including People Counting System, Personnel Monitoring System, Signage Lighting Automation, Biometric (Fingerprint) Systems Access and Reporting were also operationalized.

Türk Telekom Group Companies

Within the scope of EuroCloud 2016, Innova won first prize in the category of “Best Cloud Service for Vertical Markets” with “Lega Cloud”, both nationally and in Europe.

TT Cash Register Project

Pursuant to the new regulation, Türk Telekom Group transformed all cash registers used by Avea, Türk Telekom and TTNET dealers into smart cash registers within the framework of the Group’s first integration project. According to a new Communiqué issued by the Ministry of Finance Revenue Administration, all corporate taxpayers are required to start using smart cash register systems. Accordingly, front-end collection and sales systems used by the dealers of Türk Telekom Group companies were standardized. By the end of November, a total of 1,474 devices used at 763 dealers across Turkey had become operational.

Under this project, the integration of TT Cash Register solutions with SAP Fiori was also completed. As a result of this, dealers with a shared SAP Fiori sales screen became able to make sales transactions and report their sales on both desktop computers and mobile devices.

STC Loyalty Project

STC, the biggest mobile network operator in Saudi Arabia with 23 million subscribers, decided to integrate Instant Quoting and Gamification modules into its loyalty system “Qitaf”. The Instant Quoting Module generates and sends automated personalized campaign messages to subscribers based on their locations, while the Gamification Module increases interactivity between subscribers and the brand.

Otoyol A.Ş. Legal Document Automation & Toll Collection System Project

Otoyol A.Ş. owns the rights to construct and operate the Gebze-Izmir highway, including the Orhangazi Bridge. This project enabled Otoyol to automatically manage all toll violations from a single point. Innova’s legal document automation solution Lega was utilized in this project, under which payment systems were integrated over the website. Accordingly, toll violation notices and unpaid tolls reported by Aselsan Toll Collection System are combined with data obtained from the systems used by the General Directorate of Highways and the General Directorate of Security.

Türk Telekom “Kredi Yurtlar Kurumu” PCRF Project

The objective of this project was to develop a scalable portal integrated with Cisco PCRF products, thereby providing wireless internet access to both administrators and students staying at Kredi ve Yurtlar Kurumu - KYK (General Directorate of Higher Education Credit and Hostels Institution) dormitories. Accessible by 450,000 students at 81 dormitories over mobile and desktop devices, the portal provides value-added services, including location-based services, quota monitoring, and 802.1x identity authentication. Additionally, the portal was integrated with user provisioning, troubleshooting and other KYK and TT systems.

Healthcare Campus Projects in 2016

Mersin City Hospital Project

The Mersin City Hospital, which has a capacity of 1,256 beds, is constructed under a Public-Private partnership initiated by the Ministry of Health. In this project, Türk Telekom is responsible for setting up the Hospital's data center, as well as the development and management of the entire network infrastructure and software programs, supplying all IT devices (tablets, digital signage, queue management system, and information kiosks, PCs) that will be used by Ministry of Health personnel, in addition to the data entries of 250 employees.

Within the framework of this project, the Company also provides additional services, such as a review of software, process control, and software development to ensure Hospital Information Management System (HIMS) products and services are procured in compliance with the Ministry of Health's contract. Türk Telekom will undertake HIMS operations management for a period of 5 years.

Other Projects

THY OpSys 2.0 Project – Phase 2

The second phase of the THY OpSys 2.0 project involves the development of ground operation controls for Turkish Airlines' IOCC (Integrated Operations Control Center), as well as additional applications such as Disruption Management and Delay Control.

Platform A.Ş. Virtual POS Client Project

The Virtual POS Client product used in this project provided Platform A.Ş. with a solution for electronic collection and storage of credit card data. Accordingly, Platform A.Ş. is now able to offer its customers an easy and convenient fuel payment solution for repeat purchases once their credit card data is recorded in the initial transaction, pursuant to PCI-DSS rules.

PTT e-archive

PTT is currently sending e-invoices via the PayFlex platform, and will also be using the PayFlex solution for e-archive integration. The project will enable PTT to send invoices to end users and subscribers electronically; moreover, customers who want to store their invoices electronically will be able to use PTT's integration service, as of January 2017.

PTT e-ledger

E-ledger is an application for approving and retaining ledger accounts in electronic format. PTT has purchased the PayFlex e-ledger product, developed by Innova, to offer it as a cloud solution to its customers/users. With the support of Innova, the PTT e-ledger application has been included in the list of applications approved by the Revenue Administration.

MARS – Centralized Troubleshooting System

Thanks to rule-based configuration, the project provides automated troubleshooting for services and shortens troubleshooting time, thereby improving new product time to market.

In 2016, troubleshooting processes for the following products were improved:

- » TTVPN, Remote-access VPN, VPN Reporting, 3G Backup (March 29, 2016)
- » Noktadan Noktaya (End to end), Ekotünel, Circuit Rental, Ttunnel, TT Internet, Partial Circuit Rental, Partial Ttünel (June 28, 2016)
- » All Corporate Security Services, Universal Telephone Access, Universal Internet Access (October 25, 2016)

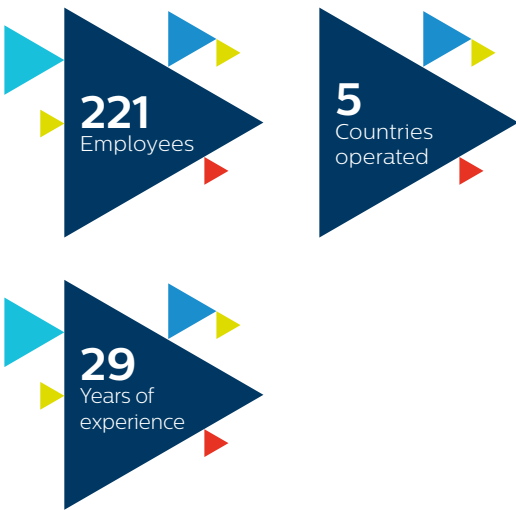
TBB ERP and e-solutions

By using SAP modules such as FI (Financial Accounting), CO (Controlling), MM/SD (Materials Management/ Sales and Distribution), Cash Management and E-invoicing, Innova enabled The Banks Association of Turkey to run business processes over a centralized system in accordance with applicable laws, and to utilize e-invoice and e-ledger applications.

Türk Telekom Group Companies

As Turkey's largest educational technologies company Sebit contributes to the educational transformation of Turkey through innovative and effective use of technology.

SEBIT



As Turkey's largest educational technologies company, boasting 29 years of R&D experience and an international organizational structure, Sebit contributes to the educational transformation in Turkey by deriving strength from the synergy within Türk Telekom, and also through the innovative and effective use of technology.

As a subsidiary of Türk Telekom, Sebit plays an active role not only in Turkey, but also abroad with the educational solutions it has been developing since its inception, and offers national and international solutions designed to deliver social benefit and meet individual needs.

Having realized numerous groundbreaking achievements to date, Sebit is one of the main players -in Turkey and worldwide- of the transformation objective in the education sector, with the vision of "IT Supported Interactive Education".

While the Company's brand awareness starting with Akademedi in 1998 increased with Vitamin, its product and service portfolio has been expanding steadily and shaping educational transformation.

Sebit plays a leading role in Turkey with its educational products and services, and is proud to be behind the development of numerous firsts. These include Turkey's first computer assisted education application, the first numerical video application in education, the first 3-D animation application, the first 2-D educational game, the first 3-D educational game -Piri the Explorer Ship- and the first educational search engine.

Sebit's educational products, which are developed by a staff of 221 professionals based at METU (Middle East Technical University) Teknokent in Ankara and the Arizona State University-Skysong Innovation Center (U.S.A.), are used by many students and teachers worldwide.

Conducting its studies with a highly competent and creative workforce, Sebit has proven its pioneer role with numerous awards, and is recognized as one of the best educational technology companies in the world.



Fatih Project

Having joined Türk Telekom Group in 2007, Sebit contributes to educational development in Turkey. Through newly designed education related services, the company plans to deploy mobile information and internet technologies to bring equal opportunities in learning and remove the obstacles to participative education.

Sebit products have been upgraded to become compatible with the 4+4+4 system put into effect by the Ministry of National Education in 2013; they were made accessible to all students and teachers related in public education in 2015.

Within the project framework, the Courses section of the Education Information Network-EIN, which enables curriculum monitoring over a learning management system, was integrated with Sebit's Vitamin and Lisego platforms. Education Information Network-EIN (www.eba.gov.tr) is the official portal of the Fatih Project.

Concurrently, VSınıf (VClassroom), Sebit's Interactive Classroom Management software, was updated in accordance with feedback received.

Additionally, Sebit's content development ecosystem platform on EIN (Education Information

Network) was put at the service of teachers such that they can also participate in the digital content development process.

In 2015, teachers handpicked by the Ministry of Education underwent vocational training through an eight-week program in Mersin and a two-week program in Antalya. These training courses continued in 2016. Additionally, the third phase of the six-week e-content training course held in Ankara was also completed. In 2017, these courses will continue according to plan. The teachers involved are expected to assume a leadership role and support other teachers in content development efforts at EIN studios located at the 13 centers established by the Ministry.

Sebit continues to provide maintenance and support services to other management platforms it had developed within the framework of the Fatih Project and integrated into the systems used by the Ministry of National Education in 2015. Meanwhile, the Company continues to improve and further develop these platforms based on field feedback. To this end, egitim.gov.tr was activated to serve as the Ministry's official, educational search engine, and is used heavily for all searches carried out over EIN.

Türk Telekom Group Companies

With innovative and effective use of technology, Sebit moves ahead towards becoming a global leader in educational technologies.

In 2016, Sebit's innovative social learning platform VCollab became operational on EİN. Thanks to this new platform, students, teachers and administrators can communicate and share with each other in accordance with educational scenarios outside classroom time; and education processes are supported with modern tools and methods. Additionally, Sebit's innovative platform VCollab consistently provides single point of role-based access (such as teacher, student, and administrator) to different EİN functions in accordance with educational purposes.

In 2016, Sebit developed the curriculum for 11th and 12th grades, integrating these into the Courses Section of EİN.

As requested by the Ministry of Education's General Directorate of Innovation and Education Technologies, Sebit hosted a one-day workshop to explain the Fatih Project and EİN portal to all senior directors of the central organization under the Ministry of Education. The Company gathered feedback on the project and devised plans for further product improvement.

In partnership with the Ministry of Education, Sebit participated in the BETT Show in the U.K. and at GESS Dubai to present and promote the project. The Ministry of Education mostly showcased Sebit's products and services at its booth.

Sebit Overseas

With innovative and effective use of technology, Sebit powers ahead towards becoming a global leader in educational technologies. The products developed by the company are marketed in five countries.

Work on Sebit's cloud based educational technology VCloud, which started in 2013, continued, especially in the integrated 1-1 education solution category.

VCloud is a platform that provides benefits toward meeting the managerial and educational needs of students, teachers and administrators, as well as in areas such as collaboration, communication and governance. As the integration of VCloud and all of its relevant components with the Ministry's systems continues under the Fatih Project, it is being further improved for private schools in the corporate market, and for overseas markets.

Pilot applications for the VCloud service were carried out in Turkey, Lithuania, South Africa, Azerbaijan, France, the US and Mexico in collaboration with Microsoft.

Sebit participated in the BETT Middle East Expo, held in Abu Dhabi in April 2016, as a global business partner of Microsoft, where it presented its VCloud solution to visitors.



Raunt: a new generation university exam preparation product

Developed by Sebit, Raunt is the first and only customized university exam preparation product in Turkey. Raunt was launched in the retail market and also offered to private and public school students, who are preparing for the university exam. Following the product development and improvement efforts undertaken in 2016, Raunt is now offered to 50 thousand users in the private schools market.

Offering a personalized counseling service, customized study plans and rich content, the website www.raunt.com and Raunt Mobile Application are designed to prepare students for Higher Education (YGS) and Undergraduate Placement (LYS) Exams throughout the preparation process. Raunt combines the teaching and testing program of an ambitious exam preparation center, the undivided attention of a private tutor, and the guidance provided by an experienced adviser in a single set, bringing it right into the homes of prospective university students.

Featuring dynamic intelligence technology, Raunt recognizes users and provides guidance accordingly, while ensuring that they fill in their learning gaps via the Smart Suggestion System, and also monitors their performance. These unique features are supported by complementary digital and printed content to help students move closer to their goals.

Raunt is the most innovative and result-oriented university exam preparation platform available on the market.

Free online homeschooling for students with special educational needs

Sebit supports the home education program provided by the Ministry of National Education to school-age children unable to receive formal education due to health problems. To that end, the Company offers its digital education products, giving a technological edge to the program.

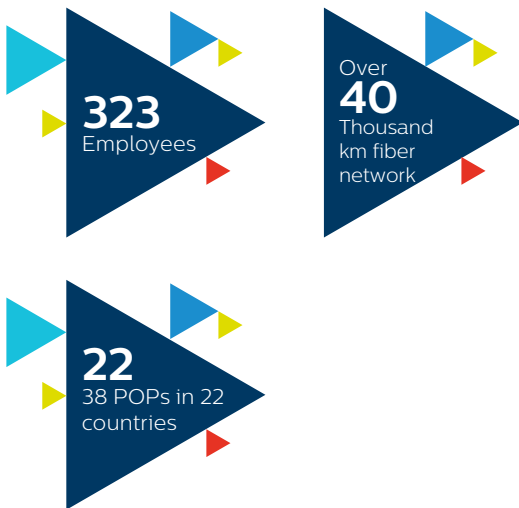
As part of its social responsibility efforts, and in partnership with the Ministry of National Education, in 2015, Sebit began to offer its digital products free of charge to those students with special educational needs - from pre-school to high school level. The Company continued to offer its digital products free of charge in 2016 as well.

The home education efforts undertaken within the scope of the Fatih Project, aims to provide education for individuals with special educational needs, and to improve the quality of education.

Türk Telekom Group Companies

Thanks to a fiber optic network that exceeds 40,000 km, Türk Telekom International provides a major contribution to Turkey's goal of becoming a telecoms bridge between Europe and Asia.

Türk Telekom International



Türk Telekom International is Türk Telekom's subsidiary in charge of international wholesale voice and data sales and marketing. Acquired by the Group in 2010, the company operated as Pantel International, before being rebranded as Türk Telekom International (TTI) on May 1, 2013.

Centered in Hungary, Türk Telekom International delivers a full range of internet data services, customer management from a single center, integrated networking operations, infrastructure and wholesale voice services to established operators, alternative carriers, mobile operators, cable TV

companies, internet service providers and corporate customers in over 40 countries spread across Central and Eastern Europe, Turkey, the Middle East, the Caucasus and Middle and South Asia.

Thanks to a fiber optic network that exceeds 40,000 km, Türk Telekom International provides a major contribution to Turkey's goal of becoming a telecoms bridge and data hub between Europe and Asia, while strengthening the country's global standing in the industry.

Also on a global scale, the Company maintained its strategy of expansion towards the Middle East and Asia in 2016, further reinforcing its position as the region's dominant player, while at the same time creating new revenue streams through partnership projects aimed at product portfolio diversification.

SEA-ME-WE-5

Türk Telekom International joined the consortium SEA-ME-WE-5 as a full member. The cable system SEA-ME-WE-5, which derives its name from the initials of Southeastern Asia-Middle East-Western Europe, became operational in late 2016, interconnecting 17 countries along 20 thousand kilometers spanning Asia and Europe. SEA-ME-WE-5 cable system received the "Best Undersea Project of the Year" award at the Global Carrier Awards, one of the most prestigious awards programs in the wholesale telecom industry.



Following the participation of Türk Telekom International in the consortium, the Turkish town of Marmaris was designated as a station on the SEA-ME-WE-5 submarine cable system. The Marmaris station marks a major step forward for Turkey in terms of serving as a regional data bridge, and also offers other operators on the cable an alternative route to Western Europe, and the opportunity to access other countries via Turkey.

New Routes between Europe and Asia

The terrestrial telecoms link with minimum latency between Europe and Asia extends from Turkey to China. In light of this fact, Türk Telekom focused its efforts on two major projects in 2016: the Digital Silk Road connecting Turkey, Iran, Pakistan and China; and the TASIM (Trans-Eurasian Information Super Highway) route to China, which passes through Turkey, Georgia, Azerbaijan, the Caspian Sea and Kazakhstan. In addition to offering high quality, fast alternatives between Europe and Asia, both of these projects will also provide connections to countries that lack access to underwater cables, such as Afghanistan, Caucasian countries, Eastern European countries and Turkic Republics. For the Digital Silk Road project, Türk Telekom works in collaboration with the dominant telecoms operators of China, Pakistan and Iran. The route will be commissioned upon completion of efforts concerning transit points between China-

Pakistan and Pakistan-Iran. For the TASIM project, the Company is collaborating with operators in Azerbaijan, Kazakhstan, Russia and China, particularly on technical and commercial details regarding the laying of fiber-optic cable under the Caspian Sea.

New Products and Services

In addition to projects aimed at regional expansion, in 2016, Türk Telekom also focused its efforts on collaboration projects to further expand its product and service portfolio. Accordingly in May, the Company signed a preliminary contract with PCCW Global, the international operating division of HKT, the leading telecommunications operator in Hong Kong, to leverage synergies from Türk Telekom's wide operating region and PCCW's innovative products and services. As per this contract, Türk Telekom International will be offering the innovative products developed by PCCW, such as the video distribution solution GTVN (Global Television Network) and the award-winning cyber-security risk management product MOREAL, to international publishers, video content distributors and carriers in its operating region.

Awards

- » Türk Telekom International received both the "Best SMS Innovation" and the "Best 4G Deployment" awards at the Global Carrier Awards. Organized by Capacity Magazine, the Global Carrier Awards are considered the most prestigious awards program in the wholesale telecommunications industry.
- » The "Best SMS Innovation" award was in recognition of the Company's successful transfer of its voice and SMS services to a secure and manageable cloud communication platform: Application to Person -A2P. The "Best 4G Deployment", on the other hand, was in recognition of the Company's ability to deploy 4G global roaming services with more than 70 mobile operators in 48 countries within a very short timeframe.

Important Developments after the Accounting Period

Regulatory Disclosure dated 04.01.2017

Senior Management Change

Our Company's Legal Assistant General Manager Doğan Coşgun has decided to leave his position.

Regulatory Disclosure dated 07.01.2017

TT Ödeme Hizmetleri AŞ Operating License

Our Company's subsidiary TT Ödeme Hizmetleri A.Ş. has been granted an operating license for payment services by the Banking Regulation and Supervision Agency ("BRSA"). The decision was published on the Official Gazette on January 6th, 2017.

Under this operating license, mobile payment services and the collection intermediary services of our Group Companies can be provided through TT Ödeme Hizmetleri A.Ş. and our payment product and service portfolio will be enriched by extending the network of member merchants.

Regulatory Disclosure dated 19.01.2017

Our indirect shareholder Saudi Telecom Company 2016 Q4 Results Announcement

Our indirect shareholder Saudi Telecom Company (STC) announced its Q4 2016 unaudited financial results on the Saudi Stock Exchange's website (<http://www.tadawul.com.sa>). Turk Telekom financial data are included in the STC financial results as part of the consolidation. However, the financial data Turk Telekom provided to STC for the preparation of its consolidated financial tables is not prepared within the frame of the Capital Markets Board of Turkey regulations and are not audited. Moreover, the data Turk Telekom provided to STC is only included in consolidated financial accounts and it is not possible to be analyzed separately apart from these accounts. Our 2016 year-end financial tables which will be prepared and audited in line with Capital Markets Board of Turkey regulations are planned to be announced in February 2017 at Public Disclosure Platform of Turkey.

Regulatory Disclosure dated 26.01.2017

Senior Management Change

Yakup Öztunç is appointed as Acting Legal Assistant General Manager of our company.

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.

Regulatory Disclosure dated 01.02.2017

Notification by Undersecretariat of Treasury to Avea İletişim Hizmetleri A.Ş. on Treasury Share Payments

Our wholly owned subsidiary Avea İletişim Hizmetleri A.Ş. ("Avea") received two different reports based on the audit held by Treasury Controllers Board for the years 2012 and 2013. According to the notification, Avea is alleged to have underpaid Treasury Share by TL 117,364,691.58 related to 2G services and TL 66,697,190.80 related to 3G services (for periods including 2009, 2010 and 2011 as well). In addition to the principal amounts, interest payment is also demanded to be calculated in accordance with the relevant regulations.

Majority of the requested payments is related to invoice discounts. On this subject, Avea was awarded an international arbitration decision in favour before ICC related to 2G services. Litigation proceedings against this award are ongoing before national courts. Our Company will decide on how to proceed against the requests, after examining the details of the reports.

Regulatory Disclosure dated 01.02.2017 **Revision in outlook and affirmation of corporate rating by S&P**

S&P Global Ratings has revised our company's long term corporate rating outlook from "stable" to "negative", while affirming the corporate rating of "BBB-" (investment grade). The outlook revision is driven by the revision in sovereign outlook.

Regulatory Disclosure dated 01.02.2017 **Affirmation of our corporate rating and outlook by Fitch Rating**

Fitch Ratings reviewed our company's corporate rating and outlook following the downgrade of Turkey's government debt rating. As a result of this review, Fitch Ratings has affirmed our Long-Term Foreign and Local Currency Issuer Default Ratings of "BBB-" (investment grade) with negative outlook, and our senior unsecured rating of "BBB-".

Regulatory Disclosure dated 06.02.2017 **Senior Management Change**

Dr. Nazif Burca, who has served as Head of Internal Audit of our company, will be appointed as CEO Advisor to assist with Risk Analysis Projects.

Yavuz Türkmen current Türk Telekom Group Financial Control Director is appointed as 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 2016 he worked at Polska Polielektrolit Kimya 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. Yavuz Türkmen has CPA and Independent Auditor certificates.

Regulatory Disclosure dated 08.02.2017 **Guidance for 2017 Consolidated Financial Results**

Under current circumstances, guidance for 2017 is as below:

- Consolidated revenue growth (excluding construction revenue adjustment*) to be 8% to 9% over 2016
- Consolidated EBITDA to be at TL 5.8 billion and TL 6.0 billion levels
- Consolidated CAPEX to be around TL 3 billion

Disclosure of Material Matter dated February 27, 2017

Corporate Governance Committee and Licensed Professional Appointments

As per article 11. of Capital Markets Board Corporate Governance Communique, II-171; Investor Relations Director Sabriye Gözde Çullas is appointed to the membership of Corporate Governance Committee.

In order to fulfill the obligations under the Company's capital market regulations and coordinate the corporate governance applications, Investor Relations Director Sabriye Gözde Çullas who has Capital Market Activities Level 3 License (License No: 203840) and Corporate Governance Rating License (License No: 702742) takes the responsibility.

*The correction of construction income is a nonoperational profit that was derived from the accounting relating classification of fixed voice revisions, such as transition from copper to fiber infrastructure.

Dividend Distribution Proposal

As of the date of announcement of this Annual Report, the Board of Directors has not made a proposal to General Assembly for dividend distribution. Once the Board makes a proposal, it will be announced separately.

Conclusion of Affiliation Report

01.01.2016 - 31.12.2016 Accounting Period Conclusion of Affiliation Report

"It is undersigned and hereby declared that the Affiliation 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 Türk Telekom, with respect to the relations of Türk Telekom with its Controlling Company/Venture and with other affiliates of its Controlling Company/Venture in the 2016 fiscal year, and that each legal transaction mentioned in the Affiliation Report is balanced with an appropriate counter performance, and that Türk Telekom 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 for 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 constantly kept up-to-date, as well as the possibility to direct their queries to the Investor Relations Department.

Türk Telekom successfully received an overall Corporate Governance rating of 9.02 as a result of an independent assessment by SAHA Corporate Governance and Credit Rating Company incorporated by Capital Markets Board of Turkey.

Corporate Governance Rating was determined as a result of the examination made under four major topics (Shareholders, Public Disclosure and Transparency, Stakeholders, Board of Directors) weighted differently within the framework of the CMB’s Corporate Governance principles. Breakdown of our corporate governance rating under major categories is as follows:

Sub Categories	Weight (%)	Rating
Shareholder	25	84.56
Public Disclosure & Transparency	25	97.29
Stakeholders	15	92.69
Board of Directors	35	88.22
Total	100	90.24

This rating of 9.02 assigned to Türk Telekom based on the Corporate Governance Principles is a clear sign that our Company is compliant with CMB Corporate Governance Principles to a large extent, has put the necessary policies and precautions into effect and our Company’s efforts for fully complying with the Corporate Governance Principles will continue.

Reasons for non-complied Corporate Governance Principles

Pursuant to the Communiqué No:II-17.1 and dated January 3, 2014 of the Capital Markets Board on the Corporate Governance, and other regulations, non-complied issues with their grounds are as below, the principles that are not being complied have not resulted in any conflicts of interest among stakeholders to date.

That the Articles of Association entitle shareholders to appoint a special auditor, and that there is no additional provision on minority rights

Turkish Commercial Code and the CMB regulations are qualified for the appointment of special auditor and minority rights. Pursuant to the New Turkish Commercial Code 6102 which became effective in July 1, 2012, each shareholder’s right to appoint a special auditor will be protected.

Presence of voting privileges:

The privileges attached to the Golden Share held by the Republic of Turkey Under secretariat of Treasury are statutory (4673 numbered law), and our company is not authorized to amend these privileges.

No articles in the Articles of Association regarding the procedures for invitation of the members of the board for a meeting by shareholders and stakeholders

Pursuant to the New Turkish Commercial Code 6102 which became effective in July 1, 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. There is no other way of invitation of the board members for a meeting.

Mechanisms and models to encourage participation of the stakeholders in the management of the company are not regulated by the Articles of Association

The models for the Company employees’ participation in the management have not been included in the Articles of Association however such models have been developed and put into

Corporate Governance Principles Compliance Report

practice within the scope of the internal directives of the company. In 2016, models were developed for the Company employees' participation in the management such as Occupational Health and Safety and Disciplinary Boards, Inventor Idea System.

Charter of the Audit Committee hasn't been disclosed yet

This issue is in the preparation phase.

Disputes between stakeholders (regulatory bodies and public authorities)

Resolving disputes between stakeholders is an ongoing process.

Shareholders

Investor Relations Unit

At Türk Telekom, an Investor Relations Department ("the Department") has been formed which reports directly to the CEO with respect to the structured maintenance of relationships with existing and potential shareholders, effectively responding to the queries by investors and analysts, and carrying out the activities targeted at increasing the Company's share value. The Department is supervised by the Investor Relations Director Sabriye Gözde Çullas who holds required licenses took the responsibility arising from capital markets legislation and coordination of corporate governance practices.

Primary activities handled by the Department are as follows:

- » Including the 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 corporate investors,

- » Keeping existing and potential investors regularly informed on the Company's activities, financial standing and strategies in a timely, accurate and complete manner,
- » To ensure keeping of reings related to correspondences between investors and the Company and other information and documents healthy, reliable and up-to-date
- » Responding written information requests of shareholders related to the Company
- » Regarding the General Assembly Meeting, preparing documents required to submit for shareholders' review and taking precautions to ensure organization of General Assembly Meeting in accordance with related regulation, articles of association and other regulations within the corporation
- » Responding to the information requests by analysts researching about the Company; ensuring the best introduction of the Company and guaranteeing 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 on Türk Telekom and the Turkish Capital Markets by participating in conferences and investor meetings,
- » Monitoring public disclosures made pursuant to the Company's disclosure policy and applicable legislation.
- » Stock news are announced within the Company by watching the composition of domestic/ foreign investors and significant changes in trade volume.

Contact information for employees working in the Investor Relations Department is as follows:

Full Name	Title
Sabriye Gözde Çullas	Director
Özge Kelek	Manager
Eren Öner	Manager
Şule Gençtürk	Assistant Manager
Nergis Gündoğdu	Assistant Manager
Selin Akar	Associate
Phone Number: + 90 0212 309 96 30	E-mail address: investorrelations@turktelekom.com.tr

Please contact Eren Öner for questions related with dividends, General Assembly and transfer of shares.

The Department received over 1,000 information requests by phone and email during 2016, all of which were answered.

Throughout 2016, Investor Relations attended a total of 18 investor conferences in various locations, primarily in New York and London, and contacted 256 investors in these conferences. In addition, a total of 37 investors were met during roadshows organized in Europe, USA and UK during the year. In an effort to respond to all kinds of information requests along with participating to the investor conferences and roadshows organized abroad, Türk Telekom Investor Relations Department had the opportunity to meet with around 300 investors throughout 2016.

Shareholders' Exercise of their Right to Obtain Information

Within the frame 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, phone, email and other means are answered in the fastest and most effective way possible upon contacting the relevant person with the highest authority on the related matter. Over 1000 information requests received by Türk Telekom in the relevant period were answered. Furthermore, current and retrospective information and developments relating to Türk Telekom that are of interest to

shareholders are regularly communicated to the concerned parties by the investor relations website both in Turkish and English languages. They are also regularly communicated to those registered to our database via emails.

In addition to the foregoing, within the context of shareholders' exercise of their right to obtain information, data and information are provided on the investor relations website so as to ensure rapid and easy access to information about Türk Telekom. A large portion of this information is provided on the website both in Turkish and English languages. The website covering the related documents accessible at www.ttinvestorrelations.com is periodically updated.

Further details are presented under the heading "Corporate Investor Relations Website and its Content" below.

Company activities are periodically audited by independent auditors and statutory auditors appointed by the General Assembly upon proposal by the Board of Directors. Independent audit services for 2016 activities were provided by KPMG, which performs said services 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. Shareholders did not request the appointment of a special auditor in 2016 and no special audit was conducted. Being a telecommunications company, activities of Our Company is subjected to the audit and enquiry of Information and Communications

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Technologies Authority, Capital Markets Board of Turkey and Competition Authority. The results of enquiries and audits are disclosed to the public within the context of press releases issued by the related authorities and 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 according to the 438th and 439th articles of the New Turkish Commercial Code 6102.

General Assembly Meetings

Article 19 of the Articles of Association reads as follows: "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 dissolution;
- b) any change to Articles of Association;
- c) any change to the corporate name of the Company;
- d) any change to the accounting reference date or accounting policies except 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 attaching 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 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 US\$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 US\$50 million;
 - the sale or disposition of any fixed assets for a total price per transaction of more than US\$10 million;
 - the borrowing of amounts by a Group Company which when aggregated with all other borrowings of that Group Company would exceed US\$150 million except for the loans obtained from banks in the ordinary course of business;
 - the entry into of 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 on arm's length terms or (y) involves the transfer of monies or goods and services of a value greater than US\$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

Organizations regarding our 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. Beneficiaries 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.

2016 General Assembly Meetings

On 31 March 2016, at Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Merkezi, Turgut Özal Bulvarı, 06103 Aydınlikevler, Ankara, Ordinary General Assembly convened without any press or stakeholder participation where 93.92% of the Company shares were represented. Following the proposal presented to the General Assembly, a decision was taken to postpone the General Assembly Meeting to be held on another date in the future that would be determined by the Board of Directors so that necessary preparations and evaluations could be made.

Thereon, on 16 May 2016, at Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Merkezi, Turgut Özal Bulvarı, 06103 Aydınlikevler, Ankara, Ordinary General Assembly convened without any press or stakeholder participation where 93.90% of the Company shares were represented. Shareholders attended the meeting both via electronic platform and individually. They posed their questions and had their answers during the meeting, all spoken issues were written to the Minutes of the Meeting. Minutes of the Meeting is accessible at the <http://www.ttinvestorrelations.com/corporate-governance/general-assembly-meeting.aspx>. No proposal for the agenda items were given by shareholders during the meeting.

Particulars related to the said Ordinary General Assembly Meeting dated 16 May 2016 were published on Turkish Trade Registry Gazette (TTRG) dated 27 May 2016. In addition, the relevant Regulatory Disclosures of Material Events made by our Company was also published on the Public Disclosure Platform as of meeting dates.

The rules governing the Company's General Assembly meetings are covered in Türk Telekomünikasyon A.Ş. Articles of Association which is publicly disclosed and posted on the investor relations website.

According to Article 31 thereof, 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 (TTRG) and two national newspapers in accordance with Article 414 of the Turkish Commercial Code and so as to inform the shareholders in advance of the General Assembly meetings. Information on General Assembly meetings, their agendas, invitation letters and sample proxy forms are also posted on the investor relations website.

The Company's Class A shares held by Ojer Telekomünikasyon A.Ş. and Class C shares held by the Undersecretariat of Treasury are registered, whereas the remaining shares are bearer shares. Shareholders who wished to exercise their rights arising from shareholding, fulfilled the necessary procedures for participation in General Assembly meetings pursuant to applicable legislation and attended to the General Assembly Meeting.

The announcement and explanations which our company is obliged to do as per corporate governance principles, Information Set and invitation to the General Assembly Meeting and Minutes of the Meeting are made available for uninterrupted access to our shareholders at www.ttinvestorrelations.com.

Any transaction—that requires positive votes of majority of the independent board members in order to be resolved by Board of Directors and left to the discretion of General Assembly due to the negative votes of independent board members—did not occur.

In General Assembly Meeting, shareholders were informed about the donations including humanitarian aid made by Our Company to the

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associations and charitable institutions which were worth of TL 21,821,934.41 for the year 2015. Total donations including humanitarian aid made in 2016 amounts to TL 17,750,145. As per the donation policy total donations in a fiscal year cannot exceed TL 40 million.

Within the knowledge of our company, shareholders that hold management control, board members, insiders with administrative responsibilities and spouses and up to third degree relatives by blood or marriage did not make any transaction that will be able to cause a conflict of interest between the Company and its subsidiaries; on behalf of themselves or someone else, did not make any business transaction included in the operation of the Company and its subsidiaries; or did not involve in another company that engages with the same kind of business transaction with the role of unlimited partner. All the General Assembly resolutions were applied in 2016.

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.

- 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

Pursuant to the Articles of Association, the holder of the C Group Privileged Share appoints one member representing the Privileged Share. The C Group Privileged Share owner cannot participate in capital increases.

At the Ordinary General Assembly Meeting held on 16 May 2016, Suat Hayri Aka was appointed as the Board member representing the Class C golden share as per the Board Resolution no:19 on March 29, 2016.

At the same General Assembly meeting, Nasser Sulaiman A AL Nasser was also appointed as the Board member representing the Class A share as per the Board Resolution no:70 on December 1, 2015.

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.

Dividend Rights

The Articles of Association grant no privileges regarding participation in the Company's profit. Each share is entitled to equal profit share; however, 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 by applicable legislation.

Our Company adopts a policy to distribute the maximum amount of distributable profit in accordance with Articles 28, 29 and 30 of our Company's Articles of Association. Dividend Distribution policy was approved by shareholders' in 2013 Ordinary General Assembly Meeting convened on May 27, 2014. On the other hand, Board of Directors considers the short term financial liabilities of group companies, and conditions of those contracts signed with creditors in determining the Company's dividend proposal. Board proposal regarding 2015 dividend distribution was resolved by General Assembly and dividend distribution on non-public shares was made on 30 May 2016, for public shares dividend distribution was made on 1 June 2016.

As stated in the Company's Articles of Association, the dates and the manner of distribution of the annual profit to the shareholders are decided by the General Assembly upon proposal by the Board of Directors, in accordance with the provisions of the Capital Market Law and applicable legislation.

Dividend Distribution Policy is stated above and disclosed to the public via investor relations web site (www.ttinvestorrelations.com).

Company has not bought back its shares in 2016.

Transfer of Shares

The provisions in the Company's Articles of Association restricting transfer of shares are as follows:

Holder of Class A shares may transfer, always subject to vetoing by the Class C golden share, all or part of its shares to a third party at any time after either the expiration of the Strategic Undertaking Period, or after the date of full payment of the amount payable by the holder of Class A shares for its shares in the Company, whichever occurs later.

Holder of Class A shares may create pledge⁽¹⁾ or encumbrance in favor of a financial institution over its shares which will not be subject to pledge of shares in time, as guarantee for money borrowed for the acquisition of such shares or otherwise. In the event that such pledge or encumbrance is cashed by the relevant financial institution, the same may be able to transfer the Class A shareholder's shares subject to pledge and encumbrance only upon prior written consent of the Treasury, which consent will not be unreasonably withheld.

Subject to the provisions of the following two paragraphs, holder of Class B shares may not transfer to a third party all or part of its shares during the course of the Strategic Undertaking Period without the prior consent of the holder of Class A shares, which consent will not be unreasonably withheld.

1. In the context of the public offering of the Company's shares, only the Treasury may have all or part of its shares quoted and sold on the stock exchange at any time without being subject to the restriction in the preceding paragraph.
2. Holder of Class B shares may additionally transfer, without being subject to the restriction set out in the first paragraph, its own shares that are equal to 5% or less of the Company's total shares at the time of the transfer in a single transaction or in a series of transactions at any time and at any price in line with the Law 406, to employees mentioned in the Law 406 and to "small savings holders"

Furthermore, pursuant to the supplemental Article 17 of the Telegram and Telephone Law no 406 and Article 6, paragraph 4 of the Company's Articles of Association, the one Class C golden share may not be sold.

Strategic Undertaking Period ended in November 14, 2008. A Group Shareholder paid the full amount of its payables in the Company.

Public Disclosure and Transparency

Company Disclosure Policy

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. The policy has been approved and put into effect by the Board of Directors and were submitted to the shareholders' information in General Assembly Meeting convened on May 27, 2014. 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 the relevant responsibility

⁽¹⁾ Refers to the pledge for the benefit of the Group B shareholders, which is set as a guarantee on the Group A shareholders' 1,540,000,000,000 shares in the Company (equivalent to 80% of the registered Group A shares), regarding the "unpaid portion of the selling price in accordance with the share sale agreement".

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owners are listed under the heading Investor Relations Unit. These individuals cooperate closely with the Board of Directors in the fulfillment of these responsibilities.

In 2016, consolidated revenues excluding IFRIC 12 construction revenue increased by 10.6%, higher than full year revenue growth guidance of 7-9%. Stronger than expected revenue growth in 2016 was attributable to better than expected impact of integration and brand unification on top line during the year alongside with higher than expected growth in project base revenues in Q4. 2016 EBITDA was realized at TL 5.5 billion, which was the low end of the guidance range. The consolidated capital expenditures (excluding the LTE license fee) determined as approximately TL 3.2 billion at the beginning of 2016 were realized as TL 3 billion in line with the expectations.

Investor Relations Web Site and Its Content:

Investor Relations website which is accessible at www.ttinvestorrelations.com, is actively used in achieving transparency and public disclosure in parallel with the Capital Market legislation, CMB and BIST rules and regulations, and CMB's Corporate Governance Principles. A large portion of the information on the website is provided both in Turkish and English. The main headings covered on the website are listed below:

- » Detailed Information About Company Profile
- » Vision, Mission and Values
- » Company Organization Chart and Shareholding Structure
- » Information About The Members Of The Board Of Directors and Senior Management Of The Company
- » Articles Of Association
- » Trade Registry Information
- » Financial Statements and Activity Reports
- » Regulatory Disclosures
- » Press Releases
- » Investor Presentations
- » Stock Performance Information
- » Credit Ratings
- » Bond Information

- » Contact Information Of Analysts Who Covered The Company
- » Meeting Date Invitation To General Assembly, Agenda Of The General Assembly Of Shareholders and Documents Related To The Minutes Of General Assembly Meeting Agenda
- » Meeting Minutes and List Of Attendants Of The General Assembly Of Shareholders
- » Sample Of Letter Of Attorney
- » Corporate Governance Practices and Compliance Report
- » Dividend Distribution Policy, History And Capital Increases
- » Independent Auditor
- » Insiders With Administrative Responsibilities
- » Internal Audit And Risk Management
- » Disclosure Policy
- » Telecom Glossary
- » Demand Circular Related To The Public Offering and Prospectus
- » Türk Telekom Call Center And Contact Information
- » IR Contact Information
- » Information Related To The Social Responsibility Projects Of Türk Telekom

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	0876005220500016

Activity Report

The content of the annual activity report are prepared in accordance with New Turkish Commercial Code and Capital Market Board regulations. There were no conflicts of interest arising between Türk Telekom and the related organizations which offer investment advice, investment analysis, and rating activity. Board of Directors did not propose not to distribute any dividends to the General Assembly. Chief Executive Officer is not the Chairman of the Board of Directors.

No administrative sanction or penalty has been imposed on Board of Directors members. As there is no reciprocal shareholding interests in the Company’s share capital, no information regarding this issue is placed in activity report.

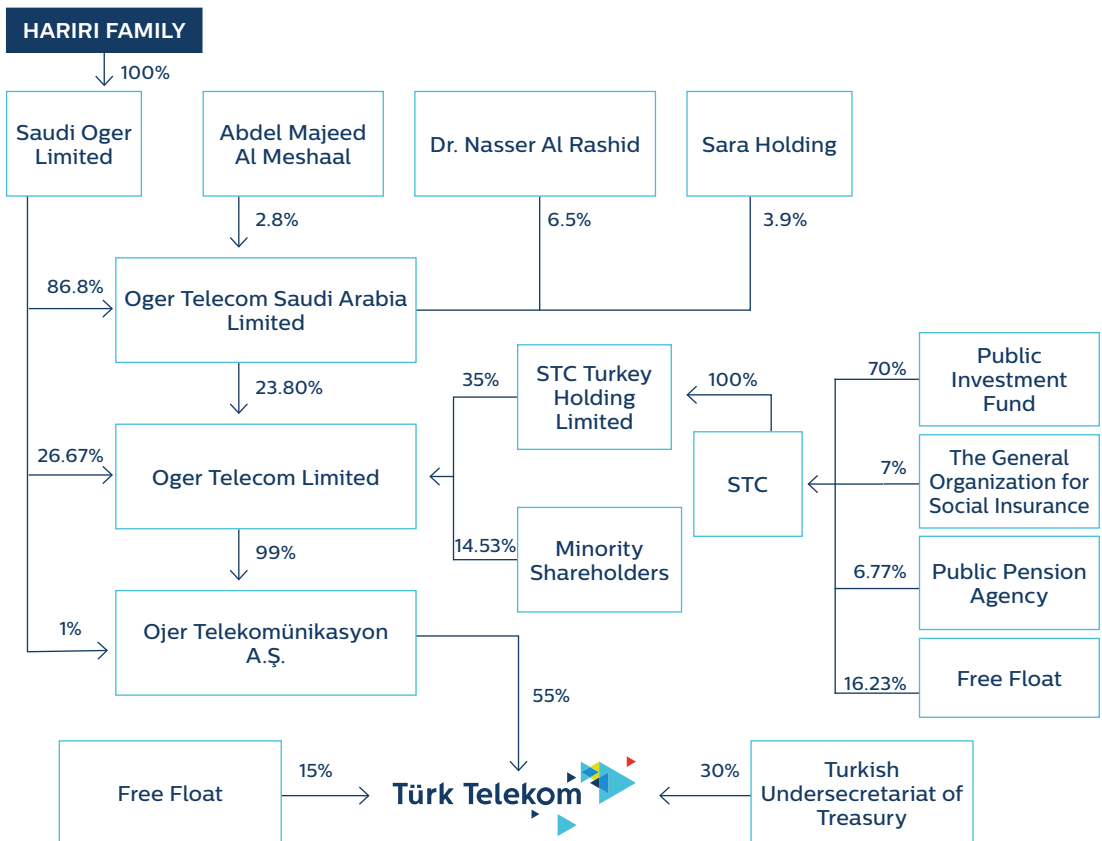
Disclosure of Ultimate Controlling Individuals

Not subject to the authorized capital system, the Company has a share capital of TL 3,500,000,000 which is fully paid-in. The distribution of the paid-in capital among the shareholders is shown below:

Class	Shareholder	(TL) Capital Amount	(%) Share
A	Ojer Telekomünikasyon A.Ş.	1,925,000,000.00	55
B	TR Undersecretariat of Treasury	1,049,999, 999.99	30
C	TR Undersecretariat of Treasury	0.01	
D	Free Float	525,000,000.00	15
Total		3,500,000,000.00	100

*According to Official Gazette published on 5 February 2017, Council of Ministers decided to transfer 6.68% (5% B Group shares & 1.68% D Group shares) of the shares of the Company belonging to the Turkish Treasury to the Turkish Wealth Fund. The above schema does not incorporate for that development

Natural and legal persons owing share from our Company’s capital are stated below:



*According to Official Gazette was published on 5 February 2017, Council of Ministers decided to transfer 6.68% (5% B Group shares & 1.68% D Group shares) of the shares of the Company belonging to the Turkish Treasury to the Turkish Wealth Fund. The above schema does not incorporate for that development

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Stakeholders

Keeping Stakeholders Informed

Türk Telekom shareholders and investors are kept informed in line with the public disclosure principles.

The Company's Sales and Customer Care Department efficiently handle Türk Telekom customers' information requests about services and products, their comments or complaints, and provide solutions for customer problems.

Intercorporate news is issued by Human Resources – Internal Communication Department to the employees.

Stakeholder Participation in Management

As a result of the efforts to enable stakeholders to participate in the management, models for the company employees to participate in the management have been developed in 2016 such as Occupational Health and Safety Boards, Disciplinary Boards, Inventor Idea System. Furthermore, a contact form was created on the Investor Relations website for the stakeholders to inform the Corporate Governance Committee about the Company's transactions that are in breach of the legislation and that are ethically inappropriate.

Human Resources

Türk Telekom aims to be the most preferred company in the Turkish telecommunications sector, to attract and recruit the most skilled human resources aligned with the corporate culture and values and in line with its future strategies and targets.

Recruitment and career planning are made in line with the principle of providing equal opportunities to employees within the context of human resources policy. Recruitment principles are defined according to objective criteria as part of body of rules for recruitment. It is aimed to generate long term employment within the possibilities of

technological developments, fiscal and economic conditions, sectoral variations, convergence of goods and services, organizational and changes in order to provide fast, high quality and economical services. Continuous improvement of the Company depends on the capability and flexibility of employees to adapt to changing conditions of the sector quickly and efficiently. In this regard, candidates that meet job requirements are sourced locally and internationally. Recruitment processes are determined in accordance with applicable laws and regulations. Employee relations are currently managed by Human Resources Partners; a human resources representative hasn't been assigned yet.

Working Culture

Türk Telekom makes it a goal to establish 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 'Customer Focused, Trustworthy, Innovative, Responsible and Dedicated'. There was no complaint regarding discrimination from our employees in 2016.

Our working culture is characterized by providing high quality products and services and achieving high levels of customer satisfaction, increasing productivity. The objectives which are specific, measurable, attainable, relevant and time bound, are compared based on their correlation with the actual performance results. Alternative, Customer-Focused Approaches are developed in order to follow -up, evaluate and resolve customer complaints.

Intranet of the Company creates corporate awareness, enables employees to access to all business resources, contributes to employees' career development and creates a synergy through events and social activities. Definitions of tasks and their distribution and performance related reward mechanisms are disclosed by Performance Management Team.

Health and Safety

Türk Telekom is obliged to develop measures pursuant to the Labor Law and articles related to Occupational Safety and Health issues raised and to fulfill the requirements in all workplaces. Türk Telekom has created accident prevention and environmental awareness among employees by developing Occupational Health and Safety & Environmental Management System model.

The Company has established “Occupational Health and Safety Committees” to identify potential risks and take the necessary measures in order to ensure employee health and safety at its workplaces.

Türk Telekom has unionized labor. Rights of employees, employers and workers are protected in accordance with the Collective Labor Agreements signed.

Performance Management and Continuous Improvement

“In-house performance evaluation” methods have been established in order to manage and evaluate performance of corporate and employees. Responsibilities, competencies, performance of business development and contribution to company goals of employees are determined by objective criteria within the framework of quality, quantity, time and cost of the work. In this process, after the performance feedback, employee training requirements are determined, promotion and other reward mechanism is executed within the context of objective criteria. Performance evaluation and knowledge of methods and mechanisms are submitted to employees’ attention before the assessment of staff. The generated performance management module; below management processes are discussed.

- » Planning and approval of individual targets in line with the objectives of the Company,
- » Monitoring employee performance continuously in line with the goals, action plans and criteria and giving feedback,
- » Evaluating of performance,
- » Supporting motivation and continuous improvement, clarifying expectations regarding development plans,

Türk Telekom providing opportunities for the personal and professional development of its employees to create a performance management concept focused on constant development where employees will be able to realize their full potential. Türk Telekom also aims to support corporate goals by enhancing the loyalty of its “human resources”, its most valuable asset, to the Company. Full time and part time all employees are able to attend the trainings provided by Türk Telekom Academy.

Our Company developed advanced information security policies and activities and was awarded with ISO 27001 certificate, regarding the security of the private information of its customers. Only authorized employees have access to the personal data on need-to-know basis. Access logs are audited internally to determine any suspicious or irrelevant uses. Our company provides its employees with data security training.

Remuneration

The Company aims to attract new well qualified employees, prioritizes to employee retention, keep motivation high in order to make services sustainable and reward outstanding performers. Remuneration is determined by the relevant legislation, the job description, required responsibilities and qualifications and the market value.

Code of Business Ethics

Türk Telekom Code of Business Ethics is the set of basic behaviors and rules; particularly the Members of the Board of Directors and the Audit Board, and all employees must abide by.

The Code of Business Ethics; is the key document that will serve as a guidance for and will primarily be adopted by Türk Telekom employees as a principle, was approved by our Board of Directors and was publicly announced via our 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 and the Members of the Board of Directors and the Audit Board, and the Company executives, in particular, should behave both within the working environment and outside the working environment.

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Our managers are responsible for adopting and developing ethics culture in our company. Our company provides code of ethics training to its employees.

Social Responsibility

In every square inch of Turkey, Türk Telekom offers its customers the opportunity to use IT technologies which serve as the driving force for sustainable economic growth and social development.

In addition to the products and services it develops, Türk Telekom sees it as a corporate responsibility to help all those who cannot participate in social life due to economic, social, regional or physical reasons, access information. Thus, Türk Telekom carries out activities in line with the principle of “accessible communication for all”.

Through its business conduct and corporate social responsibility projects, Türk Telekom supports the United Nations Sustainable Development targets.

In addition to Life’s Easy With Internet, Phone Library, Daylight, Unobstructed Tivibu, Loud Steps, Türk Telekom Schools, Türk Telekom Amateur Sports Clubs and many other social responsibility projects carried out nationally, local social responsibility activities organized by provincial directorates of Türk Telekom are also carried out within the scope of “Value to Turkey” project.

Board of Directors

Structure and Formation of the Board of Directors

Our Board of Directors was elected at the Extraordinary General Assembly Meeting which was held on 8 July 2015, for a term of 3 years.

Structure of the Board of Directors as of the report date is below:

Name/Surname	Duty	Independent/Not	Executive/Non Executive	Committees and Duties
MOHAMMED HARIRI	Chairman	Not Independent	Non-Executive	Corporate Governance Committee (Member)
FUAT OKTAY	Vice Chairman	Independent	Non-Executive	
ABDULLAH TIVNIKLI	Board Member	Not Independent	Non-Executive	
HAKAM KANAFANI	Board Member	Not Independent	Non-Executive	
RAMI ASLAN	Board Member,	Not Independent	Non-Executive	
ABOU CHAKRA MAZEN	Board Member	Not Independent	Non-Executive	Audit Committee (Observer Member), Identification and Management of Risks Committee (Member)
CENK SERDAR	Board Member	Not Independent	Non-Executive	Corporate Governance Committee (Member), Early Identification and Management of Risks Committee (Member)
NASSER SULAIMAN A AL NASSER	Board Member	Not Independent	Non-Executive	Audit Committee (Observer Member)
YİĞİT BULUT	Board Member	Independent Member	Non-Executive	Identification and Management of Risks Committee (Chairman), Audit Committee (Member)
FAHRI KASIRGA	Board Member	Independent Member	Non-Executive	
İBRAHİM EREN	Board Member	Independent Member	Non-Executive	Corporate Governance Committee (Chairman), Audit Committee (Chairman)
SUAT HAYRI AKA	Board Member	Not Independent	Non-Executive	

Biographies of the members of Türk Telekom's Board of Directors are placed 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. There is no distribution of tasks between the members of Board of Directors. General Assembly elected Independent members of Board of Directors during its Extra Ordinary General Assembly Meeting which was held on 8 July 2015. Corporate Governance Committee performed the functions of Nomination Committee in line with CMB principles. Four independent members of Board of Directors were nominated to the Corporate Governance Committee by B Group Shareholder. A report regarding nominees' independence situation was prepared and submitted to the Board of Directors by Corporate Governance Committee on June 19, 2015. After CMB provided consent for the nominees, the nominees of independent members of board of directors were submitted to the General Assembly's approval and elected as well.

On the 13th of July 2016, Independent Member of the Board of Directors Kemal Madenoğlu resigned from his position. The responsibility of the Nomination Committee for nominating Independent Members of the Board of Directors has been fulfilled by the Corporate Governance

Committee in accordance with the Capital Markets Board legislation. New candidates for the position of the Independent Member of the Board of Directors was nominated by Group B shareholders, and the report issued by the Corporate Governance Committee regarding whether or not the candidates meet the independence criteria was submitted to the Board of Directors. With the Board of Directors decision taken on the 15th of July 2016, Mr. Fuat Oktay was appointed, in accordance with the 363rd Article of the Turkish Code of Commerce, as a real person Member of the Board of Directors and Vice Chairman of the Board of Directors, to serve during the remaining term of office of the Board of Directors and to be submitted to the approval of the General Assembly at the first General Assembly Meeting to be held.

Statements of Independence that each Independent Board Member signed presented under the appendix of this report. There were no circumstances that jeopardize independence of board of directors in the activity period. No company rules have been internally established regarding the positions of the Board of Directors held outside the company yet.

The Positions of The Board of Directors Held Outside The Company are as below:

Name – Surname Duties at Türk Telekomünikasyon A.Ş. over the last 5 years	Duties Outside of Türk Telekomünikasyon A.Ş.	
Mohammed Hariri Chairman of the Board of the Directors, Chairman of the Executive Committee, Member of the Corporate Governance Committee	Chairmanship of the Board	Al Mal Investment Holding, Avea İletişim Hizmetleri A.Ş., Cell C (Pty), GroupMed International Holding Limited, GroupMed sal (Holding), BankMed sal, Oger Telecom Ltd., Ojer Telekomünikasyon A.Ş., SaudiMed Investment Company, TTNET A.Ş.
	Board Membership	3C Telecommunications (PTY) Limited, Arab Bank plc., Lanun Securities S.A.
Fuat Oktay Vice Chairman of the Board of the Directors	Board Membership	Turkish Aerospace Industries Inc. (TAI), Turkish Technic Inc.
	Other	Undersecretary Prime Ministry of Turkish Republic
Abdullah Tivnikli Member of the Board of the Directors, Member of the Executive Committee	Chairmanship of the Board	4TEK İletişim A.Ş., A G Gayrimenkul Yatırım Sanayi ve Ticaret A.Ş., Alphakat Dizel Sanayi ve Ticaret A.Ş., Altınapa Değirmencilik Ticaret ve Sanayi A.Ş., Çeşme Enerji A.Ş., Eksim Elektrik Enerjisi İthalat İhracat ve Toptan Satış A.Ş., Eksim Enerji Danışmanlık A.Ş., Eksim Yatırım Holding A.Ş., Eksun Gıda Tarım Sanayi ve Ticaret A.Ş., Hasanbeyli Enerji A.Ş., İltek Enerji Yatırım Sanayi ve Ticaret A.Ş., Incesu Gayrimenkul Yatırım Sanayi ve Ticaret A.Ş., Karadeniz Elektrik Üretim Sanayi A.Ş., Kartaltepe Enerji A.Ş., Kök Elektrik Enerjisi İthalat İhracat ve Toptan Satış A.Ş., Merzifon Enerji A.Ş., Rewe Enerji A.Ş., Rsh Enerji A.Ş., Seferihisar Enerji A.Ş., Silivri Enerji A.Ş., Sinangil Gıda Pazarlama Sanayi ve Ticaret A.Ş., Susurluk Enerji A.Ş., Tam Enerji Yatırım Sanayi ve Ticaret A.Ş., Tokat Enerji A.Ş.
	Vice Chairmanship of the Board	Argela Yazılım ve Bilişim Teknolojileri A.Ş., Innova Bilişim Çözümleri A.Ş., Sebit Eğitim ve Bilgi Teknolojileri A.Ş.
	Board Membership	Akabe Gayrimenkul Yatırım Sanayi ve Ticaret A.Ş., Akabe İnşaat Sanayi ve Ticaret A.Ş., Assistt Rehberlik ve Müşteri Hizmetleri A.Ş., Avea İletişim Hizmetleri A.Ş., Batı Hattı Doğalgaz Tic. A.Ş., Kat Turizm Gayrimenkul Yatırımları ve İşletme Ticaret A.Ş., Ottoman Gayrimenkul Yatırımları İnşaat ve Ticaret A.Ş., TTNET A.Ş.

Corporate Governance Principles Compliance Report

Fahri Kasırga Member of the Board of the Directors	Board Membership	Council of Higher Education (CoHE)
	Other	General Secretary of Presidency of Turkish Republic
Suat Hayri Aka Member of the Board of the Directors	Board Membership	Innova Bilişim Çözümleri A.Ş.
	Other	Undersecretary Ministry of Transport, Maritime Affairs and Communications of Turkish Republic
İbrahim Eren Member of the Board of the Directors, Chairman of the Audit Committee, Chairman of the Corporate Governance Committee	Chairmanship of the Board	Televizyon İzleme Araştırmaları A.Ş. (TIAK)
	Board Membership	International Academy of Television Arts & Science (Emmy Awards), Director on the Board
	Other	Turkish Radio and Television Corporation (TRT), Deputy Director General of Broadcasting,
Yiğit Bulut Member of the Board of the Directors, Member of the Audit Committee, Chairman of the Early Identification of Risks Committee	Board Membership	Türkiye Varlık Fonu Yönetimi A.Ş.
	Other	Key Advisor of Presidency of Turkish Republic
Rami Aslan Member of the Board of the Directors, Member of the Executive Committee Former: Observer Member of the Audit Committee, Türk Telekom CEO	Chairmanship of the Board	Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret A.Ş., AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş., Innova Bilişim Çözümleri A.Ş., Sebit Eğitim ve Bilgi Teknolojileri A.Ş., Türk Telekom International AT AG
	Board Membership	3C Telecommunications Pty Ltd., ALB Telecom, Avea İletişim Hizmetleri A.Ş., Net Ekran Televizyonculuk ve Medya Hizmetleri A.Ş., Oger Telecom Ltd., Ojer Telekomünikasyon A.Ş., TTNET A.Ş.
Mazen Abou Chakra Member of the Board of the Directors, Observer Member of the Audit Committee, Member of the Early Identification of Risks Committee	Board Membership	11818 Rehberlik ve Müşteri Hizmetleri A.Ş., 3C Telecommunications Pty Ltd., AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş., Cell C (Pty), Net Ekran Televizyonculuk ve Medya Hizmetleri A.Ş., Oger Telecom Ltd., Ojer Telekomünikasyon A.Ş., Türk Telekom International AT AG
	Other	Oger Telecom Ltd., Chief Legal Officer and Deputy CEO
Hakam Kanafani Member of the Board of the Directors Former: Türk Telekom Group CEO	Board Membership	11818 Rehberlik ve Müşteri Hizmetleri A.Ş., Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret A.Ş., Cell C (Pty), Innova Bilişim Çözümleri A.Ş., Oger Telecom Ltd., Sebit Eğitim ve Bilgi Teknolojileri A.Ş., Türk Telekom International AT AG
Çenk Serdar Member of the Board of the Directors, Member of the Corporate Governance Committee, Member of the Early Identification of Risks Committee	Board Membership	Avea İletişim Hizmetleri A.Ş., Contact Centers Company (CCC), SALE Advanced Co. Ltd.
	Other	Avea İletişim Hizmetleri A.Ş., Audit Committee Member, Contact Centers Company (CCC), Audit Committee Chairman, SALE Advanced Co. Ltd., Executive Committee Member, SALE Advanced Co. Ltd., Remuneration (Compensation) Committee Chairman, Saudi Telecom Company, Consumer Senior Vice-President
Nasser Suleiman A Al Nasser Member of the Board of the Directors, Member of the Executive Committee, Observer Member of the Audit Committee	Chairmanship of the Board	STC Solutions
	Board Membership	Avea İletişim Hizmetleri A.Ş.
	Other	Saudi Telecom Company, Technology & Operations Senior Vice-President, STC Solutions, Executive Committee Chairman

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 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 were sent to the members of the Board of Directors via e-mail. The agenda of the meeting is set via e-mails according to the proposals of members of the Board of Directors, CEO, VPs and Executive members of departments. Agenda is finalized by receiving the consent of the Chairman of the Board. Four Meetings of the Board of Directors were held in fiscal 2016. The overall attendance rate of board meetings in 2016 was 98 percent.

Pursuant to the 12th article of Articles of Association; questions arising at a meeting were 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 7 Directors, at least one of which shall be a Director representing the Treasury. Questions arising at the meeting of Board of Directors and issues with multiple views are reed into minutes with the appropriate grounds of negative votes in detail. The rights of member of Board of Directors representing C Group are explained in the section of Voting Rights and Minority Shares. No negative votes on these resolutions were reed. There were no important transactions presented for approval of the independent directors and all the related party transactions were approved by the majority of the independent directors. The damages to the Company resulting from the directors' faults were insured up to USD 125,000,000.

Numbers, Structures and Independence of Committees within the Board of Directors

Audit Committee

Membership structure of the Audit Committee was changed with the Board Resolution dated 17 October 2012.

Independent board member Ibrahim Eren is serving as chairman and independent board member Yiğit Bulut is serving member of the Audit Committee. Non-executive board members; Mazen Abou Chakra and Suleiman Nasser A Al Nasser are serving as observer members of the Audit Committee.

Audit Committee shall meet at least five times a year. The Committee held 8 meetings in 2016 and reviewed and monitored Türk Telekom Group's processes of accounting, finance and auditing as well as their processes for monitoring compliance with 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. Amendments to the Audit Committee Policy, which include the procedures followed by the Committee while performing its duties, are currently being prepared.

Corporate Governance Committee

Corporate Governance Committee was established with the Board Resolution dated 17 October 2012.

Independent board member Ibrahim Eren is serving as chairman of the Corporate Governance Committee. Non-executive board members Mohammed Hariri and Cenk Serdar and Investor Relations Director Sabriye Gözde Çullas are serving as the member of the Corporate Governance Committee.

The Committee shall provide implementation, improvement and adoption of corporate governance principles within the Company and shall convene as often as deemed necessary for the effectiveness of its studies. In 2016, the committee held four meetings and carried out its activities effectively.

Corporate Governance Committee undertakes the duties of Nomination and Remuneration Committees.

Corporate Governance Principles Compliance Report

Early Identification and Management of Risks Committee

Early Identification and Management of Risks Committee was established with the Board of Resolution dated 23 October 2013.

Independent board member Yiğit Bulut is serving as chairman of the Early Identification and Management of Risks Committee. Non-executive board members Mazen Abou Chakra and Cenk Serdar are serving as the members of the Early Identification and Management of Risks Committee.

Early Risk Detection and Management Committee meets every two months and carries out its tasks effectively. In 2016, the committee held 6 meetings in total. The aim of establishing this committee is;

- » To identify any potential risk that may jeopardize the existence, development and continuity of the Türk Telekom Group,
- » To establish the Corporate Risk Management System for implementing necessary measures and actions with the aim of eliminating the 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 findings received from the Corporate Risk Management System are an important component of decision making
- » To present reports to the Board of Directors on these issues.

Independent board member Ibrahim Eren serves as both the chairman of the Audit Committee and Corporate Governance Committee. Independent board member Yiğit Bulut serves as both the chairman of the Early Identification and Management of Risks Committee and the member of the Audit Committee.

Risk Management and Internal Control Mechanism

Türk Telekom Group Corporate Risk Management mission is; "To make sure that the risks that may arise are managed in the best possible manner being aware of the changing internal and external dynamics, To adopt Corporate Risk Management as an inseparable part of the corporate culture and strategic decision taking processes", while the vision is; "To create a Corporate Risk Management system in parallel to international best practices".

Türk Telekom Group Corporate Risk Management cycle has been created within the scope of the international best standards (ISO 31000). [Please see figure 1]

In Türk Telekom Group, Corporate Risk Management is a process established on "Continuous Communication and Consultation" which is the fundamental of the systematic taken as 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 to the economic, sectoral and legal developments that may hinder the Group from achieving its strategic objectives.

Türk Telekom has defined its mission regarding the management of risks and opportunities as "by means of raising an awareness on the ever-changing internal and external dynamics, to most effectively manage the risks and related opportunities faced

by the Company and to make Enterprise Risk and Opportunity Management an indispensable part of the corporate culture and strategic decision-making.” while “to integrate the Enterprise Risk and Opportunity Management into Türk Telekom’s management structure as a best practice both in Turkey and in the world.” is designated as the vision. The risks Türk Telekom is exposed to are classified as strategic, operational, financial, governance and compliance. These risks are measured via qualitative and quantitative risk metrics and management tools which are continuously improved and updated to be in harmony with the dynamic global conditions and ICT sector.

In addition to these measurements, the root causes that underlie/trigger potential risks are also analyzed in detail. Actions plans, which are prepared according to the priorities set by the Senior Management, focus on the root cause that leads to the cause-and-effect relationship, and a domino effect is created to eliminate / reduce the identified risk at reasonable costs.

Figure 1. Türk Telekom Group Corporate Risk Management Cycle

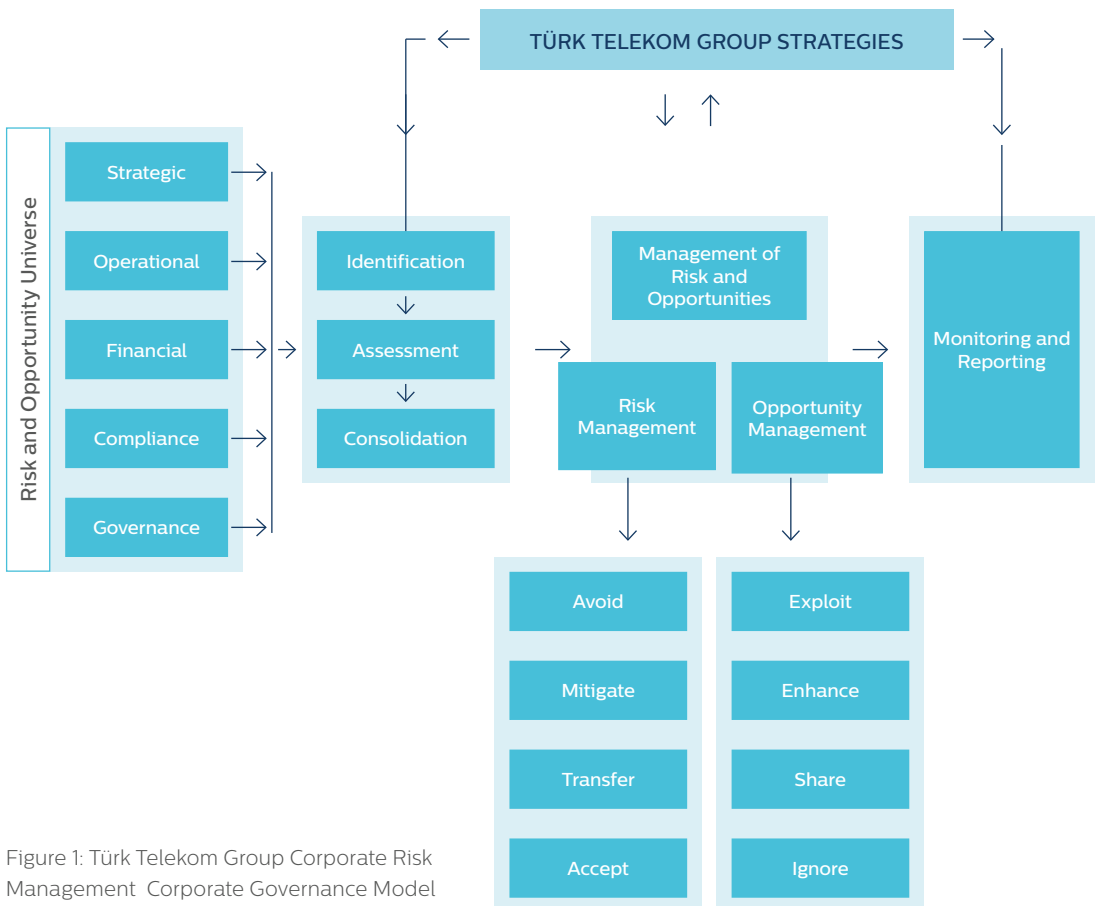


Figure 1: Türk Telekom Group Corporate Risk Management Corporate Governance Model

Corporate Governance Principles Compliance Report

Türk Telekom Enterprise Risk and Opportunity Management Process

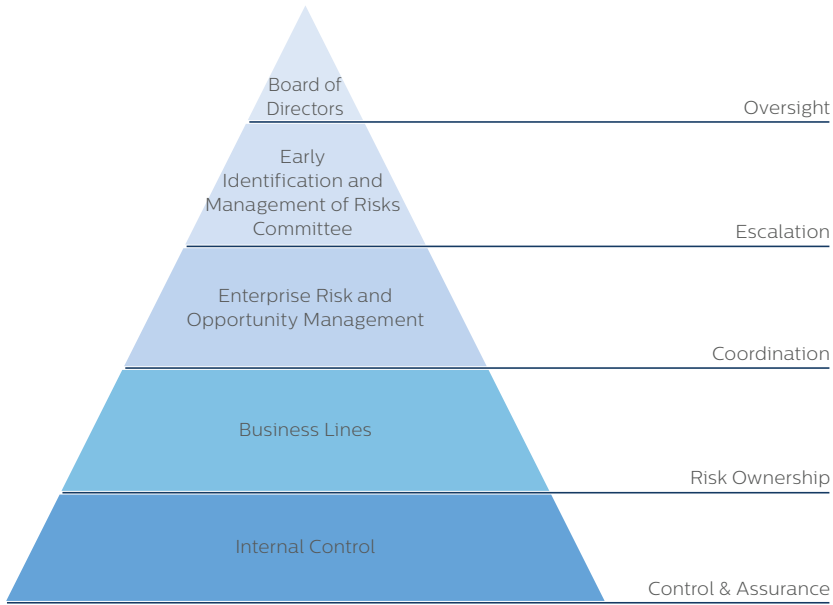


Figure 2: Türk Telekom Group Corporate Risk Management Corporate Governance Model

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.

Early Risk Detection and Management Committee

takes into consideration the risks that Türk Telekom Group is or may be exposed to, and makes sure that the "Risk Management Process" is established, and continuously oversees the effectiveness of the system. The Committee brings significant risks and opportunities to the attention of the Board of Directors.

Corporate Risk Management is to determine and improve 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 development levels of the identified risks and reporting them to related Management units.

Business Units consider the risks under their responsibility and take necessary action.

Internal Audit provides assurance regarding controls and actions. Checks the functionality of the system, and reports any failures.

In the face to face work carried out with middle and top level executives of the company's business lines, the risks of the 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 that eliminate / reduce the root causes that generate risks.

Strategic Targets of the Company

5 years Strategic Business Plan and annual budget; which include the strategic targets determined by observing the global and local sectoral developments, technological developments and identifying customer preferences are subject to Board of Directors approval. Board watches the performance of Türk Telekom reaching its strategic targets monthly.

Prohibition on Doing 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 Corporate Governance Principles annexed to the Communiqué II-17.1 on Corporate Governance.

At the General Assembly Meeting dated 16 May 2016, permission was given to the controlling shareholders, the Board of Directors Members, the senior executives, their spouses and their relatives by blood and marriage up to the second degree to make transactions which may cause conflict of interest for the Company or Company's subsidiaries and to compete in accordance with the Communiqué II-17.1 on Corporate Governance and the general assembly was informed about the transactions of this nature realized within the year.

Remuneration of the Members of the Board of Directors and Senior Executives

Shareholders were informed about the "Remuneration Policy" determined for the Board of Directors Members and the Senior Executives in accordance with the Corporate Governance Principles at the Ordinary General Assembly Meeting dated 16 May 2016. Remuneration Policy was disclosed to the public and put on the investor relations web site within the same day.

Remuneration of the members of the Board of Directors is determined by the General Assembly in accordance with Article 408 of the New Turkish Commercial Code and Article 8 of the Company's Articles of Association. General Assembly approved and accepted that each member of the Board of Directors shall be paid net remuneration at an amount of TL 8.000 on monthly basis as well as the bonuses at the same amount of the monthly remunerations twice in a year, in January and in July. There is no performance measurement and performance-based rewarding system in place for the Board members. The Company has never lent money or extended loans to any Board member or executive, no credit has been given under the name personal loan through third persons, nor have any guarantees been provided such as surety ship in their favor.

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

(TL thousand)	1 January – 31 December 2015	1 January – 31 December 2016
Short-term benefits	104,957	178,799
Wages and wages like fees	95,123	169,854
Attendance fees	9,834	8,495
Long-term defined benefits	2,066	2,605
Social Security Institution premiums	2,066	2,065
	107,023	181,404

Furthermore, OTMSC charged to the Company a consultancy fee amounting to TL 36,585 thousand (31 December 2015: TL 33,735 thousand) and an expenses charged for an amount of TL 292 thousand (31 December 2015: TL 114 thousand), for the year ended 31 December 2016. OTASC's ultimate shareholder is Saudi Oger. Based on the contract between OTMSC and the Company. Significant portion of this payment represents salaries of key management personnel. The contract has been renewed on 15 April 2012 for an annual charge of USD 12.000 (prior contract value: USD 8.500) for three years and terminated on 15 April 2015. On 12 May 2015 a new protocol is signed. According to this, the contract is renewed for two years by the same amount and will be terminated on 15 May 2017.

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



Fuat Oktay

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



Fahri Kasırğa

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,
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- 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,
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- 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



İbrahim Eren

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 Responsibility

Statement of Responsibility

Financial Tables Approved By The Board Of Directors

Resolution No: 4

Resolution Dated: 08.02.2017

Statement Of Responsibility As Per Article 9 Of The Capital Markets Board Communiqué No: II-14.1

We hereby state that:

- We have reviewed the Consolidated Financial Tables of our Company for the accounting period ending on 31 December 2016
- 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.
- 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 Communiqué No: II-14.1, faithfully reflect the assets, liabilities, financial standing and profits and losses of the Company.

Kind regards,



İbrahim Eren
Audit Committee Chairman



Yiğit Bulut
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

Resolution No: 9

Resolution Dated: 28.02.2017

Statement Of Responsibility As Per Article 9 Of The Capital Markets Board Communiqué No: II-14.1

We hereby state that:

- a) We have reviewed the Board of Directors Annual Report for the accounting period ending on 31 December 2016
- b) According to information to which we have access as a part of our duties and responsibilities within the Company, the Annual Report 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 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.

Kind regards,



İbrahim Eren

Audit Committee Chairman



Yiğit Bulut

Audit Committee Member



Dr. Paul (Boulos H.B.) Doany

General Manager – CEO



Kaan Aktan

Finance Assistant General Manager

INDEPENDENT AUDITORS' REPORT



Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah. Kavak Sok.
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Fax +90 (216) 681 90 90
www.kpmg.com.tr

CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITORS' REPORT RELATED TO ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the Board of Directors of Türk Telekomünikasyon Anonim Şirketi,

Report On The Audit Of Board Of Directors' Annual Report Based On The Standards On Auditing Which Is A Component Of The Turkish Auditing Standards Published By The Public Oversight Accounting And Auditing Standards Authority ("POA")

We have audited the accompanying annual report of Türk Telekomünikasyon Anonim Şirketi ("the Company") and its subsidiaries (collectively referred to as "the Group"), for the year ended 31 December 2016.

Board of Directors' Responsibility for the Annual Report

Pursuant to the article 514 of the Turkish Commercial Code numbered 6102 ("TCC") and Communiqué on the Principles of Financial Reporting In Capital Markets numbered II – 14.1 ("Communiqué"), management is responsible for the preparation of the annual report fairly and consistent with the consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of such annual report.

Auditors' Responsibility

Our responsibility is to express an opinion on the Group's annual report based on our audit in accordance with article 397 of the TCC and Communiqué whether the financial information included in the accompanying annual report is consistent with the audited consolidated financial statements expressed in the auditor's report of the Group dated 8 February 2017 and provides fair presentation.

Our audit has been conducted in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") published by the POA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information included in the annual report is consistent with the consolidated financial statements and provide fair presentation. An audit also includes performing audit procedures in order to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial information included in the annual report is consistent, in all material respects, with the audited consolidated financial statements and provides a fair presentation.

Report on Other Regulatory Requirements

In accordance with the third clause of the article 402 of TCC, no material issue has come to our attention that shall be reported about the Group's ability to continue as a going concern in accordance with TAS 570 Going Concern.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative



Murat Alsan, SMMM
Partner

28 February 2017
İstanbul, TÜRKİYE

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

31 December 2016 Consolidated Financial Statements
And Independent Auditor's Report

8 February 2017
This report contains 1 pages of
"Independent Auditor's Report" and 106 pages
of financial statements and explanatory notes.



Akis Bağımsız Denetim ve
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**CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITORS' REPORT RELATED
TO ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH**

To the Board of Directors of Türk Telekomünikasyon Anonim Şirketi,

Report On The Audit Of Board Of Directors' Annual Report Based On The Standards On Auditing Which Is A Component Of The Turkish Auditing Standards Published By The Public Oversight Accounting And Auditing Standards Authority ("POA")

We have audited the accompanying annual report of Türk Telekomünikasyon Anonim Şirketi ("the Company") and its subsidiaries (collectively referred to as "the Group"), for the year ended 31 December 2016.

Board of Directors' Responsibility for the Annual Report

Pursuant to the article 514 of the Turkish Commercial Code numbered 6102 ("TCC") and Communiqué on the Principles of Financial Reporting In Capital Markets numbered II – 14.1 ("Communiqué"), management is responsible for the preparation of the annual report fairly and consistent with the consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of such annual report.

Auditors' Responsibility

Our responsibility is to express an opinion on the Group's annual report based on our audit in accordance with article 397 of the TCC and Communiqué whether the financial information included in the accompanying annual report is consistent with the audited consolidated financial statements expressed in the auditor's report of the Group dated 8 February 2017 and provides fair presentation.

Our audit has been conducted in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") published by the POA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information included in the annual report is consistent with the consolidated financial statements and provide fair presentation. An audit also includes performing audit procedures in order to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial information included in the annual report is consistent, in all material respects, with the audited consolidated financial statements and provides a fair presentation.

Report on Other Regulatory Requirements

In accordance with the third clause of the article 402 of TCC, no material issue has come to our attention that shall be reported about the Group's ability to continue as a going concern in accordance with TAS 570 Going Concern.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative



Murat Alsan, SMMM
Partner

28 February 2017
İstanbul, TÜRKİYE

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated Statement of Financial Position as at 31 December 2016

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

		Current period	Prior period
		Audited	Audited
	Notes	31 December 2016	31 December 2015
Assets			
Current assets		9.235.517	8.441.600
Cash and cash equivalents	4	3.016.366	2.837.786
Trade receivables			
- Due from related parties	8	26.193	6.504
- Trade receivables from third parties	6	4.118.551	3.794.474
Other receivables			
- Other receivables from third parties	9	52.933	83.144
Derivative financial instruments	15	601.401	388.767
Inventories	10	310.298	252.245
Prepaid expenses	13	324.367	286.791
Current tax related assets		184.985	50.468
Other current assets	12	563.062	741.421
		9.198.156	8.441.600
Assets held for sale	17	37.361	-
Non-current assets		17.638.934	17.332.304
Financial investments	14	11.840	11.840
Trade receivables			
- Trade receivables from third parties	6	42.095	49.135
Other receivables			
- Other receivables from third parties	9	33.885	31.537
Derivative financial instruments	15	51.397	45.002
Investment property	18	24.559	27.189
Property, plant and equipment	19	8.685.917	8.538.182
Intangible assets			
- Goodwill	16	44.944	44.944
- Other intangible assets	20	8.341.272	8.216.886
Prepaid expenses	13	58.725	46.454
Deferred tax assets	11	316.213	286.804
Other non-current assets	12	28.087	34.331
Total assets		26.874.451	25.773.904

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

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated Statement of Financial Position as at 31 December 2016

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

		Current period	Prior period
	Notes	Audited 31 December 2016	Audited 31 December 2015
Liabilities			
Current liabilities		8.351.705	8.552.927
Financial liabilities			
- Bank borrowings	5	72.574	242.091
Short term portion of long term financial liabilities			
- Bank borrowings	5	1.897.421	2.363.672
- Obligations under finance leases	7	603	8.034
- Bills, bonds and notes issued	5	17.235	9.963
Trade payables			
- Due to related parties	8	8.812	10.745
- Trade payables to third parties	6	4.522.389	4.225.532
Employee benefit obligations	12	203.233	115.205
Other payables			
- Other payables to third parties	9	739.920	628.116
Derivative financial instruments	15	233.560	104.673
Deferred revenue	13	160.829	131.035
Income tax payable	33	17.929	182.503
Short term provisions			
-Short term provisions for employee benefits	21	165.862	178.822
-Other short term provisions	21	264.200	296.674
Other current liabilities	12	47.138	55.862
Non-current liabilities		15.136.125	12.227.609
Financial liabilities			
- Bank borrowings	5	9.569.254	6.300.674
- Obligations under finance leases	7	1.570	997
- Bills, bonds and notes issued	5	3.482.522	2.877.296
Trade payables			
- Trade payables to third parties	6	83.679	962.258
Other payables			
- Other payables to third parties	9	494.176	617.453
Derivative financial instruments	15	152.408	160.911
Deferred revenue	13	305.200	267.564
Long term provisions			
-Long term provisions for employee benefits	21	783.401	715.043
-Other long-term provisions	21	7.887	7.711
Deferred tax liability	11	256.028	317.702
Equity		3.386.621	4.993.368
Total equity attributable to parent			
Paid-in share capital	22	3.500.000	3.500.000
Inflation adjustments to paid in capital (-)	22	(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	22		
-Actuarial loss arising from employee benefits		(493.990)	(434.385)
Other comprehensive income/expense items to be reclassified to profit or loss			
-Hedging reserves		(245.564)	(208.646)
-Foreign currency translation reserve		99.405	44.430
Restricted reserves allocated from profits	22	2.355.969	2.289.384
Other reserves	22	(1.320.942)	(1.320.942)
Retained earnings		446.307	446.307
Net profit / (loss) for the period		(724.340)	907.444
Total liabilities and equity		26.874.451	25.773.904

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

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated Statement of Profit or Loss

for the Year Ended 31 December 2016

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

		Current Period Audited	Prior Period Audited
	Notes	1 January - 31 December 2016	1 January - 31 December 2015
Sales	3, 27	16.108.594	14.522.855
Cost of sales (-)	28	(8.978.131)	(7.565.517)
Gross profit		7.130.463	6.957.338
General administrative expenses (-)	28	(2.235.930)	(2.143.274)
Marketing, sales and distribution expenses (-)	28	(2.208.960)	(1.901.161)
Research and development expenses (-)	28	(93.821)	(47.304)
Other operating income	30	323.863	622.216
Other operating expense (-)	30	(775.631)	(448.327)
Operating profit		2.139.984	3.039.488
Income from investing activities	31	60.040	141.009
Expense from investing activities (-)	31	(4.048)	(15.518)
Operating profit before financial expenses		2.195.976	3.164.979
Financial income	32	664.759	538.919
Financial expense (-)	32	(3.257.296)	(2.442.617)
Profit/(loss) before tax	3	(396.561)	1.261.281
Tax expense			
- Current tax expense	33	(405.784)	(310.756)
- Deferred tax (expense)/income	11, 33	78.005	(87.675)
Profit/(loss) for the year		(724.340)	862.850
Profit/(loss) attributable to:			
Attributable to equity holders of the parent		(724.340)	907.444
Non-controlling interests		-	(44.594)
Earnings per shares attributable to equity holders of the parent from (in full Kuruş)	23	(0,2070)	0,2593
Earnings per diluted shares attributable to equity holders of the parent from (in full Kuruş)	23	(0,2070)	0,2593

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

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2016

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

		Current Period	Prior Period
		Audited	Audited
	Notes	1 January - 31 December 2016	1 January - 31 December 2015
Profit / (loss) for the period		(724.340)	862.850
Other comprehensive income items not to be reclassified to profit / (loss):			
Actuarial loss from employee benefits	21	(74.360)	(62.385)
Tax effect of other comprehensive income items not to be reclassified to profit / (loss)		14.755	12.097
Other comprehensive income items to be reclassified to profit or loss:			
Change in foreign currency translation differences		54.975	(4.273)
Cash flow hedges-effective portion of changes in fair value	15	6.861	(73.245)
Hedge of net investment in a foreign operation		(53.009)	(32.418)
Tax effect on other comprehensive income items to be reclassified to profit or loss		9.230	21.133
<i>-Tax effect of cash flow hedges-effective portion of changes in fair value</i>		<i>(1.372)</i>	<i>14.649</i>
<i>-Tax effect of hedge of net investment in a foreign operation</i>		<i>10.602</i>	<i>6.484</i>
Other comprehensive income / (loss), net of tax		(41.548)	(139.091)
Total comprehensive income / (loss)		(765.888)	723.759
Appropriation of total comprehensive income / (loss):			
Attributable to equity holders of the parent		(765.888)	768.400
Non-controlling interest		-	(44.641)

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

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2016

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

	Other comprehensive income items not to be reclassified to profit or loss in subsequent periods		Other comprehensive income items to be reclassified to profit or loss in subsequent periods		Retained earnings		Total equity attributable to parent	Non-controlling interest	Total equity				
	Share based payment reserve	Non controlling interest reserve	Inflation adjustment to capital	Paid-in capital	Other comprehensive income items to be reclassified to profit or loss in subsequent periods	Other comprehensive income items not to be reclassified to profit or loss in subsequent periods	Other comprehensive income items to be reclassified to profit or loss in subsequent periods	Other comprehensive income items not to be reclassified to profit or loss in subsequent periods	Other comprehensive income items to be reclassified to profit or loss in subsequent periods				
Balance at 1 January 2015	9.528	(227.065)	(239.752)	3.500.000	(63.603)	(382.368)	48.703	2.122.798	446.307	2.007.439	6.303.340	-	6.303.340
Transfers	-	-	-	-	-	-	-	166.586	(166.586)	-	-	-	-
Total comprehensive income	-	-	-	(50.288)	(25.934)	(50.288)	(4.273)	-	907.444	907.444	768.353	(44.641)	723.712
<i>Profit for period</i>	-	-	-	-	-	-	-	-	907.444	907.444	907.444	(44.594)	862.850
<i>Other comprehensive income</i>	-	-	-	(50.288)	(25.934)	(50.288)	(4.273)	-	-	-	(739.091)	(47)	(739.138)
<i>Dividends (Note 22)</i>	-	-	-	-	-	-	-	-	(1.840.853)	(1.840.853)	(1.840.853)	-	(1,840,853)
Increase/(decrease) due to other changes	-	227.065	-	(462.808)	(1.729)	-	-	-	-	-	(237.472)	44.641	(192.831)
Balance at 31 December 2015	9.528	(227.065)	(239.752)	3.500.000	(89.537)	(434.385)	44.430	2.289.384	446.307	907.444	4.993.368	-	4.993.368
Balance at 1 January 2016	9.528	(227.065)	(239.752)	3.500.000	(89.537)	(434.385)	44.430	2.289.384	446.307	907.444	4.993.368	-	4.993.368
Transfers	-	-	-	-	-	-	-	66.585	(66.585)	-	-	-	-
Total comprehensive income	-	-	-	(59.605)	(42.407)	(59.605)	54.975	-	(724.340)	(724.340)	(765.888)	-	(765.888)
<i>Loss for period</i>	-	-	-	-	-	-	-	-	(724.340)	(724.340)	(724.340)	-	(724.340)
<i>Other comprehensive income</i>	-	-	-	(59.605)	(42.407)	(59.605)	54.975	-	-	-	(415.48)	-	(415.48)
<i>Dividends (Note 22)</i>	-	-	-	-	-	-	-	-	(840.859)	(840.859)	(840.859)	-	(840.859)
Balance at 31 December 2016	9.528	(227.065)	(239.752)	3.500.000	(131.944)	(493.990)	99.405	2.355.969	446.307	(724.340)	3.386.621	-	3.386.621

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

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated Statement of Cash Flows

for the Year Ended 31 December 2016

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

		Current Period	Prior Period
		Audited	Audited
	Notes	1 January - 31 December 2016	1 January - 31 December 2015
Net profit / (loss) for the period		(724.340)	862.850
Adjustments to reconcile net profit to cash provided by operating activities:			
Adjustments for depreciation and amortisation expense	29	2.796.343	2.235.298
Adjustments for impairment loss / (reversal of impairment loss)		433.866	342.399
- Adjustments for impairment loss of receivables	6, 9	371.223	303.885
- Adjustments for impairment loss of inventories		10.425	2.002
- Adjustments for impairment loss of property, plant and equipment	29	52.218	36.512
Adjustments for provisions		412.992	216.775
- Adjustments for provisions related with employee benefits	21	299.997	270.590
- Adjustments for lawsuit and/or penalty provisions	21	112.819	65.067
- Adjustments for (reversal of) other provisions	21	176	(118.882)
Adjustments for interest expenses		417.302	50.788
- Adjustments for interest expense		337.988	(14.399)
- Deferred financial expense from credit purchases		79.314	65.187
Adjustments for unrealised foreign exchange losses		2.229.488	1.852.622
Adjustments for fair value losses (gain)	32	(189.431)	(231.595)
- Adjustments for fair value gains on derivative financial instruments	32	(189.431)	(231.595)
Adjustments for tax expenses	33	327.779	398.430
Adjustments for gains arisen from sale of tangible assets	31	(55.992)	(125.491)
Other adjustments for non-cash items	25	(47.458)	(38.235)
Operating profit before working capital changes		5.600.549	5.563.841
Changes in working capital:			
Adjustments for increase in trade receivable		(692.422)	(664.872)
Adjustments for increase in inventories		(68.478)	(110.065)
Adjustments for increase in trade payable		1.027.318	920.625
Decrease / (increase) in other third party receivables related with operations		174.723	(616.216)
Increase / (decrease) in other operating payables to third parties		27.111	(109.907)
Cash flow from operating activities:			
Interest received		100.320	168.448
Payments related with employee benefits	21	(319.772)	(224.452)
Payments related with other provisions	21	(146.011)	(9.708)
Income taxes paid		(694.273)	(363.457)
Other outflows of cash	25	(76.669)	(55.746)
Net cash from operating activities		4.932.396	4.498.491
Investing activities			
Payments related to acquisition of non-controlling interests		(27.500)	(27.500)
Proceeds from sale of property, plant, equipment and intangible assets		82.659	180.905
Purchases of property, plant, equipment and intangible assets		(4.667.267)	(3.319.603)
Net cash used in investing activities		(4.612.108)	(3.166.198)
Cash flows from financing activities			
Proceeds from loans		3.522.579	4.143.150
Repayments of borrowings		(2.807.518)	(3.251.504)
- loan repayments		(2.807.518)	(3.251.504)
Payments of finance lease liabilities		(7.862)	(13.927)
Cash receipts from derivative instruments		97.647	4.001
Dividends paid	22	(840.859)	(1.840.853)
Interest paid		(430.085)	(341.140)
Interest received		125.893	157.401
Other cash outflows, net	25	(61.567)	(12.701)
Net cash used in financing activities		(401.772)	(1.155.573)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES		(81.484)	176.720
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES IN CASH AND CASH EQUIVALENTS		183.395	66.875
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		2.514.386	2.270.791
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	2.616.297	2.514.386

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

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements

as at and for the Year Ended 31 December 2016

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

1. REPORTING ENTITY

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

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

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

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

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

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

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements

as at and for the Year Ended 31 December 2016

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

1. REPORTING ENTITY (CONTINUED)

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

Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%)	
				31 December 2016	31 December 2015
TTNet Anonim Şirketi ("TTNet")	Turkey	Internet service provider	Turkish Lira	100	100
Avea İletişim Hizmetleri A.Ş. ("Avea")	Turkey	GSM operator	Turkish Lira	100	100
Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("Argela")	Turkey	Telecommunication solutions	Turkish Lira	100	100
Innova Bilişim Çözümleri Anonim Şirketi ("Innova")	Turkey	Telecommunication solutions	Turkish Lira	100	100
Assist Rehberlik ve Müşteri Hizmetleri Anonim Şirketi ("Assist")	Turkey	Call center and customer relations	Turkish Lira	100	100
Sebit Eğitim ve Bilişim Teknolojileri A.Ş. ("Sebit")	Turkey	Web Based Learning	Turkish Lira	100	100
Argela - USA, Inc.	USA	Telecommunications solutions	U.S. Dollar	100	100
Sebit LLC	USA	Web based learning	U.S. Dollar	100	100
TT International Holding B.V. ("TT International") ⁽¹⁾	Netherlands	Holding company	Euro	100	100
Türk Telekom International AG ("TTINT Austria") ⁽¹⁾	Austria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Hu Kft ("TTINT Hungary") ⁽¹⁾	Hungary	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
S.C. Euroweb Romania S.A. ("TTINT Romania") ⁽¹⁾	Romania	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Bulgaria EOOD ("TTINT Bulgaria") ⁽¹⁾	Bulgaria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International CZ s.r.o. ("TTINT Czech Republic") ⁽¹⁾	Czech Republic	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT Telcomd.o.o Beograd ("TTINT Serbia") ⁽¹⁾	Serbia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT Telcomunikacijed.o.o ("TTINT Slovenia") ⁽¹⁾	Slovenia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International SK s.r.o. ("TTINT Slovakia") ⁽¹⁾	Slovakia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
MCTCR Memorex Telekomünikasyon Sanayi ve Ticaret Limited Şirketi ("TTINT Turkey") ⁽¹⁾	Turkey	Internet/data services, infrastructure and wholesale voice services provider	Turkish Lira	100	100
Türk Telekom International UA TOV ("TTINT Ukraine") ⁽¹⁾	Ukraine	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Italy S.R.L. ("TTINT Italy") ⁽¹⁾	Italy	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT International DOOEL Skopje ("TTINT Macedonia") ⁽¹⁾	Macedonia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International LLC ("TTINT Russia") ⁽¹⁾	Russia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekomünikasyon Euro GmbH. ("TT Euro") ⁽¹⁾	Germany	Mobil service marketing	Euro	100	100
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. ⁽¹⁾	Belgium	Mobile service marketing	Euro	100	100
TT Odeme 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	-
Net Ekran11 TV ve Medya Hiz. A.Ş. ("Net Ekran11")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran12 TV ve Medya Hiz. A.Ş. ("Net Ekran12")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran13 TV ve Medya Hiz. A.Ş. ("Net Ekran13")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran14 TV ve Medya Hiz. A.Ş. ("Net Ekran14")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran15 TV ve Medya Hiz. A.Ş. ("Net Ekran15")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran16 TV ve Medya Hiz. A.Ş. ("Net Ekran16")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
11818 Rehberlik ve Müşteri Hizmetleri A.Ş. ("11818")	Turkey	Call center and customer relations	Turkish Lira	100	100

⁽¹⁾ Hereinafter, will be referred as TTINT Group.

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1. REPORTING ENTITY (CONTINUED)

Hereinafter, Türk Telekom and its subsidiaries together will be referred to as "the Group".

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

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

The number of personnel subject to collective agreement as at 31 December 2016 is 11.681 (31 December 2015: 12.828) and the number of personnel not subject to collective agreement as at 31 December 2016 is 21.543 (31 December 2015: 21.319). The total number of personnel as at 31 December 2016 and 31 December 2015 are 33.224 and 34.147 respectively.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The main accounting policies used for preparing the Group's consolidated financial statements are stated below:

2.1 Basis of presentation of the consolidated financial statements

a) Preparation of financial statements

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 as of 31 December 2015 are approved by the Company's Board of Directors on 8 February 2017. General Assembly and related legal institutions have the right to correct these financial statements and statutory financial statements.

c) Correction of financial statements during the hyperinflationary periods

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of presentation of the consolidated financial statements

d) Basis of measurement

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

The methods used to measure the fair values are discussed further in Note 2.4 (u).

e) Functional and presentation currency

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

Functional currencies of the subsidiaries are presented in Note 1.

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

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 and its subsidiaries. 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 2016, 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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Basis of consolidation (continued)

a) Subsidiaries (continued)

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.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Basis of consolidation (continued)

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.

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. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on qualifying cash flow hedges to the extent the hedge is effective, which are recognized in other comprehensive income.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Basis of consolidation (continued)

d) Foreign currency (continued)

The foreign currency exchange rates as of the related periods are as follows:

	Average		Period end	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Euro / TL	3,3375	3,0187	3,7099	3,1776
USD / TL	3,0181	2,7191	3,5192	2,9076

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

The reclassifications that are made as at 31 December 2015

Foreign exchange gains amounting to TL 2.269.929 for the year ended 31 December 2015 which were previously presented as financial income are netted off with foreign exchange losses in financial expenses.

Foreign exchange differences amounting to TL 97.343 which were previously presented as unrealized foreign exchange differences in the consolidated cash flow statement for 31 December 2015 are re-presented in foreign exchange differences and other financial payments amounting to TL 12.701 which previously presented in net cash used in operating activities are re-presented as other finance expenses paid in net cash used in financing activities.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies

a) Financial instruments

i) Non-derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets are comprised, loans and receivables and cash and cash equivalents and financial investments.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise 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 are recognized as trade receivables in financial statements. Receivables that are not classified as trade receivables and are not financial investments are recognized as other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise 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 are used by the Group in the management of its short-term commitments.

Cash and cash equivalents comprise cash, cash at banks and other cash and cash equivalents.

Project and reserve accounts are included in other current assets. The use of project and reserve accounts are subjected to the approval of the lender in accordance with the financial contracts.

Accounting for finance income and expenses is discussed in Note 2.4 (o).

Financial investments

As of 31 December 2016 and 2015, the Group accounted its 20% shareholding in Cetel Telekom İletişim Sanayi ve Ticaret Anonim Şirketi (Cetel) as financial investments in the consolidated financial statements. As of 31 December 2016 and 2015, Cetel is carried at cost after deducting impairment, if any and accounted under financial investments in the consolidated financial statements because the Company does not have significant influence at Cetel.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies

a) Financial instruments (continued)

ii) Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise loans, debt securities issued, trade and other payables, payables to related parties and other payables.

Trade payables are payables to third parties in relation to their capacity as suppliers. Payables stemming from transactions with parties that are not suppliers or customers which are not classified as trade payables and are not a result of financing operations are recognized as other payables.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

When a financial instrument gives 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 are potentially unfavorable, it is classified as a financial liability. The instrument is equity instrument if, are met:

a) The instrument includes 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 are potentially unfavorable to the Group.

b) If the instrument will or may be settled in the Group's own equity instruments, it is a non-derivative that includes no contractual obligation for the Group to deliver a variable number of its own equity instruments; or a derivative that will 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) Share capital

The ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

a) Financial instruments (continued)

iv) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

The fair value of derivative financial instruments is determined by reference to market value for similar instruments.

For the purpose of hedge accounting, hedges are classified as; cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company assesses the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. It is expected that hedge transaction is to be effective in stabilizing changes between changes in fair value or cash flow. During all financial reporting periods in which it is defined, hedge transaction is evaluated continuously for identification of effectiveness and it is expected to be consistent with documented risk management strategy. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

The derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity.

The amount recognized in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

a) Financial instruments (continued)

iv) Derivative financial instruments (continued)

Cash flow hedges (continued)

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognized. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss. In other cases the amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

b) Property, plant and equipment

i) Recognition and measurement

Property, plant and equipment ("PPE") of the Group 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 land and 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.

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, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they 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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

b) Property, plant and equipment (continued)

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:

Property plant and equipment	Useful life (years)
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
Other property, plant and equipment	2-8 years

The remaining useful lives of the PPE of the Company are limited to the concession periods. Considering the Concession Agreement useful lives of purchases made in 2016 are limited to 10 years.

Leased assets are depreciated by the same method used for property and equipment over the shorter of the lease term and their useful lives.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

c) Intangible assets (continued)

i) Goodwill (continued)

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 useful lives of 2016 acquisitions are limited to 10 years.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

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 (considering the Concession Agreement, 2016 acquisitions' useful lives are limited to 10 years).

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.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

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.

Set-top boxes and modems are transferred from inventories to property, plant and equipment when the subscriber is connected to the platform.

Content inventory

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.

h) Impairment

i) Financial assets

At each balance sheet date, The Group assesses whether a financial asset or group of financial assets is impaired. When an objective evidence exists which represents 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 is decreased directly or by using a provision account. The related loss amount is recognized in income statement.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

h) Impairment (continued)

i) Financial assets (continued)

In the subsequent term, if the impairment loss decreases and the related decrease is objectively associated with a case (such as improvement at the credit rate of the obligator) occurred after the impairment loss has been recognized/accounted, the recognized impairment loss has been reversed directly or by using a provision account. The reverse cannot cause carrying value of the related financial asset to be higher than the amortized value which arised as at the date of the reversal of impairment if the impairment is not recognized/accounted. The reversed amount is recognized/accounted in income statement.

Reserve is provided for the overdue uncollectible receivables. Also portfolio reserve is provided for the not due receivables based on certain criteria. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

ii) 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.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

h) Impairment (continued)

ii) Non-financial assets (continued)

Goodwill (continued)

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 consolidated statement of 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.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

k) Contingent assets and liabilities

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) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) Has control or joint control over the reporting entity;
 - (ii) Has significant influence over the reporting entity; or
 - (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) The entity and the reporting entity are members of the same group.
 - (i) The entity and the company are members of the same group.
 - (ii) 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).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) 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.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) 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

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of the goods and services can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Service revenues are recorded at the time services are rendered.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

m) Revenue (continued)

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 are immediately recognized as revenue since the fees are below the cost of connection which 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) GSM 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 at the time of delivery of equipment to customers.

In connection with campaigns, other telecommunication services may be bundled with phone devices and modems. Total consideration related to the bundled contract is allocated to the different components if the component has standalone value to the customer and the fair value of the component can be measured reliably. Total consideration is allocated to each component in proportion to the fair value of the individual components. Revenue attributed to delivered component is limited with the amount not contingent to the undelivered component. Equipment revenues are presented in other revenues. Cost of products and services are recognized as expense when related revenue is recognized.

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 event, movie or football match is viewed. Advertising revenue is recognized as the commercials are aired.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

o) Financial income and financial expenses

Financial income is comprised of interest income, foreign exchange gain, dividend income, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Financial expenses are comprised of interest expense on borrowings, transaction costs, coupon payments of bond, impairment losses recognized on financial assets (except for trade receivables) and losses on hedging instruments that are recognized in the profit or loss. 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.

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.

ii) Deferred tax

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.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

r) Taxes (continued)

ii Deferred tax (continued)

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.

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 loses, unused tax credits an 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) Subscriber acquisition costs

The Group recognizes subscriber acquisition costs in the consolidated statement of profit/(loss) during the year they are incurred. Subscriber acquisition costs include subsidization of the handset, taxes on subscription and dealer commissions incurred for acquisitions.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

t) 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.

u) 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.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

v) Standards and interpretations issued but not yet effective

Standards issued but not yet effective and not early adopted

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

TFRS 9 - Financial Instruments – Classification and measurement

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

TFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

v) Standards and interpretations issued but not yet effective (continued)

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

IFRS 9 Financial Instruments (2014)

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

IFRS 16 Leases

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

Amendments to IAS 7 – Disclosure Initiative

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

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

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

v) Standards and interpretations issued but not yet effective (continued)

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

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The amendments clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

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

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

IAS 40 – Transfers of Investment Property

Amendments to IAS 40 – Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs – 2014–2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

v) Standards and interpretations issued but not yet effective (continued)

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

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 1 "First Time Adoption of International Financial Reporting Standards"

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters related to disclosures for financial instruments, employee benefits and consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities"

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 12.

IAS 28 "Investments in Associates and Joint Ventures"

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

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:

- Group, has no inventory risk.
- Group has no responsibility on technical qualifications of equipment delivered to customers and responsibility after sale belongs to supplier.
- Group does not make any modification on the equipment.
- Group shares credit risk with the supplier.
- Group earns either a fixed rate of commission or zero profit on the transaction.

iii) Prepaid Card Sales Agent – Principal Analysis: Since Avea is primarily responsible for providing the service, has credit and inventory risk and determinant in setting prices; starting from April 2010, Avea recognizes prepaid card incomes on a gross basis.

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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 Avea is primarily responsible for providing the service, has credit and determinant in setting prices; Avea 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.

Critical judgments of the management in relation with TFRS Interpretation 12 are explained in "key sources of estimation uncertainty" in TFRS Interpretation 12 section.

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.

a) 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).

b) The estimates used by the Group in the application of TFRS Interpretation 12 are as follows:

i) 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 7.887 (31 December 2015: TL 7.711) (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 2016 that will be realized in the future. Discount rate used in the provision calculation is determined as 15,60% (31 December 2015: 12,84%).

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.5 Significant accounting assessments, estimates and assumptions (continued)

Key sources of estimation uncertainty (continued)

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 2015: 13%) for the year ended as of 31 December 2016. The profit margin of property, plant and equipment accounted within the scope of TFRS Interpretation 12 amounting to TL 412.516 (31 December 2015: TL 332.355) (Note 20) is TL 47.458 for the year ended as of 31 December 2016 (31 December 2015: TL 38.235).

c) 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 Avea, 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).

d) Assumptions used in the impairment test of property, plant and equipment and intangible assets have been explained in Note 16.

e) The impairment losses in trade and other receivables are based on management's evaluation of the volume of the receivables outstanding, historical collection trends and general economic conditions. The Group follows collection of trade receivables periodically and on the basis of previous years' collection ratios, records provisions in case of losses due to trade receivables. Should economic conditions, collection trends or any specific industry trend worsen compared to management estimates, allowance for doubtful receivables recognized in consolidated financial statements may not be sufficient to cover bad debts.

f) 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 useful lives and 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 Avea. Group management assesses segment performance over earnings before interest, tax, depreciation and amortization ("EBITDA"). EBITDA is calculated by adjusting the operating income by i) adding income/expense from investing activities, depreciation, amortization and impairment expenses and ii) deducting exchange gains/losses, interest and rediscount income/ expenses on current accounts presented in other operating income and expense. Group management uses EBITDA as it is comparable with other companies in the sector. As Group management does not monitor Group's performance over geographical segments, geographical segment reporting is not presented. The segment results and balance sheet items are presented below:

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3. SEGMENT REPORTING (CONTINUED)

	Fixed line		Mobile		Intra-group eliminations and consolidated adjustments				Consolidated	
	1 January - 31 December 2016	1 January - 31 December 2015	1 January - 31 December 2016	1 January - 31 December 2015	1 January - 31 December 2016	1 January - 31 December 2015	1 January - 31 December 2016	1 January - 31 December 2015	1 January - 31 December 2016	
	Revenue	11,588,041	10,085,580	5,766,291	4,966,654	(1,245,738)	(529,379)	16,108,594	14,522,855	14,522,855
Contributive revenue (*)	10,423,845	9,619,866	5,684,749	4,902,989	-	-	16,108,594	14,522,855	14,522,855	
Contributive EBITDA (**)	3,950,769	4,054,252	1,519,113	1,279,663	-	-	5,469,882	5,333,915	5,333,915	
Capital expenditure (***)	1,829,183	1,881,214	1,236,550	4,110,849	(38,986)	(4,504)	3,026,747	5,987,559	5,987,559	

(*) "Contributive revenue" represents operating segments' revenues from companies other than those included in the consolidated financial statements. Group management still monitors financial performance of the segments based on their separate financial statements and because of this there is no change at the segment information disclosed. However, contribution of operating segments on the Group's revenue is presented to give additional information to the readers of the financial statements.

(**) "Contributive EBITDA" represents operating segments' EBITDA arose from transactions with companies other than those included in the consolidated financial statements. 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 47,458 (2015: TL 38,235) amounted profit margin which is capitalized on intangible assets that are accounted within the scope of TFRS Interpretation 12.

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3. SEGMENT REPORTING (CONTINUED)

	1 January - 31 December 2016	1 January - 31 December 2015		
Fixed line contributive EBITDA	3.950.769	4.054.252		
Mobile contributive EBITDA	1.519.113	1.279.663		
EBITDA	5.469.882	5.333.915		
Foreign exchange gains, interest income, discount income on current accounts presented in other operating income	181.983	391.357		
Foreign exchange losses, interest income, discount income on current accounts presented in other operating expense (-)	(607.328)	(288.484)		
Financial income	664.759	538.919		
Financial expense (-)	(3.257.296)	(2.442.617)		
Depreciation, amortisation and impairment	(2.848.561)	(2.271.809)		
Consolidated profit / (loss) before tax	(396.561)	1.261.281		
31 December 2016	Fixed Line	Mobile	Eliminations	Consolidated
Total segment assets	20.613.523	10.089.774	(3.828.846)	26.874.451
Total segment liabilities	(19.913.378)	(7.382.452)	3.808.000	(23.487.830)
31 December 2015	Fixed Line	Mobile	Eliminations	Consolidated
Total segment assets	17.580.619	10.594.367	(2.401.082)	25.773.904
Total segment liabilities	(16.136.389)	(7.045.666)	2.401.519	(20.780.536)

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4. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash on hand	358	332
Cash at banks– demand deposit	911.595	420.361
Cash at banks– time deposit	2.100.430	2.410.835
Other	3.983	6.258
	3.016.366	2.837.786

As of 31 December 2016, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 3,00% -12,00% for TL deposits, between 0,25% - 3,93% for US Dollar deposits and between 0,10% - 2,41% for Euro deposits (31 December 2015: for TL deposits between 5,00% and 14,00%, for US Dollar deposits between 0,10% and 3,50%, for Euro deposits between 0,20% and 2,65%).

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

	31 December 2016	31 December 2015
Cash and cash equivalents	3.016.366	2.837.786
Less: restricted amounts		
- Collection protocols and ATM collection	(380.960)	(322.665)
- Other	(19.109)	(735)
Unrestricted cash	2.616.297	2.514.386

As of 31 December 2016, demand deposits amounting to TL 380.960 (31 December 2015: TL 322.665) 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 2016, the Group has bank loans amounting to USD 11.415 and EUR 105.576 (31 December 2015: USD 386.595 and Euro 455.244) which have been committed to banks and have not been utilized yet, having maturity dates on 2 October 2017 and 30 December 2017, respectively.

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5. FINANCIAL LIABILITIES

Bank borrowings

	31 December 2016			31 December 2015		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Short-term borrowings:						
TL bank borrowings with fixed interest rates	14,05	70.200	70.200	9,27	237.582	237.582
TL bank borrowings with variable interest rates	-	-	-	-	1.553	1.553
Interest accruals:						
TL bank borrowings with fixed interest rates		2.374	2.374		2.956	2.956
Short-term borrowings			72.574			242.091
Short-term portion of long-term bank borrowings:						
USD bank borrowings with fixed interest rates	3,06	50.865	179.005	3,05	48.625	141.381
USD bank borrowings with variable interest rates ^(*)	3,31	302.549	1.064.727	3,00	586.259	1.704.607
EUR bank borrowings with variable interest rates ^(**)	1,10	162.517	602.920	1,52	152.531	484.683
Interest accruals of long-term bank borrowings:						
TL bank borrowings with fixed interest rates		-	-		7	7
USD bank borrowings with fixed interest rates		505	1.778		622	1.808
USD bank borrowings with variable interest rates ^(*)		11.522	40.547		9.220	26.809
EUR bank borrowings with variable interest rates ^(**)		2.276	8.444		1.377	4.377
Short-term portion of long-term bank borrowings			1.897.421			2.363.672
Total short-term borrowings			1.969.995			2.605.763
Long-term borrowings:						
TL bank borrowings with fixed interest rates		-	-	14,80	16.000	16.000
USD bank borrowings with fixed interest rates	3,06	61.402	216.085	3,05	112.259	326.404
USD bank borrowings with variable interest rates ^(*)	3,31	1.588.956	5.591.854	3,00	1.339.420	3.894.497
EUR bank borrowings with variable interest rates ^(**)	1,22	1.013.859	3.761.315	1,52	649.475	2.063.773
Total long-term borrowings			9.569.254			6.300.674
Total financial liabilities			11.539.249			8.906.437

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

^(**) As at 31 December 2016, interest rate varies between Euribor + 0,25% and 2,60% (31 December 2015: Euribor + 0,25% and 3,00%)

As of 31 December 2016, guarantees amounting to USD 400.000 is for financial liabilities of Avea which are amounted to USD 230.000 and EUR 133.125, and guarantees amounting to USD 50.000 is given for financial liabilities of Memorex, amounting to USD 50.000 and guarantees amounting to EUR 300 is given for financial liabilities of TTINT Romania, amounting to EUR 300 by Türk Telekom.

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5. FINANCIAL LIABILITIES (CONTINUED)**Bank borrowings (continued)**

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

	31 December 2016					31 December 2015						
	Up to 3 months to 1 year	3 months to 1 year	1 year to 2 years	2 years to 5 years	More than 5 years	Total	Up to 3 months to 1 year	3 months to 1 year	1 year to 2 years	2 years to 5 years	More than 5 years	Total
TL bank borrowings with fixed interest rates	64.816	7.758	-	-	-	72.574	240.545	-	16.000	-	-	256.545
TL bank borrowings with variable interest rates	-	-	-	-	-	-	1.553	-	-	-	-	1.553
USD bank borrowings with fixed interest rates	11.679	169.104	142.636	73.449	-	396.868	8.762	134.427	147.883	178.521	-	469.593
USD bank borrowings with variable interest rates	485.973	619.301	996.966	2.996.316	1.598.572	6.697.128	158.898	1.572.517	843.357	1.981.234	1.069.906	5.625.912
Euro bank borrowings with variable interest rates	26.749	584.615	875.653	2.373.603	512.059	4.372.679	9.615	479.446	443.875	1.399.170	220.728	2.552.834
	589.217	1.380.778	2.015.255	5.443.368	2.110.631	11.539.249	419.373	2.186.390	1.451.115	3.558.925	1.290.634	8.906.437

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5. FINANCIAL LIABILITIES (CONTINUED)

Bill, bonds and notes issued

	31 December 2016			31 December 2015		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Bill, bonds and notes issued:						
USD bank borrowings with fixed interest rates	4,54	4.897	17.235	4,54	3.427	9.963
Short-term bills, bonds and notes issued		4.897	17.235		3.427	9.963
Long-term bills, bonds and notes issued:						
USD bank borrowings with fixed interest rates	4,54	989.578	3.482.522	4,54	989.578	2.877.296
Long-term bills, bonds and notes issued		989.578	3.482.522		989.578	2.877.296
Total financial liabilities		994.475	3.499.757		993.005	2.887.259

The sales process of the bond issuances amounted to USD 500.000 with 10 years of maturity, and 4,875% coupon rate based on 4,982% reoffer yield was completed on June 19th, 2014. The bonds are now quoted at Irish Stock Exchange.

The sales process of the bond issuances amounted to USD 500.000 with 5 years of maturity, and 3,75% coupon rate based on 3,836% reoffer yield was completed on June 19th, 2014. The bonds are now quoted at Irish Stock Exchange.

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

	31 December 2016			Total	31 December 2015			Total
	3 months to 1 year	1 year to 5 years	More than 5 years		3 months to 1 year	1 year to 5 years	More than 5 years	
Issued long term bills, bonds and notes	17.235	1.745.194	1.737.328	3.499.757	9.963	1.441.897	1.435.399	2.887.259
	17.235	1.745.194	1.737.328	3.499.757	9.963	1.441.897	1.435.399	2.887.259

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6. TRADE RECEIVABLES FROM AND PAYABLES TO THIRD PARTIES

Trade receivables

	31 December 2016	31 December 2015
Short-term		
Trade receivables	5.787.093	5.097.900
Other trade receivables	140.036	139.001
Income accruals	564.735	559.719
Allowance for doubtful receivables (-)	(2.373.313)	(2.002.146)
Total short-term trade receivables	4.118.551	3.794.474
Long-term		
Trade receivables	42.095	49.135
Total long-term trade receivables	42.095	49.135

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

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

	1 January 2016 - 31 December 2016	1 January 2015 - 31 December 2015
At January 1	(2.002.146)	(1.732.494)
Provision for the year	(517.564)	(538.411)
Reversal of provision - collections	147.219	235.063
Write off of doubtful receivables	298	33.686
Change in currency translation differences	(1.120)	10
At 31 December	(2.373.313)	(2.002.146)

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 2016 and 31 December 2015, the analysis of trade receivables that were neither past nor due and past due but not impaired is as follows:

	Total	Neither past due nor impaired	Past due but not impaired					
			< 30 days	30-60 days	60-90 days	90-120 days	120-360 days	>360 days
31 December 2016	4.160.646	2.965.393	301.231	137.177	81.676	77.400	232.356	365.413
31 December 2015	3.843.609	2.710.560	358.632	125.149	88.815	81.394	178.573	300.486

Receivables guaranteed of the Group are amounted to TL 34.085 (31 December 2015: TL 29.831).

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

Trade payables

	31 December 2016	31 December 2015
Short-term		
Trade payables	4.123.857	3.819.843
Expense accruals	388.039	395.092
Other trade payables	10.493	10.597
Total short-term trade payables	4.522.389	4.225.532
Long-term		
Trade payables	83.679	962.191
Other trade payables	-	67
Total long-term trade payables	83.679	962.258

As of 31 December 2016, short term trade payables include Avea 4.5G license discounted payable amounting to TL 895.470 (31 December 2015: TL 1.523.839), TV broadcasting and licence rights and other short term trade payables.

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

As of 31 December 2016, long term trade payables which have a maturity of more than 1 year include TV broadcasting and license rights.

Short term trade payables consists of payables within scope of supplier finance that amounting TL 778.509 (31 December 2015: TL 625.477).

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7. RECEIVABLES AND OBLIGATIONS UNDER FINANCE AND OPERATIONAL LEASES

Financial leases:

The Group has no financial lease receivables as of 31 December 2016 and 2015.

Finance lease obligations that the Group has entered into for acquisition of network equipment, vehicle and a building are as follows:

	31 December 2016			31 December 2015		
	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	608	5	603	8.226	192	8.034
Between one to two years	1.571	1	1.570	1.002	5	997
	2.179	6	2.173	9.228	197	9.031

Operating leases:

a) After the foundation of the Company, an agreement was signed between PTT and the Company in 1997 to grant the right of free use of buildings occupied by both parties for 49 years. In 2005, an amendment was made to the agreement requiring the Company to pay TL 35.000 per year for ten years (which will be escalated based on rent increase rate determined by The Ministry of Finance) to PTT in exchange for the use of net m2 of building space owned by the PTT but occupied by the Company or vice versa. Operational lease agreement has been terminated on 11 April 2015 and the parties are negotiating on a new agreement as of the reporting date.

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 2016	31 December 2015
Within one year	910	775
In the second to fifth years (inclusive)	-	-
	910	775

b) The Company has operating lease agreements with respect to leased lines. The revenue from leased lines for the year ended TL 31 December 2016 amounts to TL 398.079 (31 December 2015: TL 427.804).

c) Group entered into operating lease agreements with respect to base stations and rental buildings. Total operating lease expense for the year ended 31 December 2016 amounts to TL 418.030 (31 December 2015: TL 370.986).

A summary of commitments in relation to base station leases are as follows:

	31 December 2016	31 December 2015
Within one year	121.749	96.363
Between two and five years	379.844	340.381
Later than five years	63.711	70.140
	565.304	506.884

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8. DUE FROM AND DUE TO RELATED PARTIES

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

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

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

	31 December 2016	31 December 2015
Due from related parties		
Parent company		
Saudi Telecom Company ("STC") ⁽²⁾	25.606	5.730
Other related parties		
Oger Telekom Yönetim Hizmetleri Limited Şirketi ("OTYH") ⁽¹⁾	4	3
Oger Systems Company Ltd. ⁽¹⁾	583	771
	26.193	6.504
Due to related parties		
Parent company		
STC ⁽²⁾	1.406	682
Other related parties		
OTYH ⁽¹⁾	6.574	9.879
OGER Systems Company Ltd. ⁽¹⁾	727	123
Oger Telecom Ltd.	105	44
Oger Telecom South Africa (Proprietary) Limited ⁽¹⁾	-	17
	8.812	10.745

⁽¹⁾ A subsidiary of Oger Telecom

⁽²⁾ Shareholder of Oger Telecom

Transactions with shareholders:

Avea is required under the terms of the Avea Concession Agreement, to pay 15% share to the Treasury (the Treasury Share) of its monthly gross revenue. Besides, the Company and its other subsidiaries that are operating in the telecommunications sector are required to pay universal service fund at 1% of 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.

As of 31 December 2016, 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.

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

Guarantees provided to related parties:

The guarantees given by the Company to support the long term financing of related parties are explained in Note 5.

Transactions with other related parties:

Postage services have been rendered by PTT to the Company.

Operational lease expense to PTT by the Company amounts to TL 20.390 in 31 December 2016 (31 December 2015: TL 34.243).

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 year ended 31 December 2016, total revenues and expenses incurred in relation to these services amounted to TL 20.867 and TL 1.288 respectively (31 December 2015: TL 1.023 expenses and TL 19.410 revenue).

Compensation of key management personnel

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

	1 January 2016 - 31 December 2016	1 January 2016 - 31 December 2015
Short-term benefits	178.799	104.957
Long-term defined benefit plans	2.605	2.066
	181.404	107.023

Furthermore, OTMSC charged to the Company a consultancy fee amounting to TL 36.585 (31 December 2015: TL 33.735) and an expenses charged for an amount of TL 292 (31 December 2015: TL 114), for the year ended 31 December 2016. OTASC's ultimate shareholder is Saudi Oger. Based on the contract between OTMSC and the Company. Significant portion of this payment represents salaries of key management personnel. The contract has been renewed on 15 April 2012 for an annual charge of USD 12.000 (prior contract value: USD 8.500) for three years and terminated on 15 April 2015. On 12 May 2015 a new protocol is signed. According to this, the contract is renewed for two years by the same amount and will be terminated on 15 May 2017.

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9. OTHER RECEIVABLES AND PAYABLES

Other short term receivable

	31 December 2016	31 December 2015
Other short term receivable	51.689	82.085
Deposits and guarantees given	1.244	1.059
Other doubtful receivables	23.840	24.434
Allowance for other doubtful receivables	(23.840)	(24.434)
	52.933	83.144

As of 31 December 2016, TL 31.262 (31 December 2015: TL 54.057) 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 2016, other doubtful provision amounting to TL 1.244 (31 December 2015: TL 1.153) is provided while TL 366 (31 December 2015: TL 615) is reversed.

Other long term receivables

	31 December 2016	31 December 2015
Deposits and guarantees given	33.821	31.473
Other receivables	64	64
	33.885	31.537

Other short term payable

	31 December 2016	31 December 2015
Taxes and duties payable	193.961	307.249
ICTA shares	86.180	79.500
Treasury share accruals	93.350	77.631
Universal Service Fund ⁽¹⁾	134.699	117.724
Other payables	231.730	46.012
	739.920	628.116

⁽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.

Other long term payables

	31 December 2016	31 December 2015
Other payables	481.772	606.208
Deposits and guarantees received	12.404	11.245
	494.176	617.453

As of 31 December 2016, 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 Avea's issued capital.

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10. INVENTORIES

The Group has inventory amounting to TL 310.298 as at 31 December 2016 (31 December 2015: TL 252.245). Major part of this balance is composed of modems, satellite receiver, computer, tablet, dect phones, cable, cable box, SIM cards, contents and consumables such as linkage block.

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 Avea and TTINT) arising from the tax losses carried forward based on the estimated taxable profits according to the business plan.

As of 31 December 2016, deferred tax assets arising from prior year tax losses of TTINT Group is amounting to TL 16.001 (31 December 2015: TL 15.389). TTINT Group'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 2016	31 December 2015
2021	1.154	-
2022	2.437	1.436
2023	2.218	2.087
Indefinite	228.042	192.342
	233.851	195.865

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11. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

As of 31 December 2016, Avea'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 2016	31 December 2015
2016	-	1.020.603
2017	686.460	687.955
2018	309.914	621.709
2019	667.993	668.650
2020	838.843	856.977
2021	1.301.375	-
	3.804.585	3.855.894

*As a result of tax inspections and increase of Corporate Tax base for 2013 in accordance with the law numbered 6736 related to restructuring of receivables, tax losses for which deferred tax can be recognized are amended.

As of 31 December 2016, the deferred tax asset recognized for Avea's carried forward tax losses amounted to TL 244.472 (31 December 2015: TL 261.500).

As of 31 December 2016, as explained Note 33, Avea has investment allowances amounting to TL 79.461 for which deferred tax asset is not recognized (31 December 2015: TL 72.889).

In the Official Gazette on 7 April 2015, clause 10 of the Corporate Tax Law is amended with the clause 8 of the law numbered 6637 and with the amendment, it is stated that share capital companies excluding companies operating in finance, banking and insurance sectors and state economic enterprises will be able to deduct 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, from their taxable income. The interest amount will be calculated by using the latest "annual weighted average interest rate applied over the "TL denominated commercial loans granted by banks" to be announced by Turkish Central Bank. Such interest calculation will be made for the period from the capital increase to the last day of the financial year and the allowance from tax base will be applicable for each following period. Share capital of Avea is increased by TL 1.000.000 in 2016 and by TL 2.000.000 in 2015 and the company has deductible amounts from the corporate taxes with respect to the capital increase and can be carried forward infinitely. As of 31 December 2016 the deferred tax asset recognized over this benefit amounted to TL 38.950 (31 December 2015: None)

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11. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

As at 31 December 2016 and 2015, 20% tax rate is used for the calculation of deferred tax assets and liabilities for companies established in Turkey.

	31 December 2016						
	Net balance at 1 January 2016	Recognized in profit or loss	Recognized in OCI	Effect of movements in exchange rates	Net balance	Deferred tax asset tax liability	Deferred tax liability
Deferred tax asset / liability							
Deferred tax asset recognized from tax losses carried forward	276.890	(1.534)	-	-	275.356	275.356	-
Deferred tax asset arising from capital increase	-	38.950	-	-	38.950	38.950	-
Provision for long-term employee benefits	124.959	(5.050)	14.755	-	134.664	134.664	-
Other short term provisions	74.674	(83.966)	-	-	(9.292)	-	(9.292)
Universal service fund and other contributions	31.828	(8.620)	-	-	23.208	23.208	-
Provision for unused vacation	14.958	(17)	-	-	14.941	14.941	-
Law suit fees recognized as receivables	(3.027)	3.027	-	-	-	-	-
Provision for doubtful receivables	(5.649)	(6.835)	-	-	(12.484)	4.411	(16.895)
Other	(6.901)	45.719	-	-	38.818	68.020	(29.202)
Derivative instruments	(33.637)	(16.201)	(1.372)	-	(51.210)	-	(51.210)
Income accruals	(33.938)	7.595	-	-	(26.343)	3.329	(29.672)
Temporary differences on property, plant and equipment / intangible assets	(471.055)	104.937	-	(305)	(366.423)	11.858	(378.281)
Deferred tax asset / (liability) before net-off	(30.898)	78.005	13.383	(305)	60.185	574.737	(514.552)
Net-off						(258.524)	258.524
Deferred tax asset / (liability)					60.185	316.213	(256.028)

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11. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

	31 December 2015				
	Net balance at 1 January 2015	Recognised in profit or loss	Recognised movements in OCI	Effect of exchange rates	
Deferred tax asset / liability			Net balance	Deferred tax asset tax liability	
Deferred tax asset recognized from tax losses carried forward	248.131	28.759	-	276.890	276.890
Provision for long-term employee benefits	107.932	4.930	12.097	124.959	124.959
Other short term provisions	92.434	(17.760)	-	74.674	74.674
Universal service fund and other contributions	31.567	1.261	-	31.828	31.828
Provision for unused vacation	11.802	3.156	-	14.958	14.958
Law suit fees recognized as receivables	(3.014)	(13)	-	(3.027)	(3.027)
Provision for doubtful receivables	4.933	(10.582)	-	(5.649)	(5.649)
Other	(77)	(21.473)	14.649	(6.901)	(6.901)
Derivative instruments	(2.768)	(30.869)	-	(33.637)	(33.637)
Income accruals	(24.566)	(9.372)	-	(33.938)	(33.938)
Temporary differences on property, plant and equipment / intangible assets	(434.994)	(35.712)	-	(471.055)	(471.055)
Deferred tax asset / (liability) before net-off	30.380	(87.675)	26.746	(30.898)	523.309
Net-off					(236.505)
Deferred tax asset / (liability)				(30.898)	286.804

As of 31 December 2016, the total amount of current or deferred taxes related to transactions recognized directly in equity is TL 181.402 (31 December 2015: TL 157.417)

As of 31 December 2016, the total amount of the Group's unrecognised deferred tax asset related to subsidiaries is TL 1.104.646 (31 December 2015 : TL 1.116.825).

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12. OTHER ASSETS, OTHER LIABILITIES AND EMPLOYEE BENEFIT OBLIGATIONS

Other current assets

	31 December 2016	31 December 2015
Intermediary services for collection ^(*)	165.417	123.783
TAFICS projects	46.006	46.364
Value Added Tax ("VAT") and Special Communication Tax ("SCT") ^(**)	314.864	541.486
Advances given ^(***)	33.743	27.906
Other current assets	3.032	1.882
	563.062	741.421

^(*) Intermediary services for collections consist of advances given by the Group to its distributors.^(**) Includes "VAT" of payments made to ICTA for IMT Services and Infrastructures Authorization, also known as 4.5G tender in public.^(***) Advances given mainly consists of advances given to suppliers.

Other non-current assets

	31 December 2016	31 December 2015
Intermediary services for collection	28.086	34.324
Other non-current assets	1	7
	28.087	34.331

Other current liabilities

	31 December 2016	31 December 2015
Advances received	34.760	44.917
Other liabilities	12.378	10.945
	47.138	55.862

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

Employee benefit obligations

	31 December 2016	31 December 2015
Social security premiums payable	68.879	44.908
Payables to personnel	88.774	25.884
Employee's income tax payables	45.580	44.413
	203.233	115.205

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13. PREPAID EXPENSES AND DEFERRED REVENUES

Short-term prepaid expenses

	31 December 2016	31 December 2015
Prepaid rent expenses	186.589	160.203
Other prepaid expenses	136.798	125.411
Advances for inventories and fixed assets	980	1.177
	324.367	286.791

Other short term prepaid expenses consist of prepaid insurance, prepaid commissions, prepaid advertising and other prepaid expenses.

Long-term prepaid expenses

	31 December 2016	31 December 2015
Prepaid rent expenses	42.498	33.802
Other prepaid expenses	16.227	12.652
	58.725	46.454

Short-term deferred revenues

	31 December 2016	31 December 2015
Deferred revenues ⁽¹⁾	86.174	73.740
Advances received ⁽²⁾	74.655	57.295
	160.829	131.035

⁽¹⁾ Deferred revenues mainly consists of the invoiced but unconsumed minutes' sales value and TTINT's indefeasible right of use contracts.

⁽²⁾ Advances taken mainly result from the advances taken by the Company from the customers.

Long-term deferred revenues

	31 December 2016	31 December 2015
Deferred revenues ⁽¹⁾	215.985	184.053
Advances received ⁽²⁾	89.215	83.511
	305.200	267.564

⁽¹⁾ Deferred revenues mainly result from TTINT's indefeasible right of use contracts.

⁽²⁾ Advances taken mainly result from the advances taken by TTINT's according for indefeasible right of use contracts.

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14. FINANCIAL INVESTMENTS

	31 December 2016	31 December 2015
Cetel	11.840	11.840
	11.840	11.840

Cetel was incorporated as a special purpose entity for the purpose of acquiring the 76% shares of Albtecom Sh.A which is located Albania and operates in telecommunication industry.

As of 31 December 2016 and 2015, the Company carries Cetel at cost after deducting impairment losses, if any, because of the lack of timely financial information for equity accounting purposes and due to lack of significant influence.

15. DERIVATIVE FINANCIAL INSTRUMENTS

Cash flow hedges and derivative financial instruments

Interest rate swaps

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

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

As of 31 December 2016 fair value of interest rate derivative transactions amounting to TL 152.408 has been recognized under long term financial liabilities (31 December 2015: TL 160.911). Unrealized gain on these derivatives amounting to TL 6.861 (31 December 2015: TL 73.245 loss) is recognized in other comprehensive income. Unrealized gain on these derivatives' time value amounting to TL 1.642 (31 December 2015: TL 3.075 loss) is recognized in statement of profit or loss.

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2016 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay fixed rates and receive floating rates between March 2014 and March 2022	(32.049)
Türk Telekom	200.000	8 April 2013 – 17 April 2013	21 August 2023	Pay fixed rates and receive floating rates between 19 August 2015 and 21 August 2023	(12.462)
Türk Telekom	300.000	29 April – 20 May 2014	19 June 2024	Pay fixed rates and receive floating rates between June 2016 and June 2024	(90.545)
Türk Telekom	150.000	15-16 May 2014	26 June 2024 – 12 August 2024	Pay fixed rates and receive rates between June 2016 and and August 2016, and June 2024 and August 2024	(17.352)
					(152.408)

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges and derivative financial instruments (continued)

Interest rate swaps (continued)

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2015 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay fixed rates between March 2014 and March 2022, and receive floating rates	(45.853)
Türk Telekom	200.000	8 April 2013 – 17 April 2013	21 August 2023	Pay fixed rates between 19 August 2015 and 21 August 2023, and receive floating rates	(20.409)
Türk Telekom	300.000	29 April – 20 May 2014	19 June 2024	Pay fixed rates between June 2016 and June 2024, and receive floating rates	(76.823)
Türk Telekom	150.000	15-16 May 2014	26 June 2024 – 12 August 2024	Pay floating price between June 2016, August 2016 June 2024 and August 2024 and receive fixed premium certain interest rate corridors through interest option strategies	(17.825)
					(160.911)

Hedge of net investment in a foreign operation

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

Other derivative instruments which are not designated as hedge

As of 31 December 2016 fair value of the interest rate swap transactions which are not designated as hedge and amounting to TL 51.397 is recognized under long term financial assets (31 December 2015: TL 45.002 assets). Unrealized gain on these derivatives amounting to TL 6.395 (31 December 2015: TL 20.608 gain) is recognized in profit or loss.

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2016 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 19 March 2014 and 21 March 2022, and receive fixed premium (0,24%-0,27%)	15.849
Türk Telekom	200.000	8 April 2013 – 17 April 2013	21 August 2023	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 21 August 2015 and 21 August 2023, and receive fixed premium (0,24%- 0,27%)	8.223
Türk Telekom	300.000	29 April – 20 May 2014	19 June 2024	Pay the difference between floating rate and 4% if floating rate exceeds 4%, between June 2016 and June 2021, and receive fixed premium (0,44%-0,575%) Pay the difference between floating rate and 6% if floating rate exceeds 6%, between June 2021 and June 2024, and receive fixed premium (0,39%-0,45%)	27.325
					51.397

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2015 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 19 March 2014 and 21 March 2022, and receive fixed premium (0,24%-0,27%)	15.315
Türk Telekom	200.000	8 April 2013 – 17 April 2013	21 August 2023	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between August 2015 and August 2023, and receive fixed premium (0,24%-0,27%)	7.195
Türk Telekom	300.000	29 April – 20 May 2014	19 June 2024	Pay the difference between floating rate and 4% if floating rate exceeds 4%, between June 2016 and June 2021, and receive fixed premium (0,44%-0,575%) Pay the difference between floating rate and 6% if floating rate exceeds 6%, between June 2021 and June 2024, and receive fixed premium (0,39%-0,45%)	22.492
					45.002

The Company has entered into three-part USD cross currency transactions on 6 January 2015 and 18 June 2015 with maturity dates on 19 June 2024 with a total notional amount of USD 500.000. The Company has also unwound USD cross currency transactions on 20 December 2016 with a total national amount of USD 325.000. The company has also converted USD 175.000 debt into EUR debt with this transaction.

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

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

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

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

The Company has also entered into currency swap transactions on 9 November – 18 November 2016 with maturity dates between 27 March –31 March 2017 with a total notional amount of USD 250.000.

As of 31 December 2016, fair value of derivative transactions amounting to TL 601.401 (31 December 2015: TL 388.767) is recognized under short term financial assets. Unrealized gain of these derivatives amounting to TL 212.634 and TL 265 of foreign currency translation differences (31 December 2015: TL 314.800 gain) is recognized in profit or loss.

As of 31 December 2016, fair value of derivative transactions amounting to TL 49.157 (31 December 2015: None) is recognized under short-term financial liabilities. Unrealized loss of these derivatives amounting to TL 49.157 (31 December 2015: None) is recognized in profit or loss.

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2016 (TL)
Türk Telekom	175.000	30 April 2015	19 June 2024	Pay EUR and receive USD at a maturity date 1	28.196
Türk Telekom	500.000	21 April 2015 - 9 July 2015	19 June 2019	Pay TL and receive USD at maturity date 2	410.946
Türk Telekom	380.000	10 March 2016 - 17 March 2016	20 November 2020	Pay EUR and receive USD at maturity date 3	121.448
Türk Telekom	350.000	31 March 2016 - 13 April 2016	19 June 2024	Pay TL and receive USD at maturity date 4	30.033
Memorex	50.000	16 June 2016	22 June 2026	Pay EUR and receive USD at maturity date 5	10.778
					601.401
Türk Telekom	250.000	9 November 2016 - 18 November 2016	17 March 2017 - 31 March 2017	Pay USD and receive TL at maturity date	(49.157)
					(49.157)

Company	Notional Amount (USD)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2015 (TL)
Türk Telekom	175.000	30 April 2015	19 June 2024	Pay EUR and receive USD at a maturity date 1	31.538
Türk Telekom	500.000	21 April 2015 - 9 July 2015	19 June 2019	Pay TL and receive USD at maturity date 2	268.664
Türk Telekom	325.000	6 January 2015 - 18 June 2015	19 June 2024	Pay EUR and receive USD at maturity date 6	88.566
					388.767

¹ Payment of 2,495 % interest on EUR 157.658 in exchange for 4,875% interest on USD 175.000, on the interest payment dates of ten-year bond between 19 December 2014 and 19 June 2024.

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

² On the interest payment dates of the five year bond between 19 December 2014 and 19 June 2019, in exchange for receiving 3,75% interest for 500.000 USD Dollar; the Company will pay average 5,03 % interest on notional amount using the foreign exchange rates defined in the option strategy and the Company will pay TL amount which is calculated with foreign exchange rate defined in option strategy in exchange for receiving 500.000 USD Dollar on maturity date.

³ Payment of average 0,78% interest on EUR 338.234 in exchange for 6 M USLibor +1,8% interest on USD 380.000, on the interest payment dates of five-year credit between 30 December 2015 – 22 February 2016 and 20 November 2020.

-Payment of EUR 67.647 in exchange for USD 76.000 with five equal installement, since 20 November 2018 until 20 November 2020 in six-month period.

⁴ On the interest payment dates of the 10 year bond between 19 December 2015 and 19 June 2024, in exchange for receiving 4,875% interest for 350.000 USD Dollar; the Company will pay average 6,28% interest on notional amount using the foreign exchange rates defined in the option strategy and the Company will pay TL amount which is calculated with foreign exchange rate defined in option strategy in exchange for receiving 350.000 USD Dollar on maturity date.

⁵ Payment of 2,05% interest on EUR 44,247 in exchange for 6M USLibor+ 2,05% interest on USD 50.000, on the interest payment date of ten-year credit between 27 June 2016 and 22 June 2026.

-Payment of EUR 2.950 in exchange for USD 3.333 with fifteen equal installement, since 20 June 2019 until 22 June 2026 in six-month period.

⁶ Payment of 2,94 % interest on EUR 275.022 in exchange for 4,875% interest on USD 325.000, on the interest payment dates of ten-year bond between 19 December 2014-19 June 2015 and 19 June 2024.

-Payment of EUR 275.022 in exchange for USD 325.000 at the maturity date of ten-year bond.

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

The Company has also entered into foreign exchange option transactions on 6 January and 18 June 2015 with maturity dates on 18 June 2019 and 2024 with a total notional amount of EUR 897.725(31 December 2015:EUR 902.010).

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

As of 31 December 2016, fair value of derivative transactions amounting to TL 184.403 (31 December 2015: TL 104.673) is recognized under short term financial liabilities. Unrealized loss on these derivatives amounting to TL 79.730 (31 December 2015: TL 104.673 loss) is recognized in profit or loss.

Company	Notional Amount (EUR)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2016 (TL)
Türk Telekom	897.725	6 January 2015- 18 June 2015	18 June 2019- 19 June 2024	Foreign exchange option transactions	(138.915)
Türk Telekom	338.235	10 March 2016- 17 March 2016	20 November 2020	Foreign exchange option transactions	(45.488)
					(184.403)

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

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16. GOODWILL

	31 December 2016	31 December 2015
Goodwill of Avea	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 TNET cash generating unit impairment analysis

For cash generating unit impairment analysis of Türk Telekom and TNET, 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.

The main assumptions used in the discounted cash flow in TL which was prepared based on the approved budgeted figures prepared until 2021 considers 15,6% (31 December 2015: 15,3%) discount rate, 5% expected growth rate and the weighted average cost of capital (WACC) sensitivity as of +0,5% / -0,5% (31 December 2015: +0,5% / -0,5%). For 2021 - 2026 periods, 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.

Avea cash generating unit impairment test

Avea 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 Avea will pay income tax is 16,2% and 16,9% for non-taxable period (31 December 2015: 16,1% - 16,5%). Cash flow projections after 2021 are estimated by using 5% growth rate, considering the inflation rate used in the business plan and expected growth rate of the country. Company value of Avea has been tested at a sensitivity of WACC terminal growth rate by +0,5%/-0,5% (31 December 2015: 0,5%/-0,5%). As a result of the impairment test, it has been noted that there is no impairment is identified on goodwill arising on the Avea acquisition.

The Group has disclosed the key assumptions used to determine the recoverable amount of cash generating unit level which is equal to net book value.

Avea	31 December 2016
Weighted average cost of capital	17,45 - 16,76%
Growth rate	4,20%

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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 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 2021. Cash flow projections beyond 2021 are estimated by using 5% and 5% growth rate, for Innova and Argela, respectively, considering the inflation rate used in the business plan and expected growth rate of the country. The WACC rates used in valuation are 17,1% for Innova (31 December 2015: 17,5%) and 20,7% for Argela (31 December 2015: 19,8%) and valuation has been tested at a sensitivity of +0,5%/-0,5%. Growth rate has been tested for sensitivity for +0,5%/-0,5%. 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 (Innova 31 December 2015: TL 3.790).

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 5 years business plan approved by the management. The estimated value of the projected cash flows consists of the discounted cash flows until 2021. The WACC rate used in valuation is 7,2% (31 December 2015: 7,4%) 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 and growth rate 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 is 20,6% (31 December 2015: 18,8%). The estimated value of the cash flows consists of the ones which were discounted until 2021. The growth rate for the current and subsequent terms was foreseen as 5% 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 +0,5%/-0,5% WACC and growth rate sensitivity of the cash flows (31 December 2015: +0,1%/-0,1%). As a result of test, no impairment is identified for the cash generating unit (31 December 2015: TL 1.000) (Note 20).

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17. ASSETS HELD FOR SALE

As of 31 December 2016, based on the decision of Board of Directors to sell a real estate, this asset was classified as held for sale.

The movement of asset held for sale for the years ended 31 December 2016 and 2015 is given below:

	1 January 2016 - 31 December 2016	1 January 2015 - 31 December 2015
Opening balance	-	26.367
Disposal	-	(16.546)
Transfer	37.361	(9.821)
As at 31 December	37.361	-

18. INVESTMENT PROPERTY

The movement of investment property and the related accumulated depreciation for the years ended 31 December 2016 and 2015 is given below:

	1 January 2016 - 31 December 2016	1 January 2015 - 31 December 2015
Cost		
Opening balance	43.854	21.491
Transfer	(842)	22.363
As at 31 December	43.012	43.854
Accumulated depreciation		
Opening	16.665	7.944
Transfer	(398)	6.304
Depreciation charge for the year	2.186	2.417
As at 31 December	18.453	16.665
Net book value as at 31 December	24.559	27.189

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.

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19. PROPERTY, PLANT AND EQUIPMENT

The movement of PPE and the related accumulated depreciation for the years ended 31 December 2016 and 2015 is given below:

Cost	Land and buildings	Network and other equipment	Vehicles	Furnitures and fixtures	Other fixed assets	Construction in progress	Total
Opening balance, 1 January 2016	2.226.837	38.383.631	149.049	750.920	225.256	936.143	42.671.836
Transfer (16.874)	144.207		1.082	5.042	38	(383.324)	(249.829)
Additions	65.560	1.560.389	1.897	68.088	18.311	149.175	1.863.420
Disposal (11.832)	(2.334.605)		(10.626)	(27.692)	(3.670)	-	(2.388.425)
Foreign currency translation differences	2.505	111.374	330	587	314	(6.438)	108.672
Closing balance, 31 December 2016	2.266.196	37.864.996	141.732	796.945	240.249	695.556	42.005.674
Accumulated depreciation							
Opening balance, 1 January 2016	1.119.019	32.109.127	136.940	580.306	188.262	-	34.133.654
Transfers (18.801)		(595)	-	15	(218)	-	(19.599)
Depreciation charge for the year	81.074	1.332.239	7.693	63.404	10.310	-	1.494.720
Disposal (2.900)	(2.325.670)		(10.527)	(21.670)	(2.807)	-	(2.363.574)
Impairment	-	22.716	-	253	6.412	-	29.381
Foreign currency translation differences	552	43.776	33	295	519	-	45.175
Closing balance, 31 December 2016	1.178.944	31.181.593	134.139	622.603	202.478	-	33.319.757
Net book value, 31 December 2016	1.087.252	6.683.403	7.593	174.342	37.771	695.556	8.685.917

As of 31 December 2016, net book value of leased assets of Group composes of land and buildings amounting TL 29.580 (31 December 2015: land and buildings amounting to TL 31.331, network and other equipment amounting to TL 1.387 and vehicles amounting to TL 237).

The Group does not have any capitalized borrowing cost on property, plant and equipment (31 December 2015: nil).

There is no restriction or pledge on the intangible as at 31 December 2016.

For the year ended 31 December 2016, impairment on property, plant and equipment amounting to TL 23.213 is recognized in cost of sales (31 December 2015: TL 15.380), TL 6.168 is recognized in general administrative expenses (31 December 2015: TL 11.774), and TL 0 is recognized in marketing, sales and distribution expense (31 December 2015: TL 182).

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19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Cost	Land and buildings		Network and other equipment		Furniture and fixtures		Other fixed assets		Construction in progress	Total
Opening balance, 1 January 2015	2.159.723	38.857.155	147.995	687.348	229.848	689.351	42.771.420			
Transfer	45.632	347.873	2.576	21.027	(12.528)	(435.376)	(30.796)			
Additions	26.581	945.599	2.452	62.061	10.705	678.203	1.725.601			
Disposal	(6.764)	(1.827.712)	(4.156)	(19.777)	(2.981)	(57)	(1.861.447)			
Foreign currency translation difference	1.665	60.716	182	261	212	4.022	67.058			
Closing balance, 31 December 2015	2.226.837	38.383.631	149.049	750.920	225.256	936.143	42.671.836			
Accumulated depreciation										
Opening balance, 1 January 2015	993.059	32.777.439	134.820	523.764	161.407	-	34.590.489			
Transfer	5.955	279	1.094	7.225	(7.216)	-	7.337			
Depreciation charge for the year	122.976	1.098.457	5.112	66.996	23.648	-	1.317.189			
Disposal	(3.242)	(1.804.786)	(4.076)	(17.792)	(1.307)	-	(1.831.203)			
Impairment	-	15.804	-	-	11.532	-	27.336			
Foreign currency translation difference	271	21.934	(10)	113	198	-	22.506			
Closing balance, 31 December 2015	1.119.019	32.109.127	136.940	580.306	188.262	-	34.133.654			
Net book value, 31 December 2015	1.107.818	6.274.504	12.109	170.614	36.994	936.143	8.538.182			

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20. INTANGIBLE ASSETS

Cost	Licence relationship	Customer relationship	Brand	Research and Development	Other intangible assets	Concession rights	Total
Opening balance, 1 January 2016	4.537.300	1.029.602	302.916	286.735	3.997.580	2.819.130	12.973.263
Transfers	-	-	-	11.603	181.417	-	193.020
Disposals	(189)	-	-	-	(8.156)	(24.466)	(32.811)
Additions ⁽¹⁾	7.658	-	-	32.199	758.412	412.516	1.210.785
Foreign currency translation differences	230	20.941	-	515	62.250	-	83.936
Closing balance, 31 December 2016	4.544.999	1.050.543	302.916	331.052	4.991.503	3.207.180	14.428.193
Accumulated amortization							
Opening balance, 1 January 2016	653.713	862.076	145.175	125.748	2.355.935	613.730	4.756.377
Transfers	-	-	-	(25)	(268)	-	(293)
Disposals	(189)	-	-	-	(6.339)	(24.466)	(30.994)
Amortization charge for the year	280.726	81.737	35.631	50.100	668.011	189.362	1.305.567
Impairment	-	-	-	-	-	22.837	22.837
Foreign currency translation differences	29	8.964	-	514	23.920	-	33.427
Closing balance, 31 December 2016	934.279	952.777	180.806	176.337	3.041.259	801.463	6.086.921
Net book value, 31 December 2016	3.610.720	97.766	122.110	154.715	1.950.244	2.405.717	8.341.272

⁽¹⁾ Additions amounting to TL 412.516 (31 December 2015: TL 332.355) comprise intangible assets under scope of TFRS Interpretation 12.

The Group have capitalized borrowing cost on intangible assets amounted TL 12.114 (31 December 2015: 4.792).

For the year ended 31 December 2016, impairment on intangible assets amounting to TL 22.837 is recognized in cost of sales (31 December 2015: cost of sales TL 4.464, general administration TL 526, marketing, sales and distribution TL 395).

For the year ended 31 December 2016, depreciation and amortization expense is recognized cost of sales, sales and distribution expenses, general administration expenses and research and development expenses amounting to TL 2.182.242 (31 December 2015: TL 1.648.704), TL 258.792 (31 December 2015: TL 211.514) and TL 339.356 (31 December 2015: TL 364.656), TL 15.953 (31 December 2015: 10.424), respectively.

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20. INTANGIBLE ASSETS (CONTINUED)

Cost	Licence	Customer relationship	Brand	Research and Development	Other intangible assets	Concession rights	Total
Opening balance, 1 January 2015	1,478,323	1,016,627	302,898	243,116	3,054,364	2,514,274	8,609,602
Transfers	(5)	(156)	-	11,760	41,915	(27,499)	26,015
Disposals	-	-	-	(641)	(8,960)	-	(9,601)
Additions (*)	3,058,982	-	18	32,005	876,834	332,355	4,300,194
Foreign currency translation differences	-	13,131	-	495	33,427	-	47,053
Closing balance, 31 December 2015	4,537,300	1,029,602	302,916	286,735	3,997,580	2,819,130	12,973,263
Accumulated amortization							
Opening balance, 1 January 2015	567,518	763,376	129,544	84,853	1,808,230	466,929	3,820,450
Transfers	-	(156)	-	(25)	460	(10,635)	(10,356)
Disposals	-	-	-	(160)	(817)	-	(977)
Amortization charge for the year	86,241	94,834	15,631	37,945	534,520	157,436	926,607
Impairment	-	-	-	2,640	2,745	-	5,385
Foreign currency translation differences	(46)	4,022	-	495	10,797	-	15,268
Closing balance, 31 December 2015	653,713	862,076	145,175	125,748	2,355,935	613,730	4,756,377
Net book value, 31 December 2015	3,883,587	167,526	157,741	160,987	1,641,645	2,205,400	8,216,886

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20. INTANGIBLE ASSETS (CONTINUED)

As a result of impairment tests, the Group identified impairment on tangible assets amounting to TL 29.381 (31 December 2015: TL 27.336) and intangible assets amounting to TL 22.837 (31 December 2015: TL 5.385). Remaining amortization periods after acquisition of significant intangible assets are as follows:

Avea license	12,4 years
Avea brand name	3 years
TTINT customer relationships	8,8 years
TTINT other	13,8 years

On 26 January 2016, Avea and TTnet brand names are re-branded as "Türk Telekom" based on the decision of Group management. Following the change, useful life of Avea 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:

	2016	2017	2018	2019	Later
Increase /(decrease) in amortization expense	20.024	24.972	24.972	24.972	(94.940)

There is no restriction or pledge on the intangible as at 31 December 2016 (31 December 2015: 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 Avea 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 2016 is TL 296.515 (31 December 2015: TL 320.238).

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20. INTANGIBLE ASSETS (CONTINUED)

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 Avea had obtained C band with the minimum fee of TL 128 year /channel (excluding VAT).

Avea 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.

Avea 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 Avea and ICTA on 25 February 2009.

The net book value of the GSM 900 license as at 31 December 2016 is TL 6.426 (31 December 2015: TL 7.134)

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 August 26, 2015 by ICTA. In the IMT Service and Infrastructure Authorization Tender done by ICTA, Avea 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. The Company will pay the tender fee (including interest) in four equal installments amounting to Euro 973.396 (excluded VAT).

The Company has made four equal installments payment plan of the tender fee (including interest) which is equal to Euro 973.396 (excluded VAT), and the Company paid in cash the three installment of tender fee amounting and VAT amounting to 171.842 Euro equivalent to TL 548.915. On 26 April 2017, the Company will pay last installment amounting to EUR 243.349 equivalent to TL 902.800.

As of 31 December 2016 net book value of 4.5G license amounts to TL 2.849.875 (31 December 2015: TL 3.047.838) in the consolidated financial statements.

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21. PROVISIONS

Other short-term provisions

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

	31 December 2016	31 December 2015
Litigation, ICTA penalty and customer return provisions	264.200	296.674
	264.200	296.674

The movement of provisions is as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
As at 1 January	296.674	241.259
Provisions for the period	192.452	156.766
Settled provisions	(146.011)	(9.708)
Reversals	(79.632)	(91.699)
Foreign currency translation difference	717	56
As at 31 December	264.200	296.674

Short-term provisions for employee benefits

	31 December 2016	31 December 2015
Short term provisions for employee benefits		
Personnel bonus provision	165.862	178.822
	165.862	178.822

The movement of provisions is as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
As at 1 January	178.822	160.050
Provision for the period	167.369	163.563
Provisions paid	(169.906)	(130.324)
Reversals	(11.020)	(14.965)
Foreign currency translation difference	597	498
As at 31 December	165.862	178.822

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21. PROVISIONS (CONTINUED)

Long term provisions for employee benefits

	31 December 2016	31 December 2015
Long term provisions for employee benefits		
Defined benefit obligation	695.953	635.366
Unused vacation provisions	87.448	79.677
	783.401	715.043

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 2016 is subject to a ceiling of full TL 4.297,21 (31 Aralık 2015: full TL 3.828,37) per monthly salary for each service year.

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

i) The movement of defined benefit obligation is as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Defined benefit obligation at January 1	635.366	555.595
Service cost	67.059	55.420
Interest cost	60.465	50.973
Actuarial loss ^(*)	74.360	62.385
Benefits paid	(141.290)	(89.169)
Foreign currency translation difference	(7)	162
As at 31 December	695.953	635.366

^(*) As at 31 December 2016, actuarial loss amounting to TL 74.360 (31 December 2015: TL 62.385) is recognized in other comprehensive income.

ii) Total expense recognized in the consolidated income statement:

	1 January - 31 December 2016	1 January - 31 December 2015
Service cost	67.059	55.420
Interest cost	60.465	50.973
Total net cost recognized in the consolidated statement of profit or loss	127.524	106.393

iii) Principal actuarial assumptions used:

	31 December 2016	31 December 2015
Interest rate	11,0%	9,5%
Expected rate of ceiling increases	6,0%	5,5%

For the years ahead, voluntary employee withdrawal of the Group is 2,39% (31 December 2015: 0,60%).

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21. PROVISIONS (CONTINUED)

Long term provisions for employee benefits (continued)

As of 31 December 2016, 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 (%9,05)	%0,25 increase (%9,55)	%0,25 decrease (%5,25)	%0,25 increase (%5,75)	%0,25 decrease	%0,25 increase
	No effect to defined benefit obligation	9.316	(9.115)	(9.454)	9.739	(1.997)

Long term employee benefits excluding defined benefit obligation

The movement of unused vacation provisions is as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
As at 1 January	79.677	68.907
Provision for the period	57.479	66.365
Provisions paid	(8.576)	(4.959)
Reversals	(41.355)	(50.766)
Foreign currency translation difference	223	130
As at 31 December	87.448	79.677

Other long-term provisions

	31 December 2016	31 December 2015
Provision for the investments under the scope of TFRS Interpretation 12	7.887	7.711
	7.887	7.711

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22. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS

As of 31 December 2016 and 2015, the shareholders of the Company with their shareholding percentage are as follows:

	31 December 2016		31 December 2015	
	%	TL	%	TL
The Treasury	30	1.050.000	30	1.050.000
OTAŞ	55	1.925.000	55	1.925.000
Public Share	15	525.000	15	525.000
		3.500.000		3.500.000
Inflation adjustment to share capital		(239.752)		(239.752)
		3.260.248		3.260.248

The Company's share capital is fully paid and consists of 350.000.000.000 shares of 1 kuruş nominal value. OTAS is the holder of Group A shares and the Treasury is the holder of Group B and C, Group D shares of the company are open to public and Group C share consists only of a single preferred stock.

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.

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22. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS (CONTINUED)

As of 31 December 2016, Citicorp Trustee Company Limited has a pledge over 192.500.000.000 Group A shares belonging to OTAŞ which represent 55% of the total company shares on the name and behalf of the creditors of certain loan agreements.

The OTAŞ Term Loan agreement provides certain limitations with respect to dilution, sale and transfer of shares in OTAŞ, the Company and Avea.

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 OTAŞ and Treasury as follows:

- (a) The group A Shareholder shall be entitled to nominate 7 persons for election as directors;
- (b) 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.
- (c) 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.
- (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 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.

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.

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22. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS (CONTINUED)

If the conditions set out below are not met, or would not be met if the relevant distribution were made, then subject to the following paragraph, the Company shall distribute the maximum amount of its profits which may be distributed without breaching those conditions.

Provided that it is not against the legislation regarding capital markets, the net profit may not be distributed, if:

- 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
- 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. Since, there is no consolidated profit for the year 2016, no amount is determined as available for dividend distribution.

Dividends

During the year ended 31 December 2016, TL 840.859 has been committed to be distributed and distributed in cash to the shareholders from the remaining balance of 2015 distributable profit after assigning first and second legal reserves (a dividend of full kuruş 0,2402 per share).

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

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 2016	31 December 2015
Share based payment reserve (Note 23)	9.528	9.528
Difference arising from acquisition of subsidiary	(1.320.942)	(1.320.942)
Reserve for hedge of net investment in a foreign operation	(131.944)	(89.537)
Cash flow hedge reserve	(113.620)	(119.109)
Actuarial loss arising from employee benefits	(493.990)	(434.385)
Currency translation differences	99.405	44.430
	(1.951.563)	(1.910.015)

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22. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS (CONTINUED)

Other reserves

Other gains/(losses)

The acquisition of Avea shares has been effected through four steps in different years (40% in February 2004 through the merger of Aycell with Aria, 0,56% through an equity increase in May 2005 and finally 40,56% through the acquisition of new shares on 15 September 2006. Therefore, during the accounting of the latest acquisition of 40,56% shares on 15 September 2006, the first two acquisitions comprising a total shareholding of 40,56%, which have been accounted for using the equity method in the financial statements prior to 15 September 2006 have been re-measured to their fair values based on the fair value financial statements of Avea prepared as of 15 September 2006 for the purpose of the purchase price allocation based on IFRS 3. The result of the re-measurement amounting to TL 294.065 has been reflected as "Fair value difference arising from acquisition of subsidiary" in equity. In 2009 and 2012, the Company has increased its ownership within Avea with a rate of 0,19% and 8,87% the difference in minority interest, TL 14.569 and TL 549.500, has been reflected under other gains/(losses) in equity. The Company, has signed Share Transfer Agreement with İş Bankası A.Ş., Türkiye Şişe and Cam Fabrikaları A.Ş., Trakya Yatırım Holding A.Ş., Anadolu Hayat Emeklilik A.Ş., Efes Holding A.Ş. and Anadolu Anonim Türk Sigorta Şirketi in order to buy amounting to TL 875.000 representative share of 10,0035% of Avea's issued capital on 29 April 2015. Upon the transfer of the 10,0035% of Avea's shares on 4 August 2015, put option liability is terminated, "other gains/(losses)" and "non-controlling interest put option liability reserve" in equity and non-controlling interest in "actuarial loss from employee benefits" is reclassified to "difference due to the change in shareholding rate in a subsidiary. As of the valid date of share transfer, present value of purchase price is recognized in short term and long term payables. As at 31 December 2016, present values of short term and long term payables resulting from the share transfer are TL 204.861 (2015: TL 27.472) and TL 481.772 (31 December 2016: TL 606.208), respectively. As of the valid date of share transfer, the put option liability amounting to TL 632.542 is derecognized. Non-controlling interest put option liability amounting to negative TL 227.065 and actuarial loss arising from employee benefits amounting to TL 1.729 in equity is recognized in "other gains/(losses)" in equity amounting to 462.808 TL.

Gains or losses 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 its 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 2016	1 January - 31 December 2015
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	(724.340)	907.444
Basic earnings/(losses) per share (in full Kuruş)	(0,2070)	0,2593

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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;

a) Türk Telekom has not received any benefits (goods and services) in exchange for the discounts provided these groups to and

a) 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.

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24. COMMITMENTS AND CONTINGENCIES

Guarantees received and given by the Group are summarized below:

		31 December 2016		31 December 2015	
		Original currency	TL	Original currency	TL
Guarantees received	USD	173.893	611.965	202.191	587.891
	TL	800.183	800.183	875.268	875.268
	Euro	42.338	157.068	59.095	187.780
			1.569.216		1.650.939
Guarantees given ⁽¹⁾	USD	162.577	572.140	162.049	471.173
	TL	254.227	254.227	202.530	202.530
	Euro	239.806	889.657	239.686	761.625
	Other	17	12	87	60
			1.716.036		1.435.388

⁽¹⁾ Guarantees given amounting to US Dollar 151.500 (31 December 2015: US Dollar 151.500) is related to the guarantee provided to the ICTA by Avea with respect to the Avea Concession Agreement, guarantees given amounting to Euro 12.840 (31 December 2015: Euro 12.840) is related with the guarantee provided for 3G license and guarantees given amounting to Euro 57.281 (31 December 2015: Euro 57.281) is related with the guarantee provided for 4.5G license.

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

	31 December 2016	31 December 2015
A. GPMs given on behalf of the Company's legal personality	1.716.036	1.435.388
B. GPMs given in favor of subsidiaries included in full consolidation	1.303.204	1.092.791
C. GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	1.920.454	1.735.813
D. Other GPMs	-	-
i. GPMs given in favor of parent company	-	-
ii. GPMs given in favor of Company companies not in the scope of B and C above	-	-
iii. GPMs given in favor of third party companies not in the scope of C above	-	-
Total	4.939.694	4.263.992

Based on law 128/1 of Turkish Code of Obligations, the Group has given guarantee to distributors amounting to TL 1.920.454 for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by the Group (31 December 2015: TL 1.735.813).

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24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other commitments

The Group has purchase commitments for sponsorships and advertising services at the amounting to USD 19.950 and TL equivalent to TL 70.239 (31 December 2015: TL 75.684) as at 31 December 2016. Payments for these commitments are going to be made in a 5-year period.

The Group has purchase commitments for fixed assets amounting to USD 247.460, Euro 29.890, and TL 163.547, equivalent to TL 1.145.296 (31 December 2015: TL 936.296) as at 31 December 2016.

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.

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.

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24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Türk Telekom concession agreement (continued)

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. 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.

License agreement

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 Avea 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 Avea and the ICTA ("the Avea 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 June 20, 2008, agreement was rearranged.

The Avea 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 Avea Concession Agreement, Avea was granted to use 75 channels in the 1800 MHz band and 12 channels in the 900 MHz band. The term of the Avea Concession Agreement is 25 years from 11 January 2001.

Avea may apply to the ICTA for renewal between dates 24 and 6 months before the end of Avea Concession Agreement. ICTA may renew the license of Avea by evaluating the renewal request according to legislation on that date.

In the event of expiry or non-renewal, Avea 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 Avea to the ICTA or to the establishment to be designated by ICTA at no cost.

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24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement for Licensing of Establishment and Operation of GSM-1800 Digital Cellular Mobile Telephone System (continued)

Avea 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.

Avea provided a performance bond in the amount of US Dollar 151.500. Avea, 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 Avea 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

Avea 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

Avea shall pay 0,35% of the gross 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

Avea 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 Avea 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 Avea.

Avea has completed its related liabilities with respect to coverage at 31 December 2004.

Service offerings

Avea 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).

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24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement for Licensing of Establishment and Operation of GSM-1800 Digital Cellular Mobile Telephone System (continued)

Service quality

Avea 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

Avea may freely determine its tariffs provided that these tariffs are not contrary to the regulations of the ICTA

Emergencies

Avea 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. Avea has to provide at least two base stations for the use of Ministry of Transport, Maritime Affairs and Communications in emergency.

Investment plans

Pursuant to the relevant regulation, by the first day of September every year, Avea 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

Avea 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 Avea 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 Avea.

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24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement for Licensing of Establishment and Operation of GSM-1800 Digital Cellular Mobile Telephone System (continued)

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 Avea or its composition with creditors,
- ii) Determination of the failure of Avea to perform its contractual obligations hereunder and to remedy its default in a reasonable period of time granted,
- iii) Determination that Avea extends its activities beyond the frequencies allocated hereunder or other frequencies that may be allocated by the ICTA to Avea for use in the GSM 1800 System, and failure of Avea to cease such activities in a reasonable period of time granted,
- iv) Failure of Avea to pay the license fees hereunder.

Termination of the agreement by the ICTA (continued)

However, that except for point (iv) above, Avea 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, Avea 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 Avea

Upon termination of the Agreement, Avea shall transfer all of the GSM 1800 system equipment to the ICTA without any remuneration.

Insurance

Avea 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. According to this Agreement;

- Avea 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.
- Avea 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.

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24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement of the Establishment and Operation of IMT2000/UMTS Infrastructures and Provision of Services (continued)

- Within the first 5 years by the signature of the Agreement, Avea shall obtain the approval of the ICTA for each assignment of Avea 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 Avea shall be subject to the approval of the ICTA.
- Avea has granted a bank letter of guarantee amounting to 12.800 which is 6% of the license fee, for to act as final guarantee. Should the Avea 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, Avea 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, Avea shall each year submit its investment plan related to the subsequent calendar year, till 1 November 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.
- Avea 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.
- Avea shall pay 0.35% of the gross 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 Obligations:

Following the signature of the Agreement, Avea 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 Avea alone and this obligation shall not be fulfilled through roaming.

Avea 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 Avea.

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.

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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

Except for the investments made in the lease of place, towers, piles, pipes, containers, channels, energy transfer lines and similar infrastructure plants; each year Avea 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.

Avea 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 Avea shall have open interface connections with each other.

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 Avea.

Should Avea is understood to procure goods and services through methods against the foregoing terms and conditions, an administrative monetary penalty shall be applied to Avea up to 1% of its turnover of the previous calendar year.

Should Avea 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 Avea for each year. This clause is valid for the first three years following the signature date of the Agreement.

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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)

Should Avea 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 Avea for each year. This clause is valid for the first three years following the signature date of the 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 Avea given by the judicial authorities,
- Avea not performing some of its contractual obligations and not correcting such breach in the given period,
- Avea operating under the frequencies other than the ones allocated to itself by ICTA,
- Termination of Avea Concession Agreement
- Avea not performing national roaming obligation stated in the contract

In such circumstances, ICTA gives Avea the opportunity to fulfill its obligations within 90 days after the written notice. In case Avea 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, Avea 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 Avea 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.

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24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement of the Establishment and Operation of IMT2000/UMTS Infrastructures and Provision of Services (continued)

According to the Authorization Certificate;

- Avea 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.
- Avea 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, Avea shall obtain the approval of the ICTA for each assignment of Avea 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 Avea shall be subject to the approval of the ICTA.
- Avea 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 Avea 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, Avea 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.
- Avea 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.
- Avea shall pay the administrative fee at the rate and in the way determined by ICTA in accordance with the applicable law.

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24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Certificate of Rights and Obligations regarding the Installation and Operation of IMT Infrastructure and Provision of IMT Services (continued)

Coverage Area Obligations:

Following the authorization, Avea 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, Avea 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 eighth year within 2 years of its entering into service

under coverage.

Areas covered by Avea 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 Avea 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 Avea on its own and not through national roaming. However, Avea 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 Avea 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.

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24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Certificate of Rights and Obligations regarding the Installation and Operation of IMT Infrastructure and Provision of IMT Services (continued)

Service quality obligation:

Avea 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 Avea taking into account ETSI standards, ITU standards, decisions and recommendation, our national development targets, technological improvements and user requirements.

Sharing the Radio Access Network:

On condition that the provisions of the applicable law are not breached, Avea 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 Avea under the authorization and shall not constitute a reason for non-fulfilment of such obligations. Avea shall not avoid fulfilling its obligations under the authorization due to reasons arising from the sharing. Avea 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, Avea 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 Avea under this authorization, Avea 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.

Avea 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.

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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 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; Avea shall, following the authorization, be obliged to provide:

- a) At least 40% of its investments 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 Avea employed in the status of researcher at the R&D center established by Avea 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 Avea's organization or all shares of the center are owned by Avea.

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 Avea may be included in the researchers to be employed by the supplier and/or Avea 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 Avea in the network shall be interconnected through explicit interfaces.

Avea shall be obliged to materialize its investments 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.

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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 related to the hardware and software used in the network (continued)

Avea shall be obliged to supply its investments 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 Avea, which are determined to be domestic products shall be taken into account under this obligation. Avea 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 Avea 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 Avea, which are determined to be domestic products shall be taken into account under this obligation. Avea 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 Avea under the IMT-2000/UMTS Concession Agreement.

The Termination of the Authorization Certificate by ICTA

ICTA may terminate the Authorization Certificate for the following reasons;

- A bankruptcy or bankrupt's certificate decision on Avea given by the judicial authorities,
- Avea not performing some of its contractual obligations and not correcting such breach in the given period,
- Avea operating under the frequencies other than the ones allocated to itself by ICTA and not ceasing these operation within the given period,
- Termination of one of Avea's Concession Agreements signed earlier,
- Avea not performing its obligations stated in the article related to confidentiality of the communication, national security and public order

In such circumstances, ICTA gives Avea the opportunity to fulfill its obligations within 90 days after the written notice. In case Avea cannot fulfill all the obligations within this period, the Authorization Certificate will be terminated by ICTA.

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24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Certificate of Rights and Obligations regarding the Installation and Operation of IMT Infrastructure and Provision of IMT Services (continued)

The Termination of the Authorization Certificate by ICTA (continued)

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, Avea 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 Avea 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 its former personnel

Within the scope of the ongoing restructuring of the personnel organization of the Company in order to achieve the number of personnel identified, the contracts of the employees who are entitled for retirement and whose service are not needed have been terminated based on the Board of Directors Decision. Accordingly, certain number of those employees has filed re-employment lawsuits against the Company. Some of the lawsuits terminated against the Company while the remaining cases are still ongoing. Provision amounting to TL 13.987 (31 December 2015: TL 13.590) is provided as of 31 December 2016 for the ongoing cases.

Disputes between the Company and Municipalities

For contribution to the infrastructure investment and municipality share, municipalities filed against the Company and as at 31 December 2016, total provision including the nominal amount and legal interest charge which is amounting to TL 48.641 (31 December 2015: TL 47.021) is recognized.

Disputes between the Group and the ICTA

The Company has filed various lawsuits against ICTA. These lawsuits are related with the sector-specific and tariff legislations and legislations with respect to the other operators in the market. The sector-specific disputes generally stem from the objections with respect to the provisions of interconnection legislation, legislation with respect to telecommunication services and infrastructure. As of 31 December 2016, TL 52.346 provision provided for ICTA penalties and amounts to be repaid to customers due to ICTA resolutions (31 December 2015: TL 102.459).

Disputes related to Avea's SCT

The group has taken an advantage of tax amnesty and paid amounting to TL 56.231. As of 31 December 2016, no provision is recognized (31 December 2015: TL 69.729).

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24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Avea's Treasury Share investigation

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

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

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

The Company paid TL 27.795 in January 2016 including interest for amounts resulting from 3G sales and TL 4.582 in September 2016 for amounts resulting from 2G sales.

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

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

- Preliminary injunction has been received regarding the penalty accrual over 2G Concession Agreement and arbitration process has been initiated.
- A cancellation case initiated and stay of execution requested (no decision yet) regarding the claimed penalty amount over 3G Concession Agreement.

The case is pending as at 31 December 2016.

As a result of an inspection review on gross sales of Avea for the years 2009 and 2013, Undersecretariat of Treasury requested an additional payment amounting to TL 117.365 in accordance with 2G Concession Agreement and TL 66.697 in accordance with 3G Concession Agreement, claiming that "sales discounts, subscriber commitment penalties, advertisement charge outs and field usage charges should be included in Treasury Share and Contribution Share to the Universal Service calculations.

The Company has recognized a provision amounting to TL 111.554 in the consolidated financial statements for additional treasury share claim as at 31 December 2016 (31 December 2015: None).

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24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Ministry of Customs and Trade administrative fine

The Ministry of Customs and Trade conducted an audit and as a result of this inspection, an administrative fine amounting to TL 116.254 was imposed against Avea. On the subject of fine, an application has filed with The Ministry of Customs and Trade and Governorship of Istanbul for abolishment of administrative fine and the Group has filed a cancellation lawsuit against fine transaction by requesting suspension of execution.

Under the same scope of audit, an administrative fine amounting to TL 11.520 was also imposed against the Company. Similarly, the Company plans to apply to the governorship for abolishment of this fine and file a lawsuit for suspension of execution.

According to management's decision, no provision is recognized in the consolidated financial statements as of 31 December 2016 since outflow of resources embodying economic benefits will be required to settle the liability are not evaluated as probable.

Other issues

Provision has been provided in the consolidated financial statements for the probable court cases against the Group based on the lawyers' assessments. The provision for such court cases is amounting to TL 37.672 as at 31 December 2016 (31 December 2015: TL 31.900). For the rest of the cases, Group lawyers commented that basis of those cases are not realistic and should be appealed. Therefore, no provision has been provided for these cases.

25. SUPPLEMENTARY CASH FLOW INFORMATION

"Other outflows of cash" in net cash used in operating activities represents change in restricted cash. Restricted cash amount is disclosed in Note 6. "Other inflows/ (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.

26. SUBSEQUENT EVENTS

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.

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27. REVENUE

	1 January 2016 - 31 December 2016	1 January 2015 - 31 December 2015
Mobile	5.756.291	4.954.085
Broadband	4.243.836	3.767.949
Fixed voice	2.798.072	3.033.412
Corporate data	1.314.613	1.183.972
International revenue	509.792	489.955
IFRIC 12 revenue	412.516	332.355
Tv	176.913	122.854
Other	896.561	638.273
	16.108.594	14.522.855

28. OPERATING EXPENSES

	1 January 2016 - 31 December 2016	1 January 2015 - 31 December 2015
Cost of sales (-)	(8.978.131)	(7.565.517)
General administrative expenses (-)	(2.235.930)	(2.143.274)
Marketing, sales and distribution expenses (-)	(2.208.960)	(1.901.161)
Research and development expenses (-)	(93.821)	(47.304)
	(13.516.842)	(11.657.256)

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29. EXPENSES BY NATURE

	1 January 2016 – 31 December 2016	1 January 2015 – 31 December 2015
Personnel expenses	(2.787.001)	(2.491.887)
Taxes	(1.444.466)	(1.234.637)
Domestic interconnection	(1.129.938)	(1.000.670)
Commission expenses	(656.594)	(581.302)
Repair and maintenance expenses	(582.631)	(541.890)
Rent expenses	(484.429)	(434.600)
Advertisement expenses	(543.781)	(406.066)
Utilities	(395.706)	(367.542)
TFRS Interpretation 12 related fixed assets additions and capex provision expenses	(365.058)	(294.120)
Cost of sales and cost of equipment sales of technology companies	(425.098)	(329.987)
International interconnection	(302.500)	(301.035)
Outsourced services	(174.692)	(150.402)
Doubtful receivable expenses	(371.223)	(303.886)
Bill distribution expenses	(157.040)	(161.343)
Content expenses	(159.155)	(127.115)
Revenue sharing project expenses	(95.037)	(74.673)
Consulting expenses	(88.001)	(69.657)
Vehicles expenses	(40.462)	(38.565)
Court expert expenses	(35.012)	(46.985)
Promotion expenses	(80.219)	(62.619)
Management fee	(36.877)	(33.849)
Insurance expenses	(25.706)	(30.125)
Other expenses	(287.655)	(302.492)
Total operating expenses (excluding depreciation and amortization expense)	(10.668.281)	(9.385.447)
Depreciation, amortization	(2.796.343)	(2.235.298)
Impairment expenses	(52.218)	(36.511)
Total operating expenses	(13.516.842)	(11.657.256)

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30. OTHER OPERATING INCOME / (EXPENSES)

	1 January 2016 - 31 December 2016	1 January 2015 - 31 December 2015
Interest and discount gains	100.320	274.448
Foreign exchange gains	75.770	116.909
Indemnity income	28.292	24.825
Rental income	20.957	15.432
Income from litigation	261	126.565
Commissions income	935	3.979
Curtailement and settlement gain	5.893	-
Other	91.435	60.058
Other operating income	323.863	622.216
Litigation provision compensation and penalty expenses	(136.179)	(55.697)
Foreign exchange losses	(436.730)	(131.528)
Interest expenses on employee benefit obligations (Note 21)	(60.465)	(50.973)
Interest expenses on litigation provision	(24.914)	(40.796)
Special consumption tax and other expenses	(4.306)	(2.700)
Interest and discount losses	(85.207)	(65.187)
Other	(27.830)	(101.446)
Other operating expense (-)	(775.631)	(448.327)

31. INCOME/(EXPENSE) FROM INVESTING ACTIVITIES

	1 January 2016 - 31 December 2016	1 January 2015 - 31 December 2015
Gain from scrap sales	47.149	43.279
Gain on sales of property, plant and equipment	12.891	97.730
Income from investing activities	60.040	141.009
Losses from sales on property, plant and equipment	(4.048)	(15.518)
Expense from investing activities (-)	(4.048)	(15.518)

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32. FINANCIAL INCOME / (EXPENSE)

	1 January 2016 - 31 December 2016	1 January 2015 - 31 December 2015
Foreign exchange gains	93.647	-
Gain on derivative instruments	444.231	366.779
Interest income on bank deposits and delay charges	125.893	157.593
Other	988	14.547
Financial Income	664.759	538.919
Foreign exchange losses	(2.438.672)	(1.875.651)
Interest expense	(501.252)	(404.345)
Loss on derivative instruments	(254.800)	(135.184)
Other	(62.572)	(27.437)
Financial expenses	(3.257.296)	(2.442.617)
Financial expenses, net	(2.592.537)	(1.903.698)

33. TAXATION ON INCOME

	31 December 2016	31 December 2015
Corporate tax payable:		
Current corporate tax provision	395.175	326.777
Prepaid taxes and funds (-)	(377.246)	(144.274)
Tax payable	17.929	182.503
	1 January 2016 - 31 December 2016	1 January 2015 - 31 December 2015
Tax expense:		
Current tax expense:		
Current income tax expense	(405.776)	(333.260)
Adjustments in respect of income tax of previous year	(8)	22.504
Deferred tax (expense) / income	78.005	(87.675)
	(327.779)	(398.431)

As of 31 December 2016 deferred tax income amounting to TL 13.383 (31 December 2015: TL 26.746) and current tax expense amounting to TL 10.602 (31 December 2015: TL 6.484) are recognized in the consolidated statement of other comprehensive income.

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33. TAXATION ON INCOME (CONTINUED)

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. In Turkey, the corporation tax rate is 20% (2015 : 20%). 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. The tax legislation provides for a temporary tax of 20% (2015 : 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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.

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, immovable property, preferential rights, founders' shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax. 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.

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33. TAXATION ON INCOME (CONTINUED)

The reconciliation between tax expense and the product of accounting profit multiplied by applicable tax is as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Profit before tax	(396.561)	1.261.281
Tax at the corporate tax rate of (20%)	(79.312)	252.256
Tax effects of:		
- expenses that are not deductible in determining taxable profit	62.983	27.541
- tax rate difference of subsidiaries	(720)	1.485
- deferred tax asset recognition from cash capital increase	(38.950)	-
- deferred tax asset recognized / derecognized from previous years' tax losses carried forward by subsidiaries	16.416	(28.758)
- adjustments and tax losses of subsidiaries not subject to deferred tax	367.362	145.907
Tax expense for the year	327.779	398.430

Investment Incentives

Avea has obtained investment incentive certificates from the Turkish government authorities in connection with certain major capital expenditures, which entitle Avea, 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 2016, investment allowances amount to TL 6.661.406 (2015: TL 6.370.229). Unrecognized deferred tax asset is TL 79.461 (2015 : TL 72.889).

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, Avea may utilize those unused incentive in the future.

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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.

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 2016							
Maximum credit risk exposed to as at 31 December 2015 (A+B+C+D+E)	26.193	4.160.646	-	86.818	3.016.008	652.798	-
- Guaranteed portion of the maximum risk	-	34.084	-	-	-	-	-
A. Carrying amount of financial assets not overdue or not impaired	26.193	2.965.394	-	86.818	3.016.008	652.798	-
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	-	1.195.252	-	-	-	-	-
-Amount secured via guarantees	-	-	-	-	-	-	-
D. Carrying amount of assets impaired	-	-	-	-	-	-	-
-Overdue (gross book value)	-	2.373.313	-	23.840	-	-	-
-Impairment (-)	-	(2.373.313)	-	(23.840)	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-	-

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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 2015							
Maximum credit risk exposed to as at 31 December 2014 (A+B+C+D+E)	6.504	3.843.609	-	114.681	2.837.454	433.769	-
- Guaranteed portion of the maximum risk	-	29.831	-	-	-	-	-
A. Carrying amount of financial assets not overdue or not impaired	6.504	2.710.560	-	114.681	2.837.454	433.769	-
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	-	1.133.049	-	-	-	-	-
-Amount secured via guarantees	-	-	-	-	-	-	-
D. Carrying amount of assets impaired	-	-	-	-	-	-	-
-Overdue (gross book value)	-	2.002.146	-	24.433	-	-	-
-Impairment (-)	-	(2.002.146)	-	(24.433)	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-	-

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 2016, there is no significant credit risk of Company. 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.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2016 and 2015 based on contractual undiscounted payments (including interest payments not due yet).

Contract based maturities as at 31 December 2016	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	15.039.006	17.447.302	535.384	1.772.881	11.702.567	3.436.471
Obligations under finance leases	2.173	2.179	152	456	1.571	-
Trade payables	4.606.068	4.595.288	2.929.286	1.514.882	151.120	-
Other payables ⁽¹⁾	1.321.626	1.570.053	942.680	-	627.374	-
Related parties	8.812	8.812	6.110	2.702	-	-
Derivative financial liabilities (net)	385.968	385.968	71.577	33.290	153.107	127.994

Contract based maturities as at 31 December 2015	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	11.793.697	13.086.804	413.493	2.496.246	7.562.841	2.614.224
Obligations under finance leases	9.032	9.228	2.362	5.864	1.002	-
Trade payables	4.792.699	4.899.905	2.099.040	1.812.515	988.350	-
Other payables ⁽¹⁾	1.269.743	1.755.386	924.141	-	831.245	-
Related parties	10.745	7.585	7.585	-	-	-
Minority put option liability	-	-	-	-	-	-
Derivative financial liabilities (net)	265.584	265.584	18.506	26.290	112.960	107.828

⁽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.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**Market risk****Foreign Currency Risk**

	31 December 2016				31 December 2015					
	TL Equivalent	US Dollar	Euro	GBP	Other	TL Equivalent	USD	Euro	GBP	Other
1. Trade receivables	166.761	25.518	20.700	-	172	141.338	16.822	28.505	-	2.387
2a. Monetary financial assets (Cash and banks accounts included)	720.277	139.625	61.702	-	-	1.935.008	374.424	266.343	-	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
3. Other	69.413	1.789	17.011	1	-	62.369	2.793	17.072	-	-
4. Current assets (1+2+3)	956.451	166.932	99.413	1	172	2.138.715	394.039	311.920	-	2.387
5. Trade receivables	5.723	956	110	-	2.081	1	-	-	-	-
6a. Monetary financial assets	58.158	14.612	1.816	-	-	50.792	11.685	5.292	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
7. Other	682	39	147	-	-	399	-	126	-	-
8. Non-current assets (5+6+7)	64.563	15.607	2.073	-	2.081	51.192	11.685	5.418	-	-
9. Total assets (4+8)	1.021.014	182.539	101.486	1	2.254	2.189.907	405.724	317.338	-	2.387
10. Trade payables	2.798.874	413.637	362.013	39	3	3.928.748	357.052	908.998	499	3
11. Financial liabilities	1.914.891	370.338	164.793	43	-	2.381.870	649.720	162.404	132	-
12a. Monetary other liabilities	24.661	3.102	3.705	-	-	23.197	2.454	5.055	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-
13. Short-term liabilities (10+11+12)	4.738.426	787.077	530.511	82	3	6.333.815	1.009.226	1.076.457	631	3
14. Trade payables	85.104	93	22.851	-	-	747.580	58	235.213	-	-
15. Financial liabilities	13.051.776	2.639.936	1.013.859	-	-	9.322.821	2.483.376	661.555	-	-
16 a. Monetary other liabilities	241.623	43.307	24.048	-	-	87.060	-	27.398	-	-
16 b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	13.378.503	2.683.336	1.060.758	-	-	10.157.461	2.483.434	924.166	-	-
18. Total liabilities (13+17)	18.116.929	3.470.413	1.591.269	82	3	16.491.276	3.492.660	2.000.623	631	3
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	3.996.371	1.205.000	(540.140)	-	-	1.532.716	1.000.000	(432.680)	-	-
19a. Total asset amount hedged	-	-	-	-	-	-	-	-	-	-
19b. Total liability amount hedged	(3.996.371)	(1.205.000)	540.140	-	-	(1.532.716)	(1.000.000)	432.680	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	(13.099.544)	(2.082.874)	(2.029.922)	(80)	2.251	(12.768.653)	(2.086.937)	(2.115.965)	(631)	2.384
21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.823) (=1+2a+5+6a-10-11-12a-14-15-16a)	(17.166.010)	(3.289.702)	(1.506.941)	(82)	2.251	(14.364.137)	(3.089.730)	(1.700.483)	(631)	2.384
22. Fair value of FX swap financial instruments	367.841	104.524	-	-	-	284.094	89.052	7.920	-	-
23. Hedged amount of foreign currency assets	(3.996.371)	(1.205.000)	540.140	-	-	(1.532.716)	(1.000.000)	432.680	-	-
24. Hedged amount of foreign currency liabilities	(3.996.371)	(1.205.000)	540.140	-	-	(1.532.716)	(1.000.000)	432.680	-	-

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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 2016	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	(1.157.069)	1.157.069	-	-
2- Hedged portion of USD risk (-) ⁽¹⁾	(18.169)	(8.359)	-	-
3- USD net effect (1+2)	(1.175.238)	1.148.710	-	-
Appreciation of Euro against TL by 10%:				
4- Euro net asset/liability	(552.694)	552.694	(24.443)	(4.365)
5- Hedged portion of Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	(552.693)	552.693	(24.443)	(4.365)
Appreciation of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	176	(176)	-	-
8- Hedged portion of other foreign currency (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	176	(176)	-	-
Total (3+6+9)	(1.727.756)	1.701.228	(24.443)	(4.365)

⁽¹⁾ Including the fair value changes of cross currency swap and option contracts.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

31 December 2015	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	(897.221)	897.221	-	-
2- Hedged portion of USD risk (-)	290.760	(290.760)	-	-
3- USD net effect (1+2)	(606.461)	606.461	-	-
Appreciation of Euro against TL by 10%:				
4- Euro net asset/liability	(532.829)	532.829	-	-
5- Hedged portion of Euro risk (-)	(137.488)	137.488	-	-
6- Euro net effect (4+5)	(670.317)	670.317	-	-
Appreciation of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	(78)	78	-	-
8- Hedged portion of other foreign currency (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	(78)	78	-	-
Total (3+6+9)	(1.276.856)	1.276.856	-	-

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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).

The interest rate risk table is presented below:

	31 December 2016	31 December 2015
Financial instruments with fixed interest rate		
Financial assets	2.100.430	2.410.835
Financial liabilities	(3.969.199)	(3.613.397)
	(1.868.769)	(1.202.562)
Effect of interest rate and cross currency swaps	(5.114.134)	(3.052.980)
	(6.982.903)	(4.255.542)
Financial instruments with variable interest rate		
Financial liabilities	(11.069.807)	(8.180.299)
Effect of interest rate and cross currency swaps	5.114.134	3.052.980
	(5.955.673)	(5.127.319)

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 7.147 (31 December 2015: TL 8.018) 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 4.807 (31 December 2015: TL 8.002) as of 31 December 2016.

On the other side because of hedging, if the base point of interest rate higher/lower 0.25%, equity would be higher by TL 45.991 (31 December 2015: TL 44.951), if the base point of interest rate lower 0,25%, equity would be lower by TL 46.792 (31 December 2015: TL 45.852).

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.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

	Carrying amount		Fair value	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Financial assets				
Cash and cash equivalents	3.016.366	2.837.786	3.016.366	2.837.786
Trade and other receivables (including related parties)	4.273.657	3.964.794	4.273.657	3.964.794
Other financial investments ^(*)	11.840	11.840	(*)	(*)
Derivative financial assets	652.798	433.769	652.798	433.769
Financial liabilities				
Bank borrowings	11.539.249	8.906.437	11.538.927	8.905.625
Bills, bonds and notes issued	3.499.757	2.887.259	3.393.503	2.793.917
Financial leasing liabilities	2.173	9.031	2.173	9.031
Trade payables and other liabilities (including related parties) ^(**)	5.950.127	6.469.988	5.950.127	6.469.988
Derivative financial liabilities	385.968	265.584	385.968	265.584

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

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

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

Fair value hierarchy table as at 31 December 2016 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 2016	601.401	-	601.401	-
Interest rate swaps	31 December 2016	51.397	-	51.397	-
Financial liabilities measured at fair value:					
Derivative Financial Liabilities:					
Interest rate swaps	31 December 2016	152.408	-	152.408	-
Cross currency swaps	31 December 2016	233.560	-	233.560	-
Other financial liabilities not measured at fair value					
Bank loans	31 December 2016	11.538.927	-	11.538.927	-
Bills, bonds and notes issued	31 December 2016	3.393.503	3.393.503	-	-

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

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

Capital management policies

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. No changes were made in the objectives, policies or processes during the years 2016 and 2015.

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.

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.

Glossary

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 pre-paid 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.

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.

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.

Glossary

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.

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.

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.

Glossary

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.

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, payphones 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 80km and a bandwidth of up to 75bps.

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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