Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries
30 September 2017

Interim Condensed Consolidated Financial Statements As At and For The Nine Month Period Ended 30 September 2017

24 October 2017

This report contains 43 pages of financial statements and explanatory notes.

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Review Report on Interim Consolidated Financial Information

To the Board of Directors of Türk Telekomünikasyon Anonim Şirketi,

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Türk Telekomünikasyon Anonim Şirketi and its subsidiaries (the "Group") as at 30 September 2017, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with Turkish Accounting Standards 34 *Interim Financial Reporting* ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity".* A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34 *Interim Financial Reporting.*

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Murat Alsan, SMMM
Partner

24 October 2017
İstanbul, TÜRKİYE

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017
(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)

		Current period	Prior period
		Unaudited	Audited
	Notes	30 September 2017	31 December 2016
Assets			
Current assets		**9.328.350**	**9.235.517**
Cash and cash equivalents	*6*	2.760.551	3.016.366
Trade receivables			
- Due from related parties	*8*	22.624	26.193
- Trade receivables from third parties	*9*	4.729.338	4.118.551
Other receivables			
- Other receivables from third parties		63.025	52.933
Derivative financial instruments	*16*	501.361	601.401
Inventories		360.646	310.298
Prepaid expenses		455.547	324.367
Current tax related assets		33.236	184.985
Other current assets	*12*	364.661	563.062
		9.290.989	**9.198.156**
Assets held for sale		37.361	37.361
Non-current assets		**17.190.200**	**17.638.934**
Financial investments		11.840	11.840
Trade receivables			
- Trade receivables from third parties	*9*	76.620	42.095
Other receivables			
- Other receivables from third parties		37.980	33.885
Derivative financial instruments	*16*	55.315	51.397
Investment property		22.922	24.559
Property, plant and equipment		8.339.158	8.685.917
Intangible assets			
-Goodwill		44.944	44.944
-Other intangible assets		8.148.481	8.341.272
Prepaid expenses		86.673	58.725
Deferred tax assets		326.864	316.213
Other non-current assets		39.403	28.087
Total assets		**26.518.550**	**26.874.451**

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

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

		Current period	**Prior period**
		Unaudited	**Audited**
	Notes	**30 September 2017**	**31 December 2016**
Liabilities			
Current liabilities		**6.636.432**	**8.351.705**
Financial liabilities			
- Bank borrowings	*7*	154.484	72.574
Short term portion of long term financial liabilities			
- Bank borrowings	*7*	1.754.448	1.897.421
- Obligations under finance leases		576	603
- Bills, bonds and notes issued	*7*	58.948	17.235
Trade payables			
- Due to related parties	*8*	1.831	8.812
- Trade payables to third parties	*9*	2.728.080	4.522.389
Employee benefit obligations	*12*	219.402	203.233
Other payables			
- Other payables to third parties		805.543	739.920
Derivative financial instruments	*16*	162.160	233.560
Deferred revenue		200.252	160.829
Income tax payable		88.261	17.929
Short term provisions			
-Short term provisions for employee benefits	*11*	153.975	165.862
-Other short term provisions	*11*	247.572	264.200
Other current liabilities	*12*	60.900	47.138
Non-current liabilities		**15.233.339**	**15.136.125**
Financial liabilities			
- Bank borrowings	*7*	9.912.959	9.569.254
- Obligations under finance leases		1.999	1.570
- Bills, bonds and notes issued	*7*	3.515.079	3.482.522
Trade payables			
- Trade payables to third parties	*9*	–	83.679
Other payables			
- Other payables to third parties		352.385	494.176
Derivative financial instruments	*16*	150.645	152.408
Deferred revenue		346.635	305.200
Long term provisions			
-Long term provisions for employee benefits	*11*	758.546	783.401
-Other long-term provisions	*11*	8.020	7.887
Deferred tax liability		187.071	256.028
Equity		**4.648.779**	**3.386.621**
Paid-in share capital		3.500.000	3.500.000
Inflation adjustments to paid in capital (-)		(239.752)	(239.752)
Share based payments (-)		9.528	9.528
Other comprehensive income / expense items not to be reclassified to profit or loss			
-Actuarial loss arising from employee benefits		(508.459)	(493.990)
Other comprehensive income/expense items to be reclassified to profit or loss			
-Hedging reserves		(291.525)	(245.564)
-Foreign currency translation reserve		173.056	99.405
Restricted reserves allocated from profits		2.355.969	2.355.969
Other reserves		(1.320.942)	(1.320.942)
(Accumulated losses) / retained earnings		(278.033)	446.307
Net profit /(loss) for the period		1.248.937	(724.340)
Total liabilities and equity		**26.518.550**	**26.874.451**

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

	Notes	**Current Period Unaudited 1 January - 30 September 2017**	**Current Period Unaudited 1 July - 30 September 2017**	**Prior Period Unaudited 1 January - 30 September 2016**	**Prior Period Unaudited 1 July - 30 September 2016**
Sales	*5*	13.339.901	4.531.917	11.858.955	4.118.039
Cost of sales (-)		(7.276.995)	(2.435.858)	(6.558.053)	(2.309.770)
Gross profit		**6.062.906**	**2.096.059**	**5.300.902**	**1.808.269**
General administrative expenses (-)		(1.614.395)	(536.814)	(1.684.876)	(584.222)
Marketing, sales and distribution expenses (-)		(1.747.301)	(601.646)	(1.640.606)	(484.433)
Research and development expenses (-)		(84.396)	(26.822)	(65.693)	(16.153)
Other operating income		203.901	68.418	168.315	18.046
Other operating expense (-)		(262.855)	(79.123)	(256.847)	(95.960)
Operating profit		**2.557.860**	**920.072**	**1.821.195**	**645.547**
Income from investing activities		99.340	40.099	42.457	12.015
Expense from investing activities (-)		(5.717)	(1.425)	(1.965)	(1.551)
Operating profit before financial expenses		**2.651.483**	**958.746**	**1.861.687**	**656.011**
Financial income		545.521	88.768	330.076	99.019
Financial expense (-)		(1.370.145)	(593.323)	(1.065.551)	(617.398)
Profit before tax	*5*	**1.826.859**	**454.191**	**1.126.212**	**137.632**
Tax expense					
- Current tax expense		(654.448)	(216.763)	(511.716)	(179.855)
- Deferred tax income		76.526	56.056	49.494	50.907
Profit for the year		**1.248.937**	**293.484**	**663.990**	**8.684**
Earnings per shares attributable to equity holders of the parent from (in full Kuruş)	*4*	0,3568	0,0839	0,1897	0,0025
Earnings per diluted shares attributable to equity holders of the parent from (in full Kuruş)	*4*	0,3568	0,0839	0,1897	0,0025

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

	Notes	**Current Period Unaudited 1 January - 30 September 2017**	**Current Period Unaudited 1 July - 30 September 2017**	**Prior Period Unaudited 1 January - 30 September 2016**	**Prior Period Unaudited 1 July - 30 September 2016**
Profit for the period		**1.248.937**	**293.484**	**663.990**	**8.684**
Other comprehensive income items not to be reclassified to profit / (loss):					
Items not to be reclassified to profit or loss:					
Actuarial loss from employee benefits	*11*	(18.004)	(5.009)	(31.069)	(5.896)
-Tax effect of actuarial loss from employee benefits		3.535	1.002	6.063	1.179
Other comprehensive income items to be reclassified to profit or loss:					
Change in foreign currency translation differences		73.651	22.715	18.999	14.943
Cash flow hedges-effective portion of changes in fair value	*16*	924	12.845	(128.756)	38.524
Hedge of net investment in a foreign operation		(58.375)	(22.711)	(18.244)	(14.709)
Tax effect on other comprehensive income items to be reclassified to profit or loss		11.490	1.973	29.400	(4.763)
-Tax effect of cash flow hedges-effective portion of changes in fair value		(185)	(2.569)	25.751	(7.705)
-Tax effect of hedge of net investment in a foreign operation		11.675	4.542	3.649	2.942
Other comprehensive income / (loss), net of tax		**13.221**	**10.815**	**(123.607)**	**29.278**
Total comprehensive income		**1.262.158**	**304.299**	**540.383**	**37.962**

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 *(Currency in thousands of Turkish Lira (“TL”) unless otherwise stated, all other currencies are also disclosed in thousands)*

					Other comprehensive income items not to be reclassified to profit or loss in subsequent periods	Other comprehensive income items to be reclassified to profit or loss in subsequent periods				Retained earnings / (losses)		
					Gains/(losses) on revaluation and re-measurement	Reserve of gains/(losses) on hedging						
	Paid-in share capital	**Inflation adjustment to paid in capital**	**Share based payment reserve**	**Other gains / (losses)**	**Actuarial loss arising from employee benefits**	**Gains or losses on hedges of net investment in foreign operations**	**Cash flow hedge reserve**	**Foreign currency translation reserve**	**Restricted reserves allocated from profits**	**Retained earnings /(losses)**	**Net profit / (loss) for the period**	**Equity**
Balance at 1 January 2016	**3.500.000**	**(239.752)**	**9.528**	**(1.320.942)**	**(434.385)**	**(89.537)**	**(119.109)**	**44.430**	**2.289.384**	**446.307**	**907.444**	**4.993.368**
Transfers	–	–	–	–	–	–	–	–	66.585	–	(66.585)	–
Total comprehensive income	–	–	–	–	(25.006)	(14.595)	(103.005)	18.999	–	–	663.990	540.383
Profit for period	–	–	–	–	–	–	–	–	–	–	*663.990*	663.990
Other comprehensive income	–	–	–	–	*(25.006)*	*(14.595)*	*(103.005)*	*18.999*	–	–	–	(123.607)
Dividends paid	–	–	–	–	–	–	–	–	–	–	(840.859)	(840.859)
Balance at 30 September 2016	**3.500.000**	**(239.752)**	**9.528**	**(1.320.942)**	**(459.391)**	**(104.132)**	**(222.114)**	**63.429**	**2.355.969**	**446.307**	**663.990**	**4.692.892**
Balance at 1 January 2017	**3.500.000**	**(239.752)**	**9.528**	**(1.320.942)**	**(493.990)**	**(131.944)**	**(113.620)**	**99.405**	**2.355.969**	**446.307**	**(724.340)**	**3.386.621**
Transfers	–	–	–	–	–	–	–	–	–	(724.340)	724.340	–
Total comprehensive income	–	–	–	–	(14.469)	(46.700)	739	73.651	–	–	1.248.937	1.262.158
Profit for period	–	–	–	–	–	–	–	–	–	–	*1.248.937*	1.248.937
Other comprehensive income	–	–	–	–	*(14.469)*	*(46.700)*	*739*	*73.651*	–	–	–	13.221
Balance at 30 September 2017	**3.500.000**	**(239.752)**	**9.528**	**(1.320.942)**	**(508.459)**	**(178.644)**	**(112.881)**	**173.056**	**2.355.969**	**(278.033)**	**1.248.937**	**4.648.779**

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

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

		Current Period	Prior Period
		Unaudited	Unaudited
	Notes	1 January - 30 September 2017	1 January - 30 September 2016
Net profit for the period		1.248.937	663.990
Adjustments to reconcile net profit to cash provided by operating activities:			
Adjustments for depreciation and amortisation expense		2.156.922	2.051.182
Adjustments for impairment loss / (reversal of impairment loss)		400.021	305.674
- Adjustments for impairement loss of receivables		*339.422*	*280.262*
- Adjustments for impairment loss of ınventories		*10.215*	*4.521*
- Adjustments for impairment loss of property, plant and equipment		*50.384*	*20.891*
Adjustments for provisions		236.680	197.497
- Adjustments for provisions related with employee benefits		*200.704*	*204.061*
- Adjustments for reversal of lawsuit and/or penalty provisions		*35.843*	*(6.697)*
- Adjustments for other provisions		*133*	*133*
Adjustments for interest expenses and income		263.201	313.038
- Adjustments for interest expense and income		*231.081*	*257.866*
- Deferred financial expenses from credit purchases		*32.120*	*55.172*
Adjustments for unrealised foreign exchange losses		577.880	332.779
Adjustments for fair value losses /(gain)		4.095	(1.379)
- Adjustments for fair value gains on derivative financial instruments		*4.095*	*(1.379)*
Adjustments for tax expenses		577.922	462.222
Adjustments for gains arised from sale of tangible assets		(93.623)	(40.492)
Other adjustments for non-cash items		(56.437)	(38.471)
Operating profit before working capital changes		**5.315.598**	**4.246.040**
Changes in working capital:			
Adjustments for increase in trade receivable		(949.250)	(592.732)
Adjustments for increase in inventories		(60.563)	(103.598)
Adjustments for increase / (decrease) in trade payable		(898.797)	15.450
Decrease in other third party receivables related with operations		36.702	14.709
Increase / (decrease) in other operating payables to third parties		151.886	(31.380)
Cash flow from operating activities:			
Interest received		78.087	73.254
Payments related with employee benefits	*11*	(255.621)	(295.999)
Payments related with other provisions	*11*	(53.026)	(62.498)
Income taxes paid		(435.341)	(532.685)
Other outflows of cash		(48.384)	(40.332)
Net cash from operating activities		**2.881.291**	**2.690.229**
Investing activities			
Payments related to liabilities arising from acquisition of non-controlling interests		(205.000)	(27.500)
Proceeds from sale of property, plant, equipment and intangible assets		112.296	50.318
Purchases of property, plant, equipment and intangible assets		(2.510.417)	(2.724.478)
Net cash used in investing activities		**(2.603.121)**	**(2.701.660)**
Cash flows from financing activities			
Proceeds from loans		584.053	2.819.060
Repayments of borrowings		(1.009.089)	(1.519.881)
- Loan repayments		*(1.009.089)*	*(1.519.881)*
Payments of finance lease liabilities		(33)	(7.856)
Cash inflows /(outflows) from derivative instruments		19.788	(10.678)
Dividends paid	*15*	–	(840.859)
Interest paid		(272.481)	(262.195)
Interest received		121.448	83.460
Other cash outflows, net		(36.163)	(46.988)
Net cash (used in)/from financing activities		**(592.477)**	**214.063**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES		(314.307)	202.632
EFFECT OF CHANGES IN FOREING EXCHANGE RATES IN CASH AND CASH EQUIVALENTS		10.108	69.404
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		2.616.297	2.514.385
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	*6*	**2.312.098**	**2.786.421**

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

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 September 2017 and 31 December 2016, 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.

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

1. REPORTING ENTITY (CONTINUED)

The details of the Company's subsidiaries as at 30 September 2017 and 31 December 2016 are as follows:

				Effective ownership of the Company (%)	
Name of Subsidiary	**Place of incorporation and operation**	**Principal activity**	**Functional Currency**	**30 September 2017**	**31 December 2016**
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
Assistt Rehberlik ve Müşteri Hizmetleri Anonim Şirketi ("AssisTT")	Turkey	Call center and customer relations	Turkish Lira	100	100
Sebit Eğitim ve Bilgi Teknolojileri A.Ş.("Sebit")	Turkey	Web Based Learning	Turkish Lira	100	100
NETSIA Inc.	USA	Telecommunications solutions	U.S. Dollar	100	100
Sebit LLC	USA	Web based learning	U.S. Dollar	100	100
TT International Holding B.V.("TT International") (*)	Netherlands	Holding company	Euro	100	100
Türk Telekom International AG ("TTINT Austria")(*)	Austria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Hu Kft (TTINT Hungary)(*)	Hungary	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
S.C. Euroweb Romania S.A.("TTINT Romania") (*)	Romania	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Bulgaria EODD ("TTINT Bulgaria")(*)	Bulgaria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International CZ s.r.o ("TTINT Czech Republic") (*)	Czech Republic	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT Telcomd.o.o Beograd ("TTINT Serbia") (*)	Serbia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT Telcomunikacijed.o.o ("TTINT Slovenia") (*)	Slovenia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International SK s.r.o ("TTINT Slovakia") (*)	Slovakia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TT International Telekomünikasyon Sanayi ve Ticaret Limited Şirketi ("TTINT Turkey") (*)	Turkey	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International UA TOV ("TTINT Ukraine") (*)	Ukraine	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Italy S.R.L. (TTINT Italy) (*)	Italy	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT International DOOEL Skopje("TTINT Macedonia") (*)	Macedonia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International LLC ("TTINT Russia") (*)	Russia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekomunikasyon Euro Gmbh. ("TT Euro") (*)	Germany	Mobil service marketing	Euro	100	100
Türk Telekom International d.o.o.(*)	Croatia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International HK Limited (*)	Hong Kong	Internet/data services, infrastructure and wholesale voice services provider	H.K. Dollar	100	100
Net Ekran TV ve Medya Hiz. A.Ş. ("Net Ekran")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
TTES Elektrik Tedarik Satış A.Ş.("TTES")	Turkey	Electrical energy trading	Turkish Lira	100	100
TT Euro Belgium S.A. (*)	Belgium	Mobile service marketing	Euro	100	100
TT Ödeme Hizmetleri A.Ş.	Turkey	Mobile finance	Turkish Lira	100	100
Net Ekran1 TV ve Medya Hiz. A.Ş. ("Net Ekran1")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran2 TV ve Medya Hiz. A.Ş. ("Net Ekran2")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran3 TV ve Medya Hiz. A.Ş. ("Net Ekran3")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran4 TV ve Medya Hiz. A.Ş. ("Net Ekran4")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran5 TV ve Medya Hiz. A.Ş. ("Net Ekran5")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran6 TV ve Medya Hiz. A.Ş. ("Net Ekran6")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran7 TV ve Medya Hiz. A.Ş. ("Net Ekran7")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran8 TV ve Medya Hiz. A.Ş. ("Net Ekran8")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran9 TV ve Medya Hiz. A.Ş. ("Net Ekran9")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran10 TV ve Medya Hiz. A.Ş. ("Net Ekran10")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran11 TV ve Medya Hiz. A.Ş. ("Net Ekran11")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran12 TV ve Medya Hiz. A.Ş. ("Net Ekran12")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran13 TV ve Medya Hiz. A.Ş. ("Net Ekran13")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran14 TV ve Medya Hiz. A.Ş. ("Net Ekran14")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran15 TV ve Medya Hiz. A.Ş. ("Net Ekran15")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran16 TV ve Medya Hiz. A.Ş. ("Net Ekran16")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
11818 Rehberlik ve Müşteri Hizmetleri A.Ş. ("11818")	Turkey	Call center and customer relations	Turkish Lira	100	100

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

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 30 September 2017 is 11.804 (31 December 2016: 11.681) and the number of personnel not subject to collective agreement as at 30 September 2017 is 21.291 (31 December 2016: 21.543). The total number of personnel as at 30 September 2017 and 31 December 2016 are 33.095 and 33.224, respectively.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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

a) Statement of compliance with TAS

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

For the nine month period ended 30 September 2017, the Group prepared its interim condensed consolidated financial statements in accordance with the Turkish Accounting Standard No.34 "Interim Financial Reporting". Interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group's annual financial statements, as at 31 December 2016.

b) Preparation of financial statements

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

The accompanying consolidated financial statements are approved by the Company's Board of Directors on 24 October 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

d) Basis of measurement

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

e) Functional and presentation currency

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

Functional currencies of the subsidiaries are presented in Note 1.

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

f) Significant accounting assessments, estimates and assumptions

In order to prepare financial statements in accordance with TMS, certain assumptions affecting notes to the financial statements and critical accounting estimations related to assets, liabilities, contingent assets and contingent liabilities are required to be used. Although these estimations are made upon the best afford of the management by interpreting the cyclical circumstances, actual results may differ from the forecasts. Issues that are complex and needs further interpretation, which might have a critical impact on financial statements. There is no change in judgments and critical accounting estimates compared to prior year used in interim condensed consolidated financial statements as 30 September 2017.

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

Determination of fair values (continued)

***ii*) Derivatives**

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

***iii)* Bills, bonds and notes issued**

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

***iv*) Other non-derivative financial liabilities**

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

2.2 Summary of significant accounting policies

Standards issued but not yet effective and not early adopted

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

TFRS 9 Financial Instruments (2017 version)

TFRS 9 Financial Instruments, has been published in January 2017, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. This version includes referrals in earlier versions of TFRS 9 and revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. TFRS 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 consolidated financial position or performance of the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

Standards issued but not yet effective and not early adopted (continued)

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 effects on the Group's consolidated financial statements from implementation of the standard will be attributable to identification of separate performance obligations in the contracts, determination of the transaction price and its allocation to performance obligations on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract as well as capitalization and amortisation of incremental costs of obtaining a contract with a customer over the period during which the economic benefits are expected from that contract. The Company plans to apply the standard retrospectively with the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings recognised at 1 January 2018. Prior period comperative financial statements will not be restated.

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 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 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

Standards issued but not yet effective and not early adopted (continued)

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

Amendments to IAS 7 Statement of Cash Flows – 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 consolidated financial statements. The amendments will require disclosures that enable users of consolidated 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 assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 7.

Amendments to IAS 12 Income Taxes– 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 assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 12.

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

Standards issued but not yet effective and not early adopted (continued)

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

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.

IFRIC 23 –Uncertainty over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 23.

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Group does not expect that application of IFRS 17 will have significant impact on its consolidated financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

Standards issued but not yet effective and not early adopted (continued)

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments for IFRS 12 are effective as of 1 January 2017, and other 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.

Annual Improvements 2014- 2016

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 within the context of 'Annual Improvements to IFRSs 2012-2014 Cycle' related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

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.

3. SEASONAL CHANGES IN THE OPERATIONS

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

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

4. EARNINGS PER SHARE

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Weighted average number of ordinary shares outstanding during the year	350.000.000.000	350.000.000.000	350.000.000.000	350.000.000.000
Net profit for the period attributable to equity holders of the Company	1.248.937	293.484	663.990	8.684
Basic and earnings per share (in full kuruş)	0,3568	0,0839	0,1897	0,0025

5. SEGMENT REPORTING

The Group has two main segments: Fixed line and GSM. Fixed line services are provided by Türk Telekom, TTNet, Argela, Innova, Sebit, AssisTT, TTES and TTINT Group whereas GSM 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, balance sheet items are presented below:

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

5. SEGMENT REPORTING (CONTINUED)

	Fixed line		Mobile		Intra-group eliminations and consolidated adjustments		Consolidated	
	1 January - 30 September 2017	1 January - 30 September 2016	1 January - 30 September 2017	1 January - 30 September 2016	1 January - 30 September 2017	1 January - 30 September 2016	1 January - 30 September 2017	1 January - 30 September 2016
Revenue	9.367.965	8.460.312	4.979.147	4.263.394	(1.007.211)	(864.751)	13.339.901	11.858.955
Contributive revenue (*)	8.429.495	7.659.801	4.910.406	4.199.155	−	−	13.339.901	11.858.955
Contributive EBITDA (**)	3.563.710	3.198.540	1.363.530	837.170	−	−	4.927.240	4.035.710
Capital expenditure (***)	1.149.794	1.177.447	358.822	908.386	(9.898)	(22.113)	1.498.718	2.063.721

	Fixed line		Mobile		Intra-group eliminations and consolidated adjustments		Consolidated	
	1 July - 30 September 2017	1 July - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Revenue	3.136.313	2.974.761	1.733.900	1.499.510	(338.296)	(356.233)	4.531.917	4.118.039
Contribution to the consolidated revenue (*)	2.825.787	2.643.345	1.706.130	1.474.694	−	−	4.531.917	4.118.039
Contribution to the consolidated EBITDA (**)	1.229.545	1.136.601	457.785	315.420	−	−	1.687.330	1.452.021
Capital expenditure (***)	436.524	525.543	123.417	141.658	(6.062)	(1.316)	553.879	665.885

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

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

(***) Capital expenditures do not include TL 56.304 (30 September 2016: TL 38.471) amounted profit margin which is capitalized on intangible assets that are accounted within the scope of TFRS Interpretation 12.

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

5. SEGMENT REPORTING (CONTINUED)

	1 January - 30 September 2017	**1 July - 30 September 2017**	**1 January - 30 September 2016**	**1 July - 30 September 2016**
Fixed line contributive EBITDA	3.563.710	1.229.545	3.198.540	1.136.601
Mobile contributive EBITDA	1.363.530	457.785	837.170	315.420
EBITDA	**4.927.240**	**1.687.330**	**4.035.710**	**1.452.021**
Foreign exchange gains, interest income, discount income on current accounts presented in other operating income	129.843	43.216	104.411	12.389
Foreign exchange losses, interest income, discount income on current accounts presented in other operating expense (-)	(198.294)	(57.878)	(206.361)	(89.485)
Financial income	545.521	88.768	330.076	99.019
Financial expense (-)	(1.370.145)	(593.323)	(1.065.551)	(617.398)
Depreciation, amortisation and impairment	(2.207.306)	(713.922)	(2.072.073)	(718.914)
Consolidated profit before tax	**1.826.859**	**454.191**	**1.126.212**	**137.632**

30 September 2017	**Fixed Line**	**Mobile**	**Eliminations**	**Consolidated**
Total segment assets	22.307.112	9.081.385	(4.869.947)	26.518.550
Total segment liabilities	(19.485.114)	(7.250.671)	4.866.014	(21.869.771)

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)

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

6. CASH AND CASH EQUIVALENTS

	30 September 2017	**31 December 2016**
Cash on hand	501	358
Cash at banks– demand deposit	570.917	911.595
Cash at banks– time deposit	2.187.974	2.100.430
Other	1.159	3.983
	2.760.551	**3.016.366**

As of 30 September 2017, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 5,00% and 14,65% for TL deposits, between 0,10% and 4,50% for US Dollar deposits and between 0,40% and 2,30% for Euro deposits (31 December 2016: for TL deposits between 3,00% and 12,00%, for US Dollar deposits between 0,25% and 3,93%, for Euro deposits between 0,10% and 2,41%).

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

	30 September 2017	**30 September 2016**
Cash and cash equivalents	2.760.551	3.150.153
Less: restricted amounts		
- Collection protocols and ATM collection	(411.788)	(363.570)
- Other	(36.665)	(162)
Unrestricted cash	**2.312.098**	**2.786.421**

As of 30 September 2017, demand deposits amounting to TL 411.788 (30 September 2016: TL 363.570) is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected.

As of 30 September 2017, the Group has bank loans amounting to USD 29.464 and EURO 45.564 (31 December 2016: USD 11.415 and Euro 105.576) which have been committed to banks and have not been utilized yet, having maturity dates on 30 December 2017 and 16 December 2017, respectively.

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

7. FINANCIAL LIABILITIES

Bank borrowings

	30 September 2017			31 December 2016		
	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	15,46	151.238	151.238	14,05	70.200	70.200
Interest accruals:						
TL bank borrowings with fixed interest rates		3.246	3.246		2.374	2.374
Short-term borrowings			**154.484**			**72.574**
Short-term portion of long-term bank borrowings:						
USD bank borrowings with fixed interest rates	3,06	51.926	184.445	3,06	50.865	179.005
USD bank borrowings with variable interest rates(*)	3,49	211.216	750.261	3,31	302.548	1.064.727
EUR bank borrowings with variable interest rates (**)	1,25	174.885	733.187	1,22	162.517	602.920
Interest accruals of long-term bank borrowings:						
USD bank borrowings with fixed interest rates		801	2.847		505	1.778
USD bank borrowings with variable interest rates (*)		16.307	57.924		11.522	40.547
EUR bank borrowings with variable interest rates (**)		6.150	25.784		2.276	8.444
Short-term portion of long-term bank borrowings			**1.754.448**			**1.897.421**
Total short-term borrowings			**1.908.932**			**1.969.995**
Long-term borrowings:						
USD bank borrowings with fixed interest rates	3,06	32.217	114.437	3,06	61.402	216.085
USD bank borrowings with variable interest rates (*)	3,49	1.673.737	5.945.280	3,31	1.588.956	5.591.854
EUR bank borrowings with variable interest rates (**)	1,25	919.102	3.853.242	1,22	1.013.859	3.761.315
Total long-term borrowings			**9.912.959**			**9.569.254**
Total financial liabilities			**11.821.891**			**11.539.249**

(*) As at 30 September 2017, interest rate varies between Libor+ 0,54% and 3,40% (31 December 2016: Libor + 0,54% and 3,40%)

(**) As at 30 September 2017, interest rate varies between Euribor + 0,25% and 2,60% (31 December 2016: Euribor + 0,25% and 2,60%)

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

7. FINANCIAL LIABILITIES (CONTINUED)

Bank borrowings (continued)

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

	30 September 2017						31 December 2016					
	Up to 3 months	**3 months to 1 year**	**1 year to 2 years**	**2 years to 5 years**	**More than 5 years**	**Total**	**Up to 3 months**	**3 months to 1 year**	**1 year to 2 years**	**2 years to 5 years**	**More than 5 years**	**Total**
TL bank borrowings with fixed interest rates	142.428	12.056	–	–	–	154.484	64.816	7.758	–	–	–	72.574
USD bank borrowings with fixed interest rates	83.476	103.817	81.077	33.360	–	301.730	11.679	169.104	142.636	73.449	–	396.868
USD bank borrowings with variable interest rates	299.625	508.559	1.294.306	3.216.760	1.434.214	6.753.464	485.973	619.301	996.966	2.996.316	1.598.572	6.697.128
Euro bank borrowings with variable interest rates	331.539	427.432	1.281.581	2.025.471	546.190	4.612.213	26.749	584.615	875.653	2.373.603	512.059	4.372.679
	857.068	**1.051.864**	**2.656.964**	**5.275.591**	**1.980.404**	**11.821.891**	**589.217**	**1.380.778**	**2.015.255**	**5.443.368**	**2.110.631**	**11.539.249**

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

7. FINANCIAL LIABILITIES (CONTINUED)

Bill, bonds and notes issued

	30 September 2017			31 December 2016		
	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	16.595	58.948	4,54	4.897	17.235
Short-term bills, bonds and notes issued		**16.595**	**58.948**		**4.897**	**17.235**
Long-term bills, bonds and notes issued:						
USD bank borrowings with fixed interest rates	4,54	989.578	3.515.079	4,54	989.578	3.482.522
Long-term bills, bonds and notes issued		**989.578**	**3.515.079**		**989.578**	**3.482.522**
Total financial liabilities		**1.006.173**	**3.574.027**		**994.475**	**3.499.757**

The sales process of the bond issuances amounted to USD 500.000 with 10 years of maturity, and 4,875% coupon rate based on 4,982% reoffer yield was completed on June 19th, 2014. The bonds are now quoted at Irish Stock Exchange.

The sales process of the bond issuances amounted to USD 500.000 with 5 years of maturity, and 3,75% coupon rate based on 3,836% reoffer yield was completed on June 19th, 2014. The bonds are now quoted at Irish Stock Exchange.

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

	30 September 2017				31 December 2016			
	Up to 3 months	**1 year to 5 years**	**More than 5 years**	**Total**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Total**
Issued long term bills, bonds and notes	58.948	1.761.509	1.753.570	3.574.027	17.235	1.745.194	1.737.328	3.499.757
	58.948	**1.761.509**	**1.753.570**	**3.574.027**	**17.235**	**1.745.194**	**1.737.328**	**3.499.757**

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

8. DUE FROM AND DUE TO RELATED PARTIES

All intra-group transactions and balances including intra-group unrealized profits and losses are eliminated for consolidation purposes and are not disclosed in this note.

Institutions under state control are defined as related parties due to 25% ownership and the golden share of the Treasury. State controlled entities are defined as related parties but in accordance with the exemption provided by the TAS 24 disclosure requirements, state controlled entities are excluded from general reporting requirements.

Details of balances and transactions between the Group and other related parties as at 30 September 2017 and 31 December 2016 are disclosed below:

	30 September 2017	31 December 2016
Due from related parties		
Parent company		
Saudi Telecom Company ("STC") (1)	21.543	25.606
Other related parties		
Other	1.081	587
	22.624	**26.193**
Due to related parties		
Parent company		
STC (1)	1.814	1.406
Other related parties		
OTYH (2)	–	6.574
Other	17	832
	1.831	**8.812**

(1) Shareholder of Oger Telecom
(2) A subsidiary of Saudi Oger

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 30 September 2017, 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.

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

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

Guarantees provided to related parties:

As of 30 September 2017, guarantees amounting to USD 444.400 is for financial liabilities of Avea which are amounted to USD 277.400 and EUR 133.125, and guarantees amounting to USD 50.000 is given for financial liabilities of TTINT Turkey, 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.

Transactions with other related parties:

Postage services have been rendered by PTT for the Company.

Operational lease expense to PTT by the Company as part of the lease agreement amounts to TL 16.849 for the nine month period ended 30 September 2017 (30 September 2016: TL 15.292).

The Company is rendering and receiving international traffic carriage services, data line rent services to and from STC. For the period ended 30 September 2017, total revenues and expenses incurred in relation to these services amounted to TL 7.345 and TL 1.305, respectively (30 September 2016: TL 17.639 revenue and TL 701 expenses).

Compensation of key management personnel

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

	1 January - 30 September 2017	**1 July - 30 September 2017**	**1 January - 30 September 2016**	**1 July - 30 September 2016**
Short-term benefits	105.014	48.283	138.199	66.808
Long-term defined benefit plans	2.318	1.691	2.212	1.064
	107.332	**49.974**	**140.411**	**67.872**

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

9. TRADE RECEIVABLES FROM AND PAYABLES TO THIRD PARTIES

Trade receivables

	30 September 2017	31 December 2016
Short-term		
Trade receivables	6.744.252	5.787.093
Other trade receivables	137.990	140.036
Income accruals	560.631	564.735
Allowance for doubtful receivables (-)	(2.713.535)	(2.373.313)
Total short-term trade receivables	**4.729.338**	**4.118.551**
Long-term		
Trade receivables	76.620	42.095
Total long-term trade receivables	**76.620**	**42.095**

Trade receivables generally have a maturity term of 60 days on average (31 December 2016: 60 days). The movement of the allowance for doubtful receivables is as follows:

	1 January 2017 - 30 September 2017	1 January 2016 - 30 September 2016
At January 1	(2.373.313)	(2.002.146)
Provision for the year	(372.458)	(380.835)
Reversal of provision - collections	32.722	101.222
Write off of doubtful receivables	−	562
Change in currency translation differences	(486)	(398)
At 30 September	**(2.713.535)**	**(2.281.595)**

The Group waits up to 90 days before initiating legal action for overdue receivables. Based on its previous collection performance from overdue receivables, the Company expects to make significant collections from its overdue receivables. As of 30 September 2017 and 31 December 2016, the analysis of trade receivables that were neither past nor due and past due but not impaired is as follows:

			Past due but not impaired					
	Total	Neither past due nor impaired	< 30 days	30-60 days	60-90 days	90-120 days	120-360 days	>360 days
30 September 2017	**4.805.958**	3.459.396	312.222	173.193	93.167	81.147	297.570	389.263
31 December 2016	**4.160.646**	2.965.393	301.231	137.177	81.676	77.400	232.356	365.413

Receivables guaranteed of the Group are amounted to TL 30.572 (31 December 2016: TL 34.085).

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

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

Trade payables

	30 September 2017	31 December 2016
Short-term		
Trade payables	2.013.499	4.123.857
Expense accruals	714.435	388.039
Other trade payables	146	10.493
Total short-term trade payables	**2.728.080**	**4.522.389**
Long-term		
Trade payables	–	83.679
Total long-term trade payables	**–**	**83.679**

As of 30 September 2017, short term trade payables include TV broadcasting and licence rights and other short term trade payables. There is no payable remaining in current period regarding Avea 4.5G licence (31 December 2016: TL 895.470).

The average maturity term of trade payables is between 30 and 150 days (31 December 2016: 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.

As of 30 September 2017, Short term trade payables consists of payables within scope of supplier finance that amounting TL 620.922 (31 December 2016: TL 778.509).

10. TANGIBLE AND INTANGIBLE ASSETS

The amount of tangible and intangible assets purchased during the nine month period ended 30 September 2017 is TL 1.498.718 (30 September 2016: TL 2.063.721).

Net book value of tangible and intangible assets sold during the nine month period ended 30 September 2017 amounted to TL 7.974 (30 September 2016: TL 9.826).

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

11. PROVISIONS

Other short-term provisions

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

	30 September 2017	31 December 2016
Litigation, ICTA penalty and customer return provisions	247.572	264.200
	247.572	**264.200**

The movement of provisions is as follows:

	1 January - 30 September 2017	1 January - 30 September 2016
As at 1 January	**264.200**	**296.674**
Provisions for the period	35.167	43.839
Settled provisions	(53.026)	(62.498)
Reversals	–	(50.536)
Foreign currency translation difference	1.231	294
As at 30 September	**247.572**	**227.773**

Short-term provisions for employee benefits

	30 September 2017	31 December 2016
Short term provisions for employee benefits		
Personnel bonus provision	153.975	165.862
	153.975	**165.862**

The movement of provisions is as follows:

	1 January - 30 September 2017	1 January - 30 September 2016
As at 1 January	**165.862**	**178.822**
Provision for the period	166.771	131.277
Provisions paid	(131.545)	(163.831)
Reversals	(46.630)	(10.135)
Foreign currency translation difference	(483)	250
As at 30 September	**153.975**	**136.383**

Long term provisions for employee benefits

	30 September 2017	31 December 2016
Long term provisions for employee benefits		
Defined benefit obligation	672.550	695.953
Unused vacation provisions	85.996	87.448
	758.546	**783.401**

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

11. PROVISIONS (CONTINUED)

Defined benefit obligation

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

The retirement pay liability as at 30 September 2017 is subject to a ceiling of full TL 4.732,48 (31 December 2016: full TL 4.297,21) 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 - 30 September 2017	1 January - 30 September 2016
Defined benefit obligation at January 1	695.953	635.367
Service cost	31.248	36.437
Interest cost	42.726	35.243
Actuarial loss (*)	18.004	31.069
Benefits paid	(115.813)	(124.267)
Foreign currency translation difference	432	(165)
As at 30 September	**672.550**	**613.684**

(*) As at 30 September 2017, actuarial loss amounting to TL 18.004 (30 September 2016: TL 31.069) is recognized in other comprehensive income.

ii) Total expense recognized in the consolidated income statement:

	1 January - 30 September 2017	1 January - 30 September 2016
Service cost	31.248	36.437
Interest cost	42.726	35.243
Total net cost recognized in the consolidated statement of income	**73.974**	**71.680**

iii) Principal actuarial assumptions used:

	30 September 2017	31 December 2016
Interest rate	11,0%	11,0%
Expected rate of ceiling increases	6,0%	6,0%

For the years ahead, voluntary employee withdrawal of the Group is 2,44% (31 December 2016: 2,39%).

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

11. PROVISIONS (CONTINUED)

Long term employee benefits excluding defined benefit obligation

The movement of unused vacation provisions is as follows:

	1 January - 30 September 2017	**1 January - 30 September 2016**
As at 1 January	**87.448**	**79.677**
Provision for the period	44.562	51.592
Provisions paid	(8.263)	(7.902)
Reversals	(37.973)	(40.353)
Foreign currency translation difference	222	58
As at 30 September	**85.996**	**83.072**

Other long-term provisions

	30 September 2017	**31 December 2016**
Provision for the investments under the scope of TFRS Interpretation 12	8.020	7.887
	8.020	**7.887**

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

12. OTHER CURRENT ASSETS, OTHER LIABILITIES AND EMPLOYEE BENEFIT OBLIGATIONS

Other current assets

	30 September 2017	31 December 2016
Intermediary services for collection (*)	163.946	165.417
Advances given (***)	84.889	33.743
Value Added Tax ("VAT") and Special Communication Tax ("SCT")(**)	79.949	314.864
TAFICS projects	31.818	46.006
Other current assets	4.059	3.032
	364.661	**563.062**

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

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

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

Other current liabilities

	30 September 2017	31 December 2016
Advances received	29.289	34.760
Other liabilities	31.611	12.378
	60.900	**47.138**

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

Employee benefit obligations

	30 September 2017	31 December 2016
Social security premiums payable	112.552	68.879
Payables to personnel	59.880	88.774
Employee's income tax payables	46.970	45.580
	219.402	**203.233**

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

13. COMMITMENTS AND CONTINGENCIES

Guarantees received and given by the Group are summarized below:

		30 September 2017		31 December 2016	
		Original currency	TL	Original currency	TL
Guarantees received	**USD**	130.509	463.581	173.893	611.965
	TL	765.491	765.491	800.183	800.183
	Euro	39.951	167.489	42.338	157.068
			1.396.561		**1.569.216**
Guarantees given (*)	**USD**	163.458	580.621	162.577	572.140
	TL	353.744	353.744	254.227	254.227
	Euro	150.597	631.362	239.806	889.657
	Other	–	–	17	12
			1.565.727		**1.716.036**

(*) Guarantees given amounting to US Dollar 151.500 (31 December 2016: 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 2016: Euro 12.840) is related with the guarantee provided for 3G license and guarantees given amounting to Euro 57.281 (31 December 2016: Euro 57.281) is related with the guarantee provided for 4.5G license.

The Company's guarantee, pledge and mortgage (GPM) position as at 30 September 2017 and 31 December 2016 is as follows:

	30 September 2017	31 December 2016
A. GPMs given on behalf of the Company's legal personality	1.565.727	1.716.036
B. GPMs given in favor of subsidiaries included in full consolidation	1.499.315	1.303.204
C. GPMS given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	1.877.377	1.920.454
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	**4.942.419**	**4.939.694**

Based on law 128/1 of Turkish Code of Obligations, the Group has given guarantee to distributors amounting to TL 1.877.377 for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by the Group (31 December 2016: TL 1.920.454).

13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other commitments

The Group has purchase commitments for sponsorships, advertising and insurance services at the amounting to USD 23.500 and TL 57 equivalent to TL 83.531 (31 December 2016: TL 70.239) as at 30 September 2017. Payments for these commitments are going to be made in a 3-year period.

The Group has purchase commitments for fixed assets amounting to USD 236.567, Euro 24.494 and TL 195.711 equivalent to TL 1.138.713 (31 December 2016: TL 1.145.296) as at 30 September 2017.

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 13.638 (31 December 2016: TL 13.987) is provided as of 30 September 2017 for the ongoing cases.

Disputes between the Company and Municipalities

For contribution to the infrastructure investment and municipality share, municipalities filed against the Company and as at 30 September 2017, total provision including the nominal amount and legal interest charge which is amounting to TL 49.850 (31 December 2016: TL 48.641) is recognized.

Disputes between the Group and the ICTA

The Company has filed various lawsuits against ICTA. These lawsuits are related with the sector-specific and tariff legislations and legislations with respect to the other operators in the market. The sector-specific disputes generally stem from the objections with respect to the provisions of interconnection legislation, legislation with respect to telecommunication services and infrastructure. As of 30 September 2017, TL 25.400 provision provided for ICTA penalties and amounts to be repaid to customers due to ICTA resolutions (31 December 2016: TL 52.346).

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.

13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Meanwhile, the Management 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.
- A cancellation case has been initiated with stay of execution request regarding the penalties claimed under the 3G Concession Agreement. The stay of execution request was denied. The objection against this ruling is also denied.

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.

Meanwhile, the Management has taken the following actions for the claimed amounts

- Preliminary injunction has been received regarding the penalty accrual over 2G Concession Agreement and arbitration process has been initiated.
- A cancellation case initiated with stay of execution request regarding penalties claimed under the 3G Concession Agreement. The stay of execution request is denied.While these developments were ongoing, the lawsuits regarding the year of 2009 in relation to previous Treasury reports on 3G services are resulted in favor of Avea in Council of State. Council of State's favourable ruling set a precedent for three more cases and lawsuits on Contribution Fee to Institution Expense, Universal Service Fee and Penalties related to the same period were concluded in favour of Avea in the Council of State. These four decisions set a precedent for the other ongoing cases. Within the framework of the court rulings in favor of the Company regarding the discount cases for 2009, the Company has requested for extension of payment period from ICTA. The objection against the decision to refuse the request of suspension of execution was rejected. Once again stay of execution was requested from Council of State. Our request is in the process of examination The case is pending as at 30 September 2017.

As a result of an inspection review on gross sales of Avea for the years 2012 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.

ICTA sent a notification for penalties amounting to TL 182.476 related to 3G concession agreement (for periods including 2011, 2012 and 2013) and TL 322.923 related to 2G concession agreement (for periods including 2009, 2010, 2011, 2012 and 2013) were sent which are calculated as three times over the principal amount.

13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

- The company's application for preliminary injunction, regarding the treausury share and penalty claimed under 2G Concession Agreement, has accepted. Arbitration case is initiated.
- A cancellation case initiated with stay of execution request regarding the amounts -claimed under the 3G Concession Agreement. Council of State issued a stay of order decision regarding the claimed amounts of treasury shares over 3G Concession Agreement for discounts. While proceeding with legal procedures, the Company has requested reversal of the penalty notification until the finalisation of the legal processes about the decisions ruled by Council of State which are in favor of Avea for the year 2009 and above mentioned stay of order decision. Upon the indirect refusal of this request, regarding for the penal clause a claim has been filed for the suspension for execution and cancellation.

The Company has recognized a provision amounting to TL 119.927 in the consolidated financial statements for additional treasury share claim as at 30 September 2017 (31 December 2016: TL 111.554).

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 38.757 as at 30 September 2017 (31 December 2016: TL 37.672). 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.

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

14. FINANCIAL RISK MANAGEMENT AND POLICIES

Market risk

Foreign currency risk

	30 September 2017					31 December 2016				
	TL Equivalent	**US Dollar**	**Euro**	**GBP**	**Other**	**TL Equivalent**	**USD**	**Euro**	**GBP**	**Other**
1. Trade receivables	197.491	24.744	26.103	–	174	166.761	25.518	20.700	–	172
2a. Monetary financial assets (Cash and banks accounts included)	1.659.781	358.609	92.059	4	–	720.277	139.625	61.702	–	–
2b. Non-monetary financial assets	–	–	–	–	–	–	–	–	–	–
3. Other	100.879	7.618	17.606	–	–	69.413	1.789	17.011	1	–
4. Current assets (1+2+3)	**1.958.151**	**390.971**	**135.768**	**4**	**174**	**956.451**	**166.932**	**99.413**	**1**	**172**
5. Trade receivables	2.878	550	29	–	846	5.723	956	110	–	2.081
6a. Monetary financial assets	62.928	15.573	1.816	–	–	58.158	14.612	1.816	–	–
6b. Non-monetary financial assets	–	–	–	–	–	–	–	–	–	–
7. Other	27	–	7	–	–	682	39	147	–	–
8. Non-current assets (5+6+7)	**65.833**	**16.123**	**1.852**	**–**	**846**	**64.563**	**15.607**	**2.073**	**–**	**2.081**
9. Total assets (4+8)	**2.023.984**	**407.094**	**137.620**	**4**	**1.020**	**1.021.014**	**182.539**	**101.486**	**1**	**2.254**
10. Trade payables	710.865	142.531	48.643	96	203	2.798.874	413.637	362.013	39	3
11. Financial liabilities	1.813.444	296.846	181.035	10	–	1.914.891	370.338	164.793	43	–
12a. Monetary other liabilities	140.762	17.229	18.978	–	–	24.661	3.102	3.705	–	–
12b. Non-monetary other liabilities	6	1	–	–	–	–	–	–	–	–
13. Short-term liabilities (10+11+12)	**2.665.077**	**456.607**	**248.656**	**106**	**203**	**4.738.426**	**787.077**	**530.511**	**82**	**3**
14. Trade payables	–	–	–	–	–	85.104	93	22.851	–	–
15. Financial liabilities	13.428.038	2.695.531	919.102	–	–	13.051.776	2.639.936	1.013.859	–	–
16 a. Monetary other liabilities	245.204	42.540	22.445	–	–	241.623	43.307	24.048	–	–
16 b. Non-monetary other liabilities	–	–	–	–	–	–	–	–	–	–
17. Long-term liabilities (14+15+16)	**13.673.242**	**2.738.071**	**941.547**	**–**	**–**	**13.378.503**	**2.683.336**	**1.060.758**	**–**	**–**
18. Total liabilities (13+17)	**16.338.319**	**3.194.678**	**1.190.203**	**106**	**203**	**18.116.929**	**3.470.413**	**1.591.269**	**82**	**3**
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	**3.552.501**	**1.555.000**	**(470.140)**	**–**	**–**	**2.236.771**	**1.205.000**	**(540.140)**	**–**	**–**
19a. Total asset amount hedged	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
19b. Total liability amount hedged	**(3.552.501)**	**(1.555.000)**	**470.140**	**–**	**–**	**(2.236.771)**	**(1.205.000)**	**540.140**	**–**	**–**
20. Net foreign currency asset/(liability) position (9-18+19)	**(10.761.834)**	**(1.232.584)**	**(1.522.723)**	**(102)**	**817**	**(14.859.144)**	**(2.082.874)**	**(2.029.922)**	**(80)**	**2.251**
21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(14.415.235)**	**(2.795.201)**	**(1.070.196)**	**(102)**	**817**	**(17.166.010)**	**(3.289.702)**	**(1.506.941)**	**(82)**	**2.251**
22. Fair value of FX swap financial instruments	**339.201**	**95.493**	**–**	**–**	**–**	**367.841**	**104.524**	**–**	**–**	**–**
23. Hedged amount of foreign currency assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
24. Hedged amount of foreign currency liabilities	**(3.552.501)**	**(1.555.000)**	**470.140**	**–**	**–**	**(2.236.771)**	**(1.205.000)**	**540.140**	**–**	**–**

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

14. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

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

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

30 September 2017	**Profit/Loss**		**Other comprehensive income**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Appreciation of USD against TL by 10%:				
1- USD net asset/liability	(1.005.855)	1.005.855	–	–
2- Hedged portion of USD risk (-) (*)	89.540	(125.972)	(9.422)	9.422
3- USD net effect (1+2)	**(916.315)**	**879.883**	**(9.422)**	**9.422**
Appreciation of Euro against TL by 10%:				
4- Euro net asset/liability	(441.285)	441.285	–	–
5- Hedged portion of Euro risk (-)	(34.759)	34.011	12.111	(12.111)
6- Euro net effect (4+5)	**(476.044)**	**475.296**	**12.111**	**(12.111)**
Appreciation of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	(48)	48	–	–
8- Hedged portion of other foreign currency (-)	–	–	–	–
9- Other foreign currency net effect (7+8)	**(48)**	**48**	**–**	**–**
Total (3+6+9)	**(1.392.407)**	**1.355.227**	**2.689**	**(2.689)**

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 (-)	(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	–	–
5- Hedged portion of Euro risk (-)	–	–	(10.039)	10.039
6- Euro net effect (4+5)	**(552.694)**	**552.694**	**(10.039)**	**10.039**
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**	**(10.039)**	**10.039**

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

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

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

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

	Carrying amount		Fair value	
	30 September 2017	**31 December 2016**	**30 September 2017**	**31 December 2016**
Financial assets				
Cash and cash equivalents	2.760.551	3.016.366	2.760.551	3.016.366
Trade and other receivables (including related parties)	4.929.587	4.273.657	4.929.587	4.273.657
Other financial investments (*)	11.840	11.840	(*)	(*)
Derivative financial assets	556.676	652.798	556.676	652.798
Financial liabilities				
Bank borrowings	11.821.891	11.539.249	11.821.569	11.538.927
Bills, bonds and notes issued	3.574.027	3.499.757	3.624.820	3.393.503
Financial leasing liabilities	2.575	2.173	2.575	2.173
Trade payables and other liabilities (including related parties) (**)	3.979.331	5.950.127	3.979.331	5.950.127
Derivative financial liabilities	312.805	385.968	312.805	385.968

(*) 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

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

14. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

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

Fair value hierarchy table as at 30 September 2017 is as follows:

			Fair Value Measurement		
	Date of Valuation	**Total**	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial assets measured at fair value:					
Derivative Financial Assets:					
Cross currency swaps	30 September 2017	501.361	–	501.361	–
Interest rate swaps	30 September 2017	55.315	–	55.315	–
Financial liabilities measured at fair value:					
Derivative Financial Liabilities:					
Interest rate swaps	30 September 2017	150.645	–	150.645	–
Cross currency swaps	30 September 2017	162.160	–	162.160	–
Other financial liabilities not measured at fair value					
Bank loans	30 September 2017	11.821.569	–	11.821.569	–
Bills, bonds and notes issued	30 September 2017	3.624.820	3.624.820	–	–

Fair value hierarchy table as at 31 December 2016 is as follows:

			Fair Value Measurement		
	Date of Valuation	**Total**	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial assets measured at fair value:					
Derivative Financial Assets:					
Cross currency swaps	31 December 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	–
Non-controlling interest put option liability	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	–	–

Capital management policies

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. No changes were made in the objectives, policies or processes during the years 2017 and 2016.

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

15. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS

Dividends

Since, there is no consolidated profit for the year 2016, no amount is determined as available for dividend distribution.

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).

16. DERIVATIVE FINANCIAL INSTRUMENTS

Cash flow hedges and derivative financial instruments

Interest rate swaps

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

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

As of 30 September 2017 fair value of interest rate derivative transactions amounting to TL 150.645 has been recognized under long term financial liabilities (31 December 2016: TL 152.408). Unrealized gain on these derivatives amounting to TL 923 (30 September 2016: TL 128.756 loss) is recognized in other comprehensive income. Unrealized gain on these derivatives' time value amounting to TL 840 (30 September 2016: TL 3.338 gain) is recognized in statement of profit or loss.

Company	Notional Amount (USD Dollar)	Trade Date	Terms	Fair Value Amount as at 30 September 2017 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	Pay fixed rates and receive floating rates between March 2014 and March 2022	(31.097)
Türk Telekom	200.000	8 April 2013 – 17 April 2013	Pay fixed rates and receive floating rates between 19 August 2015 and 21 August 2023	(14.519)
Türk Telekom	300.000	29 April – 20 May 2014	Pay fixed rates and receive floating rates between June 2016 and June 2024	(90.963)
Türk Telekom	150.000	15 May 2014 - 16 May 2014	Pay fixed rates and receive rates between June 2016 and and August 2016, and June 2024 and August 2024	(14.066)
				(150.645)

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

16. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges and derivative financial instruments (continued)

Interest rate swaps (continued)

Company	Notional Amount (USD Dollar)	Trade Date	Terms	Fair Value Amount as at 31 December 2016 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	Pay fixed rates between March 2014 and March 2022, and receive floating rates	(32.049)
Türk Telekom	200.000	8 April 2013 – 17 April 2013	Pay fixed rates between 19 August 2015 and 21 August 2023, and receive floating rates	(12.462)
Türk Telekom	300.000	29 April – 20 May 2014	Pay fixed rates between June 2016 and June 2024, and receive floating rates	(90.545)
Türk Telekom	150.000	15 May 2014 - 16 May 2014	Pay floating price between June 2016, August 2016 June 2024 and August 2024 and receive fixed premiumin certain interest rate corridors through interest option strategies	(17.352)
				(152.408)

Hedge of net investment in a foreign operation

The Company utilized a loan amounting to Euro 150.000 in order to hedge its net investment in a foreign operation with a Euro functional currency. Foreign exchange gain and/or loss resulting from the subsidiary's net investment portion of this loan is reclassified to reserve for hedge of net investment in a foreign operation under equity.

Other derivative instruments which are not designated as hedge

As of 30 September 2017 fair value of the interest rate swap transactions which are not designated as hedge and amounting to TL 55.315 is recognized under long term financial assets (31 December 2016: TL 51.397 assets). Unrealized gain on these derivatives amounting to TL 3.918 (30 September 2016: TL 9.120 gain) is recognized in profit or loss.

Company	Notional Amount (USD Dollar)	Trade Date	Terms	Fair Value Amount as at 30 September 2017 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 19 March 2014 and 21 March 2022, and receive fixed premium (0,24%-0,27%)	15.657
Türk Telekom	200.000	8 April 2013 – 17 April 2013	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 21 August 2015 and 21 August 2023, and receive fixed premium (0,24%-0,27%)	9.433
Türk Telekom	300.000	29 April – 20 May 2014	Pay the difference between floating rate and 4% if floating rate exceeds 4%, between June 2016 and June 2021, and receive fixed premium (0,44%-0,575%) Pay the difference between floating rate and 6% if floating rate exceeds 6%, between June 2021 and June 2024, and receive fixed premium (0,39%-0,45%)	30.225
				55.315

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

16. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

Company	Notional Amount (USD Dollar)	Trade Date	Terms	Fair Value Amount as at 31 December 2016 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 19 March 2014 and 21 March 2022, and receive fixed premium (0,24%-0,27%)	15.849
Türk Telekom	200.000	8 April 2013 – 17 April 2013	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 21 August 2015 and 21 August 2023, and receive fixed premium (0,24%-0,27%)	8.223
Türk Telekom	300.000	29 April – 20 May 2014	Pay the difference between floating rate and 4% if floating rate exceeds 4%, between June 2016 and June 2021, and receive fixed premium (0,44%-0,575%) Pay the difference between floating rate and 6% if floating rate exceeds 6%, between June 2021 and June 2024, and receive fixed premium (0,39%-0,45%)	27.325
				51.397

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 two part 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 (TT International 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 transactions on 14 September 2017 with maturity dates on 14 June 2024 with a total notional amount of USD 50.000. The company converted USD 50.000 debt into TL debt with this transaction.

The Company has also entered into transactions on 26 September 2017 with maturity dates on 14 June 2024 with a total notional amount of USD 50.000. The company converted USD 50.000 debt into TL debt with this transaction.

The currency swap transaction that Company has as of 31 December 2016 with a total notional amount of USD 250.000 is totally expired. The Company has also entered into currency swap transactions on 29 September 2017 with a total notional amount of EUR 70.000.

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

16. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

As of 30 September 2017, fair value of derivative transactions amounting to TL 501.361 (31 December 2016: TL 601.401) is recognized under short term financial assets. Unrealized loss of these derivatives amounting to TL 100.040 (30 September 2016: TL 6.570 gain) is recognized in profit or loss.

As of 30 September 2017, fair value of derivative transactions amounting to TL 115.126 (31 December 2016: TL 49.157) is recognized under short term financial liabilities. Unrealized loss of these derivatives amounting to TL 65.969 (30 September 2016: TL 5.880 loss) is recognized in profit or loss.

Company	Notional Amount (USD Dollar)	Trade Date	Terms	Fair Value Amount as at 30 September 2017 (TL)
Türk Telekom	500.000	21 April 2015 - 9 July 2015	Pay TL and receive USD at maturity date	462.721
Türk Telekom	350.000	31 March 2016 - 13 April 2016	Pay TL and receive USD at maturity date	38.640
				501.361
Türk Telekom	175.000	30 April 2015	Pay EUR and receive USD at a maturity date	(39.805)
Türk Telekom	380.000	10 March 2016 - 17 March 2016	Pay EUR and receive USD at maturity date	(61.007)
Türk Telekom	50.000	14 September 2017	Pay TL and receive USD at maturity date	(2.427)
Türk Telekom	50.000	26 September 2017	Pay TL and receive USD at maturity date	(2.748)
Türk Telekom	70.000	29 September 2017	Pay TL and receiveEUR at maturity date	(376)
TTINT Türkiye	50.000	16 June 2016	Pay EUR and receive USD at maturity date	(8.763)
				(115.126)

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2016 (TL)
Türk Telekom	175.000	30 April 2015	Pay EUR and receive USD at a maturity date	28.196
Türk Telekom	500.000	21 April 2015 - 9 July 2015	Pay TL and receive USD at maturity date	410.946
Türk Telekom	380.000	10 March 2016 - 17 March 2016	Pay EUR and receive USD at maturity date	121.448
Türk Telekom	350.000	31 March 2016 - 13 April 2016	Pay TL and receive USD at maturity date	30.033
TTINT Türkiye	50.000	16 June 2016	Pay EUR and receive USD at maturity date	10.778
				601.401
Türk Telekom	250.000	9 November 2016 - 18 November 2016	Pay USD and receive TL at maturity date	(49.157)
				(49.157)

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

16. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

The Company has also entered into foreign exchange option transactions on 6 January and 18 June 2015 with maturity dates on 18 June 2019 and 2024 with a total notional amount of EUR 490.196 (31 December 2016:EUR 897.725).

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

As of 30 September 2017, fair value of derivative transactions amounting to TL 47.034 (31 December 2016: TL 184.403) is recognized under short term financial liabilities. Unrealized gain on these derivatives amounting to TL 137.369 (30 September 2016: TL 1.091 loss) is recognized in profit or loss.

Company	Notional Amount (EUR)	Trade Date	Terms	Fair Value Amount as at 30 September 2017 (TL)
Türk Telekom	490.196	6 January 2015- 18 June 2015	Foreign exchange option transactions	(40.652)
Türk Telekom	338.235	10 March 2016- 17 March 2016	Foreign exchange option transactions	(6.382)
				(47.034)

Company	Notional Amount (EUR)	Trade Date	Terms	Fair Value Amount as at 31 December 2016 (TL)
Türk Telekom	897.725	6 January 2015- 18 June 2015	Foreign exchange option transactions	(138.915)
Türk Telekom	338.235	10 March 2016- 17 March 2016	Foreign exchange option transactions	(45.488)
				(184.403)

17. 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 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.

17. SUBSEQUENT EVENTS

None.